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# **Standardization versus Customisation**

## **The role of culture**

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# Standardization versus Customisation

## The role of culture

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### Abstract

*Fast food restaurants have expanded globally in recent years. As companies become global marketers to acquire new knowledge and a greater understanding of the fast food business and the environment, in which they operate in order to determine and adopt an appropriate marketing mix. Managers can use knowledge of a market's national culture to develop successful image strategies. This paper aims to explore the role of culture in the formation of consumer perceptions. To measure cultural influences a store image scale was constructed for fast food restaurants. An eight-step process based on Churchill's (1979), model, guided the development, validation and refinement of the scale. The final structure of the scale included six factors consisting of 14 items. The six factors are a) Adaptation to Locality b) Service c) Facilities d) Food quality e) Place to be and g) Sales incentive program. Then the relative weights of the six factor dimensions in influencing customers' overall image, as well as satisfaction and loyalty ratings were explored. Adaptation to locality has been found as the most important factor in the formation of store image as well as in predicting satisfaction and loyalty. The results of structural equation analysis have shown that the local culture factor is strongly associated with 'food quality' and especially with the 'Place to be factor'. The results can be very useful to marketers who want to invest in the local or other foreign markets.*

**Keywords :** Store image, internationalisation, Adaptation to locality.

## 1. Introduction

Fast food is a worldwide phenomenon with more people than ever consuming fast-food products both in their own country and abroad. Fast food restaurants have expanded globally in recent years. The concept of fast food restaurants is global as the hamburger itself now represents a kind of international food experience. Moreover, consumers consider that fast food is associated with the American way of life. Global fast food companies like Mc Donald's with the aid of franchising- have rapidly expanded their operation throughout the world and have undermined the position of the traditional fast food operations. As companies become global marketers they need to gain a clear understanding across different

cultures. Companies need to determine and adopt an appropriate marketing mix.

From the point of view of marketing management, as the chains continue to expand they need to acquire new knowledge and a greater understanding of the fast food business and the environment, in which they operate. Without this knowledge and understanding, marketing, and thus the chains, will have great difficulty meeting the various challenges, which lie ahead. Sharma and Johnson, (1987) suggested the notion that to better serve foreign markets, especially in the food and restaurant sector, it is important for managers to have a clear understanding of what customers in each culture expects and differentiate their product offered, in order to meet customer needs and wants. In countries with different cultures, tastes and living habits, food service companies need to be aware and adaptive to local needs (Lee and Ulgado, 1997).

So, marketers and managers need to understand the way that consumers think and evaluate marketing mix. It is important for them to understand consumer attitudes towards fast food restaurants in each place they want to operate. It is widely accepted that, consumer attitudes are a function of the cultural, economic and social environment. What fast food restaurants are to Greek customers may not be what they should be to customers from other countries. Locals may have a different concept of what makes up a good fast-food restaurant.

Past studies have recognised the role of tradition and culture in consumer choice. In the marketing communications and consumer behaviour literature, the use of personal, cultural and social values has been heavily emphasized (East, 1997). Chaipopuritana (1998) suggested that if companies want to succeed they have to fully understand the culture of the country they operate. Roth (1995) suggested that managers can use knowledge of a market's national culture to develop successful image strategies.

Culture precedes marketing mix customisation and standardization (Roth and Romeo, 1992). Food products are sometimes associated with strong cultural habits. So, chains may have to adapt their menus and services by including local food items or traditions. The theoretical question of standardization versus customisation to the local fast food market is the theme of the research. So, it may be worthy to investigate which aspects of culture can have a significant impact on the performance of image

strategies. To measure cultural influences a store image scale was constructed for fast food restaurants.

### **1.1 Use of Image as a Marketing tool**

Store image has been a major strategic tool in the highly competitive retailing environment, for it has been both theoretically and empirically connected with store loyalty (Rearden *et al.* 1995; Burns, 1992; Donovan and Rossiter, 1982), and serve as a cue to the quality of brand and vice-versa (Hutcheson and Mutinho, 1998) but as an isolated concept, has limited value. Store image is an important part of the store choice decisions (Malhotra, 1983). The effects of image (Singson, 1975) were extensively investigated in retail settings in the 1960s and 1970s. Effective store image management requires detailed knowledge about the theoretical background and the saliency of the dimensions underlying store image concept. Understanding of the store image currently held by customers is therefore crucial for achieving greater store patronage. Marketing managers place great emphasis upon developing maintaining and managing store and corporate image. Often this image, including the associated positioning of the firm and branding of the retailer, is the source of competitive advantage – particularly as many other functional aspects of a retail operation can be imitated.

The starting point for this research is the assumption that having invested heavily in developing a successful image in the domestic market an internationalizing retailer will seek to develop a broadly similar image in the foreign market.

Often given the historical debate on globalization in international marketing replication and standardization is taken as the means of achieving this position. Total transfer of a standardized image into a host market is difficult. Especially, the less tangible more experience-related dimensions of store image are the most difficult to be established in a new foreign market. The meaning which domestic consumers attach to these dimensions has been built up over a number of years of continued experience. Conversely, the more tangible or functional components of image with their greater dependency on physical cues can be more easily managed to establish a coherent image. A favourable image helps establish a company's position, develop a competitive advantage, thus enhancing its performance. It

permits management to correct or change the negative aspects of their operations and to improve on their performance in the direction preferred by their consumers.

It therefore becomes important for the global firm to understand which dimensions of image might transfer immediately and which might take longer to develop. If a retailer's main source of competitive advantage in the domestic market is based upon the intangible dimensions of image there is the danger of assuming that the customer values and perceptions experienced in the domestic market have transferred automatically to the new market. This in turn may then lead to complacency and mistakes in positioning and other marketing strategies.

Store image serves as an analytical tool for store choice, but at the same time is widely used as an analytical device to diagnose the weaknesses and strengths possessed by each store relative to others (Wu and Petroschius, 1987). Researchers use the store image concept as an analytical tool to identify and assess perceived dimensions differences between two identical types of retail stores, or between two different types of retail store. Thus, a retailer should determine what the major dimensions are within each market the store is operating. Given the importance of customers to retailing it would appear that an understanding of the perceptions of customers in the host markets to the retail image or identity is of fundamental importance to the success of the international venture.

An understanding of store image, what comprises this image, and how transferable this image or identity is, is crucial to developing retail operations in foreign markets. Moreover, the knowledge of the relative importance of the image dimensions would be of great value for marketing managers.

## **2. Research methodology and data collection**

Research methodology is very important as it can guide researchers on what steps need to be taken in order to meet the objective of the research (Antony *et al*, 2002). In this study the purpose was to develop a customized store image scale for fast food restaurants. The first objective was to identify the attributes (tangible and intangible) that collectively made up store image and the second one is to find out the relative importance of each attribute.

An eight-step process based on Churchill's (1979), model, guided the development, validation and refinement of the scale. After an extensive literature review, followed by a qualitative research the primary instrument was developed. The questionnaire contained 51 items, derived from literature review and focus group analysis results. A quantitative survey was carried out with a sample of three hundred participants. The method used for gathering data was personal interviews. A total of 298 questionnaires were used for data analysis. The data collected was then analysed by using a statistical software called SPSS Version 9. Data were analysed using Factor analysis. Factor analysis is a data reduction technique that uses correlations between data variables. The underlying assumption of factor analysis is that a number of factors exist to explain the correlations or inter-relationship among observed variables (Chatfield and Collins, 1992).

## **2.1 Data Analysis**

For the present study a factor analysis was first performed on all 51 variables using principal components extraction analysis with a varimax rotation. Test items were retained or deleted according to the following rules i). Items with factor loadings greater than 0.40 will be retained ii). Items with high factor loadings on more than one factor will be discarded. The reliability and validity were established through the calculation of item to total correlations, Cronbach alpha reliability estimates and the application of factor analysis to the data collected through the first stage of the study. Then a second and third iteration process was performed in order to reduce the variables. Application of the rules for item retention or deletion resulted in a seven factor, 24-item model which was found to capture the multi-dimensional nature of the fast-food store image. The psychometric properties of the scale were re-evaluated through a second stage analysis with new data collected for this study.

## **2.2 Second Stage of the Research**

The modified instrument was factor analysed based on the new data collected from a second sample (400 usable questionnaires). Using exploratory factor analysis some further refinements occurred. A scree plot of eigenvalues against the number of factors was used for the extraction of factors (Tabachnick and Fidell, 1989). Factors with eigenvalues greater than unity were remained. Items with small loadings (less than 0.4) and low item-to-total correlation (0.4) were



deleted. The results of varimax rotated factor analysis confirmed the theoretical groupings of items for measuring store image. The derived scales were further evaluated on reliability and validity. Cronbach alpha coefficients were used to establish the reliability of each factor and the total scale reliability. The analyses provide strong empirical support regarding the psychometric properties of the store image scale. The scale's dimensionality was evaluated by the application of factor analysis and structural equation modeling to data collected from the study of fast food chains. The final scale structure included six factors consisting of 14 items. The six factors together explained 70.700 of total variance.

**Table 1 Store Image Scale**

	Initial Eigenvalues		
Factor	Total	% of Variance	Cumulative %
1	4.644	29.023	29.023
2	2.075	12.969	41.992
3	1.382	8.640	50.632
4	1.135	7.094	57.726
5	1.071	6.696	64.422
6	1.005	6.279	70.700

### **2.3 Reliability and Validity Test**

Reliability is an indication of consistency between two measures of the same thing (Black, 1999). The reliability of the data needs to be determined in order to support any measures of validity that may be employed. A commonly used technique, internal consistency analysis, was employed in this research in order to measure the reliability of each derived factor from factor analysis. The estimation used a reliability coefficient called Cronbach Alpha ( $\alpha$ ). Alpha values higher than 0.6 can be considered as acceptable. The results produced satisfactory alpha values (Table 2).

**Table 2 Scale Reliability**

	<b><i>Cronbach <math>\alpha</math></i></b>
<b><i>Scale Reliability</i></b>	0.827
<b><i>Factor 1</i></b>	0.797
<b><i>Factor 2</i></b>	0.683
<b><i>Factor 3</i></b>	0.732
<b><i>Factor 4</i></b>	0.824
<b><i>Factor 5</i></b>	0.797
<b><i>Factor 6</i></b>	0.632

The new instrument was found to capture the multi-dimensional nature of the fast-food store image. An examination of the content of the final items making up each dimension suggested the following labels for each of the six dimensions:

- a) Adaptation to Locality
- b) Service
- c) Facilities
- d) Food quality
- e) Place for fun and
- g) Sales incentive program.

Panels of experts and non-experts participating in the study evaluated the scale's content and face validity. Construct validity was examined by employing structural equation modeling.

## **2.4 Confirmatory Factor Analysis**

The present analysis employed the confirmatory factor analysis technique (CFA) within the general framework of structural equation modelling (SEM) to interpret the data. The CFA model is a powerful method for addressing construct validity. The basic assumption involved in confirmatory factor analysis models is that particular observed variables will be expected to be indicators of, or equivalently, will load on particular factors (Bentler P. M., and Bonett, 1980). In the current study, data analyses were mainly based on the employment of the AMOS program (Arbuckle, 1994).

### **2.4.1 Estimation of the model and assessment of fit**

CFA was performed to test the factor structure of the measures employed (Figure 1). CFA was employed, by applying maximum likelihood estimation (MLE), to a CFA model. In SEM, the key variables of interest are usually "latent constructs". In each equation a factor regression coefficient was set to be freely estimated and was assigned a starting value of one, each equation contains a predicted latent variable (factor) and an error term associated with it. Model-data fit was evaluated based on multiple fit indexes. The test of the measurement model with the factors under investigation produced a good fit Ratio of Chi Square and degrees of freedom. The chi-square to degrees of freedom

ratio for both models is less than the critical value of five (1.665). So, the chi-square value showed that we could consider model as acceptable. However, these fit indexes, generally satisfactory in themselves, provide a base for evaluating model fit. The values of the fit indices, as they provided by the AMOS results are GFI = .944, AGFI = .914, NFI = .912, CFI = .964, RMSEA = .045, TLI = .951, RMR = .132, for the model. The GFI, AGFI, TLI and CFI surpassed the .90 critical level, with the exception of NFI for the second model (where the number is close to the .90), suggesting a well-fitting model. Since the overall fit was reasonable, both discriminant and convergent validity could be assessed.

CFA was successful in identifying the six factors. All expected factors emerged fairly cleanly. Every single item was found to load on its expected “target” construct<sup>1</sup>. All parameter estimates were positive, and the average magnitude of the standardised loadings for the six factors was .70, which exceeds the widely accepted minimum of .40 (Ford *et al.* 1986). The standardized parameter estimates, often referred to as the Lambdas, are presented in the Table 8.7. The critical ratio values range from 6.522 (V35←F6) to 12.418 (V41 ←F1) for the first model and from 6.196 (V36←F6) to 9.516 (V46←F5) for the second. All factor loadings for traits are statistically significant, indicating that convergent validity has been achieved (Carless, 1998; Kacmar and Carlson, 1997).

## 2.4.2 Discriminant validity

Discriminant validity refers to the independence of the dimensions (Bagozzi et al, 1991), i.e. the extent to which measures of the 6 factor constructs are distinctly different from each other. The most common test of discriminant validity is that the confidence interval around the correlation between any two latent constructs does not include 1 (Bagozzi and Yi, 1998). Discriminant validity among traits is achieved when the trait correlation differs significantly from 1.00 (Schmitt and Stults, 1986). The confidence intervals for the correlations between scale factors for the model is presented in table 3

Table 3. Correlations

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<sup>1</sup> Indicated in the exploratory factor analysis.

FACTOR		FACTOR	ESTIMATE
Adaptation to Locality	to	Service	<b>F1 ↔F2=.426</b>
Service		Facilities	F2 ↔F3=.501
Facilities		Food Quality	F3 ↔F4=.218
Food Quality		Sales Incentive Program	F4 ↔F5=.468
Sales Incentive Program		Place to Be	F5 ↔F6=.473
Adaptation to Locality	to	Food Quality	<b>F1 ↔F4=.559</b>
Adaptation to Locality	to	Sales Incentive Program	<b>F1 ↔F5=.562</b>
Adaptation to Locality	to	Place to Be	<b>F1 ↔F6=.508</b>
Service		Food Quality	F2 ↔F4=.365
Service		Sales Incentive Program	F2 ↔F5=.278
Service		Place to Be	F2 ↔F6=.293
Facilities		Sales Incentive Program	F3 ↔F5=.251
Facilities		Place to Be	F3 ↔F6=.245
Food Quality		Place to Be	F4 ↔F6=.400
Adaptation to Locality	to	Facilities	F1 ↔F3=.222

In each case, the confidence intervals showed that the correlations were significantly different from 1.0. The magnitude of the range of correlations was from .218 to .559 for the model, further showing that different constructs were being measured. Thus, the results suggested, both statistically and practically, that the concepts considered here from the factors are distinct from each other, (Kacmar and Carlson, 1997).

As it can be seen from the above table the correlations between factors are higher between the Adaptation to Locality and all other factors. Adaptation to Locality of the restaurant is strongly associated according to the consumers to the "Food Quality" factor, "Place to Be" factor and Service Factor suggesting that the local character is the predominant factor a for store image formation.

### 3. Factor importance

For deciding the relative weights of the six factor dimensions in influencing customers' store image evaluation, the regression method was suggested by a number of researchers. By

regressing the individual dimensions, using a standardized slope coefficient the relative importance of each dimension can be ascertained, (Pitt *et al.* 1997). The six factors were then used in a regression analysis. The dependent variable, was the customer overall evaluation of the store image and the independent variables were the standardized factor. The relative importance of the attributes can be assessed by one of several methods. One is to compare the magnitude of the regression coefficients or the standardized coefficients betas. However, it is important to note that the interpretation of regression as importance weights is a subject of considerable debate in the social science. It has been shown that the beta coefficients may not give a very reliable measure of the relative importance of regression independent variables, especially in the presence of multicollinearity (Rust *et al.* 1994; Rust and Zahoric 1993). Instead Brings (1994) recommends using the magnitude of each independent variable's t-statistic as an indicator of relative importance, what is what we use in the present research. So, the largest t-statistic corresponds to a large importance (Lips, 1998; Pitt *et al.* 1997; Danaher and Haddrell, 1996).

Table 4 Regression, (Store Image), R<sup>2</sup>.602

Factors	Beta	T- values
F1 Adaptation to local liability	<b>.386</b>	<b>10.5</b>
F2 Service	<b>.267</b>	<b>7.29</b>
F3 Facilities	.139	3.79
F4 Food Quality	<b>.374</b>	<b>10.280</b>
F5 Place for fun	.241	6.635
F6 Sales incentive program	.251	6.902

The data were also, subjected to structural equation modeling using AMOS with the items used as indicators of the latent constructs corresponding to the pattern detected in the factor analysis. The measurement model that result from the analysis can be used to assess the relative importance of the various items in determining the constructs, (Bredhal *et al.* 1998). The standardized values from the employment of structural equation modeling can be used as a sign of the relative importance of each dimension (Arbuckle, 1994). The dependent variable, in this case was the customer overall satisfaction from the store and the independent variables were the standardized factor scores. The fit of the model was excellent. The model has a chi-squared of 15.5 with 14 degrees of freedom (Chi square/ DF =1.110). The

probability value for this chi-squared is well below any conventional level of significance indicating that the evaluated model fit the data very well. Thus the model cannot be rejected, that is, it is accepted as an adequate description of the data.

Table 5 Standardized Regression Weights Satisfaction

Factors	Weight s	Importanc e	C.R
F1	0.337	1	0.216
F2	0.238	4	5.724
F3	0.049	Ns	1.17
F4	0.315	2	7.693
F5	0.288	3	6.967
F6	0.216	5	5.227

In order to further assess the relative importance of each factor the data were also, subjected to structural equation modeling using AMOS (Figure 2). The dependent variable, in this case was the customer loyalty to the store and the independent variables were the standardized factor scores. Results indicate an excellent fit of the model. The model yielded a chi-square value of 45.353 with 27 df (Chi Square/ DF= 1.680). The probability value did not reach a statistical significance, demonstrating that the evaluated model fits the data well. All other indicators also point to a good fit. The GFI was 0.971, adjusted goodness of fit index was 0.952, root mean square was 0.035, NFI= .915, TLI=0.952 and RMSEA=0.04. Thus, overall the data indicate an excellent fit for our hypothesised model.

All the path coefficients are significant (C.R >2) indicating a direct relationship between store image dimensions and consumer loyalty. The first factor (Local character of the chain) have the higher standardised value of 0.485, followed by Food Quality (0.372) and Place to be (0.317) suggesting that these factors have the strongest influence on consumer loyalty. The other factors namely Service, Sales incentive programs, and Facilities have standardised values of 0.243, 0.259 and 0.142 respectively.

Results indicated that, the Greek aura of the store is the main variable in the store image formation. Moreover, is the predominant dimension for customer satisfaction and for gaining consumer loyalty. In all cases it has been found to have the highest importance and the highest participation in consumers' evaluation.

Moreover, Adaptation to Locality of the store was found to have the highest correlation with the other derived factors.

It consists of three measures concerning the local character of the fast food restaurants. a) “XYZ food is closer to my culture diet”, b) “XYZ offer food in the Greek way” and, c) “The service is right for me as a Greek at XYZ”.

The results of structural equation analysis have shown that the local culture factor is strongly associated with ‘food quality’ and especially with the “Place to be factor”. Moreover, all the correlations with the other factors are relatively high. So, consumers consider “Adaptation to Locality” when they rate any of the other factors, and especially with the factors that please them more. Finally, they strongly believe that the local character is the competitive advantage in the restaurant industry.

To sum up, culture has been found, from the research, to be the most important factor in store image formation for local fast food restaurants, as well as in satisfaction and loyalty ratings. The results can be very useful to marketers who want to invest in the local or other foreign markets. Because of cultural differences in markets around the world, it is difficult for business managers to make marketing and operating decisions appropriate to the markets served outside of their own country. Understanding of customer perceptions is especially important to international service firms because such perceptions are susceptible to cultural differences.

## 4. Discussion

Adaptation to locality has been found as the most important factor in the formation of store image as well as in predicting satisfaction and loyalty in the research. It consists of three measures concerning the local character of the fast food restaurants. a) “XYZ food is closer to my culture diet”, b) “XYZ offer food in the Greek way” and, c) “The service is right for me as a Greek at XYZ”. Cronbach alpha values were .7971 for the first case and .6707 for the second case respectively.

Results from exploratory focus group research indicated that **Adaptation to Locality**- a factor that has not been found previously in any published store image research- was the most

important factor for store image formation. Moreover, participants agreed that the Local character of the store is the most important reason for choosing to eat at a specific fast food restaurant. They believe that eating out is more than the food itself. Greeks consider eating, especially at a restaurant, as a more of a social, family related, or entertaining experience, even if it involves part of a busy day. So, they think that this part of everyday life is strongly connected with their traditions and culture. However, they are willing to try new tastes, like the hamburger, especially when the cooking, and the whole meal experience, are adapted to the local way of eating. Finally, they appreciate special meals for religion reasons as a sign of adaptation to the local way of living.

It is widely accepted that, consumer attitudes are a function of the cultural, economic and social environment. What fast food restaurants are to Greek customers may not be what they should be to customers from other countries. McDonald's in China for example, have succeeded, because they represent to ordinary Chinese consumers, American culture and the promise of 'connectedness' to the transnational world (Rowe, 1996). Locals may have a different concept of what makes up a good fast-food restaurant. This difference can also be attributed to the prevalence of traditional Souvlaki- fast food of local culture-, which influences local consumers' perception of US type fast food restaurants. Furthermore, Greeks have a somewhat different "cuisine" and tradition of the "meal experience" than other countries. However, an important feature of global marketing is the mobility of consumers and the frequency of their exposure to many cultures- especially the Western consumption culture (Belk, 1988). The Local consumer is not an exception. Moreover, the hamburger itself now represents a kind of international food experience. Even in this case Greeks, think that it should be adapted in the local cultural cuisine.

Past studies have recognised the role of tradition and culture in consumer choice. In the marketing communications and consumer behaviour literature, the use of personal, cultural and social values has been heavily emphasized (East, 1997). That is the reason why many researchers have adopted a comparative study of concepts across countries. A country's culture has long been identified as an environmental characteristic that influences consumer behaviour and the many aspects of a culture affect differently the needs consumers satisfy through



the acquisition and use of goods and service (Roth, 1995).

Retail phenomena are influenced by their immediate cultural environs. Gronroos, (1995) recognized the distinctive role of tradition and ideology on consumer expectations. Furthermore, he argued that tradition and ideology will also influence the image but they are normally less important.

Simpson (1995) also found out that, expectation and perceptions are influenced by customer nationality. That is very important, especially for Greek consumers because ethnocentrism is significantly higher in Greece than the other European countries. Findings from previous studies suggest that Greek consumers have firmer opinions about the morality of buying foreign made products than consumers in other countries and that Greek consumers tend to agree more with each other in this respect (Commission of the European Communities, 1995).

Reardon *et al.* (1996) examined the challenges and responses of various service firms that have expanded internationally. Their findings indicate that cultural differences have been recognised as a marketing problem. Chadee *et al.* (1996) found that there are significant differences in the way that students from different cultures perceive quality factors.

Chaipopuritana (1998) concluded that if companies want to succeed they have to fully understand the culture of the country they operate. Roth (1995) suggested that managers can use knowledge of a market's national culture to develop successful image strategies.

"It may be worthy to investigate which aspects of culture can have a significant impact on the performance of image strategies. Nonetheless further research examining subculture effects may enrich our understanding of image performance".

The results have shown that the local culture factor is strongly associated with 'food quality' and especially with the "Place to be factor". Moreover, all the correlations with the other factors are relatively high. So, consumers consider "Adaptation to Locality" when they rate any of the other factors, and especially with the factors that please them more. Finally, they strongly believe that the local character is the competitive advantage in the restaurant industry. Similarly, past research shown that consumer satisfaction is related (among to other things) to culture (Hsu *et al.* 1997).

To sum up, culture has been found, from the research, to be the most important factor in store image formation for local fast food restaurants, as well as in satisfaction and loyalty ratings. Because of cultural differences in markets around the world, it is difficult for business managers to make marketing and operating decisions appropriate to the markets served outside of their own country. Understanding of customer perceptions is especially important to international service firms because such perceptions are susceptible to cultural differences. The results can be very useful to marketers who want to invest in the local or other foreign markets.

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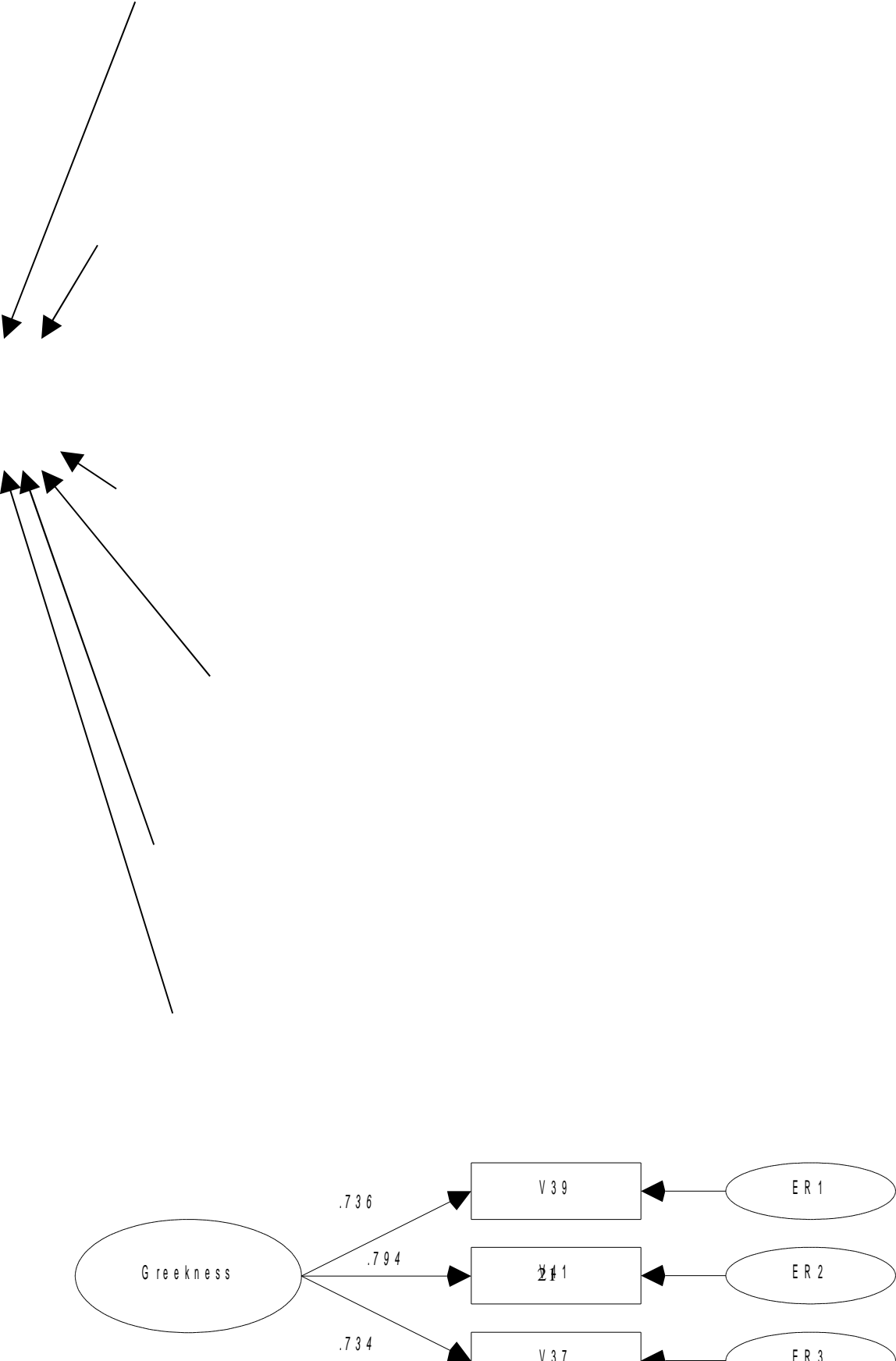
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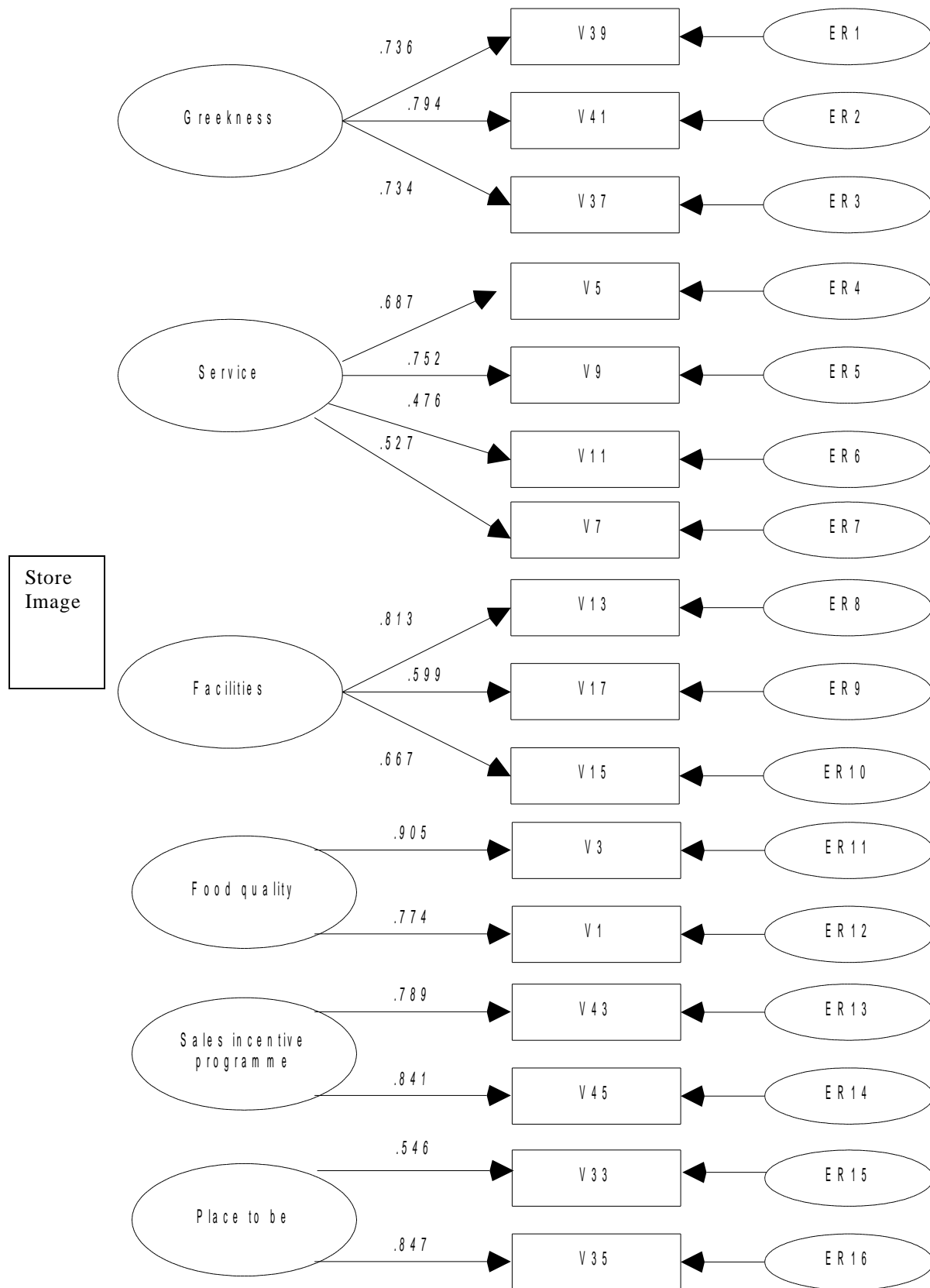
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## APPENDIX

Figure 1 Confirmatory Factor Analysis





**Figure 2. Structural Equation Model**

