



# International marketing standardisation strategies analysis

## A cross-national investigation

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### Abstract

**Purpose** – This study is designed to explore international marketing standardisation (IMS) by investigating the choice of IMS for industrial product (ID) and non-industrial product (non-ID) operators and firms from Australia and New Zealand.

**Design/methodology/approach** – This study has used the experiences of a group of exporting firms to achieve its research objectives. It has employed both main effect and interaction methods to assess its research framework.

**Findings** – The outcomes of this study reveal that, in addition to the main effect outcomes, some significant variations exist. Some of these variations are consistent with the main effects, while others are not. On some occasions a factor is not identified as a main effect factor, and yet it has a significant impact in a certain situation (e.g. infrastructure\*IDs). The interaction outcomes are more significant in terms of the price, promotion and performance components. The interaction outcomes show that firms might be able to use a number of alternatives to achieve their performance goals when operating in a foreign host market, even in the absence of a main effect. These alternatives have not been outlined in the existing literature.

**Research limitations/implications** – The results point out that researchers may need to be cautious about generalising their findings without conducting a thorough statistical examination on the sub-group variations within a study.

**Originality/value** – Previous research on IMS strategies focuses on investigating factors' direct impacts on the research framework. Sub-group variations have not been explored in the existing studies.

**Keywords** International marketing, Standardization, Marketing management, Industrial marketing, Australia, New Zealand

**Paper type** Research paper

### Introduction

Research on international marketing standardisation (IMS) strategy is not new and receives a large amount of attention (Buzzell, 1968; Sorenson and Wiechmann, 1975; Levitt, 1983; Jain, 1989; Cavusgil, Zou and Naidu, 1993; Theodosiou and Leonidou, 2003; Gerpott and Jakopin, 2005). The literature cites the importance of this area of research (Levitt, 1983; Jain, 1989; Walters, 1986; Whitelock, 1987; O'Cass and Julian, 2003; Theodosiou and Leonidou, 2003). The term marketing programme refers to various aspects of the marketing mix (product, price, distribution and promotion), while the term marketing management process refers to the tools that develop and implement the marketing programme (Theodosiou and Leonidou, 2003).

Past studies in the field of marketing standardisation have mainly been conducted on the basis of a home–host scenario (i.e. a comparison of a firm's business operations in the home market to its operations in a foreign host market) (e.g. Akaah, 1991; Cavusgil *et al.*, 1993; Johnson and Arunthanes, 1995; Hill and Still, 1984; Leonidou,



1996; Ozsomer *et al.*, 1991; Shoham, 1999; Theodosiou and Katsikeas, 2001; O'Cass and Julian, 2003). Research in this area can generally be grouped into two categories. The first category of studies focus on an examination of the relationship between a group of factors and selected marketing programme and process elements (Cavusgil *et al.*, 1993; Johnson and Arunthanes, 1995; Kacker, 1975; Whitelock, 1987). These studies have mainly examined the experience of manufacturing firms. This group of studies has suggested a group of factors which are significantly related to the choice of marketing programme and process elements. The second group of studies have examined the relationship between factors, programmes and performance (e.g. Shoham, 1996; O'Cass and Julian, 2003). The research scope of this group of studies tends to be wider, with the studies including manufacturing and/or service firms. Key contributions of this group include identifying factors which are related to the extent of standardisation, and those which are related to a firm's performance in a foreign host market.

A common feature of the past studies is that they have all treated their factors as direct factors (Cavusgil *et al.*, 1993; Johnson and Arunthanes, 1995; Zou and Cavusgil, 2002; O'Cass and Julian, 2003). A number of useful findings have been generated by these studies. For example, some studies have pointed out that marketing factors, such as the difference of political-legal environment in the home and host markets, are positively related to the choice of adaptation strategies (Cavusgil *et al.*, 1993). Other significant factors have been suggested including firm-related (e.g. international business (IB) experience), product type and consumer and marketing factors (e.g. economic and cultural factors). Firm-related and marketing factors are also suggested to be related to a firm's performance in a foreign host market, although the relationship between the extent of standardisation and performance has not been confirmed (Samiee and Roth, 1992; O'Cass and Julian, 2003).

Though useful, the frameworks proposed in the existing studies are incomplete, as only direct factors (main effects) are considered in the past research. Existing frameworks are useful when researchers' intention is limited to receiving macro-viewpoint guidance, which is established based on the experience of all firms included in a study. For example, the model of O'Cass and Julian (2003) is established based on firms from seven industrial sectors, while that of Cavusgil *et al.* (1993) is established reliant on two main groups of firms (industrial and consumer products). The findings of Grosse and Zinn (1990) are mainly based on the experience of firms from three sectors (industrial, consumer durables and consumer non-durables). These studies have all failed to elaborate the differences in the marketing strategies used by their sub-industrial groups. Besides the traditional macro information, research focused on sub-groups within such a study as this would provide more specific information. For instance, though the framework is useful, O'Cass and Julian (2003) found that the firms in their study can be roughly grouped into two categories (high tech vs generic products), based on product nature. Without examining this issue further, these two researchers have reported that the standardisation strategies used by these two groups of firms are found to be different. This difference may have subsequently affected performance in a foreign host market. Similarly, Shoham (1995) also observed that some firms within his study adapted more of their marketing programme than did others.

Indirect factors often have a significant impact on the subject under investigation and often make a research framework more complete (e.g. transaction-cost analysis, Erramilli and Rao, 1993; Agarwal and Ramaswami, 1992; market orientation, Kohli and Jaworski, 1990; Slater and Narver, 1994). The interaction method is important in

helping to identify those factors which have indirect influences on the subject under investigation. In the study of marketing standardisation strategy, an interaction method can, for example, help researchers to determine the specific influence of a particular factor (e.g. product type) on the selection of standardisation strategies (Ryans *et al.*, 2003). As outlined above, product type has been stated by existing studies as being a key factor in the choice of standardisation strategy. Industrial products (IDs) are stated to be more likely to adopt a standardised strategy, while consumer products and services are more likely to choose an adapted programme (Boddewyn *et al.*, 1986; Grosse and Zinn, 1990; Patterson and Cicic, 1995). As expressed, though useful, existing frameworks have only identified whether product type is a significant factor for the choice of marketing programme, or process strategy (Grosse and Zinn, 1990). The information provided by existing studies is broad as more specific information, such as which factors are exclusively related to IDs or non-IDs, have not been statistically examined. In today's competitive environment, having general information such as that outlined in the existing studies is not sufficient for firms to compete fully. In contrast to the method used in the previous studies, the interaction method does not only provide general information, such as that outlined in the existing research, but also helps identify whether a factor is only suitable for a particular type of firm. More specifically, the interaction method can help to identify a factor which the existing frameworks (e.g. infrastructure) have probably not suggested as a general factor for the choice of standardisation strategy, but which could have a significant impact among a particular group of firms (e.g. infrastructure\*IDs) (O'Cass and Julian, 2003; Shoham, 1995). This specific information can assist firms in acquiring a higher competitive advantage over their competitors, when operating in a foreign host market.

The same principle also applies to existing frameworks concerning performance, which appears to be too broad in this context also. Existing findings state that firm and marketing environmentally related factors can have a significant impact on firms' performance (Cavusgil *et al.*, 1993; Zou and Cavusgil, 2002; O'Cass and Julian, 2003). The variances across the sub-groups within any existing study are not explored, however. In addition to offering general information on performance, the interaction method can also help identify whether a factor has a main effect (e.g. P/L), or whether the factor's influence only becomes significant during the existence of a special condition (P/L\*IDs). This specific information is important in providing firms with alternatives in order to achieve performance objectives. All of these points suggest that existing frameworks might require some revision in order to meet today's competitive environment, as general guidance is not sufficient (O'Cass and Julian, 2003).

This study is designed to fill these research gaps. In this study, both the main effect and the interaction methods will be used to achieve the research objectives. This study will also examine the experiences of a group of Australian and New Zealand exporting firms operating in the home–host scenario. The reason for focusing on firms from two separate countries is because existing studies have not included nationality in their research frameworks (e.g. Cavusgil *et al.*, 1993). This new focus is likely to add new insights to the existing literature concerning IMS. A number of characteristics make Australia and New Zealand good candidates for a cross-national study. Australia and New Zealand have many similarities; they have a very similar cultural background and business practices, both of them rely on international markets for their products/ services, and export-related entry modes are their primary international market entry modes (Chung and Ederwick, 2001; Fletcher and Brown, 2002). Despite these similarities, however, the domestic market size of the two countries is significantly

different (Australian Bureau of Statistics, 2005; CIA, 2006; Statistics New Zealand, 2006). The most recent gross domestic product figure for New Zealand was about US\$97billion, while that of Australia was about US\$642billion (CIA, 2006). A country's domestic market size has been suggested to have an influence on firms' selection of international marketing strategy (Chung, 2004). Due to their larger domestic size, firms from Australia are likely to have more resources than those based in New Zealand (Enderwick and Akoorie, 1996). Therefore, it is likely that some aspects of the IMS strategies employed by firms from the two countries will be similar, while some others may vary.

This study will first review the marketing standardisation literature, especially that related to exporting firms. Based on this review of literature, several hypotheses will be proposed and tested. The results will be discussed in the following section. The conclusions, research implications and limitations will be discussed in the final section of the article.

### Literature review

The findings of previous studies are helpful in formulating a research framework. Past studies have identified that the extent of marketing programme and process elements are likely to vary (Killough, 1978). Home–host scenario studies have pointed out that the extent of standardisation is significantly related to the extent of the similarities between the home and host countries' marketing environments (Akaah, 1991; Cavusgil *et al.*, 1993; Ozsomer *et al.*, 1991; Jain, 1989). Specifically, past studies have identified that marketing environmental factors; such as political, legal, economic, marketing infrastructure, socio-cultural and consumer related characteristics; are key factors for the selection of marketing standardisation strategies (Jain, 1989; Whitelock and Pimblett, 1997; Akaah, 1991; O'Cass and Julian, 2003; Theodosiou and Leonidou, 2003; Douglas and Wind, 1987). Some recent studies have investigated the relationship between marketing standardisation and performance (Samiee and Roth, 1992; Cavusgil and Zou, 1994; Zou and Cavusgil, 2002; O'Cass and Julian, 2003). The findings of the studies just listed are also useful to the proposal of research hypotheses. These factors are discussed below.

#### *Marketing environmental and consumer factors*

Jain (1989) stated that the political environment of the host country could force foreign firms to change their operations, policies and strategies in that country. Political intervention by the host country often creates difficulties in implementing standardised programmes (De Búrca, Fletcher and Brown, 2004). Previous studies have also identified that the disparity of government regulations between the home and host countries is a barrier to the choice of standardisation strategies (Kotabe *et al.*, 2005). An observation has been made that firms are often required to amend their marketing strategy for a host country because of different regulations concerning product standards, patents, tariffs and resale price maintenance by the host country government (Cavusgil *et al.*, 1993; De Búrca *et al.*, 2004).

A number of previous studies have stated that the variation in stages of economic development between the home and host countries is likely to have an impact on the selection of marketing strategies (Jain, 1989; Theodosiou and Leonidou, 2003). Furthermore, a large number of studies have pointed out that the disparity of competitive environments between the home and host markets is a barrier to the

employment of a standardisation strategy (Boddewyn and Grosse, 1995; Theodosiou and Leonidou, 2003).

The observation has also been made that international marketing decisions are influenced by the marketing infrastructure of a host country, which includes media availability and distribution infrastructure (Akaah, 1991; Papavassiliou and Stathakopoulos, 1997). A standardisation strategy is more likely to succeed when the basic marketing infrastructure is similar in the home and host countries (Jain, 1989).

Culturally related items have also been widely noted to be a factor in the choice of a marketing standardisation strategy (Whitelock and Pimblett, 1997; Kotabe *et al.*, 2005). Socio-cultural related items; such as consumer literacy, educational level, socio-cultural customs and taboos, and language; often force firms to modify product offerings for the host markets (Boddewyn and Hansen, 1977; Papavassiliou and Stathakopoulos, 1997).

Lastly, several studies have found that firms are more likely to employ a standardisation strategy if the characteristics and behaviour of customers/consumers in the home and host countries are similar (Theodosiou and Leonidou, 2003).

### *Product type*

It has been widely agreed in the marketing strategy literature that IDs are more likely to be standardised than are other products (Ward, 1973; Boddewyn *et al.*, 1986; Cavusgil *et al.*, 1993; Grosse and Zinn, 1990; Theodosiou and Leonidou, 2003). Grosse and Zinn (1990) found that US firms operating in the consumer sector adapt their marketing programme more than those which produce IDs. Cavusgil *et al.* (1993) and Johnson and Arunthanes (1995) also found that the degree of product and promotion adaptation is higher for consumer products than for IDs.

In addition, prior studies concede that services are more likely to be adapted when marketed in a foreign host market. Services often require a higher level of provider-client contact and interaction during the service delivery. A customised service is often crucial when marketing services (Patterson and Cacic, 1995). Service providers often need to amend the marketing programme for a host market, as the products are more likely to be sensitive to differences in the local environment. Some research has further indicated that, in comparison to tangible products, services often cannot be protected by patent and are, therefore, more sensitive to differences in marketing environmental factors across country markets (Erramilli and Rao, 1993; De Búrca *et al.*, 2004).

In short, past studies have pointed out that services and consumer products are more likely to be adapted, while IDs are less likely to be adapted, when operating in a foreign host market. As discussed, previous studies have already generated useful findings concerning services, consumer products and IDs (Patterson and Cacic, 1995; Boddewyn *et al.*, 1986; Cavusgil *et al.*, 1993). These researches have not, however, examined whether product type performs any interaction effect in the relationship between the extent of standardisation and the marketing/consumer factors. As outlined above, an interaction examination is important in specifically investigating which aspects of IDs are different to, or similar to, their counterparts (i.e. non-IDs).

*H1.* When operating in a foreign host market, exporters' extent of marketing adaptation is positively related to the degree of difference in the marketing environmental and consumer factors between the home and host markets.

*H1a.* This relationship is likely to be different between IDs and non-IDs.

*Nationality*

As indicated earlier, this factor is not examined in the existing literature (Jain, 1989; Cavusgil *et al.*, 1993; Patterson and Cacic, 1995; Theodosiou and Leonidou, 2003). A firm's nationality is another point which may be a factor in the selection of a marketing standardisation strategy (Chung, 2004). Some studies have confirmed that doing business internationally is far more important to smaller economies (Enderwick and Akoorie, 1996). As already stated, although Australia and New Zealand are similar in a number of aspects, their domestic market size is different. The Australian domestic market size is larger than that of New Zealand (CIA, 2006). Past studies have identified a number of key factors for New Zealand firms conducting IB. These include seeking a larger market size and business opportunities available in overseas markets, as well as economies of scale (Enderwick and Akoorie, 1996). Due to the small domestic economy, having a successful operation in international markets is probably more important to New Zealand firms than to their Australian counterparts (Fletcher and Brown, 2002).

Hence, due to a higher intention to succeed in a foreign host market, a sensible proposal is that; despite their lower level of resources; New Zealand firms are probably more willing to adapt their marketing programmes or processes for the foreign host market than are their Australian counterparts (Jain, 1989). In the interaction process, based on the logic of previous studies (Cavusgil *et al.*, 1993; O'Casey and Julian, 2003), a reasonable hypothesis is that firms from a smaller domestic economy tend to be more affected by the difference of marketing and consumer factors between home and host markets when designing marketing standardisation strategies. This discussion leads to the following hypotheses.

- H2a.* The extent of adaptation adopted by firms from New Zealand will be higher than that adopted by Australian firms.
- H2b.* The relationship between the extent of adaptation and the difference of marketing environmental and consumer factors in the home and host markets will be varied between New Zealand exporting firms and Australian exporting firms.

*International business experience*

Research has also indicated that a firm's IB experience could also influence its choice of IMS (Theodosiou and Leonidou, 2003). It is suggested that firms are more likely to pursue an adapted set of programme and process elements when they have a higher IB (Theodosiou and Leonidou, 2003; Kotabe *et al.*, 2005).

In the case of interaction effects, the proposition is made that the relationship between the extent of adaptation and IB might be moderated by a firm's product type. As IDs are usually sold in a standardised form, the impact of IB experience on IDs' programme and process elements is probably less significant (Boddewyn and Grosse, 1995). For non-IDs, they might be more willing to adapt programme or process elements when they have accumulated higher business experience, as the offerings are likely to be more thoroughly customised.

With respect to the effect of nationality, it is also suggested here that this factor might have some moderating effect on the relationship between IB and the extent of the adaptation strategy. As discussed, due to success probably being related to the adoption of adaptation, firms from a smaller economy might adopt a higher degree of adaptation strategy, when they have accumulated a higher business experience. Based on the above discussion, the following hypotheses are proposed.

- H3. The extent of adaptation is positively related to a firm's IB experience.  
H3a. This relationship is likely to vary between IDs and non-IDs.  
H3b. This relationship is likely to vary between New Zealand and Australian exporting firms.

### *Performance*

Equally, several studies have also pointed out that the final objective of any marketing strategy selection relies on the influence of marketing strategies on a firm's performance in a foreign host market (Jain, 1989; Samiee and Roth, 1992). The results concerning the relationship between firm and marketing environmental-related factors, and performance, are conclusive. For example, in a study of Australian exporting firms operating in a number of foreign host markets, O'Cass and Julian (2003) concluded that firm and marketing environmental factors are all significantly related to a firm's overall performance in a host market. A study conducted by Zou and Cavusgil (2002) also reached a similar conclusion, observing that a firm's performance (strategic performance) is significantly related to IB experience.

In the case of the interaction effect, it is proposed here that the relationship between the extent of the differences in firm and marketing/consumer factors are likely to be moderated by a firm's product type and nationality. Based on the reasons proposed by previous research (Jain, 1989; Cavusgil *et al.*, 1993; Patterson and Cicic, 1995; O'Cass and Julian, 2003), it is proposed here that this relationship will be varied between IDs and non-IDs, and between firms from New Zealand and Australia.

- H4. The extent of difference in firm and marketing/consumer factors is significantly related to the extent of a firm's performance.  
H4a. This relationship is expected to be different between IDs and non-IDs.  
H4b. This relationship is expected to be different between New Zealand and Australian exporting firms.

## **Data and methodology**

### *Data collection and measurement*

In order to achieve the research objectives, two separate studies were conducted in this project, using a similar time frame. Both studies were conducted using an identical postal survey. The first study was conducted in Australia, with a sampling frame of 824 companies. The second study was performed in New Zealand, based on a sampling frame of 318 firms. Firms in the sampling frame in both studies were mainly acquired from a database of a commercial firm. The commercial firm is based in the USA, and has subsidiaries in both New Zealand and Australia. It specialises in collecting information about firms' operations in the three host markets under investigation (China, Taiwan and Hong Kong). A common characteristic of the firms included in the two sampling frames was that they were all exporting products and services to the three host markets at the time the study was conducted. Both studies were completed by the marketing manager who was responsible for the firm's operations in the host markets, or the most senior staff member of the company. In both studies, respondents were asked to evaluate the degree of similarity/difference of various elements of their marketing programme/process between the firms' operations in the home and host markets, as well as the marketing environmental and consumer factors they have faced in the home and the host markets. Respondents were instructed to answer the survey in

relation to the most important product item marketed in these host markets at the time the study survey was conducted. Importance was measured in terms of sales value.

A total of 134 usable questionnaires were returned from Australian firms and 99 usable questionnaires were returned in New Zealand. In addition, 110 Australian questionnaires and 40 New Zealand questionnaires were returned on the basis that the company did not conduct business in the host markets. Among the usable responses, 34 Australian and 28 New Zealand firms were excluded because of the usage of foreign direct investment (FDI) related market entry modes. Based on the adjusted sampling frames (714 firms for the Australian study and 278 firms for the New Zealand study, FDI responses included), the number of usable returned questionnaires represents a response rate of approximately 19 per cent in Australia (100 firms) and 35 per cent in New Zealand (71 firms). The Australian study's response rate is lower than those reported in the literature (e.g. O'Cass and Julian, 2003). A number of reasons might have attributed to this result, with one probably being related to the amount of time required to complete the survey. Due to the number of questions asked, it was estimated to take a respondent 45 min to complete the survey questionnaire. Although respondents were offered a copy of a recent research article and the research summary, the response rate from this study was still low. Another possible reason is that, due to the budget restriction, this study did not adopt a written letter follow-up practice as adopted in other studies (e.g. O'Cass and Julian, 2003). Due to the availability of information, only selected respondents were followed-up by emails. The response rate in the New Zealand study is comparable to those reported in the literature (e.g. Enderwick and Akoorie, 1996).

The research instrument was formulated based on the practices of past studies (e.g. those outlined in Theodosiou and Leonidou, 2003). Similar to those adopted in the prior research (e.g. Sorenson and Wiechmann, 1975; Jain, 1989; Cavusgil *et al.*, 1993), this research examines both the marketing programme and process elements in its research framework. Details of these components are displayed in Table I.

Details of the measurement of the marketing environmental and consumer factors are also displayed in Table I. The items listed in Table I are based on their mean rating scores. The factors were also assessed by a five-point scale (1 = very similar; 5 = very different), and are drawn based on past research practice (e.g. Jain, 1989; Cavusgil *et al.*, 1993; Theodosiou and Leonidou, 2003).

IB experience was measured by the number of years a firm had been operating in IB and the number of countries (besides the host market) in which it had ongoing operations. Based on the nature of their products firms were initially grouped into three different categories; consumer products, IB, and services. For the sake of the subsequent statistical analyses, firms were later placed into two groups; IDs, and non-IDs (1 = IDs, 0 = non-IDs including consumer products and services). Examples of each category are presented in the following sample profile sub-section.

Nationality is measured by a two-category dummy variable (1 = Australian firms; 0 = New Zealand firms). Performance was measured using the examples of several studies, including Cavusgil and Zou (1994), Johnson and Arunthanes (1995) and Samiee and Roth (1992), in three ways: profit (1 = high level of loss; 7 = high level of profit, over three-year period), sales growth (1 = negative growth; 7 = greater than 25 per cent, over three-year period), and market share (1 = 0-10 per cent; 10 = 91-100 per cent, previous financial year).



Marketing programme/ process elements	Mean ratings		Factor results <sup>a</sup>	
	Australia	New Zealand	EV	CA
<i>Product elements</i>			3.359	0.876
Characteristics of product	1.93	2.20	0.806 <sup>b</sup>	
Brand name of product	1.86	2.35	0.779	
Product packaging	1.84	2.21	0.847	
Product design	1.78	2.33	0.892	
Product positioning	2.05	2.51	0.768	
<i>Price elements</i>			3.027	0.892
Wholesale price of product	2.68	3.18	0.843	
Retail price of product	2.73	3.33	0.905	
Pricing method	2.45	3.27	0.910	
Offer of price discounts	2.68	3.47	0.817	
<i>Distribution elements</i>			3.136	0.850
Types of retail outlets	2.59	3.15	0.787	
Channels of distribution	2.76	3.18	0.807	
Role of salesforce	2.57	3.12	0.846	
Management of salesforce	2.82	3.10	0.802	
Role of middlemen/dealers	3.19	3.30	0.713	
<i>Promotion elements</i>			4.767	0.948
Role of advertising	2.81	3.18	0.891	
Basic advertising theme	2.68	3.16	0.907	
Advertising copy	2.87	3.23	0.902	
Creative expression	2.86	3.36	0.895	
Advertising media allocation	2.96	3.45	0.879	
Role of sales promotion	2.99	3.40	0.873	
<i>Marketing process elements</i>			2.525	0.906
Marketing planning process	2.84	3.09	0.923	
Budgeting and control system	2.59	2.96	0.916	
Marketing philosophy/orientation	2.59	2.93	0.914	
Marketing environmental factors				
<i>Political-legal (P/L)</i>			2.905	0.873
Political environment (political interference by host government)	3.90	3.98	0.738	
Legal regulations on product content, performance and safety	3.20	3.42	0.885	
Legal regulations on price and sales conditions	3.29	3.59	0.909	
Legal regulations on packaging requirements	2.82	3.23	0.868	
<i>Economic</i>			2.914	0.875
Stage of economic development	3.73	3.93	0.794	
Per capita income level (GNP)	4.14	4.05	0.914	
Cost of labour	4.30	4.25	0.832	
Consumer purchasing power	3.95	3.90	0.870	
<i>Competitive</i>			1.350	0.519
Competitive nature of the market	2.60	3.13	0.822	
Market share position of the product	3.27	3.56	0.822	

(Continued)

**Table I.**  
Marketing programme/  
process and marketing  
factors results

Marketing programme/ process elements	Mean ratings		Factor results <sup>a</sup>	
	Australia	New Zealand	EV	CA
<i>Infrastructure</i>				
Distribution infrastructure	3.14	3.41	1.528	0.691
Media availability	3.10	3.22	0.874	0.874
<i>Culture</i>				
Linguistic and connotative implications	3.88	3.95	2.712	0.841
Understanding and interpretation of advertisement	3.59	3.62	0.837	0.883
Consumer literacy and education level	3.67	3.67	0.771	
Socio-cultural customs and taboos	4.09	3.98	0.798	
<i>Consumer</i>				
Consumer preferences	3.18	3.50	2.856	0.865
Consumer purchasing habits	3.49	3.75	0.839	0.866
Conditions of product usage	3.03	3.16	0.866	0.813
Product consumption patterns	2.94	3.35	0.813	0.862
<i>International business experience (IB)</i>				
Number of years in international business	19.38	19.68	1.328	0.493
Number of countries operating in	12.71	15.89	0.815	0.815

**Notes:** <sup>a</sup>All factors were measured by a five-point scale (1, very similar; 5, very different), except the measurement for IB which is a continuous interval scale. EV, Eigenvalue; CA, Cronbach alpha; <sup>b</sup>Factor item loadings

Table I.

### Statistical analysis

Several analysis tools were used in this study, including factor analysis, reliability testing, correlation and linear multivariate regression analysis. The statistical analysis procedure was performed by SPSS (SPSS, 2005).

The five programme and process elements were examined separately. All factors have sound goodness of fit results (Table I). The indicated explanatory variables were also tested by factor analysis. The reliability of the proposed constructs was high in all cases ( $\alpha > 0.5$ ), with the exception of that concerning IB (Table I). The alpha of this construct is 0.49, which is close to 0.5. This factor will be included in the subsequent analysis, as the two items used to measure IB are closely related to each other ( $r = 0.82$ ) and the alpha value is close to the cut-off value (0.5).

After these steps, the marketing environmental and consumer constructs variables were examined by correlation coefficients. In order to reduce the concern of multicollinearity, the two interaction variables (IDs and Nationality) were recoded using the original minus average value technique (Erramilli and Rao, 1993). As shown in Table II, no serious multicollinearity issue is observed in this study. After this a multivariate regression analysis process was performed, with two methods adopted. The first one was related to the main effect method only (Cavusgil *et al.*, 1993; O'Cass and Julian, 2003), in that only main effects were entered into the regression analysis. In the second method (the full model method), both main effect and interaction terms (IDs, nationality and all interaction items) were entered into the regression analysis. Past studies suggest that in order to determine the moderating effect, both methods need to be performed (Bedeian and Mossholder, 1994; Hair *et al.*, 1998; Myers and Harvey,

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T	U	V
A	1.000																					
B	0.327	1.000																				
C	0.275	0.253	1.000																			
D	0.410	0.445	0.354	1.000																		
E	0.356	0.443	0.267	0.468	1.000																	
F	0.293	0.273	0.324	0.290	0.290	1.000																
G	0.102	0.122	-0.058	0.125	0.125	0.104	1.000															
H	-0.138	0.050	-0.159	-0.096	-0.003	-0.121	-0.120	1.000														
I	-0.078	0.102	0.006	0.030	-0.027	-0.205	0.349	0.349	1.000													
J	-0.205	0.033	0.035	0.057	-0.005	0.120	0.022	0.042	-0.048	1.000												
K	-0.251	-0.118	-0.173	-0.213	-0.167	-0.166	0.070	-0.001	-0.033	0.104	1.000											
L	0.009	0.106	0.007	0.128	0.051	0.026	-0.128	0.049	-0.106	0.356	0.110	1.000										
M	-0.156	-0.304	-0.096	-0.105	-0.147	-0.201	-0.014	-0.092	0.161	0.092	0.328	0.163	1.000									
N	0.026	0.031	0.118	-0.027	-0.036	-0.054	-0.076	0.065	0.026	0.262	0.010	0.281	0.011	1.000								
O	-0.167	-0.083	-0.360	-0.264	-0.106	-0.115	0.032	0.072	0.037	0.011	0.237	0.004	0.289	0.126	1.000							
P	0.048	0.160	-0.035	0.153	-0.018	0.119	-0.075	0.030	-0.035	0.392	-0.063	0.425	0.040	0.366	-0.003	1.000						
Q	-0.207	-0.087	-0.268	-0.349	-0.149	-0.210	-0.003	-0.005	0.024	-0.031	0.358	0.049	0.457	-0.024	0.315	0.096	1.000					
R	-0.025	0.084	-0.052	-0.015	0.119	0.041	-0.118	0.086	-0.085	0.360	-0.020	0.439	0.080	0.280	0.075	0.462	0.084	1.000				
S	-0.170	-0.137	-0.098	-0.146	-0.279	-0.141	-0.089	-0.085	0.044	-0.004	0.320	0.092	0.439	0.059	0.276	0.083	0.447	0.223	1.000			
T	0.109	0.013	0.064	0.112	0.022	0.194	-0.007	0.048	-0.112	0.275	0.049	0.267	-0.003	0.332	0.103	0.338	0.006	0.284	0.033	1.000		
U	-0.168	-0.179	-0.105	-0.213	-0.159	-0.308	-0.104	-0.063	-0.157	0.036	0.248	0.057	0.260	0.067	0.319	0.007	0.318	0.048	0.259	0.039	1.000	
V	0.045	-0.109	-0.051	-0.030	-0.112	0.017	0.144	-0.103	-0.163	0.066	-0.003	0.127	0.140	-0.072	0.061	0.077	0.088	0.117	0.062	0.082	0.088	1.000
W	0.084	-0.047	0.049	0.006	-0.083	-0.061	-0.249	-0.164	-0.218	-0.008	0.119	0.139	0.062	0.060	-0.063	0.082	0.121	0.062	0.079	0.115	0.121	0.196

Notes: A, P/L, B, Economic; C, Competitive; D, Infrastructure; E, Culture; F, Consumer; G, IB; H, Nationality; I, ID; J, P/L-nationality; K, P/L-ID; L, Economic-nationality; M, Economic-ID; N, Competitive-nationality; O, Competitive-ID; P, Infrastructure-nationality; Q, Infrastructure-ID; R, Culture-nationality; S, Culture-ID; T, Consumer-nationality; U, Consumer-ID; V, IB-nationality; W, IB-ID; where P/L, political-legal factor; ID, industrial products; IB, international business experience

Table II. Correlation matrix

2001). The change in the  $R^2$  value is used to evaluate whether a moderator effect is present. Both the main effect, and the full model, results are displayed in Tables III, IV. With the exception of the models related to the product, place and process elements, it can be seen in both tables that the  $R^2$  value change between the main effect and the full model method was significant in all the models. As a result of these outcomes, it is decided that the analysis related to the product, place and process elements was based on the outcome of the main effect method, while that related to the other elements was based on the full model's outcomes. The model outcomes also indicate that the proposed models from both methods have generated sound goodness of fit results (Hair *et al.*, 1998). Also, as the models' residuals all fall close to their regression lines, it is concluded that the models' normality is met in this study (Hair *et al.*, 1998).

#### *Sample profile*

The average number of employees of the respondent companies was 116 (Australia) and 282 (New Zealand) full-time employees. Although the average size of the New Zealand sample is larger than that of the Australian firms, these firms are still classified as being small-to-medium sized (Akoorie, 1993; Akoorie and Ederwick, 1992; Fletcher and Brown, 2002). The average number of years of IB experience of the respondents surveyed was nineteen (Australia) and twenty (New Zealand) years. On average, the respondent companies had operated in twelve (Australia) and fifteen (New Zealand) countries outside the region under study.

With respect to the types of firms included in the study, the Australian firms operated more in the ID sector (48 per cent), while the New Zealand firms tended to operate more in the consumer product sector (59 per cent). More New Zealand service firms (27 per cent) operate in the host markets than is the case with their Australian counterparts (9 per cent). IDs in Australia comprise compressors, building materials, machinery and ingredients. Consumer products and service providers in this country are from a number of industrial sectors including agriculture, horticultural, manufacturing, education, architecture and project management. IDs operators in New Zealand mainly provide carpet, hardware, minerals, telecommunications and building materials, while consumer and services firms mainly offer agriculture, horticultural and manufacturing related products, education, accounting and consultancy services. In New Zealand, IDs tend to be smaller in size (full-time employee = 130) than their non-ID counterparts (full-time employee = 305), but their IB experience tends to be higher than that of non-ID providers. The number of years in IB for ID firms was 23, while it was 18 for non-ID firms. ID firms also operated in 18 other countries, compared to 15 for the non-ID firms.

The market entry modes used in both studies include; exporting via agents or distributors, indirect exporting, and direct sales (via international sales representatives).

### **Research findings and discussion**

#### *Degree of standardisation*

As shown in Table I, the overall extent of adaptation of New Zealand firms is higher than that of Australian firms. This shows that firms from New Zealand are confirmed to adapt more of their programme and process components than their Australian counterparts, thus *H2a* is supported.

Dependent variable: product	Main effect model Beta	Full model Beta
<i>Independent variables</i>		
P/L	0.361*	0.361*
Consumer	0.210*	0.210**
R <sup>2</sup> value	0.261	0.261
ΔR <sup>2</sup>		0, NS
<i>Dependent variable: price</i>		
<i>Independent variables</i>		
P/L	0.273**	0.397*
Consumer	0.312*	–
Nationality		–0.535*
Competitive		0.326*
ID		0.403***
P/L*ID		0.567**
Economic*ID		–0.545***
Infrastructure*ID		0.787*
Competitive*nationality		–0.492**
R <sup>2</sup> value	0.281	0.469
ΔR <sup>2</sup>		0.188, <i>p</i> < 0.01****
<i>Dependent variable: place</i>		
<i>Independent variables</i>		
Infrastructure	0.476*	0.466*
Consumer	0.265*	0.325*
P/L*nationality		–0.472*
R <sup>2</sup> value	0.459	0.505
ΔR <sup>2</sup>		0.046, NS
<i>Dependent variable: promotion</i>		
<i>Independent variables</i>		
Cultural	0.245**	0.357*
Competitive	0.271**	–
Infrastructure	0.218***	–
Consumer		0.324*
P/L*nationality		–0.513**
Economic*nationality		0.833*
Competitive*nationality		0.668*
Infrastructure*nationality		–0.606**
Cultural*nationality		–0.568**
R <sup>2</sup> value	0.377	0.496
ΔR <sup>2</sup>		0.119, <i>p</i> < 0.05
<i>Dependent variable: process</i>		
<i>Independent variables</i>		
Consumer	0.187***	0.279*
Competitive	0.306*	0.271*
Infrastructure	0.308*	0.245**
P/L*nationality		–0.474**
Economic*nationality		0.539**
Competitive*nationality		0.422**
Cultural*nationality		–0.481**
R <sup>2</sup> value	0.461	0.537
ΔR <sup>2</sup>		0.076, NS

**Notes:** \*Statistically significant at *p* < 0.01; \*\*statistically significant at *p* < 0.05; \*\*\*statistically significant at *p* < 0.10; \*\*\*\*significance of ΔR<sup>2</sup> is based on the difference in proportion method as suggested by Blalock (1960); NS, non significant

**Table III.**  
Regression models –  
programme and process

Dependent variable: profit	Main effect model Beta	Full model Beta
<i>Independent variables</i>		
Competitive	0.296*	0.406**
Culture		-0.389**
IB		0.442**
ID		-0.713**
P/L*ID		-0.899**
Competitive*ID		0.573*
Culture*ID		0.678*
Competitive*nationality		-0.568*
IB*nationality		-1.241**
$R^2$ value		0.378
$\Delta R^2$	0.058	0.32, $p < 0.01$
<i>Dependent variable: sales growth</i>		
<i>Independent variables</i>		
Economic*nationality	-	-1.408**
$R^2$ value	-	0.11
$\Delta R^2$		0.11, $p < 0.01$
<i>Dependent variable: market share</i>		
<i>Independent variables</i>		
Culture	-0.353*	-
IB	0.493**	0.302***
Economic*nationality		-1.685**
Economic*ID		1.318*
Infrastructure*nationality		1.100*
Infrastructure*ID		-0.928***
IB*ID		1.117**
$R^2$ value	0.124	0.305
$\Delta R^2$		0.181, $p < 0.01$

**Table IV.**  
Regression models –  
performance

**Notes:** \*Statistically significant at  $p < 0.05$ ; \*\*statistically significant at  $p < 0.01$ ; \*\*\*statistically significant at  $p < 0.10$

### Product

As shown in Table III, no significant difference in terms of the outcome established between the main effect and the full model method is observed. The statistical results indicate that political–legal (P/L) and consumer factors have a positive impact on the selection of product adaptation strategies. These outcomes suggest that exporters would adopt a high degree of product adaptation when the differences in political–legal and consumer factors between the home and host markets are high. These results are consistent with those of previous studies (Hill and Still, 1984; Jain, 1989; Cavusgil *et al.*, 1993; O’Cass and Julian, 2003). Based on these results, *H1*; concerning the product element; is partially supported, but *H3* is not supported. No interaction results have been revealed concerning P/L and consumer factors, suggesting that the influence of these two factors on product strategy apply equally to both New Zealand and Australian firms, IDs and non-IDs. These results suggest that *H1a*, *H2b*, *H3a* and *H3b* are not supported.

### Price

As explained earlier, the full model method performed better than the the main effect method alone. For this reason, the full model method's results were adopted. As demonstrated in Table III, the main effect outcomes show that exporting firms would adopt an adapted pricing strategy when the differences in the P/L and competitive environment between the home and host markets are high, when they are ID firms, or when they are New Zealand firms. These results show that *H1* (P/L and competitive) is supported in this element, but that *H3* is not confirmed. The outcomes related to P/L and competitive environment are consistent with those reported in the previous literature (Jain, 1989; Cavusgil *et al.*, 1993; O'Cass and Julian, 2003), however the findings concerning IDs and New Zealand firms are new. The implications of these results will be analysed in the following section.

The interaction outcomes indicate that Australian firms are found to be more likely to adopt an adapted pricing strategy when operating in a competitive environment which is only slightly different to the home market. This supports *H2b*. Other interaction results show that IDs are more likely to adopt an adapted pricing strategy when operating in a highly different market in regards to P/L and infrastructure environment. ID firms, however, are inclined to adopt an adapted pricing strategy when operating in a market with a low level of difference in the economic environment. As they are not shown in the main effect, the impact of infrastructure and economic factors on pricing has a condition, i.e. these impacts only apply to the IDs. These interaction results indicate that *H1a* is supported, but *H3a* and *H3b* are not withheld.

### Place

The same situation occurs for the place component as for the product component; i.e. the full model method did not perform better than the main effect method. It was decided to adopt the outcomes established through the main effect method. As demonstrated in Table III, the infrastructure and consumer factors are suggested to be positively related to the selection of place adaptation. This result partially supports *H1*, but fails to confirm *H3*. These findings are consistent with those reported in the literature (O'Cass and Julian, 2003; Hill and Still, 1984; Jain, 1989), i.e. exporters are likely to adapt their place strategies when the host market's infrastructure and consumer behaviour are different from those in the home markets. This result suggests that the hypotheses related to the moderation effect (*H1a*, *H2b*, *H3a* and *H3b*) cannot be supported.

### Promotion

As discussed, the full model outcome was adopted as its performance is higher than that of the main effect method (significant change of  $R^2$  value). As displayed in Table III, the two main effect items (cultural and consumer) are positively related to the selection of a promotion adaptation strategy. These findings are in line with those reported in the literature (O'Cass and Julian, 2003; Cavusgil *et al.*, 1993; Hill and Still, 1984; Jain, 1989). Based on these results, *H1* is partially supported, but *H3* is not vindicated. *H1a* is not supported, as this study cannot identify a choice difference between IDs and non-IDs.

The impact of nationality is comprehensive. The interaction outcomes suggest that firms from Australia are more likely to employ an adapted promotion strategy when operating in an environment with only a slight difference in P/L, infrastructure and culture. Australian firms, however, are also found to be more likely to adopt an adapted

promotion strategy when operating in a highly different economic and competitive environment. These results support *H2b*, but fail to support *H3a* and *H3b*. The interaction outcomes reveal that the impact of the P/L, economic, competitive and infrastructure elements on promotion has a condition, i.e. the influences of these factors only apply to the Australian firms.

#### *Process*

As displayed in Table III, there is no significant difference between the results from the main effect and the full model methods. Due to this reason, it was decided to use the outcomes established using the main effect method. In total, three variables were suggested to be significantly and positively related to the decision regarding the process element (competitive, infrastructure and consumer factors). Exporting firms are likely to adapt their process strategy when operating in a country with a high level of difference in the competitive, infrastructure and consumer factors. These findings are similar to those reported in the literature (O'Cass and Julian, 2003; Cavusgil *et al.*, 1993), that firms tend to adapt their marketing management process when the host market environment is different from that of the home market. Based on these results, *H1* is mostly supported, but *H3* is not confirmed. As no differences are observed between IDs and non-IDs, Australian and New Zealand firms, the proposals related to the interactions are not verified (*H1a*, *H2b*, *H3a* and *H3b*).

#### *Performance*

As displayed in Table IV, the results from the full model method performed better than those obtained purely through the application of the main effect method. Therefore, the discussion concerning the three performance items is based on the outcomes of the full model method. The findings on performance in this study are consistent with those generated in recent studies (e.g. O'Cass and Julian, 2003). The results concerning performance are outlined in Table IV. IB, IDs, competitive and cultural factors are shown to be significantly related to a firm's profit. Most of these findings are consistent with those reported in the recent literature (O'Cass and Julian, 2003). For example, it is identified that firms with IB tend to perform better in terms of profitability (O'Cass and Julian, 2003). It is also revealed that firms which are operating in a highly competitive environment tend to perform better in terms of profitability. Firms operating in this type of environment are reported to adapt more of their programme and process for the host markets, which might subsequently affect their profit in these markets. Past studies also indicate that firms tend to do better in terms of performance when operating in a culturally similar market (Jain, 1989). In comparison to non-IDs, ID firms are found to perform more poorly in terms of profitability. This finding has added new insights into the literature (Theodosiou and Leonidou, 2003). This result will be discussed further in the implication section of this paper. The results related to firms' profit in the host markets suggest that *H4* is supported.

The interaction results show that IDs are likely to perform better in terms of profitably when operating in a highly different competitive and cultural market. ID firms, nevertheless, tend to perform more poorly in terms of profitability when operating in a P/L environment which has a high level of difference to the home market. The interaction outcomes also indicate that firms from Australia are more likely to be less profitable when operating in a competitive environment with a high level of difference, but that Australian firms with a low IB can still be profitable when operating in the three host markets. These outcomes support *H4a* and *H4b*.



In terms of sales growth, there are less available options. No main effects have been shown to have a significant impact on firms' sales growth. The interaction results confirm that firms can still gain higher sales growth by using appropriate marketing standardisation strategies. For example, firms from Australia are confirmed to perform less well in terms of sales growth when operating in a highly different economic market. Thus, in order to gain a higher level of sales growth, Australian firms should avoid operating in such an environment and should focus on market segments whose stage of economic development is similar to that of their home market. This result is new to the literature (O'Cass and Julian, 2003; Samiee and Roth, 1992), and will be discussed further in the subsequent section. This outcome supports *H4b*.

In terms of market share, only one main effect is supported, i.e. IB is positively related to this performance measurement. This indicates that, in general, firms with a high IB tend to perform better in terms of market share. This outcome is consistent with the aforementioned finding related to profit, and to those reported in Zou and Cavusgil (2002). The interaction outcomes suggest that IDs are found to perform better in terms of market share when they have a high IB, or when operating in a highly different economic market. IDs, however, are suggested to perform less well in terms of market share when operating in a market with a highly different infrastructure. Regarding the impact of nationality on the market share, firms from Australia tend to do less well in terms of market share when conducting business in a market with a highly different economy, but they are inclined to perform better in terms of market share when operating in a market with a highly different infrastructure. The interaction results indicate that *H4a* and *H4b* regarding market share are supported.

## Research implications

### *Traditional vs interaction methods*

As indicated, this study is among the earlier group of studies which have used both main effect and interaction methods in their research scope. The results of this study show that managers need to understand that; although not universally applicable; besides the main effect factors, firms can also use some alternative strategies to achieve their IMS objectives when operating in the home–host scenario. This research points out that the interaction effects are more significant in terms of the price, promotion and performance components. Specific implications of each factor are analysed below.

### *P/L*

As demonstrated from the above analysis, the impact of P/L is significant on two elements (product and price) (main effect). The impact of P/L on these two components is universal, which means that it applies to all conditions (IDs and non-IDs, New Zealand and Australian firms). The impact of P/L on pricing is particularly strong for ID firms. In addition to its main effect, marketing managers also need to understand that P/L has a particular impact on the promotion component, and on a firm's profitability. For instance, the outcomes of this study indicate that firms from a larger economy (Australia) should still consider adopting an adapted promotion strategy, even when operating in an environment with a low P/L difference. This strategy will probably help Australian firms more easily achieve their exporting objectives. Likewise, it is also recommended that ID providers operate in such an environment, as they are found to perform less well in terms of profit in a highly different P/L environment.

*Economic*

The interaction outcomes show that IDs should use an adapted pricing strategy when operating in an economic environment with a low level of difference. Likewise, the findings of the current study reveal that firms whose domestic economy is relatively larger, should utilise their more abundant resources and employ an adapted promotion strategy when the economic environment is highly different between the home and host markets.

The interaction results show that, though no main effects have been found in regards to the impact of the economic environment on sales growth and market share, firms can still use some strategies to achieve their sales growth and market share objectives. For instance, firms from a larger economy can choose to operate in an economic market with a low level of difference in order to increase their opportunity for higher sales growth and market share. When operating under such a condition, firms from a larger economy can probably achieve their performance objectives by employing a more highly standardised strategy (Jain, 1989). When the economic environment is highly different between the home and host markets, firms can consider marketing IDs, as they are found to perform better in terms of market share when operating in such an environment.

*Competitive*

This factor has no impact on the product, place and promotion elements. This factor is positively related to the price and process elements. These results show that firms should consider using an adapted pricing and process strategy when operating in a highly different competitive market. Within this big picture there are some variations that managers need to be aware of. In terms of price, the findings show that firms from a larger economy should still adopt an adapted pricing strategy when operating in a competitive environment with only a slight difference. In contrast, when designing promotion strategies, managers need to understand that firms from a larger domestic economy should employ an adapted promotion strategy when operating in a highly different competitive environment. These variations indicate that managers from a larger economy need to be aware of the impact of the competitive environment on their specific IMS components.

The competitive factor is positively related to profitability, showing that, in general, firms will operate profitably when operating in a market with a high competitive difference. Within this big picture, there are a number of other strategies which firms can follow in order to achieve high profitability. For instance, the findings encourage firms from a larger economy to operate in an environment with a low level of competitive difference, in order to achieve a high level of profitability. This result might relate to the aforementioned pricing adaptation strategy (Shoham, 1996). In contrast, it is probably adequate for IDs to operate in a host market whose competitive environment is highly different from that of their home market. ID firms were found to perform better in terms of profit under such a condition.

*Infrastructure*

This factor has no main effect on the product, price and promotion elements, while being positively related to the adaptation strategy in terms of the other two elements. This shows that firms should adopt an adapted place and process strategy when operating in an environment with a highly different infrastructure. Regarding this broader picture, managers need to realise that these are just some of the variations

which exist. For instance, though infrastructure has no main effect on price and promotion, it becomes significant when the product is an ID, or when the firm is an Australian one. These findings imply that IDs should employ an adapted pricing strategy when operating in a market with a highly different infrastructure. Firms from a larger domestic economy, on the other hand, should consider employing an adapted promotion strategy when operating in an environment with a low level of difference in infrastructure.

The interaction results indicate, however, that Australian firms perform better in terms of market share when operating in markets with a high infrastructure difference. IDs, on other hand, could have better performance in terms of market share when operating in a market with a low level of infrastructure difference.

### *Cultural*

This factor has no main effect on product, price, place and process. A positive main effect occurs in terms of promotion, suggesting that firms should use an adapted promotion strategy when operating in a highly different cultural environment. Within this big picture, firms need to understand that the cultural effect on the promotion element is stronger for firms from a larger domestic economy. In regards to this element, firms from a larger economy should still adopt an adapted strategy, even when operating in a cultural market with a low level of difference. This strategy could assist such firms to gain, or maintain, their competitive advantages in a host market.

The cultural factor is negatively related to profitability, showing that firms should operate in a market with a low level of cultural difference in order to gain higher profitability. Nonetheless, the results of this study also reveal that IDs can achieve higher profitability if they operate in a highly different cultural environment. This latter result might relate to the nature of IDs, which are less affected by cultural differences between the home and host markets (Cavusgil *et al.*, 1993).

### *Consumer*

This factor has a main effect on four elements (product, place, promotion and process). The results of this study indicate that firms should consider employing an adapted strategy when operating in a highly different consumer market. When compared to other factors such as cultural and competitive, the impact of the consumer factor is more direct, as no interaction impacts have been uncovered on this factor.

### *IB*

This factor has no main effect on any of the five elements. IB is positively related to profitability and market share, showing that firms with a high IB tend to perform better in terms of profitability and market share. The interaction outcomes mean that firms could use a different strategy to achieve profitability objectives when they have a different amount of IB. For example, and probably related to the extent of experience required, firms with a high IB are encouraged to market IDs in a host market. Though not consistent with other strategies reported in the literature (Boddewyn and Grosse, 1995), this strategy could help ID firms to gain a higher market share in a host market. On the other hand, in order to overcome the disadvantages of inexperience, Australian firms with a low IB can probably employ strategies such as country of origin image to assist marketing their products in the host markets (e.g. high quality Australian wheat in China). By doing this, firms with a low IB might still be able to operate profitably in a foreign host market.

### Conclusions

The purpose of this study is to add further insights to existing findings concerning IMS. Our study is designed to make previous models more complete (Jain, 1989; Cavusgil *et al.*, 1993; Zou and Cavusgil, 2002; O'Cass and Julian, 2003). The outcomes of this study reveal that, in addition to the main effect outcomes of the factors included in the framework, some significant variations exist within each factor. Some variations are consistent with the main effects, while others are not. Moreover, on some occasions a factor is not identified as a main effect factor, and yet it has a significant impact in a certain situation (e.g. infrastructure\*IDs). These results point out that researchers need to be cautious about generalising their findings without conducting a thorough statistical examination of the sub-group variations within a study. For example, as expected, this study has uncovered some similarities and dissimilarities concerning IMS between ID and non-ID firms, and between firms from New Zealand and Australia. Furthermore, the interaction outcomes show that firms might be able to use a number of alternatives to achieve their performance goals when operating in a foreign host market, even in the absence of a main effect (e.g. sales growth). These alternatives have not been outlined in the existing literature (Zou and Cavusgil, 2002; O'Cass and Julian, 2003).

Though the findings generated in this study are interesting, a number of key weaknesses have occurred in the generation of our findings. The first key weakness comes from the size of the firms included in the study, which are classified as small-to-medium size. The representativeness of these firms might also be compromised. Second, this study only focuses on the experience of exporting firms. Any ability to generalise the study's findings is minimised by adopting this approach. Lastly, due to the large amount of interaction items examined in the regression analysis, the number of observations (171 firms) included in this study is not ideal. Future studies should enlarge their sample size, so that a higher level of validity can be achieved in their research frameworks.

Despite these drawbacks, this is one of the first studies to use a combination of main and interaction effects in creating its research framework. The findings provide some useful guidance for future studies. As this study has only used two interaction terms in the framework, future studies might expand this to include other useful factors, such as market entry mode and immigrant effect (Chung, 2004). By using new interaction terms we hope that other new insights can be added to the literature. The findings outlined in this study may also allow application to other industrial sectors. In studies where a sub-comparison among firms from different industrial sectors is important, the method outlined in this study can be of use to researchers in achieving this objective (e.g. O'Cass and Julian, 2003). Whether or not the findings established in this study can be applied to other situations also requires some verification from future studies, which could focus on examining firms from other industrial sectors, or firms based in other countries or regions.

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