

**PRODUCT STANDARDIZATION BY MULTINATIONAL  
CORPORATIONS IN A REGIONAL MULTICULTURAL MARKET:  
*CASE STUDIES OF COSMETIC MNCs IN THE EUROPEAN UNION***

DISSERTATION

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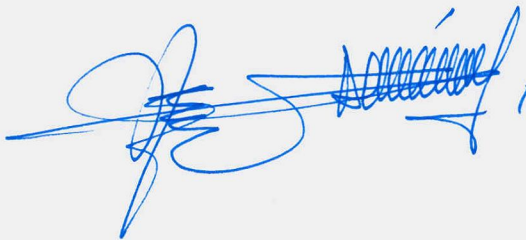
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Alain Claude Ngouem

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## List of abbreviations

|         |   |
|---------|---|
| AG      | Aktien Gesellschaft   |
| AMA     | American Marketing Association                                    |
| ASAP    | Aerosol Spray and Packaging Technology                            |
| ASEAN   | Association of South East Asian Nations                           |
| ASTM    | American Society for Testing Materials                            |
| B.C.    | Before Christ   |
| BCG     | Boston Consulting Group   |
| Bfai    | Bundesstelle für Außenhandelsinformation                          |
| Benelux | Belgium, Netherlands and Luxembourg (Economic Union)              |
| BSI     | British Standards Institution                                     |
| CEN     | European committee for normalization                              |
| CENELEC | European committee for electronic techniques normalization        |
| CET     | Common External Tariff  |
| CM      | Common Market   |
| COLIPA  | European Cosmetic, Toiletry and Perfumery Association             |
| CU      | Customs Union   |
| DIN     | Deustches Institut für Normung                                    |
| DSD     | Dual system Deutschland   |
| EAPCCT  | European Association of Poison Centers and Clinical Toxicologists |
| ECT     | European Community Treaty   |
| EC      | European community  |
| EFTA    | European Free Trade Association                                   |
| EMA     | European Medicines Agency   |
| EOTC    | European Organization for Testing and Certification               |
| EU      | European Union  |
| EURO    | European single currency  |
| FDI     | Foreign Direct Investment   |
| FTA     | Free Trade Area   |
| GATT    | General Agreement on Tariffs and Trade                            |
| GDP     | Gross Domestic Product  |
| GfK     | Gesellschaft für Konsumentenforschung                             |
| GNP     | Gross National Product  |

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|           |  |
|-----------|--|
| GSM       | European standard for digital cellular mobile telephony                      |
| GmbH      | Gesellschaft mit beschränkter Haftung  |
| HS        | Harmonized System (of tariff classification)                                 |
| IKW       | Industrieverband Körperpflege und Wachmittel e. V.                           |
| IMF       | International Monetary Fund  |
| IPLC      | International Product Life Cycle   |
| ISDN      | Digital network system of European telecom operators                         |
| ISO       | International Standards Organization   |
| KG        | Kommandite Gesellschaft  |
| MERCOSUR  | South American common market   |
| MNCs      | Multinational Corporations   |
| NAFTA     | North American Free Trade Agreement  |
| NYC       | New York City  |
| OASIS     | Organization for the Advancement of Structured Information Standards         |
| PAL       | European standard for non-digital color TV                                   |
| R & D     | Research and Development   |
| SADC      | South African Development Community  |
| SBU       | Strategic Business Unit  |
| SECAM     | European standard for non-digital color TV (France and Greece only)          |
| SEM       | Single European Market   |
| SIC       | Standard Industrial Classification   |
| SLIM      | Simplification of Legislation for Internal Market (an EC program since 1996) |
| SWAB      | Sell what people actually buy  |
| SWYG      | Sell what you have got   |
| TENs      | Trans-European Networks  |
| TV        | Television   |
| UK        | United Kingdom   |
| UN/CEFACT | United Nations Center for Trade Facilitation and Electronic Business         |
| UNIX      | Standard in information technology   |
| USA       | United States of America   |
| UV        | Ultra violet   |
| WTO       | World Trade Organization   |

## **ABSTRACT**

The product policy becomes complex as soon as the company goes international. European companies are confronted with this complexity of the international product policy since they want to gain the market share on the various European markets, which remain heterogeneous, taking into account the cultural differences. Nevertheless, European unification causes additional marketing interactions between companies. These interactions are influenced not only by law or norms, but also by firm intern and/or extern particularities, product structures and market characteristics in various countries.

The fundamental question of our research is to know how cosmetic companies standardize their products in the European Union market. We used case study approach, which consists to describe the product standardization process adopted by these companies. Specifically, the main objective is to assess the role of the brand, package, label of product, and organizational structure of a firm when it is going internationally or regionally.

The dissertation begins with an overview of academic literature that emphasizes the contribution of internationalization theories to the firm strategy, as well as the international trade theory, IPLC or the theory of customer convergence needs which reinforce the central place of the standardized product. The standardization phenomenon is also claimed to increase the accessibility of product in a foreign market. A description of the background of the product standardization is also provided.

A sampling procedure for analyzing firms that standardize their products is described. Observations and interview responses from managers and decision makers in six cosmetic firms are analyzed. It is argued that cosmetic products are standardized by the brand name, package, label, ingredient, quality and size. Further, it is argued that the product standardization level is coordinated by more detailed cooperation within firm's divisions such as marketing division, production division, and Headquarters on one hand. On another hand specific cooperation between headquarter and subsidiaries.

The dissertation concludes with a discussion affecting the total standardization or adaptation of the product entering into multicultural markets.

## **ZUSAMMENFASSUNG**

Die Produktpolitik wird komplexer, sobald ein Unternehmen beginnt, sich zu internationalisieren. Europäische Unternehmen werden mit der Komplexität der internationalen Produktpolitik konfrontiert, sobald sie Marktanteile auf den verschiedenen Europäischen Märkten gewinnen, die in Anbetracht der kulturellen Unterschiede heterogen bleiben.

Die grundlegende Frage unserer Forschung besteht darin zu erfahren wie Unternehmen der Kosmetikbranche ihre Produkte auf dem Markt der Europäischen Union vereinheitlichen. Wir nutzen die Fallstudie, die den Produkt- Standardisierungs- Prozess beschreibt den diese Unternehmen anwenden. Das Hauptziel ist die Rolle der Marke, der Verpackung, des Produkt-Etiketts und der Organisationsstruktur eines Unternehmens festzusetzen, je nachdem ob es internationale oder regionale Wege geht.

Die Abhandlung beginnt mit einem Überblick über wissenschaftliche Literatur, die den Beitrag der Internationalisierungstheorien zur Firmenstrategie hervorhebt, ebenso wie die internationale Handelstheorie, IPLC, oder die Theorie der Konvergenzbedürfnisse der Kunden, die die zentrale Funktion des standardisierten Produktes betont. Das Standardisierungsphänomen wird auch deswegen angestrebt, um die Zugänglichkeit des Produktes im Auslandsmarkt zu erhöhen. Eine Beschreibung des Hintergrundes der Produktnormierung wird auch zur Verfügung gestellt.

Es wird zudem ein beispielhaftes Verfahren zur Analyse von Unternehmen, die ihre Produkte standardisieren, beschrieben. Es werden Beobachtungen und Interviewantworten von Managern und von den Entscheidern in sechs kosmetischen Unternehmen analysiert. Es wird gezeigt, dass Kosmetik Produkte hinsichtlich Marke, Verpackung und Etikett vereinheitlicht werden. Ferner wird gezeigt, dass der Grad der Produktevereinheitlichung einerseits durch intensivere Zusammenarbeit einzelner Abteilungen wie dem Marketing, der Produktion und der Führungsebene abzustimmen ist. Andererseits durch spezifische Zusammenarbeit zwischen Firmenleitung und Niederlassungen bzw. Tochtergesellschaften.

Die Abhandlung schließt mit einer Diskussion über vollständige Produkt-Normierung oder Produktanpassung beim Eintritt in multikulturelle Märkte.

## INTRODUCTION

With fundamental changes in the regional economic integration, companies that move in those regions where everything seems to be standardized are subject to lively debate. With the surging of new technologies, transport infrastructure, convergence of consumer needs, laws and politics, European MNCs are willing to change in the favor of standardization.

The European Union has created an internal market with common norms, free movement of goods and people in fifteen countries<sup>1</sup>, making this the largest and most integrated common market in the world. However, the elimination of internal tariffs and custom, as well as financial and commercial barriers, has not eliminated national pride (Deresky, 2003) and national culture. Each nation has its own values, customs, and taboos. Thus, several European Multinational corporations<sup>2</sup> have difficulties adopting a specific strategy for their products in the European market today. That because the product should be standardized across several markets or adapted in order to accommodate different market conditions, requirements, and preferences.

Product standardization is a concrete marketing management problem in several firms currently. In fact, European markets are specifics with different cultures. Hofstede's (1980) study showed that some European countries have higher power distance. Other authors explain the culture differences between countries through religion (Huntington, 1997), or consumption behaviors (Mead, 1994). Obviously, these cultural differences influence the consumption attitude, preferences and taste, because culture affects beliefs, values and behavior. Regardless of the specific nature of the variations, if one accepts the view that national cultural characteristics influence people's behavior and beliefs, then it is reasonable to expect that this will also mean that consumption styles are not common throughout the regional bloc. Hofstede and Trompenaars demonstrate that there is a level of cultural affinity among groups of nations, and a general understanding of consumption practice is made easier if the key characteristics of these groups are known.

Managers said that product strategies are complex and are confronted with several marketing strategy problems. Marketing problems appear especially when international products are confronted with adaptation or standardization matter in the different markets. Some authors mentioned this dilemma between adaptation and standardization in their studies. Levitt (1983)

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<sup>1</sup> The study starts in 1995, date on which the fifteenth Member States got together, and ends before May 2004, date on which EU changed to twenty-five Member States. Thus, the study is about EU with fifteen countries.

<sup>2</sup> Multinational Corporation (MNC), Firm, Company, and Enterprises do not have the same meaning in reality. But, will be used here to indicate the same thing, i.e. one production unit or a factory. MNC is normally a company that engages in production or service activities through its own affiliates in several countries, maintains control over the policies of those affiliates, and manages from a global perspective. A multinational business operates in more than one country.

suggests that global brands are more important than ever. While, Wind (1986) argues that no powerful empirical evidence exists to show that the world is becoming more homogeneous. In our study, we should not enter into this discussion. Nevertheless, we take into consideration that concurrent with the standardization, marketers recognized the importance of international product strategy.

The regional<sup>3</sup> market has some similarities with the international market. Theoretically, we can think that, Levitt's point of view on standard international product could be applied to the companies wanting to move to a regional market. However, in practice, we note that, problems are extremely complex for firms operating in multiple European markets. Customers from different European countries have varying requirements and multinational decisions on product characteristics, containers or packages are necessarily quite complex. Indeed, should European firm have trouble when trying to standardize its product? It is neither clear that there is not a definite answer to this question, nor even that it is possible to completely standardize. Certainly, it is possible to standardize a product concept such as fast food, convenience in use, and electronics. Should this be the case for cosmetic products? Cosmetic products are primarily chemical products manufactured by chemical industries or laboratories. The range of cosmetic products is wide, and generally, they are manufactured to satisfy the needs of body care and beauties, which are universal needs.

Today, the status and the structure of the cosmetics industry are very important. In a recent analysis of the three-outlet share of major cosmetics sales by A.C. Nielsen Company<sup>4</sup>, the wide variation became very evident. The data collected by COLIPA indicates an apparent phenomenal growth for the toiletries industry in the European Union. From 1970 to 1980, sales increased over one hundred percent. Since 1990 with the European Union extension, sales increased once more. Over the last five years, sales have still increased.

Recognizing that cosmetics keep on being a significant source of revenue and profit<sup>5</sup>, researchers are paying more attention to these products. That is the reason we decided to analyze the firm international product strategies in the cosmetic field. In fact, the international cosmetic product policy is the central topic of our research. Many European companies have been engaged in regional activities for decades. For example, L'Oreal, and other MNCs are familiar to most consumers around the European Union. The majority of cosmetic companies seek to increase

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<sup>3</sup> Note that "regional" or "region" in the present work will be used to refer to a group of countries.

<sup>4</sup> A.C. Nielsen, (68th Annual Review). 2001.

<sup>5</sup> For example in Germany, the best available data on the organization of the cosmetics industry, number of companies, number of employees, and other data are presented by IKW, the German Cosmetic, Toiletry, Perfumery and Detergent Association, which is the industry and trade association of manufacturers and distributors of cosmetic, toiletry, perfumery, detergents and household cleaning products.

their exports. Germany, the United Kingdom, the Benelux, and the Scandinavian countries are now subsidizing marketing programs to help firms move into export<sup>6</sup>. Firms struggle to reconfigure and re-coordinate their activities to capture the opportunity of geographic arbitrage.

However, although the European Union is favorable to the concept of product standardization by means of a common regulation, infrastructure facilities and convergence of the European consumer, the various cultures and other socio-economic parameters complicate the possibility of standardization. To this effect, the European firms must move in a dynamic area where they adopt specific strategies to survive in their environment. These strategies will be relative to their structural organization taking account of their regional orientation and of their international experience on one hand. On the other hand, the European firms will have to adopt an international product strategy that takes account of the standard characteristics of the product in order to satisfy and to win the loyalty of the European consumer.

As a matter of following logic, the cosmetic firms intend to gain market share by selling everywhere in the world in general, and in the European market in particular. That is why the cosmetic firms are confronted with the standardization problem as other multinational corporations. However, the question is how to have a unique product for several markets. In other words, if standardization is attainable in a market like European Union, how do European firms achieve standardization of their products? That is the focus of our study question. In light of the preceding comments, the research problem can be stated as follow:

**How should cosmetic companies standardize products in the European Union markets?**

Some concerns are associated with the variables that govern product standardization. The focus will rest on five questions:

- Which product initiatives are available from the standardization viewpoint in general and how do branding, packaging and labeling activities in particular change in this process?
- Which firm strategies are available in terms of timing decision, coordination, and cooperation between headquarters, external and internal structures? In addition, how do they change while cosmetic firms standardize a product?
- Who is responsible for the conception, planning, and implementation of the standardized product manufactured in the firm?
- What is the concrete process that firms have at hand to manufacture a standardized product?
- Should firms adopt complete product standardization?

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<sup>6</sup> See "European States Subsidize Marketing Aid," *Business Marketing*, November 1986, pp. 27-28.

Our study answers these questions by analyzing product characteristic similarities, and firm specific factors through the type of organizational model that will typically be able to realize a standardized product. Finally, this work investigates implementation processes that cosmetic firms choose to standardize their product in a multicultural regional market.

It is important to note that this essay is about marketing strategies, not manufacturing. There exists a continual conflict between manufacturing and marketing divisions. In fact, it is to the advantage of the manufacturing division if all products and components are standardized. However, the marketing division's interests lie in satisfying the diverse needs of customers, requiring broad product lines and frequent product modification adding cost to manufacturing. While aggressive competition emphasizes corporate product policy and concomitant manufacturing, many firms have realized that product standardization alone cannot sustain their long term competitive position without an effective product policy linking product and manufacturing process innovations. Thus, final decision to standardize the product has to be taken by the marketing division. The strategic issue, therefore, is how to decide to create, launch and distribute a standardized product that is similarly manufactured in a regional market. Indeed, standardization means offering a uniform (product) on a regional basis (several units).

In this way, the research can deliver relevant contributions to various themes that represent product standardization, firm regionalization and internationalization strategies. Thus, it holds a promise that the tractable field of standardization is extended. In the wide field of economic integration, a business rationale for a large incumbent corporation to manufacture standardized products can potentially mitigate a dwindling efficacy of public institutions in an otherwise product world. This potentially signifies unlocking resources for regional amelioration.

The field of the study is quite vast and covers two main points: standardization of the product through the company framework and the regional multicultural market. The research has a regional dimension, which have limited to the fifteen countries that compromise Western Europe. This regional choice supports the fact that these countries constitute an important economic bloc, and allows us to limit temporally our study to before May 2004, after which time the EU increased to twenty-five Member States<sup>7</sup>. 1990 is the first decade when companies around the world have to start thinking globally. Time and distance have been rapidly shrinking with the advent of faster communication, transportation, and financial flows. Products developed

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<sup>7</sup> See appendix 11.



in one country are finding enthusiastic acceptance in other countries. The evolution of the European Union has permitted the emerging of an economic integration bloc<sup>8</sup>.

This essay's primary focus is the international product policy followed by multinational corporations. Specifically, this study aims to examine the process that plays an important role in solving the question of product standardization in the European market. In fact, we consider a contemporary offshoot of this traditional situation by focusing on cosmetic products in the European market. The main objective of this study is to identify distinctive standardization processes and to develop international marketing strategies for firms in the cosmetic industry. That, with a particular focuses on the possibilities for standardization of products, and brands across countries.

From an academic perspective, our study provides insights for the understanding of the product process and discipline. International marketing presents a range of strategies concerning the company's international development. These strategies are based on the four "Ps" Product, Price, Publicity and Place (Distribution channels). The product, which is the fundamental component of the company, connects the company to its markets and consumers and thus deserves detailed attention when the company decides to go international.

From the company's perspective, many foreign markets offer growth, sales, profits and risk diversification; they enable a company to discover new ideas that may lead to new products and applications. It is the opportunity to show that the mobility of the company on the international market begins with the understanding of the regional market. And, the product constitutes the main object, which the company must model, in order to adapt to the international one. Therefore, the understanding of the regional product is a step towards the understanding of the international product. Moreover, within a professional framework, our ambition is to clear the conscience of managers presenting an international product policy favorable to standardization in a regional market. That would allow them to adapt themselves to the evolution of the world businesses, that is to say, with the globalization of the businesses.

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<sup>8</sup> The complexities of economic integration, and the radically diverging degrees of intensity, have led analysts to distinguish several stages of economic integration. The stages approach dates back to Balassa (1961). Today the European Common Market countries are stripping away barriers to the flow of goods, services, money, and people. They are deregulating business, privatising some companies, and setting common commercial standards.

We then rely on theoretical arguments in this report to legitimize manager actions<sup>9</sup>. Thus, we referred to theory as a convenient and convincing explanation of our actions by connecting to broader considerations which we feel are relevant, such as those pertaining to product standardization. In fact, theoretical arguments play a crucial role in the context of internationalization, particularly standardization. It is, for example, much more powerful to explain the reasons why Johnson & Johnson internationalize, and why it opted out of the product standardization in the European markets. Our approach is the case study, because it can allow the linkage between our data and the study orientation.

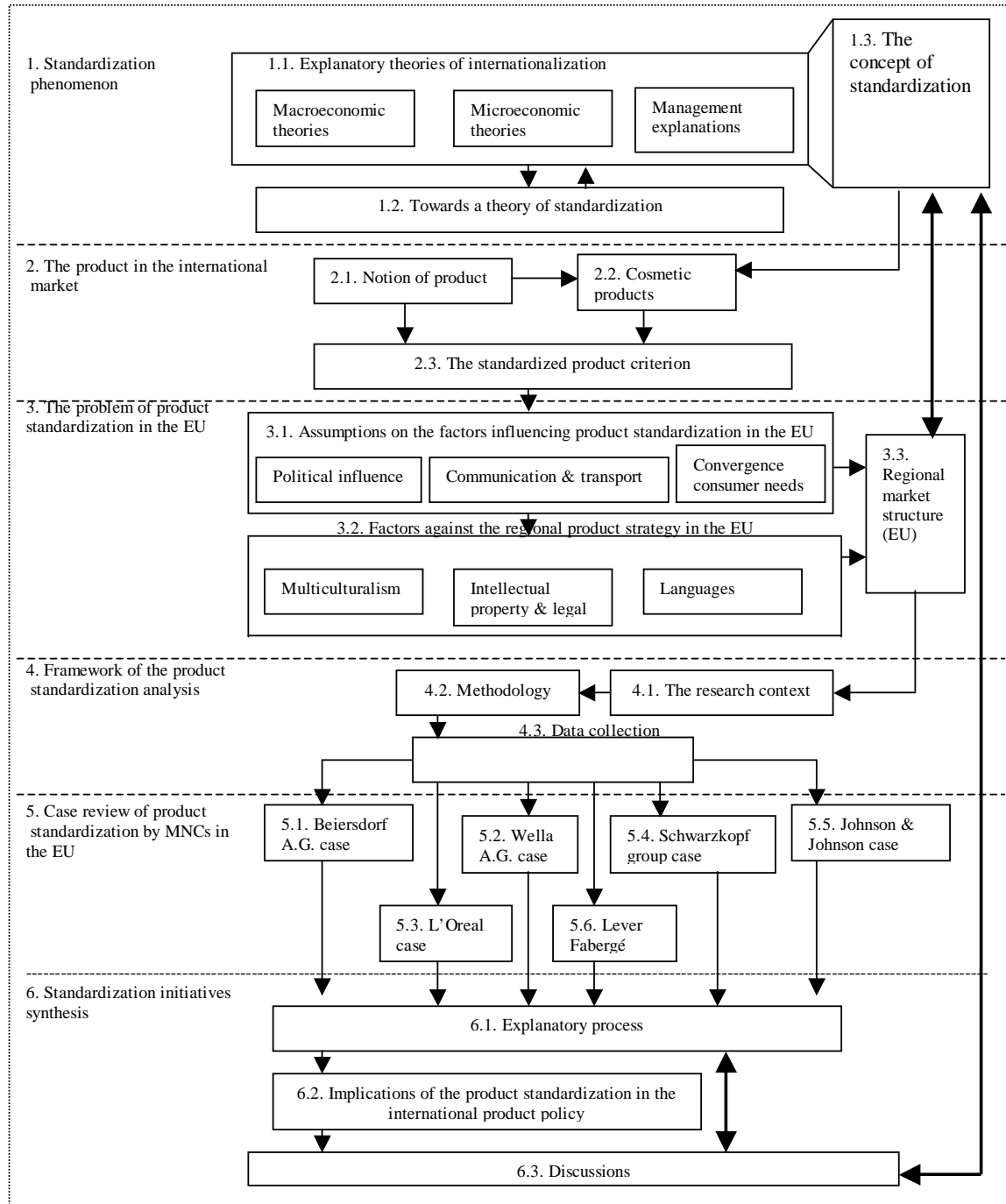
This work is organized into six chapters. After the introduction, which presents the problem of product standardization in the European Union, chapter one (1) is the theoretical background, which contains a single comprehensive part on internationalization theory and the concept of standardization. This single topic is possibly the most critical component in case study research. Theory is not only hardy in designing a case study, but it also later becomes the vehicle for generalizing results. Chapter two (2) introduces the transferability of product in the international market. Therefore, the purpose of this part is to expose the full range of product concept and how standardization can be overcome. Chapter three (3) examines the problem of product standardization in the European Union. Many external factors in a firm positively influence product standardization in the European market, while at the same time, certain market environmental elements handicap or slow down this standardization process. This part analyzes firm strategies instead of external and environmental initiatives. Chapter four (4) focuses on the framework of product standardization in the European Union, and includes a discussion of the qualitative-inductive approach to case studies. This part of the study provides a brief overview of relevant methods of gathering and analyzing data. Chapter five (5) connects this data affirmatively to the standardization processes practiced by cosmetic multinational corporations. This chapter comprising of product and firm observations, manager interviews, and firm documentations that were condensed for each firm specific case, as well as the summary of our research general results' is the main component of our research. Finally, chapter six (6) synthesizes the results of the study and provides recommendations, and discusses implications international product standardization policy for future studies.

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<sup>9</sup>Obviously in practice, there is a veritable problem for the product standardization on a multicultural market. The theorists provide the foundations of the discussion of the standardization concept. But, they specially engaged a serious debate on the opposite concept, which is the adaptation. Still now, there is no theory on these two concepts, but only schools of thought. Such we cannot speak about standardization or adaptation theories, but we could speak about standardization or adaptation school of thought. However, it is shown that many discussions have been made on the both concept adaptation and standardization. We do not fall into these conceptual discussions. But, we could note that the importance of these discussions shows also that the standardization is realizable by firms operating on a multicultural regional market.

There are several possible ways of organizing the analysis of such an interdisciplinary subject. Figure 1 shows the interaction of individual sections, and the mutual relationship between individual chapters.

**Figure 1: Structure of the study**



## **1-THE STANDARDIZATION PHENOMENON**

Generally, firms move internationally to reach other consumers with standardized or adapted products. This standardization versus adaptation situation, which occurs when a firm internationalizes, could be discussed over firms as agents of product standardization and must be preceded by theoretical analysis of the internationalization.

### **1.1. Explanatory theories of internationalization**

As mentioned earlier, internationalization is associated with some degree of product standardization, a high level of coordination and integration of activities in the company's value chain. International trade theories explain firms' internationalization motivations. The explanatory theories of internationalization can be divided into macroeconomic and microeconomics theories (Dierkes, 1999).

#### **1.1.1. Macroeconomic theories**

Macroeconomics explains a country's inclination toward internationalization through Adam Smith, Torrens, Ricardo, Heckscher-Ohlin, or John Stuart Mill. At the risk of oversimplifying, it is possible to distinguish three main models aimed at explaining the determinants of international trade and specialization.

Adam Smith developed a general trade theory called the theory of absolute advantage, which holds that consumers will be better off if they can buy foreign-made products that are cheaper than domestic ones. According to this theory, a country may produce goods more cheaply because of a natural advantage (raw material), or an acquired advantage (technology). The theory of absolute advantage states that two countries could benefit from trade if, due to natural or acquired endowments, they could provide each other with a product cheaper than it could be produced at home. This means that the total resource cost to produce a good in one country is absolutely less than the resource cost to produce the same good in another country. Thus, according to this theory, each country should specialize in the production of the goods that it can make most efficiently. Here the concept of delocalization is helpful to show the extent by which each country benefits from trade. Delocalization is the way that firms behave where they gain absolute advantages. So both countries could gain from trade if they specialize and locate near the consumers. In short, the theory of absolute advantage suggests that the higher the level of specialization of a country, according to its absolute advantage, the more there would be a

potential gain from trade. According to this, a firm's delocalization motivated by absolute advantage automatically involves product standardization.

The second consideration is Ricardo's (1971) theory of comparative costs of production. The key determinant is technology differences between countries. David Ricardo showed that it was beneficial to nations to specialize and trade goods in which they had a comparative advantage. This simply means that a country produces for domestic consumption and export items it makes better or more cheaply than other countries, and imports products that it can acquire more cheaply from abroad. David Ricardo first demonstrated that both trading nations could benefit from trade even when one of the nations has an absolute advantage in the production of both commodities. Thus, trade is still profitable to both countries. In this way both countries would export the extra commodity that they produce at home and import the commodity that they would not produce<sup>10</sup>.

Another thought is the Heckscher-Ohlin theory, which stresses the differences between the factor endowments of different countries. This theory argues that relative price levels differ among countries because they have different relative factor endowments of production (capital and labor inputs) and different commodities require that the factor inputs be used with different intensities in their production. Elie Heckscher and Bertil Ohlin argued that international differentials in supply conditions explain the direction of international trade. Their ideas gave rise to the development of a theory that considers factor endowment as the primary cause of international trade. Factor endowments such as capital and labor involve the management of cost savings, which motivate product standardization in the international market.

The neoclassical theory is founded simultaneously in the differences between the technologies, factor endowments and tastes of different countries. The last element accounts for the possible presence of international trade even if technologies and factor endowments were identical between countries. John Stuart Mill and A. Marshall endorse this theory, which would also motivate a firm to standardize product nowadays.

These theories permitted to point out that, internationalization is explained by most theories. And the standardization depends on the internationalization. Pugel and Lindert (2000) have said: *"Each side of the trade debate needs a convincing story of just how trade matters and to whom. Yet, that story, so useful in the arena of policy debate, requires an even more basic*

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<sup>10</sup> This laid the foundation of trade theory, which itself is the underlying foundation of globalization. Because, in a perfect global setting where goods, people, data and money flow freely, companies can adopt an integrated and coordinated approach to their operations and the competitive battlefield would be the world. Since Ricardo's time, partisans and adversaries of free trade have exchanged heated debates about the pro and cons of globalization for society. This debate gained political visibility during the 1900s.

*understanding of why people trade as they do when allowed to trade, exporting some products and importing others”.*

Obviously most shortcomings of classical trade theories are that they ignore the marketing aspect of trade. These theories just assume that all suppliers have identical products with similar physical attributes and quality, and are primarily concerned with commodities rather than with manufactured goods or value-added products. Microeconomic theories are helpful in considering these nuances.

### **1.1.2. Microeconomic theories**

Microeconomic theorists Levitt, Ohmae, Yip, and Vernon provide explanations for a firm's motivation to internationalize. Microeconomic theories of internationalization try to answer the question why companies are going international. Here, instead of international commerce that countries involved, microeconomic theories focus on factors that push companies to engage in international activities.

The international product life cycle (IPLC) theory from Raymond Vernon (1966) describes the diffusion process of an innovation across national boundaries. It states that many manufactured products are first produced in the countries in which they were researched. This theory has been found to be a useful model for explaining not only trade patterns of manufacturers but also multinational expansions of sales and production subsidiaries. The life cycle begins when a developed country, having a new product to satisfy consumer needs, wants to exploit its technological breakthrough by selling abroad. There are five distinct stages in the IPLC:

*The New Product Stage:* The product is manufactured in the home country and could be subsequently introduced into international markets in the form of exports.

*Overseas Innovation:* As soon as the new product is well developed, its original market well cultivated, and local demands adequately supplied, the innovation firm will look to overseas markets in order to expand its sales and profit.

*Maturity Stage:* The innovating firm's sales and export volumes are kept stable. The company begins production in other advanced economies in order to take advantage of foreign manufacturing facilities offering a more effective competitive posture.

*Worldwide Imitation:* As the product becomes more and more widely disseminated, imitation picks up at a faster pace.

*The Standardized Product Stage:* Firms establish sufficient productive facilities to satisfy its domestic needs as well as to produce for the biggest market.

The IPLC emphasizes the importance of cost advantage<sup>11</sup>. Another way to reduce production costs is to eliminate unnecessary options. This strategy may be critical for simple products or those at the low end of the price scale. In such cases, it is desirable to offer a standardized product with a standard package of features or options included. The product life cycle theory has provided a convincing explanation of the pattern of foreign direct investment. A cornerstone of life cycle theory was subject to serious criticism in the 80s by Markusen (1985) who rejected the continual reseeded of start-ups as pivotal for innovation. Large MNCs can effectively short-circuit the maturity stage by internalizing the product life cycle. This can take the form of recycling resources, or differentiating products. The product cycle is complete when the production process becomes so standardized that it can be easily utilized by all nations.

The theory of customer convergence from Levitt and Yip (1994) states that, an increasing percentage of the population, at least in the market-led economies, shares the same tastes and needs for larger quantities of products and services. But, there is no conclusive evidence of full convergence for consumer goods except in the case of few products that are highly publicized such as portable computers, mobile phone, and luxury goods as cosmetics.

Trade theories are useful in providing a framework that can assist managers in formulating their international trade policies. For a manager, the life cycle theory, for instance, can provide a framework that is helpful in scrutinizing products that are likely candidates for export or standardization. As the life cycle product theory suggests, the newly developed products that have a high technological base are more apt to be marketable in a high-income advanced market. These theories explain why firms are internationalizing. But to know how firms are moving in the international market, we have to focus on the management studies.

### **1.1.3. Management explanations**

Standardization can be understood by management studies through theories of international production and the strategic theories of international trade. There are four broad bodies of international production theories:

The first focuses on the costs of production as determining the location of the industry, the second is concerned with the market power of the firm, the third is based on an

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<sup>11</sup> The product life cycle model of international trade has been helpful in explaining the history of trade patterns of a number of products, particularly textiles, shoes, radios, televisions, semiconductors, automobiles, industrial fasteners, and standardized components for different uses. In fact, several products have conformed to the characteristics described by the IPLC. The IPLC theory has been shown to have some explanatory relevance for the United States, Japan, and the United Kingdom. As the theory predicts, no standardized products with growth potential usually experience an increase in export volume, whereas mature, standardized products tend to face import competition.

institutionalized view of the firm as a device for raising efficiency by replacing markets, and the fourth combines elements of all the other three.

According to Weber (1947), the location of industry is determined first by transportation and labor costs and secondly by location factors. MNCs, in his opinion, expand abroad to take advantage of location costs, such as minimal transportation costs, less expensive labor, lower taxes and tariffs. The major weakness of location theory is that it does not take into consideration cultural factors and the problems of operating in foreign markets (Dickens and Lloyd, 1990). Its relevance today is also severely limited due to technological changes in transportation, communications, and the automation of production methods. But, this theory of industry location draws near to product standardization in the way that the same firm can locate in several markets and produces the same product in those markets.

While Weber focused on geographical locations and the firm's internal resources, Hymer concentrated on the dynamics of the internationalization process itself. According to Hymer, firms move abroad to exploit the monopoly they possess through factors such as unique product marketing expertise, control of technology and managerial skills (Hymer, 1976). Market power is simply understood as the ability of particular firms, acting singly or in collusion, to dominate their respective markets and so earn higher profits to be more secure, or even to be less efficient than in a situation with more effective competition (Lall, 1991, p.21). Hymer's main objective was to investigate why national firms went abroad, but he does not take into consideration the reasons given by firms, which are already a consequence of internationalization. In order to survive in global markets, firms strive to seek global alliances.

An alternative approach to the study of standardization, in addition to geographical location factors, is an analysis of a firm's internal resources and dynamics of the internationalization process. Frobel, Heinricks and Kreye (Frobel *et al.*, 1980) offered the theory of the new international division of labor. Instead of analyzing the external environment of business, geographical factors and internal material resources of the firm, the new international division of labor theorists concentrated on the productive capital only. Since firms can reduce their production costs locally by minimizing their labor costs, similarly, in their pursuit for global profit they would search for cheap, controllable labor on a global scale<sup>12</sup>.

The advantage of this theory is that it shows how the structure of the global economy can affect the strategies of individual firms. But the new international division of labor, despite its apparently reasonable explanation of the motives behind the internationalization process,

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<sup>12</sup>Three conditions determine the creation of the new international division of labor;-Developments in transport and communication technology, - Developments in production technology allowing fragmentation and standardization of specific tasks which could use unskilled labor, - The emergence of a worldwide reservoir of potential labor power.



underestimates the important role played by new information technology and innovation, which are increasingly causing a global shift in the modes of production.

The 1980s and early 1990s witnessed a new orientation and approaches to international trade theory and practice. In fact, the global shift theory of Dickens (1992) is that the world has changed, and the economic activities have become not just internationalized but also increasingly globalized. Dickens' overall argument is that globalization of economic activity is primarily the manifestation of the internationalization of capital as organized through business enterprises, of which the most important is the transnational corporation (Dickens, 1992, p.95). According to Dickens, globalization depends on three major factors: the existence of appropriate technology to overcome geographical distances for standardization and the possibility of fragmenting the production process, the role of states in regulating and controlling international business, and the pursuit of global profit. Besides the existence of incentives, such as increasing market share or achieving a market leader position, the basic nature behind the internationalization process in Dickens' view is global profit.

All theories covered so far provide a comprehensive list of factors that contribute to internationalization. These macroeconomic and microeconomic theories, give a theoretical response to firm and product internationalization. They do not explain how product moves internationally in terms of standardization. They are also static, in the sense that they all tend to describe the growth of multinational firms at a certain period. However, they allow for the building of standardization theory. The previous section shows that considerable efforts have been undertaken by economists to develop theories that explain the changing nature of international business. The following section will focus on the concept of standardization.

## **1.2. Towards a theory of standardization**

The theory begins with the validation of some concepts, which are defined by a paradigm. The school of thought must agree with this paradigm. The future challenge on standardization will be to develop a firm-centered theory, which helps explain the complex non-market interdependencies between the firm and its regional environment (Braun and Grotz, 1995). The theory of economic integration participates in the building of standardization theory.

### **1.2.1. The theory of economic integration**

Economic integration is the political, economic and monetary unification of two or more independent national or regional authorities, in which there are no economic frontiers and the real prices of similar goods and factors of production are equalized. By contrast, the European Free Trade Association (EFTA) is a customs union of seven countries, each of which agrees to

remove all tariff and quantitative restrictions on mutual trade, but which in all other respects remains autonomous in decision taking. By the end of 1992, the EC aims to abolish all non-tariff impediments to trade. This involved the elimination of border controls, the implementation of technical standards and the harmonization of fiscal duties. Each of which requires some abrogation of the economic sovereignty of the participating countries (Cechinni, 1988).

For any group of countries, economic integration may be thought of as a point on a matrix or the stages approach (Balassa, 1961). The vertical axis identifies different degrees or stages of integration: free trade area, customs union, common market, economic union, total economic integration. The horizontal axis is the nature or characteristics of the integration: tariffs and quotas abolished for imports from area members, suppressing discrimination for Customs Union members in product markets, a Customs Union, which also abolishes restrictions on factor movements, a Common Market with some degree of harmonization of national economic policies, unification of monetary, fiscal, social policies. This varies from an informal and limited agreement to exchange information or reach a consensus to achieve certain goals, to a comprehensive, binding and coordinated policy of action. Though Balassa's original theory of economic integration has to be amended in various ways, the approach is indispensable for an understanding of the literature and key-issues in policy-making. It is important to reflect upon the limitations and problems of Balassa's view. First, in the world economy today, there are a number of preferential trading arrangements, which do not match even the first stage of FTA. Second, the stages are presented sequentially for analytical reasons. However, there is no compelling reason to follow the sequence rigidly. The key lesson of economic integration is that state members become involved in some agreements in order to unify economies, policies and to create a global market.

One feature of such agreements is that they require some kind of coordination of economic policy by the participating governments. Another is that they are generally intended to promote cross-country trade and the mobility of factor services by fostering a more market-oriented pattern of intra-regional resource allocation. Economic integration may be intended to advance either the economic or the political goals of the participating countries. The impact of regional integration of MNCs' activities into the integrated area is enormous, such as the removal of tariff barriers in the EU. The primary consequence of this kind of integration is a change in the costs and benefits of supplying an existing market from a location inside the integrated region. Thus, goods exported from Germany to Spain will increase their competitiveness relative to domestic firms producing in Spain. Clearly, the extent to which exports that increase will depend on the relative importance of the transfer of costs saved. As far

as firms from countries within the integrated market are concerned, they should benefit from the removal of intra-country trade barriers. Such gains may be substantial<sup>13</sup>.

The literature gives many examples of how MNCs respond to, or take advantage of, regional integration. Some authors have focused on the alternative organizational and decision-making strategies that MNCs might pursue. In particular, the literature distinguished between the governance of foreign affiliates that produced goods and services mainly for the local market, and that were largely truncated versions of those of their parent companies, and those that were part of a regionally or globally integrated strategy. Borrowing from Porter's terminology, integration may encourage MNCs to switch from practicing a multi-domestic or country-centered strategy to a regionally oriented strategy. Integration has changed the configuration of the participating member states. However, how might regional integration affect the activities of MNCs?

Let us look at some examples from the experience of MNCs operating in the EU. Various general approaches have been developed in order to explain European integration (Harrop, 1989, Chaps. 7-10). These are known as the federalist, functionalist, Marxist theories and the stages approach.

For Marxist theorists, integration is a response to interdependence. European integration, in their view, emerged as a policy response to the necessary expansion of capitalism. The way to achieve and sustain economic growth is by taking advantage of economies of scale. This explains, for example, why European nations came together to counterbalance US hegemony, and why mergers are increasingly encouraged in order to create firms large enough to compete against American and Japanese multinationals. The state, in this view, plays an important role in both economic and political integration. It must ensure the creation of a secure environment for industry and commerce, complete with legal systems protecting private property contracts and the provision of a cooperative labor force.

Functionalists claim that, there is a concrete distinction between political activities and economic or technical one. In this view, technical/economic decisions are seen as less controversial than political ones. By separating economics from politics, increased technological cooperation, for the Functionalist, will lead to political cooperation. The Functionalist theory of integration basically claims that only activities concerned with national security are political,

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<sup>13</sup> The European Commission has estimated that the completion of the internal market will raise the GNP of the EU by up to 6.5% per annum. This is expected to be accomplished by both an improvement in industrial productivity and a reduction in unemployment. On average, consumer prices are expected to fall by 6.0%. About two-fifths of this gain is calculated to occur from a saving of real costs following the elimination of non-tariff barriers, another one-third from the opportunities of companies to exploit the economies of scale more fully, and the balance from a reduction in business inefficiencies and monopoly profits resulting from more intensive competition.

while areas such as public health, transport and agriculture are non-political. Cooperation in these areas is therefore easier to organize and institutionalize, they argue, since it is beneficial to all. Functionalism has contributed greatly to the recent development of and increases in mergers and acquisitions, joint ventures and strategic alliances in Europe. These strategic alliances often favor the standardization of firm services.

For the federalists, integration creates a political community based upon strong rule-bound central political institutions, superimposed upon autonomous nation states to keep order and control among them. Federalism also has consequences for economic integration, because it promotes the politicization of economic decisions.

At least, economic integration forms the core of the internal market. It is defined as the effective realization of the relevant freedoms of movement of products, services and factors, with the explicit provision of no frontiers, and the freedom of establishment. In the EU, the elements of positive integration closely linked to the establishment and proper functioning of the internal market are four common policies: agriculture, competition, trade and industrial.

Achieving market integration requires the removal of every different kind of intra-union barriers. The difficulties of trying to achieve market integration in the EU are progressively solved from the end of the transition period (1995) up to 2002<sup>14</sup>. Pelkmans, Vos and di Mauro (2000) show that without this powerful mechanism in the EU a steady undermining of market integration would be inevitable. Market integration should ideally lead to price convergence for identical goods over the entire European internal market, which is the central question in this study. But there is also a wide debate on product unification versus product differentiation.

### **1.2.2. The adaptation versus standardization debate**

The creation of standardization theory begins with the debate concerning its opposite, concept adaptation. In fact, the issue of adaptation versus standardization in marketing activities has been prominent in the international literature since the publication of Levitt's (1983) article<sup>15</sup> on the globalization of markets.

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<sup>14</sup> The new and global approaches in conjunction with the judicial review regarding Arts 30 and 36 have created an effective mechanism to tackle thousands of technical barriers. There are four elements: some 90 approximation proposals for industrial goods and some seventy five for agricultural goods and live animals were dealt with following the white Paper. Such, that new national regulations could not create new technical barriers. Standards not connected to legislation were more often Europeanized, and the EOTC was established in 1990 to promote mutual recognition for testing and certification for non-regulated products.

<sup>15</sup> Theodore Levitt predicted the "globalization of markets". His arguments were based on the *convergence of consumer needs and behaviors* that would erase national differences and would lead to the standardization of marketing policies.

### ***The standardization school of thought***

The program side of the standardization literature within the international marketing field has debated and explored this issue over several decades (Buzzell 1968; Jain 1989; Shoham 1999). Most of the elements of a firm's marketing mix have been scrutinized across markets. Several studies have identified factors that are strongly associated with a need to standardize. Requirements and preferences have received focal research attention at both the conceptual and the empirical level. However, the vast majority of studies have focused on promotion (e.g., Harris 1994; Harvey 1993), price (Samli and Jacobs 1994), and distribution (Rosenbloom, Larsen, and Mehta 1997), aspects of the international marketing program. However, understanding the standardization of product strategy by firms in the European Union market is vital, because standardization can affect firms' revenue and profitability levels and determine a product's forming market position.

The degree to which international marketing programs must be standardized or customized has been a contentious issue for more than three decades now (Theodosiou and Katsikeas 2001). In fact, a review of the pertinent literature identifies three schools of thought, which are the two extreme opposites of complete standardization versus complete adaptation and the "middle of the road" or contingency perspective. We can explain these critical positions in the following way. Although this is not the focus of our study, the arguments in favor of marketing program standardization emphasize two main aspects. The first involves the drivers of standardization, which is defined as the developments in the international business environment that make standardization feasible. The second aspect refers to the potential advantages that may result for a company that pursues a strategy of international marketing program standardization, advantages that make standardization a desirable alternative.

In both cases, some authors think that technological developments in communication and transport are considered driving forces behind the creation of a global village and thus a global marketplace (Elinder 1965). In the same way, Levitt (1983, p.95) claims that people around the world have the same needs and desires. Similarly, Ohmae (1985) refers to the emergence of the Triad: the Japanese, Americans, and the residents of the European Union. These people have similar academic backgrounds, income levels, lifestyles, uses of leisure time, and aspirations. As a result, six hundred million consumers in all parts of the triad have strikingly similar needs and preferences. Other drivers of standardization discussed in the literature include the need for international firms to serve their multinational customers (Buzzell 1968; Douglas and Wind 1987), regional economic integration (e.g., The European Union) (Walters and Toyne 1989), and

the growth of international market segments with similar needs and preferences (Yavas, Verhage, and Green 1992).

Proponents of standardization also emphasize several important benefits associated with the pursuit of this strategy. The most significant advantage of the standardization is its contribution to the achievement of economies of scale and cost savings in production, research and development and marketing (Keegan 1969). By fully exploiting the potential for economies of scale in all value-adding activities through marketing program standardization, international firms will be in a position to gain a significant advantage over their competitors by selling high quality products at lower prices<sup>16</sup>. Other advantages of standardization proposed in the literature include the potential for rapid introduction of new products in international markets (Samiee and Roth 1992; Walters and Toyne 1989), the presentation of a consistent image across markets (Harvey 1993), the ability for worldwide exploitation of new and innovative ideas (Buzzell 1968; Quelch and Hoff 1986), and better coordination and control of international operations (Douglas and Craig 1986). Thus, one can see that several authors defend the concept of standardization in different ways. In the European Union, firms can consider these points of view and could decide to standardize or to adapt their product.

### ***The adaptation school of thought***

The adaptation school of thought emerged essentially as a reaction to the arguments put forward in favor of standardization. First of all, many academics expressed their disagreement with Levitt's argument about a worldwide homogenization in needs and preferences, viewing it as overly simplistic, myopic, and contrary to the marketing concept (e.g., Douglas and Craig 1986; Onkvisit and Shaw 1990; Wind 1986). According to these authors, no hard evidence can be produced in support of Levitt's thesis. In addition, cross-cultural empirical research has found significant differences in customer characteristics, preferences, and purchasing behavior among different countries (Diamantopoulos, Schlegemilch, and Du Preez 1995).

Secondly, critics of standardization have questioned the significance of economies of scale and the cost savings underlying this approach. On one hand, technological developments in flexible manufacturing systems and computer-aided design and manufacturing facilitate production of customized products without major cost implications and reduction in the minimum efficient scale of production (Douglas and Wind 1987; Walters and Toyne 1989). On the other hand, it has been suggested that certain industries (e.g., packaged consumer goods) are less susceptible to manufacturing and research and development economies (Quelch and Hoff

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<sup>16</sup> Theodore Levitt, (1983) "The Globalisation of Markets", *Harvard Business Review*, 61 (May/June).

1986). Moreover, several authors have claimed that even when cost savings can be made, their effect may not be significant if a large proportion of the total cost is determined by factors on which standardization has no impact (e.g., cost of raw materials and labor).

Third, according to critics of standardization, there is no evidence to suggest that customers have become more price conscious or that they are willing to trade off specific product features for lower prices. It has been argued that low price positioning is a vulnerable strategy that may not lead to the achievement of sustainable competitive advantage (Douglas and Wind 1987; Wind 1986).

Fourth, the decision whether to standardize does not depend on managerial discretion alone. Certain external (e.g., environmental, market, industry) and internal (e.g., organizational structure and processes) factors may limit the degree of standardization or adaptation that a firm is able to apply (Boddewyn, Soehl, and Picard 1986). Such factors are responsible for mandatory adaptations, defined as the adaptations a company is obliged to make because of either legislation and allied governmental regulations or inescapable and uncontrollable marketplace realities (Hill and Still 1984).

Furthermore, some authors have indicated several important benefits that are likely to result from adapting international marketing programs to regional or local market share and sales volume for the firm (Cavusgil, Zou, and Naidu 1993). Benefits such as enhanced motivation and morale of local managers (Douglas and Wind 1987; Quelch and Hoff 1986), augmentation of a firm's capabilities in analyzing and understanding foreign markets, monitoring market developments overseas, and quickly responding to shifts in customer preferences<sup>17</sup>.

### **1.2.3. Recent developments**

At the very least, recent literature has followed a more fruitful research avenue by supporting the contingency perspective of international marketing (e.g., Cavusgil, Zou, and Naidu 1993). According to this perspective, the difference between standardization and adaptation is in degree rather than in kind, and the two perspectives are viewed as occurring on a continuum on a bipolar scale (Onkvisit and Shaw 1987). Therefore, the challenge facing international marketing managers is to decide which marketing-mix elements they should standardize or adapt, under what conditions, and to what degree (Buzzell 1968; Jain 1989). Today, this recent literature constitutes the way marketing management conduct research in many multinational corporations.

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<sup>17</sup> Samuel C. Craig and Susan P. Douglas (1996) "Developing Strategies for Global Markets: An Evolutionary Perspective", *Columbia Journal of World Business*, 31 (Spring), 70-81.

The critical issues in designing international marketing strategies in the framework of contingency theory is to identify contextual factors that determine the appropriate degree of marketing program standardization and determine which individual marketing-mix elements are influenced by each factor and to what extent. In response to this challenge, academic researchers have examined the factors that play an important role in the determination of marketing program standardization, and several classification schemes have been proposed (e.g., Cavusgil, Zou, and Naidu 1993; Jain 1989; Johnson and Aruthanes 1995). The literature suggests that these factors can be organized into four categories:

- **Macro environmental factors**, which include economic, legal, cultural, physical, and demographic elements (Douglas and Wind 1987; Jain 1989). According to them, environmental factors are external conditions beyond the control of firm. In the same way, Alashban and partners (2001) proposed that, the contextual factors that determine the appropriate degree of product program standardization are language, education, and the economy. This adaptation process is necessary to implement strategy successfully.

- **Micro environmental factors** such as customer characteristics, attitudes, and behavior (Jain 1989); the structure and nature of competition (Cavusgil, Zou, and Naidu 1993; Ozsomer, Bodur, and Cavusgil 1991); and the availability, cost and competencies of marketing intermediaries (Harvey 1993; Wind and Douglas 1986). Leroy (1976) for example, found that internationally, product strategies differed within firms depending upon their circumstances. In a detailed study of fifty companies, he observed a wide range of multinational product strategies, which, it appeared, were determined by three sets of characteristics:

*Business environment.* This is the stage of economic development of the country in which the product originated, barriers to trade and host country investment tendencies.

*Specific characteristics link to the company.* These include the international experience of the firm, the number of years abroad, and the company's management philosophy.

*Product characteristics.* These include complexity of production processes, economies of scale in production, and the ease with which the product can be sold. A rather broader and more useful product analysis is instead provided by the five strategic alternatives proposed initially by Keegan<sup>18</sup>.

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<sup>18</sup> Strategy One: One product, One message, Worldwide  
 Strategy Two: Production Extension-Promotion Adaptation  
 Strategy Three: Product Adaptation-Promotion Extension  
 Strategy Four: Dual Adaptation  
 Strategy Five: Product invention

For further comments, see Keegan (1969)



Scherer (1980) and Porter (1990) argue that the market structure influences international firm strategy. The authors argue that market structure includes the intensity of sellers (competition), buyers, and distribution channels.

*Intensity of competition.* Competition negatively affects product standardization. When there are several firms in a market, they are prone to fight one another and frequently change their strategies in an attempt to gain market share. However, when the market is highly concentrated and dominated by a few firms, the leader or leaders can impose discipline on the market through a consistent, long-term strategy (Porter 1986). This proposition does not concern our study because it is not favorable for standardization, and in many markets, international firms should consider host country firms when shaping an international strategy. In another connection, international firms may face some advantages in host countries when local firms are well suited to perceive and adapt to the various needs of the local market. The pressure to adapt to local needs can depend on the intensity of local competition. If the intensity is high, international firms will develop competitive strategies to meet the challenges of local markets.

*Intensity of Buyers.* This concept refers to the number of buyers in a market. Larger numbers of buyers than industrial markets (Kotler 1997) usually characterizes consumer markets. Certain researchers argue that industrial markets are more suitable for standardization than consumer markets, because industrial markets typically have a small number of buyers whose needs do not vary as greatly from one country to another. In contrast, consumer markets typically have larger numbers of buyers, which may mean more segments with a variety of needs than in industrial markets. In the face of such heterogeneity, brand image customization may be appropriate (Roth 1995). However, global firms in consumer markets may be able to provide host markets with a wide range of choices to satisfy the needs of several segments. However, such firms may try to avoid having the different brand names across the different choices, because such a strategy may positively affect the firm or product's image. Therefore, when the intensity of buyers is high, there exists a tendency toward standardization.

*Intensity of distribution.* This refers to the number and different levels of distribution channels for a product in a market. The intensity of market structure factors affects product standardization strategy. Complexity stemming from multiple competitors, consumers, and channels strengthens the argument for products standardization. Therefore, distribution that is more exclusive practiced by firms favor their product standardization.

Kotler argues that international companies must take a whole-channel view of the problem of distributing products to the final users (Kotler, 1997). He shows that there are three links between the seller and ultimate user. According to him, in the first link, seller's-

international marketing headquarters, the export department or international division makes decisions on channels and other marketing-mix elements. The second link, channels between nations, gets the products to the borders of the foreign nations. It consists of decisions on the types of intermediaries, such as agents, and trading companies, the type of transportation, such as air, sea, and road, and the financing and risk arrangements. The third link, channel within foreign nations, get the products from their foreign entry point to the final buyers and users.

- ***Firm specific factors*** including the degree of centralization in decision-making (Quelch and Hoff 1986; Ozsomer, Bodur, and Cavusgil 1991), the relationship between headquarters and local subsidiaries (Jain 1989), corporate orientation (Perlmutter 1969), the firm's experience in international operations (Cavusgil, Zou and Naidu 1993; Craig and Douglas 1996), and the subsidiary's ownership structure (Rau and Preble 1987).

- ***Product and industry factors*** such as the nature of product (Cavusgil, Zou, and Naidu 1993), stage of product life cycle (Baalbaki and Malhotra 1995; Rau and Preble 1987), cultural specificity of the product (Cavusgil and Zou 1994; Quelch and Hoff 1986), product uniqueness (Cavusgili, Zou and Naidu 1993), conditions and patterns of product use (Hill and Still 1984), product familiarity of foreign customers (Cavusgili, Zou, and Naidu 1993), and industry technology orientation (Quelch and Hoff 1986; Samiee and Roth 1992).

According to several authors, many factors explain a firm's decision to adapt or standardize product in the international market (Alashban, Hayes, Zinkhan, and Balazs 2002). International business literature (Porter 1986) has suggested that firms possess a competitive edge in foreign markets. The latter contingency perspective of international marketing is the focus of our research. In practical terms, how can European companies sell the same products throughout the European market?

To answer this question many authors have undertaken empirical studies. As Lusch and Lacznik (1989) point out, the structure construct performance paradigm is well developed in the industrial economics literature but has received relatively little attention in marketing. They use this model to explain how market structure influences a firm's marketing strategies. Increased use of product standardization has been supported in the literature (Sorenson and Wiechmann, 1975; Boddewyn *et al.*, 1986; Walters, 1986; Ozsomer *et al.*, 1991; Whitelock and Pimblett, 1997); the empirical evidence is scarce except for a few studies, which focus on MNCs. A study of twenty-seven leading US and European multinationals in the consumer packaged goods industry found that a surprisingly high proportion of the companies, over sixty percent, reported having a highly standardized marketing program. Extremely high standardization was found to exist in brands, physical characteristics of products and packaging (Sorenson and Wiechmann,

1975). Also, a series of related surveys of US companies marketing their products in Europe revealed that product standardization generally increased in 1983 compared to 1973, and standardization of branding had also increased as well.

Other articles were published about empirical flexibility and standardization (Liker, Collins, and Hull 1999). These articles test a contingency model of system integration of product design and manufacturing among producers of goods involving tooling development. The model predicts which combinations of organizational and technical practices will be most effective under conditions of high and low design newness. The results, based on data from seventy-four firms, largely support the model, differentiating mechanisms such as a tall hierarchy and job specialization, which are negatively associated with design-manufacturing integration, particularly for new designs.

In the same way, Carl Arthur Solberg (2002) has examined the perennial issue of adaptation or standardization of international marketing on communication. The author investigates the standardization/adaptation issue in international advertising from an organizational perspective, introducing two variables: knowledge of local market conditions at the center and headquarters' influence on local marketing decisions. The author interviewed one thousand and fifty Norwegian exporters by mail on their experience in this respect. The results reveal that the two dimensions indeed have some impact on how firms develop their international marketing strategies. Knowledge of local market conditions seems to play an overriding role, leading to a more standardized approach by firms, and centralized decisions lead to negative reactions at the intermediary level.

In addition, Melewar and John Saunders (1999) examined the influences on the international standardization of corporate visual identity for a sample of U.K. multinationals. The results suggest that market entry from and equity holding are associated with the degree of corporate visual identity standardization. Further findings show the influence of culture, nationalism and product attributes on corporate visual identity standardization.

Holler and Thisse (1996), David and Rothwell (1996), and Jones and Hudson (1996) provided the most interesting empirical works on standardization in Europe. These authors summarize the essential mechanisms underlying the economics of product compatibility, discuss the alternative concepts used in modeling network effect, analyze the impact of standardization on the welfare of consumers who rely on signals as indicators of product quality, and address the problem of measuring the degree of standardization in an industry whose production facilities are complex and multi-faceted. However, certain researchers think that the EU is only in favor of the unification of law before all. Thus, Talab (1999) who wrote his thesis on the Europeanization of

the law of public companies concludes that general tendency and transaction cost savings count for the unification process but makes clear that law and the deprivation of choice grow dramatically with the increase of similarity and centralization.

Finally, the question of how to standardize product in a regional market has also been addressed in the literature. But a better understanding of process-related standardization is important. The standardization alternatives are a spectrum ranging from full standardization to an adaptive approach at different levels of the marketing mix elements.

### **1.3. The concept of standardization**

In general, a concept became a paradigm, creates a school of thought before becoming a theory. The concept of standardization is validated with internationalization theories. Theodore Levitt is one who analyses in depth a paradigm of standardization. Thus, through Levitt's paradigm of standardization we can define the concept of standardization and its typologies in the following way.

#### **1.3.1. The Levitt's standardization paradigm**

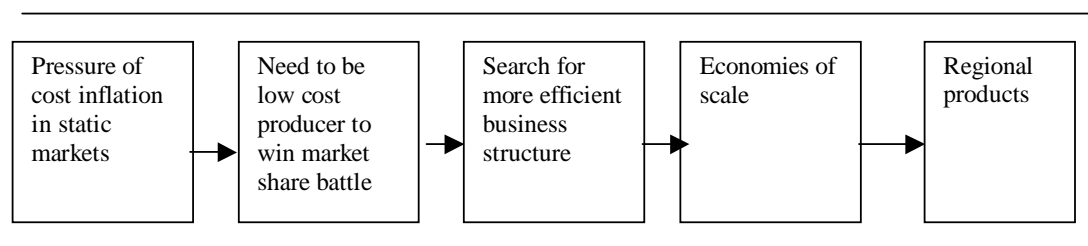
Levitt supplied the intellectual rationale for global standardization. He wrote: "*The world is becoming a common marketplace in which people – no matter where they live – desire the same products and lifestyles. Global companies must forget the idiosyncratic differences between countries and cultures and instead concentrate on satisfying universal drives*". Levitt believes that new communication and transportation technologies have created a more homogeneous world market. People around the world want the same basic things that make life easier and increase their discretionary time and buying power. This convergence of needs and wants has created global markets for standardized products. According to Levitt, traditional multinational corporations focus on differences between specific markets. In contrast, the global corporations sell the same product the same way to all consumers. These global marketers realize substantial economies through standardization of production, distribution, marketing, and management. They translate their efficiency into greater value for consumers by offering high quality and more-reliable products at lower prices.

Since the publication of Levitt's article on standardization, the debate concerning global strategies is tied inexorably to the arguments surrounding standardized or differentiated products, but stems from the fact that international business has now reached a point at which large numbers of truly global corporations exist. These corporations have moved significantly from the days when the overseas division was a poor relation and seen simply as a dumping ground for an excess of domestic produce. The modern international corporation takes instead a far broader

perspective both in its strategy and planning, and in its analysis of opportunities for its products. One consequence of this has been the far greater recognition given to the strategic implications of the experience curve and to the ways in which its effective management can contribute to achieving lower production costs, and hence greater opportunities for aggressive marketing in pursuit of brand leadership. This greater awareness of the scope for international economies of scale has focused the attention of international marketing executives upon the possibilities of global branding<sup>19</sup>.

The scope for global brands is, quite obviously, dependent upon similarities in consumers' purchasing patterns and this has led to the concept of the global village. The notion of the global village first emerged in the 1970s and gives recognition to the fact that purchasing patterns in world markets, at least amongst the developed nations, are gradually coalescing to the point at which geographically separate groups of consumers have broadly similar aspirations and exhibit broadly similar patterns of demand. In commenting on this, Levitt said, "*The globalization of markets is at hand. With that, the multinational world nears its end, and so does the multinational corporation. The global corporation operates as if the entire world (or major regions of it) were a single entity; it sells the same things in the same ways elsewhere. Corporations geared to this new reality can decimate competitors that still live in the disabling grip of old assumptions about how the world works*" (Levitt, 1983). The combined result is an inexorable move towards regional products supported by global strategies; this is illustrated schematically in Figure 2.

**Figure 2:** *The move towards regional products*



*Source:* Adapted from Colin Gilligan and Martin Hird (1986) p. 165

Evidence in support of the increase in global branding appears impressive, although a number of critics have expressed reservations about the value of global strategies. Michael Porter who has argued that companies do not necessarily need to compete globally in order to be

<sup>19</sup> Thus, when companies reach the stage where exporting begins to look attractive, the first thing they should decide is what would be the most appropriate product strategy. The choice can be summed up in three sets of initials WYG (Sell what you have got), SWAB (Sell what people actually buy), and GLOB (short for global, disregard national frontiers and respond to internationally emerging needs), (Mesdag, 1985).

successful has expressed reservations about the need for global strategies. Levitt's paradigm is always discussed, but some firms have adopted the international approach proposed by Levitt to have an international presence with the same product.

### **1.3.2. Standardization definition**

Internationalization is the process by which a firm gradually changes in response to international competition, domestic market saturation and the desire for expansion, new markets, and diversification (Pasco-Berho, 2000). In this situation, the international product policy is the result of the firm internationalization. The firm can start by exporting or by acting as a licensor or licensee and then, over time, continues to internationalize by engaging in joint ventures or by establishing service, production, or assembly facilities abroad as we already mentioned. All these strategies aim at having the presence of firm product overall, in other terms, having unique product in several markets. In this connection, firms are confronted with the standardization of their products. But what is the meaning of the word standardization? What is standardization? How can we understand the concept of standardization? In which context are things standardized?

In marketing, standardization means that the standardized object has uniform characteristics in several markets. According to AMA<sup>20</sup>, standardization refers to approaches for increasing commonality of part, process, product or procurement. Such change will enable delayed making of manufacturing or procurement decisions, thus reducing variability found in having many non-standard components. In the context related to technologies and industries, standardization is the process of establishing a technical standard among competing entities in a market, where this will bring benefits without hurting competition. It can also be viewed as a mechanism for optimizing economic use of scarce resources such as chemical products, which are threatened by cosmetic manufacturing. In the context of business information exchanges between a company and subsidiaries, standardization refers to the process of developing data exchange standards for specific business processes using specific syntaxes. These standards are usually developed in voluntary consensus standards bodies such as the United Nations Center for Trade Facilitation and Electronic Business (UN/CEFACT) and the Organization for the Advancement of Structured Information Standards (OASIS).

To understand the concept of standardization, we will study the standardization of a product in a regional market. Product standardization in this way means that a product originally designed for a local market is exported to other countries with virtually no change, except

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<sup>20</sup> American Marketing Association definition gives the main idea of standardization concept used in Marketing.

perhaps for the translation of words and other cosmetic changes<sup>21</sup> (Bolz, 1992). When a consistent company or product image is needed, product uniformity is required. The consequence of this uniformity is that the product, in all its components, is the same in several markets.

The context of standardization consists of homogenizing the fundamental characteristics a product offers in several countries (see Wheeler, McDonald and Greaves, 2003). Without several units, the product, which is the same in term of component characteristics, cannot be considered as standardized product. Thus, product standardization is linked to markets.

In this connection, a variety of factors needs to be taken into account when deciding to adopt a strategy of standardization. The potential benefits of standardization include economies of scale in production (e.g. stock control and servicing policies), economies of scale in research and development, marketing economies which result from standardizing the format of sales literature and advertising material and organizational and control benefits which result from the greater scope of centralization. These potential benefits are likely to be realized in a number of circumstances, particularly when consumers are highly mobile and there is a need to standardize the product in order to maintain levels of brand loyalty.

A strategy of standardization is also likely to emerge if the firm does not perceive itself as a truly international organization but rather as an exporter. In these circumstances, there is often a market reluctance to modify the product because of the cost implications. Indeed, most arguments regarding the economic payoff of standardization center on cost savings. Although cost savings are important, they are only one part of the profit maximization picture. As with home country operations, firms can maximize profit not only by decreasing total costs but also by increasing total revenue.

Furthermore, several researchers argue that the standardization of marketing activities is often a question of economic efficiencies. Producing a standard product targeted for several international markets can result in cost savings through economies of scale. As more product modifications are needed to meet the imperfections of local markets, production costs rise (Buzzell 1968; Keegan, Still, and Hill 1987; Levitt 1983; Sandler and Shani 1992; Szymanski, Bharadwaj, and Varadarajan 1987). Onkvisit and Shaw (1989) conclude that standardized brands offer more market efficiency by reducing advertising and inventory costs. Product standardization can mean economies of scale translate into cost savings in areas such as promotion, distribution, and packaging, whereas brand-name adaptation will result in lower cost savings in these areas.

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<sup>21</sup> For further explanations see Walters/Toyne (1989), Whitelock/Pimblett (1997), and Müller/Kornmeier (1995), S. 113-118.

These areas involved in the acceptance of the concept of standardization because, as already said, there is a wide debate with the opposite adaptation concept today. Moreover, the broader literature on standardization suggests a number of common themes that may be relevant to the topic at hand. It is now well accepted in the academic literature that the purpose of standardization is to support the operational needs of business and/or institutional clients across all sectors of the economy. In the past decade, standardization in the EU has captured the attention of numerous economists, lawyers and politicians (Buzzell 1968; Jain 1989; Harvey 1993; Samli and Jacobs 1994; Harris 1994; Rosenbloom, Larsen, and Mehta 1997; Talab 1999; Shoham 1999; Theodosiou and Katsikeas 2001; Alashban, Hayes, Zinkhan, and Balazs 2002). A uniform product policy in the EU capitalizes on the commonalities of customer's needs across countries. Thus, standardization has a product-driven orientation, e.g. lower costs via mass production. Currently, researchers are also investigating the standardization phenomenon in the international context (Lasserre, 2003). Thus, the standardization of a product is often viewed as the creation of a world product.

World product and standardized product are often incorrectly assumed synonyms. A world product is a product designed for the international market. In contrast, a standardized product is a product developed for one national market and then exported with no change to international markets. Today's standardization essentially takes place at the generic product level. Indeed, the standardized product is not what companies produce in their factories, but what they add to their factory output in the form of packaging, labeling, design, brand name, and product characteristics. With this clarification, we are ready to examine generic product creation regarding the package, brand, and label.

### **1.3.3. Standardization typologies**

Standardization is a universal pattern of firm activity in the era of internationalization<sup>22</sup>. Different views have been developed and adapted within standardization. Economists traditionally refer to the study of standardization in terms of the fields of international trade, and focus primarily in their analysis on the flow of same commodities among nations. They argue that, in most cases, profit is the driving force behind each transaction. In their view, standardization consists essentially of the production and distribution of the same products in several markets. International economic relations therefore are the source of key concepts in their approach. But others authors demonstrated that, the standardization of products is a

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<sup>22</sup> The words internationalization, globalization, regionalization are used frequently in this work. Normally, each word has a specific signification. But, the concept of standardization is valid only if the firm is going internationally, globally, or regionally. Thus, we use these three words to indicate the activity of the firm abroad.



function of two main factors (Lasserre, 2003). First, customer value curves: the more similar customer needs across the world/region, the more the product can be standardized. Second, the minimum economic size of production: the higher the volume required the more standardization. There are three categories of standardized product, depending on the importance of those two factors. These three types of standardization are global standardization, process standardization and modular standardization.

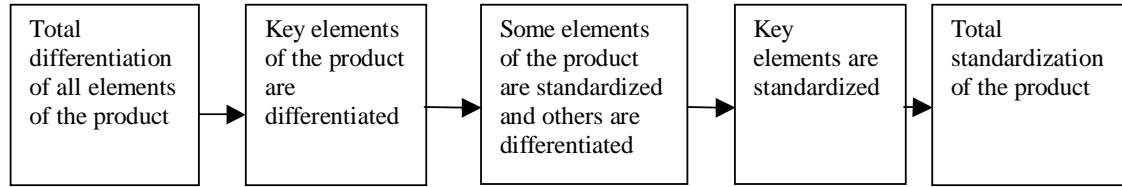
The category of global standardization corresponds to products that target global customer segments and require a high volume of concentrated production to be cost-competitive. This is the case of chemicals, aircraft, and microprocessor or consumer electronics. Here the product is unique for a global consumer. All the product characteristics are the same for the world/region market.

The category of process standardization refers to products that serve similar needs but do not require a high volume. Their production is localized; the production process standardized and, as a result, so is the final product. Cement or cosmetic products are local in production and factories apply the same process across the globe for delivering standard products.

The last category of modular standardization is needed when economies of scale are important but customers demand product differentiation. Producing standard components in global factories and differentiating the product at the assembly stage achieve modularization. This is the case of automobiles and computers. Cosmetic products also follow this model.

The contribution of standardization in accelerating the process of globalization, regionalization and internationalization depends upon the degree of its functional interdependence with other parts of the economy. Certain types such as global standardization and modular standardization depend on customer value curves and the minimum economic size of production. Thus, we adopted these three levels of standardization in our study, because we are considering the standardized product as a unique product which is identical on several markets and which satisfy the similar need of different consumers. While global standardization is concerned with product characteristics, modular and process standardization are concerned with firm organizational structures. In this connection, our study will focus on these two variables, e.g. product characteristics and firm organizational structure, to analyze the product standardization adopted by MNCs in a regional market.

However, standardization and adaptation are two faces of the same coin. In this point of view, the strategy could begin by the total adaptation of all the element of the product and ended by its total standardization which is the standardization and adaptation continuum shown in Figure 3.

**Figure 3:** *The standardized-Differentiated Strategic Continuum*

*Source:* Adapted from Colin Gilligan and Martin Hird (1986) p.163

As we had already said, when a firm internationalizes, the problem of product internationalization is recurring. The firm can adapt or standardize its product. In the EU, the standardization of the product gives several advantages to the firms in term of cost savings and the economies of scale. As soon as the company decides to standardize its products, it must firstly define the concept of standardization. Thus, the consequence of a firm's internationalization is their products presence in foreign markets through various types of strategic alliances. However, the product policy becomes complicated as soon as the company regionalize. Multinational companies are confronted with this complexity of the regional product policy since they want to gain the market share in the various European markets, which remain heterogeneous, taking into account the cultural differences of spending patterns and economic specificity. Nevertheless, European unification causes additional marketing interactions between companies. These interactions are influenced not only by laws or norms, but also by firm internal or external particularities, product structures and market characteristics in the various countries.

## 2-THE PRODUCT IN THE INTERNATIONAL MARKET

In international markets as in domestic markets, the product is at the heart of the firm's marketing strategy. Therefore, the international product policies are central to the long-term development of the MNC. How does the product emerge internationally when the firm is moving in the international market?

### 2.1. The concept of product

People satisfy their needs and wants with products. Normally the word "product" brings to mind a physical object. A physical object means packaging a service. However, marketers sell the benefits built into physical products rather than just describe their physical features.

#### 2.1.1. Three stages of product

This study adopts Kotler's definition that product is anything that can be offered to someone to satisfy a need or want. This can be offered to a market for attention, acquisition, use, or consumption. Kotler argues that a product may be seen on three levels: the core benefit of the product, the tangible product and finally the augmented product. Companies may standardize the product to some extent at each of these levels. Most products are not physical products but services, and ideas are also products because, they can be marketed. Thus, we say that products consist broadly of anything that can be marketed, including physical objects, services, and ideas.

Cosmetic product includes these three levels of product. The most fundamental level is the core benefit, namely the fundamental service or benefit that the customer is really buying. In the case of a cosmetic product such as shaving foam, the bearded is really buying softness and skin care (*idea*). Generally, in the cosmetic area, the core product benefit includes issues such as performance, chemistry and the main functional features. These kinds of benefits are standardized in a chemical area by developing a common product platform that is then adapted to market requirements through modularity and interchangeability of certain parts. Many authors emphasize the importance of understanding the product platform-level strategies in the chemical or cosmetic field (Balsam and Sagarin 1972).

The marketer has to turn the core benefit into a generic product, namely a basic version of the product. Shaving foam consists of a bottle that has a cream or lotion to use before or after shaving. The generic product is the subject of supply and demand. So it includes the physical material, which consists of characteristics, quality, quantity, form, color, design, label, brand,

and package (*Physique*). This is the tangible product the customer sees and experiences including its features. Many cosmetic companies often increasingly standardize the tangible product. This is common in, for example, chemical component manufacturers.

At the third level, the marketer prepares an augmented product, namely a set of attributes and conditions that buyers normally expect and agree to when they purchase this product. The augmented product includes warranty, additional services and benefits that distinguish the company's offer from competitors' offers (*Services*). It is rare that all these levels are standardized, but because a product is sold in several countries, there is considerable pressure to standardize, for example, warranty in term of preservation, delivery, after sales services, or advices before use.

Product policy for internationalization has two major interrelated dimensions: product planning and development, and product strategy (Albaum, 1994). These are applicable to both the product itself and the total product mix. The product mix refers to the set or assortment of products that a company offers its customers. This assortment may consist of one or more product lines as well as individual products not part of a product line.

Each product is related to certain other products. Product hierarchies stretch from basic needs to particular items that satisfy those needs. We have identified five levels of the product hierarchy.

*Product Family/Group*: all the product classes that can satisfy a core need more or less effectively. Toiletries, cosmetics, and perfumes are concrete examples.

*Product Class/Category*: a group of products within the product family that are recognized as having a certain functional coherence. For example, perfume, deodorants, decorative, sun protection, hair conditioner.

*Product line*: a group of products within a product class that are closely related, because they function in a similar manner, are sold to the same customer groups are marketed through the same types of outlets or fall within given price ranges. For example lipstick, shampoo, skins cream.

*Product type*: those items within a product line that share one of several possible forms of the product. For example tube lipstick, roll on deodorant.

*Brand*: the name associated with one or more items in the product line that is used to identify the source or character of the item. Nivea and Labello brands are some examples. We see that sometimes, brands are confused with the product.

The need for hope gives rise to a product family called cosmetics and a product class within that family called decorative, of which one line is lipstick, which has different product

forms, such as tube lipstick, which is offered as a brand called Labello. Marketers have traditionally classified products based on varying product characteristics. The thought is that each product type has an appropriate marketing-mix strategy. With this clarification, we are ready to examine cosmetic product classification with regards to marketing concepts, which presents the major classifications of consumer and industrial goods. Cosmetic products are not durable consumer goods.

Product strategy in international markets translates into policy regarding product adaptation or standardization. The exporting company adapts its products to foreign markets to this extent. Product strategies together with market selection define the company's international strategy and can be shown in the framework of a product/market matrix. Adaptation and standardization are then two faces for a unique coin.

### **2.1.2. International product**

An international product can be defined through its variables such as its origin (national), and its presence in several markets (regional, global, and world).

A national product is one that, in the context of a particular company, is offered in a single national market. Sometimes national products appear when a global company caters to the needs and preferences of particular country markets. Many companies find that, as a result of expanding existing business or acquiring a new business, they have products for sale in a single market. An important question regarding any product is whether it has the potential for expansion into other markets. The answer will depend on the company's goals and objectives and on the assessment of the opportunities at hand.

Regional products are offered in regional markets. A classic regional product would be the European product offered throughout Europe, and in European markets. Particularly, a regional product covers the needs of regional consumers. This product can only be limited in the regional market not in the rest of the world. But, with globalization, the regional product is the first stage for the product/firm internationalization. In this situation, the regional product can also be sold in the rest of world. Standardized product can be regional, global, world, or international product.

Global product is one that sees firm treat overseas operations as delivery pipelines to a unified global market. Global products are offered in global market. They are international and multiregional. A true global product is offered in the triad, in every world region, and in countries at every stage of development (Keegan & Schlegelmilch, 2003, pp 373-375). Some global products were designed to meet the needs of a global market. Others were designed to meet the needs of both a national and global market. Certain marketers do not agree with this

concept of global market. Alan Rugman (2000) announced the end of globalization. Others analysts think that the world is becoming progressively more integrated. They think then about world product.

However, there lies an important difference between world product and world brand, in that a product is not a brand. A global brand, like a national, world or international brand is a symbol about which customers have beliefs or perceptions. A world brand name can be used as an umbrella for introducing new products. A world brand has a similar image, similar positioning, and is guided by the same strategic principle (Keegan & Schlegelmilch, 2003). In this connection, the brand is more world integrated than the physical product, which is why we can refer to the international product instead of the world product.

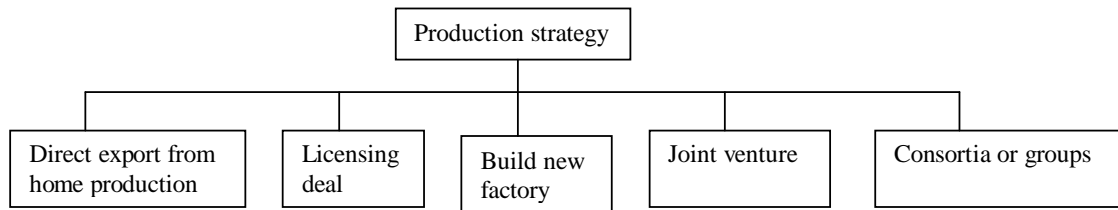
Changing worldwide competitive market and production conditions have led to reduced emphasis on international product structure and more emphasis on business processes and systems, communication, and distribution channels. As a result, hybrid products with their exact form tailored to meet specific situation needs have become more common. International products being developed today strive to balance the need to maintain global efficiencies, allow responsiveness to different local needs, and enable the transfer of new images rapidly among markets. Several factors affect the concept of international product, including language, geographical market distances, and the nature of the product, technological advances, and company's strategies. The main consequence of firm internationalization is its product presence in the host market. So, the internationalization of the firm transfers the product concept in the international market.

### **2.1.3. Product presence in a regional market**

Generally, firms create global or regional strategic alliances<sup>23</sup> to insure their product presence in several markets at the same time. These strategic alliances represent the significant international experience for the company. One of the cheapest ways to develop a global strategy is through strategic alliances. After gaining knowledge of and expertise in operating in the host country, the firms may then want to expand in the regional market through ownership of production or distribution facilities. Figure 4 shows the different firm's facilities.

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<sup>23</sup> An alliance here is the sharing of capabilities between two or more firms with the view of enhancing their competitive advantages and/or creating new business without losing their respective strategic autonomy. A global alliance is one in which the object is to develop a global market presence. There is a variety of alliances: some of them have global scope, with the perspective of enhancing the competitive presence of the partners across the regional or world market, some have a more local focus. Strategic alliances are inter-firm collaborations over a given economic space and time for the attainment of mutually defined goals (See Buckley, 1996 p. 484). International joint ventures are regarded as a particular type of strategic alliance; one that is cemented by equity participation.

**Figure 4:** Production strategies for overseas trading

Source: Adapted from Chisnal Peter M. (1985).

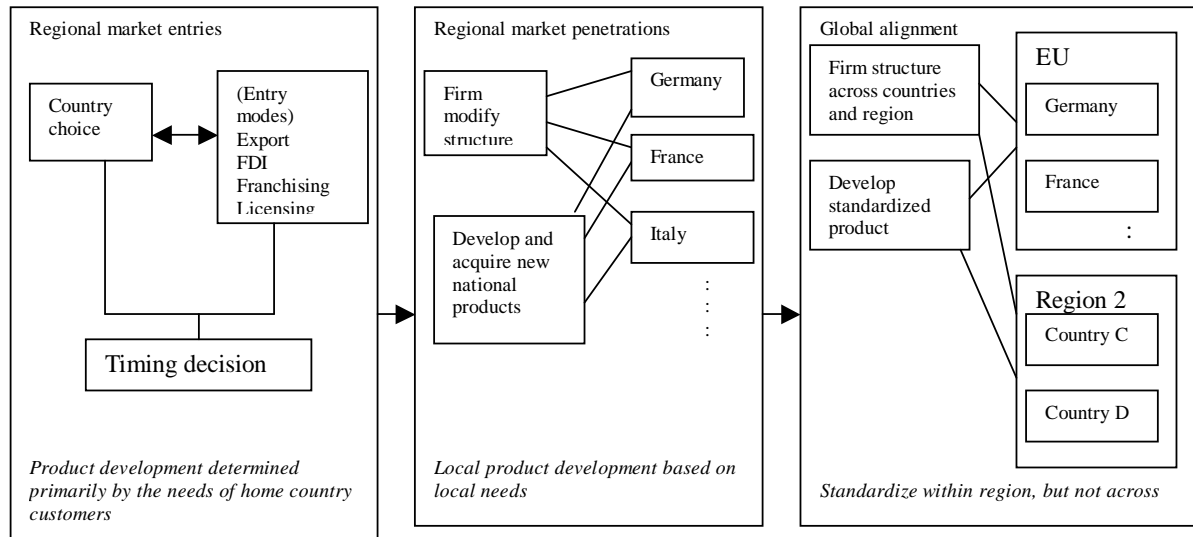
The ultimate form of foreign involvement is direct ownership of foreign-based assembly or manufacturing facilities. As a company gains experience in export, and if the foreign market appears large enough, foreign production facilities offer distinct advantages. First, the company could secure cost economies in the form of cheaper labor or raw materials, host government investment incentives and freight saving. This is one important function of standardization. Second, the company develops a deeper relationship with customers, local suppliers, and distributors enabling it to better adapt its products to the local marketing environment. Third, the firm retains full control over the investment and therefore can develop manufacturing and marketing policies that serve its long-term international objectives. Generally, cosmetic companies are also using this form of direct investment.

Other strategies include licensing and intracorporate transfer. An intracorporate transfer is the sale of goods by a firm in one country, to an affiliated firm in another. Intercorporate transfers are an important part of international trade (Griffin & Pustay, 2002).

Many cosmetic firms show a distinct preference for a particular mode of entry into the foreign market or internationalization process. One might prefer exporting because it minimizes risk. Another might prefer licensing because it is an easy way to make profit. Another company might favor direct investment because it wants full control. Consequently, companies master all of these entry methods for product presence in foreign market.

In fact, most cosmetic multinationals manage several different entry modes simultaneously through their structure and organization in order to be present overall. Firm structure and organization also influence product standardization. The company, which standardizes its product in a region, has international experience and a regional orientation. Then, there is a link between firm organizational structures through entry modes and product standardization in a regional market as it is shown on the Figure 5. How are coordination and cooperation between these external and internal firm structures for the management of standardized product?

**Figure 5:** Firm regional entry mode and standardized product in the European markets



Source: Adapted from Susan P. Douglas and C. Samuel Craig (1985)

According to Figure 5, we suggest that regional market expansion is developed in three phases: regional market entry, regional market penetration and global alignment. In the first stage, the company’s strategic thrust is to expand geographically in the regional market to achieve scale advantages. In the second stage the firm starts to look for new growth potential and expansion in countries where a base has already been established.

The idea is to build on existing structures and assets established in each market to achieve scope advantages. The final stage is characterized by the adoption of a global orientation in strategy development and implementation. Global expansion becomes a key principle in strategy formulation, and attention focuses on global efficiency without losing local responsiveness. The strategic thrust of the firm is to find synergies from operating on a regional scale and to take maximum advantage of the multinational nature of its operations. Product lines and variants are developed to meet the regional market requirements. The issue of timing is very important in that firms must decide whether to enter the foreign market gradually or suddenly.

We analyzed these variables, timing, coordination and cooperation in the process of product standardization among different product units. Organizational design, sometimes called organizational structure, is the overall pattern of structural components and configurations used to manage the total organization. Organizational design is the basic vehicle through which strategy is ultimately implemented and through which the work of the organization is actually accomplished.

A firm cannot function without organization unless its various structural components are appropriately assembled (Chandler, 1962). Through its design the firm does four things. First, it



allocates organizational resources. Second, it assigns tasks to its employees. Third, it informs those employees about the firm's rules, procedures, and expectations about the employee's job performance. Fourth, it collects and transmits information necessary for problem solving and decision-making. This last task is particularly important for large MNCs, which must manage sharing vast amounts of information between corporate headquarters and subsidiaries and staff spread worldwide.

Early studies of organizational design sought to identify the single best design that all organizations should use. The pioneering work of Max Weber described a bureaucratic design, which was based on rational rules, regulations, and standard operating procedures (Weber, 1947). Later research, however, suggested that there was no preferred way to design an organization. Eventually, stimulated by British researchers Joan Woodward, Tom Burns, G.M. Stalker, Derek Pugh, and David Hickson, managers came to learn there are many different ways to effectively design organizations<sup>24</sup>. Certain key elements determine the appropriate design for any given organization, including the firm's size, strategy, technology, and environment as well as the cultures of the countries in which the firm operates. Various theories and research suggest that the appropriate form of organization design for any particular company is contingent on one or more of these factors (Jones, 2001).

As a domestic firm expands internationally, it will change its organizational design to accommodate its increased international activities. In place of division, it usually creates a global organization design to achieve synergies among its far operations and to implement its organizational strategy (Sundaram and Black, 1992). The global design adopted by any firm must deal with the need to integrate three types of knowledge to complete effectively internationally (Gupta and Govindarajan, 2000): Product knowledge, functional knowledge, and customer knowledge. Each form allows the firm to emphasize one type of knowledge. The regional design the MNC chooses reflects the relative importance of these three types of knowledge in the firm's operations.

*Regional Product structure;* This design assigns worldwide responsibility for specific products or product groups to separate operating divisions within a firm. That works best when the firm has diverse product lines or when its product lines are sold in diverse markets.

*Regional Functional structure;* The regional functional structure calls for a firm to create departments or divisions that have regional responsibility for the common organizational

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<sup>24</sup> See John Woodward, *Industrial Organization: Theory and Practice* (London: Oxford University Press, 1965); Tom Burns and G.M. Stalker, *The Management of Innovation* (London: Tavistock, 1961); Derek S. Pugh and David J. Hickson, *Organization Structure in Its Context: The Aston Program* (Lexington, Mass.: D.C. Heath, 1976).

functions (finance, marketing, operations, R&D)<sup>25</sup>. Firms that need to impose uniform standards on all operations may adopt this approach.

*Regional Customer structure;* The regional customer structure is used when a firm serves different customers or customer groups, each with specific needs calling for special expertise or attention. This design is useful when the various customer groups targeted by a firm are so diverse as to require totally distinct marketing approach.

The organizational structure allows the firm to meet the specific needs of each customer segment and track how well the firm's products are doing among those segments. On the other hand, the organizational design may lead to a significant duplication of resources if each customer group needs its own product. If not, the duplication of resources is not needed.

## **2.2. Cosmetic products and classification**

From marketer's vantage point, cosmetics could be considered to be some eight or ten different industries. Hence, the cosmetic marketers have a vast acquaintance with often disparate aspects of what is thought to be a single field. Actually, the classification of cosmetic products is very complex.

### **2.2.1. Cosmetic product history**

The use of all the appropriate products, when coordinated into systematic treatments for the external embellishment of the person, constitutes the recognized branch of applied science called cosmetology. Cosmetology is not our study in this work, but we have to discuss the evolution of its concept before considering research in this field.

In the earliest phase (to fifth century B.C.) cosmetics were associated with religious practices. Some of these, such as the burning of aromatic incense, and the use of oils and unguents for anointing both the living and the dead, persist in many religious rites of the present day. Shops of the period offered finished perfumes, aromatic materials, spices, herbs, resins, dyes, fats, oils, and items such as combs, mirrors, hairpins, razors and boxes of gold, silver, semiprecious stones for ointments and makeup. Most cosmetic products were made in the home, and all the arts of application were practiced there. Through commerce, however, the cosmetic products of Egypt were carried, principally in Phoenician ships, to countries around the Mediterranean. Egyptians were renowned as teachers throughout the known world of the Middle East, and their knowledge and practices were passed successively to the Assyrians, Babylonians, Hebrews, Persians, and Greeks. It is understandable, therefore, that cosmetics unearthed from

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<sup>25</sup> This design is used by MNCs that have relatively narrow or similar product lines. The regional functional design focuses attention on the key functions of the firm. Managers can maintain highly centralized control over functional operations. And the firm can easily transfer expertise within each functional area.

tombs in various countries should be similar. Everyone used henna and litmus for coloring the skin, and white lead for whitening it. There was some variety in perfumes because each country utilized its own native products.

After some times, a slow but steady educational movement was advancing throughout Europe. Started by Charlemagne (724-814), it was fostered by Alfred the Great in England and emerging leaders in other countries (Germany and Italy). One of the first attempts at reform was directed at the kind of medical knowledge that had been preserved in the various monasteries. Traders who exchanged the exotic substances for woolen fabrics, enameled jewelry and other ornaments at which some of the artisans of the north excelled, brought everything of this kind to Europe.

During the early years of the seventeenth century, two distinct trends of development became apparent, one of which was an attempt to keep cosmetic treatment associated with medicine and science, whereas the other was a movement to emphasize mere external embellishment as an end in itself, associated with fashion in dress. In all the items related to modern cosmetics and cosmetology, perfumes were the first products of the industry to be sold. As the trade and industry of perfumery gained prestige in France, they underwent various fortunes in other European countries. Eau de cologne had been the acknowledged leader into the seventeenth century in Italy, and was introduced in cologne (Germany), as a new perfume that was immediately successful.

In this period, all hairdressing on women was done in the home, either by a trained house cleaner or by a visiting hair artist. This branch of trade fell into disrepute in England because of the questionable practices of some within the group called head-dressers and who were primarily occupied with selling caps and hair ornaments, laundering fine laces and linens, and with other domestic duties. The use of powder continued in all the other European countries for several years after the revolution. In England, the number of hairdressers increased from two in 1740 to hundreds by 1795, when the shortage of flour for food became so acute that its use for the hair was heavily taxed. Business and industry flourished and by the outbreak of the revolution, exports from the colonies amounted to many millions of dollars.

In the years immediately following both the American and the French Revolutions, cosmetics and perfumery suffered a setback. In the new republic, all efforts were concentrated on establishing a solid footing commercially, economically, and financially. In France, the abandoning of all regulations for anything led to such chaotic abuse and dangerous confusion in the practice of both medicine and pharmacy that the ethical leaders in both professions were

obliged to draw up some very strict rules. The nineteenth century was one long period of extraordinary activity and accomplishment in science and technology.

The outbreak of the war in Europe threw the American chemical and related industries into a precarious situation. The sudden shortage of dyes, medicine, and many other types of supplies, especially from Germany, caused incalculable troubles. For those with facilities, research began at once to make up for the lacking materials. Meanwhile the cosmetics industry was beginning to find its footing. The postwar industrial depression lasted through 1922. However, the following decade was one of prodigious activity in all branches of cosmetics. Intensive advertising pushed cosmetic products into beauty shops all over Europe. This profitable decade for the cosmetics industry culminated in 1930. More recent decades have seen many changes, due primarily to increased levels of education and the acceptance of the regular use of cosmetic in the pursuit of beauty.

### **2.2.2. Cosmetic product classification**

The years that passed have been years of fruitful cosmetic research, characterized by many important developments, in synthetic detergents and emulsifiers, in antiperspirants, in pressure-packaged cosmetics, and in countless other new products or improvements of older ones<sup>26</sup>.

M.G. de Navarre (1941) and R.G. Harry (1956) did more than furnish up-to-date and pertinent information to cosmetic chemists; they demonstrated that most advances in cosmetics could be described without endangering any proprietary interests which individuals or companies held in their own products. Fortunately for the field of science and industry which they serve, the authors are striving to keep well known that the formulation and production of cosmetics actually involves familiarity with numerous materials and processes. These processes vary considerably from one to another in many respects, even though the diverse products are intended ultimately for use on the human body for cosmetic purposes.

By expanding the usual definition of cosmetics, it can be seen that in its broadest concept, the modern industry comprises all substances, preparations, treatments, appliances, or operations used in any way to improve the appearance of any person (Balsam and Sagarin, 1974, p.38). One would include creams, soaps, lotions, powders, colors for skin, shampoos, oils, pomades, waving agents, fixatives, bleaches, dyes, dye removers for hair, polishes, colors for the nails, deodorants, hair removers, oral preparations, sun tan products, perfumes, miscellaneous preparations,

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<sup>26</sup> The cosmetic literature was devoted not only to bodily embellishment, but also to medicine, in addition to the care of the home and sundry other subjects. And there began to appear also formulation and instruction books. Thus, when two cosmetic compendia were published in English in the early 1940s, they filled a gap that had been felt seriously by all those engaged in this field.

accessories, and devices used for bathing, hairdressing, massage, shaving, and embalming. In fact, the term “cosmetic industry” is often used as an abbreviation for “cosmetic, toiletry and perfumery” industry. Cosmetic products are about personal care, hygiene and well-being, with products such as sunscreen lotions with UV filters, decay-fighting toothpaste, anti-dandruff shampoos, deodorants and baby care applications, as well as about creativity with make-up products and perfume. European legislation specifies six functions that a cosmetic product can perform: to clean, protect, perfume, correct body odors, change one’s appearance and to keep in good condition. The greatest obstacle to process improvement in most plans is the enormous variety of product types, each with its own set of physical and chemical characteristics.

In this work, we define cosmetics as products and treatments for hygienic care and embellishment of the human body. It is not possible to go into all the ramifications of the cosmetic industry, but an effort has been made to cover information of interest on raw materials and various types of products. According to this information, we can classify cosmetic products in four groups and each group has several product categories as follow:

***Hair products***

Shampoo  
Hair setting lotions, sprays and dressings  
Hair tonics and conditioners  
Hair colorants  
Permanent waving and Hair strengtheners  
Hair straighteners

***Dental products***

Toothpaste  
Mouthwashes

***Skin products***

Skin creams  
Astringents and skin tonics  
Protective creams and hand cleansers  
Bath preparations  
Skin products for babies  
Skin products for young people  
Antiperspirants and deodorants  
Depilatories  
Shaving preparations  
Foot preparations  
Insect repellents  
Sunscreen, suntan and anti-sunburn preparations  
Skin lighteners or bleaches  
Face packs and masks  
Face powders and make-up  
Colored make-up preparations

***Nail products***

Cuticle remover  
Nail bleach  
Nail cream  
Nail strengthener  
Nail white  
Nail polish  
Nail lacquer /nail varnish  
Nail drier  
Plastic fingernails and elongators  
Nail mending compositions

A classification such as the preceding can continue. The correct use of cosmetics falls into two parts:

**Body care** which aides in the maintenance, cleanliness and the prevention of effects due to external causes such as excessive exposure to cold, heat, sun, wind. It includes soap, toothpaste, mouthwash, bath and shower products, deodorant, shaving products, intimate hygiene products, foot care, powders, creams, gels and treatments, hair care, shampoo, hair dye, conditioner, hair spray, skin care, face care, hand care, body cream, sun care, baby care, and baby toiletries.

**Decorations** produce a pleasing appearance by minimizing facial defects of color or shape and unobtrusively enhancing and directing attention towards one's better features. It includes perfumes and fragrances (perfume, pre and aftershave lotion), make-up (facial make-up, lip and nail products, eye-care products).

Cosmetics depend on the type and condition of the skin, and on social conventions, which vary from time to time and from society to society. It is noted that all objectives given are basically the natural attributes of youth. A lavish use of cosmetics or a high degree of contrast may produce a more formal or sophisticated effect. Although it should be noted that both sexes, all ages, and all economic and social strata use cosmetics. Over five billion cosmetic products are sold every year to some three hundred and eighty million consumers in the European Union. Cosmetics products as others products are determined by several characteristics.

### **2.2.3. General characteristics of the cosmetic product groups**

The physical characteristics of cosmetic products can be evaluated through the product formula and raw material (Wilkinson and Moore, 1982). It is particularly important, therefore, to understand the basic principles and characteristics of the cosmetic products. While cosmetic manufacturing is concerned with a very broad range of processes, there are enough common elements to allow a relatively simple overall view of the subject. This helps considerably in a study of the basic principles of cosmetic production technology.

#### ***Skin products***

Body care products include skin products in term of creams, lotions, and cleansers.

**Skin cream:** In the context of cosmetics, the term "cream" usually signifies a solid or semi-solid emulsion, although it may also be applied to non-aqueous products such as wax-solvent-based mascaras, liquid eye shadows and ointments.

**Astringents and skin tonics:** The composition of astringent creams is generally the same, but differs depending on the percentage of chemical elements.

*Protective creams and hand cleansers:* As the term “vanishing” implies, creams and lotions falling within this category are designed to spread easily and to seem to disappear rapidly when they are rubbed into the skin.

*Skin products for babies:* The first two formulae for baby creams and lotions illustrate the use of a comparatively new type of mild, non-toxic emulsifier based on sucrose esters of palmitic and stearic acids.

*Skin products for young people:* Two examples of the germicidal cleansing gel type of formulation may suffice to give the general principle of products for oily skin.

*Antiperspirants and deodorants:* Antiperspirants are designed primarily to reduce axillaries wetness. Deodorants, except soaps, are designed to reduce axillaries odor.

*Sunscreen, suntan and anti-sunburn preparations:* Formulations of the majority of sunscreens are the same. The various properties will now be considered in greater detail together with some of the principal ingredients.

*Face powders and make-up:* The degree of opacity of the powder can vary from opaque and matte, (e.g., a clown’s make-up), to almost transparent, which will have a type of shine due to the powder itself.

*Colored make-up preparations:* Lipsticks are essentially dispersions of coloring matter in a base consisting of a suitable blend of oils, fats and waxes.

### ***Nail products***

A complete manicure treatment can involve a number of different cosmetic preparations concerned with the cleansing and preparation of the nail and its decoration.

*Nail bleach:* Used for the removal of ink, tobacco or vegetable stains from the nails.

*Nail white:* Nail whites are preparations used to produce an even white edge to the nails.

*Nail polish:* A distinction is drawn between those polishes, which by abrasive action bestow a gloss on the nail surface, and a nail varnish.

*Nail lacquer/nail varnish:* Used as manicure preparations.

### ***Hair products***

Hair products comprise the principle product purchased by consumers for personal care. There are different hair products.

*Shampoos:* The primary function of shampoo is to clean the hair of accumulated sebum, scalp debris and residues of hair-grooming preparations. Alternatively, shampoos are classified according to function, more particularly: conditioning shampoos, anti-dandruff shampoos, baby shampoos, acid-balanced shampoos.

*Hair setting lotions, sprays and dressings:* The main aims of hairdressings are to improve the control and manageability of hair, to add luster, and to maintain a hairstyle in spite of the movement involved in daily activities and despite the various environmental conditions to which hair is submitted such as wind, humidity, dryness, cold, heat, and sun.

*Hair tonics and conditioners:* Two categories of hair tonic should be distinguished: medicated products which deal with specific problems of the hair and scalp, and the so-called conditioners, used primarily by women, which aim at improving, restoring and maintaining the condition of the hair.

*Hair colorants:* The coloring of one's hair is one of the most important acts of adornment in both men and women.

*Hair straighteners:* Some make hair straight with a very gentle wave.

### ***Dental products***

In civilized communities, the prevalence of tooth decay and other oral diseases has come to be accepted as normal. Oral preparations are therefore much more orientated to the prevention and control of oral diseases.

*Toothpastes* remove adherent soiling matter from a hard surface with minimal damage to that surface. This is a commonly used domestic cleaning ritual. The requirement of convenience in packing and in use determines that this basic product should be made into a paste.

*Mouthwashes* have been marketed based on a social necessity for clean breath. Antiseptic mouthwashes have not attained a high level of sales, but they are very popular. European mouthwashes tend to be used only after dilution.

Products presented in this work are examples that are generally accepted by consumers. The function of cosmetic products is to maintain the appearance of the external surface of the body. However, product standardization has several criteria.

## **2.3. The standardized product criteria**

A standardized product is therefore one that, in operating in more than one country, captures resources and development, production, logistical, marketing and financial advantages in its costs and reputation that are not available to purely domestic competitors.

### **2.3.1. Determinants for the product standardization**

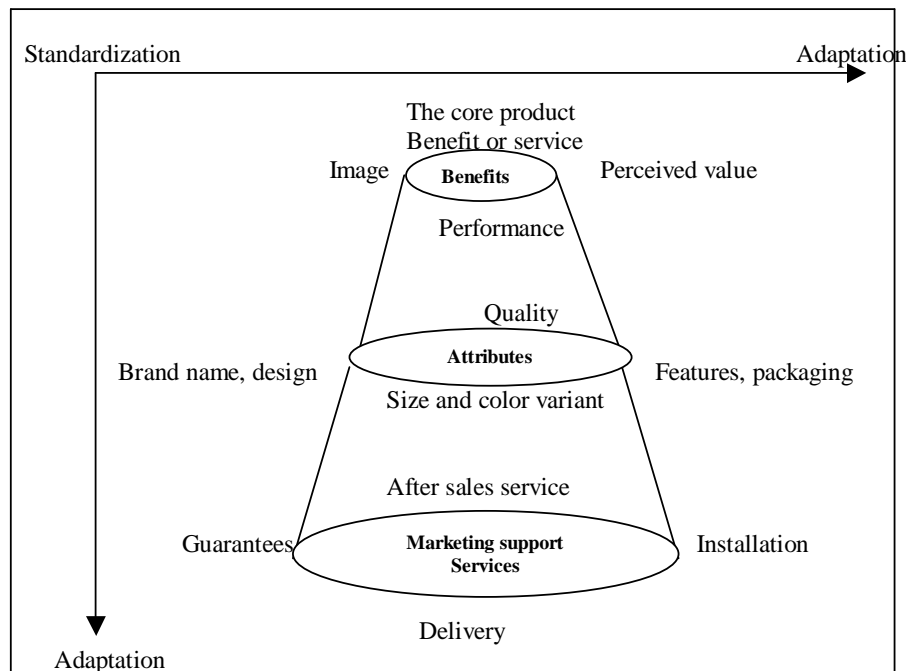
The elements of product standardization include product features and other marketing mix elements as name, label and package. A company standardizes its products by offering only one version of a product in several markets, which may in essence, be the same product as that



marketed in the domestic market. This approach is at the core of what is called a global product strategy. A so-called global product is one designed to meet one of two standards: the preferences of the domestic home market, or the lowest common denominator of the export markets (Rosen, 1986, p.8).

The attributes of a global product are that it is the cheapest, quickest, and easiest way to standardize a product. That is to say, the brand, quality, package, label, design, size or colors variant are the main element that the manager standardizes to standardize the product.

**Figure 6:** The three elements of the product, which are relatively more difficult to standardize in different country markets.



Source: Adapted from Isobel Doole and Robin Lowe (1999, pp. 372)

In a regional market, certain product elements are easier to standardize than other is. The preceding Figure 6 shows the product variables, which are relatively easier to standardize. According to Doole and Lowe (1999), the product benefits (core product, image, performance and product value) are easily standardized. The product attributes (quality, brand name, package, size and design) are about fifty per cent standardized. In this connection, we could note that idea is more standardized than physical. Marketing support services are more difficult to standardize. In our work, we focus on the attributes and core characteristics of the cosmetic products to show that eventually cosmetic products could be standardized in a regional market.

With regards to packaging, standardization goes beyond the scope of language and involves the question of altering appeals. The issues relevant to marketing revolve around the relative importance of the package's dual roles of protection and promotion. While protection is important, a package's promotional power cannot be ignored. Since the same product sells in different countries, often for different reasons, package design can do much to express and present a product in a way that is preferred by customers in each market. Some amount of standardization is desirable. Language may or may not be a problem. In various parts of Europe such as Denmark, it is not that uncommon to find products from English-speaking countries packaged using English. However, in some countries, for example Germany, products may need to use the country's language if the company really wants to tap the full potential of the market. In other areas, a company can export to selective markets using its native language because it is similar to that of the market. For example, Danish, Swedish and Norwegian firms can use their native language in the other two markets.

Multi-language packaging/labeling is becoming more and more prevalent for consumer. As part of its EC-1992 program, the European Union has developed legislation to harmonize standards for packaging among the twelve member countries. Exporters to the area can then use their package designs as a means of unifying their product in the area.

Another issue regarding packaging arises through ecological concerns. This has an impact on which materials are to be used and how they are used. Environmental policies are paramount in the EU. The EU has proposed a directive on packaging and packaging waste. This directive aims to harmonize national measures concerning the management of packaging in order to reduce the impact of packaging waste on the environment. Once the directive takes effect, member states will have five years to ban packaging that is neither reusable nor recyclable and part of an established return channel. Because all packaging materials must be recyclable, only the following materials are permitted: paper, cardboard, wood, foils, packaging strips, Styrofoam, glass, tinsplate, laminate board and aluminum.

A brand is anything that identifies a seller's goods or services and distinguishes them from others. A brand can be a word, letter, letters and group of words, symbol, design or some combination of these. A brand name is the spoken form of the brand. A trademark is a brand, or part of a brand, which protected by law, prevents other from using it. There are millions of names registered as trademarks in countries throughout the world, and the number increases every year. The primary function of a brand is to identify the output of the owner of the brand so that buyers can distinguish it from other comparable merchandise. A brand indicates the origin of

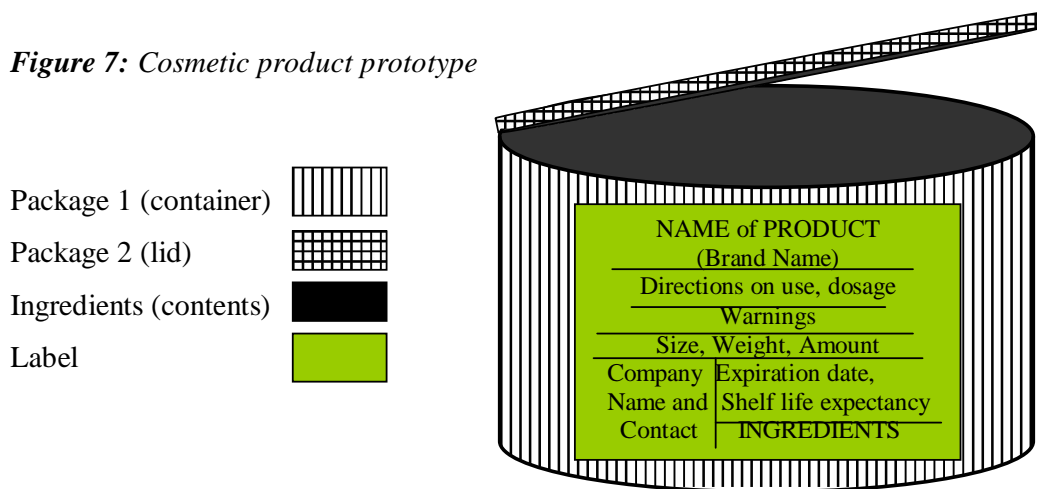
the product, it carries the assurance of quality, it serves as a warranty and it permits consumers to buy products, which satisfy their needs and avoid those that do not.

In summary, branding is an integral aspect of the decision to standardize. Even if the product core is standardized, the brand may be used to satisfy export management’s desire to achieve consistency with customers. There is great cost savings in creating a unified brand across national borders. Such a brand eliminates duplication of design and artwork, production, distribution, communications and other related issues.

An important phase of the development process occurs when the prototype is made. This is a highly developed model, intended to embody most of the significant characteristics that will be found in the final production line item. Many kinds of prototypes are used. For example, the prototype of an automobile is frequently made of clay. It is a model of the chassis, intended to reveal the styling and appearance of the automobile so that it can be evaluated on a visual, first-hand basis. A separate hand-tooled model of the engine and other moving parts of the system will also be required before the new model goes into production. At a later stage, a handcrafted automobile will be developed which represents a total assembly, as it will eventually come from the production line.

In the case of a process for example, a chemical plant, an advanced prototype will take the form of a pilot plant. This pilot plant is a scale model of the final plans for the processing unit. It is similar to the final unit in all aspects but on a reduced scale. Pilot plants may involve the expenditure of millions of dollars. In such cases, they usually represent models of final units that cost hundreds of millions of dollars. If the pilot plant produces negative results, then the plans can be reworked. The purpose of a pilot plant is to spend a relatively small sum of money in order to avoid far larger penalties that could occur if such precautions were not taken.

**Figure 7:** Cosmetic product prototype



The content (ingredients) is an inherent part of a product and is composed of characteristics that, when compared with a standard, serve as a basis for measuring the uniformity of the product and drawing conclusions regarding its acceptability. Management sets the standard itself, in the last analysis, but adherence to the standard is affected by means of quality control, fortified by the support of management.

### **2.3.2. Characteristics for a regional standardized product**

The product is in the center of standardization characteristics. A regional standardized product has specific characteristics, which are standards across markets. At the very minimum, standards characteristics might cover the product size, quality, package, label, brand and ingredients, which are represented by the formula. These six elements must be standard and uniform to qualify product as standardized in a regional market.

#### ***Formula/ Raw material***

The formula is a concise and precise statement of the ingredients that comprise the product, together with the percentage and/or weight of each one. Frequently this information is presented in the form of a theoretical formula, showing the percentages of final composition, and a working formula, which sets forth the specific weights of the ingredients, as they are required in each intermediate batching step. Since the formula is usually highly confidential, it is preferable to record it separately from the other standards. The formula is the first standardized element of a regional product.

In the EU, discussions of different cosmetic formulas and procedures currently served to raise the standards of an entire industry, without affecting the privileged position of those companies which, either through patents or trade secrets, controlled formulas or processes superior to those generally known.

Raw material specifications should enumerate the characteristics of all materials that go into the product and the permissible range of each ingredient. Deviation beyond this range may be expected to cause failure of the product's function as planned or, at least, result in an undesirable lack of uniformity. Although establishing raw material standards can sometimes be exceedingly difficult, it should never be evaded. The standards must cover all essential points and ideally, grant the procurement division the widest possible latitude in buying to the best advantage. However, there should be no hesitation in specifying brand names or approved suppliers whenever it is reasonable to suspect that the departure from these sources may bring trouble.

### ***Size / Quantity***

Quantity is the property that allows objects to be measured or counted: size and amount (capacity, measure, volume, or weight). A form is a shape, kind, type, or variety of an object that creates its external appearance, can be molded and creates the physical existence. Generally, the form here is round, oval or square. These measurements are qualified as size of the product. The variables of quantity and size are very important factors for the standardization of a product in a region.

### ***Finished product standards/ Quality***

Finished product standards should cover all characteristics that affect the proper performance, durability, and safety of the product. For example, the finished product standards for a powder might include limits for color, particle size, abrasiveness, apparent density and moisture. Limits may be maximum, minimum, or both, depending on the nature of the situation. With certain products, it may be necessary to exercise biological controls to establish the efficacy and safety of the finished preparations. In the case of an estrogenic hormone cream, potency and, indirectly, safety should be established. Antiseptic products are subject to bacteriological control, for example, eyewashes should be checked for sterility.

Quality is an attribute, which can refer to character, trait, feature, aspect, property, peculiarity, or distinction of a product. Ingredients of major cosmetics remain unchanged regardless of the markets in which a firm operates. For the consumers' safety, cosmetic firms that operate in EU markets must sell cosmetics with the same ingredients proposed by COLIPA. Furthermore, BSI, DIN, EOTC, EAPCCT<sup>27</sup> work together for control, safety, testing and normalizing the quality of cosmetic products in the English, German and European markets.

Comparison of results is valid only if the same standard test method is used each time the test is performed. Any reference to such results without acknowledgement of the standard method applied in compiling them is thus necessarily suspect. Therefore, it is important to use an accepted standard method for testing whenever possible. Standard test methods are drawn up and published by national organizations such as the British Standard Institution (BSI), the American Society for Testing Materials (ASTM) and the *Deutsches Institute für Normung* (DIN), the German institute for standardization. These organizations rely on panels of experts from industry and trade bodies and are coordinated by the International Standards Organization (ISO). For these institutes, standardization of cosmetic products in Europe is the main objective regarding the protection of the consumer health target. The main testing methods used in cosmetic industry, on both materials and finished products' investigate the following:

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<sup>27</sup> These acronyms are explained in the list of abbreviations, page viii-ix.

*Mechanical properties* - package compression, tensile, flexural and impact strengths.

*Physical properties* - water absorption, moisture vapor transmission rates, accelerated aging, flammability and thermal conductivity.

*Chemical properties* - resistance to the product, chemical environment, corrosion testing.

### **Packaging material standards**

Standards for packaging materials should be set for everything, which concerns the product, for example, bottles, cans, jars, caps, cap liners, labels, printed inserts, cartons, wrapping paper, boxes and shipping cases. The importance of packaging specifications cannot be overemphasized. Actually, packaging must be considered carefully from a number of angles, any or all of which may be essential to successful production and marketing. The units may have to run on a high-speed line. They may involve a complicated assembly. The package may be functional, completely compatible with the product, protect the product and assure its stability, and it must ship well.

Obviously, standardized product packaging specifications demand the same painstaking critical attention as raw materials or finished product specifications. This work should never be short-circuited under the delusion that the package is relatively unimportant. The packaging of cosmetics and toiletries is in principle no different from the packaging of any other product, but aspects of package design and development are of such prime importance in the successful marketing of cosmetic products that it has a more important role in this industry than in almost any other. But cosmetic packaging is very diverse, and utilizes a wide variety of materials such as plastics, glass, paper, board, and metal combined with a wide range of technologies including printing, machinery design and tool making.

For Plastics, two main groups are used; Thermoplastic resins and thermosetting resins. Glass is chemically very inert and generally will not react with or contaminate high quality cosmetic and perfume products. In paper and board, the main types used in packaging are craft, greaseproof, glassine for packaging paper, and plain chipboard, cream-lined chipboard, duplex board, and clay-coated board for packaging board. The particular applications for which metals are most suited in cosmetics packaging are aerosol containers, powder dispensers, shallow tins and collapsible tubes.

In essence, the package projects the style and image, not only of the product, but also often of the company which markets the brand. The packaging must therefore project the image that it has been designed for, not only to the customer through advertising and point of sale but also to the retailer and wholesaler chain. Advertising has ensured that the package is now more widely seen than ever before. With the predominance of color in advertising, the cosmetic

package must be made of materials that have good aesthetic appeal and which will take and hold color.

Packaging is the way to pack a product. Thus, packaging sells what it protects and protects what it sells. Packaging must contain, restrain, protect, identify, sell the product and provide information about it. Packaging could be also considered the activities of designing and producing the container for a product. The package might include up to three levels of material.

- *The primary package* is the product's immediate container.
- *The secondary package* refers to material that protects the primary package and is discarded when the product is about to be used.
- *The shipping package* refers to packaging necessary for storage, identification, or transportation.

The technical aspects of packaging are rather diverse and too involved for any detailed discussion in this work. But, given a particular packaging material, the final pack must be sufficiently strong to survive any treatment that it is likely to receive from the time it is first delivered to a factory, through filling, distribution, sale and actual use.

#### ***Labeling/Design standard***

All packaging components can be printed to give a wide range of decorative affects. Different processes are used depending on the application. The five main processes used in the printing of packaging components are:

*Screen-printing*; The screen is generally made from nylon sheet or, sometimes, silk.

*Flexography*; It is similar to a rubber stamp in operation. A main packaging use is corrugated cartons and transit shippers, including some films and labels.

*Offset lithography*; The image formed is transferred to a rubber-covered cylinder, which then transfers the ink to the printing substrate.

*Gravure printing*; The ink in the subsurface cells is transferred to the printing surface. Uses for packaging include long-run flexible package printing and label printing.

Packaging must be considered as early as possible in the development of the standardized product to allow time to ensure that the package pack and product are compatible. The development process begins with detailed analysis of the product so that a pack can be designed to give protection. Marketing factors must also be considered so that the package is suitable for the product and its market. Easy opening, convenience factors and ease of handling are of prime importance to the ultimate consumer. At this stage, key considerations should include graphics and aesthetic design, related marketing criteria, as well as the interaction between the product, its primary container and any other packaging. Finally, in the development of the package, its

environmental impacts should be considered, in terms of disposability, litter, and the ability to re-use of scarce raw materials.

Physical products headed for sale have to be labeled. A label can perform several functions. The label identifies the product or brand. The label might also grade the product. Even if the seller prefers a simple label, the law may require additional information. The label might describe the product: who made it, where it was made, when it was made, what it contains, how it is to be used, and how to use it safely. Finally, the label might promote the product through its attractive graphics. Some writers distinguish between identification labels, grade labels, descriptive labels, and promotional labels.

Labels eventually become outmoded and need freshening up. There is a long history of legal concerns surrounding labels. Labels can mislead customers, fail to describe important ingredients, or fail to include sufficient safety warnings. Sellers should make sure their labels contain all the required information before launching new product. The cosmetic perfume industry provides a good illustration of the importance of the role played by brand name and packaging in the marketing of product. Trademark and packaging decisions in an international context are often taken for granted.

### ***Branding***

A brand may be the name of individual products or the name of the corporation that produces them. In the latter case, the brand is the symbol of corporate identity and it is encapsulated into a logo that is present in all documents of the firm, and associated with individual products even if those have an individual trademark. The brand standardization would mean that brand is similar across countries, regions or the globe (Wheeler, McDonald and Greaves, 2003).

The basic purposes of branding are the same everywhere in the world. In general, the functions of a brand are to create identification and brand awareness, guarantee a certain level of quality, quantity, and satisfaction, and help with promotion. All of these purposes have the same ultimate goal: to induce repeat sales. Branding is the area in which standardization appears to be relatively high<sup>28</sup>. A single, worldwide brand is known as an international, universal, or global brand. A European brand is a slight modification of this approach, as it is a single product for a single market of fifty or more European countries, with an emphasis on the search for intermarket similarities rather than differences.

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<sup>28</sup> One study found a standardization-branding rate of 82.5 percent among U.S. consumer goods manufacturers. (See B.N. Rosen, J.J. Boddewyn, and E.A. Louis, "U.S. Brands Abroad: An Empirical Study of Global Branding", *International Marketing Review* 6. (No.1, 1989): 5-17).



### 2.3.3. The standard manufacture of cosmetics

The whole subject of cosmetics manufacturing is satisfactorily described with reference to three types of process: mixing, pumping and filtering (Balsam and Sagarin, 1974). The most interesting aspects are chemical elements of each cosmetic product. Marketers remark that the chemical compositions of cosmetic products are standard. That is why marketers agreed that cosmetic products are always standardized. The problem is only around the brand, packaging, and marketing. Indeed, there are standard formulas for each group of products. However, to standardize products, there is a long process, which begins with product conception and ends with the finished product distribution.

While cosmetics manufacturing is concerned with a very broad range of processes, there are enough common elements to allow a relatively simple overall view of the subject. The first step in this simplification procedure is the division of cosmetic manufacturing into two parts: bulk manufacture and unit manufacture.

*Manufacturing of bulk product.* Every single cosmetic manufacturing process contains at least one mixing operation but often more than one type is involved. The object of a mixing operation is to reduce the inhomogeneities in the material being mixed. Further, in the processes demanded by cosmetic manufacturing, mixing is designed to be permanent. Clearly, the degree to which inhomogeneity can be reduced depends on the efficiency of the mixing apparatus used and on the physical characteristics of the materials constituting the mixture. For example, the manufacture of pigmented emulsion-based foundation cream may include preliminary dry blending of pigments and dissolution of oil-soluble and water-soluble materials separately in their appropriate phase, dispersion or suspension of pigments in the oil or water phase, mixing of the two phases to form an emulsion, possibly with the formation of soap as part of the emulsifier, adjustment of pH, de-aeration of bulk, cooling to ambient temperature, and pumping into a storage vessel.

This example helps considerably in a study of the basic principles of cosmetic production. The subject of pumping is not clearly separated from that of mixing since pumping implies the forced flow of product. Any flow will naturally introduce an element of mixing if the product is not already homogeneous. Further, since flow is a common element of both processes, the same product characteristics must be taken into account. Filtering is not usually a unit operation of major importance in cosmetics manufacturing except in the production of spirituous preparations (colognes, aftershave and perfumes). Filtering is an un-mixing where the flow characteristics of the filtered product are of prime importance.

*Unit manufactures.* Most cosmetic products are filled from bulk in machines specifically designed to handle the units of a particular product type. There are at least two areas, however, where special understanding of the product units and the characteristics are essential for the achievement of efficient production: these are the molding processes (lipsticks, wax-based sticks and alcohol-stearate gels) and compression processes (compressed eye shadow, blushers and face powder). The following Table 1 shows type of mixing and some product examples.

**Table 1:** *Scope of mixing operation within the cosmetic industry*

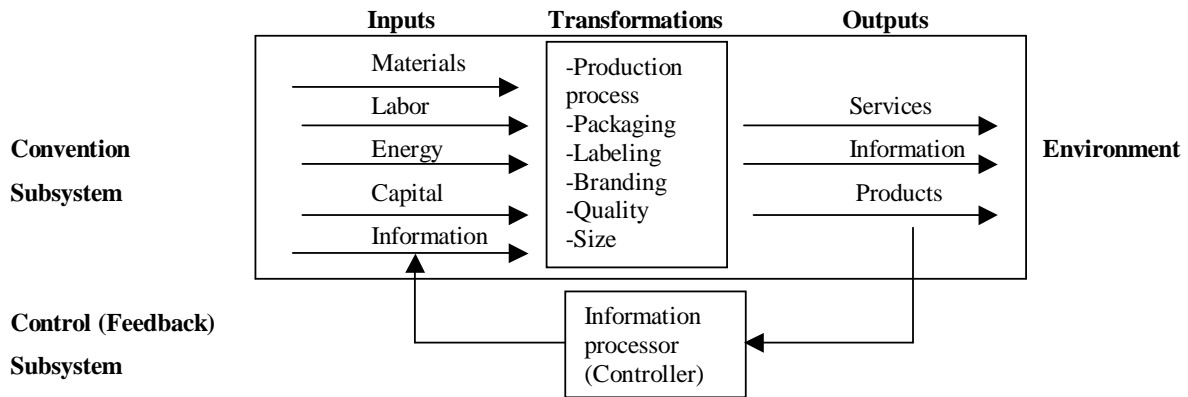
| <i>Type of mixing</i>                       | <i>Examples</i>  |
|---|--|
| Solid/Solid<br>- Segregating<br>- Cohesive  | Face powders, eye shadows and all dry mixing   |
| Solid/Liquid                                | - Dissolution of water, soluble dyes, preservatives, powder surfactants<br>- Suspensions and dispersions, pigments in castor oil and in other liquids, cream |
| Liquid/Liquid<br>- Miscible<br>- Immiscible | - Chemical reactions, formation of soap  |
| Gas/Liquid                                  | - Absorption (after shave, gel)<br>- Dispersion (antiperspirant, deodorant)  |

*Source:* Balsam & Sagarin *Cosmetics Science and Technology*, Vol.1, Wiley-Interscience 1972.

It is particularly important, therefore, that marketing managers and production chemists in the cosmetic industry understand the basic principles and characteristics of the plant at their disposal for greater efficiency in the tasks for which they are responsible. From the manufacturer's point of view, the product should be made from the least expensive freely available raw materials compatible with good product quality. A balanced formula can only be achieved by considering all the ingredients together since many of them may have a dual function or may interact with one another. Cost and availability as well as local laws, regulations and even local habits may cause formulations to vary from country to country.

The responsibility of managers takes various forms, for example the decision, planning, design, or policy-making function. In addition, production managers must implement their decisions. Thus, theory is translated into practice, plans are realized and designs are converted into physical realities. A production system can be broken down into the three component parts of input, output, and process. The diagram shown in Figure 8 illustrates the way in which various ingredients are brought together and transformed to accomplish the objectives for which the system was designed. In fact, one of the most fundamental models of the production system is the input-output model. Production is any process or procedure designed to transform a set of input elements into a specified set of output elements. The system is the set of all such interconnected input-output elements.

**Figure 8:** A description of a product standardization system



Source: Adapted from Martin K. Starr (1972)

It is necessary to evaluate the extent to which an implemented decision accomplishes an objective. Control necessitates such as evaluation. Standardization management responsibilities, center on two major areas:

- *Design of the production system* includes product, process, plan, and equipment.
- *Design of the control systems* help to manage quality, production schedules and productivity.

For both areas, new approaches are required when competitive, economic, and technological changes occur. It is true to say that processing in the cosmetics industry has evolved largely through practical experience. While the literature abounds with reports from workers in the areas of product development, production technology and efficacy, little seems to have been reported on new production processes over the last few decades. This does not necessarily indicate that cosmetic manufacturers see no need for improving their production facilities, on the contrary, production problems, especially those associated with relatively large-scale processes, continue to cause difficulties and delays even in the largest and best-equipped factories. The greatest single obstacle to process improvement in most plants is the enormous variety of product types, each with its own set of physical and chemical characteristics, which must be dealt with during the course of a year.

The product elements, which allow for standardization, are physical and commercial. The physical elements include raw material and formula, which are generally standardized, because of the same utility or usefulness. The dosage of chemical elements is sometimes different, but formulae are always standardized. Commercial elements include brand, package, and label. These can be standardized if a regional company decides to change in response to its international strategy.

### **3-THE PROBLEM OF PRODUCT STANDARDIZATION IN THE EUROPEAN UNION**

The problem in this study is generated by factors that positively and negatively influence product standardization in the EU. According to some factors, product components could be easily standardized and the structure of firm could move rapidly with the standardization process.

#### **3.1. Factors influencing product standardization in the European market**

In the European Union, several factors might draw a cosmetic company into European arena. For this study, we have considered political, technological, and social factors.

##### **3.1.1. Political influences**

The country's political atmosphere tends to improve if the company decides to invest in local production facilities, instead of importing finished products from outside to sell in the host country. Thus, the complexity of the political factors of two or more countries increases significantly when the interests of the company, the host country, and the home country do not coincide. To assess a potential marketing environment, a company should identify and evaluate the relevant indicators of political difficulty. Potential sources of political complication include social unrest, the attitudes of nationals, and the policies of the host government. Decisions regarding standardization are thus affected by political considerations. Some companies view politics as an obstacle to their effort to enter foreign markets and as a barrier to the efficient use of resources. For other companies, political problems, instead of being perceived as entry barriers, are seen as challenges and opportunities. According to managers with the more optimistic view, political situations are merely environmental conditions that can be overcome and managed.

Politics influences norms and law. Norms are undoubtedly very important both inside and between firms, incorporating them into the theory of regional integration has been very difficult and is likely to continue to be so in the near future<sup>29</sup>. However, we can notice that European norms are taking place progressively for the control of the European quality.

COLIPA works closely with European institutions to achieve balanced policies and legislation, not only to help the cosmetic industry do business in a regulatory environment that is

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<sup>29</sup> See Oliver Hart, "Norms and the Theory of the firm", National Bureau of Economic Research Working Paper N°. 8286, JEL N°. D2, G3, L2, May 2001.

objective and encouraging of innovation, but also to help build a European cosmetic sector that is strong and competitive. COLIPA has been greatly involved in shaping the European legislation dealing with cosmetic products. The main policy instrument that affects the cosmetic industry is the Cosmetic Directive (76/768/EEC). It is literally the European cosmetic regulatory “bible”, serving as a model for global harmonization of legislation for cosmetic products. European legislation, through the EU Cosmetics Directive (76/768/EEC), provides the industry with guidelines to guarantee consumer and manufacturing safety. The Directive also specifies the functions a cosmetic product can perform.

Safety is an important concern for the cosmetic industry. All ingredients used in cosmetic product are subject to stringent European regulations guaranteeing European consumer protection and the well-being of industry employees. Under the Cosmetics Directive, cosmetic products are required not to cause harm to human health. To that end, a safety assessment needs to be carried out which takes into account all the ingredients used in the product. Under Article 7.3 of the Cosmetics Directive (76/768/EEC), member states may request information on substances used in cosmetic products. The European Association of Poison Centers and Clinical Toxicologists (EAPCCT) and COLIPA have developed the system of frame formulations to be used for the notifications required under Article 7.3 of the Cosmetics Directive. The frame formulations detail the types of ingredients and the maximum concentrations for most cosmetic products on the European market. The frame formulations booklet, published in January 2000, contains a preamble where the system is explained, a flowchart, three types of declaration forms, an update form and approximately one hundred and twenty frame formulations. The European cosmetic industry is a positive example of the role that scientific research and development can play in today’s world.

From the outset of the EEC, the new idea of a common market was inextricably related to common policies. No other postwar attempt of economic regionalism anywhere in the world has assumed such demanding ambitions. The three common policies in agriculture, competition and trade are direct consequence of the kind of common market wanted. A common trade policy is a logical part of the comprehensive form of product market integration. It created the unification as PAL, SECAM, UNIX, HS, GSM and ISDN<sup>30</sup>. Building on the Customs union (CU) with a Common external tariff (CET) and common quotas, the intra-EC removal of regulatory and fiscal barriers free movement of goods requires a much more ambitious common trade policy. In fact, the formation of regional market agreements such as the Single European Market encourages companies to launch regional products, e.g., Pan-European product, or redesign

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<sup>30</sup> See the list of abbreviations, pages viii-ix.

existing products as pan-regional brands. The legislation leading to the creation of the Single European Market in January 1993 aimed to remove most barriers to trade within the European Union. It also provided the harmonization of technical standards in many industries. These moves favor Pan-European product strategies.

Of the other common policies, the common transport policy has finally come to mean little more than regulatory approximation and fiscal harmonization so to permit free movement of these services. Thus, we can say that European politics are dominated by the adoption of common policies in several economic sectors. That leads to the regional product harmonization and facilitate product standardization in the European Union markets.

### **3.1.2. Communication and transport infrastructure**

Another set of push factors for product standardization in the European market is related to the technological progress that lowered the cost of transportation and communication as well as the unit cost of production through economies of scale, or the localization of productive capacities and sourcing in low-cost economies. The recent growth of the Internet is the latest expression of telecommunication development. Included in the expanding volume of Web-based traffic is a growing percentage of cross-border trade. Viewed globally, the Web is emerging as an equalizer. It rolls back some of the constraints of location, scale, and time. The Web allows businesses, both small and large, to expand their global presence at a lower cost than ever before in the European zone. In addition to developments in communication technology, several major innovations in transportation technology have occurred in European Union. The development of telecommunications has reduced the cost of information exchange between businesses scattered around the European market (Mockler, 2002). Between 1950 and 1990, the transportation costs of air transport, ocean freight and phone calls decreased considerably. For satellite charges, there was an approximate decrease of 90 per cent between 1970 and 1990.

The advent of commercial jet travel, by reducing the time needed to get from one location to another, has effectively shrunk the EU. After a 1985 Court ruling convicting the Council for “a failure to act” upon modes of transport duty to set up a common transport policy, an internal market has been established for all modes of transport services. Given space limitations, this study will deal only with road haulage, by far the most important mode economically. The internal market for road haulage was prevented from actually being established by national quotas and access restrictions. Fairly centralist proposals for a common transport policy, including common minimum and maximum prices, never made it through the Council in the 1960s. Renewed attempts based on harmonization without centralization, dating back to the second half of the 1970s, foundered on the rocks of unwilling Member States insisting on

maximum, not minimum fiscal and social harmonization. It was only in November 1985 that the Council agreed to liberalize while reducing harmonization ambitions. Minimum harmonization in road haulage focused on entry conditions like technical regulations, (such as weight and length of vehicles), professional qualities, and as well as on social impact. The gradual enlargement of bilateral quotas, the abolition of bilateral quotas, accomplished liberalization and intra-EC-wide permits by January 1993. The “Euro-vignette” was founded between Denmark, Germany and Benelux.

The economic impact of road haulage market integration is high. Indirectly, the issue of European transportation infrastructure had begun to play a role in the 1980s and more explicitly with the promotion of TENs (Trans-European networks) provided for in the Maastricht Treaty. As intra-EU road haulage since 1970 has grown almost twice as fast as industrial production, the expected growth impulse of EC-1992 should translate into a much larger demand impulse for road haulage services. Furthermore, to the extent that plant economies of scale could be more fully exploited due to EC-1992, centralization of production in fewer plants would augment transportation costs. If these costs are lower than the benefits of centralization of plant output, the consequent centralization should be expected to increase the demand for transport services. EC-1992, by removing various barriers such as internal customs and tax frontiers, rendered centralization of stock-holdings more attractive to industry. There are some scale economies in distribution and, above a critical mass; it becomes profitable to employ modern capital-intensive stock techniques.

Progress in manufacturing technology provided a tremendous incentive to the need to concentrate production in world-class factories benefiting from huge economies of scale, thus encouraging the rationalization and integration of production systems. Besides manufacturing concentration, companies have been able to source components or services from low-cost countries, either by setting up their own operations or by purchasing locally. The veritable consequence of the development of the European communication infrastructure is the easy channel structure implementation.

In developing its presence in the EU, a firm must plan for the flow of two things that are involved when its products pass through the structure of distribution: the flow of transactions and the flow of the physical product. The transaction flow, also known as the flow of ownership, is accomplished by the series of sales transactions negotiated or facilitated by the channel members that ultimately transfer ownership of the product to the final buyer. The physical flow moves the product itself to the final buyer through a series of physical movements and storage points. Throughout European marketing channels, these two elements tend to coincide, although

exceptions do occur. For example, the use of an export broker involves only the element of transactions. But when an export merchant is involved, both elements typically coincide. A company may be able to make a particular sale only because the physical distribution system it uses gets the product to the European buyer when and where it is wanted and at a reasonable cost, relative to alternatives available to the buyer.

Many specific types of organizations may be involved in performing the transactions and physical flows in a given European marketing channel distribution. Of primary significance are the marketing organizations, which directly participate in these flows. Thus, the European marketing channel of distribution is a system composed of marketing organizations that connect the manufacturer to the final users or consumers of the company's products in the European market. Sometimes a channel is quite simple or short, perhaps direct from a manufacturer to the final user or consumer. Often, it is more complex to utilize many marketing organizations. European channel structures influence the regional product policy. For example, policies concerning channels are related to decision regarding production. In the first place, location of the production base or sourcing is the first channel decision. Second, fluctuations in production may be reduced by the proper selection of such channels. For the European marketing channel system there are three basic components:

- The way in which the manufacturer has organized its headquarters with regard to implementing its European marketing operations.

- The methods used or channels through which the products are sent to European markets. This is the channel between nations.

- The means by which these products reach the target consumer in the European markets, assuming the importers are not the final users. This is the channel within nations. Here we have a manufacturer in its home country, and a foreign agent/distributor, or branch/subsidiary, wholesaler, retailer and household consumer in a foreign target market.

These European marketing structures facilitate retail outlets and product distribution in the European Union market. European communications and transportation infrastructures are favorable to the distribution of the same cosmetic products through these simple retail outlets.

### **3.1.3. Convergence of consumer needs**

International air transport and the diffusion of lifestyles by movies and TV series have increased the brand awareness of consumers worldwide in general and regionally in particular. Brand like Nivea is known nearly everywhere. Ohmae, in his book<sup>31</sup>, has discussed the "Californization of society". He observes that teenagers in Sao Paolo, Bombay, Milan or Los

<sup>31</sup> See Ohmae, Kenichi, *Becoming a triad Power*. New York: McKinsey & Co., 1985.



Angeles listening to the same music, using the same walkman and wearing the same pair of blue jeans. Convergence of customer behavior and needs is also facilitated by urbanization and industrialization of societies. The less cultural is the product, the more likely it can be standardized and appeal to masses of consumers in all countries.

Alongside Levitt, Ohmae (1985) and Yip (1994) are the defenders of global convergence, arguing that an increasing percentage of the population, at least in the market-led economies, share the same tastes and needs for larger quantities of products. Levitt argued that greater levels of international travel and technological improvements in communication have increased the amount of information available about foreign places and cultures. He continues saying that; such changes have led to a homogenization of markets, as people across the world have increasingly common tastes. In such a world, the global marketer can act as if the entire world or major regions of it were a single entity; it sells the same thing in the same way everywhere. By taking advantage of the similarity of tastes, a company can sell standardized product across the world, and gain competitive advantage through exploiting economies of scale so that it earns a reputation as the lowest cost producer of high quality goods.

Maslow (1954) also summarizes a scale of needs to explain why people are driven by particular needs at particular times. Why does one person spend considerable time and energy on personal safety and another on pursuing the esteem of others? His answer is that human needs are arranged in a hierarchy, from the most pressing to the least pressing. Maslow's hierarchy of needs shows that in their order of importance, there are physiological needs, safety needs, social needs, needs for esteem of others and self-actualization needs. A person will try to satisfy the most important needs first. When a person succeeds in satisfying an important need, it will cease being a current motivator, and the person will try to satisfy the next most important need.

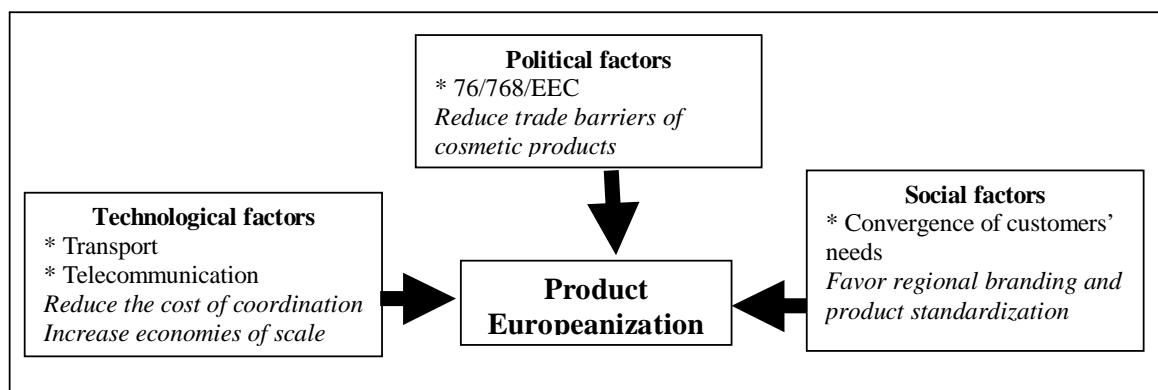
Maslow's theory helps the marketer understand how various products fit into the plans, goals, and lives of potential consumers. While the product satisfies a need, this theory shows that European consumers have the same needs for the esteem of others through certain brands of cosmetic products. Managers have to develop European expertise to manage on contingency basis according to the host country environment.

In the same way, Murdock's (1945) cultural universals theory applied in the EU can demonstrate the European need for consumer convergence. Thus, as human beings, regardless of race or religion, we all have similar basic needs. It is reasonable to expect that certain cultural traits transcend national boundaries. For example, people everywhere have a love for beauty and a need for cosmetics. Some of the cultural universals identified by Murdock are athletic sports, bodily adornment, calendars, cooking, courtship, dancing, dream interpretation, education, food

taboos, inheritance rules, joking, kin groups, status differentiation and superstition<sup>32</sup>. The need to have cosmetics, for instance, makes it natural for people everywhere to accept powder or moisturizing lotion such as Nivea. Likewise, culture is not a barrier to antiperspirant or deodorant products. The homogeneous desire for beauty and diamonds also makes it possible to promote diamonds in the same way worldwide. Thus, we can agree that European consumers have same needs. This facilitates positively standardization of European products.

However, we can note that shared values do not necessarily mean identical behavior. The manner of expressing culturally universal traits still varies across countries. Beauty is a cultural universal, but that does not mean that the same kind of adornment is acceptable everywhere. Because the beautiful tastes are not internationally uniform, the type of beauty treatment used must be varied to appeal to a particular country. Therefore, all peoples admire the beautiful, but cultural definitions of beauty vary greatly. Cultural universals should not be interpreted as meaning that the two cultures are very much alike, but there are often some similarities. European managers can benefit greatly from understanding the nature, dimensions and variables of a specific culture and how these effect consumption and production processes. This cultural awareness enables them to develop appropriate policies and determine how to plan, organize, lead and control in a specific European setting. The three favorable factors of product standardization in the EU are shown in the Figure 9 below.

**Figure 9:** *Europeanization push factors*



Source: Adapted from Philippe Lasserre (2003, p.17)

These three elements, political adaptation, communication and transport infrastructure, along with the convergence of European consumer needs are external and independent elements

<sup>32</sup> See George P. Murdock, "The Common Denominator of Cultures," in *the Science of Man in the World Crisis*, ed. Ralph Linden (New York: Columbia University Press, 1945), 123-42.

that positively influence standardization of the European product. At the same time, the European market is confronted with certain problems that could stop the standardization process.

### **3.2. Factors against the regional product strategy in the EU**

When a company decides to internationalize, product is at the center of its international strategy because of the complicated standard characteristics of the product in the different markets. In the European market, the reality of several cultures, languages and intellectual property create difficulties for the European firms, which try to standardize their products in this market.

#### **3.2.1. The language differences**

The number of different languages a firm encounters when internationalizing a product may influence the degree of standardization. There are eleven major languages spoken in the fifteen EU countries, a fact that presents a special challenge to the international marketer. They are: English (UK, Ireland, Netherlands), French (France, Luxembourg, Belgium), German (Germany, Austria, Netherlands), Italian (Italy), Spanish (Spain), Portuguese (Portugal), Greek (Greece), Danish (Denmark), Finnish (Finland), Swedish (Sweden), and Dutch/Flemish (Belgium). One of the features that link countries in the same groupings tends to be the roots of the language (Woods, 2001). Therefore, we can divide the European Union in the five main language groups: Latin European Group (France, Belgium, Italy, Portugal, Spain, Luxembourg), Anglo Group (United Kingdom, Ireland), Germanic Group (Austria, Germany, Netherlands), Nordic Group (Finland, Denmark, Sweden) and Balkan Group (Greece).

One aspect of language is pronunciation. Brand names that are hard to pronounce are hard to remember. If buyers have difficulty pronouncing the product name, they may be less likely to ask for the product by name, less likely to discuss the product with others and less likely to purchase the product. The phonetic sound of a brand may cause difficulties also. Empirical research show that firms give brands names which are easy to pronounce in all European languages. Another aspect of language has to do with meaning. In European markets, a choice is sometimes made between the sound and the meaning of a brand name's translation to avoid misinterpretation or negative connotation or to gain a desirable name.

Translation is another aspect of language. For the product characteristics, firms intend to translate into a standard language (English, French or Spanish, and German). One standard language is desirable because the majority of the European population either speaks or understands this language. Because language shapes the way people perceive the world, it can also direct the attention of people to certain features of the product. For the firm, there are

certain specific factors that contribute to the standardization of the product. In fact, the firm constitutes the fundamental decision making body regarding whether or not to standardize the product.

Indeed, several languages in a region are a difficult problem for product standardization. Managers have to choose to either translate the label in all languages or use two or three important languages, which are spoken, in all countries of the region. This regularly is done in Europe with languages as English, French and/or German. Thus, the standardized product is characterized by the fact that its brand name is translated into several languages. Although it should be noted that often a serious complication in chooses a brand name arises from its pronunciation and meaning.

### **3.2.2. The problem of multiculturalism**

There is no universal definition of culture. Schneider and Barsoux (1997) identify one hundred and sixty four different definitions made by anthropologists. What all these definitions have in common is the concept that culture is shared, and imply an implicit decoding of an underlying pattern of a cause and effect relationship, whether cognitive (meaning, assumptions), attitudinal/emotional (behavior) or decisional (solutions). The content of culture includes three major layers, which are basic assumptions, values, and behavior.

Hofstede (1980), defined culture as “*the collective programming of the mind, which distinguishes the members of one human group from another...Culture, in this sense, includes systems of values; and values are among the building blocks of culture*”. Hawkins, Best, and Coney (1998) said, “*Culture is the complex whole that includes knowledge, belief, art, law, morals, customs and any other capabilities and habits acquired by humans as members of society*”. According to these definitions, cultural traits vary greatly from one country to the next. Cultural variables result from unique sets of shared values<sup>33</sup> among different groups of people. Most of the variations between cultures stem from underlying value systems, which cause people to behave differently under similar circumstances (Deresky, 2003, pp. 83-97). In general, the value dimensions proposed are power distance, uncertainty avoidance, individualism, and masculinity (Hofstede, 1980). Hofstede found that national cultures differed according to these four main dimensions.

Power distance is the extent to which people in certain societies accept inequality in power distribution or have a somewhat egalitarian view of power distribution. Individualism

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<sup>33</sup> Values are a society's ideas about what is good or bad, right or wrong. Values determine how individuals will probably respond in any given circumstance. As a powerful component of a society's culture, values are communicated through the eight subsystems just described and are passed from generation to generation.

characterizes a culture in which individuals look after their own or immediate relative interests only and neglect the needs of society. Uncertainty avoidance is typical of societies where ambiguity and unpredictability is not accepted and there is a continual search to codify, plan and regulate the environment; generally speaking, a desire for stability. At the opposite end of the scale, one will find social groups where tolerance and risk-taking is accepted and rewarded. Masculinity refers to the high value given to assertive, competitive behavior.

The results of Hofstede's (1983) research are shown in a cultural map of the world. The significance of this cultural map in Table 2 is that it shows at a glance where there are similarities or differences in work values among various countries.

**Table 2:** Hofstede's country scores on cultural dimension

| Pays    | Power distance | Individualism | Masculinity | Uncertainty avoidance |
|---------|----------------|---------------|-------------|-----------------------|
| UK      | 35             | 67            | 66          | 65                    |
| Germany | 35             | 67            | 66          | 65                    |
| Sweden  | 31             | 71            | 5           | 29                    |
| Denmark | 18             | 74            | 16          | 23                    |
| France  | 68             | 71            | 66          | 65                    |
| Italy   | 50             | 76            | 70          | 75                    |
| Spain   | 57             | 51            | 42          | 86                    |
| Greece  | 73             | 25            | 52          | 80                    |
| :       |                |               |             |                       |
| :       |                |               |             |                       |

*Notes:* Scores are obtained from statistical factors

*Source:* Adapted from Hofstede (1983)

According to Hofstede's country scores, we can summarize the cultural sphere of Europe as follows:

- Anglo (Individualism-Low power distance- Uncertainty avoidance-Masculinity),
- Germanic (Individualism-Low power distance- Uncertainty avoidance- Masculinity),
- Balkan group (Collectivism-High power distance-High uncertainty-Medium masculinity),
- Nordic (Individualism-Low power distance-Low uncertainty avoidance-Femininity),
- Latin Europe (Medium individualism-High power distance-High uncertainty avoidance -Medium masculinity);

This map helps to understand the reasons behind cultural differences among European countries and to draw implications from these differences for appropriate management behavior. These four dimensions influence the regional product policy, because collectivist societies need, for example, big quantities for all the family, and individualist society needs small quantities for each member of the family. A country is classified as either high-context culture or low-context

culture<sup>34</sup>. Germany and the Scandinavian countries are low-context cultures. In these types of society, messages are explicit and clear in the sense that actual words are used to convey the main part of information in communication. France, Spain, and Italy, in contrast, are high-context cultures. In such cultures, the communication may be indirect, and the expressive manner in which the message is delivered becomes critical.

The cultural differentiation proposed by Trompenaars (1993), also based on survey data, identify six value orientations that differentiate cultures and impact on the way countries conceive organization. Trompenaars found significant differences in national groups. The final cultural characteristic identified by Trompenaars was the attitude towards the environment. In a business context, the differing viewpoints can affect the willingness to listen, for example to customers and adapt products to their needs.

The categorization of national cultural characteristics and the creation of cultural groupings can help to understand that there is a veritable multicultural problem in the EU. The country groups can be used to identify the places that are culturally close to the existing markets. In other words, culture can be used as a way of segmenting the market. This is not the goal of the EU. The clustering approach consists of grouping countries according to their degree of geographical, linguistic, religious, historical and social proximity. Huntington (1997) grouped countries in what he calls “civilization” based on language, religion, values, beliefs, as well as institutional and social structures. He identified eight modern civilizations. However, Huntington’s groupings have more to do with geopolitics than with management, because he asserts that more and more conflicts in the world will be due to what he calls “clashes of civilization”. His argument contributes to understanding the problem of multiculturalism in the European Union. How does the European multinational company can market a standardized product when culture skills and market behavior differ so greatly?

James Lee (1966) talks about self-reference criterion, and explained that human needs or wants are specifics. Thus, a firm normally produces for a specific consumer segment. European managers face many difficulties when they cross national borders to work in a culture different from their own, because cultural factors exert the major influence on consumer behavior, as it is the most fundamental determinant of a person’s wants and behavior. There are large differences in the behavior of individuals and groups within the European Union. Indeed, these differences result from the socio cultural variables of the culture such as religion and language, in addition to prevailing national variables such as economic, legal, and political factors.

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<sup>34</sup> The context of a culture is either high or low in terms of in-depth background information. This classification provides an understanding of various cultural orientations and explains how communication is conveyed and perceived. (See Edward T. Hall, *Beyond Culture*, Garden City, New York: Anchor Press/Doubleday, 1976)

National and socio-cultural variables provide the context for the development and perpetuation of culture. It is thus clear that culture variables, particularly shared beliefs, values, and attitudes, can greatly affect consumption processes. Some argue that because of convergence, the effects of culture are more evident at the individual level of personal behavior than at the organizational level<sup>35</sup>. Consumption patterns, living styles, and the priority of needs are all dictated by culture. Given the great variety of cultures and subcultures in the European Union, how can a manager anticipate the probable effects of an unfamiliar culture within an organizational setting? One approach is to develop a cultural profile for each country, which is a good starting point to help managers develop some tentative expectations. In practice, culture might affect all of the aspects of marketing.

### **3.2.3. Intellectual property and legal factor**

In a legal sense, the term property refers to a resource over which an individual or business holds a legal title, that is, a resource that they own. Property rights refer to the bundle of legal rights that govern the use of resources and any income generated by them (North, 1991). Countries differ significantly in the extent to which their legal system protects property rights. Although most countries have laws that protect property rights, the reality is that these laws are not well enforced by the authorities and property rights are often violated.

Intellectual property refers to property that is the product of intellectual activity, such as computer software, a screenplay, a music score or the chemical formula for a new drug. Ownership rights over intellectual property are established through patents, copyrights, and trademarks (Johnson and Turner, 2003). A patent grants the inventor of a new product or process exclusive rights for a defined period to the manufacture, use, or sale of that invention. Copyrights are the exclusive legal rights of authors, composers, playwrights, artists, and publishers to publish and disperse their work as they see fit. Trademarks are designs and names, often officially registered, by which merchants or manufacturers designate and differentiate their products, for example, L'Oréal Paris colored make-up. In the cosmetics economy, intellectual property has become an increasingly important source of economic value for businesses. Protecting intellectual property has also become increasingly problematic in Europe. Any effort to legislate an arbitrary precedence for the responsibility in standardized product development will seriously restrict the standardized product output.

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<sup>35</sup> Convergence describes the phenomenon of the shifting of individual management styles to become more similar to one another. The convergence argument is based on the belief that the demands of industrialization and worldwide coordination and competition tend to factor out differences in organizational-level processes, such as choice of technology and structure.

The philosophy behind intellectual property laws is to reward the originator of a new invention, product, and the like, for his idea and effort. Such laws are a very important stimulus to innovation and creative work. A patent will grant the inventor of a new drug a 20 years monopoly in production of that drug. This gives cosmetic and pharmaceutical firms an incentive to undertake the expensive, difficult, and time-consuming basic research required to generate new products and drugs. Without the guarantees provided by patents, it is unlikely that companies would commit themselves to extensive basic research.

In the EU, the protection of intellectual property rights differs greatly from country to country. While many countries have stringent intellectual property regulations on their books, the enforcement of these regulations has often been lax. This is the case of 96 countries, which signed the Paris Convention for the Protection of Industrial Property, an important international agreement to protect intellectual property. Weak enforcement encourages the piracy of intellectual property. Brand protection is offered, first, at the national level, second at the regional level, and third at the international level. Virtually all countries, even those among the lesser developed in Africa, Asia and Latin America, have some form of a system for registering and protecting trademarks for foreign, as well as domestic, nationals. The EU has a directive that allows community trademarks.

The nature of the protection afforded brands depends on the national legislation of each country. Most European countries are code law countries and follow the priority in registration doctrine. In such countries, the date of registration, rather than prior use determines who shall have the rights to use the brand. However, an increasing number of countries with such laws require continued use for a trademark to maintain protection. Included among the many countries following this doctrine are France and Germany.

Other European countries protect brands even if they are not registered as trademarks. These countries retained the priority-in-use doctrine of the English common law tradition. Thus, the rights to a trademark depend upon priority-in-use. This approach is found in United Kingdom and Ireland. In some countries, a compromise approach may be used. That is to say, although the first applicant is entitled to registration, another company that has been widely using the mark prior to the application can continue to use it.

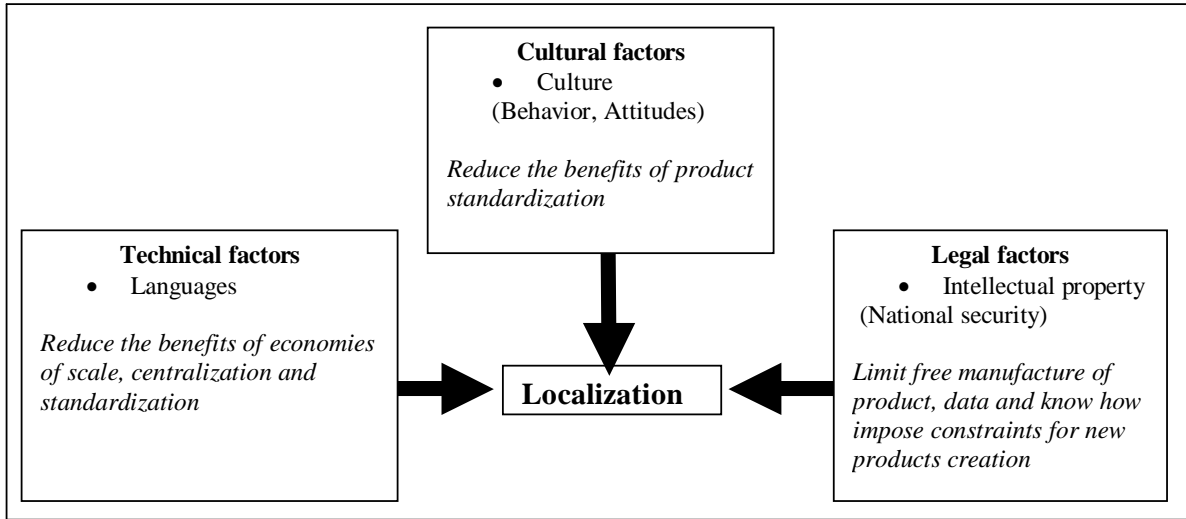
There are a number of international and bilateral agreements that amplify and extend national legislation so as to provide protection for foreigners. The most important agreement is the International convention for the Protection of Industrial Property (Paris Union), which includes more than seventy countries. Under this convention each country is required to extend national treatment to businesses of other member countries. Another convention is the Madrid



Agreement for the International Registration of Trademarks. Under this agreement, the owner of a trademark registration in one of the signatory countries can have it filed and registered in the others. More than twenty countries participate, all but four of which are in Europe. In the European Union, the Single Market Act also has ramifications for brand protection. Trademark registration in any of the EU member states is now effective for the entire European Union. This brand protection prohibits the use of unique brands in several countries by several manufacturers. The patent is transferable after agreement between firms. Owners of trademarks are on the continual lookout for imitation or even outright piracy of brands that are exported to foreign countries.

International businesses have a number of possible responses to violations of their intellectual property. Firm can lobby their respective governments to push for international agreements to ensure that intellectual property rights are protected and that the law is reinforced. Partly because of such actions, international laws are being strengthened. In fact, the most recent world trade agreement, which was signed in 1994 by one hundred and seventeen countries, for the first time extends the scope of the General Agreement on Tariffs and Trade (GATT) to cover intellectual property. Under the new agreement, as of 1995 a council of the World Trade Organization is overseeing enforcement of much stricter intellectual property regulations. These regulations oblige WTO members to grant and enforce patents lasting at least twenty years and copyrights lasting fifty years. While most governments are enforcing intellectual property rights more strictly and abiding by international agreements such as that brokered by the WTO, some have recently taken a counter position and seem to support the selective regionalization of intellectual property rights within their region.

On the other hand, legal systems are designed to serve societal interests by preserving business competition and protecting consumers. These regulations not only increase a company's cost of doing business, but also affect its marketing strategies. Any one of the four "Ps" of marketing can be affected. For instance, many products cannot be legally imported into most countries, which mean that, many products have to be modified or normalized to conform to local laws before these products are allowed to cross the border. The modification or normalization may be quite technical from an engineering standpoint or may only be cosmetic, as in the case of certain packaging changes. Then, the legal environment through protecting intellectual property can also affect European company's product strategy. Figure 10 below shows factors that work against product standardization in Europe. These factors are cultural, technical, and legal that push European firms to localize in a specific segmented market.

**Figure 10:** The factors that work against Europeanization

Source: Adapted from Philippe Lasserre (2003, p. 21)

In fact, the demand and supply of cosmetics in EU is very high. The international competition in the cosmetic industry is also high between the Triad (USA-Japan-EU). These reasons oblige European MNCs to create standardized European products. In the EU, all companies benefit from regional upgrades. Yet building regional or standardized products is a more wide-reaching concept.

### 3.3. Regional market structure

In the world today, there are several regional markets: ASEAN, NAFTA, MERCOSUR, SADC, and EU. The EU is the first and the best example of regional economic integration where markets, products and consumers could be defined homogeneously.

#### 3.3.1. European Union market

The regional market is defined as the effective realization of the relevant freedom of movement of products, services and production factors, with the explicit provision of “no frontiers” (Pelkmans, 2001). Ian Barnes and Leigh Davison (1994) named it single market, which is, according to them, a space without internal frontiers where there is free circulation of goods, services, capital and persons.

The process of economic integration in Europe has helped to create a larger market within the EU of 377.1 million people, with significantly reduced barriers to trade. This has created a dynamic business environment, with the following results:

- An improvement in the competitive environment helps to get rid of marginal firms, and rewards those businesses. Competition is an incentive to modernize and improve the quality of products and the production process, but it can cause problems where firms are forced to close down in areas of high unemployment.

- Greater economies of scale, which allow larger production units to be created. This can result in considerable cost advantages. Where the quality of the product counts, the more efficient producer can still gain because of the resources that can be put into improving product development.

- Greater economic power as a result of belonging to a larger trading group. Membership of the European Union gives many states a greater say in international negotiations, although some members do regret their loss of independence.

The EU currently covers an area of 3.2 million square kilometers and its GNP per capita is just over \$ 21,000 per annum. Table 3 below describes the socio-economic characteristics of the EU.

**Table 3: European Union population**

| <i>Members</i>              | <i>Population<br/>(Millions)</i> | <i>GDP(Billions of<br/>U.S. dollars)</i> | <i>Per Capita GDP*<br/>(In U.S. dollars)</i> | <i>Date of<br/>entry</i> |
|-----------------------------|----------------------------------|--|--|--------------------------|
| <b>Original six</b>         |                                  |  |  |                          |
| Belgium                     | 10.2                             | 245.7                                    | 24,200                                       | 1957                     |
| France                      | 60.8                             | 1,410.3                                  | 21,897                                       | 1957                     |
| Luxembourg                  | 0.4                              | 17.6                                     | 38,247                                       | 1957                     |
| Germany                     | 82.0                             | 2,081.2                                  | 22,404                                       | 1957                     |
| Italy                       | 57.6                             | 1,150.0                                  | 20,751                                       | 1957                     |
| Netherlands                 | 15.8                             | 384.8                                    | 23,052                                       | 1957                     |
| <b>Later Entrants</b>       |                                  |  |  |                          |
| Denmark                     | 5.3                              | 174.3                                    | 24,280                                       | 1973                     |
| Ireland                     | 3.7                              | 81.9                                     | 19,180                                       | 1973                     |
| United Kingdom              | 59.1                             | 1,373.6                                  | 20,883                                       | 1973                     |
| Greece                      | 10.5                             | 123.9                                    | 14,595                                       | 1981                     |
| Spain                       | 39.4                             | 562.2                                    | 16,730                                       | 1986                     |
| Portugal                    | 10.0                             | 107.7                                    | 15,147                                       | 1986                     |
| <b>Recent Entrants</b>      |                                  |  |  |                          |
| Austria                     | 8.1                              | 208.9                                    | 23,808                                       | 1995                     |
| Finland                     | 5.2                              | 126.1                                    | 21,209                                       | 1995                     |
| Sweden                      | 8.9                              | 226.4                                    | 20,826                                       | 1995                     |
| <b>TOTAL<br/>15 Members</b> | <b>377.1</b>                     | <b>8,274.6</b>                           | <b>20.893</b>                                |                          |

\*GDP per capita adjusted by World Bank for purchasing power parity.

Source: World Bank, *World Development Report*, 1999-2000.

A period of rapid economic growth helped the EU to make significant progress towards the completion of the single market in the early years. Tariffs between member states were abolished on July 1968, and trade between member states grew rapidly. The European Union dominates economic integration in Europe, which, as already indicated, is also the most integrated of all the economic blocs around the world. The EU developed out of the Treaty of Paris in 1953, which established the European Coal and Steel Community, and the Treaty of Rome signed four years later, which created the European Economic Community. The six founding member nations had reached twelve by the time the single European Act was passed in 1986, launching the program for a Single European Market. In 1992, the Treaty on the European Union set the EU on its way to the Economic and Monetary Union. In 1995, three more nations joined the EU, bringing the total to fifteen, and on January 1<sup>st</sup>, 2002 the single currency was launched.

Three broad areas of reform were considered to be of importance in achieving the initial stage of the single market.

- The removal of physical barriers: The existence of the Schengen has led to the creation of two-tier system of the movement of people within the EU.

- The removal of technical barriers: The role of developing detailed technical standards by the European standards bodies; the European Committee for Standardization (CEN) and the European Committee for Electro technical Standardization (CENELEC), has been much enhanced.

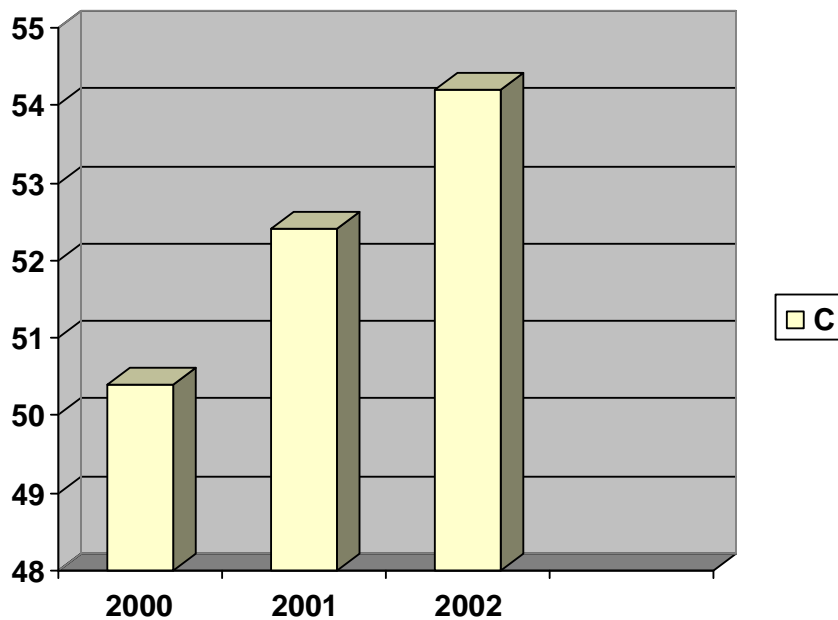
- The removal of fiscal barriers: Progress on fiscal harmonization has been slow, although at the very early stages of development the EU was able to agree to the setting of common customs duties for goods entering the customs duties.

Europe has benefited internationally from its move towards the adoption of common standards, because of the size and importance of the market in which they operate. Influencing the setting of standards can confer important strategic advantages. Where companies have products, which fail to match up to standards, they may have to consider if the cost of complying with the new standards is worthwhile. The move to complete the single market led to a rush to agree EU standards. There were complaints that some of the standards has been poorly drafted and were subject to misinterpretation, especially between the different national certification and testing bodies that confirm that a standard has been met. To try to overcome some of these problems, the European Organization for Testing and Certification (EOTC) was set up in January 1993, to ensure that the different national bodies recognize each other's work. There are

in the region of ten thousand independent testing laboratories and a large number of certification organizations within the EU.

In fact, the European industry continues to thrive and maintain its position as a world leader. The data for the European cosmetic industry, for example, are indeed impressive. Generating almost fifty billion Euros in 2002, the European cosmetic industry continues to lead with almost twice the sales volume of Japan and one-third more than the USA. Over one hundred and fifty thousand Europeans are employed directly by the cosmetic industry and an additional three hundred and fifty thousand indirectly in retail, distribution and transports sectors. This is due to the industry’s considerable investment in scientific research and development, product innovation and expansion into new markets across the globe. Figure 11 shows the evolution of the European cosmetic market between 2000 and 2002.

**Figure 11: European Cosmetic market 2000-2002.**  
*Market Volume at Retail Sales Prices*



Source: COLIPA

The cosmetic market of the fifteen Member States of the European Union calculated at retail sales prices at the point of sale increased in 2002 by 3.4% to 54.2 billion Euros. Including the non-EU members Norway and Switzerland, the Western European cosmetic market now totals 56.7 billion Euros (3.6%). This figure does not include the sales at duty free outlets, but does include all other distribution channels as selective distribution, hairdressers and professional hair care. Table 4 shows detailed cosmetic growth per European country.

**Table 4:** Cosmetic market growth per European country

| Countries          | Market growth 2002/2003 |
|--------------------|-------------------------|
| Ireland            | +9.8%                   |
| Denmark            | +9.6%                   |
| Switzerland        | +6.9%                   |
| Spain              | +6.6%                   |
| Greece             | +6.5%                   |
| Belgium/Luxembourg | +5.9%                   |
| France             | +5.7%                   |
| Netherlands        | +5.4%                   |
| Portugal           | +4.9%                   |
| Finland            | +4.5%                   |
| Austria            | +3.9%                   |
| Germany            | +4.8%                   |
| UK                 | +5.4%                   |
| Norway             | +13.2%                  |
| Sweden             | +6.9%                   |
| <b>Total</b>       | <b>100%</b>             |

Source: COLIPA

In contrast, market growth in two of the largest European markets', the United Kingdom and Germany, were below average in 2002. According to the IKW, German market volumes for cosmetics in 2003 reached over 11.3 billion euros, a rise of +2.2%. We can see the evidence in the Table 5.

**Table 5:** Market development at end-user prices according to total market and market segments (Germany 2003)

| Total market & market segments cosmetics                                   | 2002<br>In million euros | 2003<br>(Estimated) in million euros | Change in % |
|--|--------------------------|--------------------------------------|-------------|
| Hair care  | 2.836,9                  | 2.877,4                              | +1,4        |
| Skin care  | 2.349,7                  | 2.503,0                              | +6,5        |
| Decorative cosmetics   | 1.254,7                  | 1.311,0                              | +4,5        |
| Dental/oral hygiene  | 1.185,6                  | 1.163,0                              | -1,9        |
| Ladies perfumes/fragrances   | 785,0                    | 773,0                                | -1,5        |
| Men's cosmetics  | 658,0                    | 647,7                                | -1,6        |
| Bath/shower additives  | 741,6                    | 735,0                                | -0,9        |
| Deodorants   | 670,6                    | 680,0                                | +1,4        |
| Soaps  | 210,0                    | 214,0                                | +1,9        |
| Other cosmetics (baby/child care, pedicure, intimate hygiene, body powder) | 394,2                    | 430,0                                | +9,1        |
| <b>Total</b>   | <b>11.086,3</b>          | <b>11.334,1</b>                      | <b>+2,2</b> |

Source: IKW, 29.01.2004

In 2003, this industry represents in Germany a sales volume of 18.4 billion Euros at retail sales prices. This amount was spent on a wide assortment of products manufactured by many different companies and sold primarily through drug stores, grocery stores, variety stores, department stores, and mass merchandisers. During this relatively short span in European business history many changes and new developments have taken place. The number of establishments engaged in the manufacture of cosmetics and toiletry goods has decreased by

over 10%. Entire new product categories have been created, because many of the current category leaders did not even exist ten years ago. Grocery stores and mass merchandisers, now account for a major share of sales for many product categories. Germany places third in the world market behind the USA and Japan. In Europe, Germany is the biggest national market followed by France, the United Kingdom, Italy, Spain and Russia. Brands of the German cosmetic industry are among the most valuable brands as they are long lasting and renowned worldwide reputation for their innovation, product safety and environmental concepts. Consequently, exports of good manufactured by German firms to Europe and the world are increasing significantly every year.

The Confederation of Industries for Cosmetics and Washing Agents (IKW) is committed to particularly demanding standards of product quality and safety. It relies on its own team of experts from various task forces who examine fundamental health issues and perform thorough environmental assessments of products and their ingredients. According to Dotrax, the German cosmetic market has 105 suppliers with 10 729 items. As far as the market trends in the product areas covered by the IKW are concerned, 2003 produced varying results. According to the IKW, cosmetics recorded a rise of +2.2%, washing and cleaning agents recorded an increase of +0.8% and hygiene products an increase of +0.2%. German market volumes for cosmetics reached over 11.3 billion Euros in 2003. The largest market segments remain hair-care products at 2.9 billion Euros (+1.4%) and body-care products at 2.5 billion Euros (+6.5%). With an increase of 9.1% and a market volume of 430 million Euros, other cosmetic products achieved the largest growth this year. Positive development was seen for decorative cosmetic products at 1.3 billion (+4.5%), for deodorants at 680 million Euros (+1.4%) and for soaps at 214 million Euros (+1.9%).

The IKW estimates that the west European cosmetics market grew by 3.6% in 2002. Market volumes have reached 56.7 billion Euros. The largest national market for cosmetics remains Germany, followed by France, the U.K., Italy and Spain. In consumption per capita terms, Germany, at 135 Euros, occupies twelfth position in Western Europe, putting it below Italy. Switzerland tops the table at 232 Euros, followed by Sweden, France, Denmark, the UK and the Netherlands. This German cosmetic market explains the fact that Germany cosmetic firms sell their biggest production out of the German market. According to the German government studies (Bfai), the number of German firms in the industry with one or more employees grew exponentially in 2002. In the EU today, taking into account the structural, legal and economic facilities, several companies want to sell in all European markets. However, to most observers in the industry, the latter figure seems to be extremely low. In studying the data, it should be kept in mind that when a firm is engaged in two or more industries, it is classified

only under one; whichever is the more important to its total business. This classification works to the detriment of the cosmetic industry, statistically speaking, rather than its benefit.

An analysis of European cosmetic markets shows that the demand is higher than supply. That is why companies continue to grow and everyday, there are new companies in the industry. The objective of these new companies is coverage of the all European Union's markets. Thus, the Europeanization of these firms has several consequences for the markets it serves.

### **3.3.2. Europeanization and implications for Firms**

Several theories have explained the firm's internationalization. The consequence of a firm's internationalization is also the presence of its product in the international market. This product can be standardized for the global market. That is the case of European firms, which move in the European market. To Europeanize, firms need to organize its structures with a mind to regional function, geographical organization or with internal structure as regional division.

The regional functional design is based upon the region centralization of decision-making, coordination and control at the level of the key functional activities such as operations and marketing. All strategic decisions and operational policies are made at headquarters level. Country subsidiaries are local legal entities; the heads of country subsidiaries have responsibilities with the regard to the laws of the countries in which they operate, but in practice all the key business decisions relative to products are activated from headquarters. The functional managers within the subsidiaries take their instruction from the corporate vice-president or director in charge of their function. The key advantages of this model are the efficiencies obtained through the coherence of decisions and policies, leading to the optimization, concentration and specialization of resources, which in turn produces economies of scale, avoids duplication of effort and favors rapid transfer of expertise from headquarters to the subsidiaries. So the benefits of those efficiencies are best obtained when products are standardized, and economies of scale and rapid transfer of central know-how are key determinants of competitive advantage. An example is a commodity business such cosmetics in which manufacturing or operational systems demand size optimization and complex supply chain logistics.

The geographical organization design is based on the regional decentralization of decision-making, coordination and control at the level of subsidiaries. In such a model, central functions or product management roles are sometimes non-existent or, when they do exist, play an advisory, stimulating or coordinative role without much executive power. There are no hierarchical links between the subsidiaries and the central functional directors or product



managers. Country managers develop strategies and adapt or select products, which fit with their local environment. In many cases, intermediary executive powers are given to regional executives located at regional headquarters in the key region of the world. In the case of Johnson & Johnson, the global strengths of the business come from its basic technological capabilities (product in particular) and from the global management of key expatriate who rotates from country to country. The main advantage of this model is its flexibility and ability to incorporate local specificity into the company's competitive approach. Companies are able to make more appealing value propositions by offering products tailored to consumer demand, advertising campaigns reflecting local culture, and investment practices fitting with national policies. The ability to adapt and change competitive parameters without involving lengthy negotiations with the corporate center gives geographically structured companies a better chance to capture rising opportunities, or react rapidly to changing local conditions. Those advantages are more significant when customers' tastes and needs differ significantly across countries, according to economic, cultural, social or political factors and when scale economies can be attached easily within national boundaries. Traditionally, cosmetics are those in which geographical design has worked well.

When a company has diversified in several business activities to become a multi-business corporation, it has the choice among three different organizational models to manage its regional operations. It organizes itself along the product dimension, along the geographical dimension or with a matrix. In the first one, which is known as the multi-business regional product division, the company is divided into business divisions, each in charge of product or service line. Within this division, the organizational design can be regional functional, or geographical. Country subsidiary manager reports to division heads. In this model, the divisional regional headquarters of the business can be located in one country while the headquarters of another division are based in another country and the corporate headquarters in another one. The corporate headquarters' role is limited to overall strategic planning, financial control and executive career management. This model gives the regional company the flexibility to adapt its structure to the competitive context of each business. By giving division executives the strategic responsibility for their business, this design provides the organizational mechanisms for regional efficiency and coordination.

Contrary to the other models presented earlier, the transnational organizational design model does not focus on organizational structure but on management processes and culture. The transnational design does not prescribe any particular organizational structure, but recognizes that a global organization is made up of global business managers, country managers, functional

managers and corporate managers. These four types of differentiated managerial roles can be distributed within a regional product or a geographical structure, the important thing being that managers develop a “matrix in mind”. The key features of Europeanization design are:

- Business units which are part of a network, and which follow the principle of reciprocal dependencies,
- A non-dominant dimension,
- A clearly defined and tightly controlled set of operating system, and in particular of transparent and multidimensional information system,
- Inter-unit decision forums with active participation of global and functional managers in subsidiaries’ boards,
- Strong corporate values, a culture of sharing and willingness to collaborate.

These models tend to be favored by the vast majority of multi business corporations moving in the EU markets. A regional structure to accommodate product standardization necessitates the development of strategic alliances. A successful Europeanized corporation organizes itself in ways that positions its system of products, production, and marketing in order to obtain the maximum advantage from economies of scale and experience, lower prices, standardization of components and products, patterns of involvement to compete effectively. This type of regional strategy is similar to the creation of a portfolio of products and markets that are highly interdependent, and need to be balanced to achieve optimum performance. Then, to ensure product standardization, the company may dwell on organization of the internal structures such as its export department or regional structure (See Deresky, 2003).

An increasingly important manifestation of factor market integration is the change from national to European enterprises. Dunning and Robson (1987) call this corporate integration, the vertical and horizontal integration of separate economic activities located in different countries in order to capture a set of transactional benefits derived from placing these activities under common ownership. These transactional benefits could not arise if all markets functioned properly, including effective competition and absence of market failures. Corporate integration and its most important vehicle (direct investment across borders) is a response to improperly functioning markets. Indeed, under corporate integration, both the nature of the firm and the nature of the economic environment are radically different from traditional trade theory.

Europeanization pushes firms to be present in all European markets. Then, on the one hand, initial product can be standardized with some modifications for host markets. On the other hand, Europeanization allows firm to sell the full-standardized product, because political, legal

and cultural conditions are compatible. In comparison with standardization or adaptation, each mode of entry has its advantages and disadvantages.

Some firms have difficulty in organizing, or are not willing to organize distribution to maximize flexibility and encourage integration across national borders. Beyond various cultural differences across national borders, organizational realities also impair the ability of MNCs to pursue a standardization strategy. In finding a balance between the need for greater integration and the need to exploit existing resources more effectively, many companies have begun to explore the use of regional strategies in Europe. Europeanization can be defined as the cross-subsidization of market share battles in pursuit of European production, branding, and distribution advantages. Regional strategies in Europe have been encouraged by the economic, political, and social pressures resulting from the development of the EU as a regional trade bloc.

There are two favorable effects of the formation of such a regional trading bloc. First, the volatility of foreign exchange rates within a bloc seems to be reduced. Second, with the growing level of macroeconomic integration with regions, there is also a trend toward greater harmonization of product and industry standards, safety standards, and environmental standards, among other things<sup>36</sup>. These regional commonalities further encourage firms to develop product strategies on a regional basis.

### **3.3.3. Cosmetic firms' classification**

The cosmetic and toiletry goods industry is composed of many companies, but also includes firms functioning in a variety of ways. Some companies manufacture products that are sold to the public, but they themselves do not sell these products. Others firms sell to the public, but do not manufacture them, and others do both. From the viewpoint of the chemist and the production manager, a rough grouping of cosmetic companies could be made along the following lines:

- Firms manufacturing their own products or most of their own products.
- Firms that turn entirely or primarily to others for their manufacture.
- Firms that manufacture entirely, or primarily, for others, and do little or no marketing or distributing for themselves.

Although these groups overlap, some companies fall clearly into one category or another. Of the first group, most houses that have a diversified product line look, to some extent, for outside help in manufacturing, even though they have facilities of their own. That is to say, they

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<sup>36</sup> See Edmund W. Beaty, "Standard Regionalization: A Threat to Internetworking?" *Telecommunications, Americas Ed.*, 27 (May 1993), pp. 48-51.

may produce their own cream, lotion, and shampoos, and yet have stick deodorant, lipstick, eye makeup, and nail polish made elsewhere. Even firms that have resisted the use of outside manufacturing facilities in the past have often turned to such facilities when selling an aerosol. These consist not only of numerous smaller firms, but also of several of the larger ones, of quite some importance in the industry, that consider themselves specialists in advertising, promotion, marketing, and sales, and look elsewhere for manufacture. Finally, in the third category, there are companies that manufacture for others. Known as the contract or private label manufacturers, they sometimes specialize in a single type of manufacturing, for example makeup or aerosol, and sometimes manufacture all types of cosmetic products.

It is also possible and important to classify the manufacturing firms in another manner:

- Companies that make or sell a single product or perhaps a single group of closely related products; and that plan their production, research, and sales accordingly.
- Companies that manufacture a group of unrelated specialties, each standing alone (a hair preparation, makeup item, shaving cream, toothpaste or deodorant).
- Companies that make a product line (a fragrance house, treatment house, or makeup house).
- Companies that make almost all (although not all) cosmetic products.

First, there is the manufacturer of one or only a few products, making the materials and selling them as well. These companies are generally small firms enjoying a modest business in one product. Most of the major companies originally in this classification have been absorbed into larger companies. Such firms are always interested in studying other products, and may actually enter new fields at any time. The research, production, plant layout, and other factors can be geared primarily with the thought in mind that the company encompasses a high degree of specialization in a small number of products.

Companies that make unrelated products are usually better known under the names of the preparations than under the name of the firm. Although, a certain amount of specialization occurs in most firms, there are companies that make most of the cosmetic preparation, or at least, so many of them that the house is not identified with a single product or several unrelated products. Some companies with a diversified group utilize a variety of trade names and do more or less separate promotion and advertising for each product, while others prefer to utilize the company name to its fullest as the trade name in selling each new and old preparation. Finally, there are firms that are not a one-product house, but a "one-type-of product" house. The specialization of such companies need not be rigid, although it is usually an influential factor in their research and production program.

Two factors that contributed greatly to the development of the cosmetics industry were the permanent establishment of newspapers and that of legitimate pharmacies. Indeed, throughout the entire nineteenth century the industries of cosmetics and perfume, including soap, quickly took advantage of discoveries in science and technology. It is difficult to list the contributions of all the companies that came and went during this period, but an attempt has been made to mention several of the prominent ones<sup>37</sup>. Some of the names of companies listed, which were established in the early days undoubtedly never expected to be involved with cosmetics, but they are included because they participated in development and activities later. It was said earlier that advances in cosmetics and perfumery followed advances in chemistry, and there are relatively few companies in the roster of the chemical industry in general that do not contribute some item of materials to some branch of the cosmetics industry.

The product standardization is, in many cases, a complex, expensive and time-consuming task. Some factors suggest that for these reasons, many international firms fail to implement necessary strategy. The consequences of this in the European Union are significant both in terms of missed opportunities and in terms of the failure to meet existing strategy. In fact, the European Parliament creates factors, which positively influence product standardization in EU, whereas on the other hand, the European market and consumers present negative factors through cultural diversities and the growth of intellectual property. The Europeanization of firm or product is still possible in terms of global marketing strategies.

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<sup>37</sup> It is regrettable that no directory of the industry gives the dates when the various companies were founded. It could be considered discreet advertising. It is also regrettable that many of those that were asked to report their date and place of origin did not do so.

## **4-FRAMEWORK OF THE PRODUCT STANDARDIZATION ANALYSIS**

The theoretical deliberations concerning product standardization in a regional market have corroborated the growing importance of firms' internationalization or regionalization. However, the argument until now has been characterized mainly as theoretical construction. The framework of this research will fill this gap. Based on a study of cosmetic companies, this framework provides methodology, data collection and the results of interviews in which aimed to explore potential motives. The context of the study must be also explained and justified. Appropriately, the following sections of the study will provide context.

### **4.1. The research context**

The rationality of product standardization in a multicultural market is not yet subject to a conclusive body of theory. Research on MNCs is not dominated by single discipline or substantive focus, but borrows from virtually all of the various traditions in the social sciences. Thus, our research lies between the convergences of these disciplines. Four groups are deemed particularly relevant.

#### **4.1.1. International economy and study of economic integration**

While several specialist fields of economics have been developed as distinct branches of general economic theory in relatively recent times, the presence of a specific treatment of the theory of international economic transactions is an old and consolidated tradition within economic literature (Gandolfo, 1987). Various reasons are advanced.

First, the factors of production are generally less mobile between countries than within a single country. Traditionally, this observation has been taken as a starting point for the development of theory of international trade based on the extreme assumption of perfect national mobility and perfect international immobility of the commodities produced, exception being made for possible restrictive measures on the part of governments.

The second reason is that the presence of different countries as distinct political entities each with its own frontiers gives rise to a series of problems, which do not occur in general economics, such as the levying of duties and other impediments to trade, the existence of different national currencies whose relative prices can vary over time.

The special nature of international economics does not mean that methods and tools of analysis are different from those of general economic theory. In fact, international economics makes ample use of the methods and tools of microeconomics and macroeconomics. In

addition, international economics is divided into two parts: theoretical and descriptive. The former (theoretical) tries to go beyond the phenomena to seek general principles and logical frameworks, which can serve as a guide to the understanding of actual events. Like any economic theory, this aspect uses abstractions and models, often expressed in mathematical form, to achieve this purpose. This further divided into pure theory of international trade and international monetary economics. The latter (descriptive) is concerned with the description of international economic transactions just as they happen and of the institutional context in which they take place. This description includes the flow of goods and financial assets, international agreements, international organizations like the IMF or the EU. We can agree that, the study of standardization is a part of the international economics discipline, which validates positioning our research in the discipline of international economics.

Economic integration<sup>38</sup> has become a specialization in its own right. It has developed its own terminology and concepts. Its current significance is still influenced by its historical background and the forms of development of the regional unions. To understand regional integration methods the economic framework implicit in the main treaties should be outlined and inspected more closely. Economic integration has attracted increasing attention since the early postwar period. Under the names of regional economic integration or economic regionalism, it is distinguished from the worldwide integration of national economies. Although the study of economic integration has been inspired by the European example, less advanced forms of economic integration can now be found on all continents. For analytical purposes, economic integration should be defined independently from the European experience where the internal market forms the essence of the Union's economic integration. The triangular regime of liberalization, approximation and common policies makes for a quite comprehensive system seeking to ensure product market integration.

In this research, the economic integration study participates in the building of the geographical limit of the study. If economic integration tends to unify policies, markets, and consumers, how could it unify a product? The study of economic integration that explains unification stages helped to understand the goal of standardization. In addition to contributing to regional economic integration, standardization has tended to reinforce the central place hierarchies that characterize most regional blocs. Recent evidence of the Euro confirms this idea. But, in the case of EU, European institutions such as the European Parliament or European commission define the unification process with law, norms, and regulations. These institutions

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<sup>38</sup> Economic integration is defined as the elimination of economic frontiers between two or more economies. In turn, an economic frontier is any demarcation over which actual and potential mobility of goods, services and production actors, as well as communication flows are relatively low. On both sides of an economic frontier, the determination of prices and quality of goods, services and factors, is influenced only marginally by the flows, over the frontier.

cannot order product standardization, as it relates to the firms' international product policy. This is the link between European economic integration and product standardization. European integration provides positive opportunities to firms, which seek to standardize products through norms.

#### **4.1.2. Study of international management**

Historically, management studies have tended to focus on domestic companies and the study of multinational management has been considered as a narrow and special area of interest engaging a handful of managers, students, and management academics. Today, this situation changed significantly in an increasingly interdependent and interconnected world economy. Most industries of any significance are now global in their scope, and no company is immune from the effects of the international environment. Most management theories and concepts in the context of a domestic company are adapted.

The most fundamental distinction between a domestic company and an MNC derives from the social, political, and economic context in which it exists. For example, in studying the configuration patterns of production and Research and Development (R & D) activities of MNCs, researchers have identified different modes of value creation with regard to home base utilization. In a comprehensive study of the R & D allocations of MNCs, Kuemmerle (1997), Narula and Dunning (1995), and Wesson (1993) identified patterns of home base augmentation and exploitation. Exploiters establish R & D centers in order to promote the standardization and commercialization of core technologies generated at the home base of a particular product line. Augmenters, on the other hand, establish a dispersed R & D network in order to dispose of foreign monitoring units. These tap on management expertise provided by vibrant technology or leading universities elsewhere to gain knowledge that is transferred back to the home base location. This view recognizes the important role of management regarding international competitiveness.

Yet again, the external management of a firm is viewed as static. Its scope requires development, particularly in order to appreciate the value of product policy. Product policy consists of two interrelated activities: management of the firm's product range, and the development of new or modified products. The underlying objective of international product policy should therefore be seen in terms of the development of the optimal mix of products that are to be offered internationally, where this line of products contribute most directly to the firm's overall corporate objectives. Typically, this contribution is expressed in terms of growth and profits. If international activity is designed principally as a means of exporting unsold domestic surpluses, then neither optimum growth nor optimum profits are realistic objectives. The main



objective of management then is to propel the firm toward its goals of financial gain or increasing its international market shares.

Historically, the study of international management has focused on the environmental forces and institutions that provided the context within managers of MNC had to operate. In such a macro approach, countries or industries rather than companies were the primary units of analysis. Reflecting the environment of its time, this traditional approach directed most of its attention on trade and capital flows that defined foreign investment patterns.

Today new perspectives on the study of international management have emerged. In contrast to much of the previous work of this area of study, the focus of this body of research lies with multinational enterprise and management behavior, rather than on global economic forces and international institutions. With the firm as the primary unit of analysis and management decisions as the key variables, these studies highlighted and provided new insights on the challenges associated with managing international operations. This company- and management-level perspective will provide the focus of our work. Indeed, various prescriptions for firm internationalization and product standardization can be distilled from diverse management disciplines such as international product management or international marketing management.

#### **4.1.3. International marketing discipline**

Many firms face particular problems when moving beyond their domestic market. At its simplest level, international marketing involves the firm making one or more marketing-mix decisions across national boundaries. At its most complex, it involves the firm establishing manufacturing facilities overseas and making what are perhaps very different mix decisions in a variety of markets. The unique dimension of international marketing is that in many cases not only do the uncontrollable variables differ significantly between one market and another, but the controllable factors in the form of cost and price structures, opportunities for advertising, and distributive infrastructure are also likely to differ significantly between markets. These differences create the complexity that is international marketing. A primary objective of international marketing is to achieve a degree of synergy in the overall operation so that by taking advantage of different exchange rates and market opportunities, the organization as a whole will be greater than the sum of its parts.

International marketing deals with the same activities and tools as local marketing<sup>39</sup>. However, international marketing needs to coordinate the marketing activities over several

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<sup>39</sup> The American Marketing Association defines marketing as “*the process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives*”.

markets (Mülbacher et al, 1999). Since international marketing occurs across borders, the international marketer needs to deal with new environments and barriers such as legal, cultural, and societal differences in the different markets (Czinkota & Ronkainen, 2001).

International marketing can be divided into two approaches: the multinational approach and the global approach. The multinational marketing focuses on country-markets. Moreover, a special strategy is developed for each market, where efforts are adjusted to the differences in the marketing environment. The global marketing approach focuses on product-markets rather than distinguishing the markets into geographical areas. The global approach also emphasizes the similarities between markets, trying to take advantage of similar consumer aspirations and similar marketing infrastructure when implementing marketing strategies. In addition to globalization of trade, the fact that marketing managers tend to look for segments of customers that exist all over the region also contributes to a global marketing approach. An advantage with a global product-market orientation is that the company can gain from increased efficiency due to economies of scale as well as accumulated experiences. Furthermore, most companies also wish to globalize the marketing mix in order to maximize the benefits companies receive from standardization.

While international marketing has become so important for many firms in recent years, its impact upon domestic marketing program is becoming increasingly significant. This can be illustrated by considering its effect upon just one aspect of the marketing mix, the product itself. Increasingly, companies are adapting product development programs so that the final product can be marketed in as many countries as possible with few, if any, modifications. The ultimate objective for many companies in pursuing such a strategy is the development of the truly global brand, one that is acceptable throughout the world. The synergistic benefits, particularly in terms of the potential for economies of scale, are considerable and for this reason, the global brand has been referred to as the international marketer's "Holy Grail". Our study focuses precisely on the marketing of the regional product. Thus, our objective in this study is firmly rooted within the principles provided by the discipline of international marketing while the study of regionalization provides an appropriate vehicle through which we engaged in the study of economic integration.

In light of the previous discipline analysis, our research is valid for economic sciences. However, the field of standardization is an interdisciplinary subject, and for this reason, research in this field requires a specific methodology. Furthermore, methodology is important when conducting scientific research. Our aim with the next section is to develop a methodology that guides us in our study. This methodology is based on theories reviewed in the beginning of this

study, and is derived from theories related to our research question. It also serves as the basis of our data collection.

## **4.2. Methodology**

Methodology is very important consideration at the outset of any research project. In this work, the key purpose of the empirical investigation is to identify standardized products, and to explain how firms standardize these products. Thus, for facilitating demonstration, this project requires a case study approach. Although qualitative in character, the study should rest on a meaningful empirical base. For that reason, research was conducted among standardized cosmetic products, markets and cosmetic firms in the EU.

### **4.2.1. Qualitative approach**

According to Miles and Huberman (1994), there are two kinds of methodological approaches within social science, namely the qualitative and the quantitative approach. The qualitative method is used when the research wants to gain a deep understanding of a phenomenon and to give a comprehensive description. The researcher makes a thorough study of the phenomenon from the inside, gaining in-depth information on a small number of research units. The advantage of this method is the ability to gain a deep understanding of a problem, while the disadvantage is that it is difficult to compare the collected information and draw general conclusions. In contradiction, the quantitative method is used to explain and describe a phenomenon.

Our study's approach consists of the tradition of qualitative social research. It is contended that, in the context of social constructs such as formal (product) or informal (firm) organizations, a methodology that rests on pre-ordained theory is bound to fail. This is either by distorting the relationships between the real and sociological world or by blinding us with unexpected yet insightful facts. Any research preferably begins as close as possible to the ideal of no theory under consideration and no hypotheses to test. These should be developed in an iterative process of continuous sophistication, modification and revision as early pre-conceptions of the problem and incoming data are matched. Theories derived from research in the context of a qualitative approach differ in status from those of a quantitative approach, because they have implicitly/inductively been tested already. This comparison is central to the generation of grounded theory. It is between reference groups that have been selected by theoretical rather than statistical sampling. It serves the double purpose of demarcating the legitimate reach of generalizations and of constantly validating facts. What does the qualitative paradigm mean for the research question and the research context?

In terms related to this study, what is the process of product standardization in a multicultural market? And what are the implications when the context of the research involves both an interdisciplinary subject and absence of reference case? Our thesis follows a qualitative research approach since we aim to acquire a deep understanding of product standardization in a multicultural market.

This work uses the qualitative paradigm and organizes the research accordingly for two reasons. The first reason pertains to the requirements of conceptualization. Internationalization has been proven in practice in a variety of contexts. The second reason relates to the reference cases, which clearly signifies that internationalization intrinsically evades the grasp of the qualitative approach. It will be argued further that there are indications that pervasive changes in the macroeconomic environment and the internal coordination of firms expand the scope of product standardization. Though, the study of product standardization is very broad and complex. The qualitative research method is very suitable in terms of experience and knowledge savings. Regarding this, Delamont (1992, p. viii) said, "*Qualitative research is harder, more stressful and more time-consuming than other types. If you want to get your dissertation or whatever finished quickly and easily: do a straightforward questionnaire study. Qualitative research is only suitable for people who care about it, take it seriously, and are prepared for commitment*".

Theory therefore helps to separate and identify more clearly the relevant factors of our issue, which is to show how firms standardize their product in a regional multicultural market. Since standardization is a consequence of internationalization, thus internationalization theories allow a more comprehensive understanding of the complexity of standardization and of different ways of analyzing the issue. By stating how things (internationalization, regionalization, standardization) ought to be linked to an analysis of how they have developed in the way they have, theory is used in our work as a guide for analysis that can provide us with a prescription for change. These theoretical backgrounds help us organize the compilation of data. It enables us to proceed with clarity in the process of identifying relevant values and appropriate variables, and in determining the most rational analysis.

According to Yin (1994), there are three different types of research purposes when conducting scientific research, namely explanatory, exploratory and descriptive. Additionally, Saunders et al (2000) point out that it is often beneficial to combine different types of research purposes in a study. The explanatory research purpose is appropriate when the emphasis is on studying a problem in order to explain the relationships between variables. While descriptive research purpose is suitable when the researcher aims to correctly describe a phenomenon and

when the problem is well structured. The researcher needs to have a clear picture of the phenomenon before the collection of data starts (Saunders et al, 2000). Descriptive research is often an extension of an exploratory research. Exploratory research purposes are specifically useful when the researcher attempt to clarify the understanding of a problem by seeking new insights and approaching phenomena in a new light. The purpose of this thesis is to gain better understanding of product standardization. To reach this understanding, the phenomenon of product standardization in a multicultural market is described, meaning that the study is mainly descriptive.

What research strategy helps us to answer our research question? According to Yin (1994), there are five primary research strategies: experiments, surveys, archival analysis, histories and case studies. Yin (1994) argues that the selection of strategy depends on type of research question posed, the content of control a researcher has over actual behavioral events, and the degree of focus placed on contemporary as opposed to historical events. The strategy used in this study is the case study strategy, since the research questions are based on how and why, it is convenient to observe and interview rather than control behavioral events, and the study focuses on a contemporary event. When a case study strategy has been chosen, the researcher can choose between a single case study and a multiple case study. A single case study is when the researcher tests one case against theory, allowing for deep research testing numerous variables. A multiple case study is when the researcher compares cases, increasing validity and allowing for comparison and generalization (Yin, 1994). Due to the aim to perform a deep research where several theories are tested, a multiple case study is performed.

#### **4.2.2. The case study**

The proposed framework for studying cosmetic product standardization in the European market is based on the explanatory cases. Only this method could capture firm dynamics and changing conditions. Scatter tables, and the external elements that potentially allow cosmetic product standardization are highly interpreted. Several tables exhibit the results of the cosmetic product standardization strategy items. The former items are product characteristics (brand name, package, label, size and quality). Descriptive research is also characterized by a preplanned and structured design. In fact, the descriptive study should be planned carefully with respect to the sources of information. Since the intent of the study is to provide answers to specific questions, more care is normally exercised in guarding against the possibility of systematic error. The study involves the description of the association between two or more variables. This type of information may be used to draw inferences concerning the relationship between the variables

involved. It may also be used for purposes of making predictive statements. Descriptive information also provides a sound basis for the solution of marketing problems. The basic principle involved is to find correlations between the behaviors it is desired to predict that are measurable at the time the predictive statement is made (Green and Tull, 1975).

Case study research continues to be an essential form of social science inquiry (Yin, 1993). Since our research covers international marketing topics, this method is appropriate, because we desire to define the topic broadly and not narrowly, cover contextual conditions not just the phenomenon of study, and rely on multiple not singular sources of evidence. This case study methodology provides a view of the phenomenon of product standardization under investigation. We observed the phenomenon of standardization and interviewed certain managers, which allowed us to accumulate considerable data in relation to our study.

According to Cosley and Lury (1987, p.65), *“The case study uses a mixture of methods: personal observation, which for some periods or events may develop into participation; the use of informants for current and historical data; straightforward interviewing; and the tracing and study of relevant documents and records from local and central government, travelers”*. A brief compilation of relevant information is delivered on each case to allow an understanding of the product standardization strategy. The case study was chosen here as the principal study approach, because case studies are favorably applied to a technically distinctive situation in which there would be more variables of interest than data points (Yin, 1997). Drawing on a range of data sources and research methods, it is capable of generating well-founded conclusions from sub-statistical sample sizes. In addition, the capacity of the case study approach to deal with contextual conditions is conducive to the discovery of relevant dimensions of a complex issue such as standardization.

Epistemologically, the case approach can facilitate theory generation, as maintained by the proponents of the qualitative social research school. In fact, the qualitative paradigm uses case study research to explore the empirical relevance of a theory and for proposition generation. Barton and Lazarsfeld (1979) take this further and defend qualitative research and the case study approach as a method of affirming deductive theory where quantitative data is unavailable, and the validity of the theory is not generalized too far beyond the reference case used in the research. The scope of the generalization depends on the mode of replication used. While purely statistical surveys and experiments allow for statistical generalization of the findings from a sample to a broad spectrum of cases through statistical generalization, case study results can be translated to different cases through logical generalization<sup>40</sup>. These generalizations are best made

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<sup>40</sup> The distinction is elaborated by Yin (1997), page 239 f.

with a multiple case study design. This might be derived from corroborative evidence, as more cases of similar theoretical conditions are analyzed.

Restricting our research to a detailed study of six cases does not mean that the context for those cases can be ignored. It is our attempt to immerse ourselves in the case study details. Each study paid explicit attention to sampling and selection issues (Blaxter, Hughes and Tight, 1996). While case studies describe a homogeneous sample, interviews were conducted to create a different replication pattern. The case study approach typically employs various sources of evidence and different techniques of data collection and synthesis.

Other modes of information dissemination do not adequately provide the forums either to develop or to convey such guidance. Case studies employ an empirical inquiry that investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are not evident (Yin, 1994). Indeed, the EU is a contemporary phenomenon, and firm or product standardization, its real-life context. The boundaries between the European phenomenon and cosmetic product standardization are not evident. Thus, our cases are explanatory and place high priority on the interpretation<sup>41</sup> of events.

#### **4.2.3. Cosmetic firms' sample**

It is of great importance that the selected cases are relevant to the purpose of the study, and that the respondents have abundant information on the studied phenomenon when performing a case study. The cosmetic firms' data were assembled on-site. First, we have listed 19 cosmetic firms in the German market, and provided a professional discussion of these companies. The German cosmetic market was initially observed, because the study began in Germany and, as we already said, it is the largest cosmetic market in the EU.

We also considered the fact that a large sample would not influence the results of the research. The inquiry was conducted from April to December 2003 and targeted companies and products with an expectation of instructiveness in elucidating the potential expertise that companies use in standardizing their products. An overview of first participants, data sources and presentation modes are given in Table 6.

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<sup>41</sup> All research depends on interpretation, but with standard quantitative designs there is an effort to limit the role of personal interpretation for that period between the time the research design is set and the time the data are collected and analysed statistically. Standard qualitative designs call for the persons most responsible for interpretations to be in the field, making observations, exercising subjective judgement, analysing and synthesizing, all the while realizing their own consciousness (See Stake, 1995).

**Table 6:** First participant firms and presentation modes

| <i>Firms</i>              | <i>Locations</i> | <i>Status</i> | <i>European dimension</i> | <i>Product observations</i> | <i>Discussions</i> |
|---------------------------|------------------|---------------|---------------------------|-----------------------------|--------------------|
| Babor                     | Aachen           | GmbH & Co. KG | Yes                       | Yes                         | Yes                |
| Biodroga Cosmetic         | Baden-Baden      | GmbH          | No                        | Yes                         | No                 |
| Eccelente cosmetic        | Bielefeld        | GmbH & Co KG  | No                        | Yes                         | No                 |
| Maria galland             | München          | GmbH          | Yes                       | No                          | Yes                |
| Lbc/Paris Bio-cosmetiques | Frankfurt        | GmbH & Co KG  | Yes                       | Yes                         | Yes                |
| L'Oréal                   | Düsseldorf       | GmbH & Co KG  | Yes                       | Yes                         | Yes                |
| Cosmetique Sans souci     | Baden-Baden      | GmbH          | No                        | Yes                         | No                 |
| Schöner Cosmetic          | München          | GmbH          | No                        | Yes                         | No                 |
| Schwarzkopf               | Düsseldorf       | GmbH          | Yes                       | Yes                         | Yes                |
| Johnson & Johnson         | Düsseldorf       | GmbH          | Yes                       | Yes                         | Yes                |
| Beiersdorf                | Hamburg          | A.G           | Yes                       | Yes                         | Yes                |
| Lever Fabergé             | Hamburg          | GmbH          | Yes                       | Yes                         | Yes                |
| Straub cosmetics          | Wertheim         | GmbH & Co     | Yes                       | Yes                         | Yes                |
| Wella                     | Darmstadt        | A.G           | Yes                       | Yes                         | Yes                |
| Alessandro international  | Langenfeld       | GmbH & Co.KG  | Yes                       | Yes                         | No                 |
| Jean d'Arcel cosmetique   | Kehl             | GmbH & Co KG. | Yes                       | Yes                         | No                 |
| Biomaris                  | Bremen           | GmbH & Co. KG | Yes                       | No                          | Yes                |
| Maha the nail company     | Cologne          | A.G           | Yes                       | Yes                         | No                 |
| Lancaster Group           | Mainz            | GmbH          | Yes                       | Yes                         | No                 |

In appropriately selecting firms for this study, the idea of population proved crucial, as it denotes the set of entities from which the sample is drawn (Eisenhardt, 1989, pp. 536). The right collection controls the unnecessary variation of the results and helps to define the limit of validity. The population underlying the empirical research here includes firms that sell products in EU market. The firms had to meet the following criteria in order to be included in the study:

- They should be cosmetic companies, independent affiliates or subsidiaries.
- They should be both manufacturing and trading firms not exclusively one or the other.
- They should have outward international activities, that is be engaged in marketing their products abroad, for at least the last ten years (1994-2004)<sup>42</sup>.
- They should have achieved superior international performance for the last four years (2000-2004), where superior international performance was determined by rates of growth of at least 30% in the absolute volume of international sales during this period.

With the above four criteria in mind, six firms were asked, and agreed to cooperate in the study by providing interview time and releasing required information. Six firms were used for reasons of cost, time and theoretical saturation. Theoretical saturation is reached when no additional learning from the research is acquired (Eisenhardt, 1989, b). Then, our study focuses on the following six cosmetic multinational corporations in Table 7.

<sup>42</sup> the year 1994 was selected as it was considered to be a turning point for the international operations of many European firms for two reasons: the opening of southeast European markets and the increasing unification of the European market in the early 1990s, two events which set off numerous internationalization ventures for many European firms in the last decade;



**Table 7: MNCs sample**

| <i>MNCs</i>  | <i>Status</i>  | <i>Manufacturing/<br/>Trading</i> | <i>International<br/>activities</i> | <i>International performance</i>  |
|--|--|-----------------------------------|-------------------------------------|-----------------------------------|
| 1/ Beiersdorf A.G.<br>Unnastr. 48<br>D-20245 Hamburg<br><a href="http://www.beiersdorf.de">www.beiersdorf.de</a><br><a href="http://www.beiersdorf.com">www.beiersdorf.com</a>                                   | Cosmetic, personal care,<br>Health, Adhesives technology<br>German A.G                                 | Yes                               | Yes                                 | 70% volume of international sales |
| 2/ Johnson & Johnson GmbH<br>Kaiserswerther Str. 270<br>D-40022 Düsseldorf<br><a href="http://www.johnsonjohnson.de">www.johnsonjohnson.de</a><br><a href="http://www.investor.jnj.com">www.investor.jnj.com</a> | Health care, cosmetic, toiletry<br>German independent affiliate<br>(affiliate of Johnson &<br>Johnson) | Yes                               | Yes                                 | 95% volume of international sales |
| 3 / Lever Fabergé Deutschland GmbH<br>Hamburger Str. 23<br>D-22770 Hamburg<br><a href="http://www.lever-faberge.de">www.lever-faberge.de</a><br><a href="http://www.unilever.de">www.unilever.de</a>             | Personal care, home care<br>German independent branch<br>(Branch of Unilever)                          | Yes                               | Yes                                 | 80% volume of international sales |
| 4/ L'Oréal Deutschland GmbH & Co.<br>Georg-Glock Str. 18<br>D-40474 Düsseldorf<br><a href="http://www.loreal.de">www.loreal.de</a>   | Cosmetics, fragrance German<br>independent Subsidiary<br>(subsidiary of L'Oréal)                       | Yes                               | Yes                                 | 85% volume of international sales |
| 5/ Schwarzkopf Cosmetics GmbH<br>Henkelstr. 207<br>D-40191 Düsseldorf<br><a href="http://www.henkel.de">www.henkel.de</a><br><a href="http://www.schwarzkopf.de">www.schwarzkopf.de</a>                          | Cosmetics, hair colorant<br>German GmbH  | Yes                               | Yes                                 | 75% volume of international sales |
| 6/ Wella A.G.<br>Berliner Allee 65<br>D-64274 Darmstadt<br><a href="http://www.wella.de">www.wella.de</a>  | Hair cosmetics, fragrances<br>German A.G   | Yes                               | Yes                                 | 70% volume of international sales |

Johnson & Johnson GmbH, Lever Fabergé GmbH, and L'Oréal Deutschland GmbH are referenced here as samples, because data collected related to Germany. The group headquarters of these three units were also contacted through the Internet to gather information. The MNCs we studied are dynamic examples of the regional business environment. In fact, these six firms sell products in the EU markets and face competition in the international market. After sampling firms, the study started by collecting data on firms and products.

### 4.3. Data collection

As argued by Yin (1994), there are six sources of evidence to rely on when collecting data for case studies: documentation, archival records, interviews, direct observation, participant observation and physical artifacts. Methods used to collect data were comprehensive interviews with knowledgeable managers of these firms, observation, and examination of company documents.

#### 4.3.1. Overview on firm data

The data collected gives information on firms, product, and sales channel structure. The main activities are cosmetics and personal care. Established between 1880 and 1930, these firms' manufacture and sell cosmetic products.

Beiersdorf AG was established in Hamburg in 1882. As a leading international consumer goods company it was the first to offer medicated adhesive plasters and later expanded to include pharmaceuticals and skin-care cosmetics. Beiersdorf focuses on the development and care of a few global consumer brands of products for everyday use. The outstanding features of the Beiersdorf brands are their reliable quality and great benefits for the consumer. Beiersdorf brands include: Nivea, 8\*4, atrie, Euchring, Labello, La Prairie, Juvenal, Future, teas, Hansaplast, and Elastoplast. Certain brands are standardized in the EU market. Seventy per cent of Beiersdorf's total sales are generated outside Germany, specifically in the EU.

Johnson & Johnson produces and sells thousands of consumer's products for female hygiene, baby care, cosmetic use and body care. Johnson & Johnson GmbH, a German subsidiary, is located in Düsseldorf and employs about 250 people working in its marketing and sales departments and its European departments such as finance, information management, and human resources. There are two other firm locations, one in Wuppertal, with 320 employees in its tampon production department, European research center for internal and external female hygiene products control, information management, and its human resources department. The European research center on baby care is located at Bad Honnef. Johnson & Johnson GmbH has almost ten main brands, which are directly and indirectly sold, in the EU markets.

Lever Fabergé is a cosmetic multinational corporation founded in 1899. It includes several affiliates all over the world. In Europe, Lever Fabergé is present in the majority of the European markets. In Germany, Lever Fabergé Deutschland is an independent affiliate of the group Unilever. In 1999 the branches Lever (home care) and Elida Fabergé (personal care) became Unilever branches. But Lever Fabergé can manufacture and market its product. In Germany, Lever Fabergé has 8.3% market share in home care and 4% market share in personal care.

As early as 1910, L'Oréal began exporting its products outside France, for the most part to other European countries. The group's main commercial subsidiaries in Europe were established prior to World War II. Today, the group owns 22 factories in Europe. In 2002, the cosmetic sales of L'Oréal in Western Europe increased by 6.1% with their products, and representing 49.9% of total cosmetics sold. L'Oreal Deutschland manufactures roughly 800 product lines<sup>43</sup>. The interrelation between L'Oreal affiliates in the EU is very strong.

Schwarzkopf was created in 1898 in Hamburg. There are two branches of Schwarzkopf in Germany: Hans Schwarzkopf GmbH & Co KG in Hamburg and Schwarzkopf & Henkel Cosmetics GmbH in Düsseldorf. Both specialize in hair care products and body care products.

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<sup>43</sup> See appendix 7

The Schwarzkopf & Henkel division is one of the largest of its kind in the world and its business is continually expanding. It manufactures well-known brand-name products in the fields of hair colorants, hair styling and care, toiletries, skin care, oral hygiene and fragrances. Schwarzkopf produces and sells almost 750 products represented by 13 brands. With its cosmetic products, the Schwarzkopf group achieved sales of 2085 million Euros (2001) in 150 countries worldwide.

Wella AG is one of the world's leading cosmetics suppliers. Founded in 1880, the company is represented in over one hundred and fifty countries. This gives this beauty specialist enterprise the market presence and customer partnership necessary for success and growth in all its relevant markets. Wella AG sells, manufactures and carries out research around the globe, across all borders and regions. As a hair and beauty expert, Wella is able to help people feel better every day. A challenging task employs over 18 000 thousand dedicated workers in 167 subsidiaries around the clock.

Generally, we can see that, the six cosmetic companies we studied sell products in the EU. The product numbers varied in different markets, ranging from 10 or 15 brands. All these cosmetic firms manufacture, sell and market cosmetic products in several markets. All are GmbH, A.G., or independent affiliates. This obliges us to seek out data from their head offices in order to evaluate their respective international product strategy. This was the case with L'Oreal Deutschland GmbH, which is a L'Oreal France affiliate, and Johnson & Johnson GmbH, which is an independent affiliate of US Johnson & Johnson International. The Schwarzkopf Group includes Hans Schwarzkopf and Schwarzkopf & Henkel, while Lever Fabergé is the cosmetic branch of Unilever. The following Table 8 summarizes all the data we collected in our sample.

**Table 8:** Cross-data summary

| <i>Firms</i><br><i>Data</i> | <i>Beiersdorf A.G</i> | <i>Johnson &amp; Johnson GmbH</i>            | <i>Lever Fabergé Deutschland</i> | <i>L'Oreal Deutschland</i>                   | <i>Schwarzkopf Group</i> | <i>Wella A.G.</i>        |
|-----------------------------|-----------------------|--|----------------------------------|--|--------------------------|--------------------------|
| Established                 | 1882                  | 1886   | 1899                             | 1930   | 1898                     | 1880                     |
| Located                     | Hamburg               | Düsseldorf                                   | Hamburg                          | Düsseldorf                                   | Düsseldorf               | Darmstadt                |
| Number Products             | 750                   | 400 / 1000                                   | 350                              | 800  | 750                      | 550                      |
| Number brands               | 12                    | 10   | 11                               | 12   | 13                       | 21                       |
| Standardized product        | Yes                   | Yes  | Yes                              | Yes  | Yes                      | Yes                      |
| Presented EU markets        | 15                    | 15   | 15                               | 15   | 15                       | 15                       |
| Sales-Channel structure     | Direct<br>Indirect    | Direct<br>Indirect                           | Direct<br>Indirect               | Direct<br>Indirect                           | Indirect<br>Direct       | Direct<br>Indirect       |
| International experience    | Exporting             | Exporting<br>Licensing<br>Franchising<br>FDI | Exporting                        | Exporting<br>Licensing<br>Franchising<br>FDI | Licensing<br>Franchising | Licensing<br>Franchising |
| Regional orientation        | Regional division     | Regional division                            | Export department                | Regional division                            | Export department        | Regional division        |

The products of our sample firm are represented in fifteen markets in the EU. That is to say, these firms use the standards of Europeanization recommended by European institutions.

We can expect that these firms use sales-channel structures, international experience, or regional orientation to reach all of their markets with the same products. However, in terms of categories, lines, and brands, which products are sold in the EU market?

#### **4.3.2. Firm documentations and product observations**

With the exception of studies of preliterate societies, documentary information is likely to be relevant to every case study topic (Yin, 1994). This type of information can take many forms and should be the focus of explicit data collection plans. Documentation<sup>44</sup> allows for repeated reviews, and is unobtrusive, exact and provides broad coverage of the research issue. We consider internal and external firm documents as well as firm web sites<sup>45</sup>.

The usefulness of these types of documents does not rest on their assumed accuracy or absence of bias. In fact, for these case studies, the most important use of these documents is to corroborate and enhance evidence from other sources. First, these documents are helpful in verifying the correct spellings and titles or names of organizations that might have been mentioned in an interview. Second, documents provide other specific details, which corroborate information from other sources. If the documentary evidence is contradictory rather than corroboratory, we have specific cause to inquire further into the topic. Thus, these documents were used in conjunction with other sources of information, such as interviews and observations.

Observation allowed for the understanding of the dynamic aspect of cosmetic firms' strategies. Factory organization and activities, product development, and marketing approach of cosmetic product were observed. Our interest in observing these cosmetic firms was to gain an understanding of their structure and organization. We saw that generally, there are two types of structures: national structure and international or regional structure. National structure refers to production departments or manufactory sites, which can be located in several cities throughout Germany. For example, the manufactory sites of L'Oreal Deutschland are located in Karlsruhe, while the regional management department is located in Düsseldorf. Johnson & Johnson has its manufactory site in Wuppertal, while its regional management department is in Düsseldorf.

Certain European markets (France, Belgium, Austria, Netherlands, Luxemburg, Italia, Spain, Germany, England, and Denmark) are observed in terms of the presence of products, a firms' implantation, and the interconnection between firms. Generally, there are both direct and indirect distribution channels in each country. Direct distribution channel exists between the

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<sup>44</sup> Documentations are catalog, letters, reports, technical journals, firm magazines, brochures, newsletter, research cosmetic institute publication and administrative documents (See appendix 3).

<sup>45</sup> See appendix 2

production site and the national retailers, where the production sites distribute the product directly to national markets.

Observation also focused on two international cosmetic trade fairs in Germany: Beauty International 2004 and Cosmad. Beauty International fair is the world's largest for professional cosmetics, that is, anyone working in the cosmetics, nail, feet, sun and well-being sector, was held in Düsseldorf. At this fair, trade visitors offered a complete overview of the industry, combined with an extensive workshop and seminar program organized by competent speakers and managers. Six hundred international exhibitors came to Düsseldorf representing one thousand international brands. The Beauty International fair included corporate presentations, demonstrations of new products and treatment methods, innovations and shows, and informative discussions with a large number of cosmetic experts. This cosmetic meeting point was therefore an outstanding opportunity for visitors and researchers to gain an overview of all trade innovations, trends and products, and to guarantee a comprehensive understanding of the industry and its prospects for the future.

To coincide with the Beauty International, the Cosmad trade fair was held in the same hall. At this fair, international providers of the raw materials, manufacturing, and packaging were represented. This event was a condensed representation of the entire complete industry in one place. The Cosmad trade fair in Düsseldorf was an important exhibition for the body care manufacturing, packaging and raw materials sectors and their related services. During the Cosmad fair, the "Business Center" hosted a versatile program of talks delivered by competent managers. In their talks, specific information was provided in a condensed form, which allowed us to have access to extensive, high-quality information, further training insight into the cosmetic field and interesting discussions on the standardization cosmetic products in terms of packaging, labeling, quality, and distribution channels. In fact, the Cosmad trade forum brought key industry representatives to Düsseldorf, and was market place, which provided an efficient and forward-looking response to general economic development. Members of Aerosol Spray and Packaging Technology (ASAP) explained their partnership with cosmetic firms in terms of manufacturing, subcontracting and private label production for aerosol products and its packaging.

Observational evidence helps in providing additional information on this topic. Of course, observations of a host market and a firm's organization add new dimensions for understanding the limits or problem with product standardization, thus contributing to an understanding of either the context or the phenomenon of cosmetic product standardization in the European market. These observations were recorded by photographs, which were taken at the event, which, at a minimum, help to convey important characteristics to outside observers.

### *Product categories summary*

Initially for the study, we examined one hundred and twenty cosmetic products. We chose for equity, twenty products from each firm. However, each company manufactures and sells more than 100 products<sup>46</sup>. The following Table 9 summarizes only cross products, which have been taken in the study.

**Table 9:** *Cross-initial products summary*

| Firms \ Products               | Skin products | Nail products | Hair products | Dental products | Total      |
|--------------------------------|---------------|---------------|---------------|-----------------|------------|
| Beiersdorf A.G.                | 14            | 2             | 4             | ---             | 20         |
| Johnson & Johnson GmbH         | 9             | ---           | 11            | ---             | 20         |
| Lever Fabergé Deutschland GmbH | 7             | ---           | 5             | 8               | 20         |
| L'Oréal Deutschland GmbH       | 7             | 5             | 8             | ---             | 20         |
| Schwarzkopf Group              | 4             | ---           | 14            | 2               | 20         |
| Wella A.G.                     | 7             | ---           | 13            | ---             | 20         |
| <b>Total</b>                   | <b>48</b>     | <b>7</b>      | <b>55</b>     | <b>10</b>       | <b>120</b> |

For Beiersdorf A.G., for example, we chose to analyze, without observation fourteen skin products, two nail products, four hair products, and no dental products in the German market. In the same way, nine skin products, eleven hair products, and no nail and dental products were chosen for Johnson & Johnson GmbH. The complexity of cosmetic product classification and the multiplicity of their characteristics imposed a reduction of the size of our product sample. And it should be noted that some products are not totally standardized, while other are not totally adapted. Therefore, we reduced our sample to gain a better appreciation of the standardization process. After deep consideration of the products, 30 were retained for studying their process of standardization. In the interest of balance, we have taken five products from each company. These products are studied in terms of categories, lines, and brands. Table 10 shows products that we observed continuously.

**Table 10:** *Cross-product categories summary*

| Firma \ Products               | Skin      | Nail     | Hair     | Dental   | Total     |
|--------------------------------|-----------|----------|----------|----------|-----------|
| Beiersdorf A.G.                | 5         | 0        | 0        | ---      | 5         |
| Johnson & Johnson GmbH         | 5         | ---      | 0        | ---      | 5         |
| Lever Fabergé Deutschland GmbH | 3         | ---      | 1        | 1        | 5         |
| L'Oréal Deutschland GmbH       | 2         | 1        | 2        | ---      | 5         |
| Schwarzkopf & Henkel GmbH      | 2         | ---      | 2        | 1        | 5         |
| Wella A.G.                     | 2         | ---      | 3        | ---      | 5         |
| <b>Total</b>                   | <b>19</b> | <b>1</b> | <b>8</b> | <b>2</b> | <b>30</b> |

<sup>46</sup> See appendix 4, 5, 6, 7, 8, and 9.

From this, we concluded that cosmetic companies already standardize certain products in the European market, because some product categories in the Table 10 are the same in the EU markets. Managers talk about “*international version*” products, though this excludes skin and hair products, because all cosmetic companies focus on these market segments. In total, we have thirty “*international version*” products in four product categories. Beiersdorf A.G. has five skin “*international version*” products, while L’Oreal has two skin products, one nail product, two hair products and no dental “*international version*” product. In all, nineteen skin products are “*international version*”, as well as eight hair products, two dental and one nail product. The concept of “*international version*” is very complex, and does not mean that the product is totally standardized. That is why we continued an in-depth investigation to discover the standardized elements such as product lines.

### ***Product lines summary***

Product lines are different for each cosmetic company. This variety of product lines present some risk for standardization. Product lines are important to know, because cosmetic products have several lines. For example, skin products lines include creams, antiperspirants, deodorants, sunscreen, face powder and make-up. These product lines are often offered under the same brand called an umbrella brand. For example, all L’Oreal nail products fall under the L’Oreal Paris umbrella brand. For further study, we adopted the following “*international version*” product lines:

- Beiersdorf A.G. one skin cream, one skin products for young people, two sunscreen and one colored make-up.
- Johnson & Johnson one skin cream, one skin products for babies, one skin products for young people, one sunscreen, and one face powder.
- L’Oréal gives one nail varnish line, one permanent waving, and one shampoo.
- Wella and Lever Fabergé focus on certain skin products lines, and hair product lines. For example, the Neutrogena product line includes bar and liquid cleansers, shampoo, hand cream, body lotion, facial moisturizers, bath preparations and cosmetics, as well as other hair and skin care products. Bebe young care is one of the Bebe product lines.

Each product line decisions include decisions concerning product attributes, branding, packaging, labeling, and product support services. These decisions are particularly important as they greatly affect the performance of individual product line. Thus, each product line has a particular strategy to be standardized. A lot of emphasis is differently put on the product line. Table 11 summarizes product lines for each cosmetic firm.

**Table 11: Cross-product lines summary**

| Firma                           |  | Beiersdorf A.G.   | Johnson & Johnson GmbH                      | Lever Fabergé Deutschland    | L'Oréal Deutschland             | Schwarzkopf                                  | Wella A.G.                        | Total                   |   |
|---------------------------------|--|---|---|------------------------------|---------------------------------|--|-----------------------------------|-------------------------|---|
| <b>Skin products</b>            | <i>Skin creams</i>                             | Nivea Creme   | Neutrogena Formel body                      | Dove Body silk cream         |                                 |  | System Professionnel start up     | 4                       |   |
|                                 | <i>Skin products for babies</i>                |   | Penaten Baby milk                           |                              |                                 |  |                                   | 1                       |   |
|                                 | <i>Skin products for young people</i>          | Florena soft cream With Camille + vitamin E               | Bebe young care Soft body milk              |                              |                                 |  |                                   | 2                       |   |
|                                 | <i>Antiperspirant and deodorants</i>           |   |   |                              | Rexona oxygen fresh             |  | Fa Deo spray                      | Lanosa mild-Deo Roll-on | 4 |
|                                 |  |   |   |                              | Axe Phoenix                     |  |                                   |                         |   |
|                                 | <i>Sunscreen, suntan and anti-sunburn</i>      | Juvena 3-Dimensional body self tan<br>Eucerin Q 10 Active | Roc sun Lotion                              |                              |                                 | Vichy capital soleil cream LSF 60/UVA16      | AoK First beauty                  |                         | 5 |
| <i>Face powders and make-up</i> |  |   | Clean clear powder control invisible powder |                              |                                 |  |                                   | 1                       |   |
|                                 | <i>Colored make-up</i>                         | Labello Classic   |   |                              | Jade Maybelline Sky high curves |  |                                   | 2                       |   |
| Total I                         |  | 5   | 5   | 3                            | 2                               | 2  | 2                                 | 19                      |   |
| <b>Nail products</b>            |  |   |   |                              | L'Oréal Paris Forte strong      |  |                                   | 1                       |   |
| Total II                        |  |   |   |                              | 1                               |  |                                   | 1                       |   |
| <b>Hair Products</b>            | <i>Shampoo</i>                                 |   |   | Timotei shampoo kid          |                                 |  | Crisan Intensive shampoo          | 2                       |   |
|                                 | <i>Hair sprays and dressings</i>               |   |   |                              |                                 |  | Wellaflex Hair spray normal halt  | 1                       |   |
|                                 | <i>Hair tonics and conditioners</i>            |   |   |                              |                                 | Taft Ultra starker halt                      | Lifetex Nutri care Hairless tonic | 2                       |   |
|                                 | <i>Hair colorants</i>                          |   |   |                              |                                 | Poly Brillance 890 Schwarz                   |                                   | 1                       |   |
|                                 | <i>Permanent waving and Hair strengtheners</i> |   |   |                              |                                 | Redken 5 <sup>th</sup> Avenue NYC Verticolor |                                   | 1                       |   |
|                                 | <i>Hair straighteners</i>                      |   |   |                              |                                 | L'Oréal Professionnel Constructor            |                                   | 1                       |   |
| Total III                       |  |   |   | 1                            | 2                               | 2  | 3                                 | 8                       |   |
| <b>Dental products</b>          | <i>Toothpastes</i>                             |   |   | Signal Anti carie toothpaste |                                 | Thera-med                                    |                                   | 2                       |   |
| Total IV                        |  |   |   | 1                            |                                 | 1  |                                   | 2                       |   |
| <b>Total (I, II, III, IV)</b>   |  | 5   | 5   | 5                            | 5                               | 5  | 5                                 | 30                      |   |

A deeper analysis requires an examination of brands, because the brand name has an important impact on standardization. Providing status, a brand name can create a competitive advantage. Different versions of the same product with different brand names can also be offered to different segments in order to fulfill the needs of a larger portion of the market. There are almost three strategies concerning international branding; to develop a local brand, to develop regional brand and to create a global brand used in all national markets the company serves.

### **Brands summary**

Brands are the first standardized element of the product. Each firm has two or three international brands. Those included in this study are: Nivea, Dove, Roc, Axe, L'Oréal Paris, Juvena, Labello, Florena, L'Oréal Professionnel, Eucerin, Bebe Young Care, Neutrogena, Penaten, Rexona, Signal, Vichy, Taft, and Redken.



The Nivea brand is presented as white writing on blue background. As a global brand, Nivea is positioned as the world's largest skin and personal care brand. Consequently, its growth took place across all Nivea brand groups in all regions. The Penaten brand is presented as blue writing on a pink background. Blue writing also represents Dove brand. The Juvena brand is presented as black writings on a white background, and is the Beiersdorf international brand. The Florena brand is presented as blue writings on white background. The Labello brand is presented as white writing on blue background. Neutrogena is presented as white writings on a blue background. The bebe label contains blue writing, while Clean Clear brand is presented as white writings on a blue background. The Roc brand is presented as black writings on a white background. Timotei brand is presented as green writings. The Signal brand is presented as blue-red writings. The Jade Maybelline brand is presented as black writings on a white background.

For international brands, managers take into account the pronunciation and signification for the international consumer. Brands in the Table above seem to be uniform in the European markets. The brands studied are summarized in Table 12.

**Table 12: Cross-brand summary**

| <b>Firma</b>                          | <b>Brands</b> | <b>Skin</b>   | <b>Nail</b>                      | <b>Hair</b>                               | <b>Dental</b> | <b>Total</b> |
|---------------------------------------|---------------|---|----------------------------------|---|---------------|--------------|
| <b>Beiersdorf A.G.</b>                |               | Nivea creme<br>Juvena<br>Eucerin<br>Labello<br>Florena              |                                  |   | ---           | <b>5/12</b>  |
| <b>Johnson &amp; Johnson GmbH</b>     |               | Roc<br>Neutrogena<br>Penaten<br>Bebe Clean Clear<br>Bebe Young Care | ---                              |   | ---           | <b>5/10</b>  |
| <b>Lever Fabergé Deutschland GmbH</b> |               | Dove<br>Axe<br>Rexona   | ---                              | Timotei                                   | Signal        | <b>5/14</b>  |
| <b>L'Oréal Deutschland GmbH</b>       |               | Vichy   | L'Oreal Paris<br>Jade Maybelline | L'Oreal Professionnel<br>Redken 5e Av. NY | ---           | <b>5/12</b>  |
| <b>Schwarzkopf &amp; Henkel GmbH</b>  |               | AoK<br>Fa Deo   | ---                              | Taft<br>Brillance                         | Theramed      | <b>5/13</b>  |
| <b>Wella A.G.</b>                     |               | Lanosan med<br>System Professionnel                                 | ---                              | Crisan<br>Lifetex-Nutri care<br>wellaflex | ---           | <b>5/21</b>  |
| <b>Total</b>                          |               | 18  | 2                                | 8   | 2             | <b>30/82</b> |

For international brands, managers consider the pronunciation and signification of the product name. Brands in the table above are uniform in the European markets. However, these brands alone, which cover several product lines, cannot accurately inform us about the process of product standardization. That is why more observations on product types are important. Product types can be more informative in terms of the standardization process.

**Product type summary**

Beiersdorf A.G.

We examined the following Beiersdorf’s products to investigate whether they are standardized in the European markets. The package, volume, and content or ingredients were studied and compared across different European markets.



|                    |   |
|--------------------|---|
| <b>Nivea cream</b> |   |
| Type:              | cream   |
| Content:           | Trioleyl phosphate, Petrolatum, Glyceryl stearate, Isopropyl palmitate, Cetyl alcohol, Stearyl heptanoate, Cetearyl octanoate, Sorbitol, Water, perfume, preservative |
| Package:           | Metal   |
| Volume:            | 250 ml  |



|                |   |
|----------------|---|
| <b>Eucerin</b> |   |
| Type:          | Q 10 Active   |
| Content:       | Filtrosol A 1000, Lanrol, Isopropyl myristate, Mineral oil, Aqua, glycerin, ethylhexyl C, alcohol, hydrogenated |
| Package:       | plastic   |
| Volume:        | 250 ml  |

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|                             |  |
|-----------------------------|--|
| <b>Juvena 3-Dimensional</b> |  |
| Type:                       | body self tan  |
| Content :                   | Filtrosol B, Methyl cellulose, Glycerin, Ethyl alcohol, Water, Perfume |
| Package:                    | Plastic tube   |
| Volume:                     | 50 ml  |



|                |   |
|----------------|---|
| <b>Florena</b> |   |
| Type           | soft cream With Camille + vitamin E   |
| Content:       | Triclosan, Menthol, DEA-oleth-3 phosphate, Hydroxypropylcellulose, Amphoteric-1, Water, Ethanol (96%) |
| Package        | Plastic jar   |
| Volume         | 200 ml  |



|                |  |
|----------------|--|
| <b>Labello</b> |  |
| Type:          | Classic  |
| Content:       | Polyamide resin, Propylene glycol, monolaurate, Castor oil, D&C Red 21, Lanolin alcohols, Dipropylene glycol, methyl ether, Ethoxylated lanolin alcohols, Anhydrous isopropanol, Perfume |
| Package:       | plastic  |

**Table 13: Beiersdorf's cross-product summary (a)**

| Products      |                                    | Firm | Beiersdorf A.G.                             | Total    |
|---------------|------------------------------------|------|---|----------|
| Skin products | Skin creams                        |      | Nivea Creme                                 | 1        |
|               | Skin products for young people     |      | Florena soft cream With Camille + vitamin E | 1        |
|               | Sunscreen, suntan and anti-sunburn |      | Eucerin Q 10 Active                         | 2        |
|               |                                    |      | Juvena 3-Dimensional body self tan          |          |
|               | Colored make-up preparations       |      | Labello Classic                             | 1        |
| <b>Total</b>  |                                    |      |   | <b>5</b> |

**Jonhson & Johnson GmbH**

The following Johnson & Johnson's products are available in EU markets. The general brand bebe is their international brand and has several product lines.



|                |   |
|----------------|---|
| <b>Penaten</b> |   |
| Type:          | Baby milk   |
| Content:       | Mineral oil, Cetearyl alcohol, Petrolatum, Lanolin alcohol, Crodesta F70, Crodesta F160, Crodesta F110, Hydroxyethylcellulose, Water, Glycerin, Perfume, preservative |
| Package:       | plastic   |
| Volume:        | 500 ml  |



|                   |   |
|-------------------|---|
| <b>Neutrogena</b> |   |
| Type:             | Formel body   |
| Content:          | Beeswax, Mineral oil, Borax, Microcrystalline wax, Spermaceti, Sesame oil, Water, Perfume, preservative, Paraffin wax |
| Package:          | plastic   |
| Volume:           | 150 ml  |



|                        |  |
|------------------------|--|
| <b>Bebe young care</b> |  |
| Type                   | Soft body milk   |
| Content:               | Menthol, Ethanol (96%), phosphate, Triclosan, Hydroxypropylcellulose, Amphoteric-1, Water, |
| Package                | plastic  |
| Volume                 | 400 ml   |



|            |   |
|------------|---|
| <b>Roc</b> |   |
| Type:      | Sun Lotion  |
| Content:   | Sunscreen (oil-soluble), Mineral oil, Atlas G-1425, Avitex ML, Beeswax, Isopropyl myristate, Petroleum jelly, Water |
| Package:   | plastic   |
| Volume:    | 250 ml  |



|                                |  |
|--------------------------------|--|
| <b>Bebe Clean clear powder</b> |  |
| Type:                          | Shin control invisible powder                                |
| Content:                       | Talc, Zinc oxide, Zinc stearate, Rice starch, Perfume, color |
| Package:                       | plastic  |

Table 14: Johnson & Johnson GmbH cross-product summary (b)

| Products      |                                    | Firm | Johnson & Johnson GmbH                           | Total    |
|---------------|------------------------------------|------|--|----------|
| Skin products | Skin creams                        |      | Neutrogena Formel body                           | 1        |
|               | Skin products for babies           |      | Penaten Baby milk                                | 1        |
|               | Skin products for young people     |      | Bebe Young Care soft body milk                   | 1        |
|               | Sunscreen, suntan and anti-sunburn |      | Roc sun Lotion                                   | 1        |
|               | Face powders and make-up           |      | Clean clear powder Shin control invisible powder | 1        |
| <b>Total</b>  |                                    |      |  | <b>5</b> |

Lever Fabergé Deutschland GmbH

We examined international brands Dove, Axe, Rexona, Signal and a local Timotei brand.



|             |  |
|-------------|--|
| <b>Dove</b> |  |
| Type:       | Body silk cream  |
| Content:    | Mineral oil, Stearic acid, Triethanolamine, Glycerol stearate (SE), Carbomer 934, Water, Glycerin, Sodium alginate, Cetyl alcohol, Perfume, Spermaceti, Squalane, preservative |
| Package:    | plastic  |
| Volume:     | 300 ml   |



|                |   |
|----------------|---|
| <b>Timotei</b> |   |
| Type:          | Shampoo kid   |
| Content:       | Sodium lauryl sulphate, Lauric diethanolamide, Hexylene glycol, Methyl p-hydroxy benzoate, Boric acid, Sodium chloride, Polyethyleneimine, Ethyl alcohol, Water |
| Package:       | plastic   |
| Volume:        | 300 ml  |



|            |  |
|------------|--|
| <b>Axe</b> |  |
| Type:      | Body spray phoenix   |
| Content:   | Triclosan, Propylene glycol, Alcohol, Perfume, Propellant 12 |
| Package:   | metal  |
| Volume:    | 175 ml   |



|               |  |
|---------------|--|
| <b>Rexona</b> |  |
| Type:         | oxygen fresh   |
| Content:      | Hexamethylenetetramine, Zinc oxide, Starch, Petroleum jelly, Perfume |
| Package:      | metal  |
| Volume:       | 150 ml   |



|               |   |
|---------------|---|
| <b>Signal</b> |   |
| Type:         | Anti cavity toothpaste  |
| Content:      | Dicalcium phosphate dihydrate,<br>Sodium copper chlorophyllin,<br>Tetrasodium pyrophosphate,<br>Carboxymethylcellulose, Water |
| Package:      | plastic tube  |
| Volume:       | 75 ml   |

Table 15: Lever Fabergé GmbH cross-product summary (c)

| Products        |                                | Firm | Lever Fabergé Deutschland GmbH     | Total    |
|-----------------|--------------------------------|------|------------------------------------|----------|
| Skin products   | Skin creams                    |      | Dove Body silk cream               | 1        |
|                 | Antiperspirants and deodorants |      | Axe Phoenix<br>Rexona oxygen fresh | 2        |
| Hair products   | Shampoo                        |      | Timotei shampoo kid                | 1        |
| Dental products | Dentifrices                    |      | Signal Anti cavity toothpaste      | 1        |
| <b>Total</b>    |                                |      |                                    | <b>5</b> |

L'Oréal Deutschland GmbH

The L'Oréal brands are internationally known with the same label. We examined Redken, Vichy, Forte-Strong, Jade Maybelline, and L'Oreal Professionnel brands.



|   |   |
|---|---|
| <b>Redken 5<sup>th</sup> Avenue NYC</b> |   |
| Type:                                   | Verticolor  |
| Content:                                | Monoethanolamine, Potassium sulphite,<br>Potassium carbonate, Ammonium carbonate,<br>Borax, Sulphonated castor oil, Distilled water |
| Package:                                | plastic tube  |
| Volume:                                 | 150 ml  |



|              |   |
|--------------|---|
| <b>Vichy</b> |   |
| Type:        | Capital soleil cream LSF 60/UVA 16  |
| Content:     | Giv-tan F, Diethylene glycol<br>monostearate, Stearic acid, Cetyl alcohol,<br>Isopropyl myristate, Triethanolamine,<br>Triethanolamine lauryl sulphate, Water, Perfume,<br>preservative |
| Package:     | plastic   |
| Volume:      | 75 ml   |



|                      |   |
|----------------------|---|
| <b>L'Oréal Paris</b> |   |
| Type:                | Forte strong  |
| Content:             | Cellulose nitrate, Denatured alcohol,<br>Butyl acetate, Ethyl alcohol, Toluene,<br>Propyl methacrylate resin, Plasticizer |
| Package:             | glass   |
| Volume:              | 50 ml   |



|                        |  |
|------------------------|--|
| <b>Jade Maybelline</b> |  |
| Type:                  | Sky high curves  |
| Content:               | Isoparaffins, Ozokerite wax,<br>Carnauba wax,<br>Aluminium stearate,<br>Isopropyl myristate,<br>Mineral oil,<br>Kaolin, Black iron oxide,<br>Yellow iron oxide |
| Package:               | plastic  |



|                              |  |
|------------------------------|--|
| <b>L'Oréal Professionnel</b> |  |
| Type:                        | Constructor  |
| Content:                     | Hydroxyethylcellulose WP 4400,<br>Lithium hydroxide, Sodium chloride,<br>Water |
| Package:                     | metal  |
| Volume:                      | 150 ml   |
| Format:                      | spray  |

Table 16: L'Oréal's cross-product summary (d)

| Products      |   | Firm | L'Oréal Deutschland GmbH                     | Total    |
|---------------|---|------|--|----------|
| Skin products | Sunscreen, and suntan                   |      | Vichy capital soleil cream LSF 60/UVA 16     | 1        |
|               | Colored make-up                         |      | Jade Maybelline Sky high curves              | 1        |
| Nail products | Nail lacquer (varnish)                  |      | L'Oréal Paris Forte strong                   | 1        |
| Hair products | Permanent waving and Hair strengtheners |      | Redken 5 <sup>th</sup> Avenue NYC Verticolor | 1        |
|               | Hair straighteners                      |      | L'Oréal Professionnel Constructor            | 1        |
| <b>Total</b>  |   |      |  | <b>5</b> |

### Schwarzkopf Group

We examined the following Schwarzkopf products: hair colorants, hair styling and permanent wave products, hair shampoos and conditioners, hair salon products, bath and shower products, deodorants, toilet soaps, skin creams, skin care products, dental care and oral hygiene products, perfumes and fragrances. Specifically we looked at the following brands.



|               |   |
|---------------|---|
| <b>Fa Deo</b> |   |
| Type:         | Spray   |
| Content:      | Hexamethylenetetramine, Zinc oxide,<br>Starch,<br>Petroleum jelly,<br>Perfume |
| Package:      | metal   |
| Volume:       | 150 ml  |



**AoK**

|          |  |
|----------|--|
| Type:    | First beauty   |
| Content: | Filtrosol A, Stearic acid, Cetyl alcohol, Veegum, Water, Borax, Potassium hydroxide, Perfume, preservative |
| Package: | plastic  |
| Volume:  | 35 ml  |



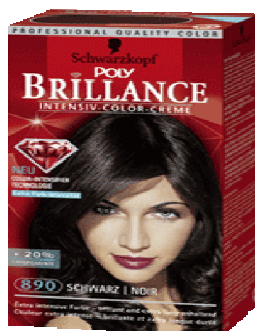
**Theramed**

|          |  |
|----------|--|
| Type:    | Thera-med  |
| Content: | Carboxymethyl cellulose, Calcium Hydroxyethylcellulose, Glycerin, Sorbitol 70%, Propylene glycol, Abrasive, pyrophosphate, Flavor, Sodium lauryl sulphate, Preservative, Water |
| Package: | plastic  |
| Volume:  |  |



**Taft**

|          |  |
|----------|--|
| Type:    | Ultra starker halt   |
| Content: | Gafquat 734, Cetyl trimethyl ammonium chloride, Ethanol, Water |
| Package: | metal  |
| Volume:  | 250 ml   |



**Poly Brilliance**

|          |  |
|----------|--|
| Type:    | 890 Schwarz  |
| Content: | Stearic acid, Triethanolamine, Glyceryl monostearate, Paraffin wax, Microcrystalline wax, Lead acetate, Color, Light mineral oil, Deodorized kerosene, Perfume |
| Package: | plastic, paper   |

Table 17: Schwarzkopf's cross-product summary (e)

| Firm            |                                    | Schwarzkopf GmbH            | Total |
|-----------------|------------------------------------|-----------------------------|-------|
| Skin products   | Antiperspirants and deodorants     | Fa Deo spray                | 1     |
|                 | Sunscreen, suntan and anti-sunburn | AoK First beauty            | 1     |
| Hair products   | Hair tonics and conditioners       | Taft Ultra starker halt     | 1     |
|                 | Hair colorants                     | Poly Brilliance 890 Schwarz | 1     |
| Dental products | Toothpastes                        | Thera-med                   | 1     |
| Total           |                                    |                             | 5     |

Wella A.G.

Wella's products are for consumers and for salons. We observed the following five Wella products.



|                     |   |
|---------------------|---|
| <b>Lanosan mild</b> |   |
| Type:               | Deo Roll-on   |
| Content:            | Sodium stearate, Ethyl alcohol, Propylene glycol, Isopropyl myristate, Triclosan, Perfume |
| Package:            | glass   |
| Volume:             | 50 ml   |



|                             |  |
|-----------------------------|--|
| <b>System Professionnel</b> |  |
| Type:                       | start up Lotion for hair   |
| Content:                    | Sesame oil, Zinc oxide, Oxycholesterol, Triglyceryl stearate, Perfume and coloring, Titanium dioxide, Preservative |
| Package:                    | plastic  |
| Volume:                     | 150 ml   |



|                           |   |
|---------------------------|---|
| <b>Lifetex Nutri care</b> |   |
| Type:                     | Hairloss tonic jar  |
| Content:                  | Stearylamidopropyldimethylamine, Cetyl alcohol, Phosphoric acid (85%), Sodium chloride, Preservatives, Perfume, Water |
| Package:                  | Plastic   |
| Volume:                   | 250 ml  |



|               |   |
|---------------|---|
| <b>Crisan</b> |   |
| Type:         | Intensive shampoo   |
| Content:      | Fatty alcohol sulphate, Magnesium stearate, Polyvinyl alcohol, Methyl cellulose, Water, Lanolin, Glyceryl monolaurate |
| Package:      | glass   |
| Volume:       | 250 ml  |



|                  |  |
|------------------|--|
| <b>Wellaflex</b> |  |
| Type:            | Hair spray/ normal halt                                      |
| Content:         | Shellac (bleached, dewaxed), Ammonium hydroxide (28%), Water |
| Package:         | metal  |
| Volume:          | 200 ml   |



**Table 18:** Wella's cross-product summary (f)

| Firm          |                                       | Wella A.G.                        | Total    |
|---------------|---------------------------------------|-----------------------------------|----------|
| Skin products | <i>Skin creams</i>                    | System Professionnel start up     | 1        |
|               | <i>Antiperspirants and deodorants</i> | Lanosa mild-Deo Roll-on           | 1        |
| Hair products | <i>Shampoo</i>                        | Crisan Intensive shampoo          | 1        |
|               | <i>Hair sprays and dressings</i>      | Wellaflex Hair spray normal halt  | 1        |
|               | <i>Hair tonics and conditioners</i>   | Lifetex Nutri care Hairless tonic | 1        |
| <b>Total</b>  |                                       |                                   | <b>5</b> |

To complete our information on these products and to make sure that these products are actually standardized, we also conducted interviews. These helped to collect more information on the process of standardization.

#### 4.3.3. Interview guideline and results

The present study represents the first systematic endeavor to examine cosmetic product standardization using a case study approach. Although various authors at the conceptual level have proposed a large number of potentially important variables, only a limited number of these were analyzed in our study. These variables were analyzed through answers of our interview guideline.

We developed the interview guideline<sup>47</sup> for this study in two steps. A preliminary interview guideline (Bailey 1987) was designed, which we had evaluated by several academic researchers in the field of international marketing, all whom served as expert judges to appraise the validity of the selected topics. Secondly, we refined the revised interview guideline extensively through conducting personal interviews<sup>48</sup> with managers in subsidiaries of multinational corporations, which assured content validity. The interview method involves questioning or discussing issues with people (Blaxter, Hughes and Tight, 1996). We asked respondents to answer the questions with reference to a cosmetic product their company is manufacturing and /or marketing in the European market.

The interview is a focused interview, in that respondents were interviewed for a short period of time. In such cases, the interviews may still remain open-ended and assume a conversational manner, but we are more likely to be following a certain set of questions derived from the process of product standardization. In this situation, the specific questions must be carefully worded, so that we appear genuinely naïve about the topic and allow the respondent to

<sup>47</sup> See appendix 1

<sup>48</sup> One of the most important sources of case study information is the interview. Such a conclusion may be surprising, because of the usual association between interviews and the survey method. However, interviews are also essential sources of case study information.

provide an honest commentary about it. By contrast, if we ask leading questions, the corroboratory purpose of the interview will not have been served.

Interviews revealed that international strategic alliances permit firms to be present with its products in all European markets. Thus, the standardized products are effectively realized in the EU through the combination of two operations: Product characteristic similarities and the distribution of the same product in all EU markets. Our research question has not been fully addressed as we have yet to establish how these firms proceed, in concrete terms, toward the process of product standardization and how these standardized products achieve a meaningful presence throughout European markets. The analyses of previous data through sub-case studies will allow us answer these pertinent questions.

Data collection was carried out in four stages. In the first stage, in-depth interviews were conducted with the best-informed manager of the firm's product standardization. Some interviews were recorded and transcribed. Notes were also taken during and after the interviews. To ensure there is no misinterpretation, the transcript of each interview was returned to the manager a few days after the meeting. In the second stage, a second interview with the same respondent was organized to clarify the points that were unclear after the first interview. In addition, this respondent was asked to identify another manager of the firm who was also involved in the management of product standardization.

This step considered essential because management of product standardization is typically the responsibility of more than one person. Therefore, in the third stage, a second interviewee was asked to answer the same questions, and a transcript of this interview was again produced. Each of the interviews lasted between one-and-a-half and two hours. In the fourth stage, we reviewed company documents and archival data.

The interviews were based on a semi-structured questionnaire addressing key issues related to the similarities of product characteristics, distribution channels, the firm's international experience, and its regional orientation. Managers were asked to comment on their perceived product standardization as well as on their perception of the impact that international experience, and distribution channels used had on this process. They were also asked to recall past initiative, both successful and unsuccessful, in the management of the process of product standardization. The search for the best product standardization strategy was largely directed at theme and key issues that were extracted from these interviews.

Twenty interviews were conducted with corporate headquarter managers, foreign subsidiary managers, and representatives. Marketing managers or international marketing managers were our focus, but we also interviewed export managers, product managers, and

international communication managers. Face to face interviews were sometimes difficult to realize, so in these instances, we contacted certain managers by telephone. For the most part, we collected biased data from the interviews, because managers were suspect of the aim of some questions. Despite this, some real data were collected. The following Table 19 summarizes number of interviews conducted in each company with the interviewee positions.

**Table 19:** Number of interviews conducted and the positions of interviewees

| Company           | Corporate Headquarters   | Foreign Subsidiary  | Representative             | TOTAL |
|-------------------|--|---|----------------------------|-------|
| Beiersdorf A.G    | - Marketing manager  | -Communication manager<br>-Nivea France manager                           |                            | 3     |
| Johnson & Johnson |  | -International marketing manager<br>- Export manager<br>- Product manager |                            | 3     |
| Lever Fabergé     |  | - Marketing manager   |                            | 1     |
| L'Oréal Group     | - Manager general international product policy<br>- Manager international marketing<br>- Manager export department<br>- Manager product department<br>-Manager international communication | - Marketing manager<br>- Product manager                                  |                            | 7     |
| Schwarzkopf Group | - Production manager<br>- Marketing manager<br>- International manager<br>- Manager executive Development and international transfers  |   | - France Marketing Manager | 5     |
| Wella A.G         | - Marketing manager  |   |                            | 1     |
| TOTAL             | 11   | 8   | 1                          | 20    |

To conclusively answer the question regarding how firms standardize products, the interviews allowed collecting data on the cosmetic firms, their products and on the possible standardization process. We began with a long list of potential factors that influence product standardization, which we derived from the literature. From this long list, we determined the process actually used by each firm, through interviews with the firm's managers, product developers and local marketers as well as through an analysis of documentary evidence. We interviewed managers in each company with the same interview guideline. We then surveyed products in each firm, to ascertain the product's rationales for the standardization strategies and to confirm whether these reflect the firms' standardization processes.

The interviews at first, had been used to confirm whether products are standardized and whether firms operate regionally, which we addressed with questions one through six (inclusively) of our interview guideline. According to the responses, we could then conclude that each firm standardizes at least one product in the European market. In fact, each firm sells at least one product in several European Union markets. The interviews conducted for this dissertation obtained internal data, which portrayed a more realistic picture of the cosmetic product standardization. In all, six products are chosen as it is shown in Table 20.

**Table 20:** Products chosen for the study of standardization.

| Firma                  |                                  | Beiersdorf A.G. | Johnson & Johnson GmbH | Lever Fabergé Deutschland | L'Oréal Deutschland        | Schwarzkopf                | Wella A.G.                       | Total |
|------------------------|----------------------------------|-----------------|------------------------|---------------------------|----------------------------|----------------------------|----------------------------------|-------|
| Skin products          | <i>Skin creams</i>               | Nivea Creme     |                        |                           |                            |                            |                                  | 1     |
|                        | <i>Skin products for babies</i>  |                 | Penaten Baby milk      |                           |                            |                            |                                  | 1     |
| Total I                |                                  | 1               | 1                      | 0                         |                            | 0                          | 0                                | 2     |
| Nail products          |                                  |                 |                        |                           | L'Oréal Paris Forte strong |                            |                                  | 1     |
| Total II               |                                  | 0               | 0                      | 0                         | 1                          | 0                          | 0                                | 1     |
| Hair Products          | <i>Hair sprays and dressings</i> |                 |                        |                           |                            |                            | Wellaflex Hair spray normal halt | 1     |
|                        | <i>Hair colorants</i>            |                 |                        |                           |                            | Poly Brillance 890 Schwarz |                                  | 1     |
| Total III              |                                  | 0               | 0                      | 1                         | 0                          | 1                          | 1                                | 2     |
| Dental products        | <i>Toothpastes</i>               |                 |                        | Signal toothpaste         |                            |                            |                                  | 1     |
| Total IV               |                                  | 0               | 0                      | 1                         | 0                          | 0                          | 0                                | 1     |
| Total (I, II, III, IV) |                                  | 1               | 1                      | 1                         | 1                          | 1                          | 1                                | 6     |

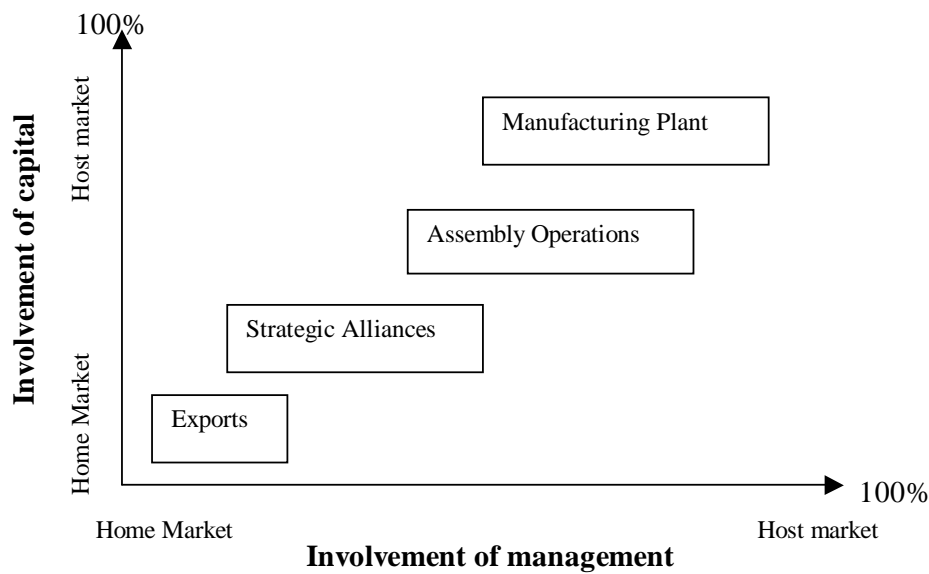
In the skin care market, Beiersdorf's products such as Nivea Creme make additional market share gains in a slow-growing market. The Penaten brand is also an international Johnson & Johnson brand, and its label is the same in all the European markets. In the nail products market the L'Oréal Forte-strong brand assumed a leading position in many countries. Supported by numerous product launches such as Wellaflex Hair spray normal halt and Poly Brillance 890 Schwarz in Hair product, Wella A.G. and Schwarzkopf displayed especially dynamic growth in France, Belgium, Italy and the Netherlands. Dental product such as Signal toothpaste from Lever Fabergé Deutschland is well represented in the regional market. Thus, these 6 products help to analyze cases of these companies.

After interviews, it appears also that most firms in this field require specific coordination in order to standardize. Many MNCs constantly engage in transfers, importing and exporting semi-finished products and component parts to lower production costs. By so doing, they use the productive capacity of both their domestic and foreign factories more efficiently, concentrating production of individual inputs at specific factories and shipping these inputs to other factories as needed. In addition to traditional exporting from their home base, those companies manufacture products in various foreign countries, both for local sale and for further exporting to the rest of the region, including perspective home countries. This phenomenon is called intra-firm trade, and makes standardized products more present, since part of the international flow of products takes place between affiliated companies within the same corporate system, transcending national boundaries.

In both the regional and home market, companies can engage in the distribution activity of the standardized product in different way. The difference is that the channels are short or long, and there is less or more capital and management involvement. According to managers, it appears that companies in the regional market have four alternative ways to engage in regional distribution. They can chose to export from their home market, establish a manufacturing plant

in the other market, set up assembly operations or form a strategic alliance with one or more companies. Figure 12 shows how capital and management involve in each alternative. These alternatives facilitate product standardization presence in the regional market, because both involvement of management and capital influence the product standardization process.

**Figure 12:** Management involvement in product standardization process



Source: Adapted from Albaum, Strandkov and Duerr, 1998, p 262

As it can be seen in the Figure 12, both involvement of management and capital are concentrated in the host market when the company has chosen to establish a manufacturing plant there. If the company is an exporting company, the involvement of management and capital is concentrated to the home market. That allow to say that product standardization depend on management in terms of decision-making.

In summary, our methodology is to be sure that a later research can come up to the same findings and conclusions as the earlier one if the same procedures were followed when the same cases studies were conducted all over again. To increase the reliability of our study, the research strategy, approach and purpose were strictly followed until recommendation for future research. The product standardization process is implemented by product characteristics strategies and management decision-making. The character of the product has impact on the distribution channel. It appears that the more specialized the product is, the more likely the channel is to be relatively short. The same reasoning goes for management. The stronger the management is, the more likely the firm is to establish either channels it owns or controls.

## **5-CASE REVIEW OF PRODUCT STANDARDIZATION BY MNCs IN THE EUROPEAN UNION**

In order to explain how firms standardize their products for the market in the EU, we provided analyses of six case studies of cosmetic firms. These include three German firms (Beiersdorf A.G., Wella A.G., and Schwarzkopf Group) and three firms that operate in the EU market (Johnson & Johnson, L'Oreal, and Lever Fabergé). In all six cases, we examined the processes and coordination operations most associated with product standardization. The subsequent sections will the firm's activities followed by a profile of their products and their respective processes of standardization.

### **5.1. The Beiersdorf A.G. case**

The Beiersdorf's strategic plan is to reduce production cost by standardizing products in the European markets. The program was initiated by Beiersdorf's head office and aim to gradually convert the national brand/product into an international brand/product.

#### **5.1.1. Firm's presentation**

Beiersdorf A.G. has grown steadily over the past ten years, and intends to continue growing with a strategy that has proved successful in the past. It has essentially continued to grow within the divisional shares of the group sales<sup>49</sup>. In fact, Beiersdorf focuses on the three competence fields, which are personal care/cosmetics (Cosmed), wound care/health (Medical), and adhesives technology (Tesa).

The product division "cosmetics and personal care" is more important than adhesives or health care product division. The Cosmed division is the main division, which has affiliates in all the European area. This division develops, produces and markets cosmetic products for skin care and personal care. The strategy of focusing on a limited number of strong international brands proved successful in 2001. Innovative products and increased investment in growth markets strengthened the division's worldwide market position. The improved quality of sales is impressively reflected in the increase of the number of international markets where certain brands are market leaders. To achieve those goals, the Beiersdorf's board of managers has a specific structure, which is worth discussing.

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<sup>49</sup> See Beiersdorf's Annual Report 2003 where the group sales are as follow:

- Tesa 14.8%
- Medical 20.1%
- Cosmed 65.1%

The CEO ensures the company's development by coordinating all of Beiersdorf's divisions and cooperating with its human resource, finance, brand, and supply chain departments. These five departments decide the company's product policy. In spite of the difficult economic situation in 2003, group sales grew by 10.3% to 4,542 million Euros. At constant exchange rates the growth figure was 11.2%<sup>50</sup>. The establishment of new companies and the initial consolidation of existing Beiersdorf companies had no more than a marginal impact of +0.2% on the increase in sales. Specifically, the Beiersdorf's growth strategy has three dimensions:

- Creating dynamic sales opportunities by establishing new product categories. For example, Nivea Beauté was launched very successfully as a new category under the Nivea label.
- Growing market share by continuing to expand their brands in leading positions. That is the case of Nivea Sun in France.
- Opening up new countries with the internationally successful brands.

The third dimension allows Beiersdorf to standardize products in the European markets. In fact, more than nineteen affiliates, and license partners sell Beiersdorf's products in nearly every country in the world. Beiersdorf's group includes both headquarters and joint venture units. To reach all the European markets, Beiersdorf's group is connected to significant affiliate companies. As an international company, Beiersdorf has a clear goal, which is to be as close as possible to consumers, regardless of the country in which they live. Beiersdorf's key to success is a single international marketing strategy that its affiliates implement perfectly at the local level.

Beiersdorf consistently improves its expertise, working hard to achieve its targets and hence to remain a reliable growth stock. It continuously opens up new countries and new markets. As a leading international manufacturer of branded products, Beiersdorf supports and develops its strong brands. Beiersdorf A.G. produces almost six hundred products for twelve brands<sup>51</sup>. Beiersdorf's main brand platforms are Nivea, Florena, Eucerin, Juvena and Labello. Internationally, Beiersdorf focuses on the development and care of its strong international consumer brands. Differentiations are made as follows: brands with global potential (Eucerin), brands with leading global position (Nivea), and brands with regional strength (Juvena, Labello, Florena, and 8\*4).

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<sup>50</sup> Beiersdorf Annual Report 2003

<sup>51</sup> See appendix 4


**5.1.2. Nivea creme**

To analyze Beiersdorf’s process of product standardization, we studied its Nivea crème exclusively. The product is presented in a blue can on which the name Nivea is printed and contains a white cream. In 1911, Beiersdorf developed the Nivea brand for cream. In a very short time, this water-in-oil emulsion replaced the popular ointments on the market.

The new products launched by Nivea Body, such as Nivea Body Milk, Nivea Creme with almond oil made a major contribution to the positive development of this product sector. For the first time the brand achieved market leadership in Greece, and growth in Belgium, Denmark and France was especially strong. Thus, after a long time, Nivea Creme was introduced to all the European markets. Nivea Creme has been regarded as the mother of all modern creams. Today the cream has developed into a large brand family. With a revised design and new formulas for the Nivea products, the brand further improved its leading position in the European market for protection products. In the highly competitive European market for decorative cosmetics, Nivea improved Beiersdorf’s market position.

After analysis, we discovered that the six product variables (formula, size, quality, label, package and brand) of Nivea Creme are uniform. In fact, this Nivea Creme has the same quality, sizes (250 ml), package (metal), ingredient, and the same overall design. The Table 21 summarizes the similar features of Nivea Creme as a standardized product.

**Table 21:** Similarity of Nivea Creme features in the EU markets

|  | Feature similarities | Formula | Size | Quality | Label | Package | Brand |
|---|----------------------|---------|------|---------|-------|---------|-------|
|   | Product              |         |      |         |       |         |       |
| Nivea Creme   |                      | Yes     | Yes  | Yes     | Yes   | Yes     | Yes   |

This table demonstrates that the standardized Nivea Creme has the same formula, quality, package, label, and brand in the EU market. Thus, the manufacturing of Nivea Creme describes Beiersdorf’s process of product standardization in the EU markets. The Nivea Creme standardization process includes the conception, planning, and implementation of its manufacture.

**Conception**

The conception of Nivea Creme began with the accumulation of the ideas of the company’s board of managers (CEO/BRAND/SUPPLY CHAIN)<sup>52</sup>. The brand name was

<sup>52</sup> See Figure 13.



suggested and is derived from the Latin term *nix/nivis*, meaning snow. The BRAND and SUPPLY CHAIN departments suggested the formula and quality.

### *Formula*

The formula has proven itself for ninety years, remaining unique and unparalleled in both performance and consumer acceptance to this day. After pure research, the generator of ideas applied research and the development. As the BRAND and SUPPLY CHAIN divisions move in sequence through these phases, a greater amount of production management participation was required. Usually, very close coordination was expected during the development phase.

### *Brand*

On different levels, Beiersdorf A.G. has initiated the standardization of Nivea Creme in the EU. It pursues a close alignment of activities of the product branding. The key factors in branding Nivea are:

- Qualified brand growth in three dimensions: market share growth, entering new product categories and opening up new countries,
- Use of synergies within its strong brand families,
- A clearly structured organization and responsibility for sales and profits, and
- Global strategies plus perfect local implementation.

The Nivea brand was chosen to fulfill these criteria. The CEO adopted this brand and charged the BRAND division, which includes Marketing and R&D department, with the task of developing the Nivea brand design.

### *Planning*

The planning occurred in roughly three phases. The first phase lasted three years and examined new technologies. As technology advances, the first reaction of the marketplace was to gain adoption of the prototype model of the new technology as widely as possible. The second phase lasted two years and concerned the selection of the raw materials. Then, as soon as the prototype models are broadly distributed among consumers, a shift begins to take place. Various market segments appear, and the accumulation process proceeds in terms of particular Nivea creme and special model numbers.

The last phase lasted one year focused on the implementation of the finished product. Nivea Creme still represents the successful interplay of groundbreaking research, creativity and entrepreneurial expertise. Between 1928 and 1930, the product range was expanded, and even today, Nivea Creme is the world's largest skin and body care product. This can be seen in the endurance of many internationally successful Nivea sub brands. The headquarter staff decided upon a process of gradual standardization of Nivea Creme in the EU.

## ***Implementation***

In the last stages of the development of Nivea Creme, the product idea was transformed into a concrete form. Generally, no final decisions have been made concerning the materials and equipment to be used, but a reasonable approximation of final procedures is in the process of being evolved. First, a product prototype was created.

### *Quantity/size*

A great deal can be said about prototypes and pilot plants. This is a point where R & D, production, and marketing all come together in a crucial test situation. Production managers were well versed in the utilization of prototypes for testing and evaluating and, in general, to reduce uncertainty before major commitments are made by Beiersdorf. The costs of testing alternative actions, calculated in terms of direct outlays, were always balanced against the costs of not conducting such tests that were stated in terms of opportunity costs. After evaluation, it was decided, in conjunction with the Finance division, that the Nivea Creme would be offered in 250 ml units.

### *Packaging*

The SUPPLY CHAIN division suggested that the package must be convenient and easy for buyers to use. In addition, it should help sell the product by attracting the buyer's attention, identifying the product, and providing a reason to buy it. For these reasons, marketing and product managers decided to apply the VIEW<sup>53</sup> test in each market. They choose the same metal can for all Nivea Creme in a blue color with white lettering.

### *Labeling*

Beiersdorf's labeling is part of its packaging and consists of printed information that describes the Nivea Creme. The Nivea Creme label contains only the brand names, displayed as elaborately designed letters, and a great deal of information about the product. The language used for this information is different in some European countries though the labeling process is the same. The face of the printed letters is a raised surface above a metal blade. Ink is applied direct to the face and is transferred to printing surface directly. After labeling, the standardized Nivea Creme was ready for the European markets.

Many different inputs such as materials, skills, information, and energy are involved in the transformation process. They are combined in various ways to produce a catalog of parts. The essence of the modular concept is to design, develop, and produce these parts, which can be combined in a number of ways (See Figure 13). This emphasis on maximizing the number of

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<sup>53</sup> V- visibility: the package must be easily distinguished from the visual competition.

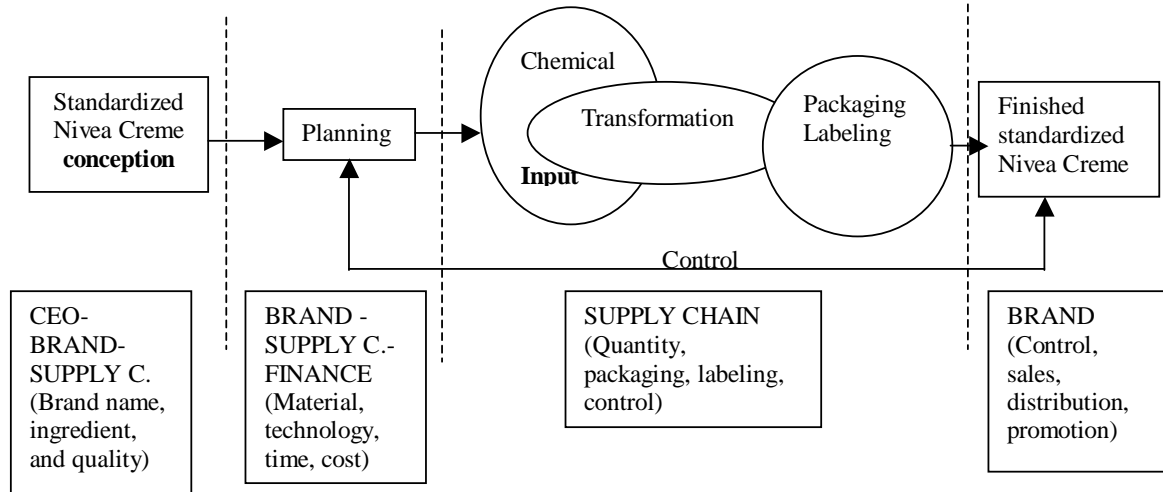
I- informative: the package must quickly communicate the nature of its contents.

E-emotional impact: the design must create favorable impressions in the mind of the consumer.

W- workability: the function of the package for protection and also to be efficient in home use.

ways a given number of parts can be assembled is the latest interest for production managers, which they consider in two ways: design, and exercise of adequate managerial controls.

**Figure 13:** Nivea Creme standardization process



Source: Adapted from Beiersdorf Management Report 2003

Figure 13 shows the Nivea Creme standardization process, which started with the CEO, BRAND and SUPPLY CHAIN divisions with the conception of the Nivea Creme brand-name, quality and formula. These three divisions are located in Hamburg at the headquarter where, the BRAND and SUPPLY CHAIN divisions produce the Nivea Creme, with Beiersdorf's production unit, which is under the control of the SUPPLY CHAIN division manufacturing cream. The chemical inputs are transformed and packaged at the unique production site. The main production phase for Nivea Creme is its standardization. Beiersdorf's point of view on standardized product management cuts across departmental and divisional lines.

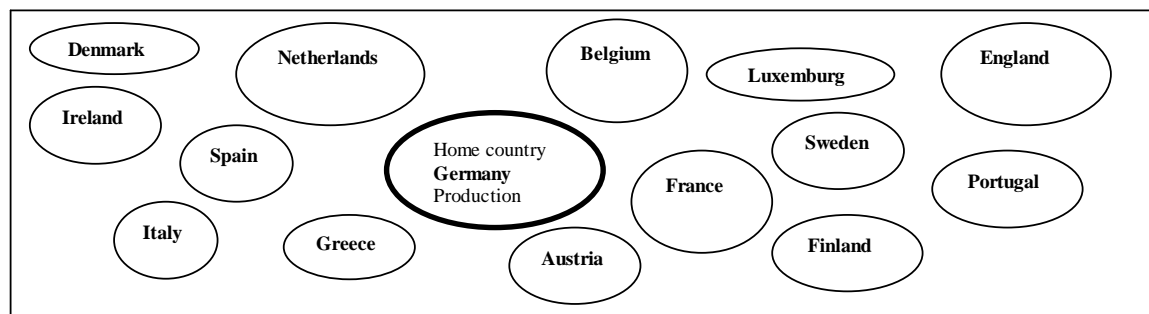
Beiersdorf's production operations are most effective when the product is standardized. In the case of Nivea Creme, each department implements a unique function. To appreciate these functions, we divide the Nivea Creme production system into two basic parts: transformation processes and packaging operations. In addition, Beiersdorf uses its organizational relations to ensure the presence of Nivea Creme in the EU.

### **Organizational relations**

With the exception in Germany, Nivea Creme is distributed in the EU by subsidiaries, which include: Beiersdorf Gesellschaft m.b.H (Vienna-Austria), SA Beiersdorf NV (Brussels-Belgium), Beiersdorf A/S (Birkerod-Denmark), Beiersdorf OY (Finland), Beiersdorf S.A. (France), Beiersdorf UK Ltd. (Milton Keynes-United Kingdom), Beiersdorf Hellas AE

(Gerakas/Attikis-Greece), Beiersdorf Ireland Ltd., Beiersdorf S.p.A (Italy), Beiersdorf N.V. (Almere-Netherlands), Beiersdorf Portuguesa Lda. (Queluz de Baixo-Portugal), Beiersdorf s.a. (Savigny-le-Temple Portugal), BDF Nivea S.A. (Tres Cantos/Madrid-Spain) and Beiersdorf AB (Kungsbacka-Sweden). These affiliates sell the same Nivea Creme made in the German unit. With relations between the affiliates and the headquarter division, consumers have a standardized Nivea Creme in all European countries. The implementation of standardized Nivea Creme in the EU is recognized as global standardization, as shown in the Figure 14.

**Figure 14:** Nivea Creme Global standardization model in the EU market



This constitutes global standardization because Beiersdorf considered the EU market as a global market. In this case, a national market is a geographical area where Nivea Creme remains the same. There are no differences in its features, brand, quality, size, package or label. The German market in which Nivea Creme is sold is one of Beiersdorf's European markets in the same way the French and English markets are. Beiersdorf implemented a complete process of standardization with the Nivea Creme in the EU.

## 5.2. The Wella cosmetics A.G. case

Wella A.G is a German cosmetic company with headquarters in Darmstadt Germany. Facing the challenge of reducing production cost in European markets, Wella has taken actions against product differentiation.

### 5.2.1. The firm

With a turnover of 756 million Euros in 2002, Wella A.G. is the leader today in the professional cosmetic products in Europe, which is double the market share of its nearest competitor Schwarzkopf. Over the last five years, sales have risen by around 50%. In 2002, Wella's investments focused on the industrial sector, reached 25.3 million Euros. Its brands are

Lanosan, System Professionnel, Crisan, Wellaflex, and Koleston. Wella Cosmetics A.G. promotes these brands internationally starting by Europeans markets.

The market for bath and shower products was another area where Wella recorded double-digit growth. The trend in Eastern Europe was particularly encouraging. In the hand cream segment, the brand Handsan assumed market leadership in Austria and Poland for the first time. In addition, the hair cares range of System Professionnel, Lifetex, Crisan and Wellaflex were successfully launched in Italy and the hair styling range of Koleston in Greece. Wella AG is the leading seller of hair cosmetics and fragrances in over one hundred and fifty countries. Global brands, product mobility and international presence form the basis of Wella's philosophy through its cosmetics and fragrances, professional, and consumer business divisions.

#### *Professional division*

This division allows Wella AG to become the leading provider of services and products to hairdressers and salon owners in European markets. The division brand portfolio includes not only the Wella brand and its international presence but also other international brands such as, the Londa brand for Eastern Europe, Kadus, a provider of hair care products exclusively for hairdressers, the US designer brand Sebastian, and Graham Webb international. The full-service range is rounded out by the brands Welonda and Belvedere for salon equipment and Tondeo, the market leader for cutting equipment.

#### *Consumer division*

Strong customer focus, high quality products and user-friendliness are central to the development of products aimed at consumers. Innovative styling and care products complete the product range. In addition, brands like Wellaflex, Crisan and Vivality contribute to growth in the European consumer division.

#### *Cosmetics and fragrances*

During five years of extraordinarily high growth figures, the fast-expanding cosmetics and fragrances division was able to establish itself as a leading product supplier in the international fragrances market. Since 1997, the Wella Group has combined all of the cosmetics and fragrances activities under Cosmopolitan Cosmetics GmbH in Cologne-Germany. The portfolio includes brands as Dunhil, Escada, Gucci parfums, Trussardi, Montblanc and Rochas as well as Puma, Mexx, Cindy Crawford and Naomi Campbell.


Wella A.G. is represented in one hundred and fifty countries with thirty-three subsidiaries, which are controlled by the headquarters in Germany.

### 5.2.2. Wellaflex hair spray

Wellaflex is Germany’s first hair lotion brand and is the market leader in Spain. The launch of Wellaflex marked an important step into a new hair relevant market segment of highly effective hair spray for daily protection. To prevent long-term damage to the hair, professionals are calling for protection of sensitive hair from daily environmental stresses, especially the effects of free radicals. Wellaflex is one of the leading brands for hair spray in Europe, with products that are not only very effective, but also well tolerated by the hair. To describe Wella’s product standardization process, we focused on the Wellaflex hair spray.

In 1998, the German cosmetic company Wella launched the initiative to standardize its product in the European markets. The company intended to produce a uniform product in quality, formula, size, label, package, and brand for sale in a global market, but did not complete a complete standardization of the product. The Table 22 summarizes the similarities between these variables of a standardized Wellaflex.

**Table 22:** Similarity of Wellaflex characteristics in the EU markets

|  |                             |                |             |                |              |                |              |
|--|-----------------------------|----------------|-------------|----------------|--------------|----------------|--------------|
|  | <b>Feature similarities</b> | <b>Formula</b> | <b>Size</b> | <b>Quality</b> | <b>Label</b> | <b>Package</b> | <b>Brand</b> |
|  | <b>Product</b>              |                |             |                |              |                |              |
|  | Wellaflex                   | Yes            | Yes         | Yes            | No           | Yes            | Yes          |

As we see in Table 22, only 5 product features are standardized in the EU market. The label is different in each market as, despite having the same design, the languages used to explain product functions varies. To standardize the variables of Wellaflex hair spray in the EU, the German headquarter works with its various departments to develop the product conception, standardization planning and implementation. After this process, Wella’s subsidiaries and European dealers distribute the standardized Wellaflex hair spray in the EU.

#### **Conception**

Wella’s managers recognized although some products that have a small share of a given national market, they are successful in regional market. They pointed out that modern transportation, communication media have made people in various European countries more aware of the tastes of those from other areas, and as a result, market segments with similar needs and wants tend to develop. This circumstance tends to make a policy of standardization feasible for Wella A.G. Thus, Wellaflex hair spray was conceived for the regional European market, with the idea that it would be manufactured in several units. In this situation, developing product

concept Wellaflex was very difficult because of different European languages. Managers thought that some product features should be the same, but the feature, which uses language, can change in each market. Then they plan carefully Wellaflex implementation.

### ***Planning***

The Wella's R & D department analyzed quality and ingredients, to select those that would satisfy European consumers. Wella R & D is a primary source of production management work and tight coordination. In the later stages of development, production and development merge. After coordinating efforts with the marketing strategies a plan is established with regard to the timing of implementation and identifying any further areas where there is work to be done. The planning step was evident to Wella, because the product standardization objectives were clearly stated. Objectives should be reduced to the simplest possible terms. Unless all participants shared this knowledge, the project encountered setbacks. Much time was spent finding out what everyone is trying to do. Then R & D planned for the possibility Wellaflex standardization through several European units.

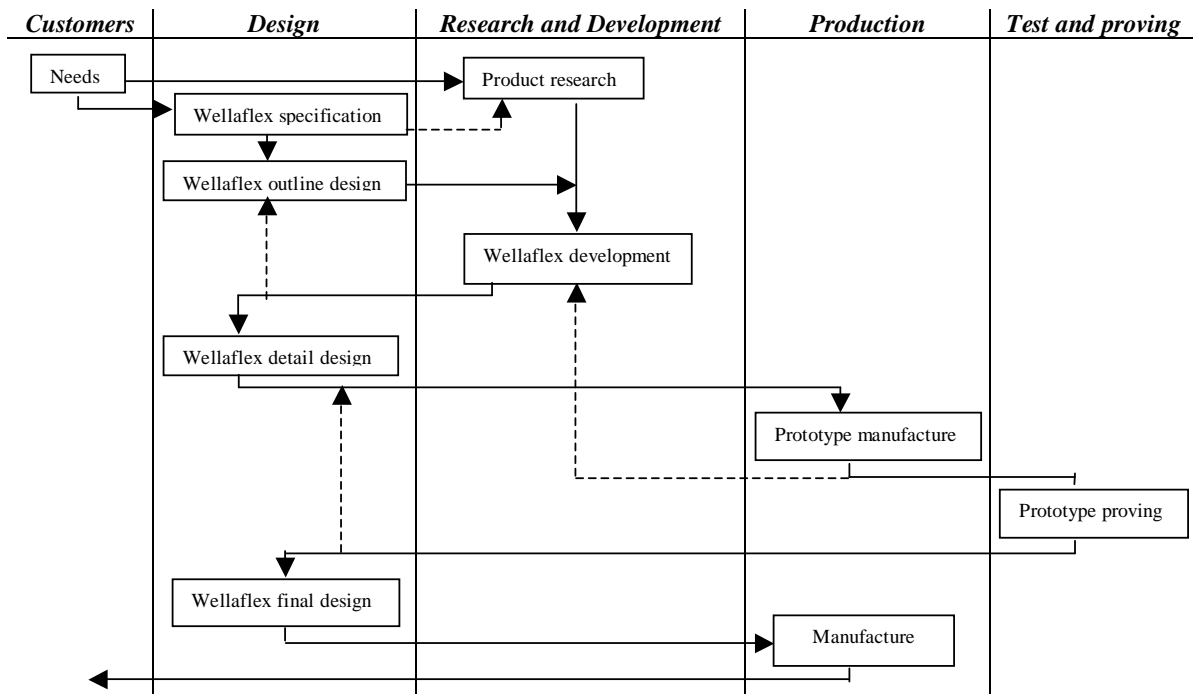
### ***Implementation***

After planning the standardization of Wellaflex hair spray, Wella product managers built a prototype and tested it, first in the German market with a national population, and secondly in the EU market with a regional population. The Wellaflex prototype was evaluated with care. It is well known to production engineers that a reduction in scale can produce certain observable behaviors that do not accurately describe the performance of the intended final product. Wella's engineers transformed the results obtained from experiments with scale models to overcome the inherent distortions. Differences in physical size are properly rationalized as they affect performance. Scaled-down energy inputs and outputs did not behave in linear proportion to the full-scale system.

The Wellaflex design is in the latter stages of completion. Alternative colors are being considered. Consequently, the decision was made to test the market alternatives. Using sampling theory and a great deal of statistical information, a reasonable approximation was obtained. A small group of people was chosen in the belief that their behavior would be representative of a wider consumer base in a regional market. The test market, in this case, was divided into two parts. Each part was supposedly identical and represented the full market (national and regional). Each microcosm was given the opportunity to respond to a different alternative. Wellaflex tested a prototype, because the production line could not set up until a decision was reached. The actual manufacturing process for European Wellaflex introduces new and special characteristics, not present in the prototype.

Basically two factors influenced Wellaflex’s design: the need to sell in the EU market, and the prior need to produce and market a standardized Wellaflex. Unless the design of Wellaflex satisfies both production and marketing requirements, it was unlikely to be commercially successful in EU. Figure 15 outlines the various steps involved in Wellaflex’s design.

**Figure 15:** Wellaflex’s design, development and manufacture



Note: Design here includes branding, labeling and packaging.

Source: Adapted from Wella annual report, 2003.

The responsibility for the design of Wellaflex is neither exclusively nor largely the responsibility of designers, but that of the production and marketing managers. After design, research and development, the production department manufactures first the prototype and second, the standardized version of Wellaflex for the EU market. Because of this complexity, Wella’s managers decided to operate in several areas.

**Organizational relation**

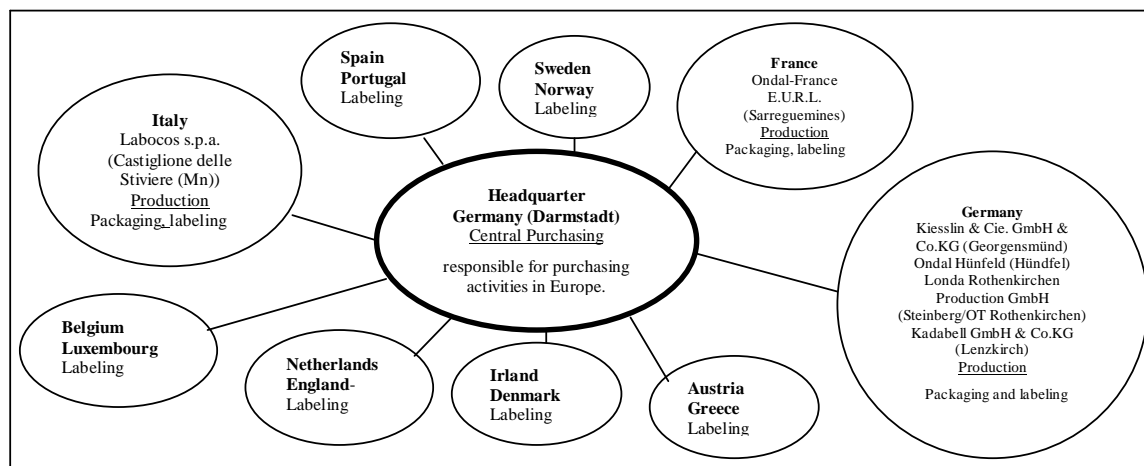
Wella’s central purchasing department operates in an international procurement network for controlling purchasing activities worldwide and for making optimum use of the opportunities of the global procurement markets. Central purchasing is organized by material groups and is responsible for the manufacturing plans in Europe and for controlling the international



purchasing network. This strategy compels Wella A.G. to adopt modular product standardization, because, Wellaflex is produced with standard components in European factories at different packaging stages. Wellaflex is standardized in the EU markets within firm mobility and production processes. Thus, the company's headquarters, located in Germany-Darmstadt, studied customer needs product design, and Wellaflex development. The production site produced prototypes. After managers agreed to Wellaflex's standardization, the production process was implemented in several production sites. Packaging and labeling do not occur at the same site, they take place in France and Italy.

Wellaflex is sold worldwide exclusively through authorized dealers in specialist outlets and department stores. Wella A.G. responds to the challenges of controlling its burgeoning international business by changing its organization design through the creation of a regional division that specializes in managing foreign operations. The regional division allows Wella A.G. to concentrate its resources and create specialized programs targeted on regional business activity while simultaneously keeping that activity segregated from the firm's ongoing domestic activities.

**Figure 16:** Wellaflex Modular standardization model



Source: Adapted from Riesenbeck and Freeling, *The McKinsey Quarterly*, 1991 number 4.

The Wellaflex production process favors its presence in all the European markets. This process depends upon timing. In fact, the key element of Wellaflex is launch strategy in the EU markets is its production timing decision. This strategic option can be understood as the sprinkler model. The sprinkler model explains that the product is developed simultaneously in all key countries, and is currently favored by Wella marketers, as seen in the launch of Wellaflex hair spray. In fact, Wellaflex was launched simultaneously in France, Italy, and Germany. Wellaflex

was also launched simultaneously in other countries as shown in Figure 16. Under the sprinkler model, the global rollout takes place within a short period. The process presented above shares the common feature of product standardization.

Wella A.G. adopted an approach, which allows managers to analyze the needs of their customers regionally and then adopt standardized operations for all markets they serve. Wella A.G.'s regional orientation within its organization structure facilitates Wellaflex's regional operations and lead to its higher level of standardization. Wella has undertaken specific structural initiatives that relate to regional organization. On the one hand, the regional orientation of Wella A.G., through a web of purchasing companies and independent affiliates within the EU, created through its central purchasing division, Wellaflex is present in host markets. On the other hand, Wella A.G. sells Wellaflex products in the different European markets with the same quality, package, brand, and formula. As already noted, the exception is the product label on which instructions of use are in different languages.

A better understanding of the nature of modular capabilities for real productive variety can be obtained by manufacturing a product with several parts. These different parts allow for a set of different configurations of product. Some of Wellaflex requires several units of a single part. However, the total implementation begins with the prototype manufacture in Germany. Wellaflex is offered in markets in Germany, France and Italy as each country manufactures it in its own production sites. The products manufactured at these three sites are the same, again, with the exception of the label.

Wella A.G. sells product all over the EU market without discrimination. The key to success is its regional organization and its selective distribution representatives. With regard to Wellaflex, the European Union is not divided into national markets. Rather, it is divided into segments that transcend the political or geographical boundaries. Therefore, sometimes it is not necessary for Wella A.G. to adapt products to national markets in the EU. The cosmetic tastes of women in Germany, concerning Wellaflex, closely resemble the tastes of women in London or Rome. Thus, Wella's managers focus on product similarities through the uniform formula, brand, package, and quality. Developing a relationship of trust and confidence with European partners in order to build the best possible interaction between brand and European consumers at point of sale is Wella's key sales goal.

### **5.3. The L'Oréal case**

The L'Oreal Group could be considered as a cobweb company; because its French headquarters has broad interrelations with its European subsidiaries.

### **5.3.1. The cobweb company**

L'Oréal Deutschland includes two branches; Haarfarben und Parfümerien (HUP), and Parfums & Beauté Deutschland (P&B), and two representatives; Cosmetics Active Deutschland, and Inneov Deutschland. Haarfarben und Parfümerien (HUP), a subsidiary of L'Oréal, was founded in Berlin in 1930. It was given the task of expanding L'Oreal's business with German hair salons. Today, the L'Oréal Deutschland GmbH occupies the leading position in the German cosmetic market and consists of 12 business units. L'Oréal Haarkosmetik und Parfümerien (HUP), now headquartered in Düsseldorf, is in charge of the manufacturing and distribution of products sold in hair salons (L'Oréal professionnel, L'Oréal Paris, Kérastase, and Inné), as well as products sold on the mass market (L'Oréal Paris, Jade and Laboratoires Garnier).

The group is also represented in selective distribution circuits in perfume and beauty stores with "Parfums et Beauté" Deutschland for brands such as Lancôme, Helena Rubinstein, Cacharel, Giorgio Armani, Guy Laroche, Biotherm, Lanvin, Paloma Picasso, and Ralph Laure. With its cosmetic products Active Deutschland (Vichy, and La Roche Posay) and Inneov Deutschland GmbH, L'Oréal is represented in pharmacies. In 2002, the German group realized a turnover of 980.4 millions euro and employed more than 2,155 people. The main brands are Biotherm, Giorgio Armani Perfumes, Helena Rubinstein, Kérastase, Lancôme, La Roche-Posay, L'Oréal Paris, L'Oréal Professionnel, Jade Maybelline, Ralph Lauren Perfumes, Redken, and Vichy.

In the European Union, L'Oréal is present in Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, and the United Kingdom. Thus, there are factories or subsidiaries all over the Europe such as in Switzerland (deutsche), Switzerland (French), Norway, and Hungary. L'Oréal Deutschland produces around eight hundred products and sells more than 800 products for 12 brands. L'Oréal uses its global product structure (L'Oréal Paris, and HUP GmbH) and organizes product divisions, which allows similar products to be grouped into one division. Each product division is responsible for the production, sales, and profits related to its products. In Europe, the consumer products division has largely completed its restructuring by both brand and technology. Now there are four factories for the L'Oréal Paris brand and five for Garnier supplying European markets. This simplification further sped up product development, ensured the lowest production cost, and improved distribution cost control through highly efficient logistical systems.


Alongside the L'Oreal structure as a cobweb structure, there are separate companies in different countries, organized as national enterprises with presidents, balance sheets, income

statements and career ladders. These companies are attached to the headquarters in France in terms of international product strategy. L’Oreal has over fifteen of these local companies in the EU. L’Oreal France is a broad range supplier. Meanwhile, each of its European plans concentrates on the production of just two or three product lines, which it supplies to the whole region. For example, L’Oréal produces fragrance and hair products in its German factories; nail product sets in its French plants and make up in its English facility for the entire European market. Previously, L’Oréal manufactured a range of products in each country for sale mainly to consumers of that market. L’Oréal adopted a more intensive product specialization (i.e. horizontal) global standardization. The Forte-Strong varnish is the best example to explain the L’Oreal’s process of standardization.

**5.3.2. Forte-Strong varnish**

Forte-Strong is a L’Oreal product brand under the umbrella brand L’Oreal Paris. This nail product is standardized in all European market with two languages; Forte in French, which means strong in English. Table 23 shows the picture and standardized variables of Forte-Strong varnish.

**Table 23:** Forte-Strong uniform characteristics

|   |                                |              |              |                |                |                |             |
|---|--------------------------------|--------------|--------------|----------------|----------------|----------------|-------------|
|  | <b>Uniform characteristics</b> | <b>Label</b> | <b>Brand</b> | <b>Package</b> | <b>Formula</b> | <b>Quality</b> | <b>Size</b> |
|   | <b>Product</b>                 |              |              |                |                |                |             |
|   | Forte-Strong                   | Yes          | Yes          | Yes            | Yes            | Yes            | Yes         |

As a strengthening and hardening treatment for soft or fragile nails, Forte-Strong contains ingredients, which reinforce, fortify and harden the structure of each nail. The Forte-Strong standardization process starts with the conception of the product, which takes place within L’Oreal’s organizational division.

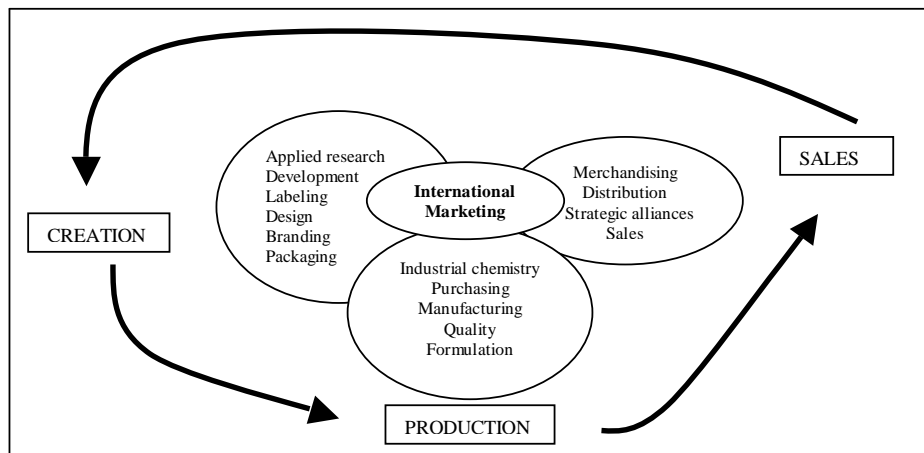
**Conception**

At its headquarters, L’Oreal general structure is organized around three main function divisions: the creation, production, and sales divisions shown in Figure 17. Forte-Strong’s conception starts with a collection of ideas brainstormed between these three divisions.

Some of these ideas are chosen for further study. Various ways of converting ideas into applications are investigated in the laboratory. Promising alternatives must then be checked for such factors as their production feasibility, production costs, financing requirements, and possible prices and qualities related to marketability. In addition, the human factors concerned

with both product and process are considered from various points of view, including safety. From the alternatives, one or more possibilities are selected for further study, because of encouraging evaluations. Product design began in earnest and a basic decision was reached concerning the product design. The next step is the developmental phase.

**Figure 17:** L'Oréal product standardization initiative interactions.



Source: *What's L'Oréal? The result of teamwork*, L'Oréal compiled prospectus, 2004.

Forte-Strong's development requires product engineering, which includes further cost specification, intensive market research, planning, and facilities specification. At this point managers reach a boundary between product and process development.

### **Planning**

L'Oréal's planning function frequently includes the forecasting of demand, although where this is necessary on a large scale it may be undertaken by, or in conjunction with, the creation department. The Forte-Strong to be produced must be accurately scheduled not only to ensure completion by the desired time, but also to obtain maximum utilization of available capacity, and to minimize the amount of work in progress and the stock of finished items. Strictly speaking, production planning also includes the acquisition of facilities, plant, labor, and their installation, though these are often treated as separate responsibilities, i.e. plan layout (production) and work force planning (production, marketing and personnel department).

### **Implementation**

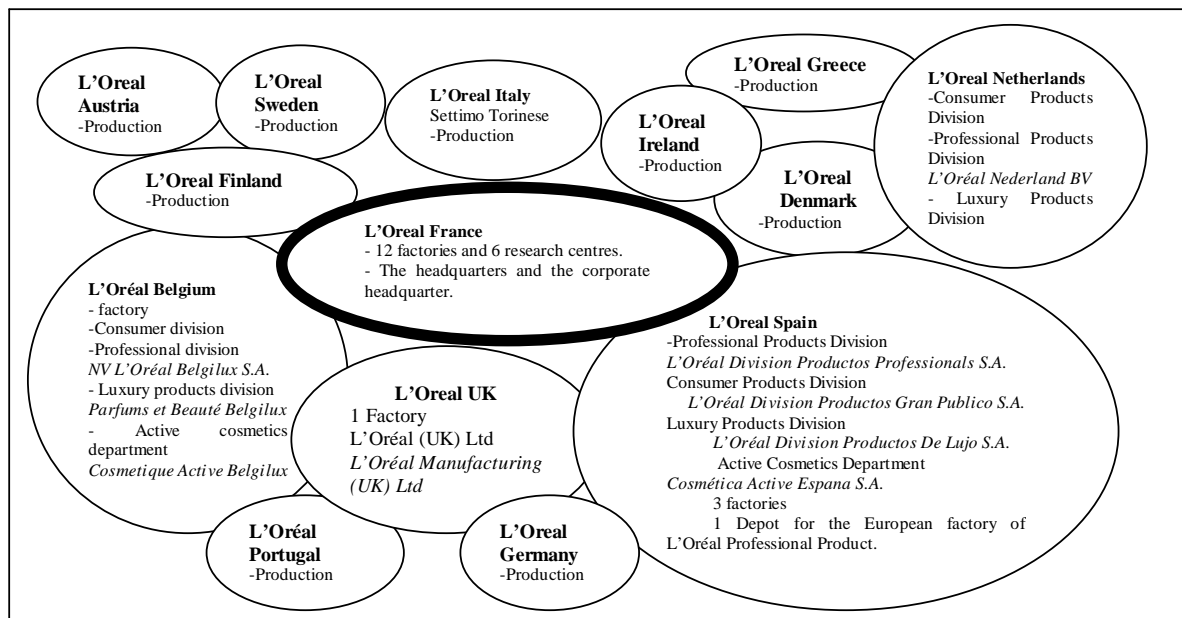
In Europe, L'Oréal embarked upon an ambitious scheme to standardize Forte-Strong in all European markets. Branding policies originate from L'Oréal's headquarters in France as is the label, which for Forte-strong is a simple tag attached to the product package. At L'Oréal's

headquarters, the effort is made to ensure that Forte-Strong is produced in the correct number and of the desired quality at the correct time. Raw ingredients are mixed with color pastes, suspension base and pearlescent materials to give a standardized finished bulk. Branding, packaging, and labeling complete the standardization process through the organizational structure.

**Organizational relation**

To overcome lack of regional coordination and environmental responsiveness, L’Oréal utilizes global geographic structures. In this form, geographic divisions headed by regional groups are created. Each division manages all activities and operations within a specific geographic area. The geographic divisions had better respond to the regional environmental, and the market needs, which allow L’Oréal to implement its process of standardization. In the case of Forte-Strong, each country unit manufactures the varnish under the headquarters’ control, through each country unit has its specific management and its distribution channel. Thus, the headquarters of L’Oréal France conduct product research and inform subsidiaries on the final product to manufacture.

**Figure 18: Interrelation within L’Oréal Units in the EU**



L’Oréal France as shown in Figure 18 directs L’Oréal’s cobweb structure. Each subsidiary includes one factory, Consumer Products Division (Professional), Products Division, Luxury Products Division (Parfums et Beauté), Active Cosmetics Department (Cosmetique Active), or no factory but, Consumer and Luxury Product Divisions. For example, L’Oréal Italy is one of the L’Oréal Group most important units in Europe. In 1999 this Italian site produced

183 million Forte-Strong units. Spain is part of L’Oreal’s worldwide network of Test and Evaluation Centers. Here, prior to marketing the products, technicians check results and their suitability for local markets. L’Oréal United Kingdom is L’Oréal’s fourth largest subsidiary in Europe. This company is known for its dynamic program of major product launches and the development of new categories. In the United Kingdom’s site, more than 2,300 people work primarily in a manufacturing and distribution center in Llantrisant, South Wales, a distribution center in Manchester, and the Headquarters in Hammersmith, London.

The corporate headquarters’ managers and central staff, acting as a coordinating unit, conduct global strategic management. This organizational structure is effective in marketing-oriented companies with narrow and integrated product lines. L’Oreal produces a range of products, which can be marketed through similar or common channels of distribution to similar customers using an international experience. The uniformity of Forte-Strong’s product names package and label in various European markets is the kind of standardization known as process standardization.

#### **5.4. The Schwarzkopf Group case**

The Schwarzkopf Group includes two branches; Hans Schwarzkopf GmbH and Schwarzkopf & Henkel.

##### **5.4.1. The company**

The Schwarzkopf branches consist of two divisions: consumer products and professional products division. The consumer products division sells brands directly to the customer such as Brilliance, Country Colors, Gliss Kur, Live Color, Taft, and Vision. While the professional/salon division sells brands to the beauty professional such as Igora, Seah, Bc bonacure, Osis, Silhouette, Natural styling, and Strait styling.

Hans Schwarzkopf GmbH manufactures and distributes hair products for consumers, and exclusive hair products for salons in all the European Union markets. Schwarzkopf & Henkel, located in Düsseldorf, also provides professional hair care products. The Schwarzkopf Group is organized internationally with Henkel structures. In fact, with Henkel’s international experience, the same products are present in European markets. Schwarzkopf Group through Henkel regional division facilitates Schwarzkopf’s product operations within the region. The regional division is organized as a separate corporation, (Schwarzkopf & Henkel), and as a strategic business unit (Hans Schwarzkopf GmbH). Schwarzkopf Group operates regionally the same way it does domestically. The domestic consumer needs determine product development and parent company, located in the home country Germany, exercises significant control over foreign

affiliates, through either highly centralized decision-making, or the use of standardized product from the home country in the overseas distributions.


As a result, the Schwarzkopf Group’s strategy is about central control from its headquarters’ operations in foreign subsidiaries. Schwarzkopf Group pursues a narrow strategy of selling the standardized products that are successful at home in foreign countries. Usually the home plans are used for the production of standardized products that require little to no modification for export in order to gain some marginal business. Schwarzkopf’s product standardization process can be demonstrated through examination of its Poly Brilliance hair coloration.

**5.4.2. Poly Brilliance 890**

Poly, introduced in 1967, is one of the oldest coloration brands on the retail hair cosmetic market. In 1998, the brand concept started to spread internationally in France, Belgium and Netherlands, under the new international brand name Poly Brilliance. The patented Poly Brilliance formula, developed by the hair care professionals of Schwarzkopf & Henkel, provides intensive, rich colors with a silky and perfect gray coverage. Poly Brilliance is available in twenty-seven different shades.

White lettering on a red background represents the brand logo for Poly Brilliance. The Poly Brilliance brand and Schwarzkopf design are also together in the same package. The Poly Brilliance brand is positioned as the world’s hair brand. It is a semi-permanent colorant, which lasts for up to twenty-four washes. Poly Brilliance was initially launched in Western European countries such as Germany, Austria and Switzerland. Poly Brilliance had its first roll-out-wave in the beginning of the nineties. Poly Brilliance was then available in Scandinavia, Russia and the Eastern European countries. The second big roll-out-wave took place in 1999 by launching Poly Brilliance in France, Greece and Spain. Italy followed at the beginning of 2000. Poly Brilliance was launched as the most international permanent colorant.

**Table 24:** Poly Brilliance uniform characteristics

|   |                                |              |              |                |                |                |             |
|---|--------------------------------|--------------|--------------|----------------|----------------|----------------|-------------|
|  | <b>Uniform characteristics</b> | <b>Label</b> | <b>Brand</b> | <b>Package</b> | <b>Formula</b> | <b>Quality</b> | <b>Size</b> |
|   | <b>Product</b>                 |              |              |                |                |                |             |
|   | Poly Brilliance                | No           | Yes          | Yes            | Yes            | Yes            | Yes         |

Poly Brilliance holds the leading market positions in all of the European market segments of its strategic business units with the same brand, package, formula, quality, and size. But, the



label differs with each language-label. Thus, we see in Table 24 where not all product variables have the same characteristics. Here, only five out of six variables are standardized. This means the standardization is not complete, and the process could be qualified as modular standardization. Schwarzkopf & Henkel starts the modular standardization of Poly Brillance with the product conception and the production planning.

### ***Conception***

Production managers strive for organizational goals in various ways, one of which is input control. Inputs are relatively simple to control; often they deal with repetitive decision problems. Schwarzkopf has been moving toward an organizational integration of material control functions. These activities existed as individual operations, each overseen by individuals who seldom communicated with each other. Eventually, in the search for greater control, a single, central material control department appeared in numerous organizations.

Today, Schwarzkopf has a Vice-President in charge of material control. The responsibilities vested in a material control department include at least three sub functions, namely, procurement or purchasing, inventory control, and acceptance sampling. These departments realize the conception of Poly Brillance. Thus, the conception of Poly Brillance begins with the material evaluation, because the brand name is under the umbrella brand Schwarzkopf Poly.

### ***Planning***

The product planning moves through many phases. First, different Brillance functional areas of interest were integrated and coordinated. Expertise was required to outline the steps of the program designed to deliver the specified Brillance results. Brillance management carefully evaluated the steps and phasing of the program. An optimum organization was set up to handle transitions between phases. One manager was responsible for all major decisions. He planned the nature of the problem, the technological, marketing and production constraints.

### ***Implementation***

The implementation of this global planning requires organization. The Brillance standardization activity was balanced between two fundamental and opposing forces: the division of labor into various tasks and the coordination of these tasks in order to perform the standardization activity. The structure of Schwarzkopf Group is defined by the ways in which it divides its labor into separate tasks, and accomplishes coordination among these tasks. Reliability was also an important attribute of the output. It concerned the ability of the output to perform according to specifications over a given period. The production manager is responsible for controlling the quality of Poly Brillance during its manufacture. Thereafter, each unit of

output has a capacity of its own. Observations, measurements, and specifications of quality include the variety of possible capacities for each unit.

All these factors taken together establish a frame of reference, which makes the average production man wonder how he can possibly specify standardization. Typical of these difficulties are questions concerning the visual appearance and styling of a design. Style changes are a function of time. Thus, Schwarzkopf headquarters conceives Poly Brilliance, and then each production site produces Poly Brilliance for each market. Schwarzkopf uses its international orientation to distribute a standardized Poly Brilliance in European markets.

### ***Organizational relation***

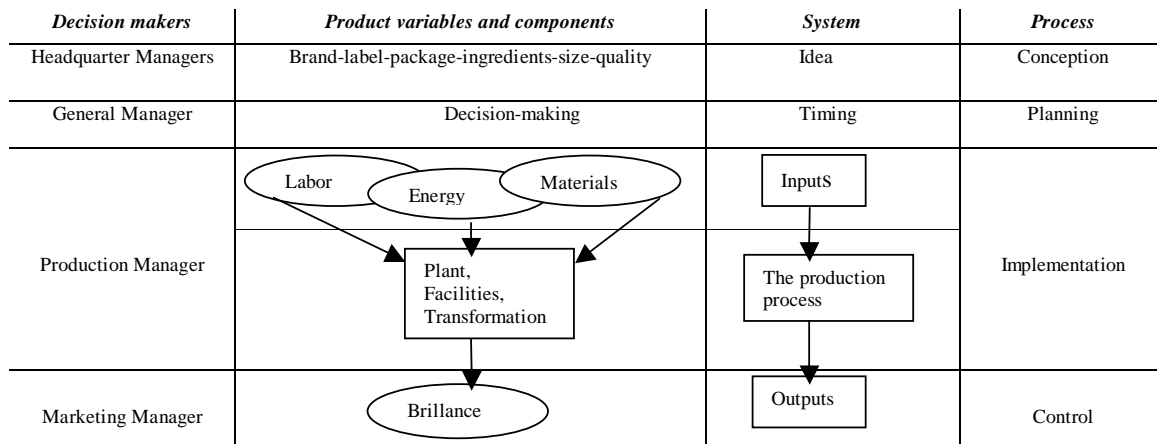
The operating unit is organized according to geographical functions, world product groups, and international subsidiaries. This regional organization operates in part with the domestic divisions and has some influences over Poly Brilliance's design, supply, and pricing in foreign markets. The Schwarzkopf Group's international activities, based on function, product, and geography, are confined to a regional division. This format is a natural evolution for domestic companies that are already structured along divisional lines, which are based on functions, products, or domestic geographical divisions.

The regional division has its own Chief Executive Officer and staff. Included in the international division are those activities that deal with foreign operations. This means that all foreign subsidiaries are housed in the international division and report directly to its Chief Executive Officer, who in turn reports to headquarters. This results in the creation of an intermediate level of management between headquarters and the foreign subsidiaries. The creation of a regional division provides a cohesive global orientation. It also concentrates resources for foreign operations under one roof, resulting in better decisions regarding resource allocation and it enhances the cohesion and unity in foreign operations. The Schwarzkopf international division structure promotes the formulation of a global strategy. This, in turn, increases the ability of Schwarzkopf's response to global market and to environmental opportunities.

Manufacturing provides only one set of problem types. Many different processes are the results of different operations, which are then composed by a set of fundamental elements, which compose total systems. Although production managers are especially familiar with elements of physical work, the same cannot be said of their understanding of the factors that influence the decision-making process. Considering the important role played by production managers in the process of standardization, it is unwise to expect that this lack of familiarity with key elements of decision-making will not affect the success of standardizing the Poly Brilliance product.

Standardization requires that the production managers cooperate with other managers. They appreciate the interrelated roles of finance, marketing, and production. Poly Brilliance standardization also necessitates recognition of the interactions between the internal systems and the external market. The global system of Poly Brilliance as a standardized product is shown in Figure 19.

**Figure 19:** Schwarzkopf input-output model for Brilliance standardization



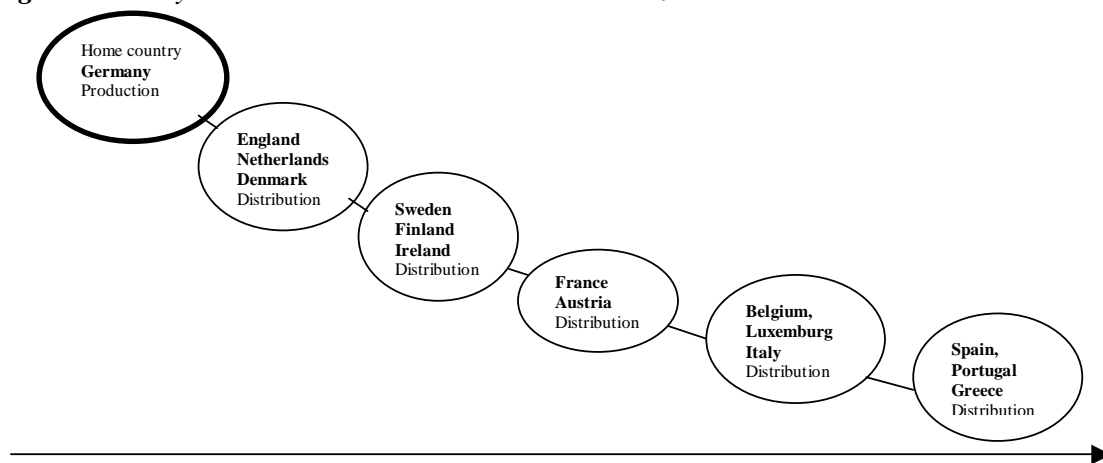
Source: Henkel Report 2003.

This process is easily complicated as several kinds of inputs can be required and a variety of outputs can emerge. But the idea of transforming a set of inputs so that they yield a set of outputs is not complex. Decision models are at the crux of both planning and control. Formerly, we separated design of the production system and its operation. Project planning, which includes designing and implementation of that design, usually requires a good deal of time. The General Manager plans for potential occurrences and controls that which is actually occurring. Control models are the rationalized procedures for running or operating existing production systems. The creation of powerful strategies that yield promising outcomes under all conceivable circumstances can be achieved through design. This is the culmination of Schwarzkopf’s technological knowledge and methodological analysis.

To explain the correlation between decision timing in foreign market penetration and the standardization of Poly Brilliance in the EU, we adapted a model from Riesenbeck and Freeling (1991). Riesenbeck and Freeling have used the waterfall model for the building of global brands. With this model the standardized product is developed in one country at a time, then in another country or group of countries, in a cascading manner. The typical pattern was to introduce Brilliance first in the company’s home market, Germany. Next, the product is launched in other

advanced markets (England, Netherlands, and Denmark). In the final phase, Schwarzkopf markets Poly Brilliance in less advanced countries (Spain, Portugal, and Greece). This entire process of geographic expansion took several decades. The result of the waterfall model is that standardization of the product for the foreign market launch can be very time consuming. The growing prominence of universal segments and concerns about competitive preemption in the foreign markets are the two major factors behind this expansion approach. The waterfall strategy of sequential entry is preferable under the product life cycle condition. The timing factor requires an understanding of standardization through the Waterfall model as shown in the Figure 20.

**Figure 20:** Poly Brilliance Modular-Process standardization model



Source: Adapted from Riesenbeck and Freeling, *The McKinsey Quarterly*, 1991 number 4.

The Schwarzkopf Group views its value chain from a global perspective in that it aims to integrate activities across regions and the managers develop regional products, while remaining sensitive to local cultures and market peculiarities such as language. Schwarzkopf initiative is a compromise between the two extremes and is an attempt to provide balanced centralization. This strategy considers the whole region rather than any particular country as the target market. Schwarzkopf may be thought of as denationalized, super national, or truly transnational. Based on this attitude, national departments, products, and markets do not exist. This is because Schwarzkopf does not use the national designation concerning markets. Resource allocation decisions are made without regard to national boundaries. This process facilitates the achievement of Schwarzkopf's goal of presenting its standardized product, Poly Brilliance, in the European Union market. This kind of standardization is process standardization.

Schwarzkopf's approach is a more interesting type of product standardization because it is based on two orientations. First, the regional organization allows Schwarzkopf to implement

process standardization. Secondly, the internal structure allows the company to implement modular standardization. Thus, we have a new model in the standardization of Poly Brilliance.

### **5.5. The Johnson & Johnson GmbH case**

In Germany, Johnson & Johnson's subsidiary is located in Düsseldorf, while the production unit is in Wuppertal. The Johnson & Johnson Company founded in New Jersey-USA in 1887, focused on the surgical dressings industry.

#### **5.5.1. The MNC**

The first products were improved medicinal plasters containing medical compounds mixed in adhesive. International growth, initiated in 1919 with the establishment of an affiliate in Canada, began in earnest in 1923 with an around-the-world trip. In 1924, Johnson & Johnson created its first overseas affiliate, Johnson & Johnson Ltd., in Great Britain. Over time, international affiliates of the company were created in more than fifty countries, including Australia in 1931, Sweden in 1956, Japan in 1961, Greece in 1973, Korea in 1981 and Egypt in 1985. During the 1920s the company stepped up its program of product diversification. During the 1950s, the management of Johnson & Johnson saw the need to diversify the business by acquisitions. Further expansion through international growth resulted from the creation of new companies and the acquisition of existing ones. In 1961 the company purchased Janssen Pharmaceuticals in Belgium. In 1974 Johnson & Johnson acquired Dr. Carl Hahn Company in Germany, manufacturer of sanitary products for women, including ob Tampons, and in 1986, it bought Penaten, Germany's leading baby toiletries company.

The company's more than 110 600 employees are engaged in producing products that serve a broad segment of medical needs. They range from baby care, first aid and hospital products to prescription pharmaceuticals, diagnostics and products relating to family planning, dermatology and feminine hygiene. Despite its humble beginnings in 1924, the Johnson & Johnson GmbH has been hailed as a European success story of product standardization in Europe. Johnson & Johnson GmbH produces and sells almost four hundred products for ten main international brands. The Penaten brand is positioned as the world's leading baby cosmetic brand. In Germany, Johnson & Johnson GmbH has three branches: Johnson & Johnson GmbH (Rhöndorfer Str. 80 D-53586 Bad Honnef), Johnson & Johnson GmbH (Kaiserswerther Str. 270 D-40022 Düsseldorf), and Johnson & Johnson GmbH (Heckinghauses Str.236 D-42289 Wuppertal)

In Europe, there are several affiliates with specialized contracts, licensing and franchising. They are: Austria (Janssen-Cilag GmbH Vienna, Johnson & Johnson GmbH

Hallein, and Johnson & Johnson Medical GmbH Vienna), Belgium (Cordis N.V. Zaventem, Janssen-Cilag N.V. Antwerp, Janssen Research Foundation Beerse, LifeScan Benelux Beerse), Johnson & Johnson AB Sweden, which operates in Nordic and Baltic countries and markets products for oral and baby care, adult skin and hair care.

Johnson & Johnson Consumer France S.A.S. produces and markets a broad range of skin care products such as Roc and Neutrogena. The company heads the international launch of skin care products for the brand Roc and the European Medicines Agency (EMA) Skin Care Research Center. The company also manufactures women's health care products.

Johnson & Johnson GmbH Germany offers products focused on women, particularly mothers and their children, in the areas of hygiene, baby care, facial and medicated cosmetics. The firm uses a product design for the clear management of its great brand portfolio. That is to say, Penaten is a business unit, which focuses only on the production, management and distribution of Penaten product lines. This means that the business strategy of Johnson & Johnson GmbH focuses on maintaining the company's position of leadership through the implementation of aggressive plans for expansion and standardization in the field of cosmetic and baby care products.

In fact, Johnson & Johnson operating companies produce and sell products to meet a wide range of human health care needs, including anti-infective, women's health, skin care and cosmetics. In most of the markets in which its affiliates participate, its products are market leaders. In addition to the platforms for growth, Johnson & Johnson pursues the goals outlined in its business strategy by focusing on growth through innovation and standardization, not only in the products it develops, but also in everything it does such as marketing and management. The firm's structural initiatives are oriented toward organizing the firm's structures globally. On the one hand, with the international experience of Johnson & Johnson GmbH through a web of family companies and independent affiliates within the EU, the same products are present in host markets. On the other hand, Johnson & Johnson presents the same products in the different European markets with the same quality and size.

Thus, to help ensure the autonomy of its operating units, Johnson & Johnson's worldwide headquarters provides guidance and services in a number of critical areas, including product strategy. This arrangement enables Johnson & Johnson to capitalize on its size and influence to create outstanding synergy and efficiency. The real key to the success of this organizational structure lies in how Johnson & Johnson manages these separate parts to function as a single, cohesive entity. Johnson & Johnson does this by grouping its global affiliates into three business

segments and then overlaying each segment and its affiliates with a transparent structure of alignment.


This unique organizational structure, combined with its shared values, unifies the Johnson & Johnson global organization, and promotes the alignment it needs to support its aggressive product standardization strategy. This is the situation of Penaten product, which can help to describe Johnson & Johnson’s process of product standardization.

**5.5.2. Penaten baby milk**

After the success of Bebe young care, Penaten was launched as the most international permanent baby body care product. Penaten was launched in Germany and has been rolled out across Europe.

Johnson & Johnson, through the Penaten Corporation, develops, manufactures and markets premium skin care products sold worldwide and recommended by professionals. In the body care market, Penaten recorded double-digit growth and achieved market leadership for the first time in Europe. Sales were boosted in particular with the launch of the new product Penaten Milk. Above-average growth was achieved in the United Kingdom, Sweden and Spain. Supported by innovative additions to the Penaten portfolio, Johnson & Johnson GmbH expands its position of leadership in Europe.

**Table 25: Penaten uniform characteristics**

|   |                                |              |              |                |                |                |             |
|---|--------------------------------|--------------|--------------|----------------|----------------|----------------|-------------|
|  | <b>Uniform characteristics</b> | <b>Label</b> | <b>Brand</b> | <b>Package</b> | <b>Formula</b> | <b>Quality</b> | <b>Size</b> |
|   | <b>Product</b>                 |              |              |                |                |                |             |
|   | Penaten                        | Yes          | Yes          | Yes            | Yes            | Yes            | Yes         |

The Penaten profile shows that the product’s features are the same in EU markets. The global product structure is also effective in Johnson & Johnson with its high product diversification. For Johnson & Johnson, the global product structure provides for greater product and marketing integration among diverse product lines and markets. Each product division is a complete organization with complete functional-level departments and staffs. The global product structure allows greater flexibility in product standardization. However, it all started with the conception.

**Conception**

To get work done, production managers conceived field, which require the development and operation of a process. In their opinion, the organization has entrusted them with the

responsibility of transforming input resources into a desired set of outputs. The transformation process is to be accomplished in a way that is most compatible with the company's objectives. The production manager interprets this to mean that the outputs should be of some assured level of quality produced at a minimum cost. A set of standards is defined and all units of production must consistently meet those standards. The consumer may consider such standards to be evidence of low or high quality. The production manager's quality concern is to meet specifications.

### ***Planning***

There are many significant distinctions between types of plans that were made. To achieve a specified output quality, two basic factors were considered. The first is that the quality of input materials must be maintained at designed levels. Second, the process must be controlled to deliver the desired output quality. Input standards must be stated explicitly, according to the needs of the process for workable materials and must insure that process outputs will satisfy market expectations. Inputs and process are more or less invisible to the market. Quality, in its infinite variety, is both difficult to measure and sometimes impossible to define. Quality includes function ability, appearance, service offered by the company, the coverage and the period of guarantee, maintenance requirements, and many other factors. The production manager is responsible for both quality control and schedule control, but he also plans the work sampling.

### ***Implementation***

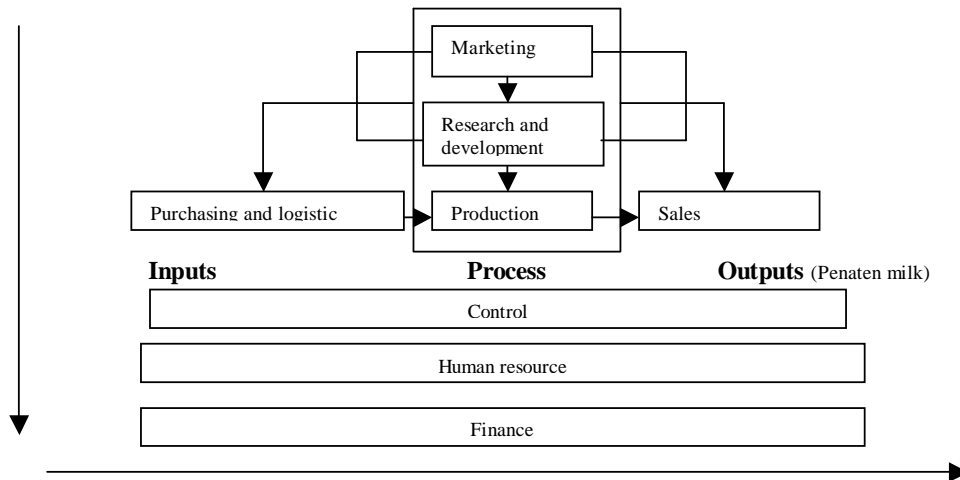
To overcome lack of regional coordination and environmental responsiveness, Johnson & Johnson designs and uses global geographic structures. In this form, geographic divisions headed by Johnson & Johnson regional group are created. Each division manages all activities and operations within a specific geographic area. The geographic division responds to regional, environmental, and market needs. In comparison to the global function structure, the global geographical structure is more flexible in responding to local market needs and to government requirements. It is also a good structure for consolidating regional expertise. Economies of scale within a region can be enhanced, but this is at the expense of firm coordination.

The purchasing division has a vital and unique position. Through its procurement function, it operates as a customer. Vendor relations depend, to a great extent, on the nature of Johnson & Johnson's operations. By omitting mail order, wholesale and retail inventories, we can divide purchased inventory into two major groups: materials required for production and materials required for maintenance of plant and equipment. With respect to the first group, Johnson & Johnson purchases manufactured items, and deal primarily with basic raw materials



and commodity markets. Figure 21 explains the structure of cooperation between Johnson & Johnson departments.

**Figure 21:** *Johnson & Johnson division cooperation*



Source: Adapted from *Johnson & Johnson management Report, 2003*.

The marketing, research and development, and production departments implement the standardization process, while the purchasing and logistic departments focus on input, and the sales department distributes Penaten Milk. Johnson & Johnson also achieves the separation from the pressures of manufacturing by having the quality control manager report to a vice-president in charge of research and development or to the broad scientific effort of the company. The organization of the quality control department depends on the size and complexity of the overall operation, but certain features are essential. Rather obviously there is an analytical laboratory to handle raw materials and finished product analyses. Particular to Johnson & Johnson is a quality control department, which includes a package control section for the inspection of incoming packaging materials, which is a reflection of the company's belief that package quality is an integral part of product quality.

The managers and central staff, based at the corporate headquarters, act as a coordinating unit to implement global strategic management. This organizational structure is effective at Johnson & Johnson with its narrow and integrated Penaten lines. Johnson & Johnson produces a range of Penaten products, which are marketed through similar channels of distribution to similar customers.

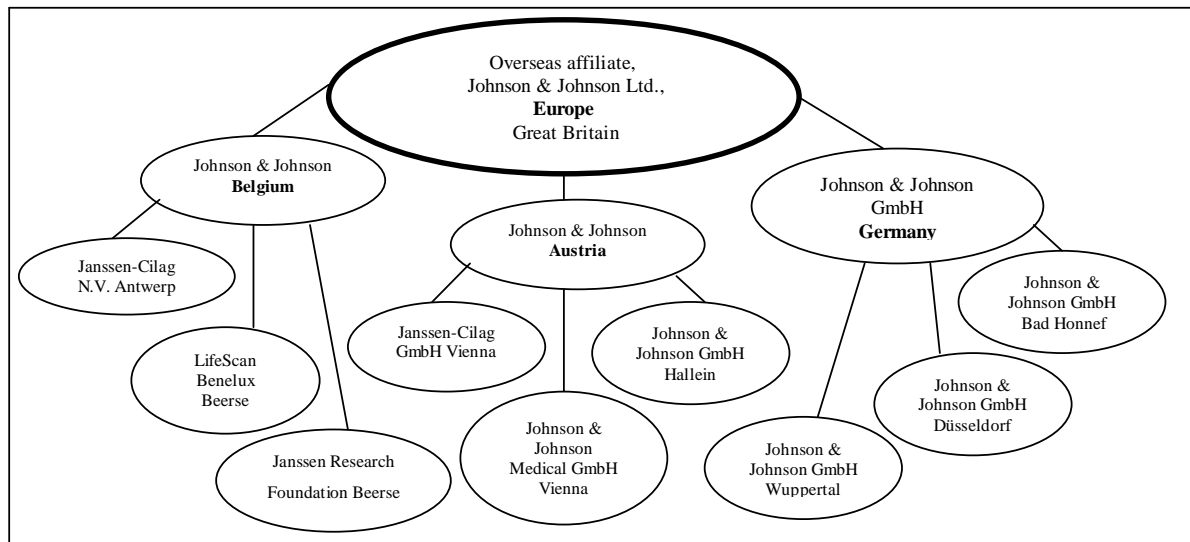
### **Organizational relation**

As new technologies emerged, the company responded with new organizational structures. Johnson & Johnson continued to make strategic business-building acquisitions that

range, including large ones, such as the Penaten Corporation in 1994. In order to overcome the problems' and to benefit from the advantages of each global structure, Johnson & Johnson adopted mixed global structures. A combined or mixed global structure focuses on the interdependence among functions, geographical areas, and product groups. This structure assigns equal authority to at least two of the three dimensions: functional area, geographic territory, and product group. This is an attempt to benefit from the advantages of combined structures and to increase the coordination among the combined dimensions. Mixed organizations based on function and product provide for coordination and integration along these two dimensions. Penaten Milk and geographical area mixed structures coordinate product groups and geographical area activities.

Firms, both large and small, that outsource some or all the manufacturing needs to other companies, use this strategy. It reduces the financial and human resources firms need to devote to the physical production of their products. By using this approach, Johnson & Johnson focuses on the part of the value chain where its distinctive competence benefit from any location advantages generated by host country production. Johnson & Johnson also uses contract manufacturing to gain presence in several European markets, which includes international licensing. It enables the company to establish a presence in a new market quickly without significant direct investment and it uses a standard marketing approach to help create a global image.

**Figure 22:** Penaten Milk Global-Modular standardization process



Global functional divisions such as marketing and manufacturing are also created. These divisions are responsible for worldwide operations in their own functional areas. This allows for

a lean organization, consisting of small numbers of top management, who are primarily responsible for high levels of profit and low costs. For Europe, Johnson & Johnson has an overseas affiliate located in England. This regional unit coordinates all European branches, which in turn cooperates with other units such as Janssen-Cilag and LifeScan.

The conception of standardized Penaten Milk lends itself to three divisions, which are useful. The first can be called product development and includes both research and development. The second division might be termed the process development stage. The third division is the actualization phase of the plan and carries the plan to the conception of production operations.

## **5.6. The Lever Fabergé case**

The internationalization of Lever Fabergé offers the firm many opportunities and prospects. Its internationalization activities allow the firm to offset the risk posed by individual countries, as well as to identify the latest developments and trends. This ensures long-term growth rates in both sales and earnings. In principle, Lever Fabergé aims for organic growth. However, the firm makes strategic acquisitions to strengthen its market position. In Germany, Lever Fabergé's branches are located in Mannheim, Bremen and Hamburg.

### **5.6.1. The company**

In 1999, Lever Fabergé became Unilever's international cosmetic branch. Lever Fabergé's approach is to customize its operations for each foreign market it serves. Lever Fabergé is more oriented to foreign markets. It is market seeking, closely attuned to the needs and cultures of the countries in which it operates, and act as a series of domestic firms, loosely linked to the parent company. The firm is likely to be organized to operate in a less centralized and hierarchical way, although some core decisions are taken centrally. This initiative places emphasis on differences in local conditions including culture, politics and law, consumers, and competition. The assumption is that each subsidiary's environment is unique. Therefore, host country managers are employed and given a great deal of autonomy in making decisions. Lever Fabergé works toward the geographic decentralization of all operations in foreign subsidiaries. The German market volume was estimated in 2004 to be almost 11 054.6 Mio Euro in personal care, 3 876.7 Mio Euro in Home care with 22.9% (deodorants), 15.6% (body clean), 5.8% (body care), 4.6% (hair shampoo), and 5.4% (toothpaste) capital share.

Lever Fabergé GmbH focuses on the European countries. HPCE (Home & Personal Care-Europe), a branch of Lever Fabergé GmbH is oriented on the European markets. The capital collected in Europe is 2.2 billion Euro with around 10 000 employees. The European

HPCE has eight innovative Centers and nineteen production units. Lever Fabergé Deutschland GmbH, created in 1999 by the fusion with Lever and Elida Fabergé, is located in Hamburg with around 1260 employees. Lever Faberge focuses on brands such as Dove, Gloria, Timotei for hair, Axe, Denim, Dove, Impulse, Lux, Rexona, Vaseline for body care, Mentadent, Pepsodent, Signal for teeth, Solo, Sun for Dish wash, Cif, Demestos, Flup, Vim for Room cleaning, and Comfort, Coral, Enka, Omo, Skip, and Surf for Textile care.

In 1996, the traditional business Lever Sutter, which produced industrial cleaners DiverseyLever, was substantially strengthened by the additional purchase of the international firm Unilever. Lever Fabergé's international experience is centered on a specialized mode with Unilever. The same products of Lever Fabergé are present in host markets with Unilever branches that lead to higher level of its standardized products. Furthermore, its international orientation within organizational structures, such as its export department, facilitates the same product international operations and lead to higher levels of its standardized product. A multinational corporation that uses this strategy decentralizes its entire decision-making process. Lever Fabergé acts as a holding company. The corporate role is limited to the business portfolio analysis of different and isolated SBUs.

Lever Fabergé turned large-scale cosmetic production into a regional cosmetic business and achieved regional leadership in that business even when faced with competitors. Lever Fabergé developed its strategy and organization along regional lines. Although regional offices are responsible to the parent company, they do have some autonomy. There is an integration link in the value chain within regions but there is little integration across regions. This approach tailors output to regional needs and is particularly suitable within the context of regional integration as European Union. Lever Fabergé adopted this approach to the EU market as a result of the campaign to develop the single European market rather than separate strategies for each national market.


### **5.6.2. Signal toothpaste**

Lever Fabergé Deutschland GmbH produces two hundred products and sells around two hundred and fifty products for eleven brands. Thus, fifty other products sold by Lever Fabergé Deutschland are produced either by Lever Fabergé France or by other European affiliates such as the Pepsodent Spanish brand. Signal toothpaste is an international umbrella brand.

Signal is the best example to describe Lever Fabergé's process of product standardization. With this, Lever Fabergé augments the similarity of its product features by ensuring the uniformity of the products formula, brand name, package, size, quality, and label in all the European markets. These initiatives lead to the standardization of Lever Fabergé's

products in the EU market. Thus, we have the following summarized Table 26 for Lever Fabergé.

**Table 26: Signal uniform characteristics**

|   |                                |              |              |                |                |                |             |
|---|--------------------------------|--------------|--------------|----------------|----------------|----------------|-------------|
|  | <b>Uniform characteristics</b> | <b>Label</b> | <b>Brand</b> | <b>Package</b> | <b>Formula</b> | <b>Quality</b> | <b>Size</b> |
|   | <b>Product</b>                 |              |              |                |                |                |             |
|   | Signal                         | No           | Yes          | Yes            | Yes            | Yes            | Yes         |

This specific Signal toothpaste is anti-cavity toothpaste with particular characteristics. In fact, the formula and quality of Signal anti carries are regularly controlled as a medication to avoid inconveniences.

**Conception**

The Signal design is normally the responsibility of a separate function within both Lever Fabergé and Unilever. A major contribution is made by both production and marketing departments, until the responsibility for producing and selling it. Some aspect of the marketing function may even be entirely responsible for the design of some features of Signal, e.g. the packaging. Production engineering decisions also include the selection and design of production equipment and processing, the development, manufacture and test of tools, equipment, and the design and installation of services such as power supplies. These two departments, marketing and production are responsible to the product’s conception.

**Planning**

We will regard production planning as dealing entirely with pre-production activities, e.g. the determination to produce, the equipment required and the schedule by which products will be made in the correct quantities and in the times available. Production control is important during production activity. Production quite simply involves the implementation of the production planning decision, i.e. an activity to ensure that products are manufactured according to the previously determined production plan.

In planning the standardized product decisions, the international marketing manager determined the number, range and type of products to be sold throughout the world or region. Marketing managers answer the following questions; what new products should be developed for that market, what products should be added, modified, and deleted from the overall product line in each national market and when, what brand names should be used, how products should be

packaged and what post sales services should be provided in each market Lever Fabergé operates?

### ***Implementation***

In a regional product structure, all Signal components are grouped together and put in a one-product division. Each product division is then responsible for the production, sales and profits related to its own products. A regional product structure is mainly suitable for companies with several unrelated product lines, or companies that have expanded through the mergers and acquisitions under Lever Fabergé. The relationship between marketing and production is based on their common goal, namely the welfare of the enterprise.

Lever Fabergé normally gets its products into international market by simply shipping out the goods. If its international sales expand, the company organizes an export department consisting of a sales manager and a few assistants. As sales increase further, the export department is expanded to include various marketing services so that the company can go after business more aggressively. If the firm moves into joint ventures or direct investment, the export department will no longer be adequate to manage international operations. In companies involved in direct exporting, the export activities need to be incorporated in the firm's structure. However, some companies are organized under a divisional product structure, where structural boundaries are based on distinct product lines. In such a company, individual export units are attached to those product divisions that have exporting needs. As the volume of exports increases, Lever Fabergé decides to consolidate the different export departments into a single unit, the international division, which serves the entire company. This regional organization operates on par with the domestic divisions and has some influence over the design of Signal, supply, and pricing in foreign markets. From merely accepting products and production schedules, this regional organization gains influence over Signal's allocation and production schedules. This increased influence by regional organization is necessary for Signal's export success.

Global functional divisions such as marketing and manufacturing are created. These structures are suitable for Lever Fabergé with narrow and integrated product lines, such as those in the toothpaste industry. In this type of structure, the duplication of efforts is minimized and operations are streamlined. This allows for a lean organization, consisting of small numbers of top management, who are primarily responsible for high levels of profit and low costs. This allows Lever Fabergé to move in several markets differentiated by culture and law, especially in Europe.

**Organizational relation**

Production and marketing are principal functional areas of Lever Fabergé business. Production is concerned with the supply aspect, and marketing with demand. However, whilst this provides with a neat conceptualization of the situation, it is unwise to try to compartmentalize functions in this way, since in practice a considerable amount of interaction and interdependence exist.

*Product design*

The production function of the business is not entirely responsible for the design of Signal, but it is influenced by production considerations. There is little economic merit in developing and designing Signal, however original or advanced, which can only be manufactured at several times the cost of equivalent products produced by rival firms.

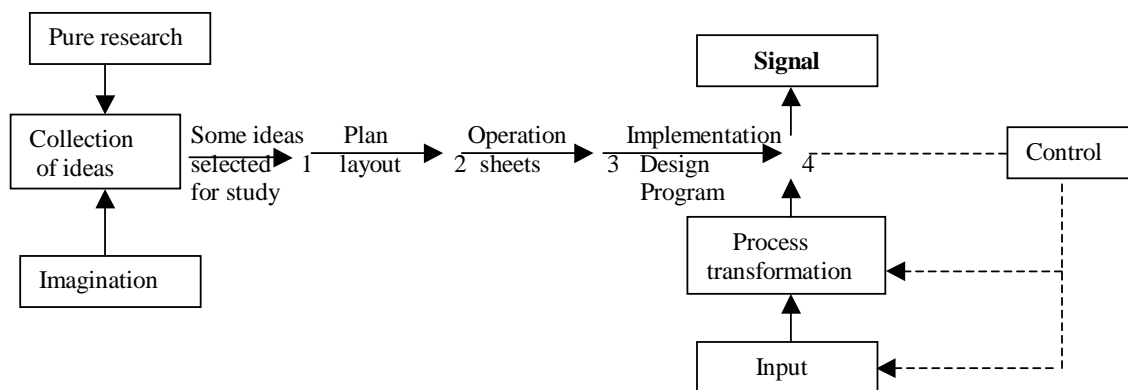
*Plant layout and materials handling*

Decision relating to the arrangement of departments and to the equipment within them, is made to enabling Signal to be manufactured at minimum cost. The nature of the layout of the factory determined the extent of movement and handling of materials and products.

*Quality control*

The ability of equipment to produce Signal to the desired level of accuracy is established, and procedures installed to minimize the number of faulty items produced and to ensure that faulty or defective items, once produced, are not accepted or passed to the customers. Production control is the complementary activity to production planning and, stated simply, involves the implementation of the production plans. Rectification and reprocessing procedures are installed, and inspection procedures used to examine the quality of the raw materials and parts supplied to the Lever Fabergé. All these processes are shown in Figure 23.

**Figure 23:** Lever Fabergé network for the design of signal production



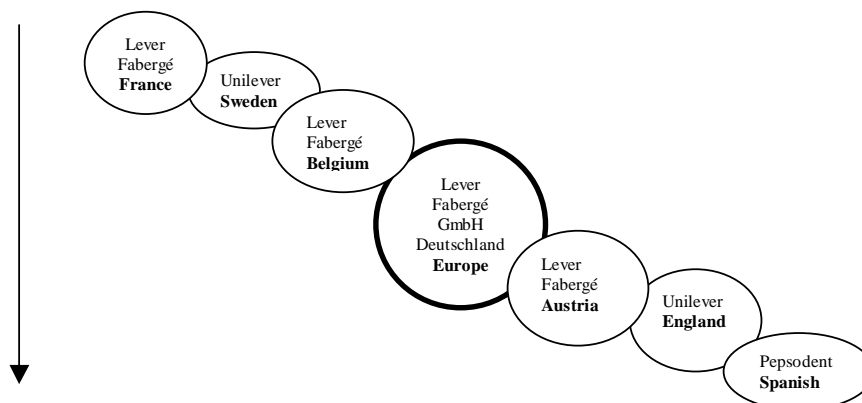
Source: Adapted from Unilever Report 2002.

Product research is seldom undertaken in response only to consumer demand. Indeed, a great deal of research is conducted in most units, the purpose of which is to make discoveries, establish new applications and interpret new findings, in the anticipation that these will eventually lead to commercial application. Pure research is not specifically oriented to future commercial application or product design, but is encouraged by companies in anticipation of its future commercial worth. Applied research is of more immediate worth and is often undertaken to provide answers to specific problems relating to either existing or proposed products. It is often difficult to distinguish clearly between research and development, as development is concerned with either a prototype pre-production product, or a specified design for a product or part of a product.

Since no manufacturer is completely independent of suppliers, for direct materials, indirect materials, components, or sub-assemblies, the purchasing function will influence product design. Not only will the design of a standardized product depend on the ready availability of certain purchased items, but in the redesign, i.e. modification, replacement or improvement, of existing products the purchasing department plays an important part because of their knowledge of such factors as the development of new materials and improved components.

Here, the most important thing to notice is that Signal's design is not the sole responsibility of the designer or design department. Every function in Lever Fabergé is integrated in the nature of Signal, and consequently the design adopted reflects each of their points of view, rather than being a reflection of one man's conception of the customer's need. Thus, the standardization of Signal depends on organizational and functional structure. This kind of standardization is qualified as Process and Global standardization; the model is shown in Figure 24.

**Figure 24:** *Signal Process-Global standardization model*





In fact, Lever Fabergé's organizational structures show that the regional division has its own chief executive officer and staff. All activities that deal with foreign operations are included in the international division. This means that all foreign subsidiaries are housed in the international division and report directly to its chief executive officer, who in turn reports to headquarters. This results in the creation of an intermediate level of management between headquarters and the foreign subsidiaries. The creation of a regional division provides a cohesive global orientation. It also concentrates resources for foreign operations under one roof, resulting in better decisions regarding resource allocation. In addition, increases in cohesion and unity in foreign operations is obtained. The international division structure promotes the formulation of a global strategy. This, in turn, increases the ability of Lever Fabergé to respond to global markets and environmental opportunities and threats. Regarding the product, despite being considered as a cosmetics product because of the brand name, Signal anti-cavity toothpaste is treated specifically.

In conclusion, we see that the three cases of Schwarzkopf, Johnson & Johnson, and Lever Fabergé differ from the classic cases of L'Oreal, Beiersdorf, and Wella A.G. in a number of relevant ways. Further steps in international strategic alliances have been taken. This facilitates the presence of standardized products in host markets. We discovered that, for the independent affiliates L'Oreal Deutschland, Lever Fabergé Deutschland GmbH, the national production site does not manufacture some products, but those products are sold in the national market. The explanation of this phenomenon is intracorporate activities, or direct export from one European production site of the firm to one or several European markets. For instance, Lever Fabergé Deutschland does not manufacture Lever Fabergé's Signal toothpaste.

## **6-THE STANDARDIZATION INITIATIVE SYNTHESIS**

After having discussed the case reviews of the various firms, it is possible to move on to a synthesis of the processes of product standardization. Explanatory process allows suggesting recommendations, and could be generalized as a scientific solution for product standardization. Discussions on total standardization, firm's internationalization, and international product policy are important at this level of the study.

### **6.1. General results**

To explain product standardization, we have described several product variables. It was first necessary to separate them into product sub-variables. General coordination of the firm clearly shows the link between decision-making, firm structures, and standardized product features. With regard to product standardization, we have made suggestions so that firms dwell on the illustrative types of processes.

#### **6.1.1. Variable implications on the product standardization**

Product characteristics are external conditions beyond product standardization. These characteristics include material, and functional variables, which are dynamic, interactive, and culturally contingent and often affect marketing strategy. Our research suggests that brand name, package, label, ingredient, size, and quality are variables that influence the process of product standardization. But, each variable has sub-variables, which determine the global aspect of the variable. For example, the brand variable has as sub-variables logo, picture, and letters. The package is composed of material such as plastic, metal, which are also sub-variables. The label has design, color, and the directions for use as sub variables. The ingredients have formula, and the size has volume or weight as sub-variables. The quality estimated by ISO normalization is the degree or extent of excellence of something. General excellence is a high standard. Quality control is a system or process that involves regular sampling of the output of an industrial process in order to detect any variations in quality. Quality control implies certain agreed criteria, which are so important that a distinct section of the control group should concentrate on them.

The product is standardized only if all these variables and sub-variables are standardized in several markets. This product analysis shows that these sub-variables are not often the same. Table 26 summarized and clearly explained this situation. We could say that firms do not adopt total standardization in terms of labeling or design because of the linguistic differences. The

cases of Schwarzkopf, Wella, and Lever Fabergé have shown that they change the language of the instruction to product use. In all the cases, the ingredients remain identical.

**Table 27:** Various variables and sub-variables for product standardization

|             |               | Beiersdorf  | Johnson & Johnson | L'Oreal                      | Wella A.G | Schwarzkopf     | Lever Fabergé |
|-------------|---------------|-------------|-------------------|------------------------------|-----------|-----------------|---------------|
| Variables   | Sub variables | Nivea Creme | Penaten Milk      | Forte strong (L'Oreal Paris) | Wellaflex | Poly Brilliance | Signal        |
| Brand name  | Logo          | *           | *                 | *                            | *         | *               | *             |
|             | Picture       |             | *                 | *                            |           | *               | *             |
|             | Letters       | *           | *                 | *                            | *         | *               | *             |
| Ingredients | Formula       | *           | *                 | *                            | *         | *               | *             |
| Package     | Plastic       |             | *                 | *                            |           | *               |               |
|             | Metal         | *           |                   |                              |           |                 | *             |
|             | Glass         |             |                   |                              | *         |                 |               |
|             | Paper         |             |                   |                              |           | *               |               |
| Size        | Weight        |             |                   |                              |           |                 |               |
|             | Volume        | *           | *                 | *                            | *         | *               | *             |
| Label       | Design        | *           | *                 | *                            | *         | *               | *             |
|             | Color         | *           | *                 | *                            | *         | *               | *             |
|             | Instruction   | *           | *                 | *                            | #         | #               | #             |
| Quality     | ISO           | *           | *                 | *                            | *         | *               | *             |

Notes: \* (Standardized variables and sub-variables)  
# (Differentiated variables and sub-variables)

The first set of findings revolves around the similarities or differences of product variables. Not surprisingly, all firms perceive themselves as active contributors to their product standardization. The six case studies show how each firm seeks to standardize its product in the EU market.

In fact, to standardize Nivea creme, Beiersdorf standardized its logo, letters brand, metal package, formula, design, color label, and responds to the ISO normalization. In other cases such as L'Oreal and Johnson & Johnson, product standardization means all product variables and sub-variables are totally standardized. Here, it is important to notice that labels are written in two or three international languages.

In the last cases, Schwarzkopf, Wella, and Lever Fabergé the standardized products Poly Brilliance, Wellaflex and Signal have different labels because of different languages for instructions for use. The rest of the variables and sub-variables remain similar. The instructions for use and design on a label help to establish the perceived value of the product. All of the above contribute to the total experience, which establishes the perceived services and determines the value, which a prospective customer places upon the product. Every aspect of sensing and experiencing a product are just as integral to the product as the material of which it's made. Poly Brilliance, Wellaflex, and Signal are produced in several languages and the notices are written in several languages. Thus, for Schwarzkopf, Wella, and Lever Fabergé, the product

standardization focuses only on the brand name, ingredient list, package, size and quality, but not on the label notice. The notice is adapted to the market language as shown in the Table 28.

**Table 28:** Notice adaptation in different markets

|          |                             | Beiersdorf                                 | Johnson & Johnson                           | L'Oreal  | Schwarzkopf  | Wella A.G   | Lever Fabergé   |
|----------|-----------------------------|--|---|--|--|---|---|
| Variable | Sub variables               | Nivea Cream                                | Penaten Milk                                | Forte strong   | Poly Brillance   | Signal  | Wellaflex   |
| Label    | <i>Design</i>               | <i>Same</i>                                | <i>Same</i>                                 | <i>Same</i>  | <i>Same</i>  | <i>Same</i>   | <i>Same</i>   |
|          | <i>Color</i>                | <i>Same</i>                                | <i>Same</i>                                 | <i>Same</i>  | <i>Same</i>  | <i>Same</i>   | <i>Same</i>   |
|          | <i>Instructions for use</i> | <i>Same</i><br>(In German for all markets) | <i>Same</i><br>(In English for all markets) | <i>Same</i><br>(In English and French for all markets) | <b>Not the same</b><br>(Each language for each market, e.i. German for Germany, French for France, English for England)) | <i>Not the same</i><br>(In English and market language. e.i. English + German for Germany; English+French for France) | <b>Not the same</b><br>(German for German market, and English for other European markets) |

Considering these factors, can we say that these three products are not standardized? In fact, the study reinforces the product characteristics as standardization variables, and firm specific operation coordination. Product characteristics similarities such as brand, package, label, and quality lead to product standardization. But the firm specific factors such as international coordination and regional cooperation also facilitate the distribution of the same product in several markets.

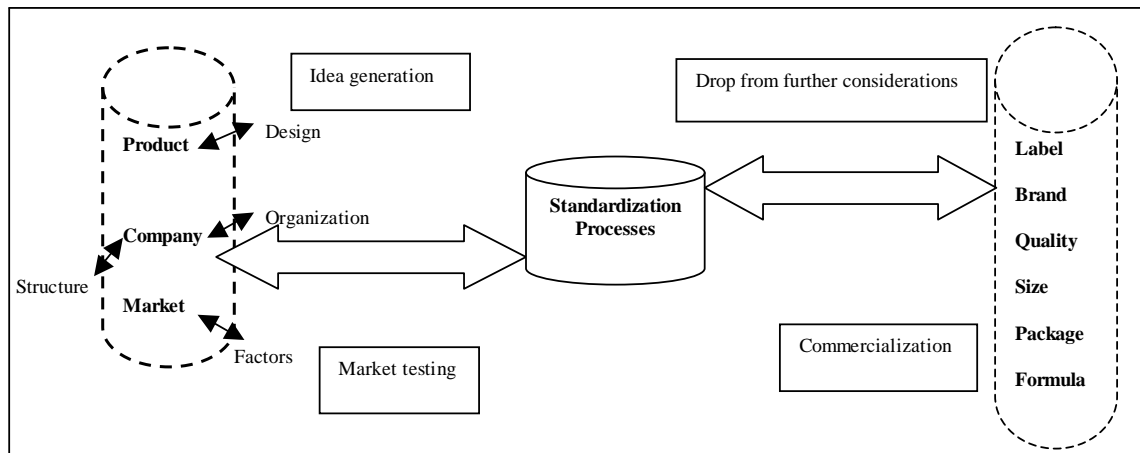
### 6.1.2. Standardization coordination

The key to efficient management of standardized product development programs also focuses on the identification of the types of company resources expended or committed at each identifiable decision point in the development process. Other important elements include the length of time between decisions, the amount of new information about the product ideas, which is developed by each decision point, and the degree to which this added information improves the ability to forecast financial outcomes. Given the principles and objectives of a program of total product standardization, the firm must next develop an organization, which will facilitate achievement of the desired goals and measurement of the effectiveness of the standardization activity. It is true to say that processing in the cosmetics industry has evolved largely through practical experience and principles presented by analogy with other industries rather than by many fundamental studies.

As shown in Figure 25, product, company and market are main points of the standardization operations. The product is designed after the idea generation. The market factors facilitate negatively or positively the standardization operation through the customer needs. Company structure and organization are essential for the implementation of the product

standardization. The board of directors of the executive committee defines the boundaries of the business enterprise beyond which standardized product development activity should not stray in order to focus attention where special management, technological or equipment resources can best be exploited. But this is the process of exclusion. Individuals perform creative acts. Yet, an individual is most likely to approach the initial development of standardized product ideas with the particular bias or set of his organizational unit. For this reason, efforts to establish a fixed starting point within the organization, such as the Research and Development Laboratory for standardized product idea development and initial screening, will inevitably restrict the number of viable standardized product developments. It would seem logical, then, that there should be no invariable organizational starting point.

**Figure 25:** Standardized product decision process and coordination



For firm organization, external divisions are very essential. Schwarzkopf and Lever Fabergé moved beyond the regional division stage to become truly global organizations. The global operating unit report directly to the chief executive or executive committee. Executives are trained in worldwide operations, not just domestic or international. Integrated global structures create a balance between international and domestic operations. They are created in response to increased product diversification, and in an attempt to optimize the benefits gained from both domestic and foreign operations. These structures are an evolutionary replacement for the international division structures. Global organization can take four different forms: global functional structure, global geographic structure, global product structure, and mixed global structures. Thus, as in the illustration of Johnson & Johnson (Penaten Milk), every aspect of marketing is a part of the product. Because marketing operations produce value, because they

limit and direct the utility of a product, and because these values are frequently storable along with the product, marketing might be said to be a form of production and vice versa.

For example, the extent of the marketing department's influence on the design of Signal depends upon the relative importance of Signal's function and product appearance. In the manufacturing of cosmetics, aesthetics and package design are often of paramount importance, unlike the manufacturing of capital goods where function is still paramount, despite the valuable contributions made by industrial designers. Particularly in the former case, the marketing department will be responsible for prototype testing and proving, particularly when this involves the test launching of products onto the market, prototype evaluation by selected consumers.

A brief discussion of the more prominent problems affecting decision making in the marketing area will serve to illuminate the breadth of the interrelationship between marketing and production. There is widespread confusion regarding who should make what decisions and on what grounds, particularly with respect to product standardization. Synthesis develops when adequate differentiation is drawn between planning the production system with respect to products, processes and facilities; implementing the production system design; and controlling operations at various levels of systems involvement with the concept of management. In the past, many barriers prevented the realization of regional product standardization. National identification and cultural pride, combined with a variety of national technical and legal requirements, led to substantially different products in different geographic areas. Managers said they have reached the point, however, where cost is the primary factor in many products, so these barriers are being reduced and product standardization is now considered essential to achieving efficient production, taking advantage of economies of scale and providing prompt service to any European location. Strong geographic management is essential for the development of dispersed responsiveness, but effective management also calls for strong business management with global efficiency and integration. In addition to these capabilities, strong worldwide functional management is needed to build and transfer a company's core competencies. A strategy striving towards simultaneous global efficiency, national responsiveness and worldwide learning may be called a transnational strategy.

The interaction between a firm's headquarters and home or host country subsidiary can induce or increase the potentiality to relocate. The firm will supply products, whereas the home or foreign country, as a whole, will demand products through consumers. In this way, the manager must find the best combination of the firm's own needs and those of the home country in order to remain competitive in the goods produced and sold on national and international markets. In this simple framework, the choice between FDI and export seems to exclude other

methods of penetrating foreign markets. As discussed, globalization involves several new world market conditions like the homogenization of market segments, decreasing costs of transport and communications, decreasing trade barriers and pressures from new competitors. The customer is able to contrast these attributes with those of other brands. Differentiation was based on many subtleties, not the least of which were the name, the package, and the image associations that were created. One basic chemical mixture could be positioned in the marketplace in several different ways. Even a single brand might appear to process quite diverse qualities to different demographic segments of the population if the advertising and promotion could be properly controlled although such differentiation was not enough. Pressure exerted by the consumer for greater variety began to appear in several different forms. Pressure for variety also helps to explain the severe contraction in product life that has been experienced.

The global product structure is also effective in L'Oreal with its high product diversification. For L'Oreal, the global product structure provides greater product and marketing integration among diverse product lines and markets. Each product division is a complete organization with complete functional-level departments and staffs; the global product structure allows greater flexibility in product standardization.

### **6.1.3. Recommendations on product standardization initiatives**

In the preceding section, several variables and initiatives were shown as explanations for product standardization. Case studies were used to determine the initiatives undertaken by each cosmetic firm to standardize its products. Overall, certain basic factors prevail in all six firms. We conclude that the standardization of cosmetic products utilizes the same processes throughout the European market. MNCs primarily use four initiatives to standardize product lines and types, which are evenly divided between products on the one hand, and the firm's structures on the other.

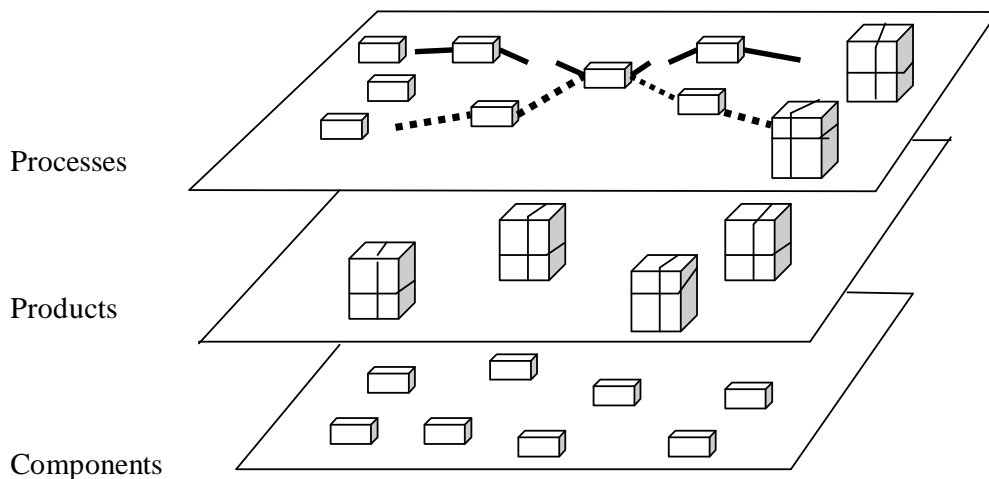
The first two initiatives relate to the uniformity of product. Beiersdorf, L'Oreal, and Johnson & Johnson decide the similarity of product features by ensuring the uniformity of the product brand name, package and label in all the European markets. While Schwarzkopf, Wella, and Lever Fabergé decided to ensure the similarity of the product quality, and formula in the European markets. These first two initiatives lead to product standardization in the EU market.

The second two initiatives organize the firm structures globally. Actually, with more international coordination management of Johnson & Johnson, L'Oreal, and Lever Fabergé, the same products are offered in host markets. Furthermore, its regional cooperation between

headquarters and subsidiaries facilitates the same product international operations and lead to a higher level of standardized product.

The case studies demonstrated that standardization might result in improving efficiency by taking advantage of the decision-making, the economy of scale and simplifying the manufacturing process. Different levels of standardization considered in these cases are shown in Figure 26. In fact, the first step of product standardization is the use of common components in different products. Here, ingredients, formula and quality are the same, while the label changes in some cases. The second step is the design of standardized products for comparable requirements. Here the brand is added to the physical product. The last step is the standardization of the manufacturing process for similar products. We can see that cosmetic standardization is concerned with the use of common components, or processes. This helps in designing an overly robust standardized product. Step one, components and step three, manufacture process, are very important to implement the standardized product.

**Figure 26:** *Different levels of standardization*



Within each general product variable, a long list of specific initiatives can be created. Managers try to use these specific initiatives as policy tools to standardize products. The most standardized product is the one that can maximize as many factors as possible, though; these specific initiatives expressed in some coherent implementation process represent an accurate model of explaining how firms operate with regard to standardizing products. The combination of choices leads to a variety of marketing strategies and cooperation between firm divisions. The final choice is either a function of many parameters such as economies of scale, customers' needs, intercultural factors as seen in the theoretical parts of this work (Chapters 2 and 3), or a timing decision, operation coordination, and structure cooperation as seen in the empirical parts



of this study (Chapters 4 and 5). Here the firm includes headquarters and all technical departments such as marketing, production, design, and control departments. Thus, another set of findings concerns the combination of manager's decision-making and product components. If managers decide to standardize a product, they can either decide to standardize the brand, the package or just the formula. Thus, to follow the logic, decision-making and product components are the most important elements in the product standardization strategies. Therefore, the results of our study are summarized in Table 29.

**Table 29:** Product standardization process in each firm

| Firms  | Beiersdorf A.G | Johnson & Johnson GmbH | L'Oreal Deutschland GmbH | Wella A.G | Schwartzkopf Group | Lever Fabergé Deutschland GmbH |
|--|----------------|------------------------|--------------------------|-----------|--------------------|--------------------------------|
| <b>Initiatives</b>   |                |                        |                          |           |                    |                                |
| 1. The marketing managers decide to create a product with the same label for all the European markets.   | Yes            | Yes                    | Yes                      | No        | No                 | No                             |
| 2. The headquarter manager in cooperation with marketing and design division conceive the same product brand name for different European markets | Yes            | Yes                    | Yes                      | Yes       | Yes                | Yes                            |
| 3. The marketing manager and design division decide to create the same package for European products   | Yes            | Yes                    | Yes                      | Yes       | Yes                | Yes                            |
| 4. The production managers plan the same product size in the different European markets.   | Yes            | Yes                    | Yes                      | Yes       | Yes                | Yes                            |
| 5. The quality division (R&D) decides to have the same product quality in the different European markets.  | Yes            | Yes                    | Yes                      | Yes       | Yes                | Yes                            |
| 6. The production managers (R&D) decide to have the same product ingredient with the same formula in the different European markets.             | Yes            | Yes                    | Yes                      | Yes       | Yes                | Yes                            |

Table 29 summarizes the standardization initiatives conducted by each firm in our study. In this table, we can see that product standardization can take several forms in terms of manager's decisions-making and product components. Standardization initiatives are different regarding firm's strategies in terms of decision-making and standardized product features. We can integrate these processes in simple summary recommendations intended to give a general explanation for product standardization among countries or regional multicultural market. We put forward the following recommendations:

**Recommendation 1:** The executive managers in cooperation with marketing and design managers conceive the same product brand name for the regional market.

To standardize a product, headquarters plan, operate, and coordinate activities on a global basis. This depends to the external organization and internal structure. The executives decide to

have a unique brand. Branding strategy is a key element for product standardization. The first work with marketing and design managers is to make sure that they can have a unique brand.

**Recommendation 2:** The marketing managers decide to create one label for all products in the regional market.

A standardized label is the most complex product element that marketing managers have to work on. As already said, the label can change according to the market language. Labeling helps firms and consumers identify the product. For standardized products, the label is the same in several markets. The total standardized label is often difficult regarding notice translation in different languages, and information about ingredients and use of product that depend on national laws. In fact, if the brand and the package are completely standardized, the label is not. This situation leads to the definition of types of product standardizations. After labeling, marketing managers must be helped by the designers.

**Recommendation 3:** The marketing and design managers decide to create the same package for the standardized product.

Packaging is particularly important in the process of product standardization. The package designer has a responsibility to ensure not only that the package has the appeal that will make the customer pick it up and be encouraged to purchase on impulse, but also to ensure that the package will be the same over all. Using standardized dimensions for packages leads to reductions in cost and generates some benefits. In fact, standardized package sizes reduce inventory investment in packaging materials, and facilitate mass production of fewer types of packages and shipping boxes. Uniform package dimensions permit a balanced format for display and for self-service selling. The package dimension influences the product quantity.

**Recommendation 4:** The production managers plan the same product size and quantity for the regional market.

The quantity is related to the quality. Quantity is an essential tool that enables the user to maintain product quality within previously determined limits of acceptability. Although, it is clear that, the responsibility of management is to define what is meant by acceptable quality. It is up to the quality control department to maintain this quality at the prescribed level. But the

quality control starts at the very beginning with product and package design, and continue by way of process development through every phase of manufacturing, storage, and shipping. Potential benefits of such a system are enormous and include better product design, better product quality, reduced operating costs, reduced operating losses, fewer interruptions on the production line, and higher employee morale.

**Recommendation 5:** The quality and Research & Development managers decide to have the same product quality in all the regional market.

Quality is ensured by a testing method. Testing methods are indispensable in assuring the conformity to standards. The tests must be designed to furnish adequate precision and accuracy for the purpose. Test methods are an integral part of all quality control work. So the evaluation of raw materials is the first step in assuring a product of suitable uniformity. In addition to gaining assurance that the composition of the product conforms to standards, it is necessary to control the intermediate and finished product quality, packaging materials, during filling, and on the market.

**Recommendation 6:** The production and research & development managers decide to have the same product ingredient with the same formula for all the regional markets.

The most effective organization establishes direct reporting from the production and Research & Development department to top management. Clearly it is imperative that the departments work with complete freedom from production demands. This is rarely attainable unless the department is outside the supervision of those responsible from either procurement of materials or achievement of production and distribution schedules. In most cases management retains the authority to confirm or modify decisions to standardize product.

With a highly centralized structure, decisions must be made and controlled by the MNC's headquarter with little autonomy given to the technical division or department. On the other extreme, some companies choose to decentralize decisions and provide autonomy to the regional, national and even local managers of foreign operations. Still other companies centralize decision-making in some areas and decentralize it in others. But marketing, design, research development, quality and production managers play the main role in deciding to standardize the product features.

## 6.2. Implication of the product standardization in the International product policy

The results summarized above have several implications on a firm's internationalization, international product strategy, and international marketing operations. The ideological conflict between adaptation and standardization would also benefit in term of the creation of a standardization theory.

### 6.2.1. New considerations for the product standardization

Many companies adopt a regional structure orientation to reach all the European Union markets with their standardized product. The global operating unit reports directly to the chief executive. Executives are trained in worldwide operations, not just domestic or international. Integrated global structures create a balance between international and domestic operations. These are created in response to increased product diversification, and in an attempt to optimize the benefits gained from both domestic and foreign operations. These structures are an evolutionary replacement for the international division structures.

Moving these three cases forward, the Beiersdorf as lead case, completed by evidence from L'Oreal, and Wella A.G. are presented as cosmetic firms' specific international experience. These three cases differ to the precedent schemes in a number of relevant ways they have taken a further step in international strategic alliances, that facilitate the presence of standardized product in host markets. From the six case studied, the following Table 30 explains each firm product standardization typology.

*Table 30: New standardization models*

|                                | <b>Global standardization</b> | <b>Process standardization</b> | <b>Modular standardization</b> |
|--------------------------------|-------------------------------|--------------------------------|--------------------------------|
| <b>Global standardization</b>  | * Beiersdorf A.G.             | # Lever Fabergé                |                                |
| <b>Process standardization</b> |                               | * L'Oreal                      | # Schwarzkopf                  |
| <b>Modular standardization</b> | # Johnson & Johnson           |                                | * Wella A.G.                   |

*Notes:* \* (Classical standardization models)

# (New standardization models)

After analysis, we have two categories of standardization models: classical and new standardization models. Beiersdorf, L'Oreal, and Wella A.G. are the classical standardization models. Johnson & Johnson, Lever Fabergé and Schwarzkopf are new standardization models.

*Beiersdorf is a global-global (G-G) standardization model.* Here, Nivea creme targets the global market and customer. Beiersdorf produces Nivea creme in large quantities at its German plant. Thus, Nivea creme is unique and uniform for the global EU market. The German market is one of many national markets, which compose the global market. Markets are not linked to each other, and are different sizes.

*L'Oreal is a process-process (P-P) standardization model.* Here, the product satisfies the same need, but is not produced in high volume. Each production unit manufactures a specific quantity for the target market segment. These production and distribution units are coordinated by the headquarter unit. Markets are linked to the main market, and the global market is geographical without boundaries. L'Oreal France coordinates EU market operations within German, Italy and England units.

*Wella A.G. is a modular-modular (M-M) standardization model.* Here, production occurs in several units, because of the economies of scale. So, national markets are satellite markets for the main market. For Wella A.G. Germany is the main market where product packaging is made, while mixing, labeling, and control operations are made in France, Netherlands and Italy.

Schwarzkopf, Lever Fabergé and Johnson & Johnson are different models of product standardization.

*Johnson & Johnson is a global-modular (G-M) standardization model.* Here, Penaten Milk is targeted at a global market and customer, which requires that the product be produced in large quantities to satisfy demand. Thus, Penaten Milk is uniform in the global EU market. Though, it should be noted that the EU is one of the many regional markets, which compose Johnson's global market. Regional markets are not linked each other, and are different sizes, because several units produce to gain economies of scale in each regional market. Thus, national markets are satellite markets for the main regional market. For Johnson & Johnson, England is the main European market where products are packaged, while mixing, labeling, and control operations are made in other European units.

*Lever Fabergé is a process-global (P-G) standardization model.* Here, the product satisfies the same need. Each production unit manufactures a specific volume for the target market segment. These production and distribution units are coordinated by the headquarter unit. So, the global market is a geographical market without boundaries. Signal is targeted at the global market and the global customer. Thus, Signal is uniform for the global EU market. The German's market is one of national markets, which compose the global market. Markets are not link each other, and have different size.

*Schwarzkopf's model is modular-process (M-P) standardization model.* Here, several units assume production, because of the economies of scale. Therefore, national markets are satellite markets for the main market. For Schwarzkopf, Germany is the main market. However, products that satisfy the same need do not want to be produced in a high quantity. Each production unit manufactures a specific quantity for the target market segment. These productions and distributions units are coordinated by the headquarter unit. Therefore, markets are linked to the main market. Moreover, the global market is a geographical market without boundaries. Schwarzkopf Germany coordinates Brilliance operations in the EU market.

In order to overcome the problems and to benefit from the advantages of each global structure, L'Oreal adopted mixed global structures. A combined or mixed global structure focuses on the interdependence among functions, geographical areas, and product groups. This structure assigns equal authority to at least two of the three dimensions: functional area, geographic territory, and product group. This is an attempt to benefit from the advantages of combined structures and to increase the coordination among the combined dimensions. Mixed organizations based on function and product provide for coordination and integration along these two dimensions.

A powerful force drives the region toward a converging commonality. It has proletarianized communication, transport, and travel. The result is a new commercial reality, with the emergence of regional market for standardized consumer products on a scale of magnitude that was previously unimaginable. Corporations geared towards this new reality to benefit from enormous economies of scale in production, distribution, and marketing. This is obvious in the cases of L'Oreal and Johnson & Johnson, who enjoyed great success in regional markets where their standardized products were sold widely and were well received by consumers. Both companies were successful in spanning the diverse national, regional, and ethnic tastes. Their products and strategy of regionalization play a single tune for the entire region. Firms sell the same products sold at home or in the largest export market in all national markets. We have also seen that ancient differences in national modes of doing business disappear. The commonality of preference inevitably leads to the standardization of products, manufacturing, and the institutions of trade and commerce. This explains the surging success of European companies dealing worldwide in a vast variety of products.

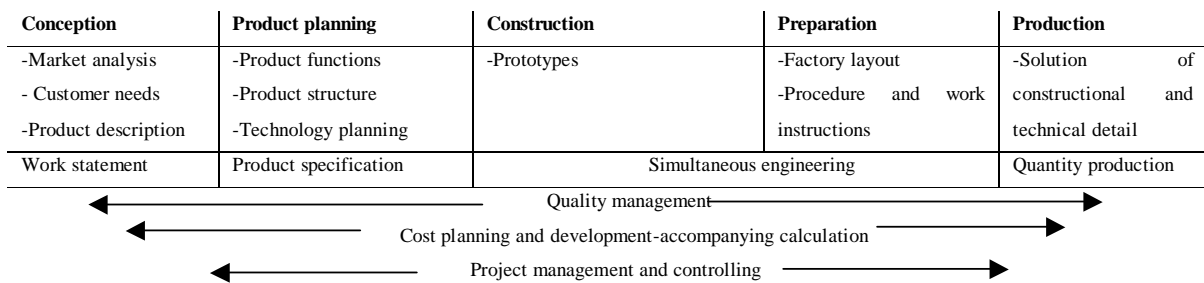
This is due to the coordinated approach in product launching in the early stage of the product life cycle. In a multinational setting, each subsidiary is more or less free to adopt products for its own market. This is sometimes called the shopping caddy approach to product adoption. Such an approach generates inefficiencies in the management of the product life cycle

since the optimal volume is obtained only after a lengthy process of product adoption by all subsidiaries. In the late 1960s a theory of multinational product introduction, known as the international product life cycle theory, postulated a progressive adoption of product over time according to the level of economic and scientific development of countries. Such a theory is no longer valid when industries globalize and standardize at the same time as their products because waiting too long to launch a product can be fatal, particularly if the product has a short life cycle.

If a company forces costs and prices down and pushes quality and reliability up, customers will prefer the standardized products. This situation is possible, at this stage of regionalization, no matter what conventional market research or even common sense may suggest about different national tastes, preferences, needs, and institutions. The Europeans have repeatedly proven that this is the case. Of course, large companies operating in a regional market do not standardize every product they sell. They have product lines instead of a single product version, and multiple distribution channels.

There are neighborhood, local, ethnic, and institutional differences within regions. Although companies customize products for particular market segments, they know that success in a region with homogenized demand requires a search for sales opportunities in similar segments across the region in order to achieve the economies of scale necessary to compete. Even small local segments have the regional equivalents everywhere and become subject to regional competition. Thus, the regional competitor will constantly seek to offer standardized products as widely as possible, and will only stray from this strategy after exhausting all options to pursue it. Should such a situation occur it is common for competitors to immediately direct their attention towards a plan to reinstate standardization, which results in the reinforcement of the stages of standardization stages as shown in Figure 27.

**Figure 27:** New development process phases for a standardized product manufacture



In formulating standardization strategies, MNC executives usually consider the global marketplace as a group of interacting markets with the possibility of being mutually supportive.

This is because the high number of markets requires multi strategic business unit organization. Furthermore, as a result of this multilevel nature of a MNC, different objectives and strategies exist for each level. In order to coordinate these interacting but separate systems, a MNC needs to decide how much of its decision-making, strategy formulation, and control should be centralized.

The implications on quality and project management are, firstly, the strategies presenting product standardization can be a useful tool in understanding the strategy alternatives of globalizing in the cosmetic field, which can lead to huge economic benefits when properly implemented. Secondly, understanding the impact of the explanatory variables as well as how the global product changes when the market is transferring from the national stage to the regional stage is important for cosmetic companies facing the challenge of globalization.

International product policy is the cornerstone of the multinational marketing mix. The products a company chooses to sell to the selected target market constitute the basis of the company's worldwide marketing program and determine the company's role in the world market, in relation to both customers and competitors. Decisions with regard to the nature of the product line sold throughout the world and the importance attached to new product development influences the global image of the company as well as its rate of growth and success in world markets. Decisions regarding product policy are close related to those concerning promotional, distribution and pricing as they reflect the company's strategies of positioning and segmentation.

The determination of the desired type of multinational product research requires a better understanding of multinational product policy decisions and the problems associated with multinational marketing research. Multinational product studies should be based on the same approach utilized in domestic marketing research studies. They should include a definition of systematic problems and model building leading to research design, data gathering, data analysis and interpretation for the purpose of improved marketing strategy.

### **6.2.2. Firms' new organization**

Standardization leads, on one hand, to the concept of a multi-domestic approach where the firm has a completely different strategy for every single market and, on the other, a global approach in which everything dealing with the product is standardized in all countries. In practice, as shown in our case studies, firms adopt a combination of standardization and adaptation of the various elements of the product and processes by globalizing some elements and localizing others. This adaptation can be seen in the package or label language of Poly Brilliance, Signal, and Wellaflex. In broad terms it is possible to categorize a firm's strategic development as multi-domestic, global or regional.



A multi-domestic strategic development focuses on maximizing the product's effectiveness and efficiency in exploiting economies of scale, experience and skill in marketing, production and logistics. A company adopting such an orientation assumes that foreign market opportunities are as important as those in the home market are. However, the company takes the view that the differences between its international markets are so acute that adaptation to meet market needs is necessary to retain competitive advantage in local markets. Thus, the firm essentially follows a differentiated product strategy with different products in many of their regional markets.

A debate amongst cosmetic firms about the pros and cons of multi-national strategies to achieve a worldwide competitive advantage has opposed the pursuance of a global strategy through the product standardization. However, it is quite clear that for many major businesses, there are few benefits to be obtained from widespread standardization of their product. Furthermore, a well-organized and managed multi-domestic strategy is an effective method for the majority of cosmetic companies for developing a global business.

Excellent examples of an organization, which can be accurately characterized as having a multi-domestic product strategy, are the L'Oreal Group, Johnson & Johnson, and Lever Fabergé. These firms, which certainly cannot be accused of marketing myopia, used a multi-domestic strategy to gain competitive advantage in their target European markets. A key factor in the strategy is allowing senior managers the opportunity to be entrepreneurial in responding to local customer needs, industry standards and different stages of economic development. Thus, whilst there are many forces driving companies towards achieving a global strategy through standardizing as many products as possible, there are also very important prevailing arguments persuading companies that they are still able to achieve a more effective regional strategy through a multi-domestic approach.

Today, the difference in the standardization phenomenon is the speed and the extent of growth in global. Just as business, operations have global implications, so does a firm's overall economic activity. No company operates in an economic vacuum. A firm's production, sale, investments, technology, and all other variables that affect its business system are influenced by the economies of other nations.

These events, leading to new global business environments, are expected to drastically change the nature of international business and have a profound impact on corporate strategy. The complete economic integration of the European Union, which has a significant impact on regional competition, is an example of these changes. Regional environments are more complicated, more dynamic, and more unpredictable than domestic ones. Some products are

more regional and require less adaptation on the whole (i.e. L'Oreal Paris nail product line, Signal toothpaste or Penaten milk). Penaten Öl in Germany is also Penaten Lotion in certain European countries (France, England and Spain). Thus, cosmetic product standardization is not an all-or-nothing proposition but rather is a matter of degrees. Companies are certainly justified in looking for more standardization, regionally if not globally. Resistance typically arises from national managers, because regional standardization puts more power into the hands of regional managers compared to that left with national managers.

Considering this, we suggest that the firm's international organization and regional cooperation influence the timing of product standardization, because, the firm's penetration into the existing regional market is based on using standardized products. This result in a theory of relative costs between these two opposite behaviors based on analysis of transaction costs on the one hand and organization costs on the other. We can also suggest that the process of product management through the firm's structure affects product standardization in all markets. We identify a number of different product management processes that benefit from standardization in regional markets. We see definitively that, these structures manage the firm's international orientation in terms of its centralization. The global organization involves an ethnocentric, polycentric, geocentric and regiocentric approach to centralization. MNCs might typically adopt one of these four managerial strategies that guide the approach taken with regard to such functions as organizational design and marketing.

The firm is then driven by its regional orientation, where the product is coordinated on regional scales and standardized products address regional segments. Effective organization requires two interrelated stages. First, managers must design an organizational structure that will facilitate the firm's strategy and maximize the use of its global resources. Second, they must arrange activities, relationships, and responsibilities to facilitate the communications, authority, and coordination needed to ensure efficient product standardization. The typical way in which companies organize their international activities is through both the domestic structure and foreign subsidiaries, which are the global functional model, the geographical model, the multi-business global division model, and the transnational model. These accrue from the coordinated transfer of information, best practices and people across subsidiaries. This transfer eliminates the costly reinvention of the wheel and facilitates the accumulation of experiences and knowledge. These benefits are positive if the experience gained in one country is applicable to another.

When the export department knows about foreign markets, selling to foreign customers is not fundamentally different from selling to domestic ones. However, as international activities increase, firms often find that an export department is no longer necessary. Once a firm begins to

station employees abroad or establish foreign subsidiaries to produce or market products, managerial responsibilities, coordination complexities, and information requirements swell beyond the export department's capabilities. Familiarity with foreign markets becomes more important and new methods for organizing may be required. L'Oreal and Johnson & Johnson used the waterfall model, while Beiersdorf and Wella used the sprinkler model. Schwarzkopf and Lever Fabergé utilized both models at the same time.

With FDI, the company is near to the customers and can manufacture the same product as in the central firm, which facilitates the product standardization. A joint venture involves an agreement by two or more companies to produce a product together. In a joint venture, a multinational corporation and a local partner, through agreed-upon proportions of equity, share ownership, typically. In joint ventures, foreign investors join with local investors to create a new company, which can produce the same product and/or the same brands. This form is frequently used by cosmetic companies, which use subsidiaries. This strategy facilitates a multinational corporation's rapid entry into new markets by means of an already-established partner who has local contacts and familiarity with local operations.

### **6.2.3. Implementation issues in building a regional presence**

So far in this study we have identified the changing trends in the European business environment that are leading to increasing Europeanization. We also identified the factors that affect the firm, particularly with regards to the process of product standardization. To implement a standardized product, firms need regional processes of interactions between headquarters and subsidiaries so that the firm can have a global presence.

Building a global presence is hugely expensive and many firms see no value in expanding regionally if the home country offers sufficient growth prospects. Johnson & Johnson has a large domestic market and, despite the rapid growth prospects of the European Union, its unfamiliarity often makes it unattractive. Beiersdorf A.G., Schwarzkopf, L'Oreal, Lever Fabergé, and Wella A.G. take a shorter-term view in the way they develop standardized products in Europe. This results in a more conservative European market, with a cost conscious and risk adverse approach, which suggests that many, but not all European firms will continue to build their business regionally. One of the most significant developments in product standardization is how firms respond to the rise of the regional trading bloc. Consequently, companies are being pressured to become more regionally focused. For many companies, regionalization represents a more manageable compromise between endeavoring to achieve global competitive advantage through building a number of differentiated strategies in multiple domestic markets around the region, and building a global strategy that is as standardized as possible.

For those companies located outside the region, such as Johnson & Johnson, there can be significant tariff and non-tariff barriers. By shifting operations and decision making to the region, Johnson & Johnson is able to use the benefits of insider advantage. This took time, however, as the indigenous manufacturers usually get early warning of new European legislation since they tend to be part of European Union decision making. Public-private sector committees such as COLIPA decide on standards for safety and security. The key to developing effective regional strategies is in deciding what makes the region distinctive and, in what ways the process of product standardization for one region should be differentiated from the others. It is only relatively recently that Johnson & Johnson cosmetic manufacturers are beginning to recognize the importance of modifying their design for European tastes.

A number of companies are taking the opportunity of the development of a regional trading block to build new trading relationships, which include regional objectives and plans as a significant part of their worldwide strategy. A study of successful large and small multinationals, such as those in our research, would help firms in various countries proceed intelligently through the complexities of international business. While the same basic factors have to be taken into consideration in developing the international product, its management relies on having information about customer interests, company resources, mode of entry, product and market characteristics.

The diversity of these factors, both within and among countries, suggests that the variety of international products can range from one simple product for export to an extremely complex mix of numerous product lines, which vary across countries. The former cases are quite typical of small firms whose exporting activities are only incidental to the domestic operations. This mode of operation, although quite reasonable for this stage of the firm's international operations, may be the beginning of a process of creeping commitment for international operations, which may result in a less than optimal international product mix.

The increase in mergers in Europe has meant that the largest European firms are now comparable to the largest American ones. European enterprises may increase the incentive to Europeanize technology. This plus greater market size and the reduced requirement to customize for national markets will likely increase the range of European MNC's product innovation. With respect to marketing, these factors result in a reduced need to customize products nationally due to regulations, the ability to realize scale and learning advantages in certain marketing operations.

Regional integration has an important effect on multinational companies. We know that using foreign direct investment, as a way to move in to new markets is quite common, and

particularly useful if a country has strong trade barriers, which prevent multinationals from gaining market share because of import controls. The problem with using foreign direct investment to get around such barriers is, of course, that it can tend to confine access to just one domestic market. Through the growth of the regional trade bloc, the scale of trade protection is falling, which offers new opportunities for multinationals. Furthermore, if multinationals are proactive in supporting the loosening of trade restrictions in a region, this helps to generate new market opportunities for existing businesses. One way is to consider a region as offering broader scope for the multinational in terms of both inputs and markets. Within the EU, for example, Spain may be a good choice for locating a car assembly plant, because of local skill levels and the cost of basic resources, but the components could be made in any country within the EU area, which has a comparative advantage. Hence, the transmission systems may be made in Germany, the steering systems in the UK and so on, with the company moving all the components within the EU to the place of final assembly. Furthermore, if the region is one that is a free trade bloc, then such movement of goods will be made cheap and easy.

In this way, multinationals gain strategic benefits from operating within a free trade bloc. From a marketing perspective, there will be benefits from the faster economic growth rates that accompany regionalization, and from a supply perspective, companies can benefit from the freedom of choice on where to source components so that they can capitalize on the differing capabilities or comparative advantages of the various subsidiaries. L'Oreal is a federation of national companies and has a global coordination center located in Paris. It organizes its activities through a global matrix structure, which combines the functional, geographic and product international structures. There are fifty L'Oreal locations in Europe, into which the company's products are divided. Each L'Oreal division is subdivided into business segments. The company's leaders are responsible for optimizing the business on a global basis. They decide, for example, which factories are going to make what products, what export market each factory will serve, and how the factories should pool their expertise.

Production management has been defined in the most general terms so that it encompasses all information procedures that fit the input-output construct. Problems are viewed as questions that often cross-functional organizational lines and that concern how to interconnect sets of input-output subsystems so that the large system can perform in a satisfactory manner. Often the participating subsystems will be required to turn in sub optimal performances. The larger the system, the more likely it is that its subsystem must be designed to operate in a fashion that runs counter to intuition.

Johnson & Johnson's organizational structure has evolved into one unlike any other company of similar size. Johnson & Johnson is comprised of thirty-seven global affiliates with two hundred operating units. Each one is highly autonomous and accountable for its individual performance. This unique organizational structure allows Johnson & Johnson to effectively support its business strategy of remaining the world or the region's most comprehensive and broadly based health care company. This helps each of its affiliates and operating units focus on the part of its broadly based business where their accountability and expertise lie. This decentralized structure provides the means for Johnson & Johnson to offer the small company environment and culture that is so inviting to participate in, along with big company opportunities. The situation in each operating unit is characteristic of a small company, with its ability to respond easily to markets needs. Because each operating unit has less management and little bureaucracy, critical decisions can be made quickly. For this reason, small company environments uniquely provide the opportunity to make a noticeable difference in a big company.

Individuals who are most efficient at using their varied skills are responsible for production and marketing. It was convenient in large manufacturing organizations to institutionalize these two functions into separate organizational compartments. As a result, the conflicts, which usually arise between them, are issues of divisional efficiency rather than those of combined company effectiveness. It results of the importance of common goals and the need for coordinated approaches that committee superstructures arise in large organizations. These large organizations have both a strong Production and Marketing Division. Staff committees represent an effort to overcome the lack of organic coordination. From these interactions, emerge new considerations for product standardization.

### **6.3. Discussions on the complete standardization**

International strategy is different from national strategy, because countries and societies are different. Product standardization involves altering the product to meet general conditions or preferences. However, there are several levels of standardization. A company can produce a regional version of a product, such as a European Union version. The same company can also produce a national version of the same product. However, some companies produce a version of its products that can be sold concurrently in the regional and national markets. Thus, we can say that product standardization or adaptation depends on the market size.

### **6.3.1. Generalizing standardization processes**

Generally, from the standardization initiatives, the choice adopted is likely to be determined by a combination of two factors: the product's features and the firm's orientation. The firms presented above share a legacy of standardized product development through very different policies. However, an emergent pattern within these cases suggests that firms can extract increasing value from product similarities, international experience, and international orientation. Rather than segmenting the sample along the dimensions of industry affiliation, size, local dominance, or industry growth, the degree of product standardization appears to be classified.

However, one of the main issues that most global companies are facing is the need to globalize under a single name, a large variety of existing local subsidiaries names and acquisitions. Johnson & Johnson, the American firm, was confronted with multiple subsidiary names after the acquisitions of the French cosmetic companies. Johnson & Johnson has also difficulties with the German/English laboratories, and had to cope with the difficulties of adopting Johnson & Johnson as a global/regional corporate brand. It is in light of its product features (Package, Label, Design, Brand, Quality, and Formula) and work team (Headquarter, Marketing, Design, Production and R &D) that decisions on international product policy are made.

The process of product standardization is a combination of manager's decisions. Managers gain expertise in all aspects of the product that better enables them to compete globally, because they focused on product characteristics. If they are globally oriented, they can facilitate efficiencies in production and facilitate the creation of a global product. The firm gains flexibility in introducing, promoting, and distributing the standardized product. This facilitates regiocentric corporate philosophies, because regional product design forces managers to think regionally. Thus, business must carefully consider the relative advantages and disadvantages of using a regional product design when deciding the best form of organizational design for particular circumstances. These come, on the one hand, from economies of scale owing to product standardization as well as increased bargaining powers over suppliers of components, and on the other hand, from the ability to organize a logistic and sourcing network based on location factors.

Managers can examine many issues before deciding whether and where to sell abroad. Managers can acquire a thorough understanding of the international marketing environment. The international marketing environment has undergone significant changes in the past two decades,

creating new opportunities and new problems. Companies that operate in one or more foreign markets must decide how much to standardize the marketing-strategy mix regionally.

In attempting to establish the point where the decision sequence begins, we are faced with a paradox: one of the unsettling but inescapable facts of standardized product development is that, because of the interaction of design features, there is no logical starting point to the merry-go-round of design criteria. It is no more logical to begin with some physical components than with some marketing ideas or with consumer needs. Alternatives exist at each stage of the development process from early concept development through R & D and planning of the product, package, label, and name in terms of production and sales. At each step there is a screen, which is formal or informal, and the number of alternatives allowed to pass through each screen should be a function of the relative costs of carrying alternatives a step further, a step closer to realistic market appraisal of the interactions, and the synergy of the product's components. It is inescapable that the more alternative versions of a single product idea exist, which can be brought to later stages of development, the more successful standardized products will be. If the early stages are the most expensive, then very few will be brought very far. In addition, if the later stages are the most expensive, then more of them will be brought further.

It helps materially to speed products through the development pipeline merely to identify key decision points in the development stream. These are points such as the commitment of an R & D team, the assignment of a full marketing team to produce a marketing plan, product and package design, and label development, pilot plant, a decision to go to test market. This is the case with the L'Oreal Group. The purpose of all this is to insure that at each one of these decision points a new sale and profit forecast is made using all the information made available since the last decision point. Marketing research should participate with each operating department to help produce successive forecasts and to insist that they are produced at each and every commitment point.

A decision system for the development of standardized products for a single company includes periodic situation reports. That report contains information such as the number of standardized product ideas currently at each decision point, the current profit forecast for each one, the estimated error surrounding each forecast, the drain on resources by type of resource at each decision point, available resources, and the estimated elapsed time for each stage. For each element of the product, a trade-off has to be made between a full-fledged standard global approach and a complete local adaptation.

The product standardization, distribution channels, advertising, and other elements of the marketing mix promise the lowest costs because no major changes have been introduced. At the



other extreme is the idea of an adapted marketing mix, where the producer adjusts the marketing-mix elements to each target market, incurring more costs but hoping for a larger market share and profit return. Between these two extremes, many possibilities exist and the choice sometimes depends on the strategist managers' decisions. If the decision is to standardize the product, the question is to know how to implement this decision systematically from the beginning through to the realization of standardization.

The standardization policies change over time and the current trend is towards increasing standardization, but still the usage and degree of standardization varies among multinationals. Given that there is a dominant trend toward standardization, the issue of whether or not a company should practice standardization of their product could now be reformulated to investigate what degree of standardization is convenient for MNCs. Research has indicated that the product strategy often is standardized, whereas the creative execution of product is more commonly adapted. Standardization is a continuum, where on the one hand, we have complete adaptation, and on the other hand, we have degrees of standardization.

### **6.3.2. The unavoidable adaptation phenomenon**

We can confirm that, creating an effective global brand does not mean standardization. Instead, the task is to separately review each product element and then, from the menu of available options, select the best standardization approach for each. Our study advises managers to assess the degree of standardization of each product element for their regional brands. Based on marketing research in each geographic area managers can decide to standardize several products that are manufactured in multiple locations and marketed in all areas.

Summarizing the advantages of product standardization for the company include more rapid recovery of investment, easier organization and control of product management, the possibility to reduce costs through economies of scale and the experience garnered throughout most of the firm's operations, such as production, design and control. Product standardization is both encouraging and being encouraged by the trends of globalization in markets. Because markets are becoming more homogeneous, there are more identifiable segments of international consumers, and there is an increase in the number of firms moving towards globalization. This allows for greater standardization throughout industry sectors.

However, there is an unavoidable phenomenon of adaptation, because market opportunities might be lost when it is impossible to match local detailed requirements. In this situation, some managers of local subsidiaries, who are only expected to implement existing product policies, can become de-motivated and miss market opportunities if they are not given

the chance to progress. This is the case with the management at Johnson & Johnson GmbH and their Penaten Öl product. Furthermore, in some instances, either product standardization may not be possible due to environmental constraints through mandatory legislation, because of differences in language, legal standards, safety requirements or product liability, or because the firm believes that the product appeal can be increased in a particular market by addressing cultural and usage factors. This is the case of the L'Oreal product Elseve that is called Elvive or Elvital to respond to these cultural and usage factors.

In the majority of cases, firms either sell exactly the same product overseas, or modify it slightly. Rarely do firms make substantial changes to their product range or develop completely new and different products for their international markets. The main reason for this, as we discussed earlier, is that the firm is attempting to increase demand in the most cost-effective and least risky manner. This is the case with Schwarzkopf's hair product line Poly. Schwarzkopf has two or three lines for the Poly: Poly Country, Poly Live, Poly brilliance.

Therefore, it is generally too costly to begin modifying the product in any significant way, since much of the firm's experience, knowledge, and competitive advantage stems from its domestic lines. With this in mind, the two questions the marketer faces in developing an international product policy are, firstly, to what extent are the firm's existing products broadly suitable for international market? Secondly, if changes in specification are to be made, what should they be? Having arrived at an answer to these, the marketer can then move on to decide upon the product-related features including packaging, labeling, trademarks, guarantees, and the brand names that are to be used.

It is worth emphasizing that many companies move into foreign markets by selling their name and expertise in the form of the brand or the patent on the product or production processes, rather than becoming involved in selling the physical product itself, as is the case with Schwarzkopf. Ideally, the international marketer would like to be able to sell a standardized product across most, if not all, of the markets in which he is operating.

The question of standardization or adaptation is, therefore, a fundamental aspect of international marketing strategy and one, which manifests itself not only in the case of product decisions, but also in other areas such as advertising and promotion. The decision whether to standardize and opt for global brands therefore has rather obvious and major implications, not only for day-to-day marketing activity, but, more fundamentally, for the organization as a whole and the managerial philosophy that is pursued. This can be illustrated by considering the way in which increasingly global strategies have given rise to a policy of mergers and takeovers by international companies as a means of enhancing the possibilities of global brand and market

domination. The cosmetic industry, for example, has proved to be one of the most fruitful areas for global product strategy and, in recent years, has been subject to prolific merger and takeover activity. Over the years, two fundamental counteracting forces have shaped the nature of marketing in the international arena. Many authors have revisited the same counteracting forces in such terms as standardization versus adaptation (1960s), globalization versus localization (1970s), global integration versus local responsiveness (1980s), and most recently, scale versus sensitivity (1990s). Terms have changed, but the essence of the strategic dilemma that multinational firm faces today has not changed and will probably remain unchanged for years to come.

This is why the product information on the label is in the language of the production unit. Thus, Poly Brilliance produced in Germany has information in German, while Poly Brilliance produced in France has information in French. In this way, Poly Brilliance is not totally standardized, because of the differentiation of the label-languages in each production country. Branding is important to other elements in the marketing mix. Importers, wholesalers and retailers in the importing country order by brand and promote brands in conjunction with their advertising and selling activities. Without branding, manufacturers would find far fewer opportunities to advertise profitably. Without such opportunities, some products would undoubtedly not even be introduced to the market.

L'Oreal France makes for example, a single brand Forte strong or family brand L'Oreal Paris for global market. That is helpful in convincing consumers that each product meets certain standards. When the language of two or more countries is the same, a single brand may be used to make advertising more efficient. In comparison to the global function structure, the global geographical structure is more flexible in responding to local market needs and government requirements. It is also a good structure for consolidating regional expertise. Economies of scale within a region can be enhanced, but this is at the expense of product coordination. The Schwarzkopf Group, for example, might export to one country, license another, have a joint-ownership venture, and own a subsidiary.

Firms do not completely standardize all product features such as the label, because of the linguistic differences. In fact, the cases of Schwarzkopf, Lever Fabergé, and Wella respectively change the language of the product's instructions according to whether the product is sold in an Anglo-Saxon or French-speaking market, with the exception of L'Oreal, Johnson & Johnson, and Beiersdorf that make efforts to use a uniform language for its product instructions. In all cases, the quality remains identical. Only those firms that are old in the sector adopt international

coordination. Johnson & Johnson and L'Oréal use international coordination to impose adapted products through standardized channels in the European market.

### **6.3.3. The complete standardization issues**

As seen, European firms can standardize products for the EU market. However, as this study has shown, it is important to look at the nature of the product being standardized. Several researchers argued that industrial products are more suitable for standardization than consumer products. According to them, industrial products typically have a small number of buyers whose needs do not vary as greatly from one country to another. In contrast, consumer products typically have larger numbers of buyers, which may mean more segments with a variety of needs than industrial products. In the face of such heterogeneity, brand image customization is appropriate.

International firms in consumer markets are able to provide host markets with a wide range of choices to satisfy the needs of several segments. According to this idea, such firms may try to avoid having the same brand name across the different choices, because such a strategy may negatively affect the firm or product's image. Therefore, when the intensity of buyers is high, the tendency is toward decreased standardization. Others researchers, however, focus on the intensity of distribution, and, argue that products that are intensely distributed are usually aimed at more market segments than are those that are exclusively distributed. Intensity of distribution refers to the number and different levels of distribution channels for a product in market. Complicated channels of distribution characterize certain markets. Selective channels of distribution characterize other markets. Thus, convenience products are more often intensely distributed than special goods. Other findings indicate that in developing countries, cosmetics and pharmaceuticals are distributed more exclusively than food and drink products, and the brand names tend to be less modified.

To better match the European customers' requirements, it may be judicious to design different standardized products rather than a unique one. Each standardized product could be designed for a specific subset of customers. For a company that focuses on specific categories of customers for strategic reasons, it is helpful to identify a relevant set of customers. This is the case with L'Oréal or Johnson & Johnson. Implementation of product standardization necessitates the interrelationship between firms' headquarter and subsidiaries.

Nonfunctional qualities are known to play an important part in the consumer's judgment of quality, and are extremely difficult to measure. Nevertheless, the role of these attributes is as important to the production manager and to Schwarzkopf & Henkel as any that we found in the functional category. Here, we are dealing with questions related to the appearance of Brilliance

and the way in which the consumer interprets the tangible qualities of the output. To think in such terms requires a temperament that cannot easily be associated with the usual production department. Undoubtedly, this is why industrial designers have come to play an important role in the development of the styling attributes of Poly Brilliance.

The global area design is particularly useful for a firm whose strategy is driven by marketing rather than predicated on the efficiencies of manufacturing and technological innovation or for a firm whose competitive strength lies in the reputation of its brand name products. Further, the geographical focus of this design allows a firm to develop expertise about the local market. Area managers can freely adapt the firm's products to meet local needs and can quickly respond to changes in the local marketplace. They can also tailor the product mix they offer within a given area. Such a firm cannot sell all the firm's products in all areas but instead promotes only those that match local tastes and preferences.

A regional product, which has the same characteristics, is totally standardized. To control the finished standardized product, managers may use the standard manufacture of the product. Three main classes of systems have been identified: mass production, process production, and batch production. In the mass production environment, a standard range of products is usually produced on specialized facilities. In process production, the plan is usually dedicated to a single product or a single range of products and would normally be almost completely automated where the actual production operations are concerned. In batch manufacturing, however, the production equipment is generally non-specialized where the product is concerned and a wide variety of products and operations may be carried out on a single machine.

A key element of the process of standardizing product is timing decision, and firm operation coordination. The six cases studied identify the individual process required to standardize cosmetic products. Because only this approach is available for testing the following resulted:

- Interrelation approach could be developed regarding a firm's actual decision-making process in deciding to standardize the product.
- The product features could not be ranked in any order importance.
- The potential interactions among the product features, and any determination of whether they will be part of same, more general features, could not be determined.

In fact, these shortcomings are overcome by using the case study approach. At the same time, even if there are insufficient statistic data points, this approach is inherently strong in developing an understanding of the underlying process. This description helps to show that, with cosmetics, complete product standardization is realizable in a regional multicultural market such

as the European Union. Furthermore, we learn how marketing plays a significant role in the advancement of the field of international business; how marketing strategy constitutes a critical component of a firm's global strategy; and how companies develop effective global strategies to achieve sustainable competitive advantage in international markets.

At least, with respect to the academic community, the significance of this research does not lie in a dramatic overturning or extension of higher-level theories. It lies in bringing together and applying new methods and approaches to a management issue that has existed for many years but has yet to be fully explored. For practicing managers, the positioning propositions show that standardizing products is not an easy task. These difficulties force managers to rely on their operations-based internationalization to a much greater extent in host markets.

It should be noted that there is an important distinction between the process of standardization and the standardization continuum. The process of standardization, shown here through cosmetic products, always seeks to expand the total knowledge base of marketing. The standardization continuum attempts to solve the problem between adaptation and standardization. The attempt to determine the best strategy for the same product presence in a host market is a process of product standardization. The attempt to develop a model or to analyze firm cases for standardized or adapted product presence in a host market is a standardization-adaptation continuum. Thus, this work serves as a test for differentiating Product standardization process from Standardization-adaptation continuum. After conducting our research project, we now know about the process of product standardization, which we did not know before. From the above discussion of the proponents of either full standardization or extreme adaptation, one can conclude that it is more relevant to speak about the degrees of standardization on a continuum, for instance from fully standardized products to only loosely agreed product ideas. In the cosmetic industry, one common solution is to standardize the product platform and only make smaller adaptations for different markets, achieving both the benefits of an adapted offering and being able to spread often large outlays for R&D across a large number of countries.

In short, the contribution of our research to the knowledge about the process of product standardization is conceptually important. Product standardization in a multicultural market (EU) completes the studies on prices, and communication standardization in regional markets. Because it can be generalized to different firms, our problem-oriented research is a basic research in marketing and the learning potential for companies is enormous. In each case, the cosmetic industry had the potential for a regional system of products and markets that a company with a regional strategy could exploit.

For strategic planning, managers around the EU must anticipate possible outcomes from the perspective of companies inside the new consolidated market. Companies within the EU can gain great advantages by competing in a continental scale market and thereby avoiding duplication of administrative procedures, production, and marketing. Indeed, for insiders, a single EU internal market means greater efficiencies and greater economic growth through economies of scale and the removal of barriers, with the consequent lowering of unit costs.

## CONCLUSION

In this study, two main theoretical areas have been reviewed: product standardization and the global marketing strategies of firms. Moreover, this work integrates these areas by examining firm's initiatives for product standardization. This results in an understanding that both content and processes should be standardized to increase global or regional product.

This work has also identified a lack of research on product standardization, branding strategies and intercultural marketing, has described, and analyzed this phenomenon in the field of cosmetic products. Earlier research has examined the topic on a general level, in that the standardization of marketing mix has been well described, but product standardization has been under researched, especially with respect to firm-specific factors and regional market structure. We have explored the possibilities for standardization of the product, brand and label dimensions by widening the discussion to include production process as well as the cooperation and coordination of units. Further, we have divided each of the elements into dimensions and managerial alternatives that were then illustrated by examples from earlier literature or our own observation. We have also developed a framework and set propositions to explain product standardization process in the cosmetic field. These tools are beginning to open up possibilities for further empirical research.

Clearly, to standardize products, firms need, first to create uniform product characteristics (brand, quality/formula, quantity/size, label/design, and package), second to coordinate cooperation between headquarters and other firm units in terms of the conception of standardized products, planning, and implementation operations. There are indications that new international business models increase the value of product standardization in a regional multicultural market.

In the EU, companies have first adopted a pattern of more intensive product specialization (i.e. horizontal). Sometimes, but not always, this rationalization has been accompanied by a pan-European marketing (global standardization). Second, some MNCs specialized along a particular value added chain (i.e. vertical specialization, or process standardization). Third, the pattern of specialization is likely to depend on the type of inter-firm competition promoted by economic integration. Thus, removing restrictions on government procurement and encouraging the harmonization of cross-border technical standards may open up possibilities for more inter-firm specialization of similar products. More generally, it might be expected that integration would promote a more hierarchical division of labor, with high value activities being concentrated in one or two central locations, and lower value activities being dispersed. Sometimes specialization is based on traditional factor endowments, sometimes on the



need to take advantage of economies of scale and sometimes on the macro-organization policies pursued by government.

A review of the study indicated that product standardization is linked to branding, packaging and labeling. As a result, there is a need for MNCs to ensure the uniformity of its brand, package and label of products in the global market. According to interviews conducted with decision makers, certain generalizations can be drawn from the preceding analysis of the case studies. First, the study provides evidence for those who argue that product standardization is often initiated by product characteristic or, in certain cases, by firm specific factors. The case studies reveal that MNC headquarters decide the conception of the product feature's similarity by ensuring the uniformity of the brand, package, label and quality.

Over all, it would appear that MNCs in a regional multicultural market could standardize products. Little evidence of global standardization, process standardization and modular standardization was found, contrary to the belief popularized by adaptation school of thought literature. New types of standardization models were reviewed. Furthermore, this study makes it clear that the role of culture upon a regional market may not always be a strong barrier as previous studies have implied.

One possible direction for future research would be to study product standardization in the international market as the next century approaches. A temporal perspective is necessary in this regard, if only because regional firms with no international involvement today may become specialized players in the international markets of tomorrow. Future researchers, however, should be fully aware of inter and especially intrasectoral differences among advanced cosmetic standardization. In other words, the research focus utilized in this study might uncover stronger regional differences if applied to other products standardization.

The findings of this dissertation have demonstrated a need for informing regional managers regarding existing and potential opportunities for regional product standardization. The study avoids environmental factors and the intensity of market structures. The type of firms that were successful in such efforts was somewhat evenly distributed among proprietorships, partnerships, and strategic alliances. This appears to indicate that opportunities for regionalization with standardized products do exist currently for all size classes. To an extent, the perception that international markets and economies of scale are not accessible to the small firms may need to be modified. International marketing institutes have the capability to improve the accessibility of educational courses regarding these opportunities and the ways to obtain them. Finally, the academic marketing departments of local universities must accept the

responsibility of internationalizing the marketing and management curricula in anticipation of improving the supply of skilled expertise necessary to meet the demands of tomorrow.

## APPENDIXES

### *Appendix 1: Interview guideline*

#### **English version**

- 1- Do you sell products in all the European Union?
- 2- How many products do you sell in the EU?
- 3- Which products do you sell in all the European Union?
  - Which brands? Which group of product (Nail, skin, hair, dental)?
- 4- Do these products keep the same characteristics in all markets (brand-name, design...)?
  - Are labels, designs and brand-name of these products the same?
  - Are chemical composition, formula, and quality of these products the same?
- 5- According to you, what is product standardization?
- 6- Do you standardize your product for the international market or for the EU?
- 7- How your company realizes such technically standardization on the European markets?
  - Which initiatives your firms use for the standardization process?
- 8- How these standardized products are distributed all over the European Union?
- 9- How is your company internal structure?
  - Do you have export department or international division?
- 10- How is your company external structure?
  - Do you have affiliates, subsidiaries, joint venture, licensing or branches?
- 11- Does your company's structure (internal & external) influence this standardization process?
- 12- How these internal and external structures implement the product standardization process in the EU?
- 13- What could you advice to another firm which need to standardize its products in Europe?

#### **German version**

- 1- Verkaufen Sie Produkte in der gesamten Europäischen Union?
- 2- Wie viele Produkte verkaufen Sie in der gesamten EU?
- 3- Welche Produkte verkaufen Sie in der EU?
  - Welche Marke? Welche Kategorien? (Nägel, Haare, Hautpflege, Zähne)
- 4- Bleiben diese Produkte auf dem ganzen EU Markt gleich? (Markennamen, Designs, Labels, Formen, Farben bleiben gleich?)
  - Sind die Produktmerkmale in den verschiedenen EU Märkten gleich?
- 5- Was ist Produkt Standardisierung?
- 6- Sind Ihre Produkte in der Europäischen Märkte standardisiert?
  - Standardisieren Sie Ihren Produkten für den Internationalen Markt oder für EU Markt?
- 7- Wie standardisieren Sie solche Produkte?
- 8- Wie sind diese Produkte in der Europäischen Union verteilt?
- 9- Wie ist Ihre Firma intern Strukturiert? (Hat Ihre Firma eine Internationale Abteilung, oder Export Abteilung)
- 10- Wie ist Ihre Firma extern Struktur? (Hat Ihre Firma Filialen oder Jointventures oder exportieren Sie)
- 11- Beeinflußt diese Struktur (intern und extern) den Prozeß der Standardisierung?
- 12- Wie beeinflusst die Firmenstruktur die Produkt-Standardisierung in den EU-Märkten?
- 13- Was raten Sie einem Unternehmen, das seine Produkte in Europa vereinheitlichen möchte?

## **Appendix 2: Companies websites**

[www.loreal.de](http://www.loreal.de)  
[www.lever-faberge.de](http://www.lever-faberge.de)  
[www.unilever.de](http://www.unilever.de)  
[www.henkel.de](http://www.henkel.de)  
[www.johnsonjohnson.de](http://www.johnsonjohnson.de)  
[www.investor.jnj.com](http://www.investor.jnj.com)  
[www.straub-cosmetic.de](http://www.straub-cosmetic.de)  
[www.beiersdorf.de](http://www.beiersdorf.de)  
[www.beiersdorf.com](http://www.beiersdorf.com)  
[www.wella.de](http://www.wella.de)  
[www.schwarzkopf.de](http://www.schwarzkopf.de)  
[www.herbacin.de](http://www.herbacin.de)  
[www.berlin-cosmetics.de](http://www.berlin-cosmetics.de)  
[www.biomaris.com](http://www.biomaris.com)  
[www.cosmetic.de](http://www.cosmetic.de)  
[www.ikw.org](http://www.ikw.org)  
[www.gfk.com](http://www.gfk.com)  
[www.nielsen.com](http://www.nielsen.com)  
[www.nielsen-media.de](http://www.nielsen-media.de)  
[www.drotax.de](http://www.drotax.de)  
[www.colipa.com](http://www.colipa.com)  
[www.bfai.com](http://www.bfai.com)  
[www.mintel.com](http://www.mintel.com)  
[www.codman.de](http://www.codman.de)  
[www.cosmeticsint.co.uk/yearbook](http://www.cosmeticsint.co.uk/yearbook)  
[www.cosmetic-campus.de](http://www.cosmetic-campus.de)  
[www.baby.com](http://www.baby.com)  
[www.evianaffinity.com](http://www.evianaffinity.com)  
[www.roc.com](http://www.roc.com)  
[www.beauty-professionals.de](http://www.beauty-professionals.de)  
[www.beauty-forum.com](http://www.beauty-forum.com)  
[www.cosmetic-net.de](http://www.cosmetic-net.de)  
[www.beauty-international.de](http://www.beauty-international.de)  
[www.messe-duesseldorf.de](http://www.messe-duesseldorf.de)  
[www.cosmade.com](http://www.cosmade.com)  
[www.hsa.it](http://www.hsa.it)  
[www.pinmao.com](http://www.pinmao.com)  
[www.cosmeticnews.com](http://www.cosmeticnews.com)

**Appendix 3: Firm documentations**

| <i>Intern documents Intern documents</i>   | <i>Extern documents</i>  |
|--|--|
| <ul style="list-style-type: none"> <li>- Catalog <ul style="list-style-type: none"> <li>Unilever product catalog</li> <li>Johnson &amp; Johnson catalog</li> </ul> </li> <li>- Letters <ul style="list-style-type: none"> <li>L'Oreal Brief an die Aktionäre, Mai 2003 ( summary for business report 2002)</li> <li>Internet monthly letter of Beiersdorf</li> </ul> </li> <li>- Reports <ul style="list-style-type: none"> <li>Wella AG annual reports</li> <li>Wella interim reports</li> <li>Wella Ad Hoc Notices</li> <li>Wella Press Releases</li> <li>Wella AG Management report</li> <li>Wella AG Report of the Business Division</li> <li>Beiersdorf Annual Report 2001/2002/2003</li> <li>Beiersdorf Management Report 2001/2002/2003</li> <li>Beiersdorf sustainability Report</li> <li>Johnson &amp; Johnson annual reports 2002, 2003</li> <li>L'Oréal annual reports 2002, 2003</li> <li>Lever Fabergé reports</li> <li>Unilever reports</li> <li>Schwarzkopf reports</li> <li>Henkel reports</li> </ul> </li> <li>- Technical journal, firm magazines <ul style="list-style-type: none"> <li>Beiersdorf Group Notes</li> </ul> </li> <li>- Administrative documents and other internal documents <ul style="list-style-type: none"> <li>Beiersdorf Company Brochure</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>- News paper, articles appearing in the mass media, magazines <ul style="list-style-type: none"> <li>- Beauty Forum 1/ 3/2004 ( Die Kosmetik - Fachzeitschrift für Europa)</li> <li>- Parfümerie Journal 1/2004- Januar/Februar</li> <li>- Hand &amp; nails March/April/Mai 2004</li> <li>- Clips March 2004</li> <li>- Maxi, April 2003</li> <li>- Export Magazine/Beauty distributor</li> <li>- Parfümerie aktuell, Nr. 1 Januar 2004, Nr. 3 März 2004</li> <li>- Kosmetik, Nr. 3, March 2004</li> <li>- International Cosmetic News (the magazine for beauty professionals) February/March 2004, No 67</li> <li>- Cosmetics (the global beauty news bulletin) 12 March 2004, vol. XXVIII, no 626</li> <li>- The world cosmetics industry yearbook 2004</li> <li>- Beauty Business news, 172/15-21 March 2004</li> <li>- Beauty news, summer 2004</li> </ul> </li> <li>- Research cosmetic Institute publication (Cosmetic Academy)</li> <li>- A.C. Nielsen documentation</li> <li>- Handelskammer Kosmetik Zeitung</li> <li>- Cosmetic trade fair documents</li> <li>- Beauty International 2004, Düsseldorf fair <ul style="list-style-type: none"> <li>- Cosmade 2004, Düsseldorf fair</li> </ul> </li> <li>- IKW documents</li> <li>- GfK brochures-Product and concept Research (Growth from Knowledge is a Germany's first market research institute)</li> <li>- Drotax newsletter (Drotax - group is an established specialist for market research and market information. It act in the areas Food, Non-food and drugstore products (cosmetics and toiletries))</li> <li>- Colipa publications( the European cosmetic, toiletry and perfumery association, is located in Brussels)</li> <li>- Bfai documents (Bundesagentur für Außenwirtschaft (Servicestelle des Bundesministeriums für Wirtschaft und Arbeit))</li> <li>- Mintel report</li> </ul> |

## Appendix 4: Beiersdorf A.G. products

| Product divisions                        | Brands of global standing | Product Categories   | Product lines                              | Product types   |
|--|---------------------------|----------------------|--|---|
| Cosmetics /<br>Personal Care<br>(Cosmed) | Nivea                     | Nivea visage         | 10   | 46  |
|  |                           | Nivea Beauté         | Lip  | color Velvet<br>Lip contour stay-on<br>Nivea beauté True Intensity<br>lippenstift<br><b>color shine</b><br>gloss Kiss<br>click & shine<br>one for all |
|  |                           |                      | Eyes                                       | 15  |
|  |                           |                      | Face                                       | 12  |
|  |                           |                      | Nail                                       | <b>Flex &amp; Strong with Bamboo</b><br><b>color Dynamite</b><br>aroma Shine<br>pastel Power<br>Top, base & care coat                                 |
|  |                           | Nivea cream          | Dose                                       | 30ml<br>75ml<br>100ml<br>150ml<br><b>250ml</b><br>400ml   |
|  |                           |                      | Tube                                       | 6   |
|  |                           | Nivea soft           | Tube                                       | 1   |
|  |                           |                      | Tiegel                                     | 1   |
|  |                           | Nivea hair care      | Kuren                                      | 20  |
|  |                           |                      | Shampoos                                   | 16(anti-fat shampoo)  |
|  |                           |                      | Spülungen                                  | 7   |
|  |                           |                      | Hair gel                                   | 8   |
|  |                           |                      | Hair spray & luck<br>Schaumfestiger & lack | 12(hairspray normal halt)<br>7  |
|  |                           | Nivea body           | Feuchtigkeitspflege                        | Balsam<br><b>Lotion</b><br>Milk   |
|  |                           |                      | Spezialpflege                              | 9   |
|  |                           | Nivea sun            | 6  | 32  |
|  |                           | Nivea men            | 4  | 27  |
|  |                           | Nivea hand           | 1  | 3   |
|  |                           | Nivea deodorants     | Spray                                      | 7   |
|  |                           |                      | Zerstäuber                                 | 6   |
|  |                           |                      | Stick                                      | 6   |
|  |                           |                      | Roll-on                                    | 7   |
|  | Compact                   |                      | 3  |   |
|  | Cream                     |                      | 1  |   |
|  | Nivea vital               | 3                    | 16   |   |
|  | Nivea bath care           | 4                    | 53   |   |
|  | 8*4                       | Deodorants           | Deo spray                                  | 10 (mild & soft)  |
|  |                           |                      | Deo roll-on                                | 10  |
|  | Compact deos              |                      | 3  |   |
|  |                           | Soaps                | 4  |   |
|  | Atrix                     | Hand protective care | Intensive protection cream                 | 2   |
|  |                           |                      | Soft protection cream                      | 1   |
| Professional repair-cream                |                           |                      | 1  |   |
| Hand & nail balm                         |                           |                      | 1  |   |
| Labello                                  | LIP Care                  | Basic care           | classic                                    |   |
|  |                           | Soft beauty          | 13   |   |
|  |                           | Sophisticated care   | 4  |   |
|  | Performance care          | 4                    |  |   |
| La prairie                               | 14                        | 23                   | 36   |   |
| Juvena                                   | Personal skin collection  | 4                    | 14   |   |
|  | Rejuven                   | 3                    | 6  |   |
|  | Rejuvenulti-max           | 2                    | 2  |   |
|  | Juvenance                 | 4                    | 13   |   |
|  | Juvenance selection       | 3                    | 14   |   |

**Beiersdorf A.G. products**

| <b>Product divisions</b>           | <b>Brands of global standing</b>  | <b>Product Categories</b> | <b>Product lines</b>  | <b>Product types</b>                    |
|------------------------------------|---|---------------------------|---|---|
| Cosmetics / Personal Care (Cosmed) |   | Juvelia                   | 3   | 9                                       |
|                                    |   | Body                      | 3   | 9                                       |
|                                    |   | Discover                  | 4   | 9                                       |
|                                    |   | Sunsation                 | In the sun  | 10                                      |
|                                    |   |                           | After the sun   | 4                                       |
|                                    | Self tan  |                           | 3-Dimensional Face self tan<br><b>3-Dimensional body self-tan</b>   |   |
|                                    | Florena   | Skin and hand creams      | Soft cream  | 2 (soft cream with Camille + vitamin E) |
|                                    |   |                           | All-purpose cream   | 2                                       |
|                                    |   |                           | Hand care   | 5                                       |
|                                    |   | Body care                 | Milk/lotions/cream  | 4                                       |
|                                    |   |                           | Lady shave  | 2                                       |
|                                    |   |                           | Deodorants  | 6                                       |
|                                    |   |                           | Foot care   | 2                                       |
|                                    |   | Face care                 | Dry and sensitive skin  | 5                                       |
|                                    | Normal and combination skin   |                           | 4   |   |
| Intensive care with Q10            | 4   |                           |   |   |
| For every skin type                | 5   |                           |   |   |
| For mature skin                    | 7   |                           |   |   |
| For young skin                     | 10  |                           |   |   |
| Showering/bathing and Soaps        | Shower care   | 6                         |   |   |
|                                    | Wellness shower gels  | 3                         |   |   |
|                                    | Skin care in the bath   | 4                         |   |   |
|                                    | Essential oils  | 3                         |   |   |
|                                    | Soaps   | 5                         |   |   |
| Fruity and flowery soaps           | 5   |                           |   |   |
| Men care                           | Normal and sensitive skin   | 4                         |   |   |
|                                    | Sensitive skin  | 4                         |   |   |
|                                    | Arctic line   | 7                         |   |   |
|                                    | Wild River line   | 6                         |   |   |
| Hair Care                          | Styling   | 4                         |   |   |
|                                    | Shampoos, conditioners and intensive treatment  | 7                         |   |   |
|                                    | Hair tonic  | 3                         |   |   |
| Health care products (Medical)     | Hansaplast  | Plaster                   | Hansaplast Universal  |   |
|                                    | Elastoplast   | Plaster                   | Elastoplast Active Gel Strip  |   |
|                                    | Eucerin   | Medicinal Skin Care       | Sensitive skin  | 6                                       |
|                                    |   |                           | Dry skin  | 2                                       |
|                                    |   |                           | Sensitive facial skin   | 5                                       |
|                                    |   |                           | Impure skin   | 1                                       |
| Mature skin                        | 4   |                           |   |   |
| Sensitive scalp                    | 4   |                           |   |   |
| Sun sensitive skin                 | Hydro balance<br>Hydro protect<br><b>Q10 Active</b><br>Q10 active fluid<br>Q10 Active eye cream<br>Q10 Active night |                           |   |   |
| Futuro                             | Medicinal Skin Care   |                           |   |   |
| Adhesives                          | tesa  | Fastening                 | tesa Easy Splice  |   |
|                                    |   | Masking                   | tesa Sleeve<br>tesa Bodyguard<br>tesa Glass guard<br>tesa Easy Foam |   |
|                                    |   | Packaging                 | Deco Power strips<br>Harry Potter Hooks<br>tesa Kleister            |   |

## Appendix 5: Lever Fabergé GmbH products

| Product groups                     | Brands                         | Product categories            | Product lines   | Products types                        |                           |
|------------------------------------|--------------------------------|-------------------------------|---|---------------------------------------|---------------------------|
| Personal care                      | Dove                           | Hair care                     | Shampoo   | <b>Hair shampoo</b><br>cleansing care |                           |
|                                    |                                |                               | Conditioners  | <b>Hair curl</b>                      |                           |
|                                    |                                | Body Care,                    | Body beauty   | Body milk                             | Body lotion               |
|                                    |                                |                               |   | <b>Body silk (cream)</b>              | Hand cream                |
|                                    |                                | Wash<br>Cleansing             | Body Wash   | Cream shower                          | Cream bath                |
|                                    |                                |                               |   | Cream bar                             | Cream wash                |
|                                    |                                | Deodorants                    | Anti-Perspirant   | Deodorant spray                       |                           |
|                                    |                                |                               |   | Body Refreshers                       | Deo roll-on<br>Zerstäuber |
|                                    | Timotei                        | Hair care                     | Shampoos mit Extrakten<br>aus                                   | Wildkräutern                          | Wildblütennektar          |
|                                    |                                |                               |   | Zitrone                               | Orange                    |
|                                    |                                |                               | Kamille   |                                       |                           |
|                                    |                                | Shampoo Kids                  | <b>Timotei Shampoo Kids</b>                                     |                                       |                           |
|                                    |                                | Haarspülungen<br>extrkten aus | mit   | Wildkräutern                          | Wildblütennektar          |
|                                    | Axe                            | Perfume                       | Deodorants<br>Duschgel<br>Aftershave                            | <b>Phoenix</b>                        | Pulse                     |
|                                    |                                |                               |   | Dimension                             | Alaska                    |
|                                    |                                |                               |   | Moschu                                | Gravity                   |
|                                    | Rexona                         | Perfume                       | Deodorants spray<br>Roll-on<br>Zerstäuber<br>Stick<br>Dry cream | Crystal clear Aqua                    | Crystal Pure Silver       |
|                                    |                                |                               |   | Active                                | Pro Balance               |
|                                    |                                |                               |   | Cotton dry                            | <b>Oxygen fresh</b>       |
|                                    |                                |                               |   | For men cobalt blue                   | For men mineral           |
|                                    |                                |                               | For men ionic   |                                       |                           |
| CD                                 | Toiletry                       | Bath products                 | Aqua-Dusche   | Feuchtigkeits-Dusche                  |                           |
|                                    |                                |                               | Mineral-Dusche  |                                       |                           |
|                                    |                                | Skin care                     | <b>Feuchtigkeits Lotion</b>                                     | Feuchtigkeit Cream                    |                           |
|                                    |                                |                               | Shower bath   | CD wasch Lotion                       |                           |
|                                    |                                | Soap                          | CD saop   |                                       |                           |
| Deodorants                         | Deo Zerstäuber                 | Balsam Deo                    |   |                                       |                           |
| Mentadent                          | Tooth Care                     | Tooth paste                   | Micro granule tooth paste                                       | Sensitive extra tooth paste           |                           |
|                                    |                                |                               | <b>Active tooth paste</b>                                       | <b>Mentadent mouth washes</b>         |                           |
|                                    |                                | Mouth washes                  |   |                                       |                           |
| Pepsodent                          | Mouth care                     | Tooth paste                   | <b>Red gel</b>  | Bi calcio-activ                       |                           |
|                                    |                                |                               | Herbal  | Integral                              |                           |
|                                    |                                |                               | Whitening   | Fresh gel                             |                           |
|                                    |                                |                               | Minipep   | Enjuague bucal                        |                           |
|                                    |                                |                               | <b>Seda dental</b>  |                                       |                           |
| Signal                             | Tooth care                     | Tooth paste                   | Integral fresh action tooth paste                               | White system tooth paste              |                           |
|                                    |                                |                               | <b>Anti-caries tooth paste</b>                                  | Kid tooth paste                       |                           |
| Home care<br>/Washing,<br>Cleaning | Coral<br>Sunil<br>Kuschelweich | Washing<br>Care (detergents)  |   |                                       |                           |
|                                    | Domestos<br>Viss               | Cleaning Care                 |   |                                       |                           |



**Appendix 6: L'Oréal Deutschland GmbH products**

| <i>Product groups</i> | <i>Product brand-names</i>         | <i>Product categories</i> | <i>Product lines</i> | <i>Product types</i>  |  |
|-----------------------|------------------------------------|---------------------------|----------------------|---|--|
| Fragrances            | Lancôme                            | Perfume                   |                      |   |  |
|                       | Helena Rubinstein                  |                           |                      |   |  |
|                       | Cacharel                           |                           |                      |   |  |
|                       | Giorgio Armani                     |                           |                      |   |  |
|                       | Guy Laroche                        |                           |                      |   |  |
|                       | Biotherm                           |                           |                      |   |  |
|                       | Lanvin                             |                           |                      |   |  |
|                       | Paloma Picasso                     |                           |                      |   |  |
| Ralph Lauren          |                                    |                           |                      |   |  |
| Cosmetics             | L'Oréal Professionnel (for salons) | Color                     | Permanent color      | Composite color<br>Crescendo<br><b>Luo color</b><br>Maji contraste<br>Majiblond<br>Majirel<br>Majirouge<br>Majirougemix   |  |
|                       |                                    |                           | Tone on tone color   | Diacolor gelée<br>Diacolor homme<br>Diacolor richesse   |  |
|                       |                                    |                           | Temporary color      | Farandol<br>Rénovative  |  |
|                       |                                    |                           | Prelighteners        | Blondy<br>Majimeches<br>Platifiz précision<br>Platine précision   |  |
|                       |                                    |                           | Hair care            | Color   | 14   |
|                       |                                    |                           |                      | Silver  | Sylver shampoo   |
|                       |                                    |                           |                      | Volume  | Volume extreme conditioner<br><b>Volume extreme leave in mousse conditioner</b><br>Volume extreme shampoo                |
|                       |                                    |                           |                      | Repair  | Intense repair masque<br><b>Intense repair shampoo</b><br>Hydra repair<br>Intense repair conditioner<br>Powerdose repair |
|                       |                                    | Liss Blondy               |                      | Liss extreme conditioner<br>Liss extreme rinse-out treatment<br>masque<br>Liss extreme shampoo<br><b>Liss fluid serum</b> |  |
|                       |                                    | Curl                      |                      | Power dose shine curl<br>Shine curl conditioner<br>Shine curl shampoo   |  |
|                       |                                    | Solar                     |                      | Solar shampoo<br>Solar masque<br>Solar summer shine fluid gel   |  |
|                       |                                    | Control                   |                      | Normal control shampoo<br>Sebo control shampoo  |  |
|                       |                                    | Styling                   | Texture              | 6   |  |
|                       |                                    |                           | Shine                | digit gloss<br>gloss control<br>gloss polish<br>gloss wax   |  |

**L'Oréal Deutschland GmbH products**

| <i>Product groups</i> | <i>Product brand-names</i>        | <i>Product categories</i> | <i>Product lines</i>                                       | <i>Product types</i>  |              |
|-----------------------|-----------------------------------|---------------------------|--|---|--------------|
| Cosmetics             | L'Oréal Professionnel (for salon) | Styling                   | Fix  | air fix<br>fix anti-frizz<br>fix design<br>fix max  |              |
|                       |                                   |                           | A-head   | 6   |              |
| Air                   |                                   |                           | airfluid<br>airpump  |   |              |
| Hot style             |                                   |                           | <b>Constructor</b><br>Iron finish                          |   |              |
| Sprays                |                                   |                           | Elnett<br>Finition xf<br>Pure                              |   |              |
|                       | L'Oréal Paris                     | Hair care                 | Elvital/Elvive/Elsève                                      | Stylist mousse<br>Color protection<br>Vitamax<br>Refreshing<br>Smooth intense<br>For men<br>Age defying<br>Anti breakage<br>Non stop volume<br>L'Oréal kids |              |
| Skin care             |                                   |                           |  | 9   | 37           |
| Hair color            |                                   |                           |  | 7   | 27           |
| Hair styling          |                                   |                           |  | Studio line<br>Studio line special FX<br>Elnett<br>Elvital styliste mousse  | 18<br>7<br>5 |
|                       |                                   |                           |  | Face cosmetics  | Foundation   |
|                       |                                   | Powder                    | Translucide compact<br><b>Glam bronze</b>                  |   |              |
| Concealer             |                                   | Touche magique            |  |   |              |
| Eyes cosmetics        |                                   | Blushes                   | Blush délicieux  |   |              |
|                       |                                   |                           | Mascara  | <b>Lash architect</b><br>Intensifique<br>Longitude<br>Voluminous X4<br>Double extension   |              |
|                       |                                   | Eye shadow                |  | Color appeal<br>Super liner<br>Color resist<br>Color appeal holographic<br>Contour resist   |              |
| Lips cosmetics        |                                   | Long lasting lip color    | Invincible<br>Invincible platinum<br>Invincible kiss proof |   |              |
|                       |                                   | Moisturizing lip color    | Color riche crystal shine<br>Color riche                   |   |              |
|                       |                                   | Glossy lip color          | Glam shine<br>Pastel repair                                |   |              |
|                       |                                   | lip liner                 | Invincible lip liner                                       |   |              |
| Nail cosmetics        |                                   | Long lasting              | Ceramide resist<br><b>Chrome shine</b>                     |   |              |
|                       |                                   | Quick dry                 | <b>Jet Set shine</b>                                       |   |              |
|                       |                                   | Nail care                 | <b>Forte strong</b>  |   |              |

**L'Oréal Deutschland GmbH products**

| <i>Product groups</i> | <i>Product brand-names</i>              | <i>Product categories</i>          | <i>Product lines</i>   | <i>Product types</i>   |   |
|-----------------------|---|------------------------------------|--|--|---|
| Cosmetics             | Kérastase                               | Hair care                          | Shower milk<br>Cream   | Nutri-sculpt<br>Nutri-sculpt<br>Nutri-sculpt                             |   |
|                       | Inné                                    | Hair care                          | 2  | 2  |   |
|                       | Garnier                                 | Hair care                          | 3  | 3 Fructis  |   |
|                       | Jade Maybelline                         | Eyes                               | Mascara  |  | <b>Sky high curves</b><br>Infinite black<br>Deep brown<br>Cosmic blue |
|                       |   |                                    |  |  | Lip   |
|                       |   | Nail                               | Nail lacquer<br>Nail care  | Colorama<br><b>Repair fluid</b>  |   |
|                       |   | Taint                              | Make-up<br>Corrector stick   | Wonder finish<br>Ever fresh concealer                                    |   |
|                       | Redken 5 <sup>th</sup> avenue NYC       | Hair care                          | 10   | 54   |   |
|                       |   | Styling                            | Mild control   | 5  |   |
|                       |   |                                    | Medium control<br>Maximum control  | 6<br>6   |   |
|                       |   | Color                              | Color fusion   | 4  |   |
|                       | Metro color<br>Shades EQ<br>Blondierung |                                    | 5<br>4<br>5  |  |   |
|                       | Texture                                 | Permanent wave<br>Vertical         | 5<br><b>Verticolor</b>   |  |   |
|                       | La Roche-Posay                          | Dye                                | Make-up  | 5  |   |
|                       |   |                                    | Powder   | <b>Unifiance poudre libre</b><br>Unifiance touché pro                    |   |
|                       |   |                                    | Rouge  | Blush stretch  |   |
|                       |   | Eyes                               | Mascara  | 4  |   |
|                       |   |                                    | Lidschatten  | Respectissime mono-lidschatten   |   |
|                       |   |                                    | Eyeliner   | Respectissime liner intense  |   |
|                       |   |                                    | Konturenstift  | Respectissime crayon-mine  |   |
|                       |   | Lip & nail                         | Lipstick   | 5  |   |
|                       |   |                                    | Nail lacquer   | Varnish Crystal<br>Varnish silicium                                      |   |
|                       |   |                                    | Nail polish  | Pure dissolvent  |   |
|                       |   | Hair                               | shampoo  | Normaker<br>Pityker<br>Saliker   |   |
|                       | Skin                                    | Cream, lotion and milk             | 57   |  |   |
|                       | Thermal water                           | Spray                              | Thermal water la roche-posay   |  |   |
|                       | Vichy                                   | Dermatology and skin care cosmetic | Face care  | Détox<br>Thermal S1 & S2<br>Nutralogie 1 & 2<br>Normaderm<br>Lift active |   |
|                       |   |                                    |  | Skin care  | Lumi active<br>Réti C   |
|                       |   |                                    | Body care  | Lipodiose 1 & 2<br>D-stock   |   |
|                       |   |                                    | Baby care  | 5  |   |
| Hair care             |   |                                    | Dercap for men<br>Dercap for women   |  |   |
| Sunscreen             |   |                                    | Capital soleil milk<br>Capital soleil gel<br>Capital soleil spray<br><b>Capital soleil cream</b> |  |   |
| Men care              |   |                                    | 6 for Skin<br>3 for deo  |  |   |
| Innéove               | Dermocosmetic                           | Hautdicht (skin)                   | 1  |  |   |

**Appendix 7: Schwarzkopf group GmbH products**

| <i>Product groups</i> | <i>Product categories</i> | <i>Product brand-names</i> | <i>Product lines</i> | <i>Products types/series</i>  |
|-----------------------|---------------------------|----------------------------|----------------------|---|
| Hair Care             | Color                     | Brillance                  | Blond                | 804 Platin<br>811 Scandinavia<br>813 Satin<br>814 Gold<br>823 Sand<br>840 Mittelblond<br>C820 Pashmina  |
|                       |                           |                            | Rot                  | 842 Kaschmir<br>848 Flame<br>868 Granat<br>872 Intensivrot<br>875 Rubinrot<br>C845 Brokat   |
|                       |                           |                            | Violett              | 859 Wildseit<br>876 Edelmahagoni<br>879 Wild-Pflaume<br>886 Rouge Noir<br>888 Dunkel Kirsche<br>889 Aubergine   |
|                       |                           |                            | Braun-Schwarz        | 857 Goldbraun<br>862 Naturbraun<br>864 Rehbrown<br>867 Herbstbraun<br>874 Samt Braun<br>880 Dunkelbraun<br>887 Mahagoni Satin<br><b>890 Schwarz</b><br>891 Blau-Schwarz<br>C873 Damast Braun<br>C896 Schwarzrot |
|                       |                           | Country colors             | Schwarz              | <b>85 Asia-Blauschwarz</b><br>90 Kenya-Schwarz  |
|                       |                           |                            | Blond                | 20 Teneriffa-hellblond<br>22 Menorca-Goldblond<br>30 Korsika-Mittelblond  |
|                       |                           |                            | Braun                | 49 Cognac-Haselnuss<br>50 Vienna-Helbraun<br>65 Highlands-Kastanie<br>70 Brazil-Dunkelbraun<br>80 Arabia-Schwarzbraun   |
|                       |                           |                            | Rot                  | 45 Toscana-Herbstrot<br>58 Grand Canyon-Granatrot<br>63 Virginia-Rotbuche<br>68 Andalous-Dunkel Mahagoni<br>72 Bordeaux-Weinrot<br>75 Madagaskar-Rouge Noir   |
|                       |                           |                            | Violett              | 59 Mauritius-Aubergine<br>69 Provence-Dunkel Kirsche  |

**Schwarzkopf group GmbH products**

| <i>Product groups</i> | <i>Product categories</i> | <i>Product brand-names</i> | <i>Product lines</i>  | <i>Products types/series</i>   |
|-----------------------|---------------------------|----------------------------|---|--|
| Hair care             | Color                     | Live color                 | Schwarz   | Color<br>90 Cosmic Bleu<br><b>99 Deep Black</b><br>69 Blau-Schwarz<br>90 Cosmic Blau   |
|                       |                           |                            | Blond   | Color<br>01 Aufheller<br>10 Blond extreme<br>18 Ocean Drive Blond<br><br>53 Savanna Blond  |
|                       |                           |                            | Braun   | Color<br>53 Soho Bronze<br>68 Jackie Brown<br>70 Endless Brown<br><br>58 Jackie Brown<br>61 Kastanie<br>63 Mahagoni<br>65 Dunkelbraun  |
|                       |                           |                            | Rot   | 35 Real red<br>40 Red Planet<br>44 Lively Ruby<br>46 Cyber purple<br>48 Red night<br>R37 Hypnotic Red<br>R43 Red Passion<br>R49 Black Red<br>28 Magic Mango<br>35Real red<br>46Cyber Purple<br>60Cayenne<br>62Havana red<br>64Wild-Kirsche<br>68Rouge Noir<br>72Granat<br>73Red-Pepper |
|                       |                           |                            | Violet  | 75 Cherry Fever<br>80 Purple Whisper<br>67 Aubergine<br>71 Wild-Pflaume<br>80Purple Whisper  |
|                       |                           | Poly Re-nature             | PRN for women<br>PRN for men  | 14<br>8  |
|                       |                           | Poly vital color           | Poly vital color  | 24   |
|                       |                           | Vision                     | Color creation  | Pre-color-Lotion<br>Color-Crème<br>Color-Conditioner   |
|                       |                           | Taft                       | Fixierend<br>Classic<br>Color-Glanz<br>Volume<br>Flexible<br>Glanz<br>Power | 12<br>14<br>6<br>8<br>4<br>5<br>5  |

**Schwarzkopf group GmbH products**

| <i>Product groups</i> | <i>Product categories</i>  | <i>Product brand-names</i>                  | <i>Product lines</i>   | <i>Products types/series</i>                              |                           |  |
|-----------------------|--|---|--|---|---------------------------|--|
| Hair care             | styling  | Poly home perms                             | Poly Lock<br>Poly Style<br>Poly Sensitive  | 3<br>2<br>2   |                           |  |
|                       |  | Poly swing                                  | Poly Swing   | 4   |                           |  |
|                       |  | Taft  | Taft   | <b>Ultra starker halt</b>                                 |                           |  |
|                       |  | Taft Xpress                                 | Taft Xpress  | 13  |                           |  |
|                       |  | Gliss kur                                   | Gliss Kur  | <b>Glanz tonic</b>  |                           |  |
|                       | care   | Poly Kur/Botanic care                       | Poly Kur/Botanic Care<br>Poly Kur/Energizer  | 4<br>3  |                           |  |
|                       |  | Seborin                                     | seborin  | 1   |                           |  |
|                       |  | Schauma/Glemo                               | Schauma<br>Glemo<br>Schauma Kids   | 5<br>2<br>4   |                           |  |
|                       |  | Body  | Bac  | Bac spray<br>Bac stick<br>Bac roll On<br>Bac Duschgel     | 6<br>6<br>5<br>4          |  |
|                       |  |   |  |   | Barnängen                 | B Crème<br>B Essentials<br>B Barn              |
| Fa deo                | Fa Deospray<br>Fa Deo Stick<br>Fa Deo Click Stick<br>Fa Deo Roll-on<br>Fa Deo Vapo |   |  |   |                           | <b>Deo spray</b><br>6<br>2<br>3<br>3           |
|                       | Fa Foam Bath   |   |  |   |                           | Fa Foam Bath<br>Fa Orange Blossom<br>Foam Bath |
|                       |  |   | Fa kids  | Fa Kids Shower Gel &<br>Shampoo<br>Fa Kids Bar Soap       | 2<br>1                    |  |
|                       | Fa men   |   |  | Fa Men Oceanic<br>Fa Men Amazonic<br>Shaving Foam/Gel     | 4<br>4<br>2               |  |
| Fa shower             |  |   | Fa Shower Gel<br>Fa Wellness Shower<br>Gel   | 9<br>2  |                           |  |
|                       | Fa soap  |   | Fa Bar Soap  | 6   |                           |  |
| La Toja               | La Toja<br>La Toja shaving line<br>magno   |   | 5<br>7<br>5  |   |                           |  |
|                       |  |   | Mont Saint Michel  | Mont saint Michel   | 16                        |  |
|                       |  | Neutromed                                   | Neutromed  | 13  |                           |  |
| Skin                  | AoK  | AoK skin care                               | <b>AoK First Beauty</b><br>AoK First Clear<br>AoK Kräuter Aktiv<br>AoK mandel care<br>AoK meeres energie<br>AoK vitamin E Plus |   |                           |  |
|                       |  |   | Crème 21   | Crème 21  | 2                         |  |
|                       |  |   | Diadermine   | Diadermine Bio<br>Cohesion<br>Diadermine Force<br>Retinol | <b>Hydra vitamin</b><br>1 |  |
| Oral                  | Antica Erboristeria  | Antica Erboristeria                         | 6  |   |                           |  |
|                       | Denivit  | Denivite Dental cream<br>Denivite           | 1<br>6   |   |                           |  |
|                       |  |   | Licor Del Polo   | Licor Del Polo  | 4                         |  |
|                       | Theramed   | Theramed Kids<br>Teraxyl<br>Theramed junior | <b>Theramed</b><br>2<br>2  |   |                           |  |
|                       |  |   | Vademecum (toothpaste)   | vademecum   | 6                         |  |

**Schwarzkopf group GmbH products**

| <i>Product groups</i>            | <i>Product categories</i> | <i>Product brand-names</i> | <i>Product lines</i>   | <i>Products types/series</i> |
|----------------------------------|---------------------------|----------------------------|--|------------------------------|
| Fragrances                       |                           | Scorpio                    | Scorpio<br>Scorpio Vertigo<br>Scorpio Vulcano<br>Scorpio Krysto<br>Scorpio pour Elle | 5<br>3<br>3<br>4<br>2        |
|                                  |                           | La Perla                   | La Perla Eclix<br>La Perla Creation  | 2<br>4                       |
|                                  |                           | Sergio Tacchini            | Sergio Tacchini<br>Sergio Tacchini Uomo<br>Sergio Tacchini Donna<br>O-Zone           | 4<br>3<br>4<br>4             |
|                                  |                           | Krizia                     | Eau de Krizia<br>Time Krizia uomo  | 2<br>5                       |
|                                  |                           | fiorucci                   | Fiorucci<br>Fiorucci Loves you   | 2<br>4                       |
| Professional hair care for salon | Hairspray                 | seah                       |  | 3                            |
|                                  | Care                      | Bc bonacure                |  | 9                            |
|                                  | Color                     | Igora                      |  | 11                           |
|                                  | Form                      | Natural styling            |  | 6                            |
|                                  |                           | Strait styling             |  | 4                            |
|                                  | Finish                    | Osis                       |  | 21                           |
| Silhouette                       |                           |                            | 12   |                              |

## Appendix 8: Wella A.G products

| Product groups    | Product categories                                | Product brands                      | Products lines       | Products series           |  |                     |
|-------------------|---|-------------------------------------|----------------------|---------------------------|--|---------------------|
| Consumer products | Color   | Viva (Hair)                         | Level 1              | <b>Viva Color Redflex</b> |  |                     |
|                   |   |                                     |                      | Viva Tönungsmousse        |  |                     |
|                   |   |                                     |                      | Viva one Night Mousse     |  |                     |
|                   |   |                                     | Level 2              | Viva Intensivtönung       |  |                     |
|                   |   |                                     |                      | Level 3                   | Viva Deep Black                              |                     |
|                   |   |                                     | Viva Rich Brown      |                           |  |                     |
|                   |   |                                     | Viva warm Red        |                           |  |                     |
|                   |   |                                     | Viva Pure Red        |                           |  |                     |
|                   |   |                                     | Viva Sunny Blonde    |                           |  |                     |
|                   |   |                                     | Care                 | Vivality (Hair)           | Trockenes/sprödes Haar, Feuchtigkeit & Glanz | Hydratation Shampoo |
|                   | Hydratation Spülung                               |                                     |                      |                           |  |                     |
|                   | Hydratation Intensiv-Kur                          |                                     |                      |                           |  |                     |
|                   | Normal Hair, Glanz & Vitality                     | Shampoo                             |                      |                           |  |                     |
|                   |   | Strapaziertes Hair, Aufbau & Repair |                      |                           | <b>Shampoo</b>                               |                     |
|                   | Spülung   |                                     |                      |                           |  |                     |
|                   | Schauma-Balsam                                    |                                     |                      |                           |  |                     |
|                   | Sofort-Kur  |                                     |                      |                           |  |                     |
|                   | Intensiv-Kur                                      |                                     |                      |                           |  |                     |
|                   | Haarspitzen-Fluid                                 |                                     |                      |                           |  |                     |
|                   | Lockiges Hair, Sprungkraft & Geschmeidigkeit      | Shampoo                             |                      |                           |  |                     |
|                   |   | Spülung                             |                      |                           |  |                     |
|                   | Fines Hair, Volume & Kraft                        | Shampoo                             |                      |                           |  |                     |
|                   |   | Schaum-Balasan                      |                      |                           |  |                     |
|                   |   | Fluid-Fluid                         |                      |                           |  |                     |
|                   | Colorimeters Hair, Farbversiegelung & Brillance   | Shampoo                             |                      |                           |  |                     |
|                   |   | Spülung                             |                      |                           |  |                     |
|                   |   | Schauma-Balsam                      |                      |                           |  |                     |
|                   |   | Sofort-Kur                          |                      |                           |  |                     |
|                   | Fett. Ansatz, trockene Spitzen, Balance & Frische | Shampoo                             |                      |                           |  |                     |
|                   |   | Spülung                             |                      |                           |  |                     |
|                   | Crisan  | Crisan hair care                    |                      |                           | Normal Hair                                  | Fettiges Hair       |
|                   |   |                                     |                      |                           |  | <b>Intensive</b>    |
|                   |   |                                     | 804in each Hair type |                           |  |                     |
| Dünnes Hair       |   |                                     |                      |                           |  |                     |
| Pro hair          |   |                                     | Pro Hair Care        | Strapaziertes Hair        |  | - Shampoo           |
|                   | - Conditioner                                     |                                     |                      |                           |  |                     |
|                   | - Treatment                                       |                                     |                      |                           |  |                     |
|                   | Fines Hair  | - Shampoo                           |                      |                           |  |                     |
|                   |   | - Volume Mousse                     |                      |                           |  |                     |
|                   |   | - Volume Liquid                     |                      |                           |  |                     |
|                   | Coloriertes Hair                                  | - Shampoo                           |                      |                           |  |                     |
|                   |   | - Conditioner                       |                      |                           |  |                     |
|                   |   | - Treatment                         |                      |                           |  |                     |
|                   | Mischhaar   | - Shampoo                           |                      |                           |  |                     |
|                   |   | - Conditioner                       |                      |                           |  |                     |



**Wella A.G products**

| <i>Product groups</i> | <i>Product categories</i> | <i>Product brands</i>                 | <i>Products lines</i>                | <i>Products series</i> |
|-----------------------|---------------------------|---------------------------------------|--------------------------------------|------------------------|
| Consumer products     | Care                      | Pro hair                              | Pro Hair Style                       | Starker Halt           |
|                       |                           |                                       |                                      | - Finishing Spray      |
|                       |                           |                                       |                                      | - Styling Mousse       |
|                       |                           |                                       |                                      | Special product        |
|                       |                           |                                       |                                      | - Shine Spray          |
|                       |                           |                                       |                                      | - Anti-Frizz Balm      |
|                       |                           |                                       |                                      | - Defining Gel         |
|                       |                           |                                       |                                      | Extra starker Halt     |
|                       |                           |                                       |                                      | - Finishing Spray      |
|                       | - Styling Mousse          |                                       |                                      |                        |
|                       | Styling                   | Wellaflex                             | Hairspray                            | Ultra starker Halt     |
|                       |                           |                                       |                                      | Extra starker Halt     |
|                       |                           |                                       |                                      | Starker Halt           |
|                       |                           |                                       |                                      | <b>Normal Halt</b>     |
|                       |                           |                                       |                                      | Schaumfestiger         |
|                       |                           |                                       |                                      | Ultra starker Halt     |
|                       |                           |                                       |                                      | Extra starker Halt     |
|                       |                           |                                       |                                      | Starker Halt           |
|                       |                           |                                       |                                      | Normal Halt            |
|                       |                           |                                       |                                      | Volume-Product         |
|                       |                           |                                       |                                      | Starker Halt           |
|                       |                           |                                       |                                      | Styling Specials       |
|                       |                           |                                       | Ultra starker Halt                   |                        |
|                       |                           |                                       | <b>Extra starker Halt</b>            |                        |
|                       |                           |                                       | Starker Halt                         |                        |
|                       |                           |                                       | Normal Halt                          |                        |
|                       |                           |                                       | Wellaflex for men                    |                        |
|                       |                           |                                       | Ultra starker Halt                   |                        |
|                       |                           |                                       | Styling Gel                          |                        |
|                       |                           |                                       | Starker Halt                         |                        |
|                       |                           |                                       | Styling Gel                          |                        |
|                       |                           |                                       | Energizing Wet Gel                   |                        |
|                       |                           |                                       | Gel-Wax                              |                        |
| Hairspray             |                           |                                       |                                      |                        |
| Shockwaves            |                           |                                       |                                      |                        |
| Gel                   |                           |                                       |                                      |                        |
| Styling Steel         |                           |                                       |                                      |                        |
| Power Gel Style       |                           |                                       |                                      |                        |
| Control Styling Gel   |                           |                                       |                                      |                        |
| Flashy Wet Gel        |                           |                                       |                                      |                        |
| Wax & Crème           |                           |                                       |                                      |                        |
| Mad Mud               |                           |                                       |                                      |                        |
| Power Mess            |                           |                                       |                                      |                        |
| Constructor           |                           |                                       |                                      |                        |
| Schäume               |                           |                                       |                                      |                        |
| Power Volume Mousse   |                           |                                       |                                      |                        |
| Curl Shaping Mousse   |                           |                                       |                                      |                        |
| Sprays                |                           |                                       |                                      |                        |
| Shine On              |                           |                                       |                                      |                        |
| Power Hold Lack       |                           |                                       |                                      |                        |
| Control Styling Spray |                           |                                       |                                      |                        |
| Body care             | Handsan                   | Care                                  | <b>Handsan Hand Crème Parfümfrei</b> |                        |
|                       |                           |                                       | Handsan Hand Crème dezent parfümiert |                        |
|                       |                           |                                       | Handsan Hand & Nail balsam           |                        |
|                       |                           |                                       | Handsan Cream & Touch                |                        |
|                       |                           |                                       | Handsan Crème Soap parfümfrei        |                        |
|                       |                           |                                       | Handsan Crème Soap dezent parfümiert |                        |
|                       |                           |                                       | Handsan Crème Seife intensiv+pflegen |                        |
|                       |                           | Cleaning                              |                                      |                        |
|                       |                           | Handsan Reinigungstücher Clean & Care |                                      |                        |
|                       |                           | Lanosan-med                           |                                      |                        |
|                       |                           | Wash                                  |                                      |                        |
| Sensitiv-waschlotion  |                           |                                       |                                      |                        |
| Wasch-Stück           |                           |                                       |                                      |                        |

**Wella A.G products**

| <b>Product groups</b>             | <b>Product categories</b>   | <b>Product brands</b>       | <b>Products lines</b>       | <b>Products series</b>             |           |
|-----------------------------------|-----------------------------|-----------------------------|-----------------------------|------------------------------------|-----------|
| Consume products                  | Body care                   | Lanosan-med                 | Mild                        | Mild-duschbad                      |           |
|                                   |                             |                             |                             | Mild-duschbad Sportgröße           |           |
|                                   |                             |                             |                             | Mild-shampoo                       |           |
|                                   |                             |                             | Skin functions-Milk         | Empfindliche und dry skin          |           |
|                                   |                             |                             |                             | <b>Empfindliche Haut</b>           |           |
|                                   |                             |                             |                             | Feuchtigkeits-Fluid                |           |
|                                   |                             |                             |                             | <b>Mild-Deodorant Roll-on</b>      |           |
| Saloon products<br>(Professional) | Color                       | Koleston Perfect            | Koleston Perfect            | <b>Koleston Perfect super mix</b>  |           |
|                                   |                             |                             |                             | Koleston perfect (6 color nuances) |           |
|                                   |                             |                             |                             | Color Touch (6 color nuances)      |           |
|                                   |                             | Color Touch                 | Color Touch                 |                                    |           |
|                                   |                             | Magma                       | Magma                       | Magma                              |           |
|                                   |                             | Blondor                     | Blondor Lightening          | Blondor Powder                     |           |
|                                   |                             |                             |                             | Blondor Granules                   |           |
|                                   | Lightening System           |                             | Blondor Lightening System   |                                    |           |
|                                   | Blond Styles                |                             | X-treme                     |                                    |           |
|                                   |                             |                             | Natural                     |                                    |           |
|                                   |                             |                             | Glamour                     |                                    |           |
|                                   | Care                        | System Professional         | System Professional Care    | System Professional Care           | Hair      |
|                                   |                             |                             |                             |                                    | - Shampoo |
| - Milk                            |                             |                             |                             |                                    |           |
| - Mask                            |                             |                             |                             |                                    |           |
| - Cream 30 Sec.                   |                             |                             |                             |                                    |           |
| - Emulsion                        |                             |                             |                             |                                    |           |
| - Mousse                          |                             |                             |                             |                                    |           |
| Kopfhaut                          |                             |                             |                             |                                    |           |
| - Shampoo                         |                             |                             |                             |                                    |           |
| - Lotion                          |                             |                             |                             |                                    |           |
| - Shampeeling                     |                             |                             |                             |                                    |           |
| - Serum                           |                             |                             |                             |                                    |           |
| - Mask                            |                             |                             |                             |                                    |           |
| Service                           |                             |                             |                             |                                    |           |
| - Shampoo                         |                             |                             |                             |                                    |           |
| - Mousse                          |                             |                             |                             |                                    |           |
| - Emulsion                        |                             |                             |                             |                                    |           |
| Specialist                        |                             |                             |                             |                                    |           |
| - Ends Express                    |                             |                             |                             |                                    |           |
| - Power Mask                      |                             |                             |                             |                                    |           |
| - Perfect Hair                    |                             |                             |                             |                                    |           |
| - Deep Cleanser                   |                             |                             |                             |                                    |           |
| - Keratin Oil                     |                             |                             |                             |                                    |           |
| - Hair Protect                    |                             |                             |                             |                                    |           |
| - Scalp Protect                   |                             |                             |                             |                                    |           |
| System Professional Styling       | System Professional Styling | System Professional Styling | System Professional Styling | Body                               |           |
|                                   |                             |                             |                             | - Super mousse                     |           |
|                                   |                             |                             |                             | - Volumagic                        |           |
|                                   |                             |                             |                             | - Startup                          |           |
|                                   |                             |                             |                             | - Trendset                         |           |
|                                   |                             |                             |                             | Texture                            |           |
| - Perfection                      |                             |                             |                             |                                    |           |
| - Megagel                         |                             |                             |                             |                                    |           |
| - Space Jelly                     |                             |                             |                             |                                    |           |
| - mattmaxx                        |                             |                             |                             |                                    |           |
| Control                           |                             |                             |                             |                                    |           |
| - straightaway                    |                             |                             |                             |                                    |           |
| - Hyper curl                      |                             |                             |                             |                                    |           |
| - Just a Minute                   |                             |                             |                             |                                    |           |
| - Ultimation                      |                             |                             |                             |                                    |           |
| Shine                             |                             |                             |                             |                                    |           |
| - Polish Cream                    |                             |                             |                             |                                    |           |
| - Fluid Crystal                   |                             |                             |                             |                                    |           |
| - Flashlight                      |                             |                             |                             |                                    |           |

**Wella A.G products**

| <i>Product groups</i>            | <i>Product categories</i> | <i>Product brands</i>                                    | <i>Products lines</i>        | <i>Products series</i>   |  |  |   |
|----------------------------------|---------------------------|--|------------------------------|--|--|--|---|
| Salon products<br>(Professional) | Care                      | System professionnel                                     | System Professional Sun      | Sunshin<br>- Lotion<br>- Cream Spray<br>- Wet Shaper<br>- Golden Wax |  |  |   |
|                                  |                           |  |                              | Sunset<br>- Shampoo<br>-Express Cream<br>- Mousse<br>- Revitalizer   |  |  |   |
|                                  |                           |  | System Professional Just Men | Shampoo<br>- Vitalizing<br>- Calming<br>- Removing Int.<br>- Silver  | Tonic<br>- Everyday Tonic<br>- Maximum Tonic | Styling<br>- Ultra Gel<br>- Matt Paste<br>- Flexible Wax<br>- Shine Controller<br>- Brilliance Fluid |   |
|                                  |                           |  |                              |  |  |  | Natural Shade<br>- Pigment Mousse                           |
|                                  |                           |  |                              | Skincare<br>- Shaving Cream<br>- Moisturizing Balm                   |  |  |   |
|                                  |                           |  |                              | shampoo  |  |  |   |
|                                  |                           |  |                              | rinse  |  |  |   |
|                                  |                           |  |                              | mousse conditioner   |  |  |   |
|                                  |                           |  | Lifetex Nutri-Care<br>(hair) | Extra care   | shampoo                                      | intensive mask   |   |
|                                  |                           |  |                              |  |  |  | hair elixir   |
|                                  |                           | Volume   |                              |  |  |  |   |
|                                  |                           |  |                              |  |  |  | bodyfying lotion  |
|                                  |                           | mask   |                              |  | Color protection                             |  |   |
|                                  |                           |  |                              |  |  | shampoo  | mousse conditioner  |
|                                  |                           | conditioning spray                                       |                              |  | intensive mask                               |  |   |
|                                  |                           |  |                              |  |  | Color reflex   | shampoo (blond, rot, Braun, grau, kupfer-rot, mahagoni-rot) |
|                                  |                           | mask (blond, rot, braun, grau, kupfer-rot, mahagoni-rot) |                              |  | Curl   |  |   |
|                                  |                           |  |                              |  |  | Shampoo  | conditioning spray  |
|                                  |                           | Intensive mask   | Moisture                     |  |  |  |   |
|                                  |                           |  |                              | Shampoo  | Mousse conditioner                           |  |   |
| Soft definer                     | Balanced                  |  |                              |  |  |  |   |
|                                  |                           | Pure shampoo   | Active shampoo               |  |  |  |   |
| Regular. shampoo                 | <b>Hairless tonic</b>     |  |                              |  |  |  |   |

### Wella A.G products

| <i>Product groups</i>            | <i>Product categories</i> | <i>Product brands</i> | <i>Products lines</i> | <i>Products series</i>   |   |  |
|----------------------------------|---------------------------|-----------------------|-----------------------|--|---|--|
| Salon products<br>(Professional) | Care                      | Back to Basics        | Care (hair)           | Therapy shampoo<br>Moisture shampoo<br>Moisture conditioner<br>Leave-in & detangling spray<br>Intensive shampoo<br>Intensive conditioner<br>Hydrating shampoo<br>Hydrating conditioner<br>Protection shampoo<br>Hair & body splash<br>Daily shampoo<br>Daily conditioner<br>Reparative balm<br>Volumising shampoo<br>Volumising conditioner<br>Peeling shampoo |   |  |
|                                  |                           |                       | Styling               | Alcohol-free styling mousse<br>Firm hold hair spray<br>Thickening serum<br>Volume spray<br>Finish hair spray   |   |  |
|                                  |                           |                       | Bath & Body           | Shower gel (ginger, sunflower, Raspberry, marine, green tea)<br>Body lotion(ginger, sunflower, Raspberry, marine, green tea)<br>Salt scrub (ginger, marine, green tea)<br>Bath crystals<br>Hair & body splash  |   |  |
|                                  |                           |                       | Accessories           | Fragranced candle (ginger, sunflower)  |   |  |
|                                  | Styling                   | High Hair             | Styling               | Schaum starker halt<br>Schaum extra start<br>Add Some body<br>Crystal styling lotion<br>Curl energy Mousse<br>Haarlack starker halt<br>Haarlack extra stark<br>Haarlack ultra stark<br>45 seconds styler schaum Wax<br>Matt Wax<br>Moulding Jelly  |   |  |
|                                  |                           |                       | Finish                | Crackle Wax<br>Bungee Gum<br>Moon Shine Pomade<br>Shine & Care Cream<br>Gloss Jelly<br>Flubber<br>Gloss Spray<br>Fabric Styler   |   |  |
|                                  |                           |                       | Styling & Finish      | Pearl Styler<br>Wet Gel<br>Freezer<br>Spraying Gel<br>Style Builder<br>Pump It Up<br>Smooth & Curl   |   |  |
|                                  |                           |                       | Head Games            | Shampoo  | Moisture Bliss<br>Thick Headed<br>Thickening lotion |  |
|                                  |                           |                       |                       |  |   |  |
|                                  |                           |                       |                       |  |   |  |

**Wella A.G products**

| <i>Product groups</i>               | <i>Product categories</i> | <i>Product brands</i> | <i>Products lines</i> | <i>Products series</i>   |   |
|-------------------------------------|---------------------------|-----------------------|-----------------------|--|---|
| Consumer products<br>(Professional) | Care                      |                       | Conditioner           | Tangle Buster<br>Split personality<br>Gelous Rage  |   |
|                                     |                           |                       | Gel                   | Power hungry<br>Green-eyed Monster<br>Wound up<br>Bizarre Twist<br>Messed-up Madness<br>All whipped Up |   |
|                                     |                           |                       | Molding Putty         |  |   |
|                                     |                           |                       |                       | Hair spray   | Stay Put  |
|                                     |                           |                       | System Professional   | Body   | Super mousse<br>Volumagic<br><b>Startup</b><br>Trendset   |
|                                     |                           |                       |                       | Texture  | Perfection<br>Megagel<br>Space Jelly<br>Mattmaxx          |
|                                     |                           |                       |                       | Control  | Straightaway<br>Hyper curl<br>Just a Minute<br>Ultimation |
|                                     |                           |                       |                       | Shine  | Polish Cream<br>Fluid Crystal<br>Flashlight               |
|                                     |                           |                       | Performance           |  | Performance Hairspray                                     |
|                                     |                           | wave                  | Welle                 | Well   | Well  |
| Cosmetics and<br>fragrances         | COSMOPOLITAN              |                       |                       |  |   |

**Appendix 9: Johnson & Johnson GmbH products**

| <i>Product groups</i> | <i>Brands</i> | <i>Products categories</i>  | <i>Product lines</i>  | <i>Product types</i>   |
|-----------------------|---------------|-----------------------------|---|--|
| Cosmetic products     | Penaten       | Baby care                   | Body and face care  | <b>Baby milk</b><br>Baby good night lotion<br>Baby lotion<br>Baby balsam oil<br>Baby care cream<br>Baby all water cream  |
|                       |               |                             | Clean skin and hair   | Baby Camille bath<br>Baby good night<br>Baby head to feet waschgel<br>Baby oil bath care<br><b>Baby shampoo</b><br>Baby Shampoo für leichtes kämmen<br>Baby softwash<br>Baby erkältungs bad<br>Baby soap |
|                       |               |                             | Soft clean oil and milk care  | Baby oil<br>Baby aloe Vera oil<br>Baby oil gel Camille<br>Baby oil gel douceur floral<br>Baby soft oil (spray care)<br>Baby soft oil aloe Vera   |
|                       |               |                             | Wundschutz  | 5  |
|                       |               |                             | towel care  | 3  |
|                       | Bebe          | Bebe young care             | Face clean  | 9  |
|                       |               |                             | Face care   | 3  |
|                       |               |                             | Lip care  | 7  |
|                       |               |                             | Bath  | 3  |
|                       |               | Bebe zartpflege             | Body care   | <b>Soft body milk</b><br>Soft body Lotion (mandelöl)<br>Soft body Lotion (Honey)<br>Smooth touch body lotion<br><b>Soft body cream</b>   |
|                       |               |                             | Deodorants  | <b>Soft Deo Balsam spray</b><br>Soft Deo Balsam roll-on<br>Soft Deo Balsam Zerstäuber  |
|                       |               |                             | Hair care   | <b>Soft care shampoo normal hair</b><br>Soft care shampoo dry hair<br>Soft care shampoo fat hair   |
|                       | Fenjal        | Fenjal                      | zartpflege  | 5  |
|                       |               | La femme fenjal lotus       | Skin (dry)  | 5  |
|                       | Neutrogena    | Skin beauty and Health care | Skin (gefährliche)  | 5  |
|                       |               |                             | Visibly refined   | 7  |
|                       | ROC           | Skin care                   | Visibly young   | 5  |
|                       |               |                             | Lift  | 9  |
|                       |               |                             | Anti-cellulite  | 1  |
|                       | ROC           | Skin care                   | Norwegische formel  | 4 (face)<br>formel body balsam<br><b>formel body lotion</b><br>formel body emulsion<br>2 (hand cream)<br>2 (lip)   |
| Roc retin ol          |               |                             | Retin-OL correxion Night<br>Retin-OL correxion day<br>Retin-OL correxion eye  |  |
| Roc Soya unify        |               |                             | Unifying Daily moisturizer with SPF 15<br>Unifying nourishing cream<br>Unifying cleansing lotion  |  |
|                       |               | Roc minesol                 | tan prolonging lotion<br>high protection lipstick<br><b>high protection sun lotion</b><br>mineral sun block cream<br>self tanning lotion<br>anti-wrinkle dehydrating care |  |

**Johnson & Johnson GmbH products**

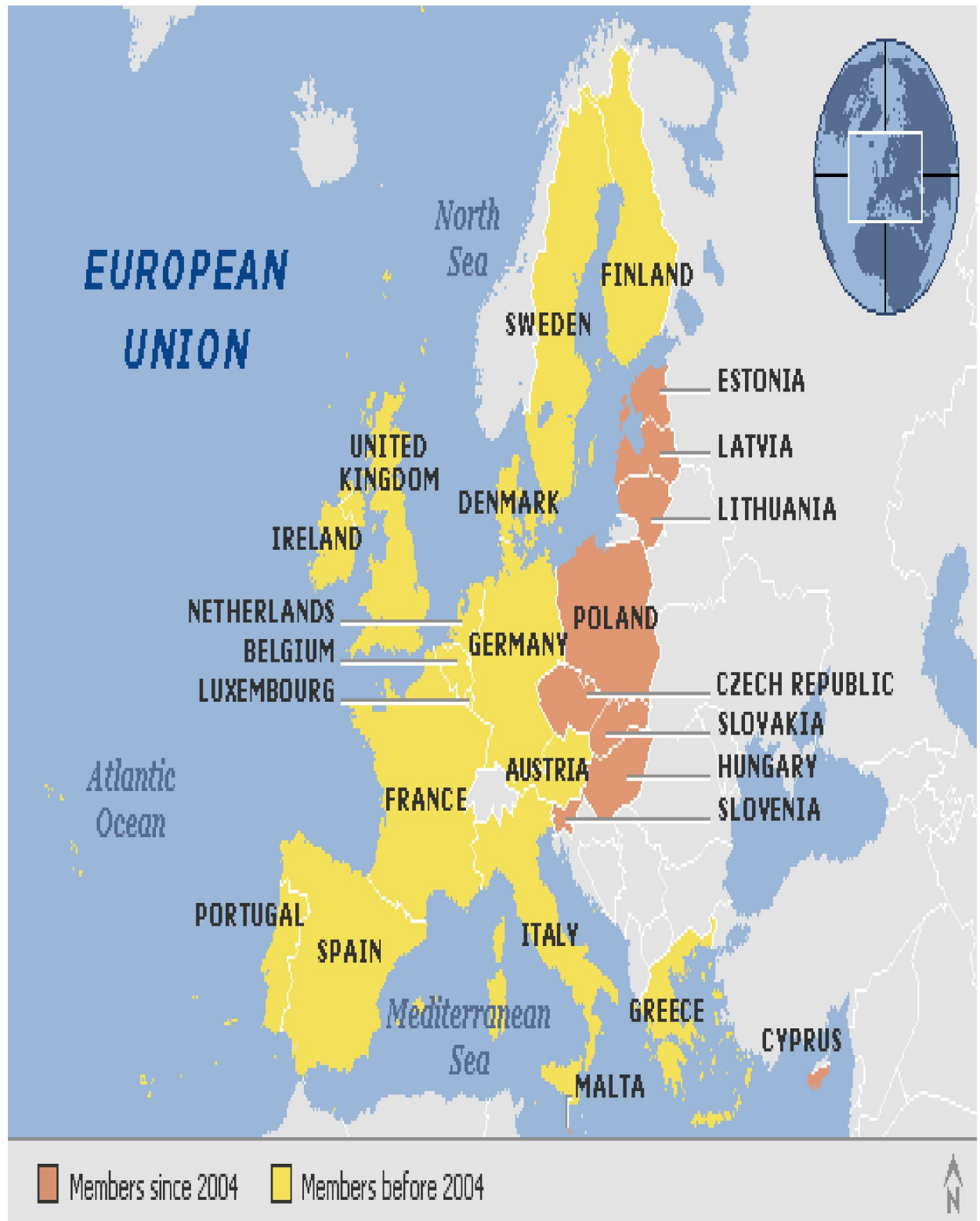
| <i>Product groups</i> | <i>Brands</i> | <i>Products categories</i> | <i>Product lines</i> | <i>Product types</i>   |
|-----------------------|---------------|----------------------------|----------------------|--|
| Cosmetic products     | Clean clear   |                            | Facial cleansers     | 15   |
|                       |               |                            | Facial moisturizers  | 3  |
|                       |               |                            | Facial essentials    | shine control invisible powder<br>oil absorbing sheet<br>under eye brightening stick<br>concealing treatment stick |
|                       |               |                            | Astringents & Toners | 4  |
|                       |               |                            | Body Cleansers       | 2  |
|                       |               |                            | Acne treatments      | 7  |
| Toiletry products     | Carefree      |                            |                      |  |
|                       | Ob            |                            |                      |  |
|                       | K-Y           |                            |                      |  |
| Health care products  | Compeed       |                            |                      |  |

**Appendix10: Cross-sector summary**

| <i>Sectors Firms</i>  | <i>Soap</i> | <i>Feet Care</i> | <i>Hair Care</i> | <i>Skin Care</i> | <i>Body Lotion</i> | <i>Body Care</i> | <i>Nail</i> | <i>Perfume</i> | <i>Tooth care</i> |
|---|-------------|------------------|------------------|------------------|--------------------|------------------|-------------|----------------|-------------------|
| Beiersdorf A.G.<br>Unnastr. 48<br>D-20245 Hamburg                           | *           |                  | *                | *                | *                  |                  | *           |                |                   |
| Johnson & Johnson GmbH<br>Kaiserswerther Str. 270<br>D-40022 Düsseldorf     |             |                  | *                | *                | *                  | *                |             |                |                   |
| Lever Fabergé Deutschland GmbH<br>Hamburger Str. 23<br>D-22770 Hamburg      | *           |                  | *                | *                | *                  | *                |             |                | *                 |
| L'Oréal Deutschland GmbH & Co.<br>Georg-Glock Str. 18<br>D-40474 Düsseldorf |             |                  | *                |                  |                    |                  | *           | *              |                   |
| Schwarzkopf & Henkel Cosmetics GmbH<br>Henketstr. 207<br>D-40191 Düsseldorf |             |                  | *                | *                |                    | *                |             | *              | *                 |
| Wella A.G.<br>Berliner Allee 65<br>D-64274 Darmstadt                        |             | *                | *                |                  |                    | *                | *           |                |                   |

Source: Die Deutsche Industrie, *Produkte, Bezugsquellen, Firmendokumentation*, SACHON-BDI-Einkaufsführer, 2003

**Appendix 11: The European Union members**





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