Roxana Codita

Contingency Factors of Marketing-Mix Standardization

German Consumer Goods Companies in Central and Eastern Europe

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Roxana Codita

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German Consumer Goods Companies
in Central and Eastern Europe

With a foreword by Prof. Dr. Frank-Martin Belz

GABLER

RESEARCH

To my son, Jacob

FOREWORD

The PhD thesis by Roxana Codita focuses on contingency factors of marketing-mix standardization in the context of internationalization strategies. This topic is equally relevant for theory and practice. The theoretical relevance consists in the verification of the (general) contingency theory of marketing-mix standardization in a Central Eastern European Context as well as in the development of a novel theoretical construct regarding product cultural specificity. The practical relevance should be assessed in view of the background of the eastwards enlargement of the European Union: Central and Eastern European Countries are not only interesting as production sites for German consumer goods companies, but as outlet markets as well. Many German companies in the consumer goods sector have significantly increased their export and marketing activities in Central and Eastern Europe during the last ten to twenty years. Therefore the question rises, how they shape their marketing-mix, particularly:

- To what extent do German consumer goods companies standardize their marketing-mix in Central and Eastern European countries?

- How do marketing managers perceive the environmental and competitive conditions in the Central and Eastern European foreign markets ("host"), as compared to those ruling their own ("home") market?

- Which factors have a significant influence over the degree of standardization of the four marketing-mix elements (Product, Price, Communication, and Distribution)?

- To what extent does standardization contribute to performance on Central and Eastern European markets? What kind of influence does the degree of standardization take upon performance in Central and Eastern European countries?

The empirical work by Roxana Codita provides for detailed and differentiated answers to these questions. The main study regards German consumer goods companies, active in Central and Eastern European markets. Contrary to other studies, concentrating on individual aspects (such as communication), the present empirical research has a comprehensive scope.

One of the key findings is that standardization is greatest in the product area, followed by communication and distribution. The price is generally adapted to realities specific to the national markets. Pivotal influence factors lie in the similarity of consumer groups as well as of marketing infrastructure.

Business performance on Central and Eastern European foreign markets can be explained by product and distribution standardization, on the one hand, as well as by international business experience and global marketing processes and other contingency factors (such as

competition intensity), on the other hand. The positive direct effects of both variables "international business experience" and "global marketing processes" upon performance in foreign markets indicate that internal factors play a key role in gaining competitive advantage in international marketing. This carries significant implications for theory and practice, widely discussed in the last part of the outstanding dissertation at hand.

While presenting both theoretically and empirically interesting results, the excellent dissertation is well structured and fluently written. I highly recommend the book for reading to both researchers and practitioners in the area of international marketing.

Prof. Dr. Frank-Martin Belz

Munich/Freising, October 16, 2010

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I am very grateful to have come to the end of a challenging journey, where I can look back and see so many cherished people that have accompanied me along the way. You, my named and unnamed companions, are my true reward.

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LIST OF ABBREVIATIONS

AGFI	Adjusted-goodness-of-fit index
ANOVA	Analysis of variance
approx.	approximately
AT	Austria
AVE	Average variance explained
B2B	Business to business
B2C	Business to consumer
BG	Bulgaria
CD	Consumer durables
CEE	Central and Eastern Europe
CEO	Chief executive officer
CFA	Confirmatory factor analysis
CFI	Comparative fit index
CH	Switzerland
CND	Consumer nondurables
COO	Country-of-origin
CZ	The Czech Republic
DE	Germany
df	Degrees of freedom
e.g.	For example
EE	Estonia
EFA	Exploratory factor analysis
EM	Expectation maximization
EPRG	Ethnocentric, Polycentric, Regiocentric, Geocentric
EU	European Union
FDI	Foreign direct investment
FR	Factor reliability
GDP	Gross Domestic Product
GFI	Goodness-of-fit index
HU	Hungary
i.e.	Id est
IBE	International business experience

IM	International marketing
IO	Industrial Organization Theory
IR	Indicator reliability
ITTC	Item-to-total correlation
LV	Latvia
LT	Lithuania
M	Mean
MNC	Multinational companies
MSA	Measure of sampling adequacy
n	Sample size
n.s.	Not significant
NFI	Normed fit index
No.	Number
p.	page
PCA	Principal component analysis
PCS	Product cultural specificity
PL	Poland
PLC	Product life cycle
PLS	Partial least squares
pp.	pages
PR	Public relations
RMSEA	Root-mean-squared-error of approximation
RO	Romania
SD	Standard deviation
SEM	Structural equation modeling
SI	Slovenia
SK	Slovakia
SME	Small and medium-sized enterprises
UK	United Kingdom
USA	United States of America
VIF	Variance inflation factor
vs.	versus

1   Introduction

Globalization has become a buzzword. But also an undeniable phenomenon, describing, in a narrow sense, the economic integration of national economies into a world economy mainly through trade, foreign direct investments (FDI), capital and technology flows (Bhagwati, 2004, p. 3). Controversy prevails over the consequences of this phenomenon: while some foresee the rise of a universal civilization, including universal values and consumption patterns, others consider local cultures to be relatively resistant to the assumed erosive effects of globalization (Mooij, 2009, pp. 6-7). Moving the debate at the level of corporations, as agents of globalization, one question has dominated the minds of international marketing scholars for the last forty years: should companies ride the globalization wave by relying on the first premise, that of a convergence of consumer behavior around the world, or by catering to the diversity of local tastes, beliefs, preferences etc. The first implies a standardized marketing strategy, with global products and a global marketing-mix, the second involves adapting both products and the marketing-mix to the local reality. In time, the discourse has moved towards a more nuanced perspective, acknowledging that purely global products may be utopian, whereas regional products on the other hand, not (Rugman, 2001, p. 585; Rugman, 2005, p. 61; van Mesdag, 2000, p. 79).

The European Union (EU) as a political project can be viewed as an interesting playground within whose borders globalization forces can freely unfold. The EU consists as of January 1, 2007 of 27 member states and a total of approx. 493 Mio. people (Eurostat, 2008, p. 43). Bulgaria and Romania are the last two countries from the former communist bloc to have joined the EU in 2007, while Poland, Slovenia, Hungary, Slovakia, the Czech Republic, Latvia, Lithuania, and Estonia became members in 2004. Sally (2007, p. 99) describes the enlarged EU as the "most globalised region on the planet". But how do companies handle this region from a marketing point of view? With what kind of strategies do they approach the consumer from the Central and Eastern European newcomer states? What are the factors playing an important role in their decision-making process? Do their strategies reflect the convergence perspective, or rather lean towards the persisting divergences? These are some of the questions that ignited the interest in researching this topic. In this study, Central and Eastern Europe (CEE), as a group of countries, is defined primarily based on political and secondarily on geographical criteria, to include the ten former communist countries and most recent EU members mentioned above. Consequently, when referring to CEE, the author addresses the Central and Eastern area of the European Union and excludes countries such as Croatia, Bosnia-Herzegovina, Serbia, Montenegro, Albania, Ukraine, Russia or Turkey. Using other delimitation criteria besides geography and EU membership, such as culture, religion, history, language, economic

performance, infrastructure, etc. would have lead to a different cluster of countries from the CEE region. In spite of the ten selected CEE countries depicting a heterogeneous group in terms of culture, history, language, duration, and intensity of communist rule as well as local specifics of its economic doctrine (Manrai et al., 2001a, p. 271), all of them underwent parallel transition processes from planned to market economy, arguably at different paces, until coming to finally fulfill the political, legal and economic accession criteria imposed by the EU to a satisfactory extent (Kozminski et al., 2000, pp. 6-7). In this respect, what brings these countries together is the ample harmonization process they underwent or still undergo with the EU institutions and mechanisms, which is the main reason for placing this study's focus on this specific geo-political space.

In this chapter, the theoretical and practical relevance of the chosen focus on marketing-mix standardization vs. adaptation in the CEE region as well as the addressed research objectives and questions will be introduced. Subsequently, the research design employed and the resulting structure of the thesis are outlined.

1.1   Relevance of the Research Topic

1.1.1   Theoretical Relevance

This work responds to multiple calls for conducting more research in emerging markets[1], as this effort is "paramount for the future of marketing science and practice" (Burgess and Steenkamp, 2006, p. 338). Theories developed and primarily tested in the Western world rely on Western world assumptions. Hence, their validity within the specific institutional contexts of emerging markets is arguable. Emerging markets are in this sense "natural laboratories in which theories and assumptions about their underlying mechanisms can be tested, generalizations derived and boundary conditions identified" (Burgess and Steenkamp, 2006, p. 337). From a researcher's standpoint, transition economies in general

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[1]   The terms "transition economies", "emerging markets", and "developing countries" are overlapping concepts with a different emphasis. As an overarching term, "emerging markets" is understood here in a broad sense in accordance with Jansson's (2007, p. 11) definition as "growing markets, which are being transformed from a pre-market economy stage (either a non-pecuniary/traditional or centrally planned economy) to the market stage of the mature Western capitalistic economy, by way of integrated and successful structural reforms of companies, markets and society". Consequently, transition economies include the former communist countries in CEE and Central Asia plus China, Vietnam and Mongolia in East Asia, which undergo a long-term transformation from a centrally planned to a market economy, though at different paces and stages (Batra, 1997, p. 95; Jansson, 2007, p. 11).

Financial institutions such as ING, Morgan Stanley and World Bank, or international organizations such as the United Nations and the World Trade Organization employ different country classification schemes based on quantitative and/or qualitative criteria such as human development index, gross national income per capita, macro-economic stability, market capitalization of publicly traded companies, etc.

and CEE countries in particular, can be approached from two perspectives (Meyer, 2003, pp. 717-718):

1. by testing the validity of general theories in the specific context of the region;

2. by exploring and explaining the specific features of the business context and their implications for companies operating in the region.

While the first approach suits the purpose of theory development and refinement, the latter, exploratory approach, generates insights on the functioning of business in the specific environment and develops theoretical frameworks to analyze it (Meyer, 2003, p. 718). The present work takes the first approach of theory development and refinement. The research process encompasses two phases, in this case: a deductive phase through which general theories are specified within the particular research setting, followed by an inductive phase whose goal is to convert specific findings into more general conclusions concerning the validity of theoretical assumptions and the existence of boundary conditions (Burgess and Steenkamp, 2006, pp. 339-340).

The growing importance of emerging economies is reflected in the increasing number of publications as well as in the rising diversity of covered topics (see Appendix I for an overview of representative international business studies in CEE). Researchers from both inside and outside the region have intensified their research activities within the CEE context over the last years. The author of the present work comes from Romania, having left her home-country to pursue her graduate business studies in Germany. The author's personal bonds to the region constitute thus one reason for placing the focus of this work on CEE countries. Ideally, they may also represent an added value, as suggested by Gelbuda et al. (2008, p. 2), who note that researchers with a CEE heritage bring "a strong, visceral understanding of context, to merge with research methods championed in European and North American institutions". This phenomenon of merging context knowledge and methods has previously occurred in management and international business research in Asia (Gelbuda et al., 2008, p. 2).

In spite of the high attractiveness of these CEE countries from a theoretical and managerial perspective, empirical studies of international marketing standardization analyzing this region as a host region are to a large extent lacking (Schuh, 2000, p. 136). Even international marketing studies located in the EU prior to the enlargement are mainly descriptive in nature (Chung, 2005, pp. 1345-1346). The targeted sample of German consumer goods companies activating on Central and Eastern European markets puts the debate over marketing standardization vs. adaptation in the context of the relatively recent EU enlargement encompassing these states. This focus has been chosen in accordance with suggestions to locate studies in other regions besides the Triad markets present in literature sources (Chung, 2005, pp. 1346-1347; Harris, 1994, p. 27). Therefore this work intends to

contribute to international marketing theory by testing its validity within a less explored, yet highly attractive region, as the next paragraphs show.

1.1.2   Practical Relevance

The integration of the CEE countries in the EU is expected to give rise to a new wave of interest in these markets. The barriers which prevented especially small and medium-sized companies to venture in this area in the past, such as cross-border bureaucracy or national technical regulations, have been removed by the access of the CEE states in the EU and thus in the Single European Market (EU, 2005, p. 18). The set-up of the Single European Market has brought tangible benefits both to consumers/citizens and to the business environment. Concerning the latter, the benefits are at hand:

▪ new export markets have been opened up to small and medium-sized enterprises (SME), which previously could not have overcome the costs and difficulties involved;

▪ thanks to the opening up (deregulation) of public procurement, companies are able to bid for contracts to supply goods and services to public authorities in other Member States;

▪ many companies, especially exporting ones, believe the Single European Market to have helped boost their cross-border sales (EU, 2005, pp. 2-3).

The CEE represents a major business opportunity for companies inside and outside the Union (Meyer, 2003, p. 717). The rapid reduction of trade barriers and the promotion of favorable foreign investment regulation, along with the economic and institutional reforms, necessary to gain the arduously desired EU membership, bestowed these countries with an increasing interest on the part of foreign investors (Meyer, 2003, p. 717). Romania, for example, reported one of the highest foreign direct investment levels in Europe in the years preceding its announced EU membership (Eurostat, 2006, p. 31). In many sectors, foreign companies have already secured themselves an important share of the CEE market (Schuh, 2007b, pp. 282-283). Taking the Romanian food market for an example, Dutch (Heineken International) and Athens-based (Coca-Cola HBC) investors dominate the beverage sector, French and Dutch companies (Danone, Friesland-Campina) bestride the milk sector, American investors (Bunge and Cargill) control the edible oil sector, a Dutch (Unilever) and a Norwegian (Orkla Foods) company part the margarine market and the examples could continue for other sectors and other CEE countries[2]. Especially Germany and Austria are a major source of FDI in the new EU member states from CEE (Ali et al., 2003, p. 31).

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[2]   See Food for Thought (2009), Radio Romania International (2009).

Two main aspects make the CEE region particularly attractive to FDI: 1) The major market potential of the region, with rising demand and a growing middle-income consumer class, offers an attractive alternative to the saturated markets of Western Europe, North America or Japan (Jansson, 2007, p. 14). Consumers in CEE have experienced the fundamental transformation of their markets from a shortage situation to a sheer diversity and ubiquity of products and services (Batra, 1997, pp. 96-97; Shama, 1992, p. 48). Were consumers prior to 1989 "cash rich and possession poor" (Shama, 1992, p. 48), in the early transition stage they had to face an inverted problem: products and services were largely available, yet severe recession, inflation, and hence low purchasing power incapacitated them to satisfy their demand (Shama, 1992, p. 48). After several setbacks during the 1990s, the CEE economies have recovered to post now growth rates well above the EU average[3]. As a result of the positive development, private consumption is booming, luring international investors from all sectors on all stages of the value system (a recent phenomenon is the intensified investment activities of international retailers to expand besides large cities). 2) The second aspect refers to the presence of factor cost advantages, i.e. lower labor costs, lower costs of raw materials, as compared to Western Europe and, to a certain extent, to East Asia, which have motivated especially SME and firms from neighboring countries in the early years of transition to relocate production facilities (Meyer, 2003, pp. 730-731).

Using the classification of Root (1994, p. 123)[4], who distinguishes two groups of motives for FDI, market-seeking and factor-seeking, most studies on motives of FDI in CEE indicate the predominance of market-seeking over factor-seeking investments (Marinov and Marinova, 1999, pp. 27-28; Meyer, 2003, p. 730). The pattern of FDI motives remains quite stable over time. For example, Gatling (1993) reported following sequence of motives: establish a market share in the host-market, tap into a regional market, tap into the EU market, and low cost sourcing. An OECD study (1994, p. 162) revealed a similar ranking of motives among 162 surveyed companies investing in CEE: access to large domestic markets, gaining market share, low cost of production, source of raw materials. A more recent study by Marinov and Marinova (1999, p. 33) reports the opportunity for building a long-term position in the market as the main motive for investing in the CEE region, followed by the access to domestic markets, the advantage of skilled labor force and low labor costs. Similar results were obtained by Manea and Pearce (2004, p. 54) based on a company survey conducted in 1998, where the emerging dominant motives

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[3] The situation depicted here refers to the period prior to the global economic crisis, whose negative effects started to show as of end of 2008. CEE countries face in 2009, as most countries in the world, a strong economic recession, with some of them, e.g. Hungary, Latvia, and Poland, being hit particularly hard (Turgut, 2009).

[4] Basically, most classification attempts of FDI motives draw on the work of Dunning (1993, pp. 56-60), who distinguishes between four different motives of investment: natural resources, (emerging) markets, efficiency enhancing and strategic assets.

were once again the establishment of a strong position in the host-market and achieving better access to a new regional market.

In light of the high prevalence of market-seeking motives of foreign companies in the CEE region, devising the most appropriate marketing strategy is a crucial and most challenging management task. The insights gained from this study are meant to assist managers in tackling this multifaceted task successfully.

1.2   Research Objectives and Questions

The primary objective of this study is to investigate the extent, contingencies and performance implications of marketing-mix standardization practiced by international companies in CEE markets. For this purpose, a conceptual framework of antecedents and performance implications of marketing-mix standardization is developed based upon a thorough review of the relevant literature. In line with existing theory and prior research, research hypotheses are formulated to guide the empirical investigation.

A second objective consists in bridging a research gap concerning the hypothesized negative influence of *product cultural specificity* on marketing-mix standardization. The construct of *product cultural specificity* has remained a rather subjectively defined phenomenon with no consistent conceptualization and measurement attempts. To the author's best knowledge, this is the first attempt to conceptualize, operationalize and validate a measure of *product cultural specificity* as a product related contingency factor of marketing-mix standardization.

These research objectives lead to following research questions:

- To what extent do German consumer goods companies standardize their marketing-mix in CEE? Are there significant differences in the standardization degree among CEE host-countries?

- How different or similar do headquarter managers perceive the environmental conditions of the CEE host-markets as compared to their home-market?

- Which environmental, product related and organizational contingency factors exert a significant impact on the standardization degree of the marketing-mix elements? To what extent does *product cultural specificity* affect the degree of marketing-mix standardization?

- How does standardization relate to performance in CEE?

In answering these questions, this study intends to make following theoretical contributions: 1) test the validity of the contingency framework of marketing-mix standardization in the specific context of the CEE region; 2) develop a measure of *product*

cultural specificity for use in contingency frameworks of standardization; 3) empirically verify past claims on the impact of cultural specificity on marketing-mix standardization; 4) further substantiate the link between performance and standardization. Finally, managerial implications for international companies operating in CEE will be discussed.

According to Colquitt and Zapata-Phelan's (2007, pp. 1282-1283) taxonomy of theoretical contributions along the dimensions of theory building and theory testing, this study belongs to the "expanders" category. On the horizontal axis, the contingency framework of marketing-mix standardization is tested within the CEE environment. By grounding predictions with existing theory, this study makes a high theoretical contribution in the "testers" category. On the vertical axis, the *product cultural specificity* construct is conceptualized and operationalized, which represents a high level of theory building. Taken together, these contributions place this study in the "expanders" category.

Figure 1: A Taxonomy of Theoretical Contributions for Empirical Studies
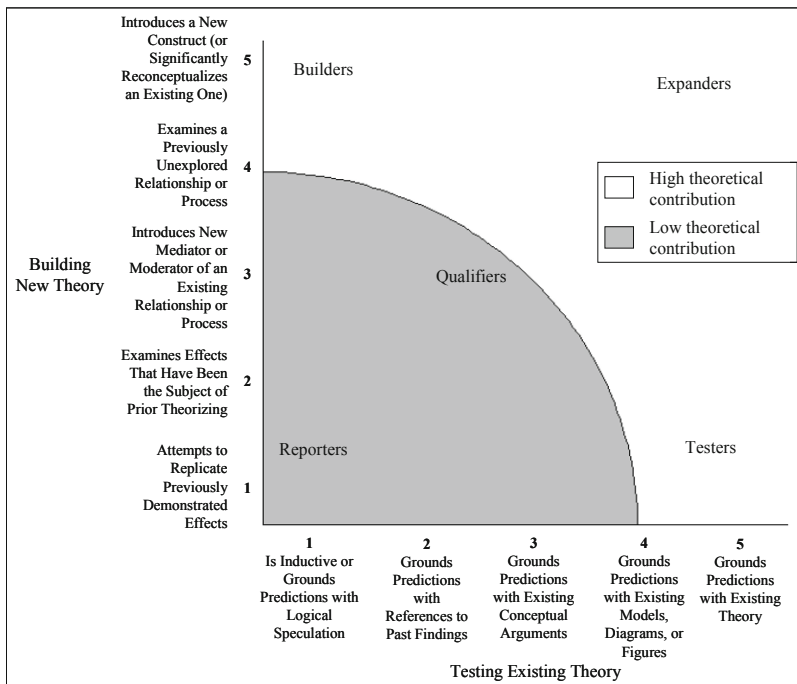
Source: Adapted from Colquitt and Zapata-Phelan (2007, p. 1283)

1.3   Research Design

According to Creswell (2003, p. 5), three aspects are central to research design: 1) the knowledge claims that are being made by the researcher; 2) the strategies of inquiry that will inform the procedures; 3) the methods of data collection and analysis used. In this section, the assumptions underlying the research design of this study will be specified.

Knowledge claims or research paradigms refer to the assumptions researchers make about how and what they will learn during the research process (Creswell, 2003, p. 6). The post-positivist paradigm assumes that an objective reality exists, but is "only imperfectly apprehensible because of basically flawed human intellectual mechanisms and the fundamentally intractable nature of phenomena" (Guba and Lincoln, 1994, p. 110). This approach softens the stronger assumptions of positivism, which claims that the objective reality can be studied, captured and understood. At the opposite pole, the constructivist paradigm contends that no objective reality exist, instead reality is created in the mind of the observer, and hence is value-, time- and context-bound (Lincoln and Guba, 1985, p. 37). This study takes a post-positivist stance. Hence, it adopts the view that scientific findings are temporary, i.e. they are probably true until empirically proven false, and that knowledge is advanced in a continuous theory generation, testing and refinement process.

As concerns *strategies of inquiry,* this study takes a mixed-method approach, with a bias towards quantitative methods. Creswell et al. (2003, p. 212) define a mixed-method study as "the collection or analysis of both quantitative and/or qualitative data in a single study in which the data are collected concurrently or sequentially, are given a priority, and involve the integration of the data at one or more stages in the process of research". The present study takes the sequential approach: In a first qualitative-explorative phase, the construct *product cultural specificity* is conceptualized and operationalized, based on literature review, in-depth expert interviews, focus groups, and opinion-surveys. This newly developed measure is then purified in a quantitative pre-test and subsequently validated in a main quantitative study. Qualitative and quantitative research, though different in premises, instruments, and objectives, can complement and enrich each other (Flick, 2009, pp. 23-34). In the present study, qualitative methods are used for theory generation purposes (propose a new measure of a latent construct), as "when a new area is being studied, [...] exploration of that new area is more likely to use the less structured fieldwork techniques of qualitative research" (Punch, 2005, p. 16). Quantitative research takes a theory verification approach, as its methods are based on "cause and effect thinking, reduction to specific variables and hypotheses and questions, use of measurement and observation, and the test of theories" (Creswell, 2003, p. 18). Figure 2 illustrates how this study links the inductive and deductive logics of research: the quantitative study draws at two levels on inductive logic: in the beginning of the research process, where it establishes

that the *product cultural specificity* construct relies mainly on qualitative evidence as well as in the variables definition and operationalization phase, where results from exploratory, qualitative studies flow in the inductive scale development process of the *product cultural specificity* construct. However, outside the scale development process, the overarching research logic of this study is of deductive nature.

Figure 2:   Linking Inductive and Deductive Logics of Research
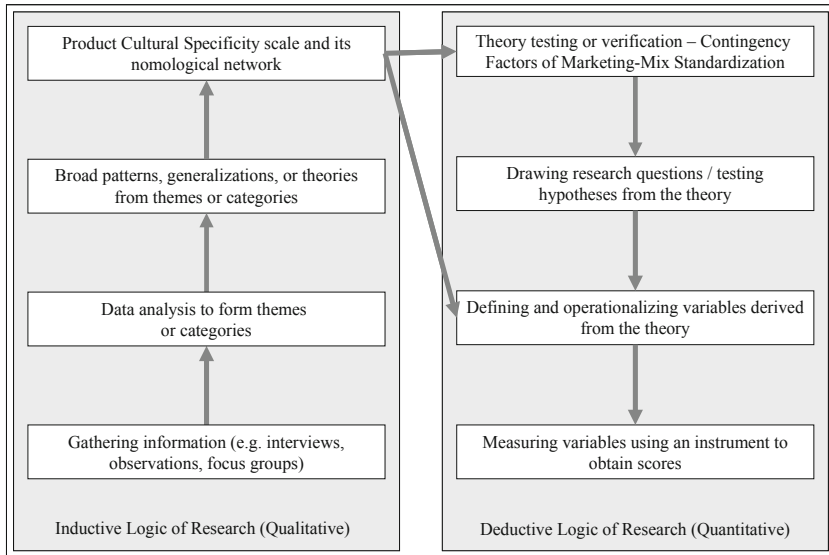
Source: Adapted from Creswell (2003, pp. 125, 132)

The methods of data collection and analysis represent a third aspect of research design. The cross-sectional survey has been chosen as the main data collection method in this study, in line with the purpose to generalize from a sample to a population (i.e. German consumer goods companies in CEE) and make inferences about the strategic behavior of this population concerning marketing-mix standardization (Creswell, 2003, p. 154). The survey will be conducted in the form of an electronic and/or paper-based self-administered questionnaire. Other administration forms such as personal or telephone interviews may be superior to the self-administered form in terms of flexibility and closeness to the respondent, yet at the same time they are more expensive and time-consuming. Additionally, the direct communication between interviewer and respondent may bias the latter's answers (see Churchill and Iacobucci, 2009, pp. 215-224, for a comparison of various survey administration forms). With the exception of the *product cultural specificity* construct, the measurement instruments used are drawn from literature.

Survey data is to be analyzed via univariate analysis (e.g. frequencies, means, measures of dispersion), bivariate analysis (e.g. T-tests, correlations) and multivariate analysis (e.g. analysis of variance – ANOVA, factor analysis, covariance-based and variance-based structural equation modeling). A distinction has to be made between descriptive statistics and inferential statistics: the former is about understanding the data at hand, whereas the latter involves generalizing results from the sample to the studied population (Bernard, 2000, p. 502). Statistical inferences rely on the use of tests of statistical significance, which are based on probability theory. Testing hypotheses via significance tests is a common approach to make statistical inferences (Schwab, 2005, p. 191).

Additional data collection methods used in this study are semi-structured expert interviews and focus groups, employed especially in the initial steps of the scale development process of the *product cultural specificity* construct. The qualitative data generated by these methods is analyzed through grounded theory[5] procedures, mainly inductive data coding and building of emerging categories (Bernard, 2000, p. 502; Flick, 2009, pp. 441-442).

1.4   Thesis Structure

The present thesis comprises four distinct thematic blocks: an introductory (Chapter 1), a theoretical (Chapters 2 and 3), an empirical (Chapters 4, 5 and 6) and a closing part (Chapter 7). As illustrated in Figure 3, the first chapter sets the stage for the remainder of the thesis, by presenting the research topic in light of its theoretical and practical relevance, outlining the research objectives and questions, specifying the underlying research design as well as providing an overview of the following chapters. The literature review in Chapter 2 serves the purpose of locating the research topic within the broader context of international marketing literature and the narrower context of the marketing-mix standardization vs. adaptation debate. Chapter 3 lays the theoretical foundation for the empirical investigation of this work by describing the relevant variables of this study (i.e. marketing-mix elements, contingency factors and performance outcomes) and specifying the relationships between these (in form of hypotheses). Three main categories of contingency factors are introduced: environmental factors, including macro- and micro-environmental variables, product related factors, and organizational factors. Following a deductive logic, the conceptual framework is developed based on previous empirical and theoretical findings.

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[5] For a comprehensive description of this approach, see Glaser and Strauss (1967) and Strauss and Corbin (1990), the founders of and main contributors to grounded theory.

The empirical part of this work follows a two-step approach: In Chapter 4, the *product cultural specificity* construct is empirically conceptualized and operationalized via qualitative and quantitative methods. Here, the scale development methodology is presented and the adopted scale development process described. In Chapter 5, the entire conceptual framework is tested in a survey instrument that integrates the previously developed measure of *product cultural specificity*. Thus, Chapter 5 pursues two objectives: to test the hypothesized relationships between contingency factors, marketing-mix standardization and performance and at the same time validate the newly developed measure. In Chapter 6, the insights gained from the analysis of empirical data are discussed. Finally, Chapter 7 offers an overview of limitations and implications of the study whilst suggesting research directions in the area of international marketing standardization.

Figure 3: Overview of Thesis Structure
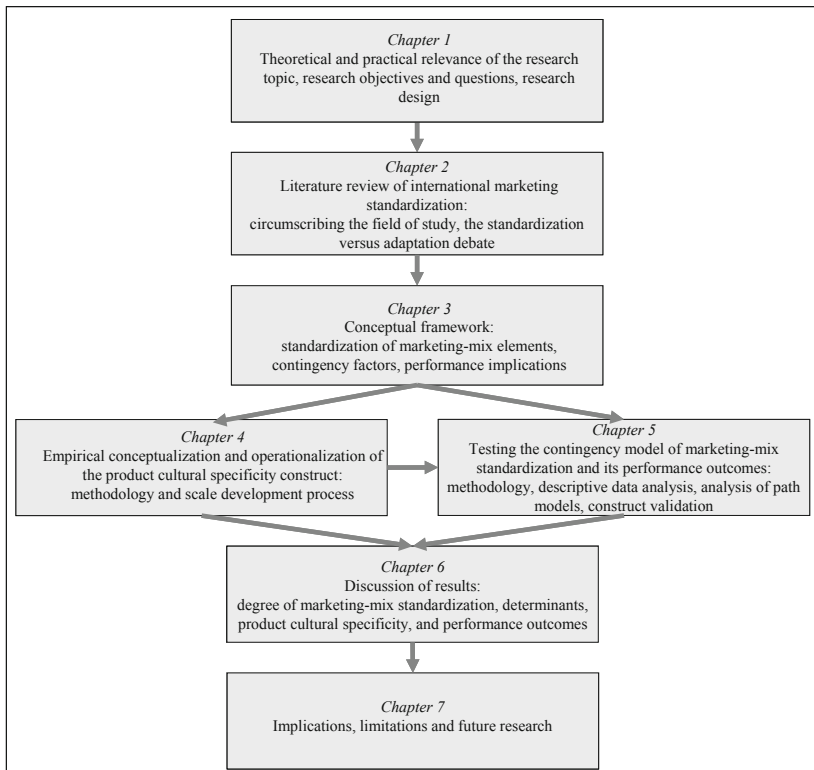
2   International Marketing Standardization: A Literature Review

The aim of this chapter is to frame the research topic, in the larger context of international marketing (IM) as a field of study at first (Chapter 2.1), and in the narrower area of marketing-mix standardization, subsequently (Chapter 2.2). Relevant concepts are presented as well as theoretical debates and current developments reviewed.

2.1   Circumscribing the Field of Study

IM as a field of study will be approached from three perspectives: a *definitional perspective* where several IM(-related) definitions are presented (section 2.1.1); a *paradigmatic perspective* where the legitimacy of IM as a stand-alone discipline is addressed (section 2.1.2); and a *research perspective* where the evolution of IM research in terms of thematic streams, theoretical and methodological progress is discussed (section 2.1.3).

2.1.1   International Marketing from a Definitional Perspective

An all encompassing attempt to define IM is no easy endeavor, since the literature presents a plethora of terminologies and jargons, this diversity being also reflected in the titles of IM textbooks (Samiee, 1997, p. 543). Prior to the 1960s, "export" marketing and "comparative" marketing were common concepts. "International" marketing established itself in the 1960s and has ever since been used "to denote any and all activities pertaining to marketing beyond the domestic level" (Samiee, 1997, p. 544)[6]. In addition to "international", the terms "multinational" and "global" have been introduced to reflect marketing activities beyond national borders. "Multinational" and "international" are generally used interchangeably. Attempts to make a distinction between these three terms are viewed as an imprecise and subjective exercise (Samiee, 1997, p. 544).

IM is first and foremost simply marketing, that is the process of "managing markets to bring about profitable exchange relationships by creating value and satisfying needs and wants" (Kotler and Armstrong, 2004, p. 10). Therefore core marketing concepts such as "satisfaction", "relationships", "needs", "value" etc. apply unrestrictedly to IM (Ghauri and Cateora, 2005, p. 8). This reliance on classical marketing theory is conveyed in e.g. Czinkota and Ronkainen's (2007, p. 4) definition: „the process of planning and conducting

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[6] Czinkota and Samli (2007, p. 318) present a chronological review of the evolution of international marketing in four distinct periods: 1945-1964, 1965-1984, 1985-2005, and 2005-forward.

transactions across national borders to create exchanges that satisfy the objectives of individuals and organizations." The distinguishing feature of international marketing is the fact that transactions take place in more than one country. This increases the complexity and diversity of the macro-environmental factors within which marketing activities are to be planned and implemented (Ghauri and Cateora, 2005, p. 8).

For Terpstra and Russow (2000, p. 2) international marketing has three dimensions: marketing across national borders, marketing within foreign countries as well as coordination and integration of marketing in diverse foreign environments. As Table 1 illustrates, there are no universally accepted definitions of IM. Therefore, literature most commonly labels the lowest denominator of marketing activities across national borders as IM (Samiee, 1997, p. 544).

Table 1: Selected Definitions of International Marketing in the Literature

Authors	Definition of IM
Albaum and Peterson (1984, p. 162)	"…marketing activities relevant to products or services that directly or indirectly cross national borders."
Bradley (2005, p. 3)	"International marketing means identifying needs and wants of customers in different markets and cultures, providing products, services, technologies and ideas to give the firm a competitive market advantage, communicating information about these products and services and distributing and exchanging them internationally through one or a combination of foreign market entry modes."
Czinkota and Ronkainen (2007, p. 4)	"the process of planning and conducting transactions across national borders to create exchanges that satisfy the objectives of individuals and organizations."
Onkvisit and Shaw (2004, p. 3)	"…the multinational process of planning and executing the conception, pricing, promotion, and distribution of ideas, goods, and services to create exchanges that satisfy individual and organizational objectives."
Sheth (2001, p. 5)	"International marketing refers to the understanding of marketing practices in different countries (comparative descriptions); its structural determinants anchored to national differences (comparative explanations); and deployment of country-specific marketing strategies and operations by multidomestic firms (comparative prescriptions)."
Terpstra and Sarathy (2000, p. 4)	"International marketing consists of finding and satisfying global customer needs better than the competition, both domestic and international, and of coordinating marketing activities within the constraints of the global environment."

Basically, authors using the concept of global marketing emphasize the coordination aspect of marketing activities across borders and the orientation towards global consumer needs. Hollensen (2007, p. 7) defines global marketing as "the firm's commitment to coordinate

its marketing activities across national boundaries in order to find and satisfy global customer needs better than the competition". Implicitly, global marketing suggests the quest for standardization potential and might be interpreted in that sense as a method of configuration and management of marketing activities across borders (Samiee, 1997, p. 544). Ghauri and Cateora (2005, p. 18) explain that, at the global marketing level, companies treat the world as a single market. In the same sense, the American Marketing Association (AMA) views global marketing as a strategy "that consciously addresses global customers, markets, and competition" (AMA).

Zou and Cavusgil (2002, p. 42) conceptualize global marketing strategy as "the degree to which a firm globalizes its marketing behaviors in various countries through standardization of the marketing-mix variables, concentration and coordination of marketing activities, and integration of competitive moves across the markets". Keegan and Green (2008, p. 6) link global marketing to global or globalizing industries. Global industries are defined by Porter (1986, p. 12) as industries where competitive advantage arises out of the worldwide integration and leverage of operations. Sheth (2001, p. 7) talks about the transformation of international marketing into "integrated" marketing, meaning that companies will focus on cross-functional integration rather than functional adjustments and on transnational similarities rather than international differences. Given the overlapping features of "integrated" and "global" marketing, it is questionable whether integrated marketing will gain its legitimacy as a distinct concept.

Summing up, global marketing refers to marketing activities coordinated and integrated across multiple country markets, which implies the pursuit of a standardized approach, while international marketing encompasses all marketing efforts in foreign countries, whether integrated or not (Johansson, 2008, p. 11). Consequently, international marketing leaves the standardization vs. adaptation issue open, which is in line with the purpose of this literature review.

The author proposes following working definitions, which reflect a broad understanding of international marketing and a narrow understanding of global marketing as a special form of international marketing:

> *International marketing* represents the process of planning, executing, and coordinating the conception, pricing, promotion, and distribution of ideas, goods, and services, to create international relationships that satisfy the needs and wants of customers from different countries and cultures better than the competition.

> *Global marketing* represents the process of planning, executing, and coordinating the conception, pricing, promotion, and distribution of ideas, goods, and services, to create international relationships that satisfy *global customer needs* better than the competition.

Before delving into the details of the standardization and adaptation debate in international marketing, basic concepts such as international marketing strategy, marketing-mix or program, marketing process, standardization and adaptation, are to be defined and put in relation with one another. This conceptual clarification is usually missing from IM studies, these terms being assumed self-explanatory. As Ryans et al. (2003, p. 592) critically note, the field has failed to develop "a rigorous, consistent conceptualization of marketing strategy as it relates to international standardization/adaptation".

The definition of international marketing strategy derives naturally from the notions of *strategy* and *marketing strategy*:

> *Strategy* is a "pattern of decisions that integrates an organization's major goals, policies and action steps into a cohesive whole, and guides the allocation of an organization's resources into a unique and viable posture. It is an attempt to match the distinctive competencies of a firm with the external environment" (Morris et al., 1994, p. 394).

Strategies can be formulated at a corporate, business, and functional level (Varadarajan and Clark, 1994, p. 93). Corporate strategy concerns the firm's portfolio of businesses and establishes a corporation's domain of operation. Business strategy refers to specific product-market domains, whereas functional strategy deals with the effective execution and implementation of business and corporate strategies (Varadarajan and Clark, 1994, p. 94). As Greenley (1993, pp. 190-192) illustrates, the literature is inconsistent as to whether marketing strategy is located at the functional, business or corporate level. Without entering this debate, the author adopts the view of seminal marketing scholars such as Kotler and Armstrong (2004, p. 59), Perreault and McCarthy (2007, p. 40) and Walker et al. (1992, p. 13), who purport that marketing strategy involves targeting certain segments, positioning products in these segments and formulating a specific marketing-mix for each segment. This perspective implies that marketing strategy covers both functional and business level issues.

> *Marketing strategy* represents the effective allocation and coordination of marketing resources to accomplish the firm's objectives within a specific product market. Therefore, marketing strategy decisions involve specifying the target market segment(s) to be pursued and the product line to be offered. Further, firms seek competitive advantage and synergies, by planning a well integrated program of marketing elements (the 4 P's) tailored to the needs and wants of customers in target segments (Walker et al., 1992, p. 13).

Based on the marketing strategy concept, the author advances following definition of international marketing strategy:

International marketing strategy is the effective allocation and coordination of marketing resources to accomplish the organization's objectives within a specific product market situated outside the domestic borders.

Within the international marketing strategy, two dimensions can be distinguished: a program and a process level. International marketing strategy encompasses thus decisions regarding the marketing-mix elements, product, promotion, pricing and distribution, also referred to as marketing program[7], as well as regarding process aspects related to decision-making patterns, data collection, planning and controlling, reporting processes, and organizational structures (Jain, 1989, p. 71; Sorenson and Wiechmann, 1975, p. 54).

The key strategic consideration in IM concerns the appropriate degree of standardization or adaptation of the program and process elements, therefore indicating a functional perspective of international marketing strategy. Standardization of the marketing-mix or program involves using similar product, pricing, distribution channels and promotion on a worldwide basis, whereas adaptation means making changes to the marketing-mix elements according to local needs (Chee and Harris, 1998, p. 375). For the term adaptation, customization and differentiation are used synonymously.

The targeting and positioning aspects of the international marketing strategy are implicitly deduced from the configuration of the marketing-mix, being seldom investigated as individual strategy variables. Decisions regarding foreign market selection and market entry modes belong to corporate and business level strategies and do not form the object of international marketing strategy, as understood here. Furthermore, the configuration of international marketing processes and structures between coordination and decentralization are understood here as organizational premises of international marketing strategies and will be subsumed to the contingency factors of marketing-mix standardization (Mattsson, 1997, p. 537). Summing up, this study will concentrate on explaining international marketing-mix decisions in a specific product market as an expression of a company's international marketing strategy between standardization and adaptation.

2.1.2   International Marketing from a Paradigmatic Perspective

In the day-to-day business practice, international marketing is an undeniable reality: firms of all sizes, industries and nations increasingly engage in international business activities as a result of trade liberalization policies, regional economic integration, development of

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[7]   In this study the terms marketing program and marketing-mix will be used interchangeably, as these concepts are used synonymously in the anglo-saxon literature. For example Hollensen (2007) speaks about marketing program, whereas Kotler and Armstrong (2004) refer to marketing-mix, but their understanding of the concepts is similar.

advanced transportation, communication and information technologies, etc. (Czinkota and Ronkainen, 2003, pp. 13-14). The digital revolution is turning the marketplace into a "market space", confined only by virtual borders (Rayport and Sviokla, 1994, p. 142), thus allowing companies to reach customers in every corner of the world. International presence means not only growth, profit, and cost-saving opportunities, but also a safeguard and survival measure in a more and more competitive environment (Czinkota and Ronkainen, 2007, p. 29; Leonidou et al., 2002, p. 51).

If the business environment cannot ignore the particular challenges posed by international marketing activities, the academic community still discusses the legitimacy of international marketing as a stand-alone discipline (Samiee, 1997, pp. 544-545). Some researchers contest the theoretical and managerial contribution of international marketing studies to understanding marketing phenomena in general (Katsikeas, 2003b, p. 28). They view differences between marketing at home and abroad as the result of environmental conditions, while the character and elements of marketing remain the same (Bartels, 1988, pp. 210-215). Opponents of this perspective consider IM distinctly different from domestic marketing: the management of highly complex and heterogeneous international marketing environments requires a body of knowledge that goes beyond the one taught and researched in domestic marketing (Samiee, 1997, pp. 544-545).

In her literature review, Perry (1990) identifies four basic positions towards the questions whether and to what extent international marketing differs from (domestic) marketing. These four paradigms are based on the framework of managers' basic orientations toward internationalization, proposed originally by Perlmutter (1969) and further developed by Heenan and Perlmutter (1979), who added the third dimension, regiocentrism: *E*thnocentrism (home-country orientation), *P*olycentrism (host-country orientation), *R*egiocentrism (regional orientation), and *G*eocentrism (world orientation) (EPRG). Perry's (1990, pp. 51-52) four paradigms conceptualize IM as:

- *Extension of domestic marketing* (ethnocentric): A dominant domestic marketing system (from United States of America – USA) will prevail abroad through international efforts, so that differences in nature between domestic and foreign marketing will be overcome.

- *Multiple marketing* (polycentric): The differences in the physical, economic, political, social and cultural environments lead to fundamental differences between domestic and international marketing, which makes international marketing the sum of national marketing systems.

- *Generic marketing* (regiocentric/quasi-geocentric): Both domestic and international marketing are two forms of a single marketing without borders, sharing the same functions and principles, but using different techniques in different environments.

- *Global marketing* (geocentric): As opposed to generic marketing, whose universality is an abstract "end state", global marketing emerges out of a "new international integrative order", being the concrete result of exogenous forces (Perry, 1990, p. 52). Thus, generic marketing policies are adapted to a variety of environments, maintaining an enhanced awareness of global marketing opportunities.

These paradigms of international marketing feature a twofold dynamics: from a research perspective, early works in the field studied IM as an extension or replication of the domestic phenomena, while in the 1990s an "indigenous focus perspective" was adopted, by acknowledging the unique character of international marketing phenomena and the need for specific constructs and techniques (Cavusgil et al., 2005, pp. 3-4). From the business or managerial perspective, firms adhere to a dominant paradigm at a specific moment, but may also evolve in time towards another guiding paradigm, as their international marketing involvement goes through different stages, from export to production facilities and global operations[8]. This evolutionary perspective coincides with Perlmutter's (1969, p. 17) observation that most companies start out with an ethnocentric view, slowly move to polycentrism and finally adopt geocentrism, as the organization familiarizes itself with conducting business on a global level.

In the business practice, Ghauri and Cateora (2005, pp. 18-21) distinguish three firms' orientations to international marketing management: 1) a domestic market extension orientation, meaning that international activities are perceived as secondary to and an extension of domestic operations; 2) a multidomestic marketing orientation, characterized by the insight that foreign markets are vastly different from the domestic market, thus separate, adapted marketing strategies are necessary; 3) a global marketing orientation implies that the whole world is viewed as the relevant market and the marketing strategy is standardized as much as possible, adapted as much as necessary. Table 2 presents the main characteristics of firms' international marketing orientations.

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[8] Vernon's (1966, pp. 196-198) „Product Life Cycle Hypothesis" postulates that firms go through an exporting phase before switching first to market-seeking FDI, and then to cost-oriented FDI. Scandinavian "stages" models of entry suggest a sequential pattern of entry into successive foreign markets, coupled with a progressive deepening of commitment to each market (e.g. Johanson and Vahlne, 1977, pp. 26-27).

Table 2: Characteristics of Firms' International Marketing Orientations

Firms' IM Orientation / Characteristics	Domestic market extension orientation	Multidomestic marketing orientation	Global marketing orientation
Managers' attitude (EPRG framework)	Ethnocentric	Polycentric	Regiocentric/geocentric
Dominant marketing paradigm	Extension of domestic marketing	Multiple marketing	Generic/global marketing
Marketing-mix adaptation to foreign markets	Low	High	Low
Primary target group	Domestic customers	Local/foreign customers	Global customers
Primary motive	Dispose of excess domestic production	Respond to unique market conditions	Leverage economies of scale/Satisfy worldwide convergent consumer needs

Source: Adapted from Ghauri and Cateora (2005, pp. 18-21)

2.1.3 International Marketing from a Research Perspective

To review the body of IM research, three aspects will be illuminated: 1) published literature reviews as a mirror of the growing importance of the field, 2) principal streams of research illustrating the main research directions that emerged in time and last, 3) a holistic theoretical and methodological evaluation of IM literature.

Literature Reviews

International marketing emerged as a distinct field of study in the 1960s (Bartels, 1988, pp. 213-215). As Cavusgil (1998, p. 104) points out, IM is inextricably linked to the broader field of international business, to which it contributes by highlighting the customer/market interface of international business phenomena. Therefore, IM and international business literature cannot be strictly isolated, leaving room for discussion as to where the borders lie between them (Cavusgil, 1998, pp. 104-106; Samiee, 1997, p. 547).

During the last four decades, the body of IM literature has grown considerably both in terms of numbers of publications as well as of diversity of issues covered (Cavusgil, 1998, p. 103; Kitzmiller and Miller, 2003, pp. 130-132). This prolific emerging stream of

research required appropriate outlets, so that new journals such as the *International Marketing Review, Journal of the Academy of Marketing Science*, and *European Journal of Marketing* were founded in the early phase of IM. A later wave of new journals comprising the *Journal of International Marketing*, *International Business Review*, *Advances in International Marketing*, and *Journal of Global Marketing* emerged in the 1990s to provide additional exposure to a growing number of IM publications (Cavusgil et al., 2005, pp. 8-9).

Comprehensive review articles have periodically monitored the evolution of IM research. In the 1980s, Albaum and Peterson (1984), Bradley (1987), Cavusgil and Nevin (1981) provided a critical evaluation of the early body of work in international marketing as well as gave new directions to the further knowledge development in this research area. This tradition has been carried on in the 1990s by Aulakh and Kotabe (1993), Cavusgil (1998), Douglas and Craig (1992), Li and Cavusgil (1995), and more recently by Cavusgil et al. (2005), Howard (2003), Katsikeas (2003a), Kitzmiller and Miller (2003) and Nakata and Huang (2005), who inventoried the international marketing literature from a broad thematic and methodological perspective.

As an evidence of the field's progress, review articles focusing exclusively on subtopics of international marketing emerged starting with the 1980s: for instance, studies on product and country images, including the much inquired country-of-origin (COO) effect, have been reviewed, among others, by Baughn and Yaprak (1993), Papadopoulos and Heslop (2002) and Verlegh and Steenkamp (1999). The vast body of research on market entry modes has been critically assessed by e.g. Cumberland (2006) and Sarkar and Cavusgil (1996). The standardization versus adaptation issue has been at all times a popular topic among international marketing scholars, so that reviews of this research stream have a long tradition, with the contributions of e.g. Jain (1989), Ryans et al. (2003), Theodosiou and Leonidou (2003), Waheeduzzaman and Dube (2004), Walters (1986).

Principal Streams of Research

One major purpose of the literature reviews mentioned above was to organize the large field of IM into thematic streams of investigation. Their effort resulted in a variety of classifications of international marketing literature, according to the period and journals reviewed, methodology used and ultimately the reviewers' background. In their often cited review, Li and Cavusgil (1995, pp. 253-254) identified eight categories of research streams in IM and analyzed them both in terms of contents and chronological evolution: 1) environmental studies of international marketing; 2) comparative studies of market systems; 3) international marketing management; 4) international process perspectives; 5) international marketing research; 6) buyer behavior studies; 7) interaction approach; 8) market globalization perspectives. Figure 4 outlines the evolution of IM research

streams using as a starting point Li and Cavusgil's (1995, p. 255) illustration. Beyond emphasizing each stream's phase of major progress (see the accentuated line), Figure 4 presents the core research issues as established in the early days as well as the topics that emerged over time. Since Li and Cavusgil (1995) reviewed studies published only until 1990, the more recent research issues within each stream are drawn from the authors' own insights into the field, triangulated with the assessments of the latest literature reviews by Cavusgil et al. (2005) and Nakata and Huang (2005).

Figure 4: Evolution of Research Streams in International Marketing

Source: Adapted from Li and Cavusgil (1995, p. 255)

The present work can be assigned to the international marketing management stream of research, with particular focus on the standardization/adaptation issue, being also tangential to the environmental, comparative, buyer behavior and globalization streams of research.

A Theoretical and Methodological Evaluation of IM Literature

Although authors acknowledge the progress made over the last four decades in terms of theoretical development and research methodology adopted, they also point out the lack of disciplinary maturity of the IM field (Katsikeas et al., 2000, p. 493). As regards theory building, it is argued that international marketing lags behind other marketing areas and

management disciplines (Katsikeas, 2003b, p. 31). In this context, Sheth (1997, p. 563) holds that "international marketing has predominantly remained a contextual practice and […] it has been difficult to develop a theory of international marketing even based on contingency propositions." The contextual nature of IM derives from its multidimensionality, involving multiple markets, industries, and entry modes. It is this multidimensionality that makes it difficult for scholars to propose generalizable relationships (Cavusgil, 1998, p. 107). To the contextual character of IM knowledge adds up the failure of many researchers to "start from existing knowledge as the basis for inquiry, incorporate fundamental relationships as frameworks, follow acceptable data collection and analysis procedures, and integrate findings within the specific context of the study" (Cavusgil, 1998, p. 107). Therefore, as Douglas and Craig (2006, p. 2) put it, "the most critical aspect of international marketing research is the development of the conceptual framework that guides data collection and hypothesis testing".

In this light, Cavusgil (1998, p. 103) urges researchers to raise questions "about the generation of new knowledge, what new research issues and constructs to investigate, and how research methods and procedures should be modified in view of contemporary developments." Katsikeas (2003b, p. 32) suggests that an interdisciplinary approach to the building of theoretically anchored conceptual frameworks "would provide meaningful additions to the body of existing knowledge, facilitate the formation of a grand theory of international marketing, and ultimately enhance the level of disciplinary maturity of the field".

Regarding methodological developments, on the one hand, a growing sophistication of construct operationalization, data collection and analytical techniques is noted (Malhotra, 2001, pp. 231-232; Nakata and Huang, 2005, p. 617). This is not surprising, since empirical works have grown considerably both in absolute terms and relative to the number of conceptual studies (Cavusgil, 1998, p. 103; Nakata and Huang, 2005, p. 616). On the other hand, the field still suffers from significant methodological flaws, such as the failure to address the psychometric integrity of measurement models, the lack of cross-cultural measure equivalence testing, and reliance on items without adequate measurement efforts (Cavusgil et al., 2005, p. 11). Consequently, researchers are called upon to achieve greater rigor in construct and scale development as well as in the operationalization and validation of constructs (Cavusgil et al., 2005, p. 14).

Therefore, this study intends to bestow considerable attention upon the theoretical and methodological directions shortly summarized above in order to obtain reliable and insightful findings and contribute to the advancement of the IM field of study.

2.2   The Standardization versus Adaptation Debate

For the last forty years, scholars in the field of international marketing have dealt with questions of whether, under what circumstances, and to what degree it is more appropriate to use a standardized or an adapted marketing strategy on foreign markets. The ongoing scholarly debate in this area developed into three main schools of thought: the standardization school of thought and the adaptation school of thought, forming the two extreme opinions, as well as the contingency school of thought, which defines standardization and adaptation as two ends of the same continuum (e.g. Cavusgil et al., 1993, pp. 481-483; Theodosiou and Leonidou, 2003, p. 142).

Chapters 2.2.1, 2.2.2 and 2.2.3 present some of the main proponents and their supporting ideas for each school of thought (see Table 3 for an overview of representative contributors). At this point, let it be mentioned that the association of the authors with one of these three schools proved difficult at times, especially because the contingency perspective gained more and more supporters over time, becoming a commonly accepted view among researchers. In Chapter 2.2.4, the standardization vs. adaptation issue is looked at from a Central and Eastern European perspective. The following Chapter 2.2.5 presents the theoretical bases upon which assumptions underlying the relationship between contingency factors, marketing-mix standardization, and performance outcomes rest. Finally, in Chapter 2.2.6 an integrative review of the standardization/adaptation debate is provided to summarize past research, draw overall conclusions as well as highlight unresolved issues and future research directions.

Table 3:   Schools of Thought in the Standardization vs. Adaptation Debate and Their Proponents

Author(s)	S	C	A	Selected statement(s)
Elinder (1961, p. 27)	X			Standardized advertising is desirable and feasible.
Fatt (1964, p. 61)	X			An international advertising campaign with a truly universal appeal can be effective in any market.
Buzzell (1968, p. 113)			X	Great differences between nations necessitate taking them into consideration by planning a firm's marketing strategy.
Britt (1974, p. 39)			X	The potential for advertising standardization with regard to products which are culture-bound or affected by psycho-social aspects is limited.
Levitt (1983, p. 92)	X			Only global companies will achieve long-term success by focusing on homogeneous needs and wants.
Quelch and Hoff (1986, p. 59)		X	X	Standardization is a matter of degree.
Douglas and Wind (1987, p. 19)			X	A standardization of world brands with common product features, names and advertising is a special case and not a strategy that is totally appropriate for many situations.
Onkvisit and Shaw (1987, p. 54)			X	"without the much needed refinements, global standardization is nothing more than a quixotic effort in search of an impossible dream".
Jain (1989, p. 71)		X		The degree of standardization in a product/market situation should be examined in terms of long-term advantage.
Harvey (1993, p. 62)		X		Some elements of the advertising process may be standardized while other elements need to be localized.
Harris (1994, p. 26)		X		The fact is not whether standardization should be practiced or not, the fact is to what extent standardization should be practiced.
Papavassiliou and Stathakopolous (1997, p. 505)		X		The international advertising decisions can be viewed on a bipolar continuum with the one end being standardization of creative advertising strategy and tactics and the other end being adaptation of creative advertising strategy and tactics.
Ganesh (1998, p. 45)		X		Marketers could benefit from targeting clusters of cross-country and regional segments with similar demographic and lifestyle patterns that are receptive to pan-European or global products.
Michell et al. (1998, pp. 631-632)		X		A standardization of the complete marketing-mix without any variations is practically impossible.
Shoham (1999, p. 46)		X		Firms should be selective in setting strategies concerning standardization or adaptation.

Abbreviations: S=Standardization School of Thought, C=Contingency School of Thought, A=Adaptation School of Thought

2.2.1 Standardization School of Thought

The most prominent advocate of the standardization approach is Theodore Levitt, whose controversial article "The Globalization of Markets" (Levitt, 1983) boosted the discussion on standardization. He argues that truly global companies alone will be able to achieve long-term success, as their focus on homogeneous needs and wants enables them to sell high quality products at low prices (Levitt, 1983, p. 92).

The primary driver of standardization is thus the increasing homogenization of consumers' needs and wants over the world markets, as a result of the globalization phenomenon. Globalization is in a broad sense, as defined by Giddens, a sociologist, a process of "intensification of world-wide social relations, which link distant localities in such a way that local happenings are shaped by events occurring many miles away and vice versa" Giddens (1990, p. 64). Globalization indicates thus the worldwide interconnection at the cultural, political and economic level resulting from the elimination of communication and trade barriers (Giddens, 1999, pp. 24-37). The globalization of markets is the expression of economic integration, new information, communication, manufacturing and transport technologies, increased consumer mobility and mass-media exposure (Czinkota and Ronkainen, 2007, pp. 5-8; Lee and Carter, 2005, p. 12; Levitt, 1983, pp. 92, 96; Trompenaars and Woolliams, 2004, p. 20).

Proponents of the standardization school of thought (e.g. Elinder, 1961; Fatt, 1964; Levitt, 1983; Ohmae, 1985) emphasize the advantages of standardization. The most important advantage of standardization is the achievement of economic benefits, especially economies of scale and cost savings in production, research and development as well as in marketing (e.g. Keegan, 1969, p. 59). Furthermore, standardization supports effective planning and control and provides more consistency in product offerings for the customers as well as more consistent corporate brand images (Buzzell, 1968, p. 105; Papavassiliou and Stathakopoulos, 1997, p. 504; Quelch and Hoff, 1986, p. 60; Taylor and Okazaki, 2006, p. 98; Theodosiou and Leonidou, 2003, p. 142).

2.2.2 Adaptation School of Thought

The adaptation school of thought has primarily emerged as a reaction to the arguments of the standardization advocates (Theodosiou and Katsikeas, 2001, p. 3). Proponents of adaptation (e.g. Britt, 1974; Buzzell, 1968; Douglas and Wind, 1987; Harris, 1994; Harvey, 1993; Hill and Still, 1984; Onkvisit and Shaw, 1987; Papavassiliou and Stathakopoulos, 1997; Shoham, 1999) stress that existing dissimilarities between countries with respect to culture, language, economic development, political and legal system,

marketing infrastructure, customer behavior, usage patterns, and competitive situation, call for the adjustment of the firm's marketing strategy to local market conditions.

Opponents of the standardization approach argue that the emergence of global markets is not the result of a "pull" from a homogeneous consumer, but rather of a "push" from organizations trying to integrate their processes throughout the value chain (e.g. Porter, 1986; Trompenaars and Woolliams, 2004; Usunier and Lee, 2005). While some authors (e.g. Sheth, 2001, p. 6) see a "borderless world" emerging, driven by forces such as regional integration, ideology-free world, technological advances and borderless markets, others (e.g. Rugman, 2001, pp. 583-585) try to demonstrate that business operations are regional, not global, concentrating on the "triad regions" of North America, the European Union and Japan.

An early overview of factors limiting standardization is given by Buzzell (1968, p. 108). Van Mesdag (2000, p. 74) states that a pure, comprehensive standardization of the marketing-mix is impossible. Especially for culture-bound products, a limited standardization potential has been assumed (e.g. Britt, 1974, p. 39; Quelch and Hoff, 1986, p. 60). Additionally, aspects like consumer literacy and education level force companies operating in less developed countries to adapt their products and other elements of the marketing-mix to the host-market (Hill and Still, 1984, p. 100).

Researchers advocating the adaptation approach argue that marketing program is a local issue. From their point of view, the best product strategy ought to differ from market to market (e.g. Hill and Still, 1984, p. 101). Adaptation of the marketing program strengthens the product's competitive position in the marketplace (Cavusgil et al., 1993, p. 481). The customization of products according to customers' needs, combined with local advertising and promotion could increase the willingness to buy. Moreover, the proponents of the adaptation approach criticize marketing standardization for generating price discrimination and competitive disadvantages for local companies (Onkvisit and Shaw, 1987, p. 44). They also caution against the cannibalization of local brands by global brands (Douglas and Wind, 1987, p. 26). Finally, the advocates of the adaptation approach criticize the standardization approach as a "new kind of marketing myopia" or "oversimplification of reality" (Theodosiou and Leonidou, 2003, p. 142).

2.2.3   Contingency School of Thought

The contingency perspective has evolved into a fruitful research avenue in the standardization literature. Advocates of this perspective share the opinion that standardization and adaptation should not be seen in isolation from each other, but rather as two ends of the same continuum (e.g. Baalbaki and Malhotra, 1993, p. 19; Jain, 1989, p. 71; Papavassiliou and Stathakopoulos, 1997, p. 505; Quelch and Hoff, 1986, p. 59;

Theodosiou and Leonidou, 2003, p. 143; Vrontis, 2003, p. 285). Hence, researchers of this school have abandoned the black or white approach, dealing with the question whether managers should standardize or adapt their strategies, and embraced instead the more sophisticated question of which marketing-mix elements, to what degree, under what conditions should be standardized or adapted. The appropriateness of the selected strategy is to be evaluated on the basis of its impact on the company performance (Jain, 1989, p. 76).

Michell et al. (1998, p. 618) divide the contingency school of thought into two groups: "Middle of the Roaders" and "Clusterers". "Middle of the Roaders" (e.g. Quelch and Hoff, 1986, p. 59; Vrontis, 2003, p. 297) are aware of the advantages and disadvantages of both marketing program standardization and adaptation, and support a tailored global marketing concept. "Clusterers" (e.g. Boddewyn et al., 1986, p. 71; Ganesh, 1998, p. 45) favor marketing standardization across identifiable transnational market clusters. In the context of advertising standardization some researchers suggest clustering countries on the basis of their culture and economic similarity, as proposed by Sriram and Gopalakrishna (1991, pp. 141-142). They identify in an empirical study six groups out of 40 countries and argue that advertising standardization could be attempted within each group by employing similar advertising messages.

Basically, "Middle of the Roaders" use contingency frameworks to identify contextual factors that determine the appropriate degree of marketing program standardization and to establish which individual marketing-mix elements are influenced by what factors, to what extent and with what performance impact (Theodosiou and Leonidou, 2003, pp. 142-143). Contingency frameworks or models propose external and internal factors that determine the firm's approach to international marketing standardization or adaptation (Melewar and Vemmervik, 2004, p. 869). This moderate, middle of the road approach has become mainstream in international marketing strategy research (Theodosiou and Leonidou, 2003, p. 167; Waheeduzzaman and Dube, 2004, p. 34).

In his blueprint of a research agenda, Jain (1989) has laid the conceptual bases for future works in the contingency perspective by providing a framework for determining marketing program standardization. He postulates that marketing program standardization is a function of five factors: target market, market position, nature of product, environment, and organization, all of which individually and collectively affect standardization in different decision areas. His article inspired a new generation of publications investigating the contingencies of standardization. Among further attempts to establish a broad taxonomy of factors influencing the degree of standardization, the works of e.g. Cavusgil et al. (1993, pp. 484-485), Johnson and Arunthanes (1995, p. 37), Theodosiou and Katsikeas (2001, pp. 5-6), Theodosiou and Leonidou (2003, p. 143) can be indicated. The literature review revealed that despite the relative importance assigned to product and

culture related factors, only few studies actually take them into consideration in an explicit manner. A number of contingency frameworks leave product related factors (e.g. Griffith et al., 2003; Özsomer and Prussia, 2000; Özsomer and Simonin, 2004; Shoham, 1999; Townsend et al., 2004; Yip, 1997) and culture related factors unexplored (e.g. Griffith et al., 2003). Table 3 (see p. 24) documents the constant focus on advertising issues as well as the shift from clear adaptation or standardization stances to the contingency perspective.

2.2.4 The Standardization versus Adaptation Debate from a Central and Eastern European Perspective

The standardization versus adaptation debate in the CEE context seems no different on theoretical grounds than the general global debate, although conducted perhaps on a more pragmatic note. The shift of focus from a global to a regional perspective currently taking place in the academic research is considered to enhance the meaningfulness of research results by avoiding the over-generalization dangers involved in asking managers to assess standardization practices in a wide range of markets simultaneously. This shift towards a regional perspective is also observable in the business practice, as major multinational companies (MNC) have announced strategic shifts away from a globalized marketing approach towards a regional one (Fastoso and Whitelock, 2007, pp. 594, 597-598).

Since one major precondition for a successful standardized marketing strategy is a uniform marketing environment (Aistrich et al., 2006, p. 416), some authors emphasize the convergence trends of CEE countries towards Western European structures and standards, favoring a rather standardized marketing strategy, while others stress the persisting macro- and micro-environmental differences between CEE and Western markets, suggesting a differentiated approach (Schuh, 2000, p. 136), as illustrated by the following statements:

Pro-Standardization:	*"Formation of a single market within the EU and democratisation and development of a market economy in Eastern Europe undoubtedly enhance standardisation in the European area"* (Rojsek, 2001, p. 510).
	"CEE markets may represent an excellent opportunity for pursuing a strategy of regionalisation. Apparently the countries located in this region share many similarities, while their large size and excellent growth potential ensure the recovery of any investment made in order to develop tailor-made marketing programmes for this region" (Balabanis et al., 2004, p. 364).

Pro-Adaptation:	*"Challenges are often inextricably linked to the idiosyncrasies of national marketing systems and can be addressed only through customized initiatives undertaken by locally based operating units" (Arnold and Quelch, 1998, p. 9).*
	"The distinctiveness of the CEE business systems, be it temporary or permanent, limits the transferability of Western business strategies and organizational concepts" (Meyer, 2003, p. 720).

Due to the prior achievements of the EU (e.g. frontier-free travel and trade, a single European currency, food safety regulations) very few multinational corporations operating in the EU will limit themselves to a single country only, being more likely to conduct business in two or more of its member states at the same time instead (Chung, 2005, p. 1346). Littler and Schlieper (1995, pp. 34-35) note that many MNC strive at creating "Eurobrands", i.e. giving products a single brand image throughout most of Europe.

While convergence in areas such as trading standards, competition policy, state aid policies, monetary policy, industrial and intellectual property rights, energy, environmental protection, employment and social policy, consumer protection and transportation, creates new and uniform market conditions in the long run (Paliwoda and Marinova, 2007, pp. 234-235), the micro-perspective provides a different picture: large differences in purchasing power, lagging product market development, volatile buying behavior, cultural diversity, different competitive situations as well as fragmented and long distribution channels are strong arguments supporting a more responsive differentiation strategy in the CEE context (Schuh, 2007b, pp. 276-277). Older studies located in the EU prior to the enlargement have also suggested that, mainly due to cultural and consumer differences, it is advisable to employ an adapted strategy for individual markets across the EU (Diamantopoulos et al., 1995, p. 48; Onkvisit and Shaw, 1987, p. 54; Whitelock and Rey, 1998, p. 274).

Since arguments can be found on both sides, pro and against standardization/adaptation, changing perspectives from the ideological dimension to field observations gives the debate new insights. Schuh and Holzmüller (2003, pp. 182-183) identify three types of marketing strategies that are currently pursued by (large) Western MNC in CEE:

1) *Transfer of Western strategy*, corresponding to the standardization approach, is often used by companies at the entry stage to keep risks and costs at a minimum. This strategy is/was used by the first entrants into the CEE markets, mainly large multinationals as well as by exporting companies, who thus pursue a highly standardized marketing strategy with limited adaptation of peripheral elements such as

labeling, packaging or product (e.g. Schuh, 2000, p. 142). With their standardized products, they address the narrow upper-end segments of the market, leaving the lower end, which forms the mass-market, to local brands (Schuh, 2000, p. 139). These companies count on the appeal of Western brands to Eastern European consumers, who are willing to pay a premium price for them. In this case, consumers associate the Western origin of the product with superior quality, performance and image (Schuh and Holzmüller, 2003, p. 182). This transfer strategy works as well when implemented in product markets that are small or just beginning to emerge, where local usage habits are similar to those in the West and the product's superiority is obvious to local target groups.

2) *Multi-tier product and brand strategy* corresponds to a mixed portfolio approach. Since the price of standardized global brands is generally not or only weakly adjusted to the lower local purchasing power, MNC have little expansion potential in this narrow premium segment. To compensate for this, they introduce local brands, typically through the acquisition of local firms, to cover the medium- and low-price segments as well. A multi-tier product strategy with international brands serving the premium segments, and local brands covering the middle and the lower price segments may enable foreign companies to respond appropriately to complex, rapidly segmenting markets with fast switches in growth rates between global and local brands as well as to participate in various market developments (Arnold and Quelch, 1998, p. 17; Schuh, 2000, p. 146). Further advantages consist in the protection against fluctuations in demand, economies of scope in local production and logistics, strengthened bargaining power vis-à-vis suppliers and retailers as well as cross-financing of product launches (Schuh and Holzmüller, 2003, p. 184).

3) *Regional strategy* represents a compromise solution to reap the benefits of a standardized strategy on a regional basis, by transforming successful local brands into regional brands. This way, companies are able to realize economies of scope and scale and to cater to regional preferences and tastes (Schuh and Holzmüller, 2003, pp. 184-185). Serving each market with adapted products is a desirable aim, yet hardly feasible under efficiency aspects.

As previously pointed out, empirical research in the area of international marketing standardization in the CEE context is scarce. The results of few relevant empirical studies focusing on the standardization/adaptation issue in CEE are summarized in the next paragraphs.

Aistrich et al. (2006) investigated the actual results of the single market formation on industrial marketing in the EU and compared them to the expectations noted by industrial marketers in 1993. An online survey questionnaire was mailed to a sample of 5,000 executives selected from the Internet services provider belonging to The Economist

magazine. The 53 executives that participated in the study perceived harmonization trends across all marketing-mix elements, i.e. pricing, advertising and sales promotion, distribution as well as product design and development. However, neither a reduction of marketing costs nor lower price levels due to the introduction of the euro nor efficiencies in manufacturing have been observed by the surveyed executives. Expectations regarding the EU single market were generally too high in the area of pricing and distribution as well as concerning their own company's preparedness for unification and rather cautious in the area of product, advertising and promotion.

Golob and Podnar (2007) analyzed competitive advantage in relation to the formulation of competitive product marketing strategies in EU firms. Their sample comprised 3,415 companies from the Cranet-E database from fourteen old EU member states and four new ones, i.e. Estonia, the Czech Republic, Cyprus and Slovenia. Using cluster and discriminant analysis as well as multiple comparison procedures, their results indicate that there are some differences in competitive advantage strategies between old and new EU member companies. While a balanced strategy with equal emphasis on price, quality, innovation, variety (i.e. number of different product versions), distribution (i.e. product accessibility and speed of delivery), and innovation, is widely used in both groups, companies from new member states tend to focus more on a quality and price mix, as opposed to those from the old member states, who favor a quality and distribution mix.

Schuh (2000) attempted to explain the business logic behind the global standardization strategy that Western companies in CEE mostly follow, using eight case studies with West European and US-based firms (3M International, Agrana AG, BBAG, Felix Austria, Henkel CEE, McDonald's, Ogilvy & Mather, and Philips Electronics). Six of the eight cases show a high degree of standardization. In two cases from the consumer goods industry, a multi-tier strategy is pursued. Cost arguments and competitive aspects prevail over market-related aspects in the business logic, supporting a standardization or regionalization approach.

In a recent study, Schuh (2007a) examined if and how regionalization concepts have actually been implemented by foreign MNC in CEE. A longitudinal case study approach was used with six Western firms from the insurance, banking and consumer goods sector. Only the consumer goods producer Henkel has been found to formulate regional marketing strategies, while in the other firms integration takes place primarily in the area of common standards and processes as well as development of core product concepts, uniform corporate and brand image.

Additionally, Schuh (2007b) explored how selected fast-moving consumer goods markets in CEE have developed since the opening of CEE and what market structures have emerged since then. Based on household panel data from 1999 and 2001, the dissemination

of international brands was analyzed in four product categories, detergents, toothpastes, carbonated soft drinks and confectionery, in four country markets: Hungary, Poland, Bulgaria and Ukraine. The results provide evidence for the globalization of fast-moving consumer goods markets in CEE, mirroring the predominantly employed strategies of Western MNC in CEE, namely standardization of global brands as well as multi-tier brand strategies. The level of diffusion of international brands varies by product category and country, with lower levels for the more culturally-grounded food category, although overall, international brands feature an impressive market penetration in CEE markets.

Finally, White and Absher (2007) examined the retail store decision criteria of customers in founder member states of the EU and customers in CEE states. A number of 1,221 individuals aged between 18 and 71 were surveyed at major shopping hubs within large cities in Great Britain, France, Holland, Belgium, Germany, Poland, Hungary, the Czech Republic, Slovakia, and Slovenia. They report that customers from CEE states view retailing substantially different than customers from EU founder member states in that they hold higher expectations for retailers, a result suggesting that these should pursue country-adapted strategies in CEE.

As the review shows, these studies were mainly conducted on a small sample of companies, generally large multinationals and used mostly qualitative and/or descriptive analytical techniques. Past research has paid limited attention to the strategic behavior of SME in CEE, despite the fact that the CEE region may provide them with the opportunity to fill niche markets, safe from competition from large companies, as Nakos and Brouthers (2002, p. 363) point out. A large quantitative study on the international marketing strategy of foreign firms in CEE, its determinants and performance outcomes, is still lacking.

2.2.5   Theoretical Bases of the Contingency Approach of Marketing-Mix Standardization

This chapter intends to provide some theoretical anchors related to contingency factors and performance implications of international marketing-mix standardization, responding thus to the criticism of Ryans et al. (2003, p. 595) that authors in the field of IM standardization fail "to verify the underlying assumptions of the theories used to support the laws of interaction". Consequently, in the next paragraphs, a short description of the main ideas behind contingency theory, industrial organization theory, resource-based view and bounded rationality will be given.

Contingency Theory

The contingency theory represents a major theoretical lens researchers use to view organizations. It developed beginning in the 1950s as a response to prior theories of management who advocated "one best way" of organizing and managing (Tosy and Slocum, 1984, p. 9). The core assumption of this theory is that organizational effectiveness results from fitting the characteristics of the organization, i.e. its structure, to contingencies that reflect the situation of the organization (Donaldson, 2002, p. 1). Seminal studies were conducted by researchers such as Lawrence and Lorsch (1967), who investigated the influence of the environment on organizational integration and differentiation, Burns and Stalker (1961), who explored the influence of the environment on organizational structure, and Woodward (1965), who focused on technology and its impact on organizational structure.

Contingency theory has been widely used in studies of organization behavior and design, following the view that the more the organizational structure and processes match the firm's contingencies, thus forming a fit, the higher the firm's performance. Contingency theory of organizational structure, also called structural contingency theory, distinguishes three major groups of contingencies: environment, organizational size and strategy (Donaldson, 2002, p. 3). The relationship between strategy and structure has formed the object of an intense academic debate between two main schools of thought: one supporting Chandler's "structure follows strategy" model, who sees structure as a result of the chosen strategy (Chandler, 1962), the other one supporting Bower's view of structure as a cause of strategy (Bower, 1970). Contingency theorists generally adhere to Chandler's view (Özsomer and Prussia, 2000, p. 29).

Besides the organizational stream of research, also strategic management, including the sub-discipline of marketing strategy, has employed contingency theory as a primary theory-building technique (Zeithaml et al., 1988, p. 37). In strategy literature, the contingency approach "holds that the appropriateness of different strategies are contingent on competitive settings of businesses" (Zeithaml et al., 1988, p. 38), where competitive settings are defined by environmental and/or organizational contingencies. Hofer (1975) identifies a list of six groups of environmental and organizational contingencies relevant to business strategy formulation: broader environmental variables, industry structure variables, competitor variables, supplier variables, market and consumer variables, and organizational characteristics and resources.

Industrial Organization Theory, Structure-Conduct-Performance Paradigm and Strategic Fit

Drawing from contingency theory, industrial organization (IO) theory stresses the influence of one contingency variable, i.e. the external environment, upon a firm's strategy (conduct). The degree of fit or congruency between a firm's strategy and its environmental influences, i.e. external market and industry structure, is expected to positively affect the firm's performance (Porter, 1980, pp. 5-7). Also known as the structure-conduct-performance paradigm, this theory sees the source of a firm's competitive advantage in the developing of a corporate strategy (conduct) aligned with market and industry conditions (structure). Porter (1990, pp. 71-72) adds to the structure-conduct-performance paradigm international components, arguing that a firm's conduct in foreign markets is influenced by additional factors such as the level of education, technology, and the economy of a country. Implementing an appropriate marketing strategy is considered the mechanism by which companies respond successfully to the external environment, particularly to competitive intensity, thus achieving competitive advantage and superior performance (Katsikeas et al., 2006, p. 869; Zou and Cavusgil, 2002, pp. 44-45; Zou and Stan, 1998, p. 344).

Strongly related to contingency and industrial organization theory is the concept of "strategic fit", synonymous to "matching" or "aligning" organizational resources with environmental opportunities and threats (Zajac et al., 2000, pp. 431-432). Miles and Snow (1994, p. 12) suggest that "the process of achieving fit begins, conceptually at least, by aligning the company to its marketplace […] this process of alignment defines the company's strategy". Venkatraman (1990, p. 20) distinguishes between two major orientations in the conceptualization of strategic fit: The descriptive orientation, which specifies relationships among a set of theoretically related variables without linking them to performance, aims at discovering patterns among constructs critical to the organization's survival. The normative orientation explicitly considers the link between fit and performance, following Etzioni's arguments that "congruent (organizational) types are more effective than incongruent types" (Etzioni, 1961, p. 14). The present research is inspired by the normative orientation to contribute to the elucidation of the impact of international marketing standardization/adaptation on firm performance.

Resource-Based View

The resource-based view represents the counterpart to the industrial organization within the overarching contingency theory, advancing the argument that organizational resources, skills and competencies exert a greater impact on firm performance than the external market and industry structure (Barney, 1991, pp. 100-101; Wernerfelt, 1984, pp. 171-172).

The main driver of competitive advantage is seen in the inherent heterogeneity of the immobile strategic resources the firm controls (Barney, 1991, p. 103; Porter, 1991, p. 108). A strategic resource or "core competence" (Prahalad and Hamel, 1990, p. 82) is superior in use, hard to imitate, difficult to substitute for, and more valuable inside the firm than outside (Barney, 1991, pp. 106-112). Wernerfelt (1984, p. 171) notes that "resources and products are two sides of the same coin".

IM contingency studies, implicitly or explicitly, use IO theory and/or the resource-based view to theoretically underpin the proposed contingency frameworks. For example, Zou and Cavusgil (2002, pp. 44-46) present a structural model of global marketing strategy and performance built both on the IO framework and the resource-based view. Their assumption that a good fit between global marketing strategy, a firm's external market environment and internal organizational characteristics will result in superior performance was supported by the empirical findings. They advise researchers to draw on both perspectives to develop a more complete model of the determinants of the global marketing strategy and firm performance (Zou and Cavusgil, 2002, p. 53). Katsikeas et al. (2006, p. 880) resort to IO theory to explain the relationship between a firm's strategic fit and performance, their findings suggesting also that superior performance is related to a fit between the environmental context and the international marketing strategy choice. The strategic fit concept has been employed in several studies either explicitly or implicitly by examining the fit between a standardized marketing strategy and host-country conditions (Chung, 2003, p. 52; Okazaki et al., 2007, pp. 387-388; Özsomer et al., 1991, pp. 58-59; Özsomer and Prussia, 2000, p. 32; Samiee et al., 2003, p. 615; Theodosiou and Katsikeas, 2001, p. 14). Their results indicate that standardization is most applicable when host- and home-markets share similarities along the dimensions of consumer characteristics, competitive conditions, and product life cycles (Xu et al., 2006, pp. 4-5).

As Xu et al. (2006, pp. 2, 5) point out, an examination of only external (i.e. uncontrollable) factors may provide an incomplete picture of the topic, as a strategy that fits environmental opportunities can produce superior performance only if properly and effectively implemented. Using a sample of 206 global firms Xu et al. (2006, p. 23) examined whether the interrelationships among strategy, structure, and processes influence firm performance. They conclude that the fit among strategy, structure, and processes is positively linked with performance. Thus, the IO theory perspective is complemented by the resource-based view. Besides the performance implications of the external environment, only a strategy that fits the organizational characteristics of a company, such as marketing structures and processes, may result in better performance. Therefore, this study will draw on both theoretical perspectives in developing an extensive model of determinants of marketing-mix standardization and firm performance.

Bounded Rationality

Several studies (e.g. Richter, 2002; Roth, 1995; Shoham, 1999) have shown that, due to the complex nature of international environments, only a limited subset of contingency factors are actually used by international marketing managers in their decision-making process. Furthermore, the appropriate level of standardization of each element of the marketing-mix may be determined based on a different set of factors (Shoham, 1999, p. 30). Such decision-making patterns can be explained using bounded rationality as a theoretical basis.

Bounded rationality theorists characterize organizational decision-making as a "humble" process involving limited subsets of choices and consequences, resulting in the use of decision heuristics (Etzioni, 1989, p. 122). The high complexity of the international environment with its multitude of economic, legal, social, cultural, competitive facets and their interdependencies and dynamics, makes the consideration of all aspects relevant to international marketing strategy decisions very improbable (Shoham, 1999, p. 30). March and Simon (1958, p. 169) argue that "Because of the limits of human intellective capacities in comparison with the complexities of the problems that individuals and organizations face, rational behavior calls for simplified models that capture the main features of a problem without capturing all its complexities." With special reference to the international marketing standardization field of study, Viswanathan and Dickson (2007, p. 48) note: "The large number of factors that have been identified in the literature as impacting standardization, point to the need of an organizing framework that is conceptually parsimonious and practically useful in thinking about the issues". For example, the assimilation of product and culture related factors in the concept of *product cultural specificity* accommodates the view of bounded rationality theorists. Since the product represents the fundament and the starting point of any international marketing strategy decision, a product centered assessment of its compatibilities with the envisaged international target segments, under the concept of *product cultural specificity*, may prove a more efficient and valuable tool for managers, than the separate consideration of product characteristics and culture related factors.

Overall, based on the arguments of bounded rationality theory, the marketing-mix standardization decision making in international markets is expected to involve a limited subset of contingency factors.

2.2.6   An Integrative Review of the Marketing Standardization vs. Adaptation Debate

The standardization/adaptation field of research in IM can be described as broad and heterogeneous. In this section, a holistic assessment of the field is pursued. Several general aspects that have been identified as characteristic to this field of research are presented.

In time, a change in focus took place, from predominantly conceptual studies in the early period of the 70s and 80s (e.g. Britt, 1974; Levitt, 1983; Onkvisit and Shaw, 1987; Quelch and Hoff, 1986; Rau and Preble, 1987), to more empirical works in the last two decades (e.g. Ganesh, 1998; Özsomer and Prussia, 2000; Özsomer and Simonin, 2004; Samiee and Roth, 1992; Shoham, 1999; Solberg, 2002; Szymanski et al., 1993; Taylor and Okazaki, 2006; Vrontis, 2003). Most works in the area of marketing program standardization concentrate on capturing the degree of standardization/adaptation of marketing-mix at an aggregate level or at the level of individual elements, leaving thus potential interrelationships unexplored (Michell et al., 1998, pp. 618-619; Özsomer and Simonin, 2004, p. 398; Theodosiou and Leonidou, 2003, pp. 156-162). Compared to pricing and distribution, product and promotion were by far the most investigated elements of the marketing program standardization/adaptation issue (Jain, 1989, p. 71; Waheeduzzaman and Dube, 2004, p. 32).

Empirical studies vary considerably with regard to aspects such as unit of analysis, research method, sample size, focus (geographic or industry) as well as number and conceptualization of the investigated variables, be it marketing-mix elements, antecedent or outcome factors. For instance, whereas Cavusgil et al. (1993, pp. 484-485) and Cavusgil and Zou (1994, p. 10) assign product positioning, packaging and labeling to the promotion factor, Chung (2005, p. 1357) lists these to the product dimensions. Similarly, Griffith et al. (2003, p. 31) counts packaging to the promotional elements. Consequently, it is difficult to compare empirical results across different surveys (see also Melewar and Vemmervik, 2004, p. 875).

With few exceptions, among which the study of Yip (1997), who refers in his analysis to data from large American as well as European and Japanese MNC, the studies of Chung (2003; 2005; 2007), who examines the experience of Australian and New Zealand firms operating in the Greater China markets as well as in the EU, the surveyed companies are mostly headquartered in the United States (Chung, 2003, p. 50; Theodosiou and Leonidou, 2003, p. 147). Research located in Germany and Eastern Europe, either as host- or home-markets, is scant. Representative IM studies with a geographical focus on Eastern Europe were reviewed in Chapter 2.2.4.

Regarding the industries investigated, studies covered mostly manufacturing firms from a cross-sectoral perspective (e.g. Cavusgil et al., 1993, p. 492), whereas non-manufacturing firms have been largely neglected (Chung, 2003, p. 50). Some studies do not even report the nature of the industry investigated (Theodosiou and Leonidou, 2003, p. 147). The cross-industry design hinders the inference of industry-specific implications. The samples are often too small to allow for representative findings on the differences between consumer products, including consumer durables and nondurables, and industrial products. Furthermore, most studies were conducted at the corporate level, which may lead to

confounded findings. The individual product-market venture is deemed more appropriate as a unit of study, to obtain valid results concerning standardization issues on foreign markets (Cavusgil and Zou, 1994, p. 1).

The relationship between a standardized marketing program and performance has not been yet conclusively documented (Cavusgil and Zou, 1994, pp. 13-15; Kotabe and Omura, 1989, pp. 127-128; Samiee and Roth, 1992, p. 12; Szymanski et al., 1993, p. 11). Most of the studies examining the performance-strategy relationship addressed it as a secondary aspect, with only few works laying their primary focus on this issue (Theodosiou and Leonidou, 2003, p. 162). This shortfall is all the more surprising, since early works in the area postulated that the pursuit of a standardized program should be conditional upon the premise of a positive relationship to performance (Jain, 1989, p. 76; Levitt, 1983, p. 94).

In their critical review of the research on standardization/adaptation of international marketing strategy, Ryans et al. (2003, p. 589) point out the major shortcomings of past research: the lack of a theoretical grounding of the proposed relationships, the inability to substantiate some of the key underlying assumptions regarding the value of standardization, lack of empirical verification of earlier findings, the replicative nature of empirical research, concluding that all these failures brought the field to a state of stagnation in thought and action.

3 Conceptual Framework

This chapter intends to present the main concepts and contingency factors pertaining to marketing-mix standardization/adaptation on international markets, their conceptual status in relation to each other as well as, based on previous theoretical and empirical works, to develop hypotheses to be tested on empirical grounds. In Chapter 3.1, the marketing-mix elements are introduced conceptually from an international marketing standardization perspective. Additionally, empirical findings are reviewed. In Chapter 3.2, four categories of contingency factors of standardization, identified in past research, will be presented: macro-environmental, micro-environmental, product related and organizational factors, while performance implications of marketing-mix standardization will be drawn in Chapter 3.3 (see Figure 5).

Figure 5: Outline of Conceptual Framework
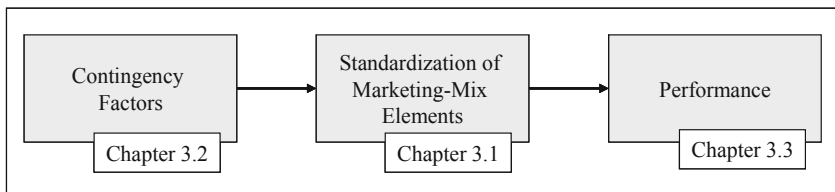
3.1 Standardization of Marketing-Mix Elements

Most works in the area of marketing-mix standardization concentrate on capturing the degree of standardization/customization of individual marketing-mix elements, leaving potential interrelationships unexplored (Michell et al., 1998, p. 618; Özsomer and Simonin, 2004, p. 398; Theodosiou and Leonidou, 2003, p. 167). In their extensive literature review, Theodosiou and Leonidou (2003, p. 167) critically point out that compared to pricing and distribution, product and promotion were by far the most investigated dimensions of the marketing-mix standardization/adaptation issue. This coincides with Jain's (1989, p. 70) observation regarding the unbalanced focus of researchers on advertising, as the main standardization concern hitherto (e.g. Colvin et al., 1980; Hite and Fraser, 1988; Ryans and Ratz, 1987). Surprisingly, almost twenty years later, the situation is not any different, with few contributions addressing other components of the marketing-mix (e.g. Myers et al., 2002; Theodosiou and Katsikeas, 2001; Samiee, 1993; Solberg et al., 2006; Szymanski et al., 1993).

A typical result when evaluating the degree of standardization/adaptation among the marketing-mix variables is that product and branding are the most standardized elements (Boddewyn et al., 1986, pp. 72-73; Michell et al., 1998, p. 632; Quelch and Hoff, 1986, p. 61; Yip, 1997, p. 158), whereas price, advertising, promotion, distribution and customer service are standardized to a much lesser extent (Michell et al., 1998, p. 621). However, findings vary considerably depending on the specific research context (see e.g. Vrontis, 2003, p. 294; Yip, 1997, p. 161). This confusing conclusion offers the ground on which contingency theorists can dwell upon to debunk the intricate dependencies of marketing program standardization/adaptation on various external and internal factors, as highlighted in the previous paragraphs. In the following, basic concepts pertaining to the marketing-mix elements, i.e. product, promotion, pricing, and distribution, will be outlaid, their relevance and specifics in the international marketing context highlighted as well as research findings within the standardization/adaptation paradigm presented.

3.1.1   Product

Product is the marketing-mix element considered to have the strongest implications for a firm's competitive success internationally (Czinkota and Ronkainen, 2007, p. 248). Among the marketing-mix elements, product was found to be the most standardized (e.g. Michell et al., 1998, p. 626; Sorenson and Wiechmann, 1975, pp. 40-42; Vrontis, 2003, p. 294). Theodosiou and Leonidou (2003, p. 156) see the rationale for this high degree of product standardization in the expected economies of scale in production and research and development, the potential of rapid entry and diffusion in new markets, and the better coordination of uniform internal production controls and quality standards. Through product standardization, companies may also gain competitive advantages in primary and support activities of the value chain (Carpano and Chrisman, 1995, p. 9).

The product forms a company's market offering, the fundament upon which profitable relationships with customers are to be built. This study will focus exclusively on firms whose primary market offering consists of tangible goods, i.e. physical products, while services may still accompany this basic offering. The term product will thus be used in this study in a narrow sense, to include a market offering consisting primarily of tangible goods.

Kotler and Armstrong (2004, p. 279) describe a product on three levels: first, the core benefit, which addresses the consumer's reasons for buying the product; second, the actual product, including the product features, style and design, the quality level, the brand name, the labeling, and the packaging; third, the augmented product, consisting of additional consumer services and benefits, such as warranties, after-sale service, delivery and credit, installation etc.

Product's attributes, i.e. quality, features, style and design, communicate and deliver the offered benefits: *Quality* is related to the ability of a product to fulfill customers' expectations and reap customer satisfaction (Kotler and Armstrong, 2004, pp. 283-284). The choice of the appropriate quality level on foreign markets has important implications for the marketing strategy, starting from positioning aspects, pricing issues, to the emerging competition bases. Quality considerations are often overlooked, especially when entering developing markets. Firms tend to lower or maintain the home-market quality, to make the product more accessible, while in certain cases an upgrade may be more appropriate, as the experience of Fedder, the largest US Manufacturer of room air conditioners in China shows: The standard unit sold in the United States was beneath the expectations of the Chinese consumers, who perceive the product as a major purchase and a status symbol (Czinkota and Ronkainen, 2007, p. 343). *Product features* help differentiate the product from other competitive offers (Kotler and Armstrong, 2004, p. 284). The value consumers assign different features may very well differ between countries due to consumption patterns, psychosocial characteristics or general cultural criteria, calling for some product adaptation (Czinkota and Ronkainen, 2007, pp. 333-334; Diamantopoulos et al., 1995, pp. 47-48). *Product style and design* refer to the appearance of a product. While style has to do with aesthetics exclusively, design goes beyond aesthetics to contribute also to the product's functionality or usefulness (Kotler and Armstrong, 2004, p. 284).

Branding has become a very powerful marketing tool (Alashban et al., 2002, p. 23). A brand can be a name, term, symbol, sign, design, or a combination of these that identifies the maker or seller of a product and distinguishes the product from competitive offerings (Czinkota and Ronkainen, 2007, p. 338; Kotler and Armstrong, 2004, p. 285). Brands bear a very high standardization potential among the product offering items, despite the fact that brand names are prone to semantic variations overseas (Alashban et al., 2002, pp. 25-26; Czinkota and Ronkainen, 2007, p. 338). The propensity to standardize brands on a global or regional level (e.g. pan-European) may be driven by the expected benefits. These include significant cost reductions in all areas of the business system, from research and development, to manufacturing and logistics; substantial savings in packaging and communication costs; development of a unique brand image across countries as well as a higher speed to market for new product initiatives (Schuiling and Kapferer, 2004, p. 99). The positive effects of brand name standardization on cost savings in promotion, distribution, and packaging, and even on sales volume have been confirmed empirically by Alashban et al. (2002, p. 41). A study by Holt et al. (2004, p. 71) revealed that consumers in twelve different countries evaluate global brands on three dimensions, which explain 60% of the variance in brand preference. Firstly, global brands signal high quality to consumers, secondly, they deliver cultural myths with global appeal or so called "global

myths", and thirdly, global brands have a special duty to tackle social issues, being expected to assume social responsibility (Holt et al., 2004, pp. 71-72). These results are supported by further studies such as that by Steenkamp et al. (2003, p. 61), who found perceived brand globalness to be positively associated with quality and prestige, or that by Batra et al. (2000, p. 93), who suggest that consumers in developing countries exhibit a higher preference for nonlocal brands. One explanation for the latter finding may reside in the fact that consumers in developing countries see brands sourced overseas (especially from the West) as endowing prestige and cosmopolitanism and, thus, as enhancing the buyer's social identity (Batra et al., 2000, p. 93).

Packaging, as the container or wrapper of a product, has evolved from its primary function to contain, store, transport and protect the product, to increasingly perform important marketing functions, from attracting attention, to describing the product, to making ultimately the sale (Backhaus et al., 2005, p. 150; Kotler and Armstrong, 2004, p. 286). *Labeling* is inherently linked to packaging as it refers to any graphical or text elements applied on the packaging in order to identify the product or brand, describe it in terms of producer, location of production, date of manufacture, date of expiry, its contents/ingredients, usage instructions etc. as well as to promote it, for example, through attractive graphics (Kotler and Armstrong, 2004, p. 288). In an increasingly competitive environment, good packaging and labeling have the ability to create instant consumer recognition of the company or the brand and attract impulse buyers. Benefiting from these effects on a global/regional scale through standardization may be tantalizing, yet not always feasible. Country-specific regulations as well as local purchasing habits and market conditions often hinder the implementation of standardized packaging and labeling (Czinkota and Ronkainen, 2007, p. 341).

Product support *services* refer to maintenance, after-sales service, spare-parts availability, financing/leasing, delivery service, training warranties etc. (Backhaus et al., 2005, pp. 156-158; Czinkota and Ronkainen, 2007, p. 343). Although, for example, Usunier and Lee (2005, pp. 249, 255-260) assign service attributes a low standardization potential, mainly due to the impact of culture on the service delivery circumstances, some studies relativize this perspective (Michell et al., 1998, p. 626; Richter, 2002, p. 161)

Basically, there are two product standardization options: either a product, which was originally designed for a local market, is exported to other countries with no changes other than those imposed by language, standards, and legal requirements (Onkvisit and Shaw, 2004, p. 285), or the company designs a "world product" for the international market (Onkvisit and Shaw, 2004, p. 297). Walters and Toyne (1989, p. 39) mention the special case of premium products targeted at a transnational segment, which entail a high standardization potential. Adaptation is understood as optional changes in the product variables and excludes modification measures necessary for a product to be allowed on a

market or to perform its function there (Baalbaki and Malhotra, 1993, p. 23; Onkvisit and Shaw, 2004, p. 292).

Product standardization has been measured along a combination of different variables, such as positioning, product design/style, quality, features/characteristics, branding, packaging, labeling, services, warranty, and product line items/models (Theodosiou and Leonidou, 2003, p. 145). Cateora and Graham (2007, pp. 350-351) structure the product elements described above into three dimensions: 1) the core component comprising the physical product, its design and functional features; 2) the packaging component with style features, packaging, labeling, brand name, quality; 3) and the support services component, to help marketers choose the appropriate product strategy in international markets. Among the investigated variables, material, design and size of packaging have been found to be more adapted, while information and language barriers were hold responsible for some branding and labeling adaptation (Theodosiou and Leonidou, 2003, p. 161). However, findings vary from study to study. Vrontis (2003, p. 290), for example, unveils a trend towards standardization in packaging and styling, pre-sales and after-sales services, warranties, design, features, delivery and installation in the context of United Kingdom (UK) multinational companies across five industrial sectors. Yip (1997, p. 158) found global branding and packaging to be the most standardized marketing-mix elements in the business units of large American, Japanese and European multinational companies. A standardized product does not automatically entail a standardized product positioning, due to the latter's contingency upon factors such as availability of media and the nature of distribution channels across countries.

In the European context, Halliburton and Hünerberg (1993, p. 88) predicted stronger product standardization, due to the emergence of pan-European distribution channels, of retailer mergers and alliances, and the expected scale economies in marketing and manufacturing. With regard to product, following hypothesis is put forward:

Hypothesis 1$_{product}$:

Product is the most standardized element of the marketing-mix. Within the product elements, branding is expected to exhibit the highest degree of standardization.

3.1.2   Promotion

The total marketing communications mix, i.e. its promotion mix, consists of "the specific blend of advertising, sales promotion, public relations, personal selling and direct marketing tools that the company uses to pursuit its advertising and marketing objectives" (Kotler and Armstrong, 2004, p. 467). Each promotion tool has unique characteristics and costs to be taken into consideration when developing a communication strategy for

international markets. The following paragraphs describe in a nutshell the main promotion tools from an international marketing perspective.

Advertising is "any form of nonpersonal presentation and promotion of ideas, goods, or services by an identified sponsor" (Kotler and Armstrong, 2004, p. 467). One of the main advantages of advertising consists in the ability to reach large masses of geographically dispersed consumers at a low cost per exposure (Kotler and Armstrong, 2004, p. 482). At the same time, advertising is among all the elements of the marketing-mix often the most affected by cultural differences, which may thus limit its international scope. In order for an ad to be effective, emotional appeals, symbols, persuasive approaches, and other characteristics of an advertisement have to be reconciled with the cultural norms of the target audience (Cateora and Graham, 2007, p. 473). Besides cultural aspects, availability of advertising media, media prices, media coverage, availability of market data, spread of international print media, and access to internet are further factors to be considered when designing advertising for international markets. However, when adapting advertising on international markets, potential risks have to be carefully weighed against the potential benefits. Especially in an integrated Europe with expanding European media coverage, consumers may be exposed to multiple brand names and advertising messages of the same product and thus become confused (Cateora and Graham, 2007, p. 478).

Sales promotion comprises "short-term incentives to encourage the purchase or sale of a product or service" (Kotler and Armstrong, 2004, p. 467). These incentives add tangible value to a product or brand and may take on various forms, such as price reductions, free product, mail-in refunds, samples and coupons, contests and sweepstakes, or bonus packs (Keegan and Schlegelmilch, 2003, pp. 482-483). Sales promotions may be directed either at the consumers, to stimulate the sampling of a product and/or increase demand, or at the distributors, in the form of so-called trade promotions, to increase product availability in distribution channels (Keegan and Schlegelmilch, 2003, p. 482). The standardization of sales promotion is hindered mainly by regulatory constraints. Empirical studies have shown that this element of the promotion mix exhibits a low degree of standardization (e.g. Akaah, 1991, p. 50; Chhabra, 1996, p. 62; Özsomer et al., 1991, p. 59).

Public relations refer to "building good relations with the company's various publics by obtaining favorable publicity, building up a good corporate image, and handling and heading off unfavorable rumors, stories, and events" (Kotler and Armstrong, 2004, p. 467). Sponsoring may be classified as an aspect of public relations, though it shares manifest commonalities with advertising as well (Cateora and Graham, 2007, p. 470). Public relations (PR) practices are affected by cultural traditions, social and political contexts, and economic environments (Keegan and Schlegelmilch, 2003, p. 481). As a form of communication, PR is culturally sensitive on both sides: the source, i.e. the company, may for example react differently in crisis situations, as a reflection of the company's sense of

responsibility towards the community, its sense of secrecy and the view of what is culturally appropriate for dealing with such events. The receiver, i.e. employees, the general public, customers, suppliers, distributors or the media, may not understand the company's arguments as they clash with the host-country culture and/or exhibit nationalistic feelings (Usunier and Lee, 2005, pp. 472-473). Besides, the large differences regarding availability, access and use of communications channels between developing and developed countries suggest the implementation of different PR approaches. Even among developed countries, differences persist. In the United States, PR as a marketing tool plays a much more important role than in Europe (Keegan and Schlegelmilch, 2003, p. 481). Nevertheless, especially in crisis situations, a standardized handling of PR issues with global reach is essential. Consequently, the PR services industry is expanding internationally to be able to serve global accounts (Cateora and Graham, 2007, p. 470).

Direct marketing involves "direct connections with carefully targeted individual consumers to both obtain an immediate response and cultivate lasting relationships" (Kotler and Armstrong, 2004, p. 467). The applicability of a standardized direct marketing approach depends on the available communications channels (e.g. direct mailing might not be possible in less developed countries) and the existing patterns of consumer behavior in different countries (Czinkota and Ronkainen, 2007, pp. 398-399). *Personal selling,* as the most important form of direct marketing, is defined as "personal presentation by the firm's sales force for the purpose of making sales and building customer relationships" (Czinkota and Ronkainen, 2007, p. 405; Kotler and Armstrong, 2004, p. 467). The most expensive promotion tool, personal selling is also the most effective one at certain stages of the buying process, especially in building up buyers' preferences, convictions, and actions (Kotler and Armstrong, 2004, p. 482). Personal selling involves a direct, face-to-face contact between the sales person and the customer, where the job of the seller is to understand the potential buyer's needs, match them with the company's offering, and subsequently persuade the customer to buy (Keegan and Schlegelmilch, 2003, p. 484). The buyer-seller interaction, especially the relative positions of strength of buyer and seller, are partially determined by culture (Usunier and Lee, 2005, p. 467). Should the buyer and seller come from different cultural backgrounds, the degree of cross-cultural complexity increases, requiring on the part of the company to build up an international sales force with deep knowledge of the foreign country's language and culture (Keegan and Schlegelmilch, 2003, p. 485).

The decision concerning the extent of standardization or adaptation of communication policy strategies is a question of trade-off between cost and impact, i.e. of cost savings vs. higher effectiveness. Due to significant constraints of language, cultural, competitive and economic context, media availability, and legislation, some promotion elements tend to be adapted to local conditions (Theodosiou and Leonidou, 2003, p. 162). Nevertheless,

Halliburton and Hünerberg (1993, p. 87) ascribe communications policy the greatest potential for a pan-European strategy, second only to product policy. A recent study by Taylor and Okazaki indirectly tests and challenges Halliburton and Hünerberg's (1993, p. 87) convergence thesis: although significant progress has been made towards homogeneous market conditions, Japanese and US managers still perceive some differences across different EU markets, which act as a barrier to a fully standardized advertising strategy (Taylor and Okazaki, 2006, p. 116). A content analysis of corporate web sites of American MNC in Poland and the Czech Republic revealed a high standardization of visual components and functions and a low standardization of textual messages (Okazaki and Skapa, 2008, pp. 1239-1240). This indicates the use of pattern standardization involving a universal basic creative theme and adapted executional elements (Harris, 1994, p. 16).

Taylor (2002, p. 50) criticizes the unilateral focus of prior research on the question whether advertising should be standardized or localized in a given market, instead of investigating which aspects of advertising can be standardized and under what conditions. Though, in absolute terms, the standardization potential of some promotion elements is considered rather low, in relative terms, it is expected to be higher than that of pricing and distribution elements (Birnik and Bowman, 2007, p. 308). The desire to create a uniform brand image and to appeal to cross-market segments is considered a most powerful driver of standardized advertising (Okazaki et al., 2007, p. 394). Accordingly, following hypothesis is proposed:

Hypothesis 2$_{promotion}$:

Promotion elements will be standardized to a lower degree than the product elements, but to a higher degree than the pricing and distribution elements. Among the promotion elements, advertising elements are expected to be the most standardized.

3.1.3   Pricing

Pricing is the only element of the marketing-mix that is revenue-generating, while all the others represent costs (Czinkota and Ronkainen, 2007, p. 354). The interplay between pricing and the other marketing-mix elements is to be carefully managed (Cavusgil et al., 2003, p. 48). There are several types of international pricing: transfer pricing concerns the exchange of products within a company, foreign-market pricing applies to products which are manufactured within an overseas market and do not cross borders to reach the customers, and thirdly, export pricing refers to products made in one country and sold to market customers in another country (Myers et al., 2002, p. 160). The focus of this study lies exclusively on foreign-market pricing and export pricing.

As an active instrument of marketing strategy, price serves both as a means of communication with the buyer and as a competitive tool in the market to combat close rivals and substitutes (Czinkota and Ronkainen, 2007, p. 354). Consequently, pricing decisions are extremely important to the long-term viability of any company. Setting prices for and in foreign markets is a complex process where both internal factors, such as company's goals and objectives, development, production, and marketing costs, nature of product and industry, and external factors, such as customer, regulatory, and competitive characteristics of the target markets, have to be taken into account (Czinkota and Ronkainen, 2007, pp. 356-357; Solberg et al., 2006, p. 27). Besides complexity, dynamics is a further element that makes pricing an extremely challenging task. Depending on the stage the product finds itself in its life cycle, but also due to changing competitive or cost conditions, pricing decisions may need to be reevaluated in time. Especially first-time pricing bears consequences for the long-term pricing strategy (Czinkota and Ronkainen, 2007, p. 354).

The general price-setting strategies on international markets range from a standard worldwide price to price differentiation between home and export markets (Backhaus et al., 2005, p. 170; Czinkota and Ronkainen, 2007, p. 357). Standard worldwide pricing involves a uniform price regardless of the target market, based on average unit costs of fixed, variable and export-related costs (Czinkota and Ronkainen, 2007, p. 357). Such a strategy has the downside of sacrificing potential exploitation of country-specific differences in consumers' willingness to pay (Backhaus et al., 2005, pp. 170, 184). On the other side, rapid developments in the communication technology and the internet have made prices more transparent to customers across borders. Image loss, arbitrage or reimporting are possible risks when using price differentiation (Backhaus et al., 2005, p. 184). Hence, the implementation of price discrimination strategies across markets has become more difficult, rendering the use of sophisticated and systematic pricing strategies necessary (Cavusgil et al., 2003, p. 48).

Besides price-setting decisions, also terms of sale and payment (e.g. allocation of costs concerning transportation, insurance, custom duties and taxes between seller and buyer, passage of ownership, risks sharing, bonus schemes, discounts, method of payment, deadlines, etc.) are further aspects of pricing policy. Since most retailers have not yet introduced a Europe-wide purchasing policy, terms of sale and payment are still largely negotiated at country level. Nevertheless, increasing concentration in the retailing sector may change the situation towards more integrated purchasing policies (Walter, 2004, pp. 108-109).

Price decisions are deemed most difficult to standardize due to high fluctuations in local demand, competitive environment, cost structures, taxation, inflation and exchange rates across countries (Baalbaki and Malhotra, 1993, pp. 33-35). In the EU higher price

awareness and hence greater price harmonization was expected following the removal of
trade barriers, the introduction of the single currency, and increased cooperation between
European retailers (Halliburton and Hünerberg, 1993, p. 86). From a macroeconomic
perspective, the question of the currently achieved degree of price harmonization can be
answered by looking at statistics published by the EU. To this purpose, the EU reports a
price convergence indicator, which is calculated as the coefficient of variation of
comparative price levels of final consumption by private households including indirect
taxes. If this coefficient decreases over time, the national price levels in the Member States
are converging. As Figure 6 shows, the coefficient of variation of comparative price levels
has decreased from 40.9% in 1996 to 26.2% in 2007 in the EU-27, while for the Euro area,
this coefficient is quite stable at a low level of about 11.0%-12.1%. Consequently, a long-
term convergence trend in national price levels can be confirmed.

Figure 6: Price Convergence in the EU
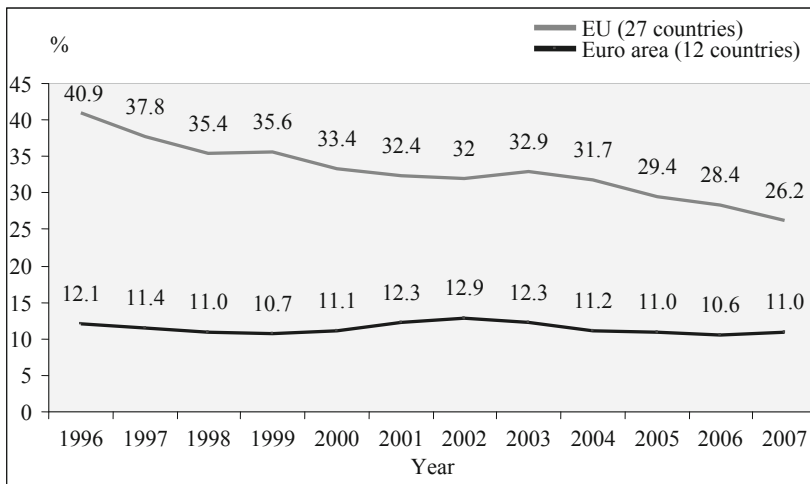
Source: Own illustration based on Eurostat data[9]

Not only the coefficient of variation of, but also comparative price levels themselves
provide valuable information regarding existing differences in the price levels of the EU
countries. Indices of comparative price levels for aggregate consumption as well as for
various consumption categories are calculated for each country in relation to the
EU-average (EU-27=100). For example, in 2007 the lowest price levels (including indirect

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[9]   Data is obtained from the Eurostat database. Eurostat, the Statistical Office of the European Communities
      with headquarters in Luxembourg, has the task to provide the EU with statistics at European level that
      enable comparisons between countries and regions: www.ec.europa.eu/eurostat.

taxes) were registered in Bulgaria, at 46.5% of the EU-27 average, while Denmark scored highest with 137.7 index points, i.e. 37.7% over the EU-27 average (see Figure 7).

Figure 7: Comparative Price Levels (Indirect Taxes Included) in the EU-27 in 2007
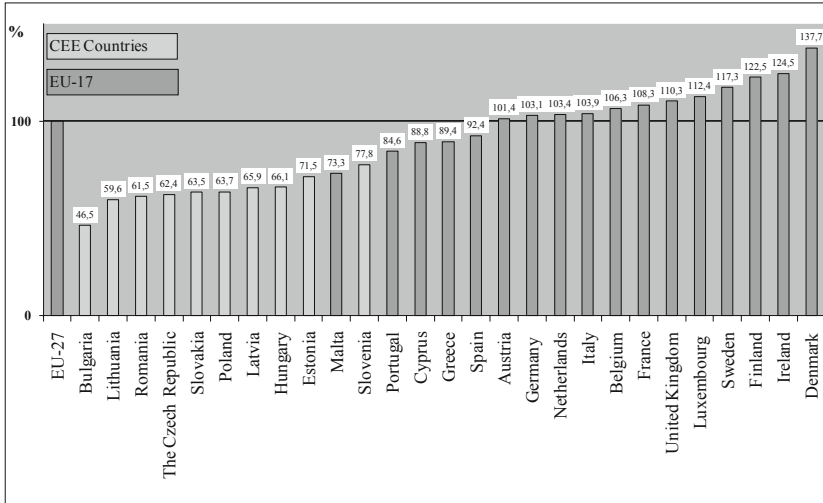
Source: Own illustration based on Eurostat data

Theodosiou and Katsikeas (2001, p. 10) operationalize international pricing standardization using following dimensions: selling price to trade customers, selling price to end users, profit margins to trade customers, profit margins to end users, and sales terms. Birnik and Bowman (2007, p. 307) point out that that pricing was found to be the least, or one of the least, standardized elements of the marketing mix in the majority of past studies (e.g. Boddewyn and Grosse, 1995; Chhabra, 1996; Grosse and Zinn, 1990; Michell et al., 1998; Özsomer et al., 1991; Sorenson and Wiechmann, 1975; Vrontis, 2003; Zou et al., 1997). Vrontis' (2003, p. 290) results indicate pricing as the most adapted element of the marketing-mix in UK multinational companies. By contrast, Theodosiou and Katsikeas (2001, p. 13) detect a relatively high degree of pricing strategy standardization among American, German, and Japanese MNC subsidiaries in the United Kingdom. However, as their study focused exclusively on pricing, no conclusion can be drawn on the relative level of pricing standardization as compared to the other marketing-mix elements. Özsomer et al. (1991, p. 56) report the opposite pattern of pricing standardization behavior among Turkish MNC subsidiaries (i.e. low standardization levels). One open explanation for these contradictory results is that pricing adaptation may be higher among MNC operating in less developed market environments compared with more advanced economies

(Theodosiou and Katsikeas, 2001, p. 13). Based on the literature review on pricing standardization, following hypothesis is proposed:

Hypothesis 3_{price}:

Pricing elements will exhibit the lowest degree of standardization among the marketing-mix elements.

3.1.4   Distribution

International distribution encompasses two areas of responsibility: 1) Channel management involves identifying, selecting, and supporting distribution partners, which bridge the gap between the producer and the final-customer; 2) Logistics manages the physical flow of goods throughout the value chain, from suppliers to manufacturers via in-bound logistics and from manufacturers to customers via out-bound logistics (Keegan and Schlegelmilch, 2003, pp. 426-427, 432).

Basically, companies have two options concerning channel strategy: sell directly to customers through their own sales force, electronic-commerce, and/or own/franchised retail stores, or use indirect forms, such as independent agents, distributors, wholesalers, retailers (Keegan and Schlegelmilch, 2003, p. 436). Decisions regarding channel structure have the most long-term effect of the marketing-mix decisions, since, once established, channel structures cannot be easily changed (Cateora and Graham, 2007, p. 409; Czinkota and Ronkainen, 2007, p. 414). In planning a distribution system, following major aspects must be clarified: channel design, i.e. length and width of employed channels, screening and selection of intermediaries, and management of the channel relationships (Czinkota and Ronkainen, 2007, pp. 416-435).

Channel length measures the number of levels, or different types, of intermediaries, while channel width stands for the number of institutions at each channel level (Czinkota and Ronkainen, 2007, p. 416). Channel configuration is a function of product characteristics (e.g. perishability, bulk, service requirements, value of the product), customer characteristics (e.g. number, geographic distribution, income, shopping habits), and channel members characteristics (e.g. performed functions, power structures, market coverage, retail structure) (Cateora and Graham, 2007, pp. 405-408; Czinkota and Ronkainen, 2007, pp. 416-420; Keegan and Schlegelmilch, 2003, pp. 436-438). In addition to the above mentioned external factors, channel configuration is contingent also upon internal conditions, such as company's objectives regarding market share, market coverage, and profitability, investment costs of developing the channel, channel maintenance costs, desired level of control, continuity/loyalty considerations (Cateora and Graham, 2007, pp. 419-421; Czinkota and Ronkainen, 2007, pp. 420, 422-424).

Within international channels of distribution, the seller must exert influence on two sets of channels, one in the home-country and one in the foreign market country. As Figure 8 shows, in the home-country, the seller can either act directly through its own export/international department or contract specialized domestic channel members to move the goods across borders, such as export management companies or domestic wholesale middlemen. In the foreign country, the main challenge consists in selecting and then supervising the channels that supply the product to the end user. The complexity of the channel configuration/management task on international markets is illustrated in Figure 8, where the arrows show some of the possible channel of distribution alternatives (Cateora and Graham, 2007, p. 410).

Figure 8: International Channel of Distribution Alternatives
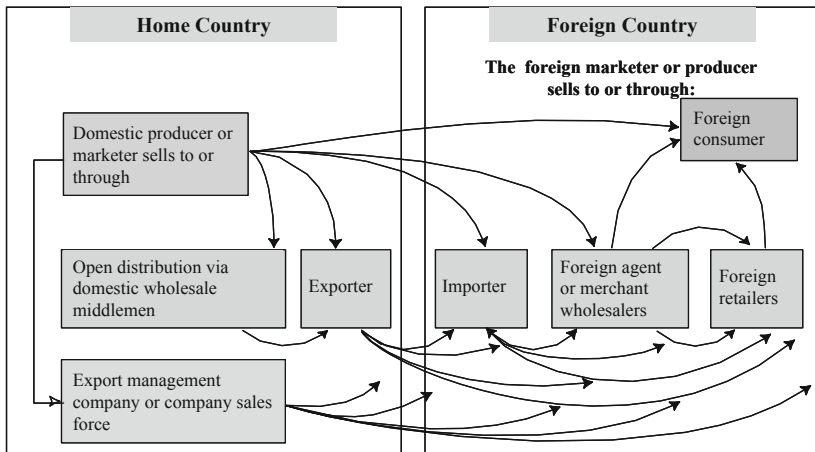
Source: Adapted from Cateora and Graham (2007, p. 410)

Distribution has, like pricing, received limited attention from researchers in the international marketing area (Baalbaki and Malhotra, 1993, p. 36). Grosse and Zinn (1990, p. 65) and Vrontis (2003, p. 290), for example, have found that distribution issues tended to be adapted to the local conditions. More recently, Theodosiou and Leonidou (2003, p. 161) reinforced this assertion, considering distribution to be the most adapted element of the marketing-mix. Adaptation derives from two aspects: On the one hand from foreign market factors pertaining to differences in disposable incomes, purchasing habits, and distribution infrastructure, on the other hand from company-related features such as variations in the level of involvement, product line, and sales volume, which altogether hinder a standardized distribution approach across markets. It is therefore almost a necessity that distribution systems in host-markets consider to a certain extent shopping habits, location preferences, customer and intermediary inventory policies, and attitudes

towards various intermediaries, in order to be successful (Baalbaki and Malhotra, 1993, p. 36). Consistent with the findings of e.g. Akaah (1991, p. 50), Shoham (1996, p. 61), Richter (2002, p. 177), following hypothesis is proposed:

Hypothesis 4$_{place}$:

The distribution elements will have a low degree of standardization, showing a similar standardization level as the pricing elements.

3.2   Contingency Factors of Standardization

Having reviewed the four marketing-mix elements in the international standardization/adaptation context, in this chapter, relevant contingency factors will be described in detail. Over the past forty years of research in the area of marketing standardization/adaptation, a large number of variables have been suggested as possible determinants of the degree of standardization or adaptation. Research indicates that the standardization/adaptation decision is situation-specific and should be based on a thorough analysis of the relevant contingency factors (Balabanis et al., 2004, p. 363). Given the dynamics of and the relatively short experience of Western companies in the CEE markets, a thorough understanding of the current situation in terms of macro- and micro-environment factors is a prerequisite for any business activities (Balabanis et al., 2004, p. 363).

Several contingency models have been developed to map and categorize the large set of possible factors (Melewar and Vemmervik, 2004, p. 869). Harvey (1993, p. 58), for example, proposes following categories: product variables, competitive variables, organizational experience and control variables, infrastructure variables, governmental variables, cultural and societal variables. A more parsimonious classification is used by Papavassiliou and Stathakopoulos (1997, p. 506), who distinguish three groups of factors: local environment, firm environment, and intrinsic determinants. Cavusgil and Zou (1994, pp. 3-5) suggest four sets of factors: firm characteristics, product characteristics, industry characteristics, and export market characteristics.

Based on the literature review, in this work four sets of factors are hypothesized as influencing the degree of marketing standardization (see Figure 9). A similar taxonomy is proposed also by Theodosiou and Katsikeas (2001, pp. 5-6). The four categories have been built according to their immediacy or the directness with which they impact on the company's strategic choices (Hall, 1972, p. 312):

▪ *Macro-environmental factors* comprise the larger societal forces such as the natural environment, the economic environment, the political and legal as well as the socio-

cultural environment, that affect a company only indirectly (Kotler and Armstrong, 2004, p. 107).

▪ *Micro-environmental factors* comprise forces close to the firm, including consumer behavior, marketing infrastructure aspects (i.e. distribution systems, intermediary services etc.), and the competitive environment, which directly affect a company's ability to serve foreign markets (Kotler and Armstrong, 2004, p. 107).

▪ *Product related factors* constitute a third category, to be placed at the intersection between the micro-environment and the organizational factors, as they are a product of those two. This category includes factors such as product nature, *product cultural specificity*, and product life cycle.

▪ *Organizational factors* represent company-specific factors such as choice of market entry mode, international business experience, corporate orientation, global structure and processes.

Figure 9:   A Systematization of Contingency Factors
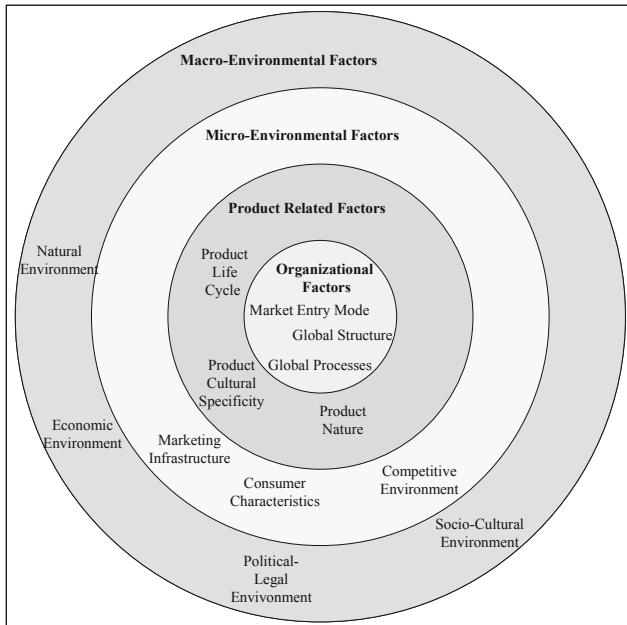
Source: Adapted from Hall (1972, p. 298)

Following the systematization presented above, the next chapters summarize the conceptual and empirical evidence underpinning the relationship between contingency factors and marketing-mix standardization.

3.2.1 Macro-Environmental Factors

The extent of standardization is assumed to be positively related to the degree of similarity in the macro-environmental conditions, i.e. physical conditions, political-legal aspects, economic development, and socio-cultural aspects, between the home- and the host-countries (e.g. Chung, 2005, pp. 1349-1350; Jain, 1989, pp. 74-75; Katsikeas et al., 2006, pp. 871-872; Michell et al., 1998, p. 621; Vrontis, 2003, pp. 299-301). Among the macro-environmental factors, political-legal and economic factors received the greatest attention, at the expense of socio-cultural and physical aspects (Theodosiou and Leonidou, 2003, pp. 149, 154).

Relevant to this study is the managers' perception of the degree of similarity and not an objective assessment. The results of Samiee and Roth (1992, p. 10) indicate that even when a very high degree of standardization would be a rational choice, as is the case in global industries for example, some firms tend to pursue an adaptation strategy. One explanation of this phenomenon relies on the fact that the standardization/adaptation decision is based to a large degree on the management's perception of similarities between the targeted markets (Samiee et al., 2003, p. 622).

Natural Environment

The natural environment or physical conditions, i.e. climate, topography and natural resources, are assumed to affect standardization in various ways (Jain, 1989, p. 75)[10]. Douglas and Wind (1987, p. 25) suggest that "availability and cost of raw materials, as well as labor and other resources in different locations, will affect not only decisions regarding sourcing of and hence the location of manufacturing activities, but can also affect marketing strategy decisions such as product design". Some authors choose illustrative examples to depict the influence of physical conditions on product design, and hence on product standardization: e.g. the size and configuration of homes affect product design of appliances and home furnishings or, in a hot climate, products such as cars and air conditioners require additional features (Jain, 1989, p. 75). Richter (2002, p. 79) brings up the example of washing-machines and the variations in preferences for spin-dry

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[10] From an anthropological perspective, the influence of the natural environment on human behavior has developed into a separate field of study called "cultural ecology", a term coined by Julian Steward (1955) (see also Harris, 1968; Netting, 1977; Sutton and Anderson, 2004).

performance between countries with low temperatures (high spin-dry performance) and countries with mild temperatures and high number of sunshine hours (low spin-dry performance equally successful). Douglas and Wind (1987, p. 26) argue further that cost differentials relative to raw materials, management, labor and other inputs, may impose a limited degree of standardization. Physical conditions pose also high demands on transport conditions and storage, especially for food and beverages.

In a study of product adaptation strategies by Japanese MNC operating in the Middle East, Leonidou (1996, p. 65) ascertained a strong influence of physical parameters, i.e. the region's natural conditions, climate and territorial size, on packaging and internal product characteristics, i.e. ingredients, technical specifications, construction method, and operating system. Shoham (1999, p. 33) investigated the influence of environmental variables on the international marketing-mix strategy of Israeli exporters. He found that similarity of the physical environments between home- and host-countries leads to higher price standardization. However, he admits that his operationalization of the physical environment (climate, building density, residential and office building size) may have been also an indicator of the standard of living in the target markets, which explains the influence on price (Shoham, 1999, pp. 36, 41). The relative importance of physical conditions among contingency variables has been measured in a study by Vrontis (2003, p. 291) where only 39% of the surveyed British MNC considered differences in physical conditions as an important driver of international tactical adaptation.

Economic Environment

The economic environment of a host-country affects marketing decisions in various ways. First of all, the overall level of economic development reflects standards of living and employment as well as purchasing power, which shape the demand potential for a particular product through preference structures and price sensitivity (Theodosiou and Katsikeas, 2006, p. 871; Whitelock and Rey, 1998, pp. 273-274). The essentialness of a product may thus differ between economically developed and less developed countries, in that for the former it may represent a standard product, for the latter a luxury or premium product. This phenomenon is explained also by Whitelock and Pimblett (1997, p. 55), who state that "Low levels of income inhibit the spread of global products, not just because they cannot be afforded, but also because the value placed upon convenience, innovation and so on may be different than in more affluent nations." Products and prices should consequently be adapted to the preferences and the purchasing power of the consumers (Theodosiou and Katsikeas, 2001, p. 6). Second, the economic environment impacts not only the demand side, but also the firm's cost structure trough the cost of raw materials, labor, and other resources needed to run local operations (Harris and McDonald, 2004, p. 76; Katsikeas et al., 2006, p. 871). The degree of similarity between the economic

environments is generally assessed through indicators such as gross domestic product (GDP), GDP growth rate, inflation rate, unemployment rate, labor costs, interest rates, exchange rates.

Markets with similar levels of economic development are perceived as offering better conditions for a standardized marketing approach (e.g. Hill and Still, 1984, p. 94; Jain, 1989, pp. 72-73; Michell et al., 1998, p. 621; Papavassiliou and Stathakopoulos, 1997, p. 520; Sriram and Gopalakrishna, 1991, p. 140; Theodosiou and Katsikeas, 2001, p. 4). Especially the Triad countries are seen as being homogeneous in terms of economic environment (Jain, 1989, p. 71; Ohmae, 1985, pp. 1-2). Wang (1996, p. 92) asserts that "Opportunities for standardization are likely to occur more frequently among industrialized nations, and especially the Triad countries […] than among developing countries".

Table 4:   Economic Indicators in the EU

	GDP per capita in PPP, EU 27=100%, 2006	Volume GDP growth rate 2006-2007, in %	Long-term interest rates 2007, in %	Average inflation rates 2007, in %	Unemployment rates 2007, in %
Bulgaria	37	6.2	4.54	7.6	6.9
Romania	39	6.0	7.15	4.9	6.4
Poland	52	6.5	5.48	2.6	9.6
Latvia	54	10.3	5.28	10.1	6.0
Lithuania	56	8.8	4.55	5.8	4.3
Slovakia	64	10.4	4.49	1.9	11.1
Hungary	65	1.3	6.74	7.9	7.4
Estonia	68	7.1	5.69	6.7	4.7
The Czech Republic	79	6.5	4.28	3.0	5.3
Slovenia	88	6.1	4.52	3.8	4.8
CEE 10	**60.2**	**6.9**	**5.27**	**5.43**	**6.7**
Euro area	**110**	**2.6**	**4.32**	**2.1**	**7.4**
EU-27	**100**	**2.9**	**4.58**	**2.3**	**7.1**

Source: Own illustration based on Eurostat data

A look at the (macro-)economic environment of the CEE states and the other members of the EU, presented in Table 4, may provide first hints of the degree of economic similarity between Western- and Eastern Europe. The economic environment of the CEE markets has specific features to be taken into consideration. CEE experienced in the years preceding the current economic crisis a GDP growth rate approx. 1.5 to 3 times the average growth in the Euro area. In 2006, the average GDP per capita in purchasing power parity (PPP) standards ranged from 37% of EU-27 average in Bulgaria, 52% in Poland, 65% in Hungary to 88% in Slovenia. Also other indicators such as long-term interest rates, average inflation rates or unemployment rates reflect a rather heterogeneous situation both between West and East and within the CEE countries themselves. Within the CEE countries, economic differences

persist due to their unequal economic and political evolution: While Poland and Hungary for example used in the early nineties the "shock therapy", i.e. they implemented major reform programs concomitantly, Romania and Bulgaria chose a more gradual approach to transition. Accordingly, the specific speed and scope of reforms lead to different effects on the economy and standards of living from country to country (Stone and McCall, 2004, pp. 53-57).

Despite obvious economic differences, some companies may still use a standardized approach, as the findings of Griffith et al. (2003, p. 39) show. They test the influence of several contingency factors on packaging and advertising message standardization with both quantitative and qualitative data from US multinational corporations conducting business in India. Their results indicate that companies will ignore differences in the (economic) macro-environment, if they are able to identify comparable, cross-national consumer segments (Griffith et al., 2003, pp. 37-39). A similar result is obtained by Chung, based on the experience of Australian and New Zealand firms operating in the Greater China Markets, who attributes this finding also to the focus on a higher-income customer segment, which is less likely affected by general economic differences among country markets (Chung, 2003, p. 73). On the other hand, other studies confirmed the positive influence of similarity in economic conditions on marketing-mix standardization (e.g. Theodosiou and Katsikeas, 2001, p. 14). That companies consider economic differences between home- and host-countries a major barrier to international marketing standardization is confirmed also by e.g. Littler and Schlieper (1995, p. 33), Vrontis (2003, p. 291), Whitelock et al. (1995, p. 88).

Political-Legal Environment

International companies must screen a wide array of issues related to the political and legal environment in the countries where they are doing business. Political risks and stability of government policies, nationalist sentiments, protectionism, bribery and corruption as well as government intervention in corporate activity, are some of the *political factors* to be taken in consideration by international companies (Harris and McDonald, 2004, p. 76; Lascu, 2003, pp. 28-29). Jain notices that "Political interventions may invalidate standardization even in carefully chosen (…) markets" (Jain, 1989, p. 75). Currently, the CEE countries are stable democracies committed to establishing free market economies based on free competition and pluralistic ownership, but they still have large bureaucracies, an unstable business environment and high corruption levels (Stone and McCall, 2004, p. 54).

Concerning the *legal environment*, country-specific requirements regarding product standards and features, such as measurement units, labeling and branding as well as product performance and safety specifications are often the rule on international markets

(Baalbaki and Malhotra, 1993, p. 28; Buzzell, 1968, pp. 112-113; Hill and Still, 1984, pp. 94-100; Jain, 1989, p. 75; Sorenson and Wiechmann, 1975, p. 44). Governmental regulations regarding labor, environment, intellectual property, resale price as well as tariffs and taxation, are maintained as barriers to a standardized marketing strategy (e.g. Cavusgil et al., 1993, p. 489; Jain, 1989, p. 75). For example, the passing of price controls on certain products is a common measure to protect local producers from international competition (Theodosiou and Katsikeas, 2001, p. 7). Commercial regulations (e.g. the ban on advertising for alcoholic beverages) are an additional example. Particularly in the food industry, special labeling requirements concerning ingredients, language or certificates of origin exist. The findings of some prior studies underline the importance of governmental regulations as playing a key role in the choice of standardization for companies operating in the EU (Boddewyn et al., 1986, p. 72; Boddewyn and Grosse, 1995, p. 29; Chung, 2005, p. 1363; Sorenson and Wiechmann, 1975, p. 44).

The EU has in place a most developed set of rules on competition and marketing related issues. Ranging from rules on price-fixing, tying agreements, public subsidies, over consumer data protection rules, to product safety, (metric) labeling, product liability regulation, to rules on loyalty premiums, comparative and misleading advertising, distance selling and electronic commerce, to regulation on distribution and pricing and contracts, the EU legislation settles the business practice in all its member countries, acting definitely as a vector of convergence (LeClair, 2000, pp. 199-207). However, in practice, member states still have specific national regulation as well as feature different levels of EU law enforcement and compliance. The French, for example, have installed protectionist strategies for their culture and language through legislative regulations. As a consequence, several studies have shown that French advertisements tend to use localized strategies (see Nelson and Paek, 2007, p. 68). Especially the new CEE member countries suffer from weak law enforcement due in part to a corrupted political and law system, in part to lacking human and institutional capacity. A consequence of the weak rule of law, but also a heritage from the communist era, is the parallel existence of an informal economy in CEE. This encompasses the "black economy", i.e. economic activity undertaken for cash or money, the "social economy", including non-monetary forms of help, and the "household economy", i.e. household subsistence activities, the last two forms providing a social safety net for the poor (Wallace and Latcheva, 2006, pp. 81-82).

The influence of the political-legal environment has been confirmed by Chung (2003, p. 67) in connection with the selection of price and promotion strategy. Michell et al. (1998, p. 631) found that the degree of marketing-mix standardization of British exporters to Gulf States was negatively associated with the level of political stability. For US marketers in the EU, national government regulations constitute a leading obstacle to the pursuit of a standardized strategy (Baalbaki and Malhotra, 1995, p. 37). Political-legal

factors along with demographic factors have been found to exert the greatest influence overall on the degree of product adaptation undertaken by Japanese companies in the Middle East (Leonidou, 1996, p. 67).

Socio-Cultural Environment

Socio-cultural influences have been identified as critical determinants of marketing strategy (Lee and Carter, 2005, p. 67). Dissimilarities in the socio-cultural environment of different markets have been reported as major obstacles to standardization (Boddewyn and Grosse, 1995, p. 37; Halliburton and Hünerberg, 1993, p. 79). Key components of the socio-cultural environment to be considered by international marketing managers pertain to language, religion, values and norms, education as well as social organization (Hill and Still, 1984, pp. 96-97).

Language is often described as one of the most important elements of culture, with a great impact on standardization (Usunier and Lee, 2005, p. 7). Littler and Schlieper (1995, p. 33), for example, found out that 95% of the surveyed companies consider language as a significant barrier to a high standardization level.

Kotabe and Helsen (2008, p. 114) stress two facets of language as being of major importance to international marketers: the use of language as a communication tool within cultures and the huge diversity of languages across and within national boundaries. As regards the first facet, spoken and silent language forms must be taken into consideration. Especially the latter represents a challenge to international marketers, as it refers to the complex of nonverbal communication mechanisms used in various cultural environments. Spoken and silent language forms play an important role especially with regard to communication policy, branding, advertising and packaging.

The diversity of languages poses problems concerning translation. Even within the same language, meanings and expressions can vary a great deal (see British English and American English). Numerous examples of careless translations of advertising slogans, brands or product labels spice up international marketing textbooks[11] (Kotabe and Helsen, 2008, p. 115). Therefore, all language-related aspects, i.e. phonetics, orthography, morphology and semantics, have to be considered in the translation process to avoid language blunders (Francis et al., 2002, pp. 100-101).

Religion plays a vital role in many societies, being reflected in aspects such as symbols, colors, rituals, holidays, taboos, philosophical systems, numbers etc., which in turn have

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[11] Just to name a few cases, Toshiba used a commercial jingle "Toshiba Toshiba" in China whose phonetical meaning in Mandarin Chinese is "let's steal it" (Kotabe and Helsen, 2008, pp. 115-116), while Exxon's brand name, Esso, means "stalled car" when pronounced phonetically in Japanese (Herbig, 1998, p. 17).

profound implications on consumer behavior (Lee and Carter, 2005, p. 69). Religious taboos often impose an adapted marketing-mix strategy. Among the most religion-dominated societies, the Muslim societies, for example, consume halal, i.e. religiously pure food, forbid the consumption of pork meat and alcohol, use a different banking system due to usury restrictions etc., having thus religious rules that impact almost every aspect of people's lives. Similarly, in India, beef eating is considered a taboo by the hindu population, a fact which lead even McDonald's to introduce a mutton-based "Majaraj Mac" in India and localize about three quarters of McDonald's India menu (Kotabe and Helsen, 2008, p. 121).

Yet it is actually not necessary to look so far for religious influences upon societies: Europe, though in majority Christian, provides a fertile ground for finding differences of religious nature. Except for Romania and Bulgaria, which are Orthodox, Latvia and Estonia, which are Protestant, the other CEE countries have a Catholic majority. The 2005 Eurobarometer Poll assessed to which extent, religious and spiritual beliefs are present in the European society. The results unveil considerable differences in the beliefs of the various nationalities: while in Malta, Cyprus, Romania, Greece, Portugal and Poland over 80% of the population declares that it believes in God, in Estonia and the Czech Republic the share is less than one in five (Eurobarometer, 2005, pp. 9-10). The highest proportion of believers was found in countries where the Church as an institution has, historically, always been present and strong (Eurobarometer, 2005, p. 9). In these countries, the influence of religion upon consumers' behavior is expected to be higher as compared to countries, whose population is to a much lesser extent religious (see for example the tradition of observing the Lent in Orthodox Romania or of eating fish on Fridays in the Catholic regions of Europe such as Italy, Ireland or South Germany).

Values and norms describe what people in general think the world ought to be like in absolute terms (Mooij, 2009, p. 133). While values are enduring beliefs about a specific mode of conduct or a desirable end-state (Rokeach, 1973, p. 5), norms are rules that dictate what is right or wrong, desirable or undesirable within a value system (Lascu, 2003, p. 96). Values guide individuals' actions, attitudes, and judgments, affecting their product preferences and their perception of products (Lascu, 2003, p. 95). Especially value hierarchies have far reaching consequences for consumer decision processes, although value priorities of a group should not be confounded with individual values, which are partly a product of shared culture and partly a product of unique individual personality and experience (Mooij, 2004, p. 28). Although values are considered enduring, a value shift might occur due to economic change, modernization, maturation and generation effects, Zeitgeist, and seniority effects (Mooij, 2009, p. 135). For example, in Eastern Europe, Manrai et al. (2001a, p. 271) note that the process of "Westernization" of these societies

has caused "a shift in the consumer's values from a more traditional, collectivistic to a more modern, individualistic orientation".

The work of Schwartz and colleagues is of particular relevance to this study as it made an essential contribution to the research field of cultural values in general and in the context of transition economies in particular (Schwartz et al., 2000; Schwartz and Bardi, 1997; Schwartz and Bardi, 2001). Using the Schwartz Value Index, which comprises seven value types[12], namely Conservatism, Intellectual Autonomy, Affective Autonomy, Hierarchy, Egalitarianism, Harmony, and Mastery, Schwartz and Bardi (1997, pp. 397, 399) found out that people from CEE countries have different value priorities than people from Western Europe[13]. Eastern European citizens attribute a higher importance to conservatism and hierarchy values and score lower in the value ratings of egalitarianism, intellectual and affective autonomy, with no significant differences in harmony and mastery values (Schwartz and Bardy, 1997, p. 398). Further research by Schwartz and colleagues revealed that value differences in comparison to the West are the more pronounced, the greater the degree of adaptation of individuals to the communist system (Schwartz et al., 2000, p. 227). Moreover, value priorities do not seem to be converging between Eastern and Western Europe, nor to be diverging among Eastern European countries (Schwartz et al., 2000, pp. 233-234), providing theoretical support for a strategy of regionalization in Eastern Europe (Heenan and Perlmutter, 1979, p. 18; Schuh, 2007a, pp. 148-150).

A lifestyle research study by GfK[14] compared consumers from Eastern and Western Europe along following criteria: general values, consumer values, product preferences, and media consumption. While the results pertaining to the last three criteria related to consumer behavior will be discussed in Chapter 3.2.2, findings on general values provide further insights into the socio-cultural environment. The rankings in the value orientations of citizens from Eastern and Western Europe reflect the tendency of Eastern Europeans to focus on family and social ties, safety and risk avoidance, as opposed to the Western Europeans, who place an emphasis on individualism and self-fulfillment. The findings

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[12] Originally, the Schwarz Index Value employed ten value types: Power, Achievement, Hedonism, Stimulation, Self-Direction, Universalism, Benevolence, Tradition (Schwartz, 1992). In later research (see Schwartz, 1994), the ten categories were merged into the seven value types mentioned in the text.

[13] The investigated CEE countries included: Bulgaria, the Czech Republic, Estonia, Georgia, Hungary, Poland, Russia, Slovakia, and Slovenia. The Western European countries were Belgium, Denmark, England, Finland, France, Germany, Greece, Italy, Netherlands, Portugal, Spain, Sweden, and Switzerland.

[14] The GfK Group is one of the largest market research companies in the world, headquartered in Nuremberg, Germany. For the study "Euro-Socio-Styles: Consumers in Europe", GfK interviewed between 2004 and 2005 a number of 6,000 consumers in the five largest countries in Western Europe - France, Germany, Great Britain, Italy, and Spain, and 12,000 consumers across eleven Central and Eastern European States - Bosnia-Herzegovina, Bulgaria, Croatia, Russia, Romania, Serbia-Montenegro, Slovakia, the Czech Republic, Poland, Ukraine, and Hungary, in order to compare them along several dimensions.

unveil a link between the economic and political situation in the countries and the respondents' attitudinal scores, meaning that in developed countries, where people are not preoccupied with "coping", with moving on in a changing society, individualist, post-materialist orientations dominate, as illustrated in Figure 10.

Figure 10: Importance of General Values across Eastern and Western European Countries
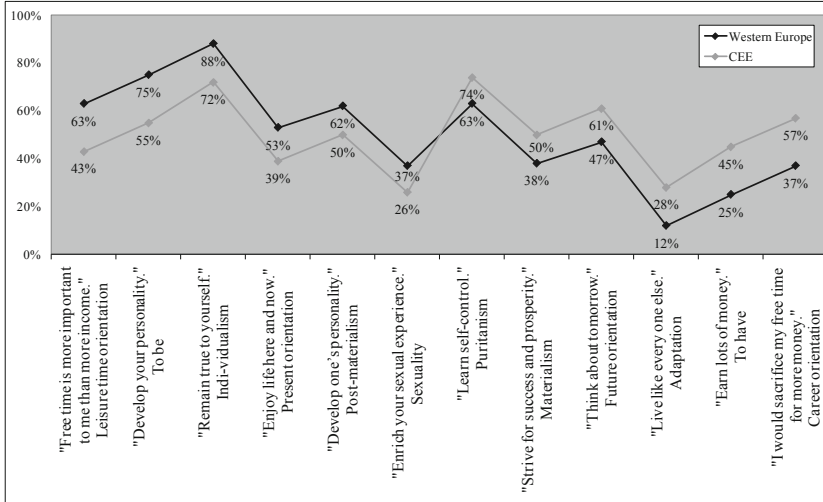
Source: Own illustration based on data from GfK (2005) "Euro-Socio-Styles: Consumers in Europe" as cited in Enke et al. (2005, pp. 29-30) and Enke et al. (2006, p. 80)

Inversely, Eastern Europeans react to the precarious political and economic environment by being more career-orientated, feeling the drive to earn money, making provisions for the future, achieving success and affluence, "fitting in" (Enke et al., 2005, pp. 29-30).

Aesthetics are the way cultural groups perceive things like design, good taste and beauty (Kotabe and Helsen, 2008, p. 118; Lee and Carter, 2005, p. 70). A classical example of how aesthetics differ between cultures pertains to the meaning of colors: while red will be associated in Western Europe with love, royalty, in Thailand it is the color of mourning. In several African countries red and black have negative connotations (Terpstra and Sarathy, 2000, p. 125). Besides colors, also symbols, pictures, objects, and signs may bear different meanings across cultures.

Education represents another factor considered relevant to the marketing standardization decision. Hite and Fraser (1988, p. 11) report that 82% of the surveyed companies view a similar level of education in different countries as very or fairly important to marketing standardization. In the EU, the literacy rate of most countries is above 98% of the

population, with Romania (97.3%), Cyprus (96.8%), Greece (96%), Portugal (93.8%), Malta (92.8%) lagging behind the mark of 98% (UNDP, 2007, pp. 229-230). However, the distribution of pupils and students by education levels varies from country to country: for example, the proportion of students attaining qualifications at the tertiary level (graduate and post-graduate university degrees) out of the total number of pupils and students, ranged in 2006 from 2.9% in Luxembourg, 10.3% in Malta, 13.6% in Germany, to 24.4% in Latvia, 25.7% in Slovenia, and 29.9% in Greece, with an EU average of 17.4% (Eurostat data).

The educational situation in foreign markets is a key determinant of the nature of the consumer market, which has deep implications for the international marketer: A high level of illiteracy impacts areas such as advertising program, package labels, level of product complexity, marketing research, and marketing personnel. Besides, if girls and women have a low level of formal education, a different marketing approach is necessary to address them as a target group (Terpstra and Sarathy, 2000, pp. 127-128).

Social organization refers to the way a society organizes itself, including aspects such as interest groups, status systems, the role of the different sexes, caste systems and social institutions (Lee and Carter, 2005, p. 70). The primary kind of social organization is based on the concept of kinship, which finds different expressions across countries: In Western countries, the family unit comprises the nuclear family, i.e. the parents and the children. In contrast, in many developing countries the relevant family unit is the extended family, comprising also remotely related family members (Lascu, 2003, pp. 117-118). Other relevant aspects with social connotations comprise the population's age structure, typical size of households or income distribution.

Some studies support the assumption that standardization is positively correlated to the similarity of the cultural environment across countries (Harvey, 1993, p. 58; Onkvisit and Shaw, 1987, p. 45; Papavassiliou and Stathakopoulos, 1997, p. 507). A number of studies, however, have pointed out that the cultural environments across the EU region are not likely to become similar in the near future (Diamantopoulos et al., 1995, p. 48; Reichel, 1989, pp. 64-66). Reichel suggested that the EU consisted of countries which differ according to their languages, cultures and histories. Even though the EU already has a common legislative system, its cultural diversity is not likely to disappear (Reichel, 1989, pp. 64-66).

Chung (2005, p. 1361) found that there is no positive relationship between the extent of standardization and the degree of similarity of cultural environment among European countries. He suggested however, that although a complete similarity is not likely to occur in the EU, it is possible to locate groups of country markets with similar marketing characteristics, such as United Kingdom-France, United Kingdom-Germany, Germany-

France or Germany-Italy. These similarities across different countries should therefore allow firms to adopt a standardized advertising strategy (Chung, 2005, p. 1366). Besides, socio-cultural differences at the macro-level may become irrelevant, if the company targets homogeneous consumer segments in home- and host-markets.

In line with past conceptual and empirical contributions concerning the macro-environment as a contingency factor of marketing-mix standardization, following hypothesis is formulated:

Hypothesis 5$_{macroenv}$:

Companies are more likely to pursue a higher level of marketing-mix standardization if the macro-environment of the foreign market is perceived as being similar to that in the home-market[15].

3.2.2   Micro-Environmental Factors

The following paragraphs will discuss the different micro-environmental factors, which have been identified as relevant contingencies of marketing-mix standardization in previous research, i.e. consumer characteristics, country-of-origin effects, brand familiarity, marketing infrastructure, and competitive environment.

Consumer Characteristics

Consumer characteristics as a contingency factor has been analyzed in reference to two different comparison bases: countries and cross-national or intermarket segments. While the first approach measures consumer homogeneity vertically, i.e. similar configuration of the market segments within countries, the latter looks at whether countries are horizontally homogeneous for a particular segment, i.e. whether so called cross-national segments exist (Melewar and Vemmervik, 2004, p. 871). Other authors have endorsed Jain's view (e.g. Akaah, 1991) that standardization strategy is more effective when customers, and not countries, are the basis of identifying the segments to serve (Jain, 1989, p. 73). Similarity in customer profiles across countries and segments is expected to be positively related to the degree of standardization strategy (Enke et al., 2005, p. 28; Özsomer and Simonin, 2004, p. 401; Theodosiou and Leonidou, 2003, p. 154). Differences between target segments have been assessed with regard to aspects such as consumers' needs, product evaluation criteria, product values or functional uses, purchasing habits, media habits,

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[15] Unless specified, the term "marketing-mix standardization" stated in the following hypotheses and subsequent sections, refers to the four individual marketing-mix elements, product, promotion, pricing and distribution.

saving and usage patterns (Lee and Carter, 2005, pp. 72-73; Theodosiou and Leonidou, 2003, p. 154; Waheeduzzaman and Dube, 2004, p. 39).

Segmentation bases, i.e. the set of characteristics used to assign consumer to segments, can be grouped into general and domain-specific bases (Steenkamp and Hofstede, 2002, p. 196). General bases are independent of the domain/product in question and can be further divided into observable bases, e.g. geographic location, economic indicators, political characteristics, and demographics, and unobservable bases, e.g. consumer values and lifestyles. Domain-specific bases include brand penetration rates, attitudes, benefit importances or domain-specific attitudes that are directly related to the product/domain in question (Steenkamp and Hofstede, 2002, pp. 196-197). General observable bases are easy to identify and the data involved is largely available from published sources, belonging to the macro-environmental variables. Consequently, the author's understanding of consumer characteristics as contingency variables links these directly to consumer behavior, being suitable as unobservable or domain-specific segmentation bases. General unobservable bases, such as values and lifestyle as well as domain-specific segmentation bases will be discussed in the following under the more general topic of consumer behavior, which covers psychographic and behavioral aspects.

Whether consumer behavior in a united Europe is converging or diverging has not been yet conclusively established, just as the debate over the emergence of a global consumer is even further away from an approximation of views. On the one side, there are researchers acknowledging the emergence of a global consumption culture, on the other side, there is the view that the influence of culture is all encompassing and it "impacts virtually every construct of concern to marketers" (McCort and Malhotra, 1993, p. 120), making a convergence of consumer behavior impossible.

Within the European perspective, some authors, e.g. Boddewyn and Grosse (1995, pp. 37-38), Diamantopoulos et al. (1995, p. 48), Mooij (2004, p. 59), Whitelock (1987, pp. 35-36) hold that a pan-European consumer behavior is not likely to emerge. Boddewyn and Grosse (1995, p. 29) identified differences in consumer behavior across the EU countries as being a key barrier to the adoption of a cross-market standardization strategy. Whitelock and Pimblett (1997, p. 57) argue that the increasing fragmentation of markets, and hence the diverging consumer behavior, is the outcome of personal lifestyle choices taking precedence over social norms, both in high-income and developing countries. Consequently, a more sophisticated and affluent consumer will demand more choice and customized product offerings. Furthermore, a study by White and Absher found that CEE customers rate key shopping decision criteria such as pricing, style and quality of clothing, store layout, merchandise assortment, advertising, salespeople, customer service, and store location, differently than customers from Western Europe (White and Absher, 2007, pp. 298-299).

At the opposite pole, the studies of Ganesh (1998, p. 44) and Leeflang and van Raaij (1995, pp. 385-386) maintain that consumer behavior across the EU is rather converging, than diverging. Ganesh sees the process of EU integration as resulting in "a blending of lifestyles and growing uniformity that will progressively minimize traditional geographical and political boundaries" (Ganesh, 1998, p. 44). GfK Lifestyle Research analyzed consumers in Eastern and Western Europe on the basis of general values, which were discussed in the Chapter 3.2.1, consumer values (e.g. price, quality, fashion consciousness), product preferences (beverages, food, clothing, brands), and media consumption (information, media types, the internet, cinemas, music). Against expectations, consumers in CEE are scarcely more price oriented (i.e. placing price considerations over quality) than in Western Europe (51% vs. 49%). By analyzing underlying attitudes and personal values, consumption and media preferences, eight distinct consumer groups of varying lifestyles could be identified, both in Eastern and Western Europe (see Figure 11). Though the size of the individual segments still varies in both geographical areas, with the tradition and safety-based lifestyle segments "Steady World" and "Secure World" as well as the consumer-oriented segment "Magic World" being heavily over-represented in Eastern Europe, the key message of this study is that comparable consumer segments based on similar lifestyles can be identified both in Eastern and Western European markets (Enke et al., 2005, pp. 30-32; Enke et al., 2006, pp. 82-83).

Figure 11: Euro-Socio Styles: Consumer Lifestyle Segments in Eastern and Western Europe
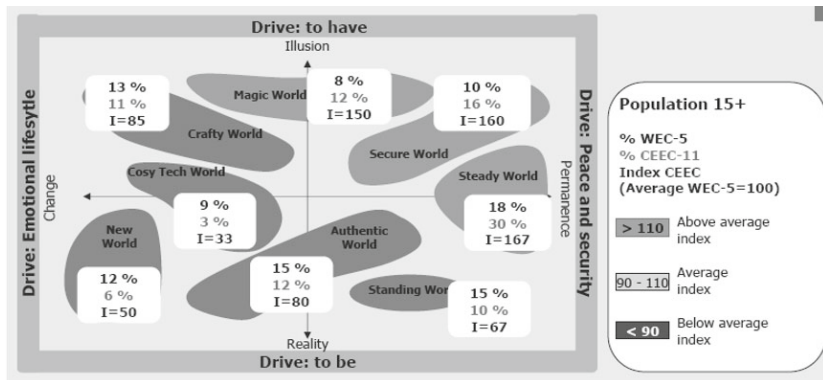
Source: GfK (2005) cited in Enke et al. (2005, p. 31)

Typically, emerging markets have a dual structure with one small consumer segment, "the elite", at one end, and a large consumer segment, "the mass-market", on the other end

(Burgess and Steenkamp, 2006, p. 342). While the elite segment, i.e. wealthy, urban, educated population with a spending power comparable to high income countries, is adopting consumption patterns similar to the Western world, the "mass-market", i.e. poor population with limited access to education and basic necessities, exhibits a different consumer buying behavior with preferences for small package sizes, frequent shopping, and patronage of retail outlets near mass transit hubs (Burgess and Steenkamp, 2006, pp. 342-343). Since most Western multinationals in CEE concentrated on the elite, upper-end segment of the market, the competition in this segment has become particularly fierce (Schuh and Holzmüller, 2003, p. 177).

Without taking sides in the convergence-divergence debate, this study aims to examine the degree to which managers perceive consumers (as well as other macro- and micro-environmental factors) as being similar or different in the home- and host-markets investigated. Katsikeas et al. (2006, pp. 876, 879) found that similarity in consumer characteristics, described by the items customer requirements, product evaluation criteria, price sensitivity, and purchasing habits, is positively associated with the degree of international marketing standardization. Customer similarity, measured via three items, product usage, PLC stage, and target market, was found to be positively and significantly related to marketing-mix standardization on a sample of subsidiaries operating in Japan and Turkey (Özsomer and Simonin, 2004, p. 411). Similar results are obtained also by Chung (2003, p. 68), Chung (2005, p. 1361), or Griffith et al. (2003, p. 37), although the impact of consumer similarity was not found to be significant on all facets of marketing-mix standardization. In their literature review, Theodosiou and Leonidou conclude that "empirical findings strongly indicate that customer issues have a rather significant effect on marketing strategy standardization/adaptation, this being true for almost all strategic elements", criticizing though the scarcity of empirical evidence, particularly with respect to the finer dimensions of this construct (Theodosiou and Leonidou, 2003, p. 154). The above discussion leads to following hypotheses:

Hypothesis 6$_{conschar}$:

Perceived similarity of consumer characteristics in the home- and host-markets is positively related to the degree of marketing-mix standardization.

Hypothesis 7$_{targsegm}$:

Firms targeting the upper-income segment of the host-market have a higher propensity to standardize their marketing-mix than firms addressing middle-income or low-income segments.

Country-of-Origin Effect

Country-of-origin issues[16] play an important role in the CEE context (Hollensen, 2007, p. 438; Springer and Czinkota, 1999, p. 36). The country of origin of a product, typically communicated by the syntagm "made in", is often used as a cue for product evaluations (Hollensen, 2007, p. 438; Ozretic-Dosen et al., 2007, p. 130). A positive COO effect may generate sustainable competitive advantage in foreign markets (Baker and Ballington, 2002, p. 166). Springer and Czinkota (1999, pp. 36-37) argue that Western brands enjoyed a window of opportunity in CEE after the opening toward the West, as consumers perceived local products as being of inferior quality and were eager to try foreign products, to which they had no access until then. However, the authors suggest that the reverse trend has surfaced, with CEE consumers becoming more ethnocentric as they acknowledge the advantages of buying local products, especially food and low-tech products[17]. This development is however disputed in the literature, as empirical results show no clear picture. Kaynak and Kara (2002, p. 930) examined the COO perceptions of Turkish consumers. They found that Turkish consumers preferred products originating from Japan, the US and Western Europe, over those from Russia, China and Eastern Europe, which were considered of inferior quality (Kaynak and Kara, 2002, p. 945). An empirical study by Ozretic-Dosen et al. (2007, pp. 131-132) analyzed the roles that COO and brand play in the consumers purchase decision process of chocolate on a sample of young Croatian consumers. These consumers perceived chocolate brands from Western European countries as better compared to chocolate from the rest of Europe (Ozretic-Dosen et al., 2007, p. 135). However, they suggest that brand origin association may be more influential than COO (Ozretic-Dosen et al., 2007, p. 135), which is consistent with the findings of Thakor and Lavack (2003, p. 403). A Western product's origin has been found to have a substantial positive effect on brand attitude of Romanian and Turkish consumers (Ger et al., 1993, p. 106). By contrast, Rojsek (2001, p. 517) reached the conclusion that Slovene consumers display a more ethnocentric behavior, preferring domestic over foreign products. Ethnocentric attitudes of Polish consumers seem offset when foreign products are clearly of superior quality than domestic products (Supphellen and Rittenburg, 2001, p. 920).

The development of a standardized or adapted marketing strategy is dependent upon existing differences or similarities across host-countries in how consumers evaluate COO image. Germany, for example, is especially appreciated for its high quality, reliable high-

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[16] Country-of-origin effects have been widely researched in the international business literature. For extensive literature reviews see e.g. Al-Sulaiti and Baker (1998), Baughn and Yaprak (1993), Verlegh and Steenkamp (1999).

[17] This trend is reported also by Stone and McCall (2004, p. 60).

tech products such as machinery, automobile or chemical products, but the strength of the label "made in Germany" may work beyond these traditional industries, entailing positive cross-over effects for a larger range of products (Mennicken, 2000, p. 75). There is evidence that customers accept new brands or products more readily from countries with favorable COO images (Chen and Pereira, 1999, p. 224; Lampert and Jaffe, 1998, pp. 64-66). Consequently, following hypothesis is to be tested:

Hypothesis 8$_{coo}$:

Managers' perception of existing positive COO effect in the host-country is positively related to the degree of marketing-mix standardization.

Brand Familiarity

Brand familiarity with products or services derives from the number of brand-related experiences the consumer has had (Alba and Hutchinson, 1987, p. 411). Familiarity can translate into favorable attitude towards the product (Pae et al., 2002, pp. 178-179). Cavusgil et al. (1993, p. 489) argue that product familiarity can engender more favorable attitudes and greater acceptance, which allow for a greater degree of standardization. The advantages of well-established brands have been visible especially with regard to standardization of advertising, as consumers seem to pay more attention to, and better remember product information for familiar brands than unfamiliar brands (Kent and Allen, 1994, p. 103; MacInnis et al., 1991, p. 45; Moorman, 1990, p. 370; Pae et al., 2002, p. 178). In a survey of 150 US multinationals, Hite and Fraser (1988, p. 16) demonstrated that firms with a well-known and accepted brand name are more likely to be successful with standardized advertising approaches than firms without such acceptance. Cavusgil et al. (1993, pp. 494-495) observed a lower degree of adaptation of packaging/labeling and promotional approach when the export customers were familiar with the product.

Laroche et al. (1996) examined the influence of brand familiarity on confidence in brand evaluation in a traditional store setting. Increased brand familiarity was positively associated with consumers' confidence about that brand, suggesting that consumers perceive less risk when they are more familiar with a brand (Laroche et al., 1996, p. 119). Veryzer (1998, p. 144) reports that unfamiliarity of a new product results in consumers' resistance to buy the product. Eastern European consumers, especially the older part of the population seem to accept a new product much more slowly and to be less trusting of unknown brands, due to their low level of individualism (Rojsek, 2001, pp. 515-516). As van Mesdag (2000, p. 81) points out, one of the main barriers to internationalization of food is recognizability of what is in the product. A familiar brand may thus reduce the perceived risk associated with buying a new product.

Consequently, following hypothesis is derived:

Hypothesis 9$_{bfam}$*:*

Managers' perception of a high level of brand familiarity in the host-country is positively related to the degree of marketing-mix standardization.

Marketing Infrastructure

Jain (1989, p. 75) defines the marketing infrastructure of a country as consisting of "the institutions and functions necessary to create, develop, and service demand, including retailers, wholesalers, sales agents, warehousing, transportation, credit, media, and more". Similarity between marketing infrastructures has been linked to international marketing standardization by several authors, who propose that a higher degree of standardization is likely when target markets have similar marketing institutions (e.g. Katsikeas et al., 2006, pp. 872-873; Özsomer and Simonin, 2004, p. 401). In the case of an inadequate/underdeveloped infrastructure, foreign firms are forced to modify product offerings, distribution strategy and promotion methods for the host-market (Chung, 2003, p. 68).

Especially advertising standardization is presumably to a large extent affected by the availability, costs and coverage of *promotional infrastructure,* i.e. commercial broadcast media, outdoor media, print media, and experienced salespeople (Baalbaki and Malhotra, 1993, pp. 30, 32). From a business to business perspective, the growing presence of large international advertising agencies, media agencies, market research companies, or consulting companies, allows marketers to gain synergies from working with one agency in every country[18]. Over the past decades, mega-agencies with worldwide networks resulted from consolidation activities within the advertising industry (Perreault and McCarthy, 2006, p. 370).

The media landscape, both television and print media, though still far from being truly pan-European on an aggregate level, offers a platform for pan-European communication. After a difficult start in the 1980s, cross-border television channels experienced a steady growth. However, the European television channels with the largest audience, such as BBC World, CNBC Europe, CNN International, EuroNews, Eurosport, MTV, TV5 Monde, generally attract the top end of socio-economic categories, which represents more or less 20% of the EU population, and the top 10.4 million (4%) of Europe's leading consumers and decision

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[18] A detailed overview of multinational advertising agencies and their global client assignments is provided by the study "Global Marketers Report" (Advertising Age, 2007).

makers (Vissol, 2006, pp. 53-54)[19]. The average consumer instead has a different viewing pattern, which is the result of a blend of cultural characteristics, different program offerings, the domestically dominant age group, the local employment situation as well as social and political events of national interest (CMI, 2006, p. 32). While the pan-European television channels have had a positive development for the past decade, not the same can be said about pan-European print titles, whose audience scores declined (Chalaby, 2008, p. 152)[20].

From a business to consumers perspective, the acceleration of technological convergence within the EU in terms of the spread of internet and broadband connection, availability of communication technology and audiovisual equipment, cable and satellite tv, has substantially improved the media infrastructure at the household level Europe wide. IP Network, a leading international advertising sales company for broadcast media belonging to the RTL Group publishes every year a detailed report on the television markets in the most important European countries (36), USA and Japan. The report comprises data on TV equipment, multi-channel homes, average viewing time, viewing patterns, and advertising figures. Although the data compiled by IP comes from different sources, being thus difficult to compare for certain variables, Table 5 provides an overview of the media infrastructure situation in terms of audio-visual equipment and communication technology in the EU, based on the latest available data between 2001-2005. As Table 5 shows, there are no significant differences in the average availability of tv and use of mobile phones between the CEE countries and the other countries of the EU (EU-17). The largest gap between CEE and EU-17 exists for the availability of DVD players (CMI, 2006). In the CEE countries, the rate of both internet and PC users is rising at a higher rate than in the EU-17, signaling a convergence trend toward similar telecommunication infrastructures (Eurostat, 2008, p. 193).

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[19] Figures are calculated based on EU-25 data.

[20] Chalaby (2008) bases his analysis of the pan-European television industry on data from the European Media and Marketing Survey (EMS). EMS collects detailed information on European readership and TV viewing behavior of the 40 million most affluent and influential Europeans in sixteen countries: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and UK. Based on this survey following reaches were measured in 2007: dailies' reaches: Wall Street Journal Europe: 0.2%, Financial Times: 1.4%; Magazines' reaches: The Economist: 1.9%, Time 2.7%, National Geographic: 5.4%, Harvard Business Review: 1.2%. The latest release includes also a sample from Poland, Hungary, the Czech Republic and Russia, with the same characteristics as in the Western European sample. The reaches of the international print media within this population were far below those measured in Western Europe (EMS, 2008).

Table 5: Audio-Visual Equipment and Communication Technology in the EU

Country	Population (pop.)	Households (HH)	TV HH	Multiset	VCR	DVD Player	PC	Mobile	Internet User	Broad-band
					(in % of TV HH)		(in % of HH)	(in % of pop.)	(in % of pop.)	(in % of HH)
	(in 000)	(in 000)	(in %)	(in %)		(in %)				
Austria	8,176	3,429	95.0%	43.0%	61.0%	30.0%	59.3%	80.0%	49.7%	29.1%
Belgium	10,446	4,440	98.0%	34.2%	78.4%	53.4%	54.4%	79.2%	50.7%	n.a.
Cyprus	730	248	100.0%	82.0%	63.0%	57.0%	n.a.	85.0%	32.0%	n.a.
Denmark	5,411	2,499	96.2%	41.0%	76.0%	64.0%	84.0%	92.0%	71.0%	n.a.
Finland	5,255	2,402	93.0%	49.0%	76.0%	48.0%	66.0%	95.0%	49.0%	43.0%
France	62,886	25,283	95.4%	46.5%	72.0%	68.6%	49.1%	73.0%	50.5%	29.6%
Germany	82,470	39,122	95.8%	32.9%	68.2%	43.1%	61.1%	70.5%	48.7%	27.4%
Greece	10,964	3,780	99.9%	59.0%	52.0%	40.1%	n.a.	76.0%	33.9%	n.a.
Ireland	4,109	1,421	98.0%	55.0%	79.0%	62.0%	53.0%	100.0%	42.0%	21.0%
Italy	55,200	22,876	98.9%	59.0%	58.8%	44.0%	43.9%	90.2%	36.1%	11.6%
Luxembourg	455	181	99.1%	n.a.	n.a.	82.0%	75.0%	100.0%	69.1%	33.6%
Malta	398	130	99.0%	n.a.	n.a.	13.9%	58.0%	78.0%	49.0%	27.0%
Netherlands	16,306	7,091	98.1%	50.0%	68.7%	65.8%	74.3%	91.0%	66.3%	n.a.
Portugal	10,529	3,651	99.6%	74.0%	56.8%	47.4%	47.0%	89.3%	32.7%	15.1%
Spain	44,109	15,292	99.5%	64.0%	60.5%	63.1%	44.7%	88.1%	35.0%	9.0%
Sweden	9,048	4,228	97.7%	51.1%	71.8%	52.2%	78.0%	99.3%	82.0%	39.0%
United Kingdom	59,834	25,664	97.6%	63.5%	77.6%	78.6%	66.7%	83.9%	66.6%	28.8%
Bulgaria	7,719	2,750	95.9%	24.2%	34.9%	6.1%	16.3%	43.2%	22.6%	n.a.
Czech Republic	10,235	3,828	97.4%	27.3%	55.5%	20.4%	36.8%	67.1%	38.6%	27.0%
Estonia	1,348	568	97.5%	27.4%	38.4%	18.5%	40.0%	83.3%	53.0%	30.0%
Hungary	10,077	4,002	98.1%	41.2%	53.0%	34.1%	34.7%	80.1%	19.5%	n.a.
Latvia	2,306	795	98.0%	27.7%	42.8%	15.7%	n.a.	70.9%	32.9%	n.a.
Lithuania	3,401	1,357	98.5%	39.0%	28.7%	13.9%	33.0%	127.9%	31.5%	n.a.
Poland	38,174	13,855	96.7%	27.7%	43.3%	25.2%	33.2%	62.0%	29.0%	16.0%
Romania	21,658	7,392	94.8%	34.0%	5.4%	3.1%	n.a.	63.3%	32.4%	n.a.
Slovakia	5,379	1,645	98.0%	27.5%	36.5%	16.5%	33.7%	n.a.	42.3%	n.a.
Slovenia	2,001	685	99.0%	38.2%	38.5%	18.7%	61.0%	94.0%	47.0%	19.0%
CEE	**10,230**	**3,688**	**97.4%**	**31.4%**	**38.7%**	**17.2%**	**36.1%**	**76.9%**	**35.5%**	**23.0%**
EU-17	**22,725**	**9,514**	**97.7%**	**53.6%**	**68.0%**	**53.7%**	**61.0%**	**86.5%**	**50.8%**	**26.2%**
EU	**18,097**	**7,356**	**97.6%**	**44.7%**	**57.0%**	**40.2%**	**52.3%**	**82.5%**	**45.5%**	**25.4%**

Source: Own illustration based on data from "Television 2006 International Key facts" (CMI, 2006)

A further aspect of the marketing infrastructure represents the distribution infrastructure. Characteristics of *distribution channels*, such as number, size, format, concentration, geographical dispersion of retail outlets are of particular relevance to strategic aspects such as channel communication, wholesale and retail margins, price and discount structures, product design and packaging (Samiee, 1993, pp. 108-109). Western retail chains like Auchan, Metro, Tesco, Carrefour, Tengelmann, Billa and others have already moved into CEE, mainly through greenfield investments. They have initially competed against local retail outlets, i.e. basically small shops with a much narrower assortment, barely any foreign products, and poor facilities (Springer and Czinkota, 1999, p. 39). In time, the competition has shifted from foreign retailers versus local retailers, to an intensified competition between international retailers, as consumers started to accept the foreign

retail outlets and international retailers expanded. Nevertheless, independent stores and small chains remain present, especially due to the high proportion of population living in rural areas and small towns (Moreau, 2007, p. 14).

Table 6:   Top Five Retailers in Selected CEE Markets

Country/Ranking	Retailer Global Brand Owner/ Country of Origin	Chains
The Czech Republic		
1	Tesco PLC/UK	Tesco
2	Schwarz Beteiligungs GmbH/Germany	Kaufland, Lidl
3	Royal Ahold NV/The Netherlands (NL)	Albert Heijn, Hypernova
4	REWE Group/Germany	Billa, Penny Markt
5	Tengelmann Group/Germany	Obi, Plus
Hungary		
1	Tesco PLC/UK	S-Market, Tesco
2	CBA Kereskedelmi Kft/Hungary	CBA
3	Coop Hungary Rt/Hungary	Coop
4	Internationale Spar Centrale BV/NL	Interspar, Kaiser's Spar
5	Louis Delhaize SA/Belgium	Cora, Match, Profi
Poland		
1	Tesco PLC/UK	Tesco, Savia
2	Metro AG/Germany	Real, MediaMarkt
3	Jerónimo Martins SGPS SA/Portugal	Biedronka
4	Carrefour SA/France	Carrefour, Champion, Globi
5	Auchan Group SA/France	Auchan, Elea
Slovakia		
1	Tesco PLC/UK	Tesco
2	REWE Group/Germany	Billa
3	Coop Jednota Slovensko sd/Slovakia	Supermarket Jednota, Supermarket Terno
4	Royal Ahold NV/The Netherlands	Albert Heijn, Hypernova
5	Nay as/Slovakia	Nay Elektrodom

Source: Adapted from Moreau (2007, p. 16).

Though the retailing sector is not as concentrated in CEE as in most Western markets, multinational chains have intensified their concentration activities over the last years (for an exemplary overview of the major players in the retailing markets of the Czech Republic, Hungary, Poland, and Slovakia see Table 6). The Baltic countries form an exception in the CEE retailing landscape, in that local retailers together with the Rimi chain of the Dutch group Ahold dominate the market. Furthermore, the combined market share of the four

largest grocery retailers ranged from around 50% in Latvia to over 70% in Estonia and Lithuania in 2005 (Moreau, 2007, p. 15). The discounters channel is expected to experience strong growth over the next four years, especially since the main players Lidl have only recently started to enter the CEE markets[21], unfolding an aggressive expansion strategy (Moreau, 2007, pp. 16-17).

The posited positive relationship between similarity in marketing infrastructures and degree of standardization is supported by several studies (e.g. Chung, 2003, p. 68; Okazaki et al., 2006, p. 27; Sorenson and Wiechmann, 1975, p. 44). By contrast, Özsomer and Simonin (2004, p. 411) found a significant influence of marketing infrastructure on marketing-mix standardization for only one of two analyzed markets, while Katsikeas et al. (2006, p. 879) could not find any significant effect of marketing infrastructure on the standardization degree. Despite inconclusive empirical results, marketing infrastructure influences the firm's ability to strengthen and serve demand (Theodosiou and Leonidou, 2003, p. 154), and is thus expected to have a positive effect on standardization, in case a comparable degree of sophistication and development exists between home- and host-markets:

Hypothesis 10$_{markinfr}$:

Perceived similarity of marketing infrastructure in the home- and host-markets is positively related to the degree of marketing-mix standardization.

Competitive Environment

Viswanathan and Dickson (2007, p. 48) emphasize the central role that competition plays in the standardization decision. Similarly, Boddewyn et al. (1986, p. 72) report that firms perceive competition as one of the most important barriers to marketing-mix standardization. This implies that competitive pressures may push companies to seek competitive advantage through differentiation (adaptation) rather than cost leadership (standardization) (Porter, 1990, pp. 37-40). Despite its importance, competition as a contingency factor has been relatively ignored in past empirical research (Viswanathan and Dickson, 2007, p. 48).

Competition-related factors include competitive position in terms of market share and competitors' similarity (e.g. Shoham, 1999, p. 33; Jain, 1989, p. 74), market competitiveness, i.e. intensity of competition (e.g. Cavusgil et al., 1993, p. 489),

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[21] Lidl presence in Slovakia and Hungary dates back from 2004 (URL: http://www.foodnavigator.com/Financial-Industry/Lidl-expansion-targets-CEE-region, retrieved 30.09.2009), while Aldi entered Slovenia in 2005 (Zentes et al., 2007, p. 116) and Poland in 2008 (URL: http://www.retailpoland.com/next.php?id=57831, retrieved 30.09.2009).

transferability of competitive advantage (e.g. Viswanathan and Dickson, 2007, p. 49). Harvey (1993, p. 60) proposed the industry structure (e.g. oligopoly vs. monopoly), the influence of suppliers, the company's market position (e.g. leader or follower), and the consumers' bargaining power as competition-related variables that could affect the degree of advertising standardization. A widely used framework to assess the competition intensity in an industry is the five-forces model by Porter (1980, p. 4): the threat of substitute products, the threat of the entry of new competitors, the intensity of competitive rivalry, the bargaining power of buyers, i.e. consumers and retailers, and the bargaining power of suppliers. In the CEE context, an interesting phenomenon is taking place: retail chains enjoy a rising bargaining power, fuelled by the strong growth of private labels, which indicates a time lagged parallelism in the development of the CEE retailing markets and Western markets (Schuh, 2007b, p. 285).

The intensity of local competition in a host-country can put pressure on the company to adapt to the local needs in the market (Alashban et al., 2002, p. 27). An adapted product offering may thus be conditional upon competitive constraints such as structure (monopolistic vs. oligopolistic, domestic vs. global), nature (price vs. quality), and intensity (mild vs. fierce) of direct competition as well as availability and pricing of substitutes in foreign markets (Hill and Still, 1984, p. 96; Jain, 1989, p. 74; Quelch and Hoff, 1986, pp. 59-60; Theodosiou and Leonidou, 2003, pp. 154-155).

While the influence of competition in general is confirmed by most studies (e.g. Baalbaki and Malhotra, 1995, p. 187; Boddewyn et al., 1986, p. 72; Boddewyn and Grosse, 1995, p. 29; Cavusgil and Zou, 1994, p. 11; Hill and Still, 1984, p. 96; Michell et al., 1998, p. 624; Özsomer et al., 1991, p. 59), a few studies doubt that competition has any influence on standardization (e.g. Akaah, 1991, p. 54; Grosse and Zinn, 1990, p. 76; Sorenson and Wiechmann, 1975, p. 47). A more differentiated assessment is given by Theodosiou and Leonidou (2003, pp. 154-155). They note in their literature review that while the effect of competition intensity has been confirmed by most studies, the effect of competition structure and nature proved inconclusive. Therefore it is proposed that the extent of standardization will be negatively related to the competition intensity in the host-markets:

Hypothesis 11$_{comp}$:

The higher the perceived competition intensity in the host-market, the lower the degree of marketing-mix standardization.

3.2.3   Product Related Factors

Among contingency factors, product characteristics have been considered one of the most important factors in determining the appropriateness of pursuing a standardized or an

adapted marketing strategy (Cavusgil et al., 1993, pp. 487-488; Harvey, 1993, p. 59). Several authors investigate different aspects and combinations of product characteristics, such as nature of product (e.g. Boddewyn et al., 1986, pp. 71-72; Chung, 2003, p. 58, Chung, 2005, pp. 1348-1349; Papavassiliou and Stathakopoulos, 1997, pp. 513-514), product uniqueness or universality (e.g. Cavusgil and Zou, 1994, p. 5; Harvey, 1993, p. 58; O'Cass and Julian, 2003, pp. 368-369), product essentialness (e.g. Huszagh et al., 1985, p. 41), technology orientation (e.g. Cavusgil et al., 1993, p. 488; Cavusgil and Zou, 1994, p. 5; Grosse and Zinn, 1990, p. 70; Samiee and Roth, 1992, pp. 2-4), high-tech and high-touch products (e.g. Domzal and Unger, 1987, pp. 27-28), and cultural specificity (e.g. Cavusgil and Zou, 1994, p. 5). An extensive overview of the studies investigating product related variables published before 1992 is provided by Baalbaki and Malhotra (1993, pp. 24-25).

As the following paragraphs will show, the impact of product related factors on the marketing standardization potential is strongly intertwined with cultural aspects of consumer behavior.

Nature of Product

Nature of product refers primarily to the classical *product categories*, i.e. tangible goods and services, consumer and industrial products, consumer durables and nondurables (Melewar and Vemmervik, 2004, p. 870). Tangible goods are physical objects, whereas services are "any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything" (Kotler and Armstrong, 2004, p. 276). Based on the purpose for which they are bought, products can be further classified into consumer and industrial products. Consumer products are bought by final consumers for personal consumption, while industrial products are purchased for further processing or for use within a company (Kotler and Armstrong, 2004, pp. 277, 280-281). Consumer goods that are used over an extended period of time, such as automobiles or furniture, are called consumer durables. Consumer nondurables are goods bought and consumed with high frequency, such as food, cosmetics, or clothing. These are also called fast moving consumer goods. The time boundary between durables and nondurables or fast-moving is elusive, but for statistical reasons, the US Department of Commerce, Bureau of Economic Analysis (BEA), for example, sets the average life time of durable goods at a minimum of three years (see BEA).

The common line of reasoning is that consumer goods are less appropriate for standardization than industrial goods, due to the stronger impact of cultural aspects and norms in the buying process of the former (Jain, 1989, p. 74; Samiee and Roth, 1992, p. 2; Whitelock, 1987, pp. 35-36). Among consumer goods, nondurables are deemed less suitable for standardization than consumer durables because of the former's appeal to

tastes, habits, and customs (Baalbaki and Malhotra, 1993, p. 26). However, not only among, but also within product categories, cultural influences seem to vary in intensity. For example, Nicholls and Li (1999, pp. 64-65) found that frequency, time of day, where consumers shopped, the length of time and the reason, was different within cultures for food, but not for clothing. For product and service categories, Zaichkowshy and Sood (1989, pp. 30-31) found that restaurants, air travel and hair shampoo are more influenced by culture than beer, jeans, going to the cinema, soft drinks and stereo.

Empirical results provide an inconclusive picture about the relationship between product category and standardization. Chung (2003, p. 69; 2005, p. 1363), for example, has not found any difference in the standardization degree between consumer nondurables, consumer durables and industrial products operators in the EU region and in the Greater China Markets. Not only did Chung (2003, p. 69) find no evidence to support suggestions that industrial products were per se standardized more than consumer products (durables and nondurables), but his results also indicated that consumer durables were adapted more than consumer nondurables, which contradicted previous studies (e.g. Whitelock and Pimblett, 1997, p. 48). Samiee and Roth (1992, p. 10) found that a higher proportion of consumer firms (60%) than industrial firms (45%) in their sample focus on standardization. However, the difference was statistically not significant. Similarly, the findings of Richter (2002, p. 218) could not substantiate the assumption that industrial goods were standardized to a higher degree than consumer goods. Bolz (1992, p. 170) could not find support for the hypothesized relationship between industry sector and standardization degree, which may also be related to the small number of companies pro sector.

By contrast, other studies seem to confirm the hypothesized relationships between product type and degree of standardization. Boddewyn et al. (1986, pp. 71-72), Johnson and Arunthanes (1995, p. 42), and Leonidou (1996, p. 67) found that more consumer than industrial goods were subject to changes in foreign markets. Results of Cavusgil et al. (1993, p. 499) indicated that adaptation of product and promotion was greater for consumer products than for industrial products. Table 7 illustrates some of the more recent findings concerning the influence of product nature on the degree of standardization. In this study, the author embraces the view that consumer nondurables are stronger influenced by cultural aspects and norms than consumer durables. Hence, following proposition is advanced.

Hypothesis 12$_{prodnat}$:

Consumer durables will be to a higher extent standardized than consumer nondurables.

Table 7:   Summary of Empirical Studies Investigating the Influence of Product Nature on the Degree of Standardization (I)

Study	Objectives	Sample type and size	Findings concerning nature of product and degree of standardization
Alashban et al. (2002)	Explain the antecedents and consequences of a company's brand-name standardization strategy.	177 US companies a wide range of industries	Culture-bound products may be more susceptible to environmental factors than others. Product type and the importance of the brand-name image may also play a role in determining the increase or decrease in sales volume of a standardized brand. A global brand can be particularly important for expensive products.
Cavusgil et al. (1993)	Investigate the correlates of product and promotion adaptation in export ventures	184 US companies 18 industries CP: 52.7% IP: 47.3%	Greater adaptation of product and promotion is necessary for consumer products than for industrial products.
Chung (2003)	Examine the relationship between internal (firm and product) and external (market and consumer) factors as well as the extent of standardization (program and process) and performance in the home-host and intermarket scenario.	72 Australian and 74 New Zealand firms in the Greater China Markets a wide range of industries CD: 15.8%, CND: 34.9% IP: 32.2% S: 16.4%	Home-host scenario: Extent of standardization: IP>CND>CD>S. CD are adapted more than CND. Intermarket scenario: Regression results cannot support the hypothesis that CND are more likely to be adapted than IP and CD. These non-significant results imply that existing findings about these three product sectors might only apply to certain industries. IP>CND>CD>S.
Chung (2005)	Examine whether a standardized marketing program and process can be used across the EU country markets.	66 New Zealand companies a wide range of industries CD: 10.6%, CND: 47% IP: 18.2% S: 24.2%	The impact of product type is evident on the product element only. Only service operators were found to be more likely to choose an adapted product strategy. Choice of standardization among CND, CD and IP operators has not been found to be different when operating in the EU region in the crossmarket scenario.

Abbreviations: CD= Consumer durables, CND= Consumer nondurables, IP= Industrial Products, S=Services, B2B=Business to Business, B2C=Business to Consumer

Table 7: Summary of Empirical Studies Investigating the Influence of Product Nature on the Degree of Standardization (II)

Study	Objective	Sample type and size	Findings concerning nature of product and degree of standardization
Johnson and Arunthanes (1995)	Understand what drives adaptation of industrial products versus consumer adaptation.	208 medium-sized companies (US manufacturers) a wide range of industries	Actual levels of product adaptation were significantly greater for consumer products than for industrial products. Ideal product adaptation did not vary by product type. The influence of government regulation, marketing infrastructure, cultural differences on actual product adaptation was stronger for consumer than for industrial products.
Leonidou (1996)	Assess empirically the product standardization/adaptation practices of Japanese MNC in the Middle East.	35 Japanese companies a wide range of industries CP: 45.71% IP: 54.29%	Consumer products tend to be more adapted compared to industrial products.
Michell et al. (1998)	Examine the marketing-mix standardization/localization of UK MNC operating in the Gulf States.	63 UK companies CP: 48% IP: 52%	No evidence was found to support suggestions that industrial products (electronic, basic industrial and engineering products, and construction products) per se were standardized more than consumer products (durables and nondurables).
Samiee and Roth (1992)	Examine the relationship between global standardization and financial performance of business units within the global industry context.	147 US business units 12 global industries CP: 15% IP: 85%	A higher proportion of consumer firms (60%) than industrial firms (45%) in the sample focus on standardization, though the difference is not statistically significant. Product standardization was more applicable in the case of industries with a high rate of technology change and those producing industrial products.
Vrontis (2003)	Investigate the relationship between standardization and adaptation and develop methods to determine the right level of integration.	124 UK companies 5 industrial sectors: manufacturing, services, transport and communication, construction, retail and wholesale	Reasons pulling towards adaptation are more important to the B2C sector rather than to the B2B sector. Global uniformity, image and consistency with the mobile consumer are more important to CD, CND and S rather than to IP. Companies trading CD adapt packaging and styling, size and color varieties in different countries to conform with consumer needs.

Abbreviations: CD= Consumer durables, CND= Consumer nondurables, IP= Industrial Products, S=Services, B2B=Business to Business, B2C=Business to Consumer

Product's Standardization Potential

Nature of product can be interpreted also in a wider sense. For example, the degree of product's essentialness, uniqueness, technology intensity, or involvement, represent further product characteristics relevant to the standardization decision, as the following paragraphs will show.

Huszagh et al. (1985, p. 41) suggest that a product (category) that is perceived as having no close substitutes and as being essential, will have "universal appeal", thus lending itself for a standardized approach. However, they provide no definitions of the notions of substitutability and essentialness. Domzal and Unger (1987, p. 27) place products on an involvement scale between high-tech and high-touch. Buyers of high-tech and high-touch products share "the same language" everywhere, i.e. either the language of technical communication or the one of universal themes such as romance, materialism, and health (Domzal and Unger, 1987, p. 29). Therefore, high-tech products, such as computers, music and sports equipment, medical devices, as well as high-touch products, such as fragrances, fashion, jewelry and watches, can be interpreted as being culture-free, addressing a global consumer. In the same vein, Cavusgil et al. (1993, p. 488) argue that "global strategies are more suitable in technology-intensive industries such as computers, aircraft, medical equipment, or photocopier industries than in "old line" industries such as clothing, food or household cleaners. The products in the latter industries appeal to tastes, habits and customs, which tend to vary from market to market." Du Preez et al. (1994, p. 7) even use the term "culture-free" to designate technology oriented products, which are less influenced by socio-cultural differences in their demand, as opposed to culture-bound products such as staple foods.

Nevertheless there are some aspects even within high-tech products, which tend to reflect local culture. For example, stereos in Muslim countries have huge loudspeakers to represent strength, quality and energy, suggesting that design preferences may underlie a stronger cultural influence than other features such as functionality. Similarly, LG Electronics' mobile phone range offers a feature called "Qiblah", showing the direction for praying, an alarm clock reminding users of praying times and Muslim phrase input hint, thus offering an added-value to a large consumer group based on their religious practices (Willer, 2006, pp. 123-124).

Cavusgil et al. (1993, p. 488) investigate the influence of product uniqueness, understood as "the degree to which the product is designed/made to satisfy unique needs or to be used for unique purposes", on product and promotion standardization, assuming a negative relationship between them. A unique product provides a firm with a differentiation advantage in the market, grounded on better quality and reliability, more durability, better service, superior design and/or better performance, suggesting an adapted approach

(Terpstra and Sarathy, 2000, p. 171). Empirical results are somehow contradictory, since product uniqueness does not account for any variations in the physical product, but seems to prompt adaptation of positioning, packaging and labeling as well as of promotional approach (Cavusgil et al., 1993, p. 498).

Drawing on past research, the author contends that product characteristics such as product's complexity, uniqueness, degree of technological loading, innovativeness, symbolic content, emotionality, and cultural specificity, jointly determine a product's standardization potential, which in turn is expected to be positively associated with the actual degree of marketing-mix standardization.

Hypothesis 13$_{psp}$:

The product's standardization potential is positively associated with the degree of marketing-mix standardization.

Product Life Cycle Stage

Depending on the timing of the product's introduction on foreign markets as well as on the economic and market development in general, products may be at different life cycle stages across markets (Buzzell, 1968, p. 111). The four major product life cycle (PLC) stages, introduction, growth, maturity, and decline, involve specific marketing strategies for each stage. Different PLC across markets imply variations in customers' product knowledge, utilization, and demand patterns, requiring thus strategies that accommodate local market conditions (Katsikeas et al., 2006, p. 873).

The PLC stage may prove particularly relevant in the CEE context. As Schuh (2007b, p. 276) notes, CEE markets are lagging behind in terms of product market development for certain product categories: the average consumption of typical consumer products such as toiletries, soft drinks, confectionary detergents and household cleansers is much lower compared to Western levels. Furthermore, a lot of product categories either did not exist or included only basic product versions before 1989.

The important role PLC plays in determining the degree of international marketing strategy standardization has been demonstrated by several studies (e.g. Johnson and Arunthanes, 1995, p. 42; Theodosiou and Katsikeas, 2001, pp. 12-13). Littler and Schlieper (1995, p. 33) found out that 55% of the surveyed companies considered different stages of the PLC in various countries as a significant and most significant barrier to marketing standardization.

In light of the findings of past studies, following hypothesis is proposed:

Hypothesis 14$_{plc}$:

Similarity of the firm's PLC stage in home- and host-markets is positively related to the degree of marketing-mix standardization.

Product Cultural Specificity

Several authors further classify products into culture-free and culture-bound, or place them along a continuum of cultural specificity[22], according to their degree of cultural embeddedness (Cavusgil et al., 1993, p. 488; Djursaa and Kragh, 1998, p. 25; Usunier and Lee, 2005, pp. 127-129). Although the literature assigns *product cultural specificity* (PCS) to the product related contingency factors, this construct is rather situated at the intersection of product characteristics and consumer behavior as a manifestation of culture. The needs, choices and preferences of the consumer for a particular product are affected by complex cultural influences (Lee and Carter, 2005, p. 73). Hence, a fit between product and cultural norms represents a key premise for a standardized approach (Schuh, 1997, p. 79). The cultural compatibility of products with the targeted segment has to be established (Martenson, 1987, p. 15). Consequently, PCS can be approached from two sides: from a product and a consumption perspective. Schuh (1997, p. 78), for instance, talks about culture-bound and culture-free consumption patterns, instead of culture-bound or culture-free products, which emphasizes the consumer behavior perspective of the concept.

Culture-bound products, so the authors, are embedded or grounded in the local cultural context, involving tastes, habits and customs, whereas culture-free products are less or not at all subject to local cultural influences. Context-sensitive products or culture-bound products have attributes that appeal only to a certain cultural environment, thus requiring local adaptation (e.g. Papavassiliou and Stathakopoulos, 1997, p. 514). When a product is introduced to a foreign market, the cultural base on which the product is developed may not match the cultural base in the host-market (Terpstra, 1987, pp. 86-87). To be successful, the product must be adapted to the cultural idiosyncrasies of the host-market (Douglas and Craig, 1989, p. 57; Terpstra and Sarathy, 2000, p. 113). Cavusgil et al. (1993, p. 488) define cultural specificity of product as "the extent to which the product caters to the needs of a specific culture or subculture", without further specifying the construct. The degree of cultural specificity varies for different product categories, according to the

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[22] Keegan and Schlegelmilch (2003, p. 93) use the term "environmental sensitivity" to describe "the extent to which products must be adapted to the culture-specific needs of different national markets." Similarly, Czinkota and Ronkainen (2007, p. 329) speak about "cultural grounding" of products.

influence intensity of social beliefs and norms on their consumption. For example, Bearden and Etzel (1982, p. 189) found out that social beliefs and norms exert a stronger influence on products consumed in the public than on products consumed in private as well as on luxury products compared to necessity products.

The association between *product cultural specificity* and standardization potential has been visualized by Meffert and Bolz (1998, p. 183), who have classified different product groups according to their standardization potential (see Figure 12).

They distinguish between:

1. culture-free, high-tech products (e.g. computer hardware) with the greatest potential for standardization;

2. high-touch, high-interest consumer goods (e.g. soft drinks as well as alcoholic drinks) with medium standardization potential;

3. culture-bound, nondurable consumer goods (e.g. food products and confectionary articles) with the lowest standardization potential.

The classification in culture-free and culture-bound products is to a large extent based upon anecdotal evidence at the general product category level (i.e. packaged food as high culture-bound vs. automobiles as low culture-bound in Quelch and Hoff, 1986, p. 60) and the underlying dimensions are mostly intuitively chosen, as no consistent, empirically validated measure of *product cultural specificity* has hitherto been developed.

Figure 12: Cultural Specificity and Standardization Potential of Product Categories
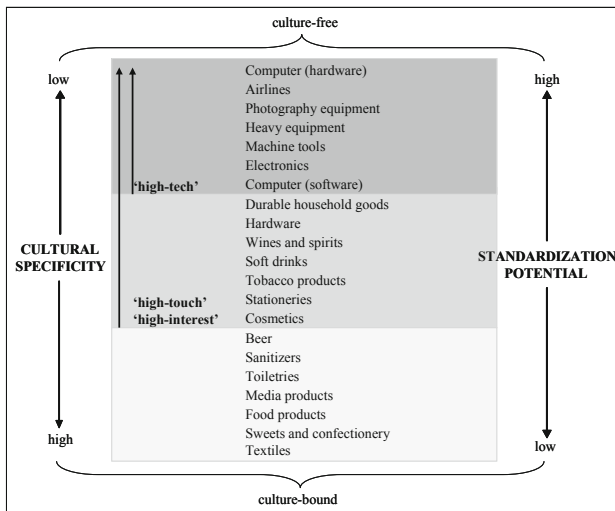
Source: Adapted from Meffert and Bolz (1998, p. 183)

Among the few empirical studies that take *product cultural specificity* into consideration are those of Cavusgil et al. (1993, pp. 488, 492) and Cavusgil and Zou (1994, p. 10), who use a unidimensional measure of cultural specificity on a five-point bipolar scale. Their results indicate that product adaptation upon entry and after entry is influenced significantly and positively by PCS. Furthermore, PCS influenced significantly and positively packaging/labeling adaptation as well as adaptation of promotional approach. The study population consisted of export-venture cases of US-based companies from a wide range of manufacturing industries.

Despite this lack of proper conceptual and empirical work, the construct is often used as an argument in the international marketing standardization/adaptation literature, following the line of reasoning that culture-bound products are inappropriate for standardization (Baalbaki and Malhotra, 1993, p. 26; Cavusgil et al., 1993, pp. 488-489; Jain, 1989, p. 74; Papavassiliou and Stathakopoulos, 1997, p. 514; Samiee and Roth, 1992, p. 2). Djursaa and Kragh (1998, p. 25) illustrate the inconsistencies of these arguments by the food category:

> *"Certainly the product category "food" contains strongly culture-bound products which it would be very difficult to export or to replace by global products; equally, however, this product category contains some of the most convincing global players, like Heinz, Coca-Cola and McDonald's. If these are not written off as exceptions, we cannot maintain that culture binding can be explained by product category alone. Other factors must be involved in the acceptance or rejection of global products in a culture's consumption patterns."*

Czinkota and Ronkainen (2007, p. 329) coin the term "cultural grounding" to describe the ties of a product to local culture. They argue that industrial and technology intensive products are less culturally grounded than consumer products, especially nondurables, and thus need less adaptation on foreign markets.

Despite numerous theoretical claims regarding the impact of *product cultural specificity* on international marketing strategy, there exists a noticeable absence of empirical inquiry into the topic. The intuitive dimensions along which culture-free and culture-bound products have hitherto been defined, lack predictive validity, as within traditional culture-bound product categories such as food and clothes, one can observe large fluctuations in the degree of cultural specificity at the individual product level (e.g. Coca-Cola vs. the German Apfelschorle).

Theodosiou and Leonidou (2003, p. 168) point out the lack of validated measures of the various constructs used in the extant standardization literature. They specifically challenge scholars in this area to focus on the consistent conceptualization and measurement of the relevant constructs. This is particularly obvious for the construct *product cultural specificity*, whose contents and measurement are not yet established. Therefore, it is one

aim of this work in a qualitative phase to further conceptualize and operationalize the construct of *product cultural specificity*. The construct will be then tested within a theoretical model of contingencies of marketing-mix standardization. The new developed measure is to lay the theoretical foundation on which further studies can be based. Based on the existing literature on *product cultural specificity*, following hypothesis is advanced:

Hypothesis 15$_{pcs}$:

The lower the product's perceived cultural specificity, the higher the degree of marketing-mix standardization.

3.2.4 Organizational Factors

One significant determinant of the standardization/adaptation issue appears to be the organization, which has been incorporated in several studies (e.g. Griffith et al., 2003, p. 33; Laroche et al., 2001, pp. 251-254; O'Cass and Julian, 2003, pp. 368-370; Özsomer et al., 1991, pp. 59-60; Samiee et al., 2003, pp. 615-617; Solberg, 2000, pp. 81-83; Solberg, 2002, pp. 1-2). Firm-related factors such as firm size, firm's international business experience (IBE), market entry mode are likely to affect the choice of international marketing strategies (Chung 2003, pp. 56-57).

Firm size can be measured by sales volume, total assets or number of employees. Large companies as opposed to small sized firms are suggested to be more likely to implement an adapted marketing-mix, due their greater financial resources (Chung 2003, p. 57; Chung, 2005, p. 1362; Yip, 1997, p. 156). The latter derive from the ability of larger firms to access lower-cost capital and to benefit from economies of scale (Xu et al., 2006, p. 14). However, this argument is contradicted by empirical evidence. Kanso and Nelson (2006) examined advertising practices of American and non-American subsidiaries of international companies in Finland and Sweden and contrasted large firms with SME. They come to the conclusion that larger firms make more use of standardized advertising than SME (Kanso and Nelson, 2006, p. 159). Similarly, Chung (2003, p. 69) unveil a positive association between firm size and the degree of promotion standardization. Such a result may be explained by the fact that large firms are more likely to compete directly with their global competitors, whereas small firms are more likely to seek differentiation advantages as niche marketers (Chung, 2003, p. 69). Based on these considerations, following hypothesis is advanced:

Hypothesis 16$_{firmsize}$:

A firm's size is positively related to the extent of standardization of the marketing-mix elements.

Market entry mode refers to the manner in which a company enters international markets and expresses its market commitment (Griffith et al., 2003, p. 34). The transition from indirect to direct modes of entry may be thus the expression of the increasing commitment to international markets, driven by the accumulated market knowledge and experience (Johanson and Vahlne, 1977, pp. 26-27; Johanson and Wiedersheim-Paul, 1975, pp. 306-307). Some studies suggest that market entry mode has an impact on the standardization/adaptation decision of a company (Chung 2003, pp. 56-57; Chung 2005, pp. 1347-1347; Griffith et al., 2003. pp. 34-35). Griffith et al. (2003, p. 35) propose that firms using indirect modes of entry, such as export, licensing or minority joint ventures are more likely to follow a standardization strategy, as their specific market knowledge is limited or insufficient for adaptation. Furthermore, at initial market entry, firms' unfamiliarity with the new market drives them to commit few resources and expend limited effort. As a result, they tend to employ standardized strategies (Cavusgil et al., 2002, pp. 90-96, 101). Adaptation of the marketing-mix elements is cost-intensive. For this reason companies are inclined towards export markets that are more likely to accept standardized products (Chung 2003, p. 57; Root, 1994, p. 124; Terpstra and Sarathy, 2000, p. 253). With increasing experience in the market, firms become more familiar with the idiosyncrasies of consumer and market needs, starting to adapt more, as an outcome of their enhanced commitment to the market (Griffith et al., 2003, p. 35) In this study, the author supports the view that the degree of standardization is positively associated with the degree of commitment in a foreign market.

Hypothesis 17$_{entrymode}$**:**

Firms employing indirect modes of entry standardize their marketing-mix to a higher degree than do firms employing direct modes of entry.

The relationship between *international business experience* and standardization/adaptation has been investigated by several authors, without being yet conclusively elucidated (e.g. O'Cass and Julian, 2003, p. 369; Zou and Cavusgil, 2002, p. 46). According to Cavusgil et al. (1993, p. 486) IBE is defined as the amount of knowledge accumulated by the management of a company as an international business player. The construct has been operationalized as the number of years since the company started its international activities and/or as the number of foreign countries in which the firm has foreign operations (e.g. Chung, 2005, p. 1353; O'Cass and Julian, 2003, p. 374). Some studies report a negative effect of IBE on standardization, based on the argument that firms with long international experience develop a higher responsiveness to host-market requirements (e.g. Cavusgil et al., 1993, p. 486; Cavusgil and Zou, 1994, p. 10). This claim is contested by other results, which suggest a positive impact of international business experience on marketing standardization (e.g. Chung, 2003, p. 72, Chung, 2005, p. 1362; Kanso and Nelson, 2006,

p. 159; Zou and Cavusgil, 2002, p. 51). The contradictory results require further investigations concerning the impact of IBE on marketing-mix standardization in the EU perspective (Chung, 2005, p. 1362). However, many of previous studies seem to support the view that international business experience is positively associated with the degree of marketing-mix standardization and therefore following hypothesis will be tested:

Hypothesis 18$_{ibe}$:

A firm's international business experience is positively related to the extent of marketing-mix standardization.

Considered as rather static in nature, the above mentioned factors are to be complemented by more *dynamic organizational characteristics* that may influence the implementation of a standardized strategy and, thereby influence firm performance, i.e. organizational structure and processes (Xu et al., 2006, pp. 2, 5). Jain (1989, p. 76) proposes three fundamental prerequisites that are important for an effective implementation of the standardization strategy: First, key managers must share a common world view as well as a common view of the critical tasks flowing from the strategy. Second, strategic consensus must be achieved on key standardization issues among parent-subsidiary managers. Finally, authority for setting policies and allocating resources should be centralized. Consequently, factors such as management's international orientation, global marketing structures (i.e. degree of control over subsidiaries, centralization of decision-making) and global marketing processes may influence the choice of and the ability to implement marketing standardization strategies.

Management's international orientation covers a broad range of aspects related to the task of conducting business internationally including managers' attitudes towards foreign markets, willingness to take risks and deal with unfamiliar circumstances as well as their ability to make compromises in the relationship with foreign subsidiaries (Jain, 1989, p. 75). Based on the work of Perlmutter and colleagues, four management orientation types can be distinguished: the ethnocentric, polycentric, regiocentric and geocentric orientation (Heenan and Perlmutter, 1979, pp. 18-19; Perlmutter, 1969, pp. 11-14). Geocentric or global orientation is "the organization wide emphasis on success on a worldwide basis rather than on a country-by-country basis" (Zou and Cavusgil, 2002, p. 46). Zou and Cavusgil (1996, p. 63) note that "Global orientation and strong managerial commitment to the global market often affect a business's international strategy and performance". At the opposite pole, companies with an ethnocentric orientation seek success primarily in their domestic markets. A polycentric orientation caters to the idiosyncrasies of the foreign markets through customized marketing programs, while a regiocentric orientation focuses on a region as the unit of strategic relevance, serving a group of (perceived) homogeneous markets with an integrated, on a regional basis, standardized marketing strategy

(Perlmutter, 1969, p. 13). Consistently with previous studies (e.g. Jain, 1989, p. 75; Townsend et al., 2004, pp. 4-5; Wind et al., 1973, p. 14; Zou and Cavusgil, 1996, p. 63) it is postulated that companies with an ethnocentric or geocentric/regiocentric orientation will rather use a standardized marketing strategy, whereas companies with a polycentric orientation, will rather adapt their marketing-mix:

Hypothesis 19$_{mngor}$:

Companies which adopt an ethnocentric or geocentric/regiocentric approach towards their foreign operations are more likely to standardize their marketing-mix than companies which pursue a polycentric orientation.

Global marketing structure has been conceptualized as "the reporting relationships that specify the interconnected global linkages among people, functions, and processes in an organization" (Townsend et al., 2004, p. 8). Townsend et al. (2004, p. 8) and Yip (2003, pp. 184-187) view in the blending of central guidance with local responsiveness, the implementation of global sector leaders, achievement of integration between domestic and international operations, the elimination of redundancies across international markets, and the ability to transfer new knowledge across subsidiaries, the critical aspects of global structure. In their study on the effect of internal fit on performance, Xu et al. (2006, p. 7) adopt Yip et al.'s (1988, pp. 40-41) dimensions of a global organizational structure: centralized global authority and elimination of domestic/international split. An organizational split between domestic and international divisions occurs when the headquarters oversee a group of highly autonomous country subsidiaries, each of which managing several distinct businesses, hindering thus the implementation of a global strategy (Yip et al., 1988, p. 40). *Centralization of decision-making* at the headquarters level has been suggested to be associated with a high degree of standardization (e.g. Özsomer and Prussia, 2000, p. 32; Solberg, 2002, p. 2). Özsomer and Simonin (2004, p. 401) define centralization as "the degree to which the head office or reference office retains marketing-related decision-making authority." Benefits of greater centralization include uniformity of policy and action, reduced risk of errors by subsidiary personnel who may lack either specialized information or skills, and closer control of subsidiary operations (Özsomer and Simonin, 2004, p. 401). In companies with decentralized decision-making, subsidiaries operate as (semi-)autonomous units. Consequently, subsidiary managers within decentralized structures "gain general skills, engage in active environmental exploration, and consequently adapt their marketing strategies to the local environment" (Özsomer and Prussia, 2000, p. 33). Several studies examined the relationship between decentralization of decision-making and marketing standardization: Özsomer et al. (1991, p. 61) found the level of marketing standardization to be highest when the headquarters provided strong directions for marketing decisions, Quester and

Conduit (1996, p. 413) found no significant relationship between centralization and standardization. Based on the arguments of Xu et al. (2006, p. 6) that a centralized global structure is a prerequisite for the effective implementation of a global strategy, following hypothesis is advanced:

Hypothesis 20$_{gmstr}$:

Firms with a global marketing structure will tend to implement a standardized marketing-mix strategy.

Global marketing processes are the counterpart to global marketing programs in the standardization issue. As Jain (1989, p. 71) explains, standardization can be achieved at two levels: marketing programs and marketing processes. The latter refers to standardization of the necessary tools that aid in the development and implementation of the marketing programs (Jain, 1989, p. 71). A firm's ability to implement a global strategy is contingent upon the existence of global management processes pertaining to cross-country coordination, information generation of both consumers and competitors on a global basis, and dissemination and application of best business practices worldwide (e.g. Calantone et al., 2004, p. 190; Johansson and Yip, 1994, pp. 590, 595; Song and Parry, 1997, p. 4; Xu et al., 2006, pp. 7-8). Furthermore, Griffith et al. (2003, p. 33) argue that process standardization in a MNC leads to both efficiencies and cost savings. Townsend et al. (2004, p. 7) view global product processes as being the most relevant processes to a standardized marketing strategy. Global product processes include "marketing activities that are necessary to generate information, solve problems, and transform ideas into new product offerings" (Townsend et al., 2004, p. 7). Basically, organizations need to develop so called "integrative capabilities" to absorb critical external knowledge and blend it with the internal knowledge base (Verona, 1999, p. 134). According to Li and Cavusgil (2000, p. 73), a positive relationship exists among the development of customer knowledge in export markets, new product advantage, and market performance. Consequently, a positive association between global marketing processes and marketing-mix standardization is expected:

Hypothesis 21$_{gmproc}$:

The implementation of global marketing processes is positively associated with the degree of marketing-mix standardization.

3.3   Performance Implications of Marketing-Mix Standardization

Researchers who embarked on investigating the performance outcome of standardized/customized marketing strategies reached conflicting conclusions. Results cover the whole range of possibilities, from a positive relationship between performance and standardization (e.g. Kotabe and Omura, 1989, p. 128; Özsomer and Simonin, 2004, p. 410; Szymanski et al., 1993, p. 11; Zou and Cavusgil, 2002, p. 52), a positive relationship between performance and adaptation (e.g. Cavusgil and Zou, 1994, p. 16; Nakos et al., 1998, p. 42; Shoham, 1999, p. 39; Shoham, 2002, p. 113), to no significant relationship between standardization and performance (e.g. O'Cass and Julian, 2003, p. 378; Samiee and Roth, 1992, p. 12). Theodosiou and Leonidou (2003, p. 165) mention the existence of inconsistent empirical findings at all levels: When analyzing the overall effect of standardized marketing strategy on performance as well as when exploring the impact of individual marketing-mix elements on performance. Such conflicting results may however be related to the great variety of associations examined. Most authors assume that the positive effects of standardization such as economies of scale and cost savings in production, research and development, and marketing (Levitt, 1983, p. 92; Szymanski et al., 1993, pp. 10-11), consistency in dealing with customers (Laroche et al., 2001, p. 256) as well as higher demand for global products following positive associations of global brands with quality and prestige (Steenkamp et al., 2003, pp. 60-61), will outweigh possible negative effects related to the ignorance of local specific characteristics. According to this line of reasoning, following relationship between marketing-mix standardization and performance is hypothesized:

Hypothesis 22$_{perfor}$:

The degree of international marketing-mix standardization has a positive impact on performance.

Synopsis of the Conceptual Framework

Chapter 3 has given an overview of the conceptual background for this research with regard to marketing-mix elements, key contingency factors of standardization, and performance implications of standardization. Based on previous conceptual and empirical work, several hypotheses have been derived to be tested on empirical grounds. Table 8 presents the developed hypotheses.

Table 8:   Overview of Proposed Research Hypotheses (I)

Standardization Degree of Marketing-Mix Elements

Hypothesis 1$_{product}$	Product is the most standardized element of the marketing-mix. Within the product elements, branding is expected to exhibit the highest degree of standardization.
Hypothesis 2$_{promotion}$	Promotion elements will be standardized to a lower degree than the product elements, but to a higher degree than the pricing and distribution elements. Among the promotion elements, advertising elements are expected to be the most standardized.
Hypothesis 3$_{price}$	Pricing elements will exhibit the lowest degree of standardization among the marketing-mix elements.
Hypothesis 4$_{place}$	The distribution elements will have a low degree of standardization, showing a similar standardization level as the pricing elements.

Environmental Factors (Macro- and Micro-Environment)

Hypothesis 5$_{macroenv}$	Companies are more likely to pursue a higher level of marketing-mix standardization if the macro-environment of the foreign market is perceived as being similar to that in the home-market.
Hypothesis 6$_{conssegm}$	Perceived similarity of consumer characteristics in the home- and host-markets is positively related to the degree of marketing-mix standardization.
Hypothesis 7$_{targsegm}$	Firms targeting the upper-segment of the host-market have a higher propensity to standardize their marketing-mix than firms addressing middle-income or low-income segments.
Hypothesis 8$_{coo}$	Managers' perception of existing positive COO effect in the host-country is positively related to the degree of marketing-mix standardization.
Hypothesis 9$_{bfam}$	Managers' perception of a high level of brand familiarity in the host-country is positively related to the degree of marketing-mix standardization.
Hypothesis 10$_{markinfra}$	Perceived similarity of marketing infrastructure in the home- and host-markets is positively related to the degree of marketing-mix standardization.
Hypothesis 11$_{comp}$	The higher the perceived competition intensity in the host-market, the lower the degree of marketing-mix standardization.

Table 8: Overview of Proposed Research Hypotheses (II)

Product Related Factors

Hypothesis 12$_{prodnat}$	Consumer durables will be to a higher extent standardized than consumer nondurables.
Hypothesis 13$_{psp}$	The product's standardization potential is positively associated with the degree of marketing-mix standardization.
Hypothesis 14$_{plc}$	Similarity of the firm's PLC stage in home- and host-markets is positively related to the degree of marketing-mix standardization.
Hypothesis 15$_{pcs}$	The lower the product's perceived cultural specificity, the higher the degree of marketing-mix standardization.

Organizational Factors

Hypothesis 16$_{firmsize}$	A firm's size is positively related to the extent of standardization of the marketing-mix elements.
Hypothesis 17$_{entrymode}$	Firms employing indirect modes of entry standardize their marketing-mix to a higher degree than do firms employing direct modes of entry.
Hypothesis 18$_{ibe}$	A firm's international business experience is positively related to the extent of marketing-mix standardization.
Hypothesis 19$_{mngor}$	Companies which adopt an ethnocentric or geocentric/regiocentric approach towards their foreign operations are more likely to standardize their marketing-mix than companies which pursue a polycentric orientation.
Hypothesis 20$_{gmstr}$	Firms with a global marketing structure will tend to implement a standardized marketing-mix strategy.
Hypothesis 21$_{gmproc}$	The implementation of global marketing processes is positively associated with the degree of marketing-mix standardization.

Performance Outcomes

Hypothesis 22$_{perfor}$	The degree of international marketing-mix standardization has a positive impact on performance.

Figure 13 illustrates the research model, with the considered relationships between the considered contingency factors, marketing-mix standardization and performance outcomes. This model represents the core of the empirical study which will be presented in Chapter 5. To be able to test the model, all factors have to be properly operationalized. For most factors, established measures exist in the literature. As the literature fails to provide an adequate measurement instrument for the PCS construct, this study will first attempt to conceptualize and operationalize this construct on an empirical basis (see Chapter 4).

Figure 13: A Contingency Model of Marketing-Mix Standardization and Performance Outcomes
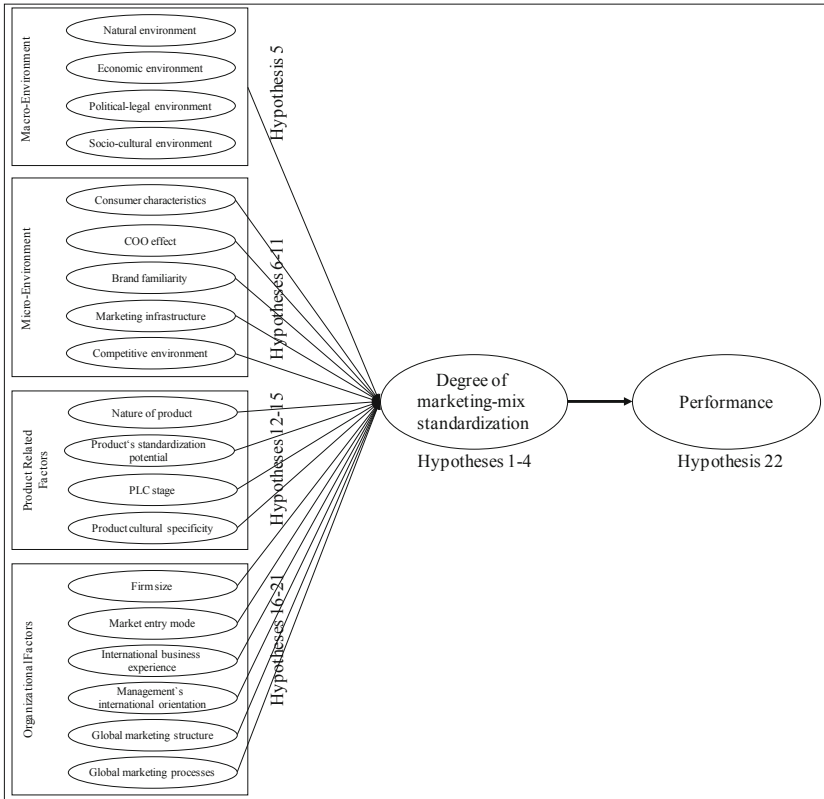
4   Empirical Conceptualization and Operationalization of the Product Cultural Specificity Construct

This chapter addresses two main issues: first, selected aspects concerning scale development methodology are presented (Chapter 4.1); second, the scale development process of the PCS construct is described in detail (Chapter 4.2).

4.1   Scale Development Methodology

This chapter sets the methodological foundations for the scale development process of the PCS construct presented in Chapter 4.2. For this purpose, general considerations concerning the measurement of theoretical constructs are presented (Chapter 4.1.1), followed by a delineation of the two basic types of measures, formative vs. reflective (Chapter 4.1.2). Subsequently, measurement quality principles such as reliability and validity are introduced (Chapter 4.1.3) as well as criteria for evaluating the quality or psychometric properties of scales presented (Chapter 4.1.4).

4.1.1   General Considerations

A theoretical construct or a latent variable is defined as "an abstract entity which represents the 'true', nonobservational state or nature of a phenomenon" (Bagozzi and Fornell, 1982, p. 24). Thus, the measurement of a construct involves identifying potential indicators or items that could represent the construct of interest and excluding those found not to. Indicators or observable variables are "a set of identifiable and measurable components associated with an abstract construct" (Hair et al., 2006, p. 354). Depending on the complexity of the construct, one can distinguish between single-item and multi-item, unidimensional and multidimensional scales.

A single-item scale measures the construct through just one observable variable. In marketing research, multi-item measures are favored over single-item measures due to several reasons: 1) it is very unlikely that a single-item can fully represent a complex theoretical construct; 2) a single-item scale lacks precision in that it cannot discriminate between fine degrees of an attribute; 3) single-item scales appear to be less reliable than multi-item scales (Nunnally, 1978, pp. 66-68). Churchill (1979, p. 66) underscores this view: "In sum, marketers are much better served with multi-item than single-item measures of their constructs, and they should take the time to develop them."

Unidimensionality means that the set of measurement items underlie a single construct/trait, whereas multidimensionality implies that the theoretical construct

comprises items describing different facets or traits. There are two basic alternatives how to approach the dimensionality issue in the construct development process, as Venkatraman (1989, pp. 947-948) explains: 1) develop the different dimensions of the construct based on the theoretical perspectives that guided the construct definition. In this case, the dimensionality of the construct is pre-specified and subsequently confirmed or rejected in the validation process based on empirical data; 2) the dimensions are not pre-specified, but empirically derived through data analytic techniques such as factor analysis or multi-dimensional scaling. This "theory-free" approach is appropriate only in those cases where little theoretical basis exists for a priori deriving the dimensions. However, it bears the risk that the dimensions may lack interpretability for use in substantive research or stability over different study settings. The construct conceptualization and operationalization process is shortly described in the next paragraphs, focusing on the conceptual and methodological differences between formative and reflective measures.

4.1.2   Formative versus Reflective Measures

When addressing the issue of measure development, researchers conventionally resort to the standard procedures suggested initially by Churchill (1979) and then further improved and developed by other authors such as DeVellis (1991), Nunnally and Bernstein (1994), or Spector (1992). Jarvis et al. (2003, p. 199) acknowledge the progress made in the measurement methodology over the past decades, but note that this is based almost exclusively on classical test theory. Classical test theory assumes that "the variation in the scores on measures of a construct is a function of the true score, plus error" (Jarvis et al. 2003, p. 199). In other words, the observed variation in the measures is due to the imperfect reflection of the underlying latent construct in each measure (MacKenzie et al., 2005, p. 710). The causality flows from the underlying latent construct to its measures, meaning that the items composing the scale are reflective or effect indicators of the underlying construct, as illustrated in Figure 14 (Diamantopoulos and Winklhofer, 2001). Such reflective indicators "measure the same thing and should covary at a high level if they are good measures of the underlying variable" (Bagozzi, 1994, p. 331). Although widely used in marketing and consumer research, reflective indicators are not appropriate for all latent constructs, as pointed out by several authors (Bollen and Lennox, 1991; Jarvis et al., 2003; Law and Wong, 1999; MacCallum and Browne, 1993). In some cases, "empirical indicators produce or contribute to the construct" (Fornell, 1982, p. 8), forming rather an index than a scale[23]. Measurement model misspecification, especially formative

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[23]   The terminology scale, for reflectively constructed measures, and index, for formatively specified measures, is not consistently used in the literature (Diamantopoulos and Winklhofer, 2001, p. 269).

constructs incorrectly modeled as having reflective measures, is fairly common among published research studies, being observed even in the best marketing journals (Jarvis et al., 2003, p. 207).

Figure 14: Principal Factor (Reflective) Model vs. Composite Latent Variable (Formative) Model
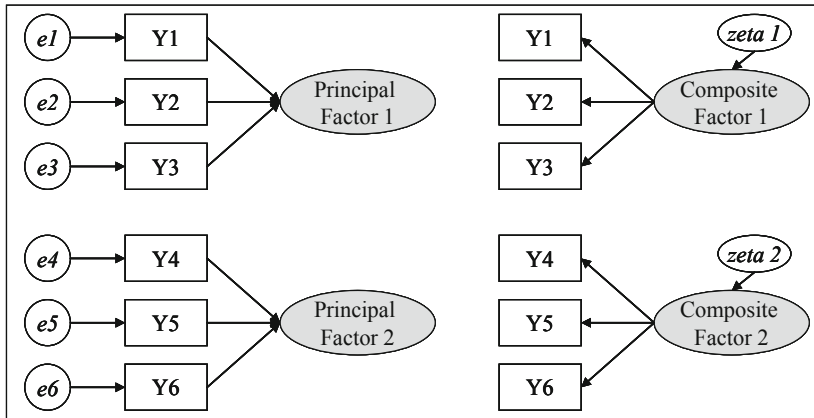
Source: Adapted from Jarvis et al. (2003, p. 201)

Consequently, researchers are summoned to give considerable attention to issues related to the measurement model specification of the constructs they intend to investigate. Not only can alternative approaches to deriving measures "produce substantially different operationalization of the same construct" (Diamantopoulos and Siguaw, 2006, p. 271), but measurement model misspecification of even one formatively measured construct within a structural equation model (SEM) can result in erroneous conclusions regarding the theoretical relationships underlying the model (Jarvis et al., 2003, p. 212).

To help researchers distinguish between formative and reflective indicator measurement models, Jarvis et al. (2003, p. 203) specify several criteria for a formative specification of measures: "(a) the indicators are viewed as defining characteristics of the construct, (b) changes in the indicators are expected to cause changes in the construct, (c) changes in the construct are not expected to cause changes in the indicators, (d) the indicators do not necessarily share a common theme, (e) eliminating an indicator may alter the conceptual domain of the construct, (f) a change in the value of one of the indicators is not necessarily expected to be associated with a change in all of the other indicators, and (g) the indicators are not expected to have the same antecedents and consequences." The nature of the indicators can be conclusively established after the item generation phase.

Figure 15: Comparison of Scale Development Processes for Reflective and Formative Constructs
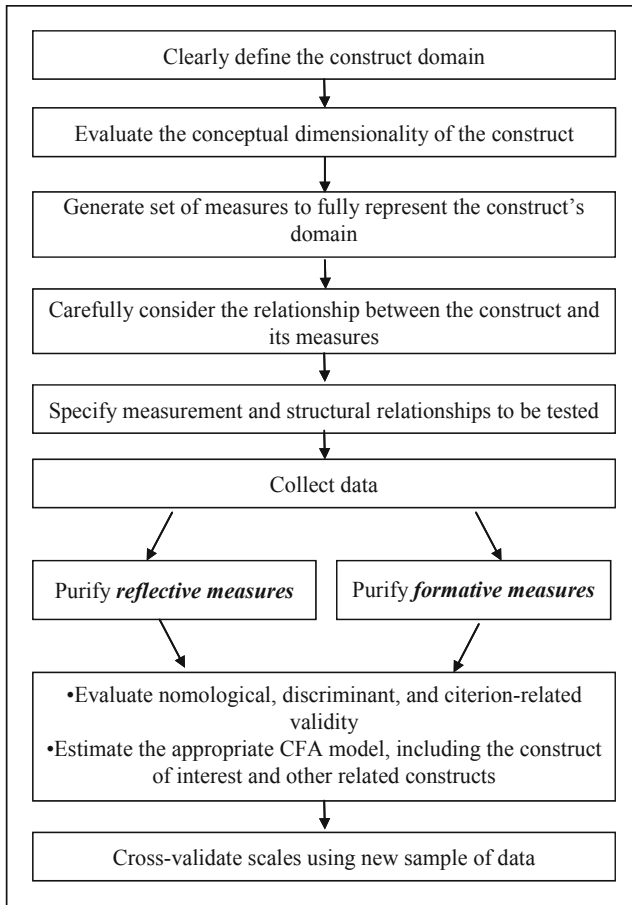
Source: Adapted from MacKenzie et al. (2005, p. 725)

As illustrated in Figure 15, the development processes of formative and reflective measures have a basic common structure, yet the evaluation procedures are substantially different. In the next section (Chapter 4.1.3), general measurement quality principles are introduced. Chapter 4.1.4 describes the established criteria for evaluating the quality of reflective measures, as the new *product cultural specificity* scale will prove to be reflective. The procedures for evaluating formative measures are presented in Chapter 5.2.2 *Measurement Model Assessment: Formative Mode*.

4.1.3 Measurement Quality

To assess the quality of measurement instruments, reliability and validity are to be evaluated. The measurement of latent constructs involves two types of error: systematic and random error. In other words, the observed score of a measure is the sum of its true score and error (Viswanathan, 2005, p. 97). Systematic error occurs when the measure reflects consistently something else than intended, while random error refers to unpredictable fluctuations in scores across repeated measurements (Malhotra, 2009, p. 315). Factors contributing to random error include aspects such as order of items, respondent fatigue, or conditions of the measuring situation (Heeler and Ray, 1972, p. 361). In measurement theory and practice, two concepts are used to reflect the amount of error in a measure: reliability and validity.

Reliability is defined as the "degree to which measures are free from random error" (Peter and Churchill, 1986, p. 4). In other words, reliability deals with the consistency, or reproducibility of test scores, that is the degree to which one can expect relatively constant deviation scores of respondents across testing situations on the same, or parallel, testing instruments. Three main types of reliability can be distinguished: test-retest reliability, parallel-test reliability, and internal consistency (DeVellis, 2003, pp. 27-28, 39-44). The first one determines the stability of measurement over time for the same respondents. Parallel-test reliability can be assessed within one measurement by computing correlations of the measure of interest with an equivalent measure. Internal consistency reliability evaluates the correlations among the items of a construct through the assessment of split-halves (Heeler and Ray, 1972, p. 361). Given the complexity as well as the monetary and time effort involved with checking for test-retest reliability as well as the dynamic nature of many of the here investigated constructs, this study will focus only on internal consistency reliability.

Summing up, reliability indicates the extent to which scores of a measure are replicable and consistent. However, a reliable measure is not necessarily also a valid one, as it may consistently measure another construct than the intended one. According to Churchill (1979, p. 65), "a measure is valid when the differences in observed scores reflect true differences on the characteristic one is attempting to measure and nothing else". Thus, if reliability accounts for random error, validity assessments attempt to exclude systematic error.

The literature distinguishes between several types of validity, of which following are of relevance to this study[24]:

▪ *Content validity* or *face validity* reflects "the degree to which elements of an assessment instrument are relevant to and representative of the targeted construct for a particular assessment purpose" (Haynes et al., 1995, p. 238). Consequently, the researcher must ensure that the indicators capture all the relevant facets of the construct being measured (Churchill, 1991, p. 490). For this purpose, rather qualitative than quantitative assessment techniques are appropriate (Parasuraman et al., 1988, p. 28). "Common sense" should be the primary principle guiding content validity assessment (Heeler and Ray, 1972, p. 361). Generally, by specifying the domain of the construct, generating items that exhaust the domain, and subsequently purifying the resulting scale in an iterative process where experts in the field repeatedly evaluate the instrument, a content valid instrument should be obtained (Churchill, 1979, p.70).

▪ *Convergent validity* "refers to the degree to which measures designed to measure the same construct are related" (Netemeyer et al., 2003, p. 13). A high degree of correlation among indicators measuring a latent variable or underlying one dimension of a multi-dimensional construct, points to convergent validity (Bagozzi and Philips, 1982, p. 468; Peter, 1981, p. 136).

▪ *Discriminant validity* considers "the degree to which measures of distinct constructs differ" (Bagozzi and Philips, 1982, p. 469). As opposed to convergent validity, discriminant validity requires that indicators of different latent variables exhibit a low degree of correlation among each other. The same holds true for indicators of different dimensions within a multidimensional construct (Bagozzi and Philips, 1982, p. 469).

▪ *Nomological validity* represents "the degree to which predictions based on a concept are confirmed within the context of a larger theory" (Bagozzi, 1979, p. 24). Consequently, theoretically hypothesized relationships should be supported by empirical data.

This study also follows the steps suggested by Crocker and Algina (1986, pp. 230-231) for performing a construct validation study:

1. generate hypotheses of how the construct relates to other constructs of interest as well as relevant group differences (see Chapter 3 *Conceptual Framework*);

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[24] There is no generally accepted taxonomy of validity types. Netemeyer et al. (2003, p. 11) list the most frequently employed sources of construct validity, comprising translation (content and face), convergent, discriminant, criterion-related (or predictive), nomological, and known-group validity.

2. develop a measurement instrument that consists of items adequately representing the construct (see Chapter 4.2 *The Scale Development Process of the Product Cultural Specificity Construct*);

3. collect empirical evidence to test the hypothesized relationships (see Chapter 5.3 *Data Collection and Sampling Frame*);

4. determine whether the empirical data are consistent with the hypothesized relationships (see Chapter 5.7 *Validation of Product Cultural Specificity*).

4.1.4   Criteria for Evaluating a Scale's Psychometric Properties

To assess the validity and reliability of a reflective measurement instrument, a broad range of statistical techniques is available. Fornell (1982, p. 2) distinguishes between two categories of reliability and validity criteria: first and second generation criteria. Criteria of the first generation such as Cronbach's alpha, item-to-total correlations (ITTC), and exploratory factor analysis (EFA) follow early methods derived from psychometrics (e.g. Campbell, 1960; Churchill, 1979), whereas criteria of the second generation rely on the more advanced approach of confirmatory factor analysis (CFA) (e.g. Fornell, 1982, p. 3; Homburg and Giering 1996, p. 8). First generation reliability and validity criteria are suited to assess only the quality of measurement models, ignoring the hypothetical relationships between the constructs (i.e. structural model). This shortcoming is overcome by second generation criteria, which are able to assess both measurement and structural models (Fornell, 1982, p. 3). Consequently, given the primary exploratory nature of first generation and the confirmatory nature of second generation criteria, a two step approach will be followed, where the output from first generation criteria will deliver the input for analysis with second generation criteria.

First Generation Criteria

First generation reliability and validity criteria to be used in this study comprise exploratory factor analysis, Cronbach's alpha and ITTC. EFA serves the purpose of identifying the structure, i.e. the underlying dimensions of a set of indicators, without any prior specification concerning factor numbers, loadings of each variable etc. Highly correlated sets of variables constitute factors or dimensions. The indicators' correlation matrix represents the input data for exploratory factor analysis. However, before conducting an EFA, a sufficient amount of correlations among the indicators must be ascertained.

Following procedures should be applied to this purpose (Hair et al., 2006, pp. 113-115):

- Visual inspection of the correlation matrix should reveal a substantial number of correlations greater than 0.30.

- A statistically significant Bartlett-Test of Sphericity indicates that the correlation matrix has significant correlations among at least some of the variables, thus rejecting the hypothesis that the correlation matrix may stem from a population of independent variables.

- The anti-image correlation matrix shows the negative values of partial correlations among the variables, i.e. that amount of variance that is unique to each variable. Partial or anti-image correlations above 0.7 indicate that the data matrix may not be suited for factor analysis. Furthermore, Dziuban and Shirkey (1974, p. 359) recommend that non-diagonal elements with values above 0.09 should not account for more than 25% of all non-diagonal elements.

- The measure of sampling adequacy (MSA) should have an overall and variable-specific value of above 0.50. This measure quantifies the degree of intercorrelations among the variables and the appropriateness of factor analysis. Kaiser and Rice (1974, pp. 111-115) classify MSA values above 0.6 as mediocre, above 0.7 as middling, above 0.8 as meritorious, and above 0.9 as marvelous.

The factorability of the correlation matrix being established, the researcher has to decide between two factor extraction methods, common factor analysis and component analysis (Hair et al., 2006, p. 117). If the objective is to summarize most of the original information in a minimum number of factors for prediction purposes, then one should opt for the component analysis. If the primary objective is instead to identify underlying factors or dimensions that reflect what the variables share in common, then common factor analysis is the appropriate factor extraction method. In line with this study's objectives, component analysis will be used.

When conducting EFA, researchers can apply either an orthogonal or an oblique rotational technique. Factor rotation serves the purpose of delivering the simplest factor structure and obtaining theoretically meaningful factors, thus facilitating the researcher's interpretation task. Orthogonal rotation techniques such as e.g. Quartimax, Varimax, and Equimax in the statistical software package SPSS, focus on simplifying different elements of the factor matrix. Oblique rotation methods such as Oblimin or Promax in SPSS differ from orthogonal ones mainly in allowing correlations between factors, instead of maintaining independence (Hair et al., 2006, pp. 126-127). A word of caution is required in the case of obliquely rotated factor solutions, as the possibility of correlated factors may lead to sample-specific, not generalizable solutions, especially with small samples and low cases-to-variable ratio (Hair et al., 2006, p. 127).

The decision on the number of factors to be retained can be based on following considerations (see Hair et al., 2006, pp. 119-122):

- factors with eigenvalues greater than 1.0, also known as the Kaiser-Guttman criterion or Latent Root criterion. An eigenvalue lower than 1.0 indicates that the factor accounts for less variance than any single item (Netemeyer et al., 2003, p. 123);

- factors shown by the scree test to have substantial amounts of common variance, i.e. factors that find themselves above the point where a sharp "elbow" occurs on the scree plot (eigenvalues are plotted against the number of factors);

- factors that account for 50% to 60% of the variance in the items and enough factors to meet a specified percentage of variance explained, usually 60% or higher;

- factors with a sufficient number of significant loadings (some suggest at least three) (Netemeyer et al., 2003, p. 123; Viswanathan, 2005, p. 296).

Nevertheless, especially in scale development studies, deleting a variable on statistical grounds must be always balanced against theoretical and conceptual considerations.

The computed factor loadings for each variable indicate how strongly the variable loads on the factor. Whilst there are no rigorous criteria that can be applied to assess when factor loadings are significant, it is suggested that values around 0.30 to 0.40 meet the minimal level for interpretation of structure. Generally, values greater than 0.50 are considered necessary for practical significance (Hair et al., 2006, p. 129). However, one should also consider sample size and its influence on statistical significance. For example, to achieve a statistical power level of 80% at a 0.05 significance level for sample sizes between 60 and 85, factor loadings should range between 0.75 and 0.60 (Hair et al., 2006, p. 128). Generally, the minimum absolute sample size should be 50 observations, although other rules of thumb suggest a subject-per-item ratio of at least five. Stevens (2002, p. 395) summarizes some simulation results that indicate a factor being reliable if it has:

- 3 or more variables with loadings of 0.8 and any sample size;

- 4 or more variables with loadings of 0.6 and any sample size;

- 10 or more variables with loadings of 0.4 and $n \geq 150$;

- factors with only a few loadings require $n \geq 300$.

As a general threshold, factor loadings of minimum 0.5 will be considered (Hair et al., 2006, p. 129). Factor loadings give also first hints regarding convergent and discriminant validity. Convergent and discriminant validity can be assumed if the variables load strongly on one factor and weakly on all others. A further validity criterion requires that the extracted factor explains at least 50% of the variance of its indicators (Homburg and

Giering, 1996, p. 12). Unidimensionality would be indicated if all the variables load significantly on one single factor.

After having established a clear factor structure, the internal consistency reliability of the indicators forming a factor or scale can be assessed by computing Cronbach's alpha (Nunnally and Bernstein, 1994, p. 251). Cronbach's alpha is the most common reliability criterion of the first generation and is measured in terms of the ratio of true score variance to observed score variance:

$$\alpha = \frac{N}{N-1} \left(\frac{\sigma_X^2 - \sum_{i=1}^{N} \sigma_{Y_i}^2}{\sigma_X^2} \right),$$

where N is the number of items, σ_X^2 is the variance of the observed total scores, and $\sigma_{Y_i}^2$ is the variance of component i for person Y (Netemeyer et al., 2003, pp. 47, 51). Cronbach's alpha values range between 0 and 1, with values above 0.7 being generally accepted as an indicator that a scale is internally consistent (or reliable) (Nunnally, 1978, p. 245). However, in interpreting Cronbach's alpha values, one must bear in mind that this reliability criterion is a function of scale length (i.e. number of items), average interitem correlation (covariance), and item redundancy (Netemeyer et al., 2003, p. 57). Consequently, lower Cronbach's alpha scores (over 0.6) are acceptable for parsimonious measurement instruments as well as for scale development purposes.

The average interitem correlation is a further determinant of Cronbach's alpha. An improvement of the average interitem correlation generates a higher Cronbach's alpha score. This can be achieved by deleting indicators with low ITTC, i.e. indicators which correlate weakly with all other indicators forming the scale (Churchill, 1979, p. 68)[25]. Although the literature does not mention any explicit minimum ITTC values, items with lowest ITTC scores should be successively dropped as long as Cronbach's alpha is below 0.7 (Churchill, 1979, p. 68). Summing up, the first generation criteria to be used in this study are presented in Table 9.

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[25] ITTC is understood here as the corrected item-to-total correlation, which measures the correlations of an item with all other items, excluding the item in question. The uncorrected form of ITTC measures the correlations of an item with the entire set of items, including itself (DeVellis, 2003, p. 93).

Table 9:   First Generation Criteria for Reflective Measures

Criterion	Required Level
Variance explained (EFA)	$\geq 50\%$
Factor loading (EFA)	≥ 0.5
Cronbach's alpha	≥ 0.7
ITTC	As long as Cronbach's alpha < 0.7

First generation criteria have been criticized mainly for their failure to control single indicators for their measurement errors as well as to provide precise standards for ascertaining how well the criteria are met (Bagozzi et al., 1991, p. 428; Homburg and Giering, 1998, p. 120). Furthermore, the assessment of reliability and validity is based upon certain rules of thumb instead of inference statistics (Gerbing and Anderson, 1988, p. 189). Consequently, first generation criteria are deemed better suited for descriptive and exploratory, rather than confirmatory applications (Anderson and Gerbing, 1988, pp. 411-412). Second generation criteria are therefore a necessary complement to first generation criteria, to remedy some of the deficiencies of the latter as well as to allow for a confirmatory measurement perspective, as it will be shown in the next paragraphs.

Second Generation Criteria

Second generation criteria have their roots in confirmatory factor analysis, a methodology significantly advanced by the works of e.g. Jöreskog (1973), Keesling (1972), and Wiley (1973). As opposed to exploratory factor analysis, confirmatory factor analysis is based on a set of theory-driven hypotheses concerning the indicator and factor structure. According to Homburg and Baumgartner (1995, p. 165), within covariance-based SEM, confirmatory factor analysis of reflective measurement models is based on two categories of second generation fit criteria: global fit (or adaptation) measures and local fit (or adaptation) measures such as indicator reliability, composite reliability, or average variance extracted (AVE). While global fit measures assess whether the measurement model fits the empirical data, local fit measures evaluate the quality of partial structures of the measurement model such as indicators and factors. In their review of causal models, Homburg and Baumgartner (1995, pp. 171-172) recommend to select a number of criteria with exceptional explanatory value among the multitude of available fit criteria. In the following, the global and local fit measures to be used in this study will be shortly presented.

Global fit measures

Global fit criteria can be divided into relative global measures and comparative global measures. Relative global measures involve comparing several alternative models and are

not suited for evaluating a single measurement model, as proposed in this study. Consequently, appropriate criteria will be selected among comparative global measures. The latter are further divided into incremental and stand-alone measures. Incremental measures use the fit of a basic model as a benchmark to the fit of the proposed model, whereas stand-alone measures evaluate the model's goodness-of-fit in an isolated way. This study will use the Comparative Fit Index (CFI) and the Normed Fit Index (NFI) as incremental measures of adaptation, indicating how the quality of the model improves by changing from the basic model to the proposed model. Their values range from 0 to 1, with values above 0.9 indicating a good fit (Homburg and Baumgartner, 1995, pp. 168, 172). However, NFI, as opposed to CFI, accounts for the degrees of freedom in the model, so that its explanatory power decreases with lower sample sizes (Byrne, 2001, p. 83).

Stand-alone measures comprise descriptive and inference statistical measures. Inference statistical measures rely on statistical tests such as χ^2-test or Root-Mean-Squared-Error of Approximation (RMSEA). The χ^2-test investigates whether the model is specified correctly and the empirical covariance matrix Σ fits the estimated covariance matrix $\hat{\Sigma}$ in relation to the sample size (n) (Marsh et al., 1988, p. 392):

$$\chi^2 = (n-1) \cdot F(\Sigma, \hat{\Sigma}) \,.$$

If the null hypothesis is correct, the test values are χ^2-distributed with degrees of freedom (df):

$$df = \frac{1}{2} \cdot (p+q) \cdot (p+q+1) - r \,,$$

where q is the number of indicator variables and r is the number of parameters to be estimated.

The χ^2-test is evaluated using the probability p: a p value above 0.05 indicates that the model cannot be rejected on a 5% level (Homburg and Giering, 1996, p. 10). The usefulness of the χ^2-test is limited due to its sensitivity to sample size and distribution restrictions (Bagozzi and Yi, 1988, p. 77). Consequently, the χ^2-test will not be considered in this study. However, if χ^2 is divided by the degrees of freedom, it can serve as a descriptive indicator of the appropriateness of the model. A good model fit can be assumed, if the quotient has a value below 3 (Homburg and Giering, 1998, p. 139)[26].

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[26] Some authors consider different threshold values as acceptable: e.g. Balderjahn (1986, p. 109), Hildebrandt (1983, p. 105), and Kline (2005, p. 139) consider values below 5 as acceptable, while Homburg and Baumgartner (1995, p. 172) consider values below 2.5 desirable.

In contrast to the χ^2-test, RMSEA does not attempt to evaluate the absolute correctness of the model, but the approximation of the model to the observed data (Homburg and Baumgartner, 1995, p. 166). It is calculated as:

$$RMSEA = \left[\frac{\chi^2 - df}{df \cdot (n-1)} \right]^{\frac{1}{2}}.$$

A good fit is assumed if the value is below 0.05, while values up to 0.08 can be interpreted as acceptable (Homburg and Baumgartner, 1995, p. 172). However, more recent studies indicate that RMSEA underestimates the model fit at smaller sample sizes, suggesting that values up to 0.6 indicate a relatively good fit of the model (Hu and Bentler, 1999, p. 1). In this study, a threshold of 0.08 will be considered acceptable.

In addition to the inference statistical measures presented above, descriptive adaptation measures such as Goodness-of-Fit Index (GFI) and Adjusted-Goodness-of-Fit Index (AGFI) can be used to evaluate whether the model fulfills minimum quality standards concerning the discrepancy between the empirical matrix Σ and the matrix $\hat{\Sigma}$ generated by the model (Homburg and Baumgartner, 1995, p. 172). While GFI does not consider the degrees of freedom of the model (indicating a better fit when new model parameters are added), the AGFI accounts for the number of indicators and degrees of freedom of the model:

$$GFI = 1 - \frac{sp \cdot \left[\left(\hat{\Sigma}^{-1} \cdot \Sigma - I \right)^2 \right]}{sp \cdot \left[\left(\hat{\Sigma}^{-1} \cdot \Sigma \right)^2 \right]},$$

$$AGFI = 1 - \frac{q \cdot (q+1)}{2 \cdot df} \cdot (1 - GFI),$$

with sp representing the sum of the diagonal elements of the matrix and I the identity matrix.

Both GFI and AGFI range between 0 and 1, values above 0.9 indicating adequate model fit (Homburg and Baumgartner, 1995, p. 172). Some authors view AGFI values above 0.8 as acceptable, given its downward bias when sample size is small in relation to the degrees of freedom of the model (Sharma, 1996, p. 159).

Local fit measures

Local fit measures comprise indicator reliability (IR) and factor significance at the single indicator level as well as factor reliability (FR) and average variance explained (AVE) at the factor level. IR shows the percentage of variance of an indicator that can be explained

by its belonging factor (Bagozzi and Yi, 1988, p. 80). The remaining variance is attributed to measurement error. IR is calculated as follows:

$$IR(x_i) = \frac{\lambda_{ij}^2 \cdot \phi_{jj}}{\lambda_{ij}^2 \cdot \phi_{jj} + \theta_{ii}},$$

where λ_{ij} represents the estimated factor loading, ϕ_{jj} the estimated variance of the latent variable and θ_{ii} the estimated variance of the associated measurement error. IR can take on values between 0 and 1, with values above 0.4 being typically considered as satisfactory (Homburg and Baumgartner, 1995, p. 170).

The factor significance is indicated by the *t*-values of the factor loading. Factor loadings beyond 0.7 are desirable, while values as low as 0.5 can still be considered acceptable out of theoretical reasons in early stages of the scale development process (Hulland, 1999, p. 198). The *t*-value is calculated as the quotient of the estimated factor loading (λ_i) and the standard error of approximation (*SE*$_i$):

$$t(x_i) = \frac{\lambda_i}{SE_i}.$$

If the factor loading differs significantly from 0, convergent validity is proved (Bagozzi et al., 1991, p. 431). This can be assumed on a 5% significance level, if the *t*-values for an one-sided significance test exceed 1.645.

On the factor level, FR indicates how well a factor is measured by its indicators (Bagozzi and Yi, 1988, p. 80). The mathematical formula for FR is:

$$FR(\xi_j) = \frac{\left(\sum_i \lambda_{ij}\right)^2 \cdot \phi_{jj}}{\left(\sum_i \lambda_{ij}\right)^2 \cdot \phi_{jj} + \sum \theta_{ii}}.$$

The value of FR ranges from 0 to 1, with values above 0.6 indicating a good model fit (Bagozzi and Yi, 1988, p. 82; Homburg and Baumgartner, 1995, p. 170).

AVE captures the average variance of a construct that is explained by its indicators. Values beyond 0.5 signal that the variance captured by the construct exceeds the measurement error (Homburg and Baumgartner, 1995, p. 172). AVE is calculated according to Fornell and Larcker (1981, p. 46) as follows:

$$AVE(\xi_j) = \frac{\left(\sum_i \lambda_{ij}^2 \cdot \phi_{jj} \right)}{\left(\sum_i \lambda_{ij}^2 \cdot \phi_{jj} \right) + \sum \theta_{ii}} .$$

AVE is also used to assess the discriminant validity between factors. Fornell and Larcker (1981, p. 46) formulate following criterion to ensure discriminant validity: the average variance explained of a factor should exceed the squared correlation of the same factor with another one. A less stringent discriminant criterion is provided by the χ^2 difference test, which is based on the comparison of two multi-factor models. The χ^2 value of the original model should exceed the χ^2 value of a modified model by 3.841, which represents a decrease in fit on a significance level of 5%. In this study, the stronger Fornell/Larcker criterion will be used.

Table 10 summarizes the thresholds for the second generation criteria, i.e. global and local fit measures, to be employed in this study.

Table 10: Second Generation Criteria for Reflective Measures

Global Fit Measures	Required Level
CFI	≥ 0.9
NFI	≥ 0.9
χ^2/df	≤ 3
RMSEA	≤ 0.08
GFI	≥ 0.9
AGFI	≥ 0.8
Local Fit Measures	Required Level
IR	≥ 0.4
Factor loading	≥ 0.5
Significance test of factor loadings (one-sided T-test on a 5% level)	t-value ≥ 1.645
FR	≥ 0.6
AVE	≥ 0.5

Fornell/Larcker criterion	AVE (ξ_i) > squared correlation (ξ_i , ξ_j) for all i=j

4.2 The Scale Development Process of the Product Cultural Specificity Construct

The focus of the next paragraphs will lie on the conceptual and empirical issues related to the unpacking of the theoretical construct of *product cultural specificity*, as this requires a complex explorative approach. The scale development process was approached both deductively, by drawing on the existing extended theoretical base, and inductively, through exploratory research. This study followed closely the recommended procedures and steps in scale development proposed by Netemeyer et al. (2003, pp. 14-15), as illustrated in Figure 16 and described in detail in the next paragraphs. The last step, finalizing the scale, is part of the construct validation study, which will be presented in Chapter 5.

Figure 16: Steps in Scale Development

Step 1: Defining the Construct's Domain	Chapter 4.2.1

Step 2: Generating an Initial Item Pool	
Step 2.1: Identifying Potential Indicators in the Literature	Chapter 4.2.2
Step 2.2: Identifying Potential Indicators through Explorative Studies	Chapter 4.2.3
=> Initial Item Pool	Chapter 4.2.4

Step 3: Judging Items for Content and Face Validity	Chapter 4.2.5

Step 4: Conducting a Pre-Test for Initial Development and Validation	Chapter 4.2.6

Step 5: Finalizing the Scale	Chapter 5

4.2.1 Defining the Construct's Domain

This phase involves an exact delineation of what aspects to include and exclude from the definition of the construct (Churchill, 1979, p. 67). Generally, the main challenge at this stage consists in handling a large set of definitions, purported causal relationships and conflicting research findings (Smith, 1999, p. 110). Before specifying the construct under study, a thorough literature review has to be conducted and the relevant contributions to the debate considered.

In the case of *product cultural specificity*, however, the literature has proven scant, as there are few conceptual anchors to rely on (see Chapter 3.2.3). As illustrated in Chapter 3.2.3,

the construct of *product cultural specificity* has been often mentioned in the extant literature as an antecedent to marketing-mix standardization, yet no attempts have been made to conceptualize and measure this construct. In cross-cultural consumer research, an exception is provided by Jakubanecs (2007), who has developed a scale called "cultural embeddedness of products" and tested it empirically in the US and Norway. The construct is defined as "the extent to which a product category is perceived by the members of the culture (and possibly by outsiders as well) as being embedded in the ethnic culture of a country or a people" (Jakubanecs, 2007, p. 80). As the definition suggests, the construct is measured at the individual consumer and product category level. The scale was shown to correlate with consumer behavior variables such as attitudes toward and purchase intentions of foreign and domestic brands as well as product involvement (Jakubanecs, 2007, p. 4). As such, the scale is not appropriate to explain decision-making processes of international marketing managers in terms of marketing-mix standardization degree.

Most authors in the international marketing strategy field implicitly use a single-item dichotomous measure, differentiating between culture-bound and culture-free products, without further inquiring into the facets of these notions. Theodosiou and Leonidou (2003, pp. 167-168) criticize the use of single-item instead of multiple-item measures in the area of international marketing standardization, thus following the line of many researchers such as Baumgartner and Homburg (1996, p. 144) or Churchill (1979, p. 66), who argue for the development of multiple-item scales. Most PCS definitions used are derived from Cavusgil et al. (1993, p. 488), i.e. "the extent to which the product caters to the needs of a specific culture or subculture". Further conceptual borders are traced in the next paragraphs.

Most of the sources quoted refer to the construct at the product category level, which can be deemed as vague and inaccurate. Although some product categories may be more culture-bound than others (computers versus food), examples show that even within a culture-bound product category such as food, there are individual products which exhibit a lower cultural specificity. The cultural specificity is to be therefore measured at the individual company product level, as the offering of culture-bound or culture-free products seems to be to a certain extent a conscious company decision.

Furthermore, the conceptualization will focus exclusively on consumer products, as the conceptual and methodological premises are utterly different between consumer and industrial products (Backhaus and Büschken, 1998, pp. 151-153). The distinction between industrial and consumer marketing is based on the utter differences in the nature of markets, products, demand and, more importantly in the motives and buying behavior of organizations acting as buyers, compared to the motives and buying behavior characterizing individuals (Webster, 1978, p. 22).

Based on previous theoretical considerations (see Chapter 3.2.3, pp. 82-85), following *definition* of the conceptual domain is advanced:

> The *cultural specificity of a product* as a continuum between culture-free and culture-bound represents the degree of perceived cross-cultural variance of consumption patterns for a specific company product on a global − *absolute product cultural specificity* or multi-country basis − *relative product cultural specificity*, involving negative effects on international product acceptance and adoption.

Cultural invariant consumption patterns means that consumers use the same products, for the same purpose, in the same way (quantity, time, duration, intensity) on the basis of the same considerations and motives (Berekoven, 1978, p. 16). Although cultural variance is mostly related with negative effects on international acceptance, there are exceptions when cross-cultural aspects entail positive effects on international sales such as country-of-origin considerations (e.g. French wines, Italian pasta) (Schuh, 1997, p. 79). A further exceptional situation is when a product category doesn't even exist on a foreign market, due to various reasons such as historical developments or lacking awareness of the product's benefit etc. One example is the product category of hair conditioners in Eastern Europe, which has been built from scratch by international marketers after the fall of the Communist system.

Cultural specificity is thus coined by four elements: an *object* element (product), a *personal* element (manager and target consumer), a *geographical* element, and a *time* element. The *object* element refers to the product as the unit of analysis. The *personal* element includes the rater, i.e. the marketing manager, and the ratee, i.e. the target consumer. The interplay between product, manager and consumer is illustrated in Figure 17 via the bilateral processes that dominate their relationships in the PCS context.

Figure 17: Interplay Between Product, Manager and Consumer in PCS
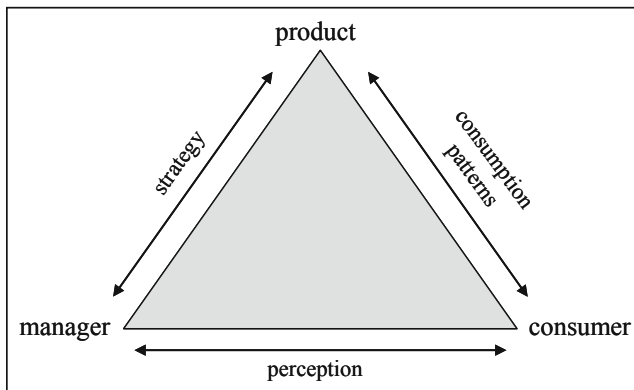
The author conjectures that the failure of introducing a *geographical reference* in the concept of cultural specificity represented up to now the main obstacle to a valid definition and a consistent operationalization of *product cultural specificity*. Consequently, a distinction is made between *absolute* and *relative product cultural specificity*, depending on whether the construct is to be measured for a specific region or on a global scale (e.g. the cultural specificity of pork meat will vary considerably if the unit of reference includes Muslim countries or not). The focus of the operationalization efforts within this study will lie on the *absolute product cultural specificity* construct.

The element of *time* is meant to capture the dynamic nature of the construct. Nakata sees in culture a "contested arena, where values, practices, habits, and products are juxtaposed, integrated, eliminated, and buttressed against one another" (Nakata, 2003, p. 221). Consequently, the cultural specificity of products may not be constant over time, as individuals are in a permanent process of interpretation, generation, rejection, and even extermination of cultures or cultural aspects triggered by their interaction with larger social structures (Nakata, 2003, p. 221). This view is embedded in the "acculturation" and "globalization" tradition (e.g. Alden et al., 2006; Friedman, 1996; Flannery et al., 2001; Ryder et al., 2000). Furthermore, McCracken (1986, pp. 71-72) views products as carriers of cultural meanings, where the transfer of meaning from the culturally constituted world to consumer products occurs through advertising and the fashion system. This suggests that advertising is a vehicle for continuously transferring and modifying cultural meanings to a specific consumer product.

4.2.2   Identifying Potential Indicators of Product Cultural Specificity in the Literature

Some authors suggest various dimensions of PCS. Quelch and Hoff (1986, p. 60) propose a broad taxonomy based on the product's destination of use: consumer products used in the home (e.g. packaged food) are high culture-bound and those used outside the home (e.g. automobiles), low culture-bound. Meffert and Bolz (1998, p. 183) classify inductively twenty-one product groups according to their assumed standardization potential into three classes: 1) culture-free, high-tech products such as computer hardware, electronics with the greatest standardization potential, 2) high-touch, high-interest products such as soft drinks and tobacco products with a medium standardization potential, and 3) culture-bound products with low standardization potential including beer, food products, confectionary articles, or textiles.

In Usunier and Lee's (2005, p. 127) view, some cultural bonds arise from the consumption situation some from the product attributes. They describe several aspects that may characterize culture-bound products (Usunier and Lee, 2005, pp. 127-128):

▪ the rich *cultural context* surrounding the product, i.e. shopping, buying and/or consumption and disposal. When a local style or a local manufacturing tradition exists or when a product has a strong symbolic loading as in case of furniture, which can be inherited or restored, a richer cultural context is assumed.

▪ the relation of the product to the *physical environment*. The physical environment, i.e. climate, flora, fauna, landscape, is strongly linked to the local material culture (a relationship studied in detail by cultural ecologists). As such, the local material culture is reflected to a different degree in various types of products (e.g. stronger links are expected for food, building materials, or craft products).

▪ investment of *cultural and national background and identity* in consumption. This aspect relates to (conscious or unconscious) ethnocentric attitudes towards products with "national or local" product attributes such as use of local materials and production processes, recipes and craft techniques, which reinforce the perception of compatibility between consumer and product.

▪ *language*. This aspect concerns the "language" content as a major constituent of the cultural content of a product. Products based almost exclusively on language such as songs, films and novels are considered highly culture-bound, as opposed to products relying more on visual elements (e.g. assembling instructions for IKEA furniture rely on pictures alone to avoid complex written explanations).

▪ products involving *relationships to others* in terms of displaying/showing or giving/sharing. The influence of culture is especially visible for products whose consumption situation is embedded in social relationships, e.g. conspicuous products or products consumed since childhood.

▪ product's *complexity*. Products requiring a high level of interpretation and knowledge of the local context, such as films, are considered culture-bound.

▪ *nature of the product*. The authors include here the classical dichotomies, i.e. high-tech vs. low-tech, durables vs. nondurables, industrial vs. consumer products, as possible influencing factors on the level of universality of needs, and hence on the emergence of culture-bound vs. culture-free products.

Müller and Gelbrich (2004, pp. 555-560) propose four dimensions of cultural specificity:

▪ *homogeneity of needs*, meaning that culture-free products respond worldwide to the same needs or address cross-national consumer segments. Product attributes may thus determine the degree of *product cultural specificity*. The global food market for example

is shaped by key trends such as increased out-of-home consumption, demand for value-added products with convenience attributes, heightened consumer concerns for nutrition, safety, and health, growing sensitivity to environmental and social issues, a greater interest for ethnic foods, and growth of private label products (ACNielsen, 2004; Gracia and Albisu, 2001; Poole, 1997). Consequently, products with global attributes, such as convenience products, products with health benefits, including functional foods, as well as organic and/or fair trade products, may appeal to a global consumer segment, which exists beyond national borders. Often, luxury or even premium-priced products exhibit low cultural specificity as they convey social and symbolic value, which is particularly important to consumers in developing or transitional economies (Alden et al., 1999, pp. 76-77; Batra et al., 2000, p. 84).

- *tradition*, implying that younger industries such as computer or electronics industry are less culture-bound. This second dimension of Müller and Gelbrich (2004, pp. 556-557), tradition, is formulated by van Mesdag (2000, pp. 81-83) in the food context (but not restricted to it) as the "duration-of-usage" hypothesis. He argues that traditional products, which have existed for a long time, i.e. have a long-duration-of usage, like bread, types of meat, soups, vegetables, fish, wine, beer and spirits still have widely divergent consumption patterns between countries. In contrast, the recently introduced products, the innovations of the last decades, such as yoghurts, dairy desserts, pizzas, hamburgers, frankfurters, snack foods, industrial sandwiches, light bottom-fermenting beers, cream liqueurs, or bottled water, are becoming more and more global. The rationale behind this classification is that food products introduced after the Second World War have evolved in a modern environment, with global communication channels, expansion of international trade, improvements in transportation links etc., whereas traditional food products "have evolved over very long periods of time when communications between countries and cultures were virtually non-existent" (van Mesdag, 2000, p. 82). A similar line of reasoning can be applied to all product categories.

- *product type*, following the view that industrial products are less cultural sensitive compared to consumer products.

- *consumption context*, supporting the argument that products are not inherently culture-bound or culture-free, it is rather their consumption context which confers them the cultural specificity. This last dimension has been first mentioned by Djursaa and Kragh (1998, pp. 25-26), who distinguish between a less culture-bound "peripheral consumption context" and a stronger culture-bound "central consumption context". For example, eating habits at breakfast are to a lesser extent influenced by cultural norms than in the case of a feast dinner.

Holzmüller and Schuh (1995, pp. 100-101) and Schuh (1997, pp. 80-82) have also attempted to explain the cultural specificity of consumption patterns. They propose three factors:

▪ *centrality of life areas* within the national identity (e.g. eating and drinking is more central to French and Italians than Dutch or Scandinavians). This factor is closely related to Djursaa and Kragh's (1998) centrality of consumption contexts described above;

▪ *consumers' hierarchy of orientation systems*. The authors assume that purchase decisions in different consumption situations are influenced by various orientation systems. They differentiate between four orientation systems that are relevant to consumers' purchase and consumption behavior: national culture, peer groups (e.g. family, professional environment), role models (as they are conveyed through e.g. brand advertisements) and last, personal lifestyle reflecting the individual's self-conception. Figure 18 illustrates the four orientation systems according to their impact strength on the individual purchase and consumption behavior. If consumers in different countries base their purchase decision processes on similar orientation systems, then culture-free consumption patterns are assumed. To illustrate this hypothesis, Schuh (1997, pp. 81-82) names "sport cultures" (e.g. golf, tennis, judo) or "teen cultures" (e.g. music streams), which override the influence of national culture.

Figure 18: Hierarchy of Consumers' Orientation Systems
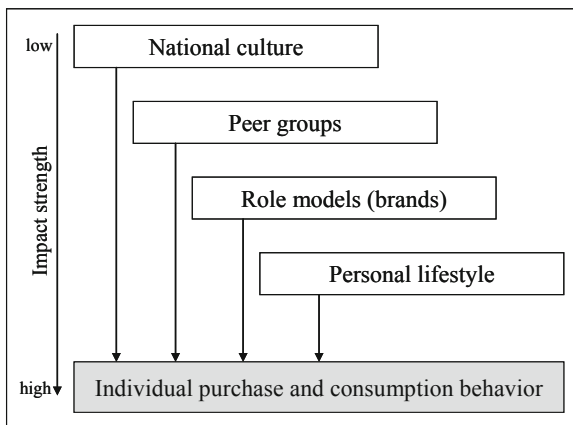
Source: Adapted from Schuh (1997, p. 81)

▪ *technology dominance*, following Levitt's (1983) thesis that technological progress in communications, production and logistics would evoke significant economies of scale for standardized products, which would thus be lower priced. The price advantage of

such products would offset any culture-bound preferences (Holzmüller and Schuh, 1995, p. 101).

Before proceeding to the exploratory approach of identifying potential PCS indicators, Figure 19 provides an overview of the PCS dimensions deducted from the literature.

Figure 19: Dimensions of Product Cultural Specificity in the Literature

Dimension	Culture-Bound Culture-Free	Authors
Cultural context	Rich ⟷ Poor / High contextuality ⟷ Low contextuality	Usunier and Lee (2005)
Relation to physical environment	Close ⟶ Far	Usunier and Lee (2005)
Investment of cultural and national background and identity in consumption	High ⟷ Low	Usunier and Lee (2005)
Nature of product	Consumer products ⟷ Industrial products / Nondurables ⟷ Durables / Low-tech products ⟷ High-tech products / Complex products ⟷ Simple products	Holzmüller and Schuh (1995), Meffert and Bolz (1998), Müller and Gelbrich (2004), Quelch and Hoff (1986), Usunier and Lee (2005)
Language content	High ⟷ Low	Usunier and Lee (2005)
Involvement of relation-ships to social groups	Strong ⟷ Weak	Usunier and Lee (2005)
Destination of use	Inside the home ⟷ Outside the home	Quelch and Hoff (1986)
Target segment	Conservative, tradi-tional consumers ⟷ Young people, ego-driven consumers	Quelch and Hoff (1986)
Duration of usage	Mature products ⟷ New products / Traditional products ⟷ Innovative products	Holzmüller and Schuh (1995), Müller and Gelbrich (2004), Van Mesdag (2000),
Consumption context	Central ⟷ Peripheral	Djursaa and Kragh (1998), Holzmüller and Schuh (1995), Schuh (1997)
Consumers' hierarchy of orientation systems	Similar ⟷ Dissimilar	Holzmüller and Schuh (1995), Schuh (1997)
Consumer needs	Heteregoneous ⟷ Homogeneous	Müller and Gelbrich (2004)

4.2.3 Identifying Potential Indicators of PCS through Explorative Studies

To identify potential indicators of PCS from an inductive perspective, an exploratory research design was used. An exploratory research design is appropriate when the research objective is to clarify concepts about which little is known. The main objective of exploratory research is to gain insights and ideas on a specific topic or question. Tools for

exploratory research include qualitative techniques such as literature search, experience surveys, focus groups, and in-depth interviews (Malhotra, 2009, pp. 98-99). The next paragraphs illustrate the two main exploratory instruments used to identify potential PCS indicators: expert interviews and focus groups.

Expert Interviews

An in-depth interview "represents a formal process in which a trained interviewer asks a subject a set of semi-structured, probing questions usually in a face-to-face setting" (Hair et al., 2006, p. 176). Between August and November 2007, the author conducted seven semi-structured expert interviews with marketing managers and researchers from Germany, U.K., Italy, and Austria (see Appendix II. 1). All interviews were conducted face-to-face, except for one telephone interview, and were tape-recorded. A semi-structured interview schedule was used and interviews typically lasted between 40 and 120 minutes.

The interview guide was designed in relation to the explorative purpose of the scale development study and was slightly adapted to the background of the interview partner, i.e. academic or manager. For academic experts, following interview schedule was used:

1. In IM literature, authors distinguish between more or less culture-free/culture-bound products, without offering an exact definition of „Product Cultural Specificity" and its dimensions.

    What is your understanding of culture-free and culture-bound products?

2. Food products are generally assigned to culture-bound products, whereas high-tech products are considered rather culture-free. On the individual product level, a more differentiated picture is needed, since intuitively, different degrees of cultural specificity appear to exist within a product category.

    Why do you think some products pass for rather culture-bound and other for rather culture-free? Which aspects influence in your opinion the degree of cultural specificity?

3. Please form an opinion on following work definition of „Product Cultural Specificity":

    "The cultural specificity of a product as a continuum between culture-free and culture-bound represents the degree of perceived cross-cultural variance of consumption patterns for a specific company product on a global – absolute product cultural specificity or multi-country basis – relative product cultural specificity. "

Interviews with managers were conducted using following interview schedule:

1. How important is the cultural factor for the marketing of your products on foreign markets?

2. Food products are generally assigned to culture-bound products, whereas high-tech products are considered rather culture-free.

   What is your understanding of culture-free and culture-bound products? Do you judge your products as being more culture-bound than culture-free? Why?

3. Which aspects influence in your opinion the degree of cultural specificity?

This methodology allowed the author to tap into the respondents' opinions and experience background, enabling a rich and broad understanding of the facets of *product cultural specificity*.

Focus Groups

Focus groups are the most frequently used qualitative technique and particularly helpful for gathering ideas and insights. In a focus group, usually a number of 8 to 12 individuals are brought together to discuss about the topic of interest. A moderator directs the discussion, following a rough outline of the issues under consideration (Malhotra, 2009, pp. 182-185). Focus groups "play a critical role in the process of developing new marketing constructs and creating reliable and valid construct measurement scales" (Hair et al., 2006, p. 182). To reveal additional insights into the underlying dimensions of *product cultural specificity*, two focus group discussions have been conducted.

The first focus group consisted of nine fellow-researchers in the field of marketing at the Technische Universität München and was part of a research colloquium held outside the university campus in October, 2007. The second one took place in November, 2007 and consisted of twelve post-graduate international students from Germany, China, Turkey, and Austria, attending a marketing course within the Master Consumer Science Program at the author's home university. The focus group discussions were moderated by the author and lasted about two hours.

The focus group sessions had following pattern: After a short introduction of the topic and the agenda, three to four team groups of three, max. four members were formed. Each team received an envelope containing eight cards illustrating following products: bread, wheat beer, yoghurt, shampoo, sport shoes, sofa, electric razor, and GPS car navigations system (see Appendix II. 2). The teams were thereupon assigned the task of placing these products along a scale of cultural specificity and justify their options. The teams within the students' focus group were purposively formed of members from two different countries. After completion of the task, each team presented its results, which were then discussed by the whole group. The choice of the products for the assignment was guided by the intention to find a balanced combination of both consumer durables and nondurables, low-involvement and high-involvement products, low-tech and high-tech products. Frequently mentioned

points were converted to statements and used in the initial item pool (see Appendix II. 3 for an illustration of such statements).

4.2.4   Initial Item Pool

Based on the literature review, the expert interviews and the focus groups, a pool of 20 items has been generated for eventual inclusion in the scale. The size of the item pool reflects on the one hand the intended purpose to develop a short scale, and on the other hand, the conceptual domain of the measure being constructed. Recent research has increasingly focused on developing short marketing measurement scales due to their advantages in terms of reduced monotony, costs, and response bias (Netemeyer et al., 2003, p. 57). Drolet and Morrison (2001, p. 201) argue that "an increase in the number of items encourages inappropriate response behavior and gives rise to positively correlated error term across items within respondents".

It is important that the content of each item reflects the construct of interest. The phenomenon of interest is thus captured by developing a set of items that reveal the phenomenon in different ways. At this stage of the scale development process, a large number of items is desirable, given that, all else being equal, reliability varies as a function of the number of items (DeVellis, 1991, pp. 54-57). There is no exact indication of the exact number of items to be included in an initial pool, but as DeVellis notes, it is not unusual to begin with a pool of items three or four times as large as the final scale (DeVellis, 1991, p. 57). To ensure item quality, some guidelines are to be followed, e.g. avoid exceptionally lengthy items or unnecessary wordiness, maintain a reading difficulty level compatible with the target respondents, or avoid items that convey two or more ideas and ambiguous pronoun references. Items can be worded both positively and negatively[27], to avoid an acquiescence, affirmation, or agreement bias. However, the decision to include negatively worded items must trade off possible acquiescence bias against possible confusion problems (DeVellis, 1991, pp. 57-60).

The initial list of items contained eight reversed (R) items, which indicated a low degree of *product cultural specificity* (see Figure 20). The items feature the characteristics of reflective indicators, as they denote effects (or manifestations) of the underlying latent PCS construct (Diamantopoulos et al., 2008, p. 1204). The instruction to the respondent was formulated as follows: „Please indicate on a scale from 1 to 5 (1="does not apply" and 5="applies fully") to what extent do following statements apply to your selected product,

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[27] Negatively worded items imply only that these items measure the opposite of standard (positive) items (e.g. "I am happy" vs. "I am sad") and are thus not restricted to negative syntax forms (e.g. adding "NOT" to a positively worded items as in "I am NOT happy") (Spector et al., 1997, p. 660).

in general." Each scale point was also labeled verbally (1="does not apply", 2="applies to a low extent", 3="applies moderately", 4="applies to a high extent", 5="applies fully") to give the respondent a better idea of the endorsement he or she is making (Netemeyer et al., 2003, p. 100). The choice of a Likert-type scale with a five-point format was based on following considerations (Netemeyer et al., 2003, pp. 100-101):

- validity and reliability considerations: Scales with more than seven scale points do not seem to perform better in terms of reliability and validity.

- respondent's constraints: more scale points may overstrain respondents by forcing them to make finer distinctions than manageable in the timeframe available. Also providing them with a scale mid-point may capture a valid neutral opinion, instead of forcing the respondent to take a clear pro or against stance.

The items were initially formulated in German (see Appendix II. 4 for the original German version of the items), the target language of the respondents, using both German (literature review and exploratory studies) and English (literature review) sources. Using back translation, the common translation approach in marketing, an English version of the scale was obtained (Douglas and Craig, 2007, pp. 30-31), which may be used as a starting point for testing the cross-cultural equivalence of the scale in future studies.

Figure 20: Initial Item Pool for Product Cultural Specificity

PCS1. Consumers generally use this product for the same purpose everywhere. (R)

PCS2. The factors motivating the purchase of the product are the same worldwide. (R)

PCS3. This product conveys a global consumer lifestyle. (R)

PCS4. This product responds to universal needs. (R)

PCS5. The consumption process of this product is strongly influenced by cultural norms.

PCS6. This product is associated with long-standing usage habits.

PCS7. The consumers of this product share a global consumer culture. (R)

PCS8. The consumption process of this product is free of local cultural or traditional restraints. (R)

PCS9. This product appeals to consumers sharing a similar set of values, no matter where they come from. (R)

PCS10. The search, evaluation and purchasing process of this product is similar all over the world. (R)

PCS11. This product is perceived as a symbol of national character for a specific region or a country.

PCS12. The consumption of this product often collides with traditional consumption patterns.

PCS13. There are substantial differences between countries with respect to product ownership and usage.

PCS14. The consumption context of this product is influenced by local cultural traditions.

PCS15. Consumers around the world attach different cultural meanings to this product.

PCS16. The consumption of this product is affected by religious beliefs or cultural taboos.

PCS17. Consumers invest a high level of national identity in the consumption of this product.

PCS18. The usage of the product interferes with traditional consumption patterns in many countries.

PCS19. This product is associated with a specific country or region.

PCS20. This product is influenced by tastes, habits and customs, which vary from country to country.

4.2.5   Judging Items for Content and Face Validity

In order to assess the content and face validity of the items in the initial pool, both expert and population judges as well as qualitative and quantitative procedures were used. The twenty items were reviewed by an expert panel of eight fellow marketing researchers. Since the list contained some items indicating low cultural specificity (culture-free) and some items indicating high cultural specificity (culture-bound) (such reverse scored items are called polar opposite items in Schriesheim and Eisenbach, 1995, p. 1177), the experts were requested to answer following question: "Should you fully agree with the following statements, than please decide for each statement whether, in your opinion, it indicates a culture-free or a culture-bound product". Each expert was also provided with the definition of *product cultural specificity*. Additionally, they were invited to make written comments and give suggestions on the items regarding comprehensibility, representativeness, clarity, etc. Their qualitative evaluations lead to the rewording of some items to increase clarity.

Based on the expert evaluations, an index (of substantive agreement[28]) was calculated using the number of experts who correctly associated the item with its theoretical meaning divided by the total number of experts. Two items, PCS12, *The consumption of this product often collides with traditional consumption patterns*, and PCS18, *The usage of the product interferes with traditional consumption patterns in many countries*, were discarded due to an index of 0.62. The index values of the other items were 0.75 for PCS6, PCS7, PCS9, 0.87 for PCS6 and 1.0 for all the others.

The raw scale of PCS has been finally reviewed by four marketing managers with CEE experience (for an overview of the complete list of the experts that assessed the content and face validity of the PCS scale at this stage, see Appendix II. 5). The marketing managers were also asked to provide feedback on the paper-based and web-based versions of the pre-test questionnaire, which included measures of marketing-mix standardization and contingency factors mentioned in the conceptual framework as well as general company information. Their comments on issues such as length of the questionnaire, its comprehensibility, layout as well as additional response alternatives lead to the exclusion of some items and the rewording of some questions and items to increase clarity. A critical factor mentioned by the managers concerned the length of the survey (12 pages including cover page and 32 questions), but considered it within acceptable ranges for academic purposes.

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[28] Here, a slightly changed version of Anderson and Gerbing's index of substantive agreement, i.e. "the proportion of respondents who assign an item to its intended construct" (Anderson and Gerbing, 1991, p. 734) is used, to ensure that the reverse coded items are assigned to their theoretically assumed meaning.

4.2.6   Conducting a Pre-Test for Initial Development and Validation of the PCS Scale

The generated item pool of the PCS scale is to be pre-tested via a quantitative survey for item purification purposes. As the PCS scale is specified as reflective, first and second generation criteria can be applied. The following paragraphs describe the quantitative pre-test in terms of: data collection and sampling frame, characteristics of the sample, initial item analysis via first and second generation criteria, and initial validation of the PCS scale.

Data Collection and Sampling Frame

For scale refinement purposes, a web-based quantitative pre-test was conducted between December 2008 and February 2009 on a sample of Austrian and Swiss consumer goods manufacturers. The sampling frame was selected from the Schober Database, one of Europe's largest business databases, based on available contact data (name and mainly general contact email address) of (marketing) executive managers of manufacturers of consumer brand products from Austria and Switzerland. Only headquarters were included in the selection.

Due to time and financial constraints, an overinclusive sampling frame was used, containing also non-targeted elements (i.e. companies with no activities in CEE). The resulting sampling frame consisted of 1,443 Austrian and 1,034 Swiss companies. A number of 341 emails proved undeliverable and 182 managers sent a participation refusal message. The majority (57%) indicated either "no marketing activity in CEE" or "no B2C activity" as reasons for non-participation. The resulting effective sample size amounted to 1,954 companies. After two follow-up mailings, 83 questionnaires were returned. Three questionnaires were excluded from the analysis due to significant amount of incomplete data, resulting in a sample size of 80.

This equals a response rate of 4.0%. However, due to overcoverage of the sampling frame, a much higher qualified response rate can be assumed. Surveys of top management suffer traditionally from low response-rates (Bednar and Westphal, 2006, p. 38). As Figure 21 shows, 29% of the respondents were Chief Executive Officers (CEO) including owners, 32% were executive managers including Sales and/or Marketing Directors, Head of International Marketing/Sales Division, Head of (CEE) Export Division. Respondents with management positions (36%) were mainly export managers, key account managers, marketing and/or product managers. A small number (3%) held assistant positions, mainly to the CEO or the Head of the Marketing/(CEE) International Division. These figures are highly reassuring that the key informants possess adequate competence in answering the questionnaire accurately.

Figure 21: Key Informant Position (Pre-Test)
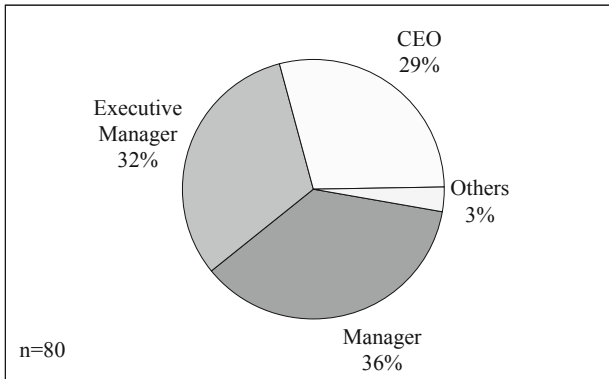
Sample Description

A large number of participating companies belong to the food and beverage sector (46.2%). This can be explained by this sector's strong identification with the author's research institute, the Chair of Brewery and Food Industry Management, although the study's focus on consumer goods in general was emphasized in the invitation email (see Appendix III. 3). Also well represented in the study are the product categories „furnishings, housewares and accessories" as well as „recreational goods", which include primarily sports equipment and leisure products (see Figure 22).

Figure 22: Product Categories Represented in the Sample (Pre-Test)
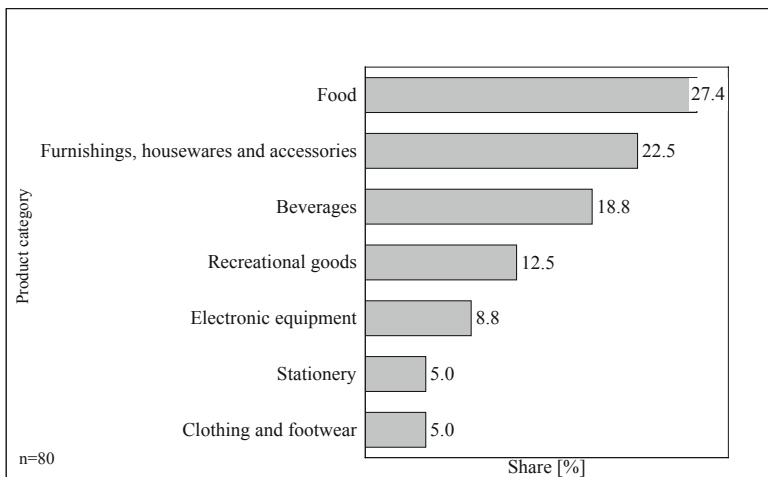
According to the number of employees (see Figure 23), the sample was slightly biased towards SME (60.6%), which is not surprising considering that SME account for the vast majority of Swiss firms (according to Swiss Federal Statistical Office, over 99%). Based on the EU definition, the headcount ceiling for SME is 250 employees. The presence of a higher share of large companies as compared to the country average is justifiable in the context of an international study with focus on CEE. Large companies are usually active on many international markets and possess the financial resources to expand in higher risk markets such as CEE (Hollensen, 2007, pp. 9-15).

Figure 23: Sample Distribution by Company Size (Pre-Test)
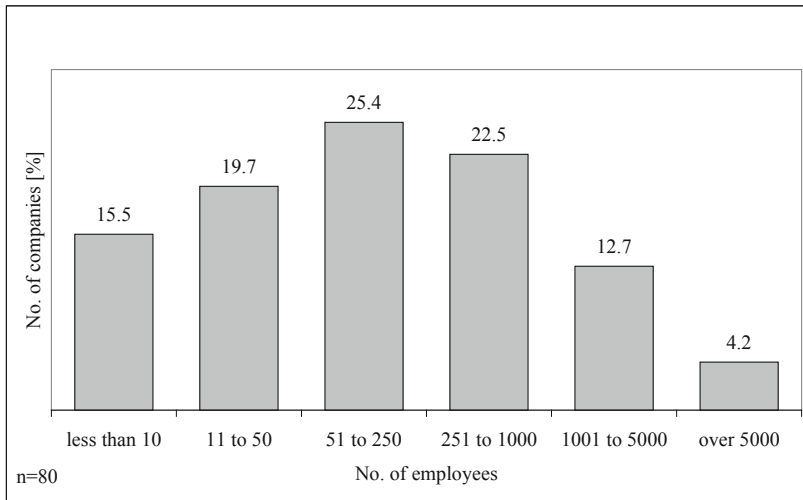
As Figure 24 shows, 31.3% of the companies in the sample are market leaders in the home-market with an over 50% market-share in the referred product category. A closer analysis of the market leaders reveals that they are quite evenly distributed between SME and large companies. Market leaders have good premises to succeed in other markets by leveraging their reputation in the market place, economies of scale or technological expertise (Porter, 1990, pp. 583, 606-607).

Figure 24: Distribution of Companies by Market Share in CEE1 and Home-Market (Pre-Test)
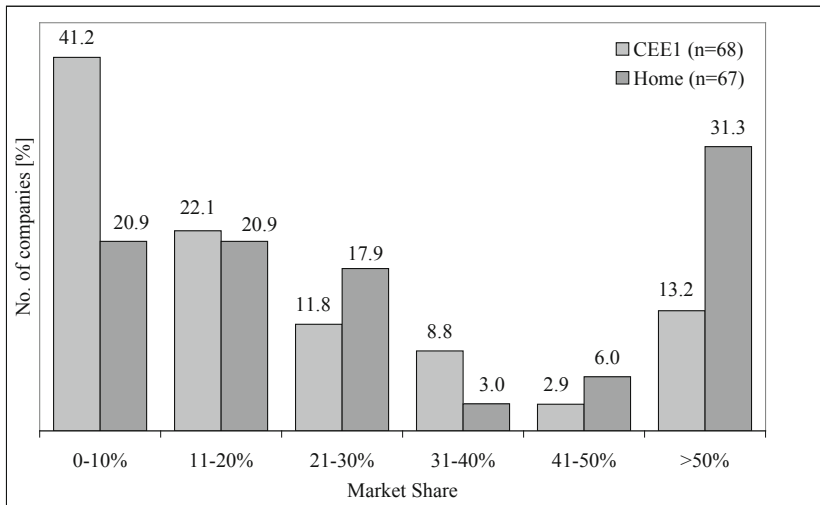
This study's unit of analysis is a product-market venture: The respondent was asked at the beginning of the questionnaire to select among the 10 CEE markets listed, one market – CEE1, where his/her company markets consumer products AND with which he/she is personally most familiar with. Further, he/she was asked to think of a consumer product or a consumer product line that his/her company markets in CEE1, with which he/she is personally best familiar with and refer to this product when answering the rest of the questions. The selection of a product-market venture as the unit of analysis is considered superior to analyses at company or business unit levels, since firms often pursue different marketing strategies in different foreign markets with respect to different products/product lines (Cavusgil et al., 1993, p. 484).

Figure 25 illustrates the frequencies of home-/host-market combinations represented in the study. The sample consisted of 25 Swiss companies, 49 Austrian companies and 6 companies who indicated another country as the parent company's country of origin (USA, Brazil, Germany, and EU). In today's globalized business environment, it is not uncommon for companies to set up regional headquarters in other countries than their country of origin. Especially Austria is a preferred location for establishing CEE regional headquarters due to its historical ties to the region (ABA, 2008, p. 5). Switzerland is the country of choice for many European headquarters due to, among others, its attractive business and tax environment (Ernst & Young, 2006, pp. 15-21).

Figure 25: Selected CEE1 Markets and Parent Company's Nationality (Pre-Test)
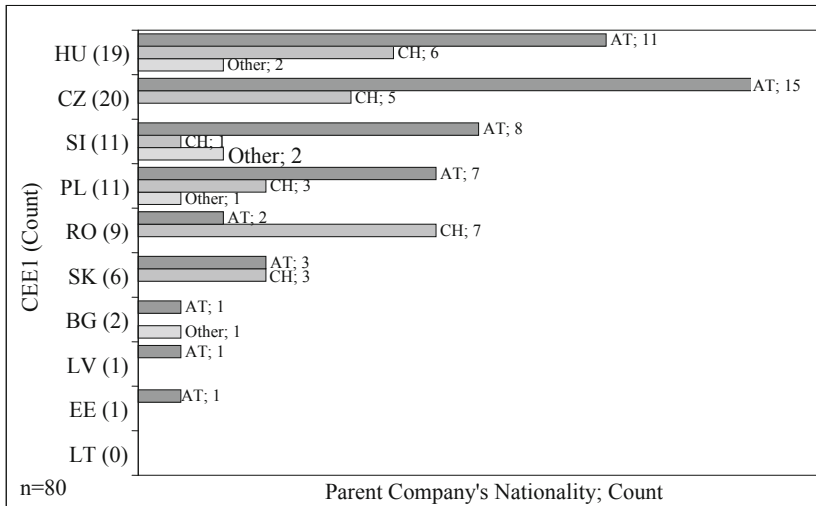
Initial Item Analysis via First Generation Criteria

The first step in the analysis of the PCS scale consists of establishing the construct's dimensionality by means of exploratory factor analysis. Before conducting an EFA on the scale items, the factorability of the correlation matrix was evaluated via following procedures:

1. A visual inspection of the correlation matrix revealed the presence of sufficient correlations greater than 0.30.

2. The share of non-diagonal elements with values above 0.09 in the anti-image covariance matrix amounted to 22%, which is below the threshold of 25% proposed by Dziuban and Shirkey (1974, p. 359).

3. The Bartlett-Test of sphericity yielded a statistical significance of 0.001. The null hypothesis that the correlation matrix may stem from a population of independent variables can thus be rejected.

4. The overall MSA value for the eighteen items was 0.714, which can be interpreted as middling. Due to an individual MSA value below 0.5, PCS2, *The factors motivating the purchase of the product are the same worldwide,* was excluded from the further analysis. Procedures one to four were repeated for the new correlation matrix containing the 17 remaining items and confirmed the previous results. The new overall

MSA value increased to 0.748. All variable-specific MSA values exceeded the threshold of 0.5.

Table 11: Four-Factor Solution: Varimax-Rotated Loadings

Items	Content	Factor				Commu-nality
		1	2	3	4	
PCS1	Consumers generally use this product for the same purpose everywhere.	0.27	0.09	-0.23	0.51	0.39
PCS3	This product conveys a global consumer lifestyle.	-0.06	-0.13	0.65	-0.01	0.44
PCS4	This product responds to universal needs.	-0.03	-0.10	0.73	-0.15	0.57
PCS5	The consumption process of this product is strongly influenced by cultural norms.	0.77	0.33	-0.17	-0.08	0.74
PCS6	PCS1. This product is associated with long-standing usage habits.	0.34	0.11	-0.28	-0.68	0.67
PCS7	The consumers of this product share a global consumer culture.	0.09	-0.20	0.65	0.43	0.65
PSC8	The consumption process of this product is free of local cultural or traditional restraints.	0.74	0.10	0.25	-0.01	0.62
PCS9	This product appeals to consumers sharing a similar set of values, no matter where they come from."	0.27	0.15	0.68	0.06	0.57
PCS10	The search, evaluation and purchasing process of this product is similar all over the world.	0.53	-0.14	0.21	-0.13	0.36
PCS11	This product is perceived as a symbol of national character for a specific region or a country.	0.21	0.82	0.01	-0.23	0.77
PCS13	There are substantial differences between countries with respect to product ownership and usage.	0.69	-0.05	-0.07	0.26	0.55
PCS14	The consumption context of this product is influenced by local cultural traditions.	0.72	0.48	0.04	0.09	0.76
PCS15	Consumers around the world attach different cultural meanings to this product.	0.67	0.44	0.07	0.24	0.70
PCS16	The consumption of this product is affected by religious beliefs or cultural taboos.	0.19	0.57	-0.23	0.26	0.48
PCS17	Consumers invest a high level of national and/or personal identity in the consumption of this product.	0.26	0.75	-0.24	-0.01	0.69
PCS19	This product is associated with a specific country or region.	-0.06	0.86	0.04	-0.01	0.75
PCS20	This product is influenced by tastes, habits and customs, which vary from country to country.	0.56	0.29	-0.15	-0.20	0.46
						Total:
% of variance		29.03	14.99	8.81	7.05	59.88

n=80

These results support the factorability of the correlation matrix, so that the scale can be analyzed via EFA. Principal components analysis with Varimax rotation yielded a first four-factor solution explaining 59.9% of the total variance (see Table 11). All items have factor loadings greater than 0.50, which is the general threshold for practical significance (Hair et al., 2006, p. 129).

The four-factor solution is less than satisfactory, as Factor 4 is represented by two items, PCS1 and PCS6, with opposite loading signs. Since all negatively (i.e. opposite bipolar) worded items were reverse coded prior to data analysis, such a negative relationship contradicts theoretical considerations. Consequently, PCS1 and PCS6 will be dropped from the analysis. This leads to a clear three-factor solution accounting for 58% of the total variance. As showed in Table 12, all items load significantly (above 0.5) on one factor, indicating discriminant and convergent validity. Though PCS10 and PCS16 have low communalities, they will be retained out of theoretical considerations. An EFA with oblique (Direct oblimin) rotation produced similar results to orthogonal (Varimax) rotation. The latter was chosen for ease of interpretation and reporting.

Table 12: Three-Factor Solution: Varimax-Rotated Loadings

Items	Content	Factor 1	Factor 2	Factor 3	Communality
PCS3	This product conveys a global consumer lifestyle.	-0.11	-0.10	0.71	0.52
PCS4	This product responds to universal needs.	-0.06	-0.08	0.72	0.52
PCS5	The consumption process of this product is strongly influenced by cultural norms.	0.74	0.36	-0.15	0.70
PCS7	The consumers of this product share a global consumer culture.	0.13	-0.23	0.68	0.53
PSC8	The consumption process of this product is free of local cultural or traditional restraints.	0.72	0.11	0.25	0.60
PCS9	This product appeals to consumers sharing a similar set of values, no matter where they come from."	0.28	0.15	0.67	0.54
PCS10	The search, evaluation and purchasing process of this product is similar all over the world.	0.51	-0.11	0.20	0.31
PCS11	This product is perceived as a symbol of national character for a specific region or a country.	0.18	0.84	-0.01	0.74
PCS13	There are substantial differences between countries with respect to product ownership and usage.	0.73	-0.06	-0.06	0.54
PCS14	The consumption context of this product is influenced by local cultural traditions.	0.74	0.47	0.04	0.77
PCS15	Consumers around the world attach different cultural meanings to this product.	0.69	0.42	0.09	0.67
PCS16	The consumption of this product is affected by religious beliefs or cultural taboos.	0.22	0.54	-0.21	0.39
PCS17	Consumers invest a high level of national and/or personal identity in the consumption of this product.	0.25	0.75	-0.24	0.69
PCS19	This product is associated with a specific country or region.	-0.07	0.86	0.04	0.75
PCS20	This product is influenced by tastes, habits and customs, which vary from country to country.	0.55	0.30	-0.18	0.43
					Total:
% of variance		31.75	16.68	9.66	58.09

n=80

According to the EFA results, the PCS scale is composed of three factors or dimensions representing *cultural loading of consumption behavior*, *product's ethnic identity*, and *product's global appeal*. An additional test of convergent validity is performed by rerunning EFA on each of these factors. Convergent validity is assumed if the items representing each factor show a clear one-factor structure explaining more than 50% of the factor variance. Also, factor loadings should exceed the threshold of 0.50.

Table 13: Summary of Factor-Level EFA and Reliability Analysis

Items	Factor	Factor loading	AVE	Cronbach's alpha
	Cultural Loading of Consumption Behavior		58%	0.85
PCS5	The consumption process of this product is strongly influenced by cultural norms.	0.83		
PSC8	The consumption process of this product is free of local cultural or traditional restraints.	0.71		
PCS13	There are substantial differences between countries with respect to product ownership and usage.	0.65		
PCS14	The consumption context of this product is influenced by local cultural traditions.	0.89		
PCS15	Consumers around the world attach different cultural meanings to this product.	0.82		
PCS20	This product is influenced by tastes, habits and customs, which vary from country to country.	0.61		
PCS10*	The search, evaluation and purchasing process of this product is similar all over the world.			
	Product's Ethnic Identity		62%	0.79
PCS11	This product is perceived as a symbol of national character for a specific region or a country.	0.84		
PCS16	The consumption of this product is affected by religious beliefs or cultural taboos.	0.59		
PCS17	Consumers invest a high level of national and/or personal identity in the consumption of this product.	0.85		
PCS19	This product is associated with a specific country or region.	0.84		
	Product's Global Appeal		49%	0.65
PCS3	This product conveys a global consumer lifestyle.	0.72		
PCS4	This product responds to universal needs.	0.69		
PCS7	The consumers of this product share a global consumer culture.	0.73		
PCS9	This product appeals to consumers sharing a similar set of values, no matter where they come from."	0.64		

* item excluded, n=80

Within the factor *cultural loading of consumption behavior*, PCS10 failed to reach acceptable levels in terms of factor loading (0.43) and communality (0.18) and was consequently excluded from the analysis. The six remaining items load significantly on the factor and explain 58% of its variance, showing evidence of convergent validity. Convergent validity can be assumed also for the factor *product's ethnic identity*, whose

items explain 62% of its variance. In case of *product's global appeal*, the explained variance falls minimally below the threshold of 50% so that convergent validity can still be supported.

Once the factors' structure established, reliability can be estimated. Cronbach's alpha reaches values of 0.85 for *cultural loading of consumption behavior*, 0.79 for *product's ethnic identity*, and 0.65 for *product's global appeal*. While the first two values show high internal consistency of the factors, the latter value falls below the generally accepted threshold of 0.7, meeting though the minimum value of 0.6 for exploratory purposes. Table 13 summarizes the results of the EFA and the reliability analysis for each factor.

A distinctive feature of the factor *product's global appeal* is that it consists exclusively of negatively worded items. This raises issues concerning the mechanisms underlying the emergence of such an item direction factor. Basically, there are two plausible scenarios: 1) the factor reflects an independent dimension of the PCS construct; 2) the factor is an artifact produced by inconsistent response patterns. The latter is a widespread phenomenon, elicited by e.g. item understanding difficulties and carelessness in reading items (Spector et al., 1997, p. 660). According to Schmitt and Stults (1985, p. 370), as few as ten percent of careless respondents is enough for factors composed entirely of reverse-scored items to emerge. Skewed distributions of item responses, i.e. respondents who score low or high on both negatively and positively worded items, can be suggestive of a possible artifact (Spector et al., 1997, p. 674). Exploring the data of the pre-test under these premises reveals a problematic distribution of response patterns. This is reflected in very low or even negative correlations of the reverse-scored items forming the factor *product's global appeal* with the rest of the PCS items. After reverse-scoring, all items should indicate the same direction. As this is not the case, the hypothesis of this factor being an artifact becomes plausible. This is why, a two-factor solution with *cultural loading of consumption behavior* and *product's ethnic identity* is finally endorsed. Performing EFA after the exclusion of PCS3, PCS4, PCS7, and PCS9 reveals an explained variance of 62%, with the first factor, *cultural loading of consumption behavior* accounting for 46% and the second, *product's ethnic identity*, for 16%. EFA results confirm the factor structure presented in Table 13.

Initial Item Analysis via Second Generation Criteria

Following the recommendations of Homburg and Giering (1996, p. 12), first generation criteria are to be complemented by second generation criteria to evaluate the psychometric properties of the PCS scale. To this purpose, a CFA of each factor and of the two-factor structure model obtained via EFA (see Figure 26) will be conducted using the Maximum Likelihood estimation method. Though this algorithm assumes multivariate normal distribution of the variables, its parameter estimates are relatively robust against moderate

departures from normality. As a rule of thumb, values of kurtosis less than 3 and of skewness less than 8 indicate non-severe violations of the normality assumption (Kline, 2005, p. 50). The distribution parameters of the PCS items were all within the afore mentioned intervals.

Figure 26: Two-Factor Model of PCS
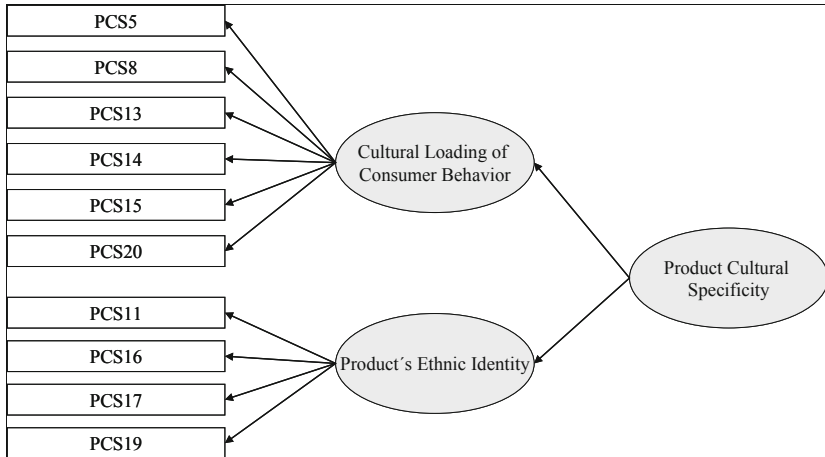
The results of the CFA at the single factor level are presented in Table 14. The overall fit of the measurement model of the factor *cultural loading of consumption behavior* is excellent, with all the relevant global fit measures exceeding their cutoff values. The local fit measures indicate an acceptable fit, though 3 items fail to reach the proposed threshold of 0.4 for indicator reliability. However, the literature is equivocal with respect to tolerable indicator reliability values: While Balderjahn (1985, p. 257) considers IR values of 0.1 as acceptable, Bagozzi and Yi (1988, p. 80) argue that "it is not possible to suggest even loose rules-of-thumb as to adequate sizes". Certainly, the higher the IR value, the higher the percentage of indicator's variance explained by the factor, and hence, the lower the measurement error. Given the exploratory character of the study, the satisfactory levels of all other global and local fit measures as well as content validity considerations, all three items are retained.

The results of the CFA of the second factor, *product's ethnic identity*, show a rather poor global model fit, with AGFI, RMSEA and χ^2/df failing to meet the proposed thresholds. One item, PCS16, exhibits an extremely low IR value (0.17). The exclusion of this item

would improve the FR and AVE values, yet global fit cannot be assessed for measurement models with less than four items.

Table 14:   Global and Local Fit Measures at the Single Factor Level

Factors	Item	Factor loading ≥0.5	T-value ≥1.645	IR ≥0.4	FR ≥0.6	AVE ≥0.5	GFI ≥0.9	AGFI ≥0.8	RMSEA ≤0.08	χ^2/df ≤3	NFI ≥0.9	CFI ≥0.9
1) Cultural Loading	PCS5	0.79	4.71	0.63	0.86	0.51	0.97	0.93	0.00	0.89	0.96	1.00
	PCS8	0.63	4.14	0.39								
	PCS13	0.58	3.94	0.33								
	PCS14	0.91	4.98	0.83								
	PCS15	0.78	4.69	0.61								
	PCS20	0.53	-	0.28								
2) Ethnic Identity	PCS11	0.84	-	0.71	0.82	0.55	0.94	0.72	0.23	5.10	0.92	0.93
	PCS16*	0.74	6.64	0.17								
	PCS17	0.82	3.54	0.55								
	PCS19	0.42	7.13	0.67								
2*) Ethnic Identity	PCS11	0.88	-	0.77	0.85	0.64	-	-	-	-	-	-
	PCS17	0.71	6.31	0.50								
	PCS19	0.80	6.86	0.65								

n=80

A CFA of a second-order factor model of the PCS construct, including PCS16, shows a poor fit (GFI=0.869; AGFI=0.788; RMSEA=0.122; χ^2/df=2.17; NFI=0.821; CFI=0.891). Excluding PCS16 from the *product's ethnic identity* factor improves the global fit of the model considerably, so that all global fit measures exceed their cutoff values (see Table 15). Fornell/Larcker criterion for discriminant validity is met in both models, i.e. with PCS16 (AVE1=0.51, AVE2=0.55, squared correlation=0.36) and without PCS16 (AVE1=0.51, AVE2=0.64, squared correlation=0.34).

Table 15:   Global Fit of a Second-Order Factor Model of the PCS Construct (excl. PCS16)

Measure	Value
GFI (≥0.9)	0.91
AGFI (≥0.8)	0.85
RMSEA (≤0.08)	0.08
χ^2/df (≤3)	1.44
NFI (≥0.9)	0.90
CFI (≥0.9)	0.97

n=80

The results of the CFA must be interpreted with caution, as performing both EFA and CFA on the same sample is subject to limitations due to the possibility of EFA's results being subject to capitalization on chance variation (Kline, 2005, p. 205). However, the two factor solution seems to be supported by CFA. Further constraints such as low sample size and non-normal distribution of data advise against excluding items based exclusively on the CFA results. Consequently, the two factor-model as obtained via EFA and illustrated in Figure 26 will be considered for inclusion in the scale validation study (see Chapter 5).

Initial Validation of the PCS Scale in the Pre-Test

The evaluation of first and second generation criteria presented in the previous paragraphs showed initial evidence of reliability as well as convergent and discriminant validity. As a further test of convergent validity, the correlations between the means of the two subscales identified via EFA and an alternative single-item measure of PCS were computed. The single-item measure was captured by asking the respondent to describe its referred product using several pairs of opposite adjectives, among which one pair was *culture-free* and *culture-bound*. This measure correlated significantly (p=0.001) with both subscales, *cultural loading of consumption behavior* (Pearson correlation coefficient, r=0.60) and *product's ethnic identity* (r=0.42).

An initial test of the scale's nomological validity is conducted by correlating the mean scores of the two PCS sub-scales and of the individual and aggregate marketing-mix scales. The corresponding results are presented in Table 16. The correlation analysis reveals significant negative correlations between *cultural loading of consumption behavior* and *product standardization* and between *product's ethnic identity* and *pricing standardization* level. On a 10% significance level, a negative correlation was found for the factors *cultural loading of consumption behavior* and *distribution standardization* and for *product's ethnic identity* and *product* and *promotion standardization*. Though only two correlations are significant at a 0.05 level, a negative association between PCS and *marketing-mix standardization* is supported, providing thus initial evidence of nomological validity.

Table 16: Correlation Analysis of PCS and Marketing-Mix Standardization

		Product	Promotion	Pricing	Distribution	Marketing-mix
Cultural loading	Pearson Corr.	**-0.240***	-0.160	-0.178	**-0.203**[·]	-0.155
	Sig. (2-tailed)	0.032	0.157	0.115	0.071	0.169
Ethnic identity	Pearson Corr.	**-0.190**[·]	**-0.199**[·]	**-0.323****	0.027	-0.072
	Sig. (2-tailed)	0.091	0.077	0.004	0.814	0.526

Significance levels: [·]: p=0.10; *: p=0.05; **p=0.01, n=80

5   Testing the Contingency Model of Marketing-Mix Standardization and Its Performance Outcomes

This chapter refers to the main empirical investigation of this study. If in the previous chapter the focus lied on the empirical conceptualization and operationalization of the PCS construct, in this chapter the author proceeds to testing the contingency model of marketing-mix standardization developed in Chapter 3. At the same time, the validity of the newly developed PCS scale is to be tested within the proposed contingency model.

The chapter is structured as follows: In Chapter 5.1, structural equation modeling is described as the primary statistical method used for data analysis. Chapter 5.2 presents the evaluation procedures of measurement and structural models to be followed, while the data collection process and the used sampling frame are outlined in Chapter 5.3. Next, a descriptive analysis of the data is provided in Chapter 5.4, followed by the Partial Least Squares (PLS) path analysis results of, first, contingency factors of marketing-mix standardization in Chapter 5.5 and, second, performance outcomes of marketing-mix standardization in Chapter 5.6. Additionally, in Chapter 5.6, direct, indirect and total effects of contingency factors and marketing-mix standardization on performance are estimated in an extended PLS path model of performance determinants. Findings concerning the validation of the PCS scale are subsequently presented in Chapter 5.7. Last Chapter 5.8 focuses on testing the relationships between categorical variables such as target segment, PLC stage, market entry mode etc. and marketing-mix standardization.

5.1   Structural Equation Modeling as Primary Statistical Analysis Method

The main statistical analysis tool to be used in this study is SEM. Therefore, in the next three sections the conceptual and methodological issues related to SEM will be discussed, starting with the basic principles (Chapter 5.1.1), continuing with a comparison of the two SEM forms, covariance-based and variance-based SEM (Chapter 5.1.2), and finishing with a closer look at the variance-based SEM (i.e. PLS path modeling), whose estimation algorithm is introduced in Chapter 5.1.3.

5.1.1   Basics

SEM is a method that simultaneously assesses reliability and validity of measures of theoretical constructs (measurement or outer model) and estimates the relationships among

constructs (structural or inner model). SEM has enjoyed increasing popularity among marketing researchers over the last years, despite their complexity[29]. SEM "enable researchers to test a wide range of hypotheses concerning the relationships among any combination of manifest and latent variables" (McQuitty, 2004, p. 175). SEM as a second generation technique is superior to first generation procedures such as factor analysis, discriminant analysis or multiple regression in terms of the flexibility the researcher has for the interplay of theory and data. More precisely, researchers adopting SEM-based approaches have the flexibility to (Chin and Newsted, 1999, pp. 307-308):

- model relationships among multiple predictor and criteria variables;

- construct unobservable latent variables;

- model errors in measurement for observed variables;

- statistically test a priori theory and measurement assumptions against empirical data.

A SEM consists of (a) a measurement or outer model, which links observed or manifest variables to latent variables, i.e. to the constructs, and (b) a structural or inner model[30], which links the latent variables to each other using systems of simultaneous equations. A graphical example of a structural equation model with four latent variables is displayed in Figure 27.

Figure 27: Graphical Representation of a Structural Model

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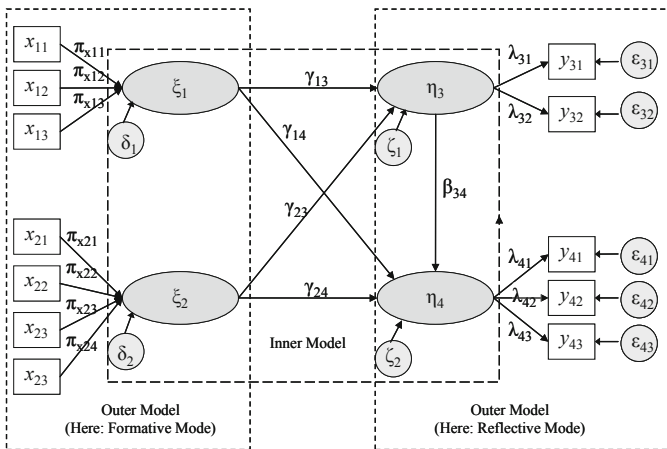
[29] See Steenkamp and Baumgartner's (2000) contribution "On the Use of Structural Equation Models for Marketing Modeling".

[30] In PLS terminology, measurement models are referred to as outer models and structural models as inner models (Henseler et al., 2009, p. 284).

Latent variables can be classified into exogenous, i.e. independent variables with no prior causal variable (ξ_1 and ξ_2), and endogenous, i.e. dependent variables (η_3 and η_4). The formal specification of the measurement model is determined by the epistemic relationships between latent variables and manifest variables (here labeled x_{ij} when associated with exogenous variables and y_{ij} when associated with endogenous latent variables), which can be either formative or reflective as described in detail in Chapter 4.1.2. In the fictitious model illustrated in Figure 27, the exogenous variables ξ_1 and ξ_2 are modeled formatively and the endogenous ones η_3 and η_4 reflectively. Formative relationships are estimated by multiple regression, with $\pi_{x_{ij}}$ representing the regression coefficients and δ_i the error term of the regression. For example, ξ_1 is represented by following equation:

(1) $$\xi_1 = \pi_{x_{11}} \cdot x_{11} + \pi_{x_{12}} \cdot x_{12} + \pi_{x_{13}} \cdot x_{13} + \delta_1.$$

Reflective relationships (here depicted for the endogenous constructs η_3 and η_4) are represented by a simple regression, where λ_{ij} is the simple regression coefficient and ε_{ij} the measurement error term of each manifest variable. Manifest variables are "reflections" of the latent variable. Thus, the equations for η_3 are the following:

(2a) $$y_{31} = \lambda_{31} \cdot \eta_3 + \varepsilon_{31};$$

(2b) $$y_{32} = \lambda_{32} \cdot \eta_3 + \varepsilon_{32}.$$

The formal specification of the structural model depicts the relationships among the latent variables. For example, η_4 is a linear function of its predictors, ξ_1, ξ_2, η_3:

(3) $$\eta_4 = \gamma_{14} \cdot \xi_1 + \gamma_{24} \cdot \xi_2 + \beta_{34} \cdot \eta_3 + \zeta_3,$$

where γ_{14}, γ_{24} and β_{34} are the path coefficients linking the predictor exogenous (ξ_1 and ξ_2) and endogenous (η_3) latent variables and ζ_3 is a residual variable. It is assumed that no linear relationships exist between the predictors and the residual variable.

5.1.2   Comparison of Covariance-Based and Variance-Based SEM

Two basic SEM approaches can be distinguished: covariance-based and variance-based. Covariance-based methods are the most widely known, implemented in software packages such as AMOS (Analysis of Moment Structures), LISREL (Linear Structural Relationships) or EQS (Equation Based Structural Program). The variance-based SEM, with PLS path modeling as the most frequently used method, is less prevalent in management research than the covariance-based alternative (Hulland, 1999, p. 196). Nevertheless, PLS is gaining increasing popularity. A growing number of studies using PLS have been recently published in top-tier and other double-blind reviewed international

marketing journals, as documented by Henseler et al. (2009, pp. 277-278). Considerable improvements of available PLS software packages (e.g. PLS-GUI, SmartPLS, VisualPLS, and SPAD-PLS) in terms of user-friendliness and functionality have had a major contribution in the diffusion of PLS (Temme et al., 2006, p. 1).

Besides progresses in software applications, also the theoretical advancement of formative-measurement models in the seminal articles of e.g. Diamantopoulos and Winklhofer (2001), Jarvis et al. (2003), MacKenzie et al. (2005) has stimulated researchers' interest in applying the PLS path modeling approach (Temme et al., 2006, p. 1). As opposed to variance-based SEM, covariance-based models have difficulties in accommodating formative measurement models, which often cause identification problems. Though some alternative solutions have been proposed (e.g. multiple indicators and multiple causes, i.e. MIMIC models or respecifying formative variables as exogenous latent variables with single indicators, fixed unit loadings, and a fixed measurement error (Williams et al., 2003, pp. 906, 908), this would involve "altering the original model in terms of its substantive meaning or parsimony, or both" (MacCallum and Browne, 1993, p. 540). Provided that multicollinearity among manifest variables of formatively measured constructs is not an issue, PLS path modeling handles successfully both formative and reflective measurement models (Henseler et al., 2009, p. 290).

The two SEM approaches differ fundamentally in their underlying optimization algorithms. The optimization algorithm of covariance-based SEM basically "attempts to minimize the difference between the sample covariances and those predicted by the theoretical model", while "the parameter estimation process attempts to reproduce the covariance matrix of the observed measures" (Chin and Newsted, 1999, p. 309). Thus, while covariance-based SEM attempts to minimize residual covariance, variance-based SEM minimizes residual variance (or maximizes explained variance). In other words, through parameter estimation procedures such as Maximum Likelihood, covariance-based SEM seeks to reproduce the observed covariance as closely as possible. PLS instead seeks to reproduce the empirical data matrix by maximizing the explained variance (R^2) in all endogenous constructs (Hulland, 1999, p. 202). In doing so, PLS is similar to ordinary least squares in terms of output and assumptions (Chin and Newsted, 1999, p. 319). Consequently, PLS is not able to provide global goodness-of-fit criteria to support confirmation or rejection of the hypothesized model, as LISREL or other covariance-based methods do. The validation of the measurement model in PLS is based rather on heuristic criteria than statistical "fit" methods. The lack of fit measures is to a certain extent compensated by means of resampling procedures such as bootstrapping or jackknifing (Henseler et al., 2009, p. 305).

Given the optimization objectives of the two SEM approaches, covariance-based SEM is considered suitable when solid theory and data are available. However, in rather

exploratory settings, when new measures are introduced and less substantial knowledge is available, variance-based SEM may be the appropriate method (Chin, 1998, p. 295). A decision in favor of any of the two approaches involves a trade-off between parameter accuracy and prediction accuracy (Fornell and Cha, 1994, p. 74). One of the advantages of PLS over covariance-based methods, namely its ability to estimate latent variables scores, is at the same time a problematic issue: latent variable scores cause biased parameter estimates. This phenomenon, called "consistency at large", means that estimates will be asymptotically correct only under the joint conditions of consistency (large sample size) and consistency at large (large number of indicators for each latent variable) (Jöreskog and Wold, 1982, p. 266).

Besides different optimization algorithms, the two SEM approaches work under different assumptions. For example, covariance-based SEM requires that observations are independent from one another, while variance-based SEM does not (Chin and Newsted, 1999, p. 308). Among the two SEM techniques, covariance-based SEM impose stricter constraints on:

▪ Data distribution: Multivariate normal distribution is required for covariance-based SEM, while PLS does not make any assumptions concerning data distribution other than predictor specification (Chin, 1998, p. 295).

▪ Sample size: Usually, large samples are a prerequisite in covariance-based SEM. Minimum recommendations start at 200 observations, varying with the desired level of statistical power (Chin and Newsted, 1999, p. 314). In contrast, PLS is valued for its ability to perform quite well in small sample settings. Rules of thumb suggest a minimum sample size of either 1) ten times the maximum number of indicators of a formative construct, or 2) ten times the maximum number of paths directed at a particular construct in the inner model (Barclay et al., 1995, p. 292). However, several authors (e.g. Goodhue et al., 2006; Henseler et al., 2009; Marcoulides and Saunders, 2006) have warned that "PLS is not a silver bullet to be used with samples of any size!" (Marcoulides and Saunders, 2006, p. VIII). Goodhue et al. (2006, p. 9) argue that the recommendations concerning PLS sample sizes are misleading in that they ignore statistical power considerations. Their findings suggest that PLS with bootstrapping does not have an advantage over covariance-based models in terms of detecting significance in small sample sizes. This is the more noteworthy as "without statistical significance, accuracy contributes no scientific knowledge" (Goodhue et al., 2006, p. 9).

▪ Measurement scales: as opposed to covariance-based SEM, PLS easily accommodates formative measurement models as well as ratio level scales (Chin and Newsted, 1999, p. 313).

▪ Model complexity: in general, the more complex a model, the higher the incidence of nonconvergence and improper solutions in covariance-based SEM (Boomsma and Hoogland, 2001, p. 149). Wold (1985, pp. 589-590) stresses PLS' superiority in explaining complex relationships: "PLS comes to the fore in larger models, when the importance shifts from individual variables and parameters to packages of variables and aggregate parameters."

Table 17 summarizes the key differences between PLS and covariance-based SEM presented in the previous paragraphs.

Table 17: Comparison of the PLS and Covariance-based SEM Approach

Criteria	PLS	Covariance-based SEM
Fundamental method	Variance-based	Covariance-based
Objective	Prediction oriented	Parameter oriented
Estimation algorithm	Iterative least-squares approximation	Maximum Likelihood approximation
Data distribution assumptions	Predictor specification (nonparametric)	Multivariate normal distribution and independent observations (parametric)
Model evaluation	Heuristic method	Statistical "fit" measures
Relationship between the indicators and the construct	Formative and reflective	Typically reflective
Parameter estimates	Consistent as indicators and sample size increase (consistency at large)	Consistent
Interdependence between the constructs	Not possible in the basic model	Possible
Sample size	Small sizes are admissible under appropriate sample power considerations	Depending on the complexity of the model, large sizes are mandatory
Implications	Optimal for prediction accuracy	Optimal for parameter accuracy

Source: Adapted from Chin and Newsted (1999, p. 314)

Given the intensive use of formative measures in this study, the rather low sample size (n=132), the absence of normal data distribution (see Chapter 5.3.3), the exploratory character of the study as well as the model complexity in terms of investigated variables, data will be analyzed via PLS path modeling. The algorithm underlying this variance-based SEM technique is presented in the next chapter.

5.1.3 PLS Path Modeling Algorithm

The core of the PLS algorithm is an iterative estimation of latent variable scores, comprising four steps illustrated in Figure 28 and described in detail in the following paragraphs (Henseler et al., 1999, pp. 287-288):

1. Estimation of outer weights: In this step, weight coefficients ω are determined that allow the aggregation of manifest variable scores (indicators) to latent variable score estimates in step 2. Since initially no weights are yet available, PLS uses "arbitrary values for the weights to initiate the iteration" (Fornell and Cha, 1994, p. 64). In subsequent iterations, outer weights are calculated based on step 4, the inside approximation. For reflective indicators, a simple regression of each indicator on the respective inner latent variable estimate is performed while minimizing Var[ξ] (see also equations 2a and 2b, p. 138). For formative indicators, a multiple regression of the latent variable inner estimate on its indicators is performed minimizing Var[δ] (see also equation 1, p. 145). The simple regression coefficients λ and multiple regression coefficient π are subsequently used in step 2 as weights ω for obtaining outer latent variable score estimates.

2. Outside approximation: A score for each latent variable is estimated as the weighted sum of its manifest variable scores. To this purpose, the weight coefficients calculated in step 1 are rescaled, so that the latent variable scores obtained have unit variance.

3. Estimation of inner weights: In step three, weight coefficients γ are calculated for the relations between latent variables (see also equation 3, p. 138), so that Var[ξ] is minimized for all endogenous variables. There are three methods for computing the weight coefficients γ: centroid weighting, factor weighting and path weighting. Though to a certain extent conceptually different, all three weighting methods produce similar outcomes. Usually, the path weighting scheme is applied, as it is "the only procedure […] that takes into account the directionality of the structural model" (Chin, 1998, p. 305).

4. Inside approximation: Based on the latent variable scores and the weights obtained in step 2, respectively step 3, a new set of latent variable scores is calculated. Each latent variable score represents the weighted aggregate of the scores of those latent variables directly connected to it in the path diagram.

The iteration stops when the change in outer weights between two iterations drops below 0.001 (Chin and Newsted, 1999, p. 316). Once the latent variable scores are determined, loadings and inner regression coefficients are directly estimated. Path coefficients result from a linear regression for each endogenous variable (Henseler et al., 2009, p. 288). In PLS, both the measurement and structural model are included in the estimation process,

while in covariance-based SEM, the testing of the structural model is conditional upon the validation of the measurement model (Chin and Newsted, 1999, p. 316).

Figure 28: PLS Algorithm
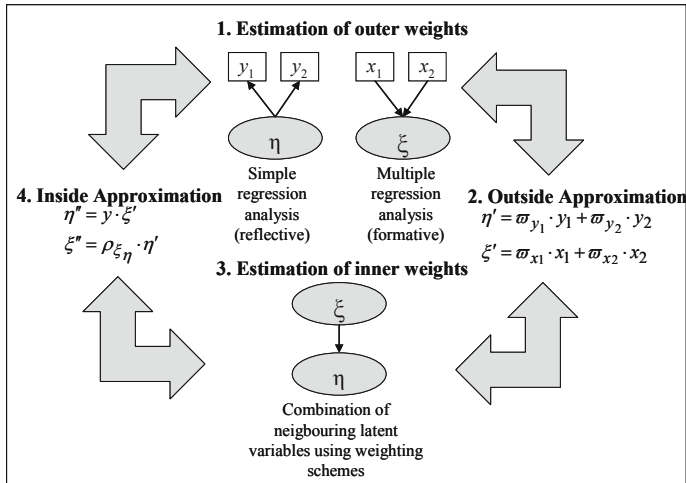
Source: Adapted from Hänlein (2004, p. 76)

5.2 Evaluation of Measurement and Structural Models

As mentioned in Chapter 5.1.2, PLS path modeling does not provide any global goodness-of-fit criteria. Instead, a catalog of criteria to assess partial model structures has been put forward by Chin (1998, pp. 316-321). The evaluation procedure follows a two-step process, where in a first instance (1) the measurement model will be assessed, followed by (2) the assessment of the structural model. As illustrated in Figure 29, the structural model is to be evaluated only after having established that the formative and reflective measures in the model meet appropriate reliability and validity criteria.

Figure 29: A Two-Step Process of PLS Path Model Assessment
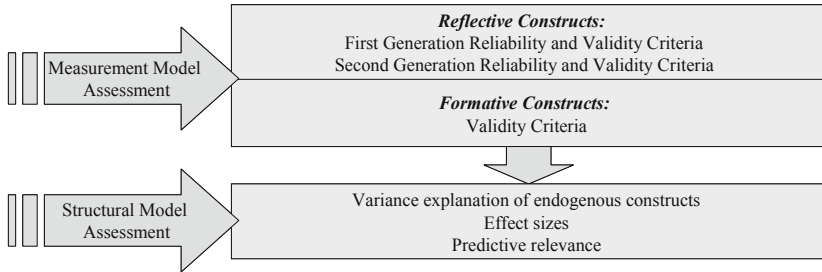
Source: Adapted from Henseler et al. (2009, p. 298)

The next sections will elaborate on the assessment procedures for reflective and formative measurement models (Chapter 5.2.1 and 5.2.2) as well as for structural models (Chapter 5.2.3). The path models are to be tested using the open-source software package SmartPLS V.2.0.M3 (Ringle et al., 2005).

5.2.1   Measurement Model Assessment: Reflective Mode

Though PLS is able to evaluate both reflective and formative measurement models, it tends to overestimate parameters in reflective outer models, due to its prediction optimization algorithm. Furthermore, PLS lacks a global optimization function and consequently measures of global goodness of model fit (Henseler et al., 2009, pp. 295-297). To overcome these shortcomings, reflective measures will be evaluated by the first and second generation criteria already presented in detail in Chapter 4.1.4. Second generation criteria rely on covariance-based confirmatory factor analysis, which on the one hand allows a global assessment of the measurement model, and on the other hand, delivers consistent parameter estimates (Huber et al., 2007, p. 24). Consequently, the validation of reflective measurement models will be performed using the statistical software packages SPSS 17.0 and AMOS 17.0.

5.2.2   Measurement Model Assessment: Formative Mode

The concepts of reliability, convergent and discriminant validity are not applicable to formative constructs. Reliability loses its meaning, due to the assumption of error-free measures. Consequently, formative measurement models cannot be assessed with reliability and validity criteria used in reflective contexts (Henseler et al., 2009, pp. 300-301). The validity of formative measures should be first examined using theoretic

rationale and expert opinion (Rossiter, 2002, p. 319). In a second step, statistical analyses at both construct and indicator level should be conducted (Henseler et al., 2009, p. 301).

At the construct level, the nomological validity is to be assessed by examining whether the formative construct behaves as expected within a net of postulated relationships. The external validity of a formative construct can be calculated by regressing the formative construct on a reflective measure of the same construct. In this case, the formative index should explain a large part of the variance of the alternative reflective measure of the construct (Henseler et al., 2009, p. 302). This presumes that for each formative construct, an equivalent reflective measure is to be included in the questionnaire, which is rarely feasible due to time and complexity constraints and consequently could not be implemented in this study.

At the indicator level, face and content validity are to be assessed prior to data collection through pre-tests. Following Anderson and Gerbing (1991, p. 374), two indices, the proportion of substantive agreement (p_{sa}) and the substantive validity coefficient (c_{sv}) were calculated using an item sorting task performed by eight fellow-researchers and eight manager experts (see Appendix III. 7). The p_{sa} index is calculated as the proportion of experts that have correctly assigned the indicators to its intended construct and can take on values between 0 and 1, where 1 is the maximum of substantial agreement. The c_{sv} index represents the difference between p_{sa} and the proportion of experts that have assigned an indicator to another than the correct construct. Its values range between -1 and 1, a higher value indicating higher content relevance.

Ex-post statistical tools are limited to bootstrapping to determine the significance of the indicators' estimated weights as well as to assessing the degree of multicollinearity among the formative indicators by calculating the variance inflation factor (VIF) and/or the tolerance values (Henseler et al., 2009, p. 302). The magnitude of the indicator weight is a measure of the indicator's contribution to defining the construct. Nevertheless, formative indicators with non-significant or low weights should not be eliminated, as their retention will not bias the estimates of significant indicators, yet their exclusion will alter the content and meaning of the formative construct (Rossiter, 2002, p. 315; Williams et al., 2003, p. 908). As a rule of thumb, a VIF greater than 10 or tolerance values beyond 30, indicate the presence of harmful multicollinearity. High indicator correlations and multicollinearity are problematic issues because a multiple regression links the formative indicators to the construct (Diamantopoulos et al., 2008, p. 1212). However, any VIF substantially higher

than 1 indicates multicollinearity[31] and may be responsible for insignificant coefficient estimates, unexpected negative signs of weights or standardized weights over 1, and "incoherent" path coefficient signs (i.e. path coefficient sign differs from correlation sign), especially when sample size is low (Hair et al., 2006, pp. 228-230; Henseler et al., 2009, p. 302). In summary, "substantial correlations among formative indicators result in unstable estimates for the indicator coefficients [...] and it becomes difficult to separate the distinct influence of individual indicators on the latent variable" (Wilcox et al., 2008, p. 1222).

If the researcher is interested only in predicting the structural relationships in the model (i.e. the inner model), no remedy to multicollinearity is necessary. The evaluation of the outer model, i.e. the interpretability of the outer weights as a measure of the relative importance of the indicators to the construct measurement, is however contingent upon eliminating multicollinearity (Cohen, 2003, pp. 425-426). The literature proposes several solutions to the multicollinearity issue, yet none is free of limitations and adverse effects nor consensually recommended. One possibility consists in summing the items (by computing either the arithmetic or geometric mean) to form an index and use the latter as a single-item construct in the subsequent analysis (Albers and Hildebrandt, 2006, p. 13). In a similar vein, Berry and Feldman (1985, p. 48) suggest combining „two or more independent variables that are highly correlated into a single variable such as a weighted or unweighted average of the original variables – and then use the composite variable in place of the correlated variables in the regression". Two critical aspects are associated with this procedure: one concerns the conceptual interpretation of an index, as combining two or more items has to make theoretically sense, and second, multicollinearity is not necessarily eliminated as "it is possible […] to find no large bivariate correlations, although one of the independent variables is a nearly perfect linear combination of the remaining independent variables" (Lewis-Beck, 1980, p. 60).

A second option mitigates the latter aspect concerning correlations and multicollinearity. It refers to conducting a principal components analysis on a set of items and using the orthogonal components scores as indicators of the formative construct, thus avoiding multicollinearity problems (Wilcox et al., 2008, p. 1222). The main principles of principal components analysis (PCA), which have already been presented in the context of the exploratory factor analysis (see Chapter 4.1.4), apply also in connection with multiple regression and multicollinearity issues. Every component or factor is a linear combination of the original variables, with the first component accounting for the largest amount of

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[31] This view is supported also by Cohen (2003, p. 425), who states that "the values of the multicollinearity indices at which the interpretation of regression coefficients may become problematic will often be considerably smaller than traditional rule of thumb guidelines such as VIF=10".

variance in the data, the second one accounting for the most variance that is still unexplained after removing the effect of the first component, extracting as many components as is necessary to explain all or a certain amount of variance in the construct (Hair et al., 2006, p. 119). Thus, the original data is reorganized into a new set of n orthogonal (i.e. independent) variables that collectively represent all the information contained in the n original indicators (the variance explained is thus 100%).

A multiple regression on the components is equivalent to a multiple regression on the original variables in terms of R^2 (Cohen, 2003, p. 429). Dropping the last few components which explain only a small percentage of the total variance will eliminate the major sources of multicollinearity with a minimum of information loss (Cohen, 2003, p. 429). As no exact heuristics exist as to the number of components to be extracted, this study will extract as many factors as necessary to explain approx. 90% of the variance. Multicollinearity being thus eliminated, estimates of weights and t-values of the orthogonal components that will be used as formative indicators (substituting the original indicators) should be (statistically) accurate. A theoretically sensible interpretation of the formative measure via principal components would be possible only if: a) original indicators load highly on one component and have low cross-loadings on the other ones, and b) the indicators forming a component share a common theme, i.e. make sense from a theoretical point of view. These conditions being satisfied, weights and t-values of the components represent proxies of the original indicators' contribution to and significance in defining the construct.

5.2.3   Structural Model Assessment

One essential criterion for the assessment of the structural model is the coefficient of determination (R^2) of the endogenous latent variables. R^2 reflects the amount of variance of the endogenous latent variable that is explained by the exogenous ones and takes on values between 0 and 1. Chin (1998, p. 323) rates R^2 values of 0.67, 0.33, and 0.19 as substantial, moderate, and weak. Since R^2 values should be positively influenced by the number of exogenous variables, a general minimum value is difficult to assert. The individual path coefficients of the PLS structural model represent standardized beta coefficients of ordinary least square regressions. If the signs of the structural paths correspond to the a priori postulated direction of relationships, the theoretically assumed relationships can be partially validated empirically.

Cohen (1988, pp. 410-413) developed a further criterion, the effect size f^2, to analyze whether an exogenous variable exerts a significant influence on the endogenous one. The effect size f^2 is calculated by comparing R^2 of the structural model when the analyzed

exogenous variable is included (R_{incl}^2) with R^2 when the analyzed exogenous variables is

excluded R_{excl}^2 based on following formula: $f^2 = \dfrac{R_{incl}^2 - R_{excl}^2}{1 - R_{incl}^2}$.

According to Cohen (1988, pp. 410-413), f^2 values of 0.02, 0.15, and 0.35 indicate small, medium, and large effects.

The confidence intervals of the path coefficients and statistical inference can be determined by means of resampling techniques such as bootstrapping (Henseler et al., 2009, p. 304). To this purpose, statistical levels of significance (α) have to be established, at which the null hypothesis (assuming that there is no effect) can be rejected. Setting specific levels of significance bears an impact on two types of errors: α errors occur when the null hypothesis is rejected, despite being true, while β errors occur in the opposite situation, i.e. when a wrong null hypothesis is not rejected, thus failing to identify a significant effect (Malhotra, 2009, p. 489). Though minimizing both types of errors is desirable, researchers focus more on minimizing α errors so as not to confirm effects that are merely statistical artifacts (Baroudi and Orlikowski, 1989, p. 88). However, in cases of small sample sizes and small strengths of expected effects, statistical power can be affected by conservative α levels. As a consequence, some effects may remain unidentified, due to the focus on avoiding α errors (Baroudi and Orlikowski, 1989, p. 89). The researcher can however control for this risk, by performing statistical power analysis, i.e. analyzing the interrelationships between sample size n, statistical significance level α, statistical power $1-\beta$, and strength of the hypothesized effect. For this study, the "compromise function" of the free software tool G*Power 3[32] is used, which computes the critical significance level and statistical power for a given sample size n, a given β/α ratio and expected effect size to be detected (Faul et al., 2007, pp. 176-177). According to Baroudi and Orlikowski (1989, p. 90), given the relatively small sample size of 132, only small to medium effects will be detected. An in-between effect size of 0.20 has thus been chosen. As to the β/α ratio, a value of 1 was set, meaning that both error types are equally weighted, as recommended by Cashen and Geiger (2004, p. 163). Based on this input data, a critical *t-value* of 1.17, a α error probability of 12.1% and a statistical power of 87.89% are obtained for a one-tailed T-test. Consequently, a level of significance of 0.10 (corresponding *t-value*: 1.28; calculated critical *t-value*: 1.17) for a one-tailed T-test ensures that small to medium effects are detected with min. 87.89% probability. The critical *t-value* for a two-tailed T-test is 1.38 (which is slightly below a significance level of 0.10) and the statistical power is

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[32] Background information on G*Power 3 and download possibility are available at http://www.psycho.uni-duesseldorf.de/abteilungen/aap/gpower3 (date: 30.09.2009).

83.14%. Consequently, significance levels of 0.10, 0.05 and 0.01 will be reported and the null hypothesis rejected for significance levels below 0.10 (for directional hypotheses, one-tailed T-test is reported).

A last criterion, Stone-Geisser Q^2, has been developed by Stone (1974) and Geisser (1975) to assess the model's predictive capacity. Q^2 measures how well the indicators of an endogenous construct are reproduced by the model, by means of a blindfolding procedure that omits part of the data for a particular block of indicators during parameter estimation (Chin, 1998, p. 317). The blindfolding procedure is applied only to endogenous variables measured in the reflective mode. If Q^2 for an endogenous reflective variable has a value larger than zero, its indicators have predictive relevance (Henseler et al., 2009, p. 305). Analog to effect size f^2, Q^2 values of 0.02, 0.15, and 0.35 reveal a small, medium, and large predictive relevance of an endogenous latent variable (Henseler et al., 2009, p. 305). In Table 18, an overview of the above mentioned evaluation criteria is provided.

Table 18: Evaluation Criteria of Structural Models

Criterion	Required Level
Coefficient of Determination R^2	$0.33 > R^2 \geq 0.19 =>$ weak
	$0.67 > R^2 \geq 0.33 =>$ moderate
	$R^2 \geq 0.67 =>$ substantial
T-value of path coefficients	$1.65 > t \geq 1.28 =>$ significance level of 0.10
	$2.33 > t \geq 1.65 =>$ significance level of 0.05
	$3.11 > t \geq 2.33 =>$ significance level of 0.01
	$t > 3.11 =>$ significance level of 0.001
Effect size f^2	$0.02 > f^2 \geq 0 =>$ small
	$0.15 > f^2 \geq 0.02 =>$ medium
	$0.35 > f^2 \geq 0.15 =>$ large
Stone-Geisser Q^2	$0.02 > Q^2 \geq 0 =>$ small
	$0.15 > Q^2 \geq 0.02 =>$ medium
	$0.35 > Q^2 \geq 0.15 =>$ large

5.3 Data Collection Process and Sampling Frame

The methodological foundations of the empirical analysis being set, this chapter will concentrate on aspects concerning the data collection process and the sampling frame, such as questionnaire design (Chapter 5.3.1), data collection procedures (Chapter 5.3.2), data quality measures (Chapter 5.3.3), and sample description (Chapter 5.3.4).

5.3.1   Questionnaire Design

The questionnaire contained 30 questions. Its paper-based version had a length of 9 pages, including a cover page with instructions (see Appendix III. 1). The web-based version was implemented using the open-source software LimeSurvey, version 1.72. The questionnaire was standardized and contained mainly closed response categories. Nominal, ordinal, and rating scales were used. *Product cultural specificity* as well as most latent variables were measured on a five-point rating scale. All scale points were labeled verbally. Rating scales with equal-interval categories can be interpreted as interval scales, which enable the use of use of parametric statistical tests (Kenny, 1986, p. 407; Nunnally, 1978, pp. 12-20; Rossiter, 2002, p. 323). The use of equal-interval categories was implemented in the graphical design of the questionnaire.

Five-point and seven-point scales are most frequently used in marketing research (Dawes, 2008, p. 62). Though it is argued that reliability increases with the number of scale points used, evidence shows that scales graded finer than five or seven points do not improve reliability further (Alwin and Krosnick, 1991, pp. 149-150; Dawes, 2008, p. 63). Therefore, this study trades in the additional benefit in terms of reliability of a seven-point scale (e.g. Dawes, 2008, p. 75) for the respondent friendliness of a five-point scale (Brace, 2008, p. 70). A further aspect to be considered is the inclusion of a mid-point in the scale. An even number of points forces the respondent to take a clear position, while an odd number of points allows for an "in-between" opinion. Common practice is allowing the respondent to choose a neutral point, as this may be reflected in the reality (Brace, 2008, pp. 72-73; Unger, 1997, p. 63). Also, a "don't know" option was included for most of the questions. When respondents are denied the "don't know" option, researchers cannot distinguish between genuine mid-point answers and hidden "don't knows" (Brace, 2008, p. 71). For the present study, the author took in consideration that the respondent, who is located at the headquarter may find it difficult to express a knowledgeable opinion on certain aspects referring to CEE, so that omitting a "don't know" category from the scale would provide less accurate responses than if the option was included (Tull and Hawkins, 1993, p. 379).

A potential problem related to empirical surveys is common method bias, i.e. systematic measurement error due to variance that is attributable to the measurement method rather than the constructs measured (Podsakoff et al., 2003, p. 879). Measurement method (including content of specific items, scale type, response format, and the general context) may induce response biases such as halo effects, social desirability, acquiescence, leniency effects, or yea- and nay-saying. (Fiske, 1982, pp. 81-84, 426). Therefore, appropriate questionnaire design may minimize possible common method bias. To this end, several provisional measures proposed by Podsakoff et al. (2003, p. 888) were implemented such

as: allowing the respondents' answers to be anonymous; assuring them that there are no right or wrong answers to reduce their evaluation apprehension; and counterbalancing the order of the measurement of the predictor and criterion variables.

According to the last principle, the questionnaire was structured in five sections:

> Part A: Industry and International Activity;
> Part B: Questions Concerning Your Selected Product;
> Part C: Configuration of Marketing-Mix;
> Part D: International Marketing Environment;
> Part E: Company Information.

The questionnaire was pre-tested via both qualitative and quantitative procedures. A qualitative feedback was provided by four marketing managers with CEE experience and eight fellow marketing researchers prior to the pre-test for initial development and validation of the PCS scale described in Chapter 4. Besides the scale development purpose, the pre-test served also as a quantitative pre-test of the complete questionnaire including all measures of interest. The pre-test version of the questionnaire contained 32 questions over 12 pages (including the cover page). The analysis of the pre-test data indicated considerable attrition due to the length of the questionnaire. To address this problem, several measures were modified either by reducing the number of items or by selecting new alternative instruments.

The latter solution was applied with regard to the macro-environmental factors: Initially, each macro-environmental factor (i.e. natural, economic, political, legal, and socio-cultural environment) was operationalized as a multiple-item measure, which is a common approach in the marketing standardization literature. Due to the fact that objective measures are available from reliable secondary sources (e.g. Eurostat database) for all macro-environmental factors, the information loss from excluding these measures would be fairly minimal. However, previous research has revealed that archival and perceptual measures of the environment do not necessarily converge (Boyd et al., 1993, p. 204). Consequently, a compromise solution was adopted, where the macro-environment is measured as a first-order perceptual construct with five items, i.e. one item for each individual macro-environmental factor.

A final round of qualitative reviews by the four CEE marketing experts and the eight fellow marketing researchers has resulted in the deletion of some more items deemed redundant or not sufficiently representative as well as in some modifications of instructions and item wording to increase comprehensibility. Following the expert opinions, the PCS scale was slightly modified by rewording PCS5, PCS11, PCS16, and PCS17, mainly to avoid possible double-barrel statements and increase clarity. Furthermore, the negatively worded item PCS8, *the consumption of this product is free of local cultural or traditional*

restraints was dropped, as his content was deemed equivalent to PCS5, *cultural norms are reflected in the consumption of this product*. PCS16, *the consumption of this product is affected by cultural taboos in many countries,* was considered to be more related to *cultural loading of consumption behavior* than to *product's ethnic identity* and was consequently subsumed to the former. The final version of the PCS scale included in the questionnaire contained following two sets of items representing the dimensions of *cultural loading of consumption behavior* and *product's ethnic identity* introduced individually by the instruction "Please indicate on a scale from 1 to 5 (1="does not apply" and 5="applies fully") to what extent the following statements apply to your selected product, in general":

Cultural loading of consumption behavior:

	does not apply **1**	applies to a low extent **2**	applies mode-rately **3**	applies to a high extent **4**	applies fully **5**	don't know
There are substantial differences between countries with respect to product ownership and usage. (PCS13)						
Cultural norms are reflected in the consumption of this product. (PCS5)						
The consumption context of this product is influenced by local cultural traditions. (PCS14)						
Consumers around the world attach different cultural meanings to this product. (PCS15)						
The consumption of this product is affected by cultural taboos in many countries. (PCS16)						
This product is influenced by tastes, habits and customs, which vary from country to country. (PCS20)						

Product's ethnic identity:

	does not apply **1**	applies to a low extent **2**	applies mode-rately **3**	applies to a high extent **4**	applies fully **5**	don't know
This product is perceived as a symbol for a specific region or a country. (PCS11)						
Consumers invest a high level of national identity in the consumption of this product. (PCS17)						
This product is associated with a specific country or region. (PCS19)						

5.3.2 Data Collection

The population of this study consisted of international marketing managers within German consumer goods manufacturers with marketing responsibilities for a product or product group in at least one of the ten CEE countries, members of the EU, i.e. Poland, Slovenia, Hungary, Slovakia, the Czech Republic, Latvia, Lithuania, Estonia, Romania and Bulgaria.

Similarly to the pre-test, the sampling frame was selected from the Schober Database, based on available contact data (name and mainly general contact email address) of (marketing) executive managers of German manufacturers of consumer goods. Only headquarters were included in the selection. A number of 4,239 companies made up the resulting sampling frame. 654 emails were returned due to wrong addresses and 117 managers sent a participation refusal message, stating following reasons:

- no marketing activity in CEE (51%);
- no time or no interest in the study (16%);
- not a B2C company (10%);
- corporate policy forbids participation in (online) surveys (10%)
- no more employed in the company (6%);
- no responsibility for the mentioned CEE countries (4%);
- company has ceased activity (3%).

Consequently, the net size of the sampling frame was 3,468 companies. Data was collected between March and April 2009, using one follow-up mailing. A personal invitation letter was emailed to the managers containing a link to the web-based version of the survey as well as one link to a downloadable PDF version of the questionnaire (8 respondents emailed or faxed the PDF version of the questionnaire). A guarantee was provided that the answers will be treated confidentially and the results published anonymously. The letter also mentioned that the questionnaire addresses Export/International Marketing Managers with product marketing responsibility area for one or more Central and Eastern European markets. The executive manager was assessed to forward the invitation to a colleague that he/she deems best qualified to provide information on this topic, in case the study is outside his/her area of expertise (a similar approach was used by Akaah, 1991, p. 45). An executive summary with the main findings of the study and the participation in a prize draw of three Amazon vouchers worth 100 € were offered as an incentive to participate in the survey (see Appendix III. 3 and III. 4).

In total, 132 questionnaires were returned. This equals a response rate of 3.8%, though, due to the overcoverage of the sampling frame, a much higher qualified response rate is

assumed. Under consideration of two unfavorable factors, the length of the questionnaire as well as the web-based data collection technique used, a response rate of 3.8% can be considered satisfactory.

Though email surveys exhibit a range advantages over postal surveys in terms of cost efficiency, response speed, and data quality (Bachmann et al., 1996, pp. 31-35; Deutskens et al., 2004, p. 21; Ilieva et al., 2002, pp. 361-368), they are associated with lower response rates compared to postal surveys (Sheehan and McMillan, 1999, p. 48). An intensified use of this data collection technique by an ever increasing number of studies has triggered a "backlash" reaction of "over-surveyed" respondents such as marketing managers, who are daily confronted with advertising emails, electronic newsletters, spam emails, and web surveys. The bottom line is a decreasing response rate of email surveys, due to respondents' skepticism and annoyance (Bachmann et al., 1999, pp. 12-15; Sheehan and McMillan, 1999, p. 48).

5.3.3 Data Quality

Key Informant Bias

A potential problem associated with the *key informant design* used in this study represents the key informant's competence (Bagozzi et al., 1991, p. 423). The key informants selected were the executive (marketing) managers identified in the Schober Database. One indicator of informant competence is the key informant's position within the company. The majority of respondents were top-level decision makers: 14% were presidents, owners and general managers, 50% were executive mangers, including marketing, export, sales or country directors, 33% were managers with CEE expertise, including key account and area managers, export, sales, marketing, product or category managers, and 3% were executive assistants or speakers (see Figure 30).

Figure 30: Key Informant Position
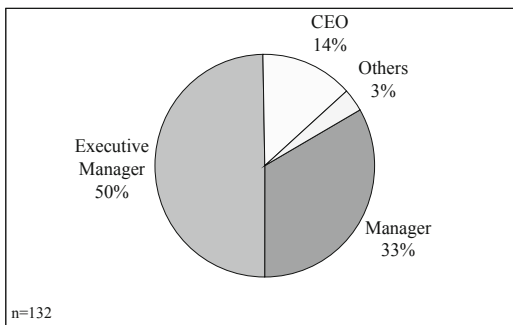
As an additional step toward minimizing *informant bias*, three screening questions were introduced at the end of the questionnaire. These intended to capture: 1) the respondent's influence upon strategic marketing decisions in CEE1; 2) the respondent's influence upon tactical marketing decisions in CEE1; 3) the respondent's knowledge about the CEE1 market, on a five-point rating scale from 1="very low" to 5="very high". The means for the three items were 3.89 (standard deviation: SD=0.86), 3.81 (SD=1.02), and 3.70 (SD=0.726), providing evidence of the competence of the key informants. As illustrated in Figure 31, over 60% of the respondents rated their influence and knowledge as "high" or "very high". Altogether, approx. 90% of answers were distributed among the categories "average", "high", and "very high", whereas less than 10% selected "low" or "very low".

Figure 31: Key Informant Quality
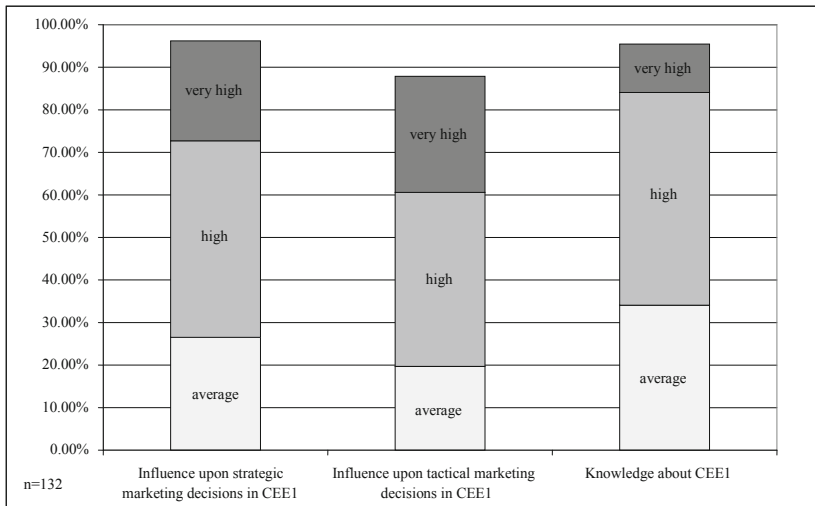
Common Method Bias

Though several measures have been implemented ex-ante to minimize *common method bias* (see Chapter 5.3.1 *Questionnaire Design*), its incidence cannot be ruled out with certainty. Harman's one factor test is a statistical procedure that allows for an ex-post investigation of potential common method bias. By means of an EFA of dependent and independent latent variables in the research model, it can be established whether one factor accounts for the majority of variance in the data. Should the latter be confirmed, common method bias is indicated (Podsakoff et al., 2003, p. 889). An EFA of the external contingency variables and the marketing-mix variables, as the most similar variables in this survey (and thus the main potential sources of common method bias), results in a twelve-

factor solution, with the first factor explaining 20% of the variance. Including further variables in the EFA, such as product and/or internal contingency factors, increases the number of factors and reduces the explained variance below 20%. Consequently, Harman's one factor test provides no evidence of common method bias in this study.

Non-Response Bias

Non-response bias was assessed using the extrapolation procedure suggested by Armstrong and Overton (1977). Ideally, the population parameters are known, so that non-response bias can be estimated directly from the data (Armstrong and Overton, 1977, pp. 396-397). As there are no sources providing objective population parameters nor data allowing for subjective estimates of non-response bias for this study, the extrapolation method is the only viable option for assessing non-response bias. To this purpose, the sample was divided into two groups according to the time of return: approx. 26% of respondents answered within the first two days after launching the survey, belonging to the group of early respondents, while 21% returned the questionnaire around the deadline set in the reminder, being assigned to the late respondents. The extrapolation procedure is based on the assumption that late respondents are more similar to non-respondents (Armstrong and Overton, 1977, p. 397). If the former exhibit different response patterns than early respondents, non-response bias can be evaluated. To uncover any systematic differences between early and late respondents, a Mann-Whitney U-test[33] was performed on all variables. Among the 93 tested variables, only 7 variables exhibited significant mean differences at a 0.05 significance level. This indicates that the sample is not substantially affected by non-response bias.

Missing Data

A common predicament of empirical surveys concerns *missing data*, which can be attributed to factors such as errors in data collection or data entry, the respondents' refusal to disclose information on certain issues, lack of opinion or insufficient knowledge to provide an answer (Hair et al., 2006, p. 54). Since missing data impacts the generalizability of the results (by reducing statistical power and/or leading to biased estimates) (Roth et al., 1999, pp. 217-219), two main aspects are to be investigated prior to selecting an appropriate remedy: the pattern and amount of missing data. Analyzing the pattern of missing data involves a parallel process of identifying possible causes of non-response and uncovering any non-random presence of missing data (e.g. concentration of missing data in specific questions, attrition in not completing the questionnaire etc.) (Hair et al., 2006,

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[33] Mann-Whitney U-test was selected because of the presence of non-normal distributions of the variables in the data set. For normally distributed variables, a two-independent samples T-test would be appropriate.

p. 49). In this study, missing data is strongly linked to the design of the survey instrument as the respondents were offered a "don't know" option for most of the questions, while disclosure of sensitive company information was not mandatory.

In this study missing values amount to 5.7% of all data. Out of 93 items, two items, estimated revenue for the last year in CEE1 and in the home-market, had over 30% missing values, three items had between 20% and 30% missing values, and nine items between 10% and 20%. Critical to the data evaluation process are high levels of missing values of dependent variables, as these might bias the results (Hair et al., 2006, p. 56). This seems not to be an issue in this study, as marketing-mix variables had missing values far below 10%. Heuristics concerning the exclusion of variables (and cases) based on the amount of missing data range between 10% and 30% (Roth and Switzer, 1995, p. 1010; Schnell et al., 2005, p. 468). Given the rather small sample size of this study, the less conservative threshold of 30% is applied. Accordingly, estimated revenue in CEE1 and home-market are excluded from further analysis. At the case level, no single case has more than 30% missing values. A visual inspection of horizontal and vertical missing value patterns, as provided by the Missing Value Analysis Module in SPSS 17.0 suggests a random occurrence of missing data. Additionally, Little's missing completely at random test yielded insignificant results (Little, 1988). Consequently, data in this study can be classified as missing completely at random, which allows for the use of the widest range of potential remedies (Hair et al., 2006, p. 57).

Three basic options are available for treating missing data: 1) listwise deletion, i.e. excluding all cases with missing values; 2) pairwise deletion, i.e. using only available data for individual analyses; 3) imputation, i.e. calculating proxies for missing data based on different approximation methods e.g. mean substitution, regression imputation, hot-deck imputation, or model-based estimation (Byrne, 2001, pp. 289-291). The first option would reduce the sample considerably, the second involves using different samples for different analyses, and thus introducing sample based biases[34]. Consequently, the third option, imputation of missing values, seems a viable alternative for this study. Among the imputation methods, model-based methods perform best in terms of representation of original distribution of values with least bias, especially when higher levels of missing data are present (Hair et al., 2006, p. 63). Within this study, metric variables were imputed using the Expectation-Maximization (EM) algorithm (Dempster et al., 1977; Rubin, 1991) implemented in the software package NORM 2.03 (Schafer, 1997). Basically, the EM algorithm comprises two iterative steps, the expectation step, where missing values are estimated via a series of regressions from the parameters of the remaining variables in the

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[34] For a critical evaluation of these two methods, see e.g. Allison (2002, p. 547), Roth et al. (1999, p. 211), Schafer and Graham (2002, p. 155).

data set, and the maximization step, where a maximum-likelihood estimation is performed on the whole data set. The EM algorithm has been found to be superior to other imputation methods in several simulation studies (e.g. Graham and Schafer, 1999; Schafer, 1997). Though it assumes multivariate distribution of data, EM is robust against departures from normality (Graham and Schafer, 1999, p. 8).

Outliers

The data was further examined to uncover any *outliers*. Outliers represent extreme values of single variables or cases with unique profiles that may distort statistical results (Hair et al., 2006, p. 73). In case of the international business experience construct, which was measured by the number of years of international business experience, number of years of presence in CEE1, and number of countries worldwide where the companies have foreign operations, data entry errors could be easily identified, as some respondents introduced the calendar year, instead of the number of years. A conversion was subsequently undertaken by the researcher. Furthermore, all metric variables were examined in SPSS using univariate and multivariate outlier detection methods. Following the recommendations of Hair et al. (2006, p. 75), standard scores above 4 were used as a criterion for univariate outlier detection. Overall, three variables had a standard score higher than 4: two concerning number of years of international business experience (both with 170 years) and one regarding years of presence in CEE1 (120 years). While the first two cases represent extreme, yet plausible values, the third case points to a data entry error, as the respondent may have confounded years of presence in CEE1 (120 years) with years of international business experience (3 years). This could be confirmed by company information data, so that the values were switched. For multivariate outlier detection, the Mahalanobis distance D^2 was computed using regression analysis in SPSS. This measure indicates how distant each case is from the mean center of all cases across a range of variables. As a threshold, cases having a D^2/df value exceeding 3 or 4 in larger samples are designated as potential outliers (Hair et al., 2006, p. 75). Using all metric variables, no single case was identified as a possible outlier.

Data Distribution

One of the basic assumptions in multivariate data analysis is that metric variables have normal distribution: "If the variation from the normal distribution is sufficiently large, all resulting statistical tests are invalid, because normality is required to use F and t statistics" (Hair et al., 2006, p. 79). The assessment of normality of the metric variables in this study was performed using both statistical tests, i.e. Kolmogorov-Smirnov test and distribution's shape characteristics, i.e. skewness and kurtosis as well as normal probability plots. The Kolmogorov-Smirnov test revealed that the distribution of variables deviates significantly

from normality. To quantify this deviation, skewness and kurtosis values were computed as well as the normal probability plots (QQ plots) visually analyzed. The skewness of the indicators is between -2.121 and 1.675 with an average of -0.199, while kurtosis ranges between -1.353 and 4.048 with an average of -0.054. These values indicate moderate departures from a univariate normal distribution[35].

A univariate normal distribution is a necessary, yet not sufficient condition for multivariate normality (DeCarlo, 1997, pp. 296-297). Multivariate normality was assessed using the SPSS macro described by DeCarlo (1997, pp. 304-307). Both Mardia's test for multivariate kurtosis and an omnibus test for multivariate normality based on Small's statistic showed that the distribution of data deviated significantly from normal distribution.

5.3.4 Sample Description

Companies from the food and beverage sector make up almost half of the sample. This reflects on the one hand the strong affiliation of the author's Chair[36] with this industry, and on the other hand the intense international activity of food and beverage companies in CEE (Statistisches Bundesamt, 2008, pp. 477-479). Well represented in the sample are also manufacturers of furnishings, housewares (e.g. sanitary objects) and accessories (e.g. home textiles) (18.3%) as well as clothing and footwear (13.6%). 20% of the companies in the sample market recreational goods, including sport equipment, toys, and music instruments, electronic equipment and stationery products in CEE1 (see Figure 32).

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[35] Several authors have suggested that values of skewness lower than 3 and of kurtosis lower than 8 indicate moderate departures from univariate normal distribution (see Chou and Bentler, 1995, p. 46; Hu et al., 1992, p. 351; Kline, 2005, p. 50). Finch et al. (1997, pp. 91-92) propose more conservative thresholds: skewness should not exceed 2 and kurtosis 7.

[36] The Chair of Brewing and Food Industry Management at the Technische Universität München, TUM School of Management is located at the Center of Life and Food Sciences Weihenstephan, a major point of reference for the food and beverage industry.

Figure 32: Represented Product Categories in the Sample

n=132
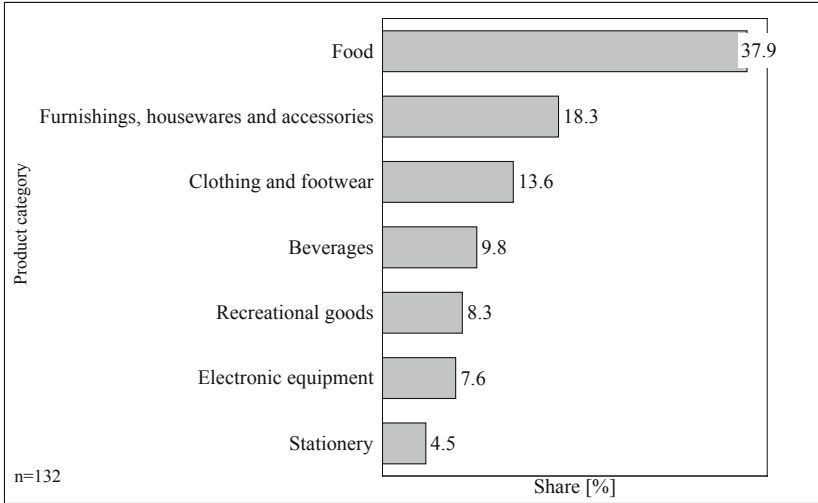
Figure 33: Frequencies of Host-Market Selection – CEE1

n=132
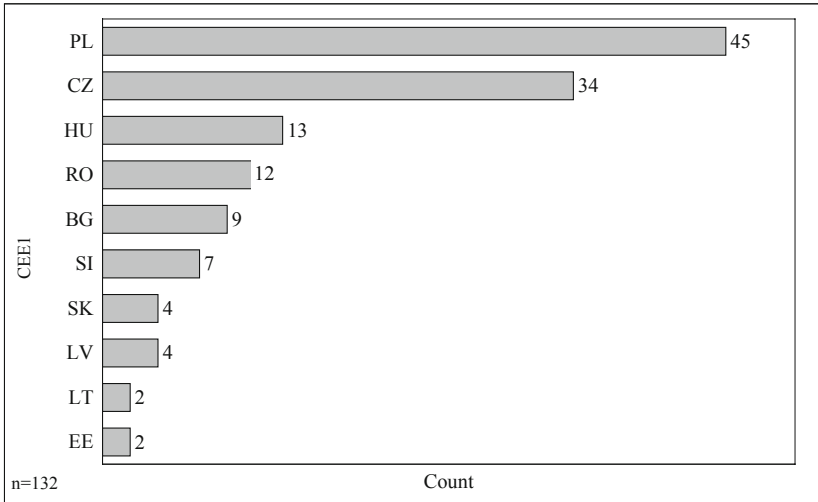
Along with the product category, each respondent selected one host-country among the ten CEE countries within the EU, referred to as CEE1. Thus, the product-market venture represented the unit of analysis of this study. Figure 33 illustrates the distribution of CEE1 options among the ten CEE countries. This distribution reproduces quite accurately the

ranking of the countries according to their importance as a foreign trade partner of Germany (see Statistisches Bundesamt, 2008, p. 479), even though respondents were asked to select the country they feel most familiar with.

When looking at the size of the participating companies (see Figure 34) in terms of the number of employees, it becomes obvious that most of the questionnaires were returned from large companies. Though the German economy is based on SME, international activity is concentrated in the hands of larger companies, as shown by the study entitled "Globalisation in the SME Sector – Chances and Risks" by KfW Bankengruppe and the Verband der Vereine Creditreform (KfW, 2006, p. 11). Many SME are unable to afford the financial strain associated with international business activities: 59 out of 97 companies that disclosed financial information in this study's questionnaire, reported a global turnover for the last financial year of over 50 Mio. €.

Figure 34: Size of Participating Companies According to Number of Employees
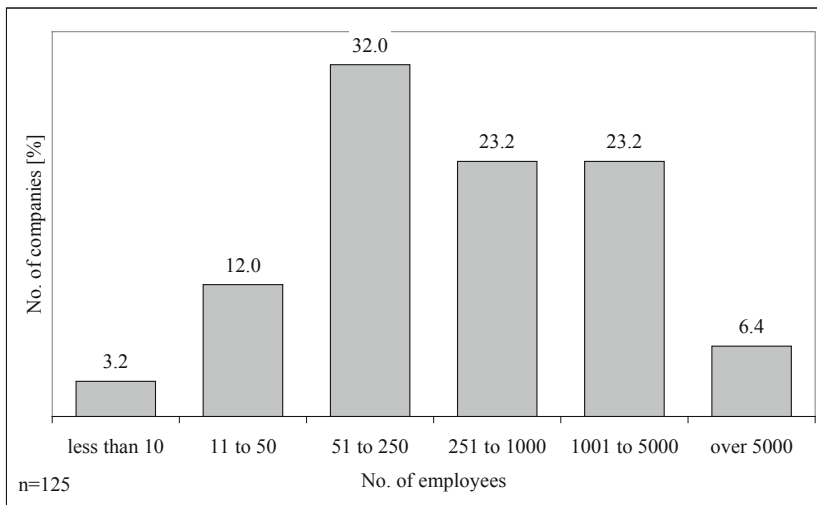
With regards to the employed mode of entry in CEE1, the sample is biased towards companies using export, either indirect (15%) or direct (63%) export as their primary mode of operation. Only one company operates through a majority joint venture, while 28 companies (21%) have set up a wholly-owned subsidiary. Their international business experience extends over an average of 31 years of international business activity and 11 years in CEE1, and covers 40 countries, on average.

The distribution of the companies in the sample according to their international orientation is biased toward polycentric oriented firms (53 out of n=132), meaning that they consider

the specifics of each foreign market individually and configure their strategy accordingly. The other three international orientation types, i.e. ethnocentric, regiocentric and geocentric, are relatively evenly distributed among the rest of the sample (see Figure 35).

Figure 35: Distribution of Companies According to Management's International Orientation
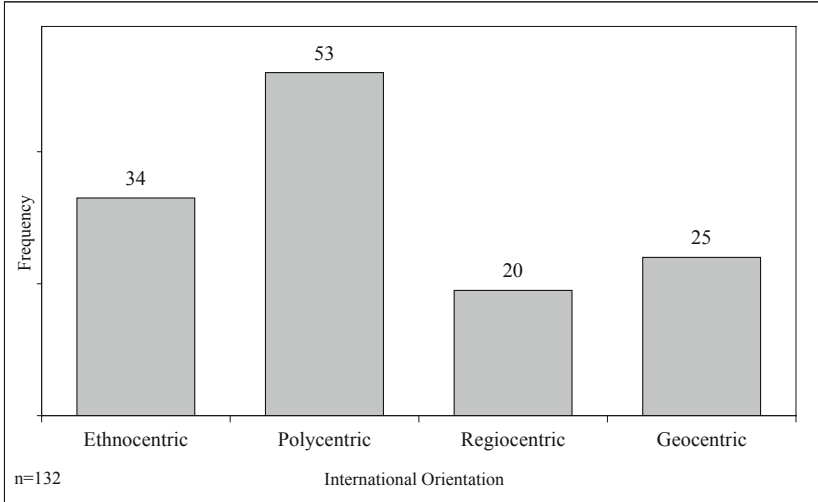
Another important firm-specific aspect pertains to the degree of centralization of the product and non-product related decision-making process for international markets. The data shows that these two types of decisions are managed differently: whereas product related decisions lie mostly in the hands of the headquarter managers (mean: $M=4.30$[37]), non-product related decisions such as pricing or selling incentives are to a lower extent centralized ($M=3.53$). Furthermore, the respondents indicated a much higher degree of agreement with statements affirming the simultaneous launching of new products on foreign markets ($M=3.24$) or the integration of requirements of international customers in the early phases of the product development process ($M=3.23$), than with statements referring to the implementation of a uniform international market research process ($M=2.65$) or the adoption of centrally developed business practices by units worldwide ($M=2.89$).

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[37] All the mean values reported in this paragraph come from a 5-point Likert scale, anchored from 1 to 5, where 1="agree" and 5="disagree".

Last, companies in CEE1 report that, on average, they perform better than their main competitors in terms of market share ($M=3.08$), sales growth ($M=3.40$), profit ($M=3.30$) and customer satisfaction ($M=3.80$), on a scale from 1 to 5, where 1="much worse" and 5="much better". Additionally, the absolute market share situation of the companies in the sample was collected both at the home-market and CEE1 level for the referred product category (see Figure 36). Generally, companies seem to perform better in the home-market than in CEE1 in terms of absolute market share.

Figure 36: Market Share Situation in the Home-Market and CEE1
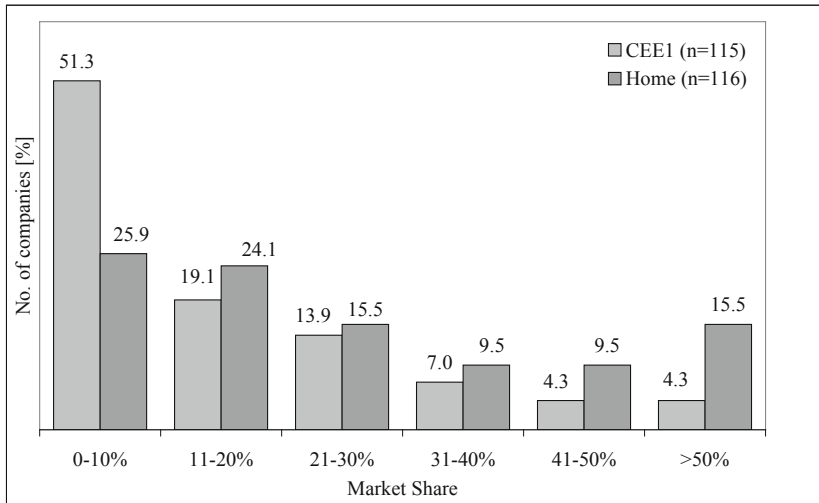
On a relative basis, only 14% of the companies (n=113) improve their market share in CEE1 as compared to the home-market, 35% perform the same, while the remaining companies achieve a lower market share in CEE1 than in the home-market.

This can be explained by the fact that 59% of the companies (n=130) in the sample, position their products in the high-priced segment in CEE1, 31% in the medium-priced segment, while only 10% focus on the low-price segment. For 65% of the companies (n=130) this represents an upholding of their positioning in the home-market, for 26% it is an upgrade, and for 9% a downgrade. Consequently, the companies in the sample seem to target less price-sensitive market segments both in the home- and the host-markets in question (apparently at the expense of a large market share).

5.4   Descriptive Data Analysis

The following sections draw a descriptive profile of the survey data. Two main areas will be highlighted: on the one hand, the status-quo of marketing-mix standardization in CEE (Chapter 5.4.1), and on the other, management's perceptions of business environment in CEE (Chapter 5.4.2).

5.4.1   Status-Quo of Marketing-Mix Standardization in CEE

Before analyzing antecedents and consequences of marketing-mix standardization in CEE, the actual degree of marketing-mix standardization is reported here so as to provide a global picture of the marketing strategy adopted by German companies in CEE. To this purpose, each individual marketing-mix element is analyzed in terms of scale means and standard deviation (see Figure 37). Among the marketing-mix elements, product strategy displays the highest degree of standardization (*M=4.22*), followed by promotion and distribution strategy (both with *M=3.45*) and pricing strategy (*M=2.95*). In absolute terms, companies seem to standardize their product strategy to a large degree, promotion and distribution to a rather moderate degree, while their pricing strategy is the least standardized, with a mean value below the mid-point of the scale.

An individual analysis of each marketing-mix element reveals that in the case of product strategy, the actual product is standardized to a higher degree than the augmented product (i.e. pre and after sales service, warranties). Relative to the other constituents of the actual product, labeling (*M=4.00*) is slightly more adapted, presumably in response to information and language barriers (Theodosiou and Leonidou, 2003, p. 161). Among the promotion elements, advertising message and creative presentation are the most standardized, whereas public relations the least standardized. This is consistent with the view that public relations are highly affected by cultural factors, social and political contexts, economic environments, and available infrastructure both at the source (i.e. the company) and the receiver level (i.e. the publics in various countries) (Keegan and Schlegelmilch, 2003, p. 481).

Figure 37: Degree of Marketing-Mix Standardization

	very different / very similar (1–5)	Standard deviation
Product Strategy	4.22	
Product features	4.41	0.94
Product design and style	4.30	1.04
Brand name	4.39	1.08
Packaging	4.42	0.90
Pre and after sales service	3.47	1.16
Product quality	4.50	0.97
Warranties	4.27	1.19
Labeling	4.00	1.20
Promotion Strategy	3.45	
Advertising message	3.72	1.26
Advertising creative presentation	3.55	1.26
Personal selling	3.48	1.12
Public relations	3.16	1.12
Sales promotion tools	3.37	1.07
Pricing Strategy	2.89	
Selling price to trade customers	3.08	1.13
Selling price to end users	2.70	1.17
Profit margins	2.79	1.06
Sales terms	3.01	1.06
Distribution Strategy	3.45	
Length of distribution channels	3.35	1.12
Type of retail outlets	3.80	1.12
Distribution coverage	3.38	1.18
Role of middlemen/ dealers	3.26	1.24

n=132

Pricing elements were the least standardized within the marketing-mix, with selling price to end users exhibiting the largest gap between home-country and CEE1. Given the persisting differences in the comparative price levels between the old and new EU members (see Figures 6 and 7 in Chapter 3.1.3), this is a plausible result. Apparently, pricing adaptation is more prevalent in less developed market environments, as Theodosiou

and Katsikeas (2001, p. 13) argue. Though distribution was expected to have a similar degree of standardization to pricing, it shows the same level of standardization as the promotion strategy. An interesting aspect concerns the relatively high degree of similarity of retail outlets between home-country and CEE1, even though 54.7% of the companies (n=128) use exclusively or mostly local retailers, while 45.3% use a balanced mix or mostly international retailers. This may mirror the ongoing harmonization process of trade structures between CEE and old EU, with international retailers acting as change agents to diffuse modern store formats and retail management techniques (Schuh, 2007b, p. 277). As illustrated in Table 19, the results presented above lend (partial) support to the hypotheses concerning the degree of marketing-mix standardization.

Table 19:   Summary of Findings: Degree of Marketing-Mix Standardization

Hypothesis 1$_{product}$	Product is the most standardized element of the marketing-mix. Within the product elements, branding is expected to exhibit the highest degree of standardization.	Supported
Hypothesis 2$_{promotion}$	Promotion elements will be standardized to a lower degree than the product elements, but to a higher degree than the pricing and distribution elements. Among the promotion elements, advertising elements are expected to be the most standardized.	Partially supported
Hypothesis 3$_{price}$	Pricing elements will exhibit the lowest degree of standardization among the marketing-mix elements.	Supported
Hypothesis 4$_{place}$	The distribution elements will have a low degree of standardization, showing a similar standardization level as the pricing elements.	Partially supported

To test for significant differences concerning the degree of marketing-mix standardization across host-countries and industries, a one-way ANOVA was conducted for each element of the marketing-mix as the dependent variable. To this purpose, Estonia, Latvia and Lithuania were grouped together as "Baltic countries" due to their low individual frequencies. Only the degree of promotion standardization differed significantly across host-countries ($F(7,124)=2.941$, $p=0.007$). Tukey post-hoc comparisons[38] of the seven groups indicate that promotion standardization in Romania (M=2.65) was significantly lower than in Poland (M=3.54), $p=0.043$ and the Czech Republic (M=3.72), $p=0.08$. Significant mean differences across industries were uncovered in case of product ($F(6,125)=3.009$, $p=0.009$) and promotion standardization ($F(6,125)=3.166$, $p=0.006$).

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[38] The Tukey post-hoc procedure is preferred here due to its ability: 1) to control for the overall type I error α, 2) to detect differences, 3) to examine a meaningful and easily interpreted set of comparisons (Stevens, 2007, p. 92).

Using Tukey post-hoc comparisons, two industries, "food" and "clothing and footwear" were identified as differing significantly in terms of product (*M "food"=3.92; M "clothing and footwear"=4.52*) and promotion standardization (*M "food"=3.12*; *M "clothing and footwear"=3.93*), with "food" having a lower standardization score in both cases than "clothing and footwear". Overall, the level of marketing-mix standardization appears to be rather homogeneous across CEE host-countries and investigated industries.

5.4.2   Management's Perceptions of Business Environment in CEE

This section intends to present in a nutshell how respondents perceive the business environment in CEE (partially as compared to their home-market, Germany), based on an aggregate description of their response patterns (using mainly mean values of the reported items). A complete overview of mean values and standard deviations of all variables included in the study is provided in Appendix III. 7.

Mainly with respect to the macro-environment, major differences are observed between home-country and CEE, with *economic* and *political conditions* being still perceived as being rather different between the reference countries (see Figure 38).

Figure 38: Perceived Similarity between Macro-Environments in Home- and Host-Country
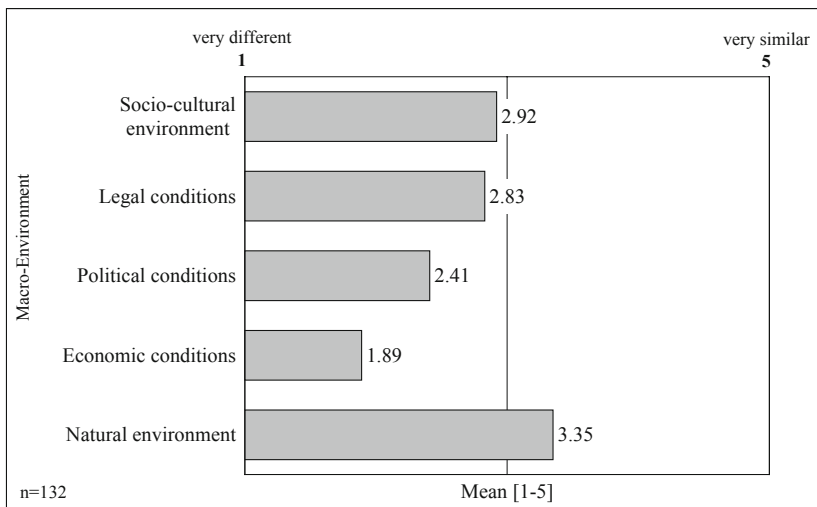
The marketing infrastructure elements receive a slightly higher similarity rating, ranging between 2.91 for *households' media infrastructure* and 3.36 for *availability of suitable advertising media channels and agencies*. The level of competition intensity in CEE (on a

scale from 1="very low" to 5="very high") is perceived as being above the average, with *intensity of competitive rivalry* as strongest competitive force (*M=3.73*), followed by *bargaining power of retailers and consumers* (*M=3.53*).

Looking at consumer characteristics, a rather heterogeneous consumer profile is suggested (see Figure 39). While *product evaluation criteria* and *consumers' requirements and preferences* are evaluated as more similar than different between home-country and CEE, *product consumption patterns*, *purchasing habits* and *price sensitivity* are definitely perceived as being rather dissimilar. The level of familiarity with the company brand is judged below the average (*M=2.67* on a scale from 1="very low" to 5="very high"), whereas product brands enjoy a slightly higher familiarity, though still at an average level (*M=3.02*). The question "to what extent do COO effects play a positive role in the purchase decision of consumers in CEE1 for your product" has been answered quite similarly for product's COO and brand's COO, with an average score of 3.43 for the former and 3.57 for the latter on a scale from 1="to a very small extent" and 5="to a very large extent".

Figure 39: Perceived Similarity between Consumer Characteristics in Home- and Host-Country
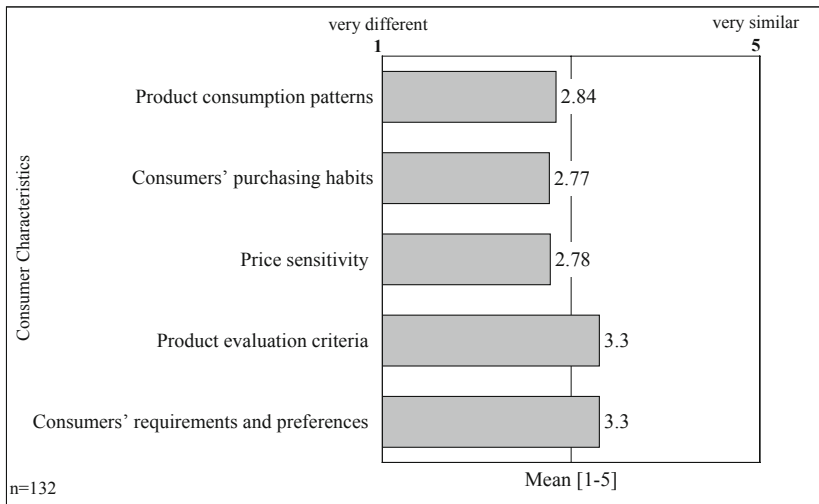
On a general note, this descriptive scanning of the data suggests that convergence may be ongoing in many aspects, yet dissimilarities between CEE and the German home-market as an exponent of "old" Western Europe, are still being perceived to a not ignorable extent.

5.5 A PLS Path Analysis of Contingency Factors of Marketing-Mix Standardization

The effects of the contingency factors presented in the conceptual framework on the standardization degree of marketing-mix elements are to be tested via PLS path analysis. Only metric variables will be included as direct variables in the path model. The reasons for a separate analysis of the influence of nominal and ordinal variables on marketing-mix standardization are based on the drawbacks of PLS path modeling in handling such variables as direct variables. PLS can accommodate nominal or ordinal variables by creating a corresponding dummy matrix for each category. However, this approach has two main drawbacks: 1) the influence of a nominal or ordinal variable can be measured only indirectly by assessing the impact of each category on the composite variable; 2) the indirect weight of a nominal or ordinal indicator in the construction of a latent variable increases as the number of its modalities increases (Trinchera and Russolillo, 2009, p. 7).

Figure 40: A Model of Determinants of Marketing-Mix Standardization
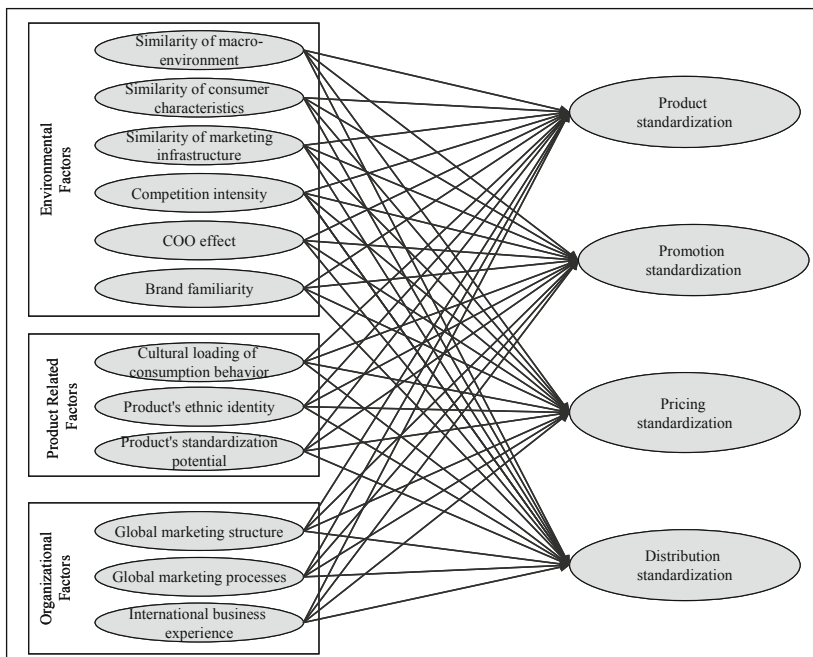
A graphical illustration of the model is presented in Figure 40. In the next sections, the model is specified in terms of operationalization and measurement model assessment of exogenous and endogenous latent variables (Chapter 5.5.1 and 5.5.2) as well as structural parameters (Chapter 5.5.3).

5.5.1 Operationalization and Measurement Model Assessment of Exogenous Latent Variables

The following paragraphs address in a first instance the operationalization of the contingency factors of marketing-mix standardization, i.e. environmental, product related and organizational factors, presented in the conceptual framework (see Chapter 3.2). In a second step, the quality of the measurement models is assessed according to the appropriate validity and reliability criteria for formative, respectively reflective constructs (see Chapter 5.2.1 and 5.2.2).

Operationalization of Environmental Factors

Environmental factors include several measures capturing the degree of perceived similarity between the home-country and CEE1 with respect to the *macro-environment*, *consumer characteristics* as well as *marketing infrastructure*. A further environmental factor is the degree of perceived *competition intensity* in CEE1, represented by Porter's five-forces (Porter, 1980, p. 6). Two factors, *COO effect* and *brand familiarity* intend to measure managers' perception of: 1) the extent to which brand and product COO play a positive role in purchase decisions in CEE1, and 2) the level of consumers' familiarity with the product and company brand in CEE1 on a scale from 1="very low" to 5="very high".

The operationalization of the variables relied on the conceptual foundations presented in Chapter 3.2 as well as on established measures in international marketing literature (see Table 20). However, most empirical studies routinely adopted a reflective modeling approach for contingency (including environmental), marketing-mix and performance factors. Such practice is prone to criticism for two reasons: A first, formal aspect concerns the adoption of reflective measures by routine, without questioning the conceptual bases of the construct and its indicators (Coltman et al., 2008, p. 1252). Jarvis et al. (2003, p. 207) found that measurement model misspecification, especially formative constructs modeled as reflective, is fairly pervasive (even) in top-tier marketing journals. A second, conceptual aspect refers to ignoring multiple calls for and arguments in favor of a formative (re)specification of environmental (e.g. Coltman et al., 2008, pp. 1255-1257; Venaik et al., 2005, p. 663), marketing-mix (e.g. Coltman et al., 2008, p. 1261; Henseler et al., 2009, p. 289) and performance constructs (e.g. Diamantopoulos, 1999, p. 445; Styles, 1998, p. 28) in international marketing studies. Therefore, the specification of the measurement model for each constructs used in this study will be based on theoretical and empirical considerations.

Table 20: Operationalization of Environmental Factors

Construct	Source	Item/Category	Scale
Similarity of macro-environment	Chung (2005); Douglas and Wind (1987); Richter (2002)	Natural environment Economic conditions Political conditions Legal conditions Socio-cultural environment	Five-item, five-point rating scale anchored by "Very different" and "Very similar" formative
Similarity of consumer characteristics	Özsomer et al. (1991); Johnson and Arunthanes (1995); Chung (2003); Katsikeas et al. (2006)	Customer requirements and preferences Product evaluation criteria Price sensitivity Purchasing habits Product consumption patterns	Five-item, five-point rating scale anchored by "Very different" and "Very similar" formative
COO effect	Shoham (1999)	Product's Country of Origin ("made-in") Brand's Country of Origin	Two-item, five-point rating scale anchored by "To a very low extent" and "To a very high extent" formative
Brand familiarity	Cavusgil and Zou (1994)	Familiarity with the product brand Familiarity with the company brand	Two-item, five-point rating scale anchored by "very low" and "very high" formative
Similarity of marketing infrastructure	Douglas and Craig (1989); Baalbaki and Malhotra (1995); Katsikeas et al. (2006)	Competencies of market research agencies Competencies of distribution firms Availability of suitable advertising media channels and agencies Structure of distribution channels Functions performed by middlemen Households' media infrastructure	Six-item, five-point rating scale anchored by "Very different" and "Very similar" formative
Competition intensity	Porter (1980); Harvey (1993); Walter (2004)	Threat of substitute products Threat of entry of new competitors Intensity of competitive rivalry Bargaining power of retailers and consumers Bargaining power of suppliers	Five-item, five-point rating scale anchored by "Very low" and "Very high" formative

By applying the criteria proposed by Jarvis et al. (2003, p. 203) for a formative specification of measures, all environmental variables appear to underlie a formative measurement approach. For instance, in the case of *similarity of the macro-environment* or *competition intensity*, each indicator is a defining characteristic of the construct,

contributing to the construct. Indicators, e.g. *natural environment* and *legal environment* or *threat of substitute products* and *bargaining power of suppliers*, are not expected to have the same antecedents and consequences, do not share a common theme, nor do they necessarily change in the same direction, if one of them changes. Moreover, a change in the indicators causes changes in the construct, e.g. a more similar legal environment will lead to a more similar macro-environment, yet changes in the construct will not change all the indicators in the same direction (a more similar macro-environment will not be ascribed to a simultaneous increase in the similarity of the natural, political, legal, economic or socio-cultural environment). The same logic applies to the other environmental constructs as well, i.e. *similarity of consumer characteristics*, *similarity of marketing infrastructure*, *COO effect and brand familiarity*, so that a formative measurement model is adopted for these variables.

Measurement Model Assessment of Environmental Factors

The assessment of the measurement models follows the proceedings described in Chapter 5.2.1 and 5.2.2 (see Table 21). For all items, content validity was examined by computing the p_{sa} index of substantive agreement and the c_{sv} substantive validity coefficient using a sample of eight academic and eight manager experts. Most indicators exceeded the recommended threshold of 0.5 for both indices (see Appendix III. 7), so that content validity can be assumed for all formative constructs in this study (Anderson and Gerbing, 1991, p. 734).

In a first step, multicollinearity was assessed via Pearson inter-item correlation coefficients (see Appendix III. 8) and VIF using SPSS 17.0. Several variables correlate at a critical level of over 0.6, while VIF values range between 1.049 and 3.138. Though at first sight one may hastily dismiss multicollinearity issues based on such evidence, an examination of PLS algorithm estimates revealed numerous problems concerning signs and values of indicator weights, making a grounded interpretation of the estimates impossible. Given the relatively small sample size, even an apparently low degree of multicollinearity may be harmful (Hair et al., 2006, p. 233). In an iterative process, starting from the strongest signals of multicollinearity, remedies were applied to the data until stable estimates could be obtained (see Chapter 5.2.2). Consequently, the two items measuring perceived *brand familiarity* (correlation coefficient: 0.668) were combined into an index using their arithmetic mean as suggested by Albers and Hildebrandt (2006, p. 13), which was introduced as a single-item construct in the subsequent analysis. The same applies to *COO effect* (correlation 0.777)[39]. Given the conceptual associations of *product brand* and

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[39] The two indices will be referred to as *COO effect (i)* and *Brand familiarity (i)*.

company brand as well as of *product's country of origin* and *brand's country of origin*, the indices have substantial meaning.

A PCA was subsequently conducted on the constructs whose VIF values exceeded 1.5 for most items. As a result, a number of components explaining at least approx. 90% of the variance replaced the original indicators in the PLS analysis. Each component was denominated according to its substantial meaning, as suggested by the factor loadings (see Appendix III. 9 which presents the factor loadings and explained variances).

The construct *similarity of macro-environment* was reduced to four components (explained variance=93.39%), three of them loading highly on respectively *natural environment*, *economic conditions*, and *political conditions*, while the fourth one is jointly defined by *legal conditions* and *socio-cultural environment*[40]. The combination of the latter matches the definition of the *socio-institutional environment* as the framework conditions of economic activity, including the rules governing social decision-making, i.e. formal rules, informal constraints and enforcement as well as distribution of capabilities and income (Rocha, 2006, p. 117; Hämäläinen, 2003, p. 27). Thus, the *socio-institutional environment* captures the meaning of both *legal conditions* and *socio-cultural environment*. *Similarity of macro-environment* is mainly determined by *political conditions (c)* and *socio-institutional environment (c)* (see Table 21).

Similarity of consumer characteristics is adequately represented by three components (explained variance=91.85%): 1) *purchase decision criteria* which merges the items *customer requirements and preferences* and *product evaluation criteria*, 2) a component based on the original *price sensitivity*, and 3) *purchase and post-purchase behavior*, jointly defined by *purchasing habits* and *product consumption patterns*. All three variables have a significant positive impact on *similarity of product characteristics*, with *purchase decision criteria (c)* having the most substantial contribution to the construct (see Table 21).

A PCA of *similarity of marketing infrastructure* yielded four components (explained variance=89.47%): 1) *competencies of marketing business partners (c)*, defined by the items *competencies of market research agencies* and *of distribution firms*), 2) *availability of suitable advertising media channels and agencies(c)*, 3) *infrastructure of distribution channels (c)*, which loads highly on *structure of distribution channels* and *functions performed by middlemen*, and 4) *households' media infrastructure (c)*. Of these, *infrastructure of distribution channels (c)* has by far the largest significant impact on the construct *similarity of marketing infrastructure*. All other indicators have low, insignificant weights (see Table 21).

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[40] When referring to components, the suffix *(c)* will be added to the variable's name, e.g. *natural environment (c)* or *socio-institutional- environment (c)*.

Table 21: Measurement Model Evaluation of Environmental Factors (I)

Construct/Item	VIF	Components/Indices	Weight	T-value	Significance (one-sided)
Similarity of macro-environment					
Natural environment	1.508	Natural environment (c)	0.22	1.11	n.s.
Economic conditions	1.767	Economic conditions (c)	0.06	0.40	n.s.
Political conditions	1.979	Political conditions (c)	0.40	2.06	*
Legal conditions	2.041	Socio-institutional environment (c)	0.89	5.20	***
Socio-cultural environment	2.002				
Similarity of consumer characteristics					
Customer requirements and preferences	3.085	Purchase decision criteria (c)	0.73	4.07	***
Product evaluation criteria	2.531				
Price sensitivity	1.840	Price sensitivity (c)	0.57	2.96	**
Purchasing habits	3.138	Purchase and post-purchase behavior (c)	0.38	1.93	*
Product consumption patterns	2.569				
COO effect					
Product's Country of Origin ("made-in")	2.526	COO effect (i)	-	-	-
Brand's Country of Origin	2.526				
Brand familiarity					
Familiarity with the company brand	1.806	Brand familiarity (i)	-	-	-
Familiarity with the product brand	1.806				
Similarity of marketing infrastructure					
Competencies of market research agencies	1.461	Competencies of marketing business partners (c)	0.11	0.55	n.s.
Competencies of distribution firms	1.882				
Availability of suitable advertising media channels and agencies	1.728	Availability of suitable advertising media channels and agencies (c)	0.10	0.82	n.s.
Structure of distribution channels	2.726	Infrastructure of distribution channels (c)	0.98	5.14	***
Functions performed by middlemen	2.201				
Households' media infrastructure	1.194	Households' media infrastructure (c)	0.03	0.21	n.s.

Significance levels: n.s.: not significant; ˙p<0.10, t: 1.28; *p<0.05, t: 1.65; **p<0.01, t: 2.33; ***p<0.001, t: 3.11

Table 21: Measurement Model Evaluation of Environmental Factors (II)

Construct/Item	VIF	Components/Indices	Weight	T-value	Significance (one-sided)
Competition intensity					
Threat of substitute products	1.451	-	0.36	1.08	n.s.
Threat of entry of new competitors	1.343	-	0.31	1.21	n.s.
Intensity of competitive rivalry	1.431	-	-0.48	1.67	*
Bargaining power of retailers and consumers	1.125	-	-0.28	1.19	n.s.
Bargaining power of suppliers	1.049	-	0.78	2.99	**

Significance levels: n.s.: not significant; ˙p<0.10, t: 1.28; *p<0.05, t: 1.65; **p<0.01, t: 2.33; ***p<0.001, t: 3.11

Competition intensity does not exhibit high levels of inter-item correlations nor do VIF values exceed 1.5, so that conducting a PCA did not seem necessary. Two items, *intensity of competitive rivalry* and *bargaining power of suppliers*, had substantial, significant and opposite effects on *competition intensity*. The reversal of signs is attributed to the negative bivariate correlations between the two items (see Hair et al., 2006, pp. 258-259).

Operationalization of Product Related Factors

Product characteristics are aggregated into a formative construct describing a *product's standardization potential*, containing a set of seven semantic differential five-point scales labeled: *low-tech|high-tech*, *simple|complex*, *standard|unique*, *traditional|innovative*, *emotional|rational*, *culture-bound|culture-free*, *symbolic|functional*. Though the construct has never been tested in this form, the measures are drawn from previous conceptual and empirical works (see Chapter 3.2.3). Another important product related factor pertains to the second-order construct of *product cultural specificity,* including the first-order constructs *cultural loading of consumption behavior* and *product's ethnic identity*, whose conceptualization and operationalization process has been presented in detail in Chapter 4 (see also Table 22).

Table 22: Operationalization of Product Related Factors

Construct	Source	Item/Category	Scale
Product's standardization potential	Huszagh et al. (1985); Domzal and Unger (1987); Cavusgil and Zou (1994); van Mesdag (2000); Usunier and Lee (2005);	Low-tech vs. high-tech	Seven-item, five-point semantic differential formative
		Simple vs. complex	
		Standard vs. unique	
		Traditional vs. innovative	
		Emotional vs. rational	
		Culture-bound vs. culture-free	
		Symbolic vs. functional	
Cultural loading of consumption behavior	Newly developed	There are substantial differences between countries with respect to product ownership and usage.	Six-item, five-point rating scale anchored by "Does not apply" and "Applies fully" reflective
		Cultural norms are reflected in the consumption of this product.	
		The consumption context of this product is influenced by local cultural traditions.	
		Consumers around the world attach different cultural meanings to this product.	
		The consumption of this product is affected by cultural taboos in many countries.	
		This product is influenced by tastes, habits and customs, which vary from country to country.	
Product's ethnic identity	Newly developed	This product is perceived as a symbol for a specific region or a country.	Three-item, five-point rating scale anchored by "Does not apply" and "Applies fully" reflective
		Consumers invest a high level of national identity in the consumption of this product.	
		This product is associated with a specific country or region.	

Measurement Model Assessment of Product Related Factors

Product's Standardization Potential

Three product characteristics, technology intensity, degree of uniqueness, and degree of rational appeal determine the product's standardization potential (see Table 23). Consistent with Terpstra and Sarathy's (2000) arguments, standard products entail a higher standardization potential than unique products. In contrast, high-tech, rational products seem to be inherently more suitable for standardization (Cavusgil et al., 1993, p. 488).

Table 23: Measurement Model Evaluation of Product's Standardization Potential

Construct/Item	VIF	Components/Indices	Weight	T-value	Significance (one-sided)
Product's Standardization Potential					
Low-tech vs. high-tech	1.710	-	0.75	2.56	**
Simple vs. complex	1.487	-	-0.20	0.94	n.s.
Standard vs. unique	1.527	-	-0.68	2.53	**
Traditional vs. innovative	1.587	-	-0.05	0.29	n.s.
Emotional vs. rational	1.158	-	0.69	2.92	**
Culture-bound vs. culture-free	1.349	-	0.09	0.35	n.s.
Symbolic vs. functional	1.378	-	-0.05	0.23	n.s.

Significance levels: n.s.: not significant; $^{+}$p<0.10, t: 1.28; *p<0.05, t: 1.65; **p<0.01, t: 2.33; ***p<0.001, t: 3.11

Product Cultural Specificity

To evaluate the measurement quality of the PCS construct, first and second generation criteria were applied to each dimension. Subsequently, the fit of the two-factor measurement model of PCS was assessed.

The *cultural loading of consumption behavior* dimension reached satisfactory levels of first generation criteria both at the factor level (Cronbach's Alpha: 0.84; AVE: 0.54) and indicator level (factor loadings exceeded 0.5 for all five indicators), providing first evidence of reliability and convergent validity. Also global fit measures indicate a satisfactory quality of the model (see Table 24). Three items, CL1, *there are substantial differences between countries with respect to product ownership and usage*, CL5, *the consumption of this product is affected by cultural taboos in many countries*, and CL6, *this product is influenced by tastes, habits and customs, which vary from country to country* performed poorly within the confirmatory factor analysis, yielding an indicator reliability below the threshold of 0.4. Another local measure, AVE (0.46) falls marginally short of the recommended cutoff value of 0.5. Nevertheless, deleting items would not improve AVE considerably (deleting CL6, AVE: 0.48, deleting CL5 and CL6, AVE: 0.53), while deteriorating the global fit measures. This suggests that larger samples are necessary and/or the items should be reviewed for a better operationalization of the instrument with less measurement error. However, given that AVE is a conservative measure and most first and second generation criteria are fulfilled, a satisfactory degree of reliability and convergent validity can be assumed for the newly developed instrument. This is in line with Homburg and Baumgartner's (1995, p. 172) recommendation not to reject a measurement model on the account of single adaptation measures failing to reach the threshold values, but base the decision on all available qualitative and quantitative information.

Table 24: Measurement Model Evaluation of Cultural Loading of Consumption Behavior

Factor/Item	First Generation Criteria			Second Generation Criteria				
	ITTC	Cronbach's alpha	Factor loading	Factor loading	T-value	IR	FR	AVE
Cultural loading of consumption behavior		≥0.7	≥0.5	≥0.5	≥1.645	≥0.4	≥0.6	≥0.5
CL1	0.51		0.65	0.56	-	0.32		
CL2	0.72	0.84	0.84	0.82	6.43	0.68		
CL3	0.72		0.84	0.85	6.50	0.72	0.83	0.46
CL4	0.63		0.77	0.70	5.86	0.48		
CL5	0.49		0.64	0.53	4.84	0.28		
CL6	0.49		0.64	0.53	4.88	0.28		
	AVE (≥0.5): 0.54			GFI (≥0.9): 0.96 χ^2/df (≤3): 1.77				
				AGFI (≥0.8): 0.91 NFI (≥0.9): 0.94				
				RMSEA (≤0.08): 0.07 CFI (≥0.9): 0.97				

As showed in Table 25, all first generation criteria for the *product's ethnic identity* exceed by far the recommended threshold values (Cronbach's alpha: 0.85, AVE: 0.77, high factor loadings), indicating satisfactory reliability and convergent validity. Also the local fit measures suggest that the construct is adequately measured by its indicators. Global fit measures are irrelevant for a model with only three items and hence, zero degrees of freedom (see Anderson et al., 1987, pp. 434-435).

Table 25: Measurement Model Evaluation of Product's Ethnic Identity

Factor/Item	First Generation Criteria			Second Generation Criteria				
	ITTC	Cronbach's alpha	Factor loading	Factor loading	T-value	IR	FR	AVE
Product's ethnic identity		≥0.7	≥0.5	≥0.5	≥1.645	≥0.4	≥0.6	≥0.5
Ethnic1	0.76		0.90	0.88	-	0.77		
Ethnic2	0.69	0.85	0.86	0.76	8.83	0.58	0.84	0.64
Ethnic3	0.70		0.87	0.78	8.94	0.60		
	AVE (≥0.5): 0.77			GFI (≥0.9): - χ^2/df (≤3): -				
				AGFI (≥0.8): - NFI (≥0.9): -				
				RMSEA (≤0.08): - CFI (≥0.9): -				

Having established that each first-order construct of the PCS construct has a satisfactory measurement model fit, the two-factor model can be evaluated via EFA and second generation criteria. RMSEA has a value of 0.09, which is higher than the threshold for a reasonable fit, but still below the threshold of 0.1 for unacceptable fit (Kline, 2005, p. 139). NFI falls marginally short of the recommended threshold value of 0.9, which may be attributed to the low sample size. As illustrated in Table 26, overall, a two-factor model of PCS shows acceptable fit.

Table 26: Measurement Model Evaluation of the PCS Second-Order Factor Model

Factor/Item	EFA		Second Generation Criteria				
	Factor loading	AVE	Factor loading	T-value	IR	FR	AVE
	≥0.5	≥0.5	≥0.5	≥1.645	≥0.4	≥0.6	≥0.5
Cultural loading of consumption behavior							
CL1	0.68		0.57	-	0.32		
CL2	0.81		0.83	6.51	0.69		
CL3	0.86	0.46	0.82	6.47	0.67	0.83	0.46
CL4	0.71		0.70	5.95	0.49		
CL5	0.53		0.55	5.01	0.30		
CL6	0.60		0.54	4.97	0.29		
Product's ethnic identity							
Ethnic1	0.88		0.87	-	0.76		
Ethnic2	0.83	0.16	0.77	9.18	0.59	0.85	0.65
Ethnic3	0.84		0.78	9.32	0.61		
		0.62	GFI (≥0.9): 0.92 χ^2/df (≤3): 2.15 AGFI (≥0.8): 0.85 NFI (≥0.9): 0.89 RMSEA (≤0.08): 0.09 CFI (≥0.9): 0.94				

Finally, the Fornell/Larcker criterion is also fulfilled (squared correlation of the two factors, 0.252 is lower than the individual AVEs, 0.46 and 0.64) and hence, discriminant validity of the second-order PCS construct confirmed.

Operationalization of Organizational Factors

The organizational factors included in the path model are *international business experience*, *global marketing structure* and *global marketing processes* (see Table 27). *International business experience* is measured by the number of years a firm had operated in international business in general and in CEE1 as well as the number of countries in which it had ongoing operations at the time of the study (Chung, 2005, p. 1353).

The organizational factors *global marketing structure* and *global marketing processes* rely on the works of Özsomer and Simonin (2004), Townsend et al. (2004), and Xu et al. (2006). Consistent with previous conceptualization and operationalization, these measures assess the degree to which companies implement a global structure and global processes using a five- respectively four-item formative scale. The use of a formative measurement approach differentiates this study from past research, which assumed a reflective operationalization. However, both conceptual and empirical considerations have lead to a respecification of the two measurement models (e.g. conceptually, the items capture different aspects of global marketing structure and processes, with causality flowing from items to the constructs; empirically, items do not have the same patterns of correlations,

nor do they all share same antecedents and consequences as the construct) (see Coltman et al., 2008, p. 1252).

Table 27: Operationalization of Organizational Variables

Construct	Source	Item/Category	Scale
International business experience	Chung (2005); Xu et al. (2006);	numbers of years in international business	Three-item, continuous rating scale formative
		number of countries currently operating in	
		years of presence in CEE1	
Global marketing structure	Özsomer and Simonin (2004); Xu et al. (2006)	Business units in the same sector report to a common global sector leader/division leader/business area leader.	Five-item, five-point rating scale anchored by "Does not apply" and "Applies fully" formative
		Our company avoids structural redundancies across various country operations.	
		We manage foreign operations through coordination structures such as global account managers, global teams, global product managers.	
		Product related decisions (e.g. brand name, product design) are made by the headquarters.	
		Non-product related decisions (e.g. pricing, sales promotion) are made by the headquarters.	
Global marketing processes	Townsend et al. (2004); Xu et al. (2006)	We have a well defined and uniform process of international market research.	Four-item, five-point rating scale anchored by "Does not apply" and "Applies fully" formative
		We develop business processes, which are then adopted by our units worldwide.	
		We introduce new products in international markets simultaneously.	
		We embed the requirements of international customers in the early phases of our product development process.	

Measurement Model Assessment of Organizational Factors

Three organizational variables are included in the PLS path model, *global marketing structure*, *global marketing processes* and *international business experience*. As presented in Table 28, most VIF values are close to the minimum of 1.0, so that multicollinearity should not be an issue (hence the decision not to apply PCA). Among the *global marketing structure* items, only item OStruct4, *product related decisions (e.g. brand name, product design) are made by the headquarters*, has a significant weight, highlighting the dominating role of this item in determining *global marketing structure*.

Table 28:   Measurement Model Evaluation of Organizational Factors

Construct/Item	VIF	Components/Indices	Weight	T-value	Significance (one-sided)
International business experience					
IBEYrs	1.189	-	0.80	2.78	**
IBECtrs	1.316	-	-0.32	0.98	n.s.
IBECEE1	1.131	-	0.66	2.33	**
Global marketing structure					
OStruct1	1.175	-	0.00	0.01	n.s.
OStruct2	1.035	-	0.09	0.38	n.s.
OStruct3	1.145	-	-0.05	0.26	n.s.
OStruct4	1.175	-	0.95	3.52	***
Ostruct5	1.163	-	-0.26	1.27	n.s.
Global marketing processes					
OProc1	1.289	-	0.37	1.42	•
OProc2	1.622	-	0.44	1.46	•
OProc3	1.521	-	0.59	1.80	*
OProc4	1.290	-	-0.19	0.29	n.s.

Significance levels: n.s.: not significant; •p<0.10, t: 1.28; *p<0.05, t: 1.65; **p<0.01, t: 2.33; ***p<0.001, t: 3.11

The construct *global marketing processes* is jointly determined by the first three items. However, the weights of OProc1, *we have a well defined and uniform process of international market research*, and OProc2, *we develop business processes, which are then adopted by our units worldwide*, are significant only at a 10% level. IBEYrs, *number of years in international business* and IBECEE1, *years of presence in CEE1* have a significant contribution to *international business experience*.

5.5.2   Operationalization and Measurement Model Assessment of Marketing-Mix Standardization Constructs as Endogenous Latent Variables

The construct of marketing-mix standardization was operationalized following the extant literature through the four classical elements: product, communication, pricing, and distribution strategy (see Table 29). A formative measurement model was assumed, based on the argument that each sub-element of the marketing-mix represents an individual decision whether to standardize or adapt. That marketing-mix standardization is better suited for formative measurement is based not only on theoretical, abstract considerations, but also on company practice. An analysis of product packaging in Germany (DE) and Romania (RO) of a random selection of German food companies provides insightful information on the standardization degree of various product elements, as illustrated in Figure 41. The images reveal that some elements are completely adapted (e.g. labeling of

Frosta and Milupa products), some are somewhere in-between (e.g. product design and style as well as packaging of Pfeifer & Langen, Frosta or Milupa), while others are fully standardized (brand names of the illustrated companies). Consequently, the decision to standardize or adapt seems to be made for each sub-element of the marketing-mix independently, rather than at a central, general level.

Figure 41: Examples of Product Packaging in Germany and Romania

Following a review of the relevant literature, measures used in previous international marketing research were identified. The pair-wise comparison method developed by Sorenson and Wiechmann (1975), where the respondent is asked to draw a comparison between the home- and host-market when evaluating each item, was used. *Product standardization* was measured by eight items, i.e. *product features*, *product design and style*, *brand name*, *packaging*, *pre and after sales service*, *product quality, warranties*, and *labeling*, adapted from Hill and Still (1984), Johnson and Arunthanes (1995), and Katsikeas et al. (2006). *Promotion standardization* was measured by five items, i.e. *advertising message*, *advertising creative presentation*, *personal selling*, *public relations*, and *sales promotion tools*, adapted from Özsomer and Simonin (2004) and Vrontis (2003). Based on Theodosiou and Katsikeas (2001), *pricing standardization* was operationalized through four items, i.e. *selling price to trade customers*, *selling price to end users*, *profit margins*, and *sales terms*. Four items, *length of distribution channels*, *type of retail outlets*, *distribution coverage*, and *role of middlemen/dealers* were used to measure *distribution standardization*. All four marketing-mix elements were measured on a five-point rating scale anchored by 1="very different" and 5="very similar".

Table 29: Operationalization of Marketing-Mix Standardization Constructs

Construct	Source	Item/Category	Scale
Product standardization	Hill and Still (1984); Johnson and Arunthanes (1995); Katsikeas et al. (2006)	Product features	Eight-item, five-point rating scale anchored by "Very different" and "Very similar" formative
		Product design and style	
		Brand name	
		Packaging	
		Pre and after sales service	
		Product quality	
		Warranties	
		Labeling	
Promotion standardization	Özsomer and Simonin (2004); Vrontis (2003); Walter (2004);	Advertising message	Five-item, five-point rating scale anchored by "Very different" and "Very similar" formative
		Advertising creative presentation	
		Personal selling	
		Public relations	
		Sales promotion tools	
Pricing standardization	Theodosiou and Katsikeas (2001)	Selling price to trade customers	Four-item, five-point rating scale anchored by "Very different" and "Very similar" formative
		Selling price to end users	
		Profit margins	
		Sales terms	
Distribution standardization	Chung (2005); Katsikeas et al. (2006)	Length of distribution channels	Four-item, five-point rating scale anchored by "Very different" and "Very similar" formative
		Type of retail outlets	
		Distribution coverage	
		Role of middlemen/dealers	

Measurement Model Assessment of Marketing-Mix Standardization Constructs

As all marketing-mix constructs exhibit rather high inter-item correlations (see Appendix III. 8) as well as VIF values between 1.457 and 3.366 (see Table 30), a PCA was conducted on each. In case of *product standardization*, six components were extracted that explain 91.97% of the variance. Four components are mainly related to one item (and are labeled accordingly), while the other two correlate highly with several items. *Product features*, *product design and style* define the component *core product (c)*, while *product quality* and *warranties* are mainly represented by the component *quality policy (c)*. *Packaging (c)*, *pre and after sales service (c)*, *quality policy (c)* and *labeling (c)* have a significant contribution to the *product standardization* construct, with *packaging (c)* and *pre and after sales service (c)* as the most important determinants (see Table 30). The *promotion standardization* construct was measured by three components (explained variance=89.21%), representing: 1) *advertising strategy (c)*, which subsumes the items *advertising message* and *advertising creative presentation*; 2) *personal communication instruments (c)*, which reflects mainly the items *personal selling* and *public relations*;

3) *sales promotion tools (c)*, which is mainly related to the original *sales promotion tools* item. Except for *advertising strategy (c)*, the components have a significant contribution to the *promotion standardization* construct (see Table 30).

Table 30: Measurement Model Evaluation of Marketing-Mix Standardization Constructs

Construct/Item	VIF	Components/Indices	Weight	T-value	Significance (one-sided)
Product standardization					
Product features	1.896	Core product (c)	0.09	0.58	n.s.
Product design and style	2.660				
Brand name	1.524	Brand name (c)	-0.04	0.16	n.s.
Packaging	1.994	Packaging (c)	0.60	2.75	**
Pre and after sales service	1.210	Pre and after sales service (c)	0.64	2.51	**.
Product quality	2.075	Quality policy (c)	-0.28	1.43	•
Warranties	1.666				
Labeling	1.457	Labeling (c)	0.37	2.04	*
Promotion standardization					
Advertising message	2.856	Advertising strategy (c)	0.26	1.04	n.s.
Advertising creative presentation	3.366				
Personal selling	1.813	Personal communication instruments (c)	0.57	2.36	**
Public relations	1.947				
Sales promotion tools	1.519	Sales promotion tools (c)	0.78	3.08	**
Pricing standardization					
Selling price to trade customers	2.393	Selling price level (c)	0.68	2.52	**
Selling price to end users	2.499				
Profit margins	2.635	Profit margins (c)	0.64	2.62	**
Sales terms	1.897	Sales terms (c)	-0.36	1.58	•
Distribution standardization					
Length of distribution channels	1.703	Length of distribution channels (c)	0.53	3.20	***
Type of retail outlets	1.661	Distribution intensity (c)	0.32	1.74	*
Distribution coverage	2.052				
Role of middlemen/dealers	1.681	Role of middlemen/dealers (c)	0.78	5.31	***

Significance levels: n.s.: not significant; •p<0.10, t: 1.28; *p<0.05, t: 1.65; **p<0.01, t: 2.33; ***p<0.001, t: 3.11

A PCA on the *pricing standardization* construct resulted in three components (explained variance=89.64%): *selling price level (c)*, *profit margins (c)*, and *sales terms (c)*. The first component represents mainly the items *selling price to trade customers* and *selling price to end users*, while the other two correlate highly with *profit margins*, respectively *sales*

terms. *Pricing standardization* is significantly determined by all three components (significance level for *sales terms (c)* is, though, only 10%) (see Table 30). Last, *distribution standardization* was measured via three components (explained variance=91.11%): 1) *length of distribution channels (c)*, 2) *distribution intensity (c)*, based on the items *type of retail outlets* and *distribution coverage*, and 3) *role of middlemen/dealers (c)*. All three components have significant weights, as shown in Table 30.

5.5.3 Structural Model Evaluation

The influence of postulated factors (operationalized as metric variables) on the degree of marketing-mix standardization is to be tested within the structural model analysis, based on the evaluation criteria presented in Chapter 5.2.3. Direct effects of the modeled factors on marketing standardization are estimated via standardized path coefficients and their significances, which convey sign, stability, and strength of the illustrated relationships (see Table 31). Significance levels are assessed by one-tailed T-tests (given the directional nature of the hypothesized relationships) using 500 bootstrap samples and the individual sign change option[41] as recommended by Henseler et al. (2009, p. 307). Prior to interpreting the results of the structural model, multicollinearity among the exogenous constructs has to be ruled out. As correlations among constructs are low (maximum correlation is 0.45 between *cultural loading of consumption behavior* and *product's ethnic identity*), there is no critical multicollinearity in the structural model (see Appendix III. 10 for all correlation coefficients among exogenous and endogenous constructs).

A hypothesis is considered: a) *supported*, if the paths to all marketing-mix elements have the postulated sign and are significant; b) *mostly supported*, if the paths to three marketing-mix elements have the postulated sign and are significant; c) *partially supported*, if paths to only one or two marketing-mix elements have the postulated sign and are significant; d) *not supported*, if none of the paths have the postulated sign and/or are insignificant.

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[41] To avoid arbitrary sign changes during the bootstrap path model estimations, resulting from the sign indeterminacy of PLS variable scores, "the signs in the outer and inner models of each resample are made consistent with the signs in the original sample" (Henseler et al., 2009, p. 307).

Table 31: Structural Model Results – Path Coefficients and T-values

Predictor	Product standardization		Promotion standardization		Pricing standardization		Distribution standardization		Hypothesis	Finding
	Path coeff.	T-value	Path coeff.	T-value	Path coeff.	T-value	Path coeff.	T-value		
Environmental factors										
Similarity of macro-environment	**0.19**•	1.61	**0.17***	1.69	0.05 n.s.	0.64	**0.17***	1.71	Hypothesis 5 $_{macroenv}$	Mostly supported
Similarity of consumer characteristics	**0.24***	2.38	**0.20***	1.74	**0.47****	3.48	0.01 n.s.	0.21.	Hypothesis 6 $_{conschar}$	Mostly supported
COO effect	**-0.23***	2.42	-0.05 n.s.	0.71	**-0.24***	2.51	**-0.14***	1.93	Hypothesis 8 $_{coo}$	No support
Brand familiarity	-0.08 n.s.	0.88	**-0.16***	1.96	**0.14**•	1.51	**-0.09**•	1.41	Hypothesis 9 $_{bfam}$	No support
Similarity of marketing infrastructure	-0.03 n.s.	0.22.	**0.23***	2.10	**-0.25***	1.91	**0.53****	3.75	Hypothesis 10 $_{markinfra}$	Partially supported
Competition intensity	**-0.17**•	1.60	**0.20***	2.21	0.06 n.s.	0.51.	0.05 n.s.	0.68	Hypothesis 11 $_{comp}$	No support
Product related factors										
Product's standardization potential	0.15 n.s.	1.11	**0.15***	1.75	0.05 n.s.	0.46	0.04 n.s.	0.44	Hypothesis 13 $_{psp}$	Partially supported
Cultural loading of consumption behavior	-0.05 n.s.	0.68	**-0.16***	1.69	-0.01 n.s.	0.18	0.00 n.s.	0.10	Hypothesis 15 $_{pcs}$	No support
Product's ethnic identity	0.06 n.s.	0.67	-0.02 n.s.	0.23	-0.03 n.s.	0.33	0.05 n.s.	0.77		
Organizational factors										
International business experience	**0.14**•	1.37	**0.17***	2.05	0.08 n.s.	1.09	**0.25***	2.46	Hypothesis 18 $_{ibe}$	Mostly supported
Global marketing structure	**0.30***	2.30	**-0.16***	1.72	**-0.17***	1.65	0.00 n.s.	0.06	Hypothesis 20 $_{gmstr}$	No support
Global marketing processes	0.02 n.s.	0.18	**0.17**•	1.49	**-0.19**•	1.33	**0.15**•	1.61	Hypothesis 21 $_{gmproc}$	Partially supported

Significance levels: n.s.: not significant; $p<0.10$, t: 1.28; *$p<0.05$, t: 1.65; **$p<0.01$, t: 2.33; ***$p<0.001$, t: 3.11

Effects of Environmental Factors on Marketing-Mix Standardization

Similarity of macro-environment has a significant, positive effect on the standardization degree of three marketing-mix elements: *product*, *promotion* and *distribution*, providing thus support for Hypothesis 5$_{macroenv}$. Perceived *similarity of consumer characteristics* has a major, significant, positive impact on *pricing standardization* and a moderate, significant, positive impact on *product* and *promotion standardization*. Though no significant effect on distribution standardization was found, Hypothesis 6$_{conschar}$ is mostly supported.

Contrary to the postulated hypothesis, *COO effect* appears to have a negative effect on marketing-mix standardization. Significant, negative path coefficients were found to *product*, *pricing* and *distribution standardization*. Consequently, Hypothesis 8$_{coo}$ has to be rejected. Also *brand familiarity* seems to have a mixed influence on marketing-mix standardization, with negative path coefficients leading to *promotion* and *distribution standardization*, and a positive one to *pricing standardization*. Thus, no support is found for Hypothesis 9$_{bfam}$ either.

Figure 42: Significant Direct Effects of Environmental Factors on Marketing-Mix Standardization
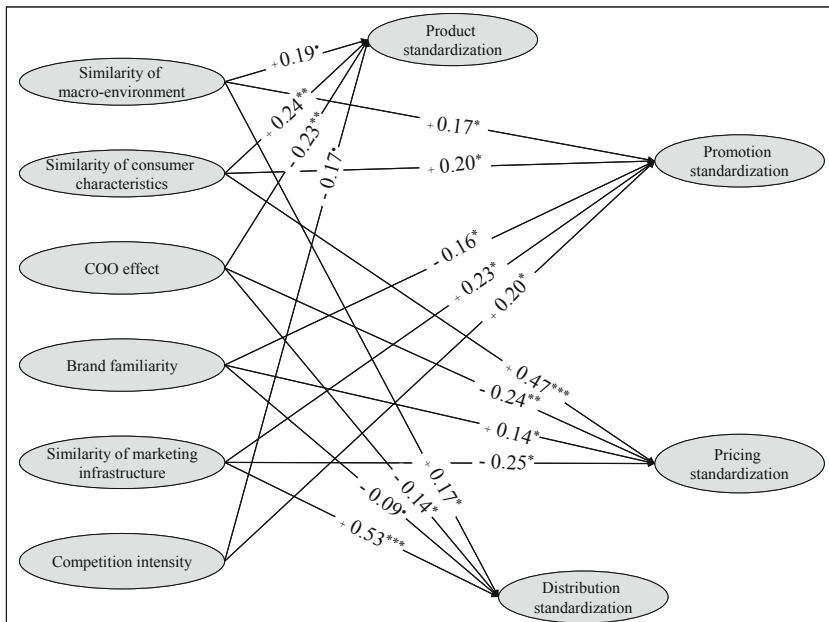
PLS path analysis results indicate an inconsistent relationship between *similarity of marketing infrastructure* and marketing-mix standardization: While a significant, positive effect was found on *promotion* and *distribution standardization*, as postulated, a significant, negative influence on *pricing standardization* is observed in the structural model. Thus, Hypothesis $10_{markinfra}$ finds only partial support in this study. As concerns the *competition intensity* factor, a negative effect on *product standardization* and a positive effect on *promotion standardization* were found to be significant. As no significant effect was found on *pricing* and *distribution standardization*, Hypothesis 11_{comp} is not supported. The identified significant direct effects are illustrated in Figure 42.

Effects of Product Related Factors on Marketing-Mix Standardization

Among product related factors, only two significant path coefficients emerged (see Figure 43): *promotion standardization* is negatively related to *cultural loading of consumption behavior* and positively to *product's standardization potential*. No significant path coefficients were found between *product's ethnic identity* and the standardization of the marketing-mix elements. Consequently, poor evidence of nomological validity of the *product cultural specificity* construct is achieved via PLS path analysis. Thus, Hypothesis 15_{pcs} finds no support in this study, while Hypothesis 13_{psp} is only partially supported.

Figure 43: Significant Direct Effects of Product Related Factors on Marketing-Mix Standardization
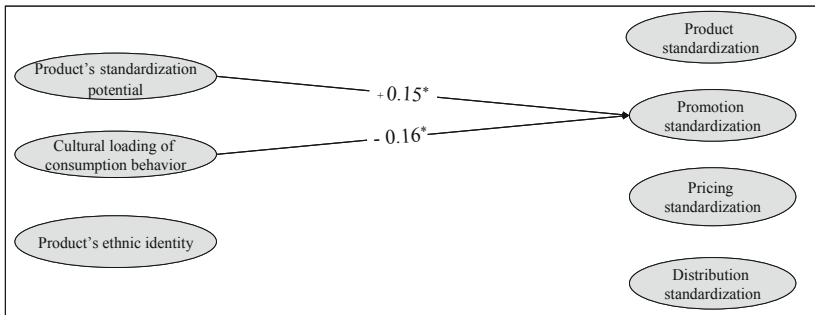
Effects of Organizational Factors on Marketing-Mix Standardization

Among the organizational factors, *international business experience* had positive, significant path coefficients to *product*, *promotion* and *distribution standardization*, in support of Hypothesis 18_{ibe}. This result adds up to the evidence suggesting a positive association between international business experience and marketing-mix standardization (e.g. Cavusgil et al., 2003, p. 72; Zou and Cavusgil, 2002, p. 51). *Global marketing structure* was found to have a significant, positive impact on *product standardization*, and

a negative one on *promotion* and *pricing standardization*. Overall, the postulated relationship between *global marketing structure* and marketing-mix standardization in Hypothesis 20_{gmstr} cannot be confirmed in this study.

The construct *global marketing processes* was positively and significantly linked to *promotion* and *distribution standardization*, providing partial evidence for Hypothesis 21_{gmproc}. However, a negative association with *pricing standardization* was found to be significant, while the path to *product standardization* was not significant (see Figure 44 for a summary of the identified significant effects).

Figure 44: Significant Direct Effects of Organizational Factors on Marketing-Mix Standardization
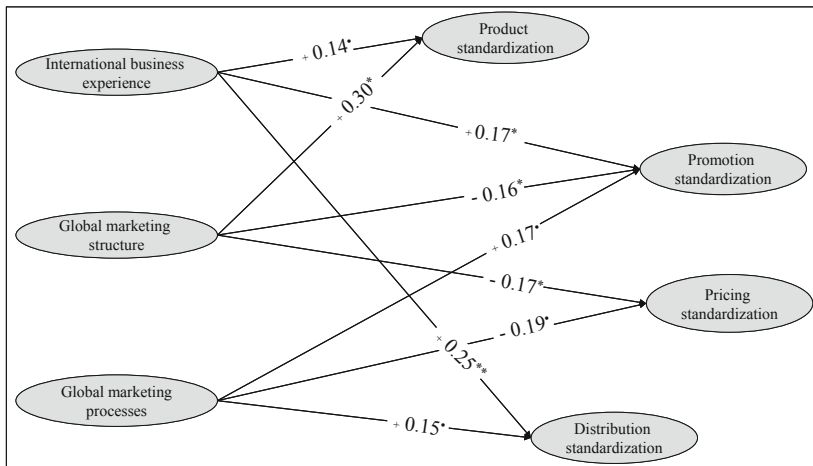
Assessment of the Model's Predictive Quality

As can be observed in Table 32, the investigated factors explain between 31% and 47% of the standardization degree of the four marketing-mix elements. The R^2 values indicate a satisfactory explanatory power of the model. Though in absolute terms R^2 values of *product*, *promotion* and *distribution standardization* can be judged moderate, even low in case of *pricing standardization*, these are comparable to other studies of international marketing standardization. For example, O'Cass and Julian (2003, pp. 378-379) found that firm-specific and environmental characteristics explain 28% of marketing-mix adaptation. In a study by Theodosiou and Katsikeas (2001, p. 13), 19% of pricing standardization was explained by similarity in economic conditions, legal environment, distribution infrastructure, and customer characteristics. Chung (2007, p. 157) reports R^2 values of 26.1% for product standardization, 37.7% for promotion standardization, 28.1% for pricing

standardization, and 45.9% for distribution standardization. Similar results are obtained also by e.g. Cavusgil et al. (1993, pp. 495-496), Griffith et al. (2003, p. 38), Johnson and Arunthanes (1995, pp. 40-41), Katsikeas et al. (2006, p. 879).

Table 32: R^2 Values of Marketing-Mix Elements

Endogenous Constructs	R^2
Product standardization	39%
Promotion standardization	39%
Pricing standardization	31%
Distribution standardization	47%

In order to assess the contribution of contingency factors to the explained variance of the dependent variables, the effect sizes f^2 presented in Table 33 need to be further analyzed. Two factors stand out as strong determinants of two target variables: *similarity of consumer characteristics* has a substantial contribution to *pricing standardization* (f^2: 0.17), respectively *similarity of marketing infrastructure* to *distribution standardizati*on (f^2: 0.41).

Table 33:   Effect Size f^2 of Exogenous Constructs

	Product standardization	Promotion standardization	Pricing standardization	Distribution standardization
Environmental factors				
Similarity of macro-environment	0.00	*0.09*	-0.06	*0.06*
Similarity of consumer characteristics	*0.05*	*0.03*	**0.17**	*0.07*
COO effect	*0.08*	*0.05*	*0.04*	*0.02*
Brand familiarity	0.01	*0.04*	0.01	*0.01*
Similarity of marketing infrastructure	0.01	*0.08*	*0.06*	**0.41**
Competition intensity	*0.03*	*0.07*	0.00	0.00
Product related factors				
Product's standardization potential	*0.02*	*0.04*	0.01	0.01
Cultural loading of consumption behavior	0.00	*0.04*	-0.03	-0.01
Product's ethnic identity	0.00	0.00	0.00	0.00
Organizational factors				
International business experience	0.01	*0.06*	-0.06	*0.10*
Global marketing structure	*0.11*	*0.07*	0.00	*0.03*
Global marketing processes	0.00	*0.04*	*0.05*	*0.03*

Note: f^2: 0.02-0.15 => *small effects*; f^2: 0.15-0.35 => **medium effects**; f^2 beyond 0.35 => **large effects**

The majority of the exogenous constructs have relatively moderate to small, heterogeneous effects on the endogenous variables. Most constructs have a positive contribution to two or three endogenous variables and an irrelevant or even slightly negative contribution to the rest. Particularly product related factors have barely any contribution to the explained variance of marketing-mix standardization. However, their exclusion would not improve the explanatory power of the model.

Corroborating the evidence from the path coefficients, t-values, R^2 and f^2 the structural model achieves moderate to satisfactory quality.

5.6   A PLS Path Analysis of Performance Outcomes of Marketing-Mix Standardization

5.6.1   Operationalization and Measurement Model Assessment of Marketing-Mix Elements as Exogenous Latent Variables

Marketing-mix elements are operationalized in the same manner as described in Chapter 5.5.2. To eliminate any multicollinearity problems, the component scores obtained via PCA are used in the model as proxies of the original indicators. Though theoretically the measurement models of marketing-mix elements have not changed as compared to the previous model, weights and t-values diverge between the models (see Table 34). This is a consequence of the optimization algorithm PLS uses, to maximize the explained variance of the endogenous latent variables and minimize the measurement error of the exogenous ones. As the endogenous variable is now *performance*, the optimization criteria are adapted to explain this variable. In other words, PLS will provide different estimates for the same measurement model, if its structural network changes: "Whether formative or reflective, loadings and weights can change for a given construct as it is applied in different contexts and associated constructs distinct from those originally developed" (Chin, 1998, p. 301). As already pointed out in Chapter 5.2.2, the validation of formative constructs should be mainly based on expert and nomological validity, as the applicability of statistical procedures to assess indicator validity is rather limited (Diamantopoulos et al., 2008, p. 1215). The presence of a high number of indicators with statistically significant weights suggests an adequate quality of the measurement models of marketing-mix standardization.

Table 34: Measurement Model Evaluation of Marketing-Mix Standardization as Exogenous Variables

Construct/Item	VIF	Components/Indices	Weight	T-value	Significance (one-sided)
Product standardization					
Product features	1.896	Core product (c)	-0.20	1.29	•
Product design and style	2.660				
Brand name	1.524	Brand name (c)	0.13	0.76	n.s.
Packaging	1.994	Packaging (c)	0.82	3.83	***
Pre and after sales service	1.210	Pre and after sales service (c)	0.48	2.39	**
Product quality	2.075	Quality policy (c)	0.19	1.30	•
Warranties	1.666				
Labeling	1.457	Labeling (c)	0.01	0.11	n.s.
Promotion standardization					
Advertising message	2.856	Advertising strategy (c)	0.57	2.32	*
Advertising creative presentation	3.366				
Personal selling	1.813	Personal communication instruments (c)	0.41	1.82	*
Public relations	1.947				
Sales promotion tools	1.519	Sales promotion tools (c)	0.71	2.98	**
Pricing standardization					
Selling price to trade customers	2.393	Selling price level (c)	0.07	0.27	n.s.
Selling price to end users	2.499				
Profit margins	2.635	Profit margins (c)	0.90	3.52	***
Sales terms	1.897	Sales terms (c)	0.42	1.73	*
Distribution standardization					
Length of distribution channels	1.703	Length of distribution channels (c)	0.87	7.67	***
Type of retail outlets	1.661	Distribution intensity (c)	0.27	1.76	*
Distribution coverage	2.052				
Role of middlemen/dealers	1.681	Role of middlemen/ dealers (c)	0.41	2.56	**

Significance levels: n.s.: not significant; •p<0.10, t: 1.28; *p<0.05, t: 1.65; **p<0.01, t: 2.33; ***p<0.001, t: 3.11

5.6.2 Operationalization and Measurement Model Assessment of Performance as Endogenous Latent Variable

Performance was measured through four aspects: market share, sales growth, profit, and customer satisfaction, widely used in studies on the EU and other regions (e.g. Chung, 2005, p. 1353; Katsikeas et al., 2006, p. 877; Theodosiou and Leonidou, 2003, p. 149).

Respondents were asked to assess these items relative to their main competitor in CEE1 on a five-point scale, anchored from 1="much worse" to 5="much better", for the last financial year (i.e. 2008). This study responds to multiple calls in the literature to reconsider the specification of the *performance* construct under a formative measurement perspective (e.g. Diamantopoulos, 1999, p. 445). The underlying logic is that companies often deliberately make trade-offs between, rather than strive to harmonize all performance objectives. A classical example of such a relationship is market share and profit, where profit may be sacrificed to achieve a higher market share. If this argument is accepted as valid, intercorrelations among the indicators are not necessarily positive, as assumed under reflective measurement. Additionally, reflective indicators should be interchangeable, which does not necessarily apply to performance indicators (see Diamantopoulos, 1999, pp. 448-449). Following these arguments, a formative measurement model of *performance* is assumed in this study.

As illustrated in Table 35, market share and profit have a major positive and significant contribution to performance. Weight of sales growth was found insignificant, that of customer satisfaction was negative and significant, suggesting a negative impact on the *performance* construct.

Table 35:   Measurement Model Evaluation of Performance

Item	VIF	Weight	T-value	Significance (one-sided)
Market share	1.938	0.57	2.30	*
Sales growth	1.740	0.08	0.46	n.s.
Profit	1.533	0.64	2.96	**
Customer satisfaction	1.321	-0.65	3.28	***

Significance levels: n.s.: not significant; $\cdot$p<0.10, t: 1.28; *p<0.05, t: 1.65; **p<0.01, t: 2.33; ***p<0.001, t: 3.11

5.6.3   Structural Model Evaluation

The four marketing-mix variables explain 35% of the variance of the performance construct, which, according to Chin (1998, p. 323), documents a moderate explanatory power of the exogenous variables. The largest, positive path coefficients were found for *product* and *promotion standardization*. A slight positive influence can be attributed also to promotion standardization, yet only at a 10% significance level. The path between *pricing standardization* and *performance* was insignificant. Effect sizes indicate a medium contribution of *product* and *distribution standardization* to explaining *performance*, while a small, negligible impact can be ascribed to *promotion* and *pricing standardization* (see Table 36). Based on the results of the path analysis, the hypothesized positive influence of *marketing-mix standardization* on *performance* can be confirmed (Hypothesis 22$_{perfor}$).

Table 36: Overview of Structural Model Evaluation Results

	Performance			
Predictor	Path coefficients	T-value	Effect size f^2	R^2
Product standardization	**0.33*****	3.52	0.13	
Promotion standardization	**0.12**ᐧ	1.38	0.02	35%
Pricing standardization	0.05	0.68	0.00	
Distribution standardization	**0.34*****	3.73	0.15	

Significance levels: n.s.: not significant; ᐧp<0.10, t: 1.28; *p<0.05, t: 1.65; **p<0.01, t: 2.33; ***p<0.001, t: 3.11

5.6.4   Direct and Total Effects of Selected Contingency Factors on Performance

As seen in the previous chapter, standardization of marketing-mix elements explains 35% of the variance of the performance construct. This result leaves a fairly large amount of the performance variance unexplained. Therefore it may be worth investigating the potential direct and indirect effects of contingency factors on performance. To this purpose, an extended model is to be estimated, including the contingency factors with significant paths[42] to the four marketing-mix standardization variables as well as their paths to performance (see Figure 45).

Figure 45: Extended Model of Performance Determinants

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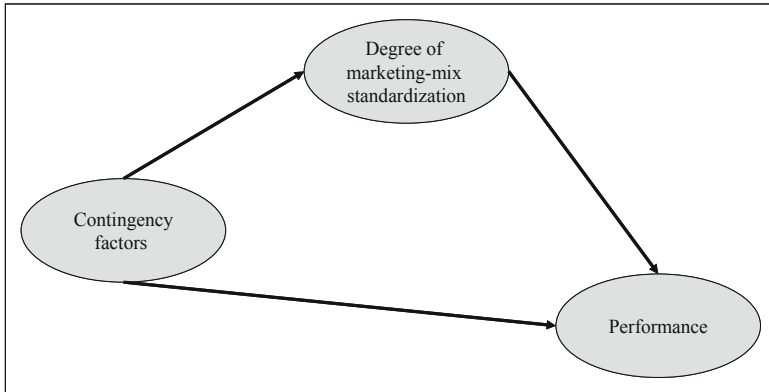
[42] The exclusion of non-significant paths between contingency factors and marketing-mix standardization is based on the "theory trimming" approach proposed by Heise (1969, p. 59) to develop more parsimonious models.

The included endogenous and exogenous factors are operationalized the same way as in the partial models analyzed in the previous chapters. The measurement model estimates of the extended model are presented in Appendix III. 12. The presence of a high number of indicators with statistically significant weights suggests an adequate quality of the measurement models of all included variables. Furthermore, all estimated paths coefficients and their t-values are included in Appendix III. 12. Since the nomological network has changed, the paths coefficients and their significance take on slightly different values as in the partial models. Nevertheless, the effects of the included contingency factors on marketing-mix standardization have not changed substantially (neither in magnitude or sign) compared to the original model presented in Chapter 5.5.3, so that a detailed description of these paths is considered redundant. However, some paths have upgraded or downgraded in terms of significance level. As illustrated in Table 37, the exclusion of insignificant paths to the marketing-mix standardization variables has not lead to a substantial decrease of their explained variance: the largest loss is recorded for promotion standardization with a decrease of 4% from 39% to 35% (see Table 32). In exchange, the included contingency factors increase the explained variance of performance to 46%, i.e. a rise of 11% as compared to the basic model with only direct effects between marketing-mix standardization and performance.

Table 37: R^2 Values of Marketing-Mix Standardization and Performance

Endogenous Constructs	R^2
Product standardization	37%
Promotion standardization	35%
Pricing standardization	29%
Distribution standardization	44%
Performance	46%

To better understand the link between contingency factors and performance, direct and total effects, i.e. the sum of a construct's direct effects and indirect effects via mediating variables, will be analyzed (Henseler et al., 2009, p. 304). In the present study, the mediating variables are represented by the marketing-mix standardization variables. As illustrated in Table 38, significant direct positive paths to *performance* were identified from *product standardization*, *distribution standardization* as well as *international business experience* and *global marketing processes*. *Competition intensity* and *brand familiarity* were found to have a significant direct negative effect on *performance*. Henseler et al. (2009, p. 304) argue that the significance of direct inner path model relationships loses relevance to researchers and practitioners. It is rather total effects that should be evaluated for further interpretation. Here, three factors exert a significant positive total effect on *performance*: *international business experience*, *global marketing*

processes and *similarity of marketing infrastructure*. *COO effect* was found to have a significant negative total effect on *performance*.

Table 38: Direct, Indirect and Total Effects on Performance

Target variable / Predictor	Performance Direct effects		Performance Indirect effects		Performance Total effects	
	Path coeff.	T-value	Mediating variable	Path	Path coeff.	T-value
Environmental factors						
Similarity of macro-environment	-0.03 n.s.	0.44	Product Promotion Distribution	0.099 -0.0065 0.0375	0.09 n.s.	0.78
Similarity of consumer characteristics	-0.06 n.s.	0.76	Product Promotion Pricing	0.0481 -0.0125 0.0432	0.02 n.s.	0.15
COO effect	-0.10 n.s.	1.18	Product Pricing Distribution	-0.074 -0.0198 -0.025	**-0.21***	1.86
Brand familiarity	**-0.14***	1.77	Promotion Pricing Distribution	0.0075 0.0198 -0.0175	-0.13 n.s.	1.20
Similarity of marketing infrastructure	0.09 n.s.	1.06	Promotion Pricing Distribution	-0.0125 -0.0153 0.135	**0.20***	1.77
Competition intensity	**-0.26****	2.38	Product Promotion	0.0481 0.0055	-0.21 n.s.	1.09
Product related factors						
Product's standardization potential	0.00 n.s.	0.09	Promotion	-0.007	0.00 n.s.	0.01
Cultural loading of consumption behavior	0.00 n.s.	0.11	Promotion	0.0075	0.01 n.s.	0.14
Organizational factors						
International business experience	**0.17***	1.73	Product Promotion Distribution	0.0999 -0.007 0.05	**0.31****	2.39
Global marketing structure	-0.03 n.s.	0.37	Product Promotion Pricing	0.1184 0.004 0.0396	0.09 n.s.	0.66
Global marketing processes	**0.27****	2.53	Promotion Pricing Distribution	-0.007 -0.0243 0.035	**0.27***	2.11
Marketing-mix elements						
Product standardization	**0.37****	2.67				
Promotion standardization	-0.05 n.s.	0.47				
Pricing standardization	0.09 n.s.	1.11				
Distribution standardization	**0.25***	2.10				

Significance levels: n.s.: not significant; ˙p<0.10, t: 1.28; *p<0.05, t: 1.65; **p<0.01, t: 2.33; ***p<0.001, t: 3.11

## 5.7   Validation of Product Cultural Specificity

As the postulated influence of PCS on *marketing-mix standardization* could not be confirmed by the path model analysis, additional insights are to be gained from Pearson correlation coefficients among the constructs of interest. All correlation coefficients indicate a (weak) negative association between the two dimensions of PCS and *marketing-mix standardization*, which was proved significant (via one-tailed T-tests) at the 0.05 level in case of *cultural loading of consumer behavior* and all marketing-mix elements, except for *distribution*, as well as in case of *product's ethnic identity* and *pricing standardization* (see Table 39). Though no causal inferences can be made based on correlation, the relationship between PCS and *marketing-mix standardization* deserves further investigation. Since on average, products in this sample exhibit rather low degrees of cultural specificity (M=2.73, SD=0.95 for *cultural loading of consumer behavior*; M=2.20, SD=1.15 for *product's ethnic identity*), they may qualify for both standardized and adapted marketing strategies. As such, a low degree of PCS may be a necessary, but not sufficient condition for a standardized marketing-mix strategy.

Table 39: Correlations between PCS and Marketing-Mix Standardization

		Product	Promotion	Pricing	Distribution	Marketing-mix
Cultural loading	Pearson Corr.	**-0.177***	**-0.205****	**-0.222****	-0.037	**-0.229****
	Sig. (1-tailed)	0.021	0.009	0.005	0.335	0.004
Ethnic identity	Pearson Corr.	-0.079	-0.085	**-0.149***	-0.037	-0.127
	Sig. (1-tailed)	0.183	0.166	0.044	0.336	0.074

Significance levels: *: p=0.05; **p=0.01

An interesting and (theoretically) long-debated issue has been the relationship between PCS and different product categories (see Chapter 3.2.3). This study is able to contribute empirical evidence to substantiate some of the commonly "taken for granted" assumptions. One of these suggests that consumer nondurables (n=79) exhibit a higher degree of PCS than consumer durables (n=53). A two-sample T-test detected significant differences between the two categories for both *cultural loading of consumer behavior* (M(CND)=2.96, M(CD)=2.38, p=0.001) and *product's ethnic identity* (M(CND)=2.38, M(CD)=1.77, p=0.001), confirming thus that higher levels of PCS are associated with consumer nondurables (see Figure 46). Further anecdotal evidence suggests that food products will be more culture-bound than non-food products. To test this proposition, products belonging to the food and beverages industries were subsumed to the "food" category (n=63), while the rest represented the "non-food" category (n=69). A T-test yielded significant differences among the two categories for both dimensions of PCS, *cultural loading of consumption behavior* (M(food)=3.05, M(non-food)=2.43, p=0.001) and *product's ethnic identity* (M(food)=2.67, M(non-food)=1.77, p=0.001) (see Figure 46).

Figure 46: Product Cultural Specificity of CND vs. CD and Food vs. Non-food Products
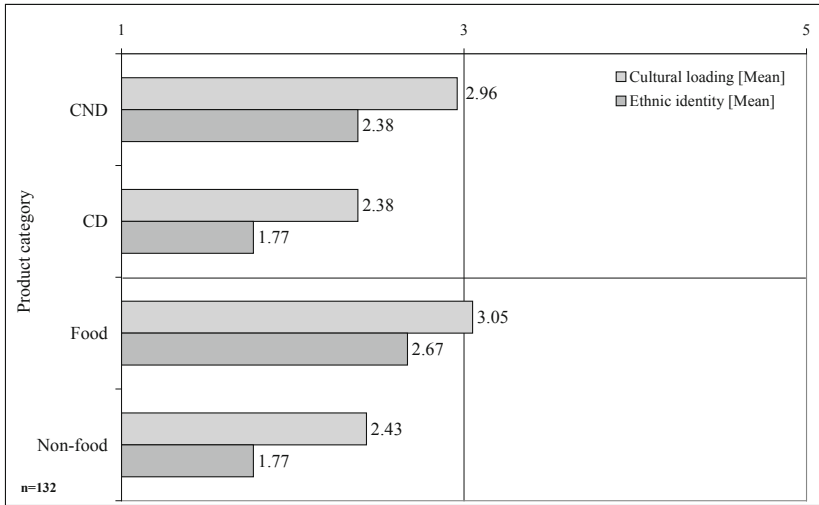
To obtain a more detailed picture of the PCS scores at the product category level, the mean scores of each PCS dimension are plotted for each industry represented in the sample. Thus, the intuitive classification of product categories along their cultural specificity proposed by Meffert and Bolz (1998, p. 183) can be triangulated with empirical data. The highest scores of *cultural loading of consumption behavior* can be observed, as expected, for the food and beverages industries, while the lowest ones are recorded by the furnishings, housewares and accessories as well as electronic equipment industries (see Figure 47). However, differences among non-food industries are not very large. The classification of Meffert and Bolz (1998, p. 183) is only partially supported by empirical evidence. Especially clothing and footwear appear to exhibit a lower degree of cultural loading than postulated by Meffert and Bolz, who considered textiles as highly culture-bound (Meffert and Bolz, 1998, p. 183). Otherwise, the ranking presented here fits roughly their classification (see Chapter 3.2.3, p. 83).

Figure 47: Mean Score of Cultural Loading of Consumption Behavior Across Industries
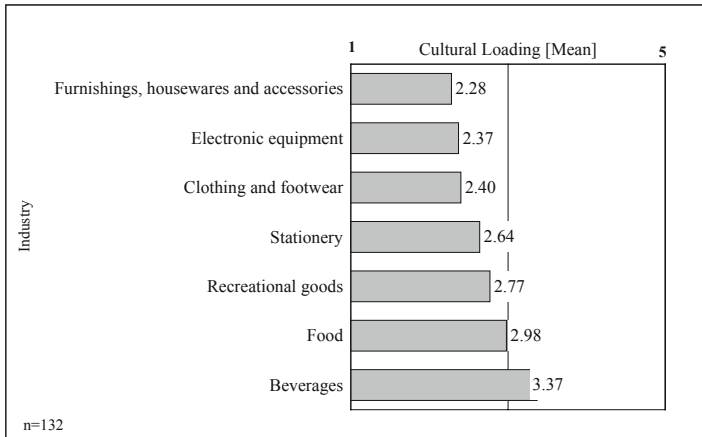
Overall, *product's ethnic identity* has a lower mean score than *cultural loading of consumer behavior*, with peak values being reached by the food and beverages industries, followed by recreational goods (see Figure 48). That beverage products are attributed a higher degree of ethnic identity may be owed to the presence of German breweries (n=7) in this sample, which are renowned for their beer throughout the world. Lowest scores are observed for stationery and clothing and footwear industries.

Figure 48: Mean Score of Product's Ethnic Identity Across Industries
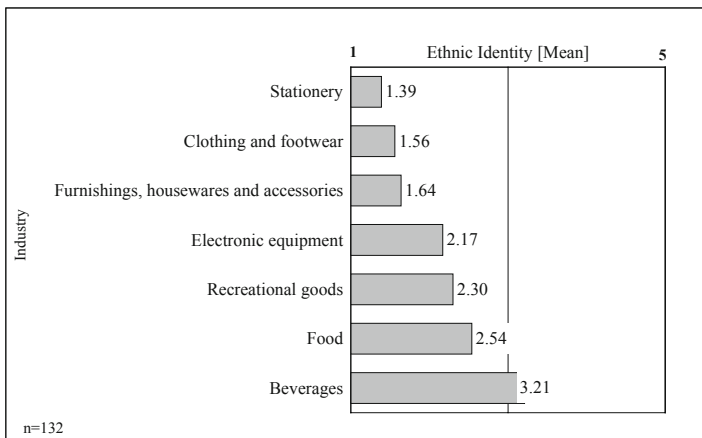
5.8   Investigating Relationships Between Categorical Variables and Marketing-Mix Standardization in CEE1

5.8.1   Target Segment and Marketing-Mix Standardization

The respondents were asked to select the targeted consumer segment both in the home- and host-market among the categories: high-price, middle-price and low-price segment. Based on this data, two dummy variables were computed: One representing the relative position between home- and host-market, coded "0" for no difference between targeted segments and "1" for an upgrade or downgrade of market segments. The second one concerned the targeted segment in the host-market, coded "1" for low-price and middle-price segment and "2" for the high-price segment. A two-sample T-test was conducted to examine whether the degree of standardization of the marketing-mix elements (calculated as means of their indicators) differs among the groups defined above. Though two of the dependent variables, *product standardization* and *pricing standardization* are not normally distributed according to the Kolmogorov-Smirnov test, T-test is considered to be rather robust against violations of the normality assumption (Stevens, 2007, p. 9).

Table 40:   Target Segment in CEE1 and Marketing-Mix Standardization

	Target Segment in CEE1	n	M	SD	Levene's Test for Equality of Variances	F	Sig.	T-Test Sig. (2-tailed)
Product	(1) low-/middle-price	53	**3.94**	0.78	Equal variances assumed	4.299	0.040	0.00
	(2) high-price	77	**4.41**	0.61	Equal variances not assumed			**0.00**
Promotion	(1) low-/middle-price	53	3.31	0.96	Equal variances assumed	0.640	0.425	0.15
	(2) high-price	77	3.54	0.84	Equal variances not assumed			0.16
Pricing	(1) low-/middle-price	53	3.04	0.84	Equal variances assumed	0.079	0.780	0.36
	(2) high-price	77	2.90	0.87	Equal variances not assumed			0.35
Distribution	(1) low-/middle-price	53	3.40	1.00	Equal variances assumed	1.282	0.260	0.61
	(2) high-price	77	3.48	0.88	Equal variances not assumed			0.62
Marketing-Mix	(1) low-/middle-price	53	3.42	0.63	Equal variances assumed	2.157	0.144	0.12
	(2) high-price	77	3.58	0.54	Equal variances not assumed			0.13

n=130

As indicated in Table 40, generally, a higher degree of standardization was associated with the high-price segment, yet the mean difference was significant only for the *product* element (M(1)=3.94, M(2)=4.41, p=0.001). An exception to this trend concerned *pricing* strategy, where a slightly lower degree of standardization was observed for the high-price segment than the middle- and low-price segment. Consequently, Hypothesis $7_{targsegm}$, which postulates that a higher degree of standardization is associated with the high-price target segment, can be confirmed only for the product element.

A two-sample T-test was conducted to assess whether addressing different target segments between home- and host-market is associated with a lower degree of marketing-mix standardization. As can be seen in Table 41, comparing absolute mean values supports this assertion, yet significant differences can be found only for promotion (M(0)=3.56, M(1)=3.23, p=0.04), pricing (M(0)=3.07, M(1)=2.75, p=0.04), and overall marketing-mix standardization (M(0)=3. 60, M(1)=3.37, p=0.03).

Table 41: Relative Market Position and Marketing-Mix Standardization

	Relative Market Position	n	M	SD	Levene's Test for Equality of Variances	F	Sig.	T-Test Sig. (2-tailed)
Product	(0) No change	84	4.27	0.66	Equal variances assumed	1.798	0.182	0.29
	(1) Upgrade/ downgrade	46	4.13	0.82	Equal variances not assumed			0.33
Promotion	(0) No change	84	**3.56**	0.88	Equal variances assumed	0.003	0.958	**0.04**
	(1) Upgrade/ downgrade	46	**3.23**	0.88	Equal variances not assumed			0.04
Pricing	(0) No change	84	**3.07**	0.88	Equal variances assumed	1.212	0.273	**0.04**
	(1) Upgrade/ downgrade	46	**2.75**	0.79	Equal variances not assumed			0.04
Distribution	(0) No change	84	3.49	0.95	Equal variances assumed	0.626	0.430	0.52
	(1) Upgrade/ downgrade	46	3.38	0.89	Equal variances not assumed			0.51
Marketing-Mix	(0) No change	84	**3.60**	0.55	Equal variances assumed	0.069	0.793	**0.03**
	(1) Upgrade/ downgrade	46	**3.37**	0.62	Equal variances not assumed			0.04

n=130

5.8.2 Product Life Cycle Stage, Nature of Product and Marketing-Mix Standardization

Two product related categorical variables refer to *product life cycle* stage in the home- and host-market, i.e. introduction, growth, maturity and decline (e.g. Johnson and Arunthanes, 1995; Kotabe and Omura, 1989) and the *nature of product* in terms of purchase frequency, i.e. "1"=*consumer nondurables* vs. "2"=*consumer durables* (e.g. Cavusgil et al., 1993; Chung, 2005; Johnson and Arunthanes, 1995). The assignment to one of the latter two categories was undertaken by the author based on the reported product category.

The influence of PLC stage is to be analyzed using two dummy variables:

▪ absolute PLC stage in CEE1, coded "1" for early stages, i.e. introduction and growth, and "2" for late stages, i.e. maturity and decline;

▪ relative PLC stage, coded "1" when the product is in the same life cycle stage both in the home- and host-market, and "2" when PLC stages differ between home- and host-market.

Table 42: Absolute PLC Stage in CEE1 and Marketing-Mix Standardization

	Absolute PLC stage in CEE1	n	M	SD	Levene's Test for Equality of Variances	F	Sig.	T-Test Sig. (2-tailed)
Product	(1) early stage	97	4.26	0.68	Equal variances assumed	0.441	0.508	0.37
	(2) late stage	32	4.13	0.82	Equal variances not assumed			0.41
Promotion	(1) early stage	97	**3.36**	0.88	Equal variances assumed	0.025	0.873	**0.02**
	(2) late stage	32	**3.79**	0.89	Equal variances not assumed			0.02
Pricing	(1) early stage	97	2.88	0.87	Equal variances assumed	0.251	0.617	0.09
	(2) late stage	32	3.19	0.92	Equal variances not assumed			0.10
Distribution	(1) early stage	97	3.41	0.94	Equal variances assumed	0.504	0.479	0.29
	(2) late stage	32	3.62	0.88	Equal variances not assumed			0.27
Marketing-Mix	(1) early stage	97	3.48	0.59	Equal variances assumed	0.031	0.860	0.10
	(2) late stage	32	3.68	0.59	Equal variances not assumed			0.10

n=129

Products in CEE1 were generally reported to be in an earlier PLC stage than in the home-market. This comes as no surprise, since CEE countries are young markets, which twenty years ago represented a "tabula rasa" to foreign firms and modern consumption culture (Schuh, 2007b, p. 274). Except for the product element, early PLC stages are associated with a lower degree of standardization. However, only one mean difference was found to be significant: T-test uncovered a significantly (p=0.02) higher degree of promotion standardization for products in late PLC stages (M(2)=3.79) in CEE1 as compared to early PLC stages (M(1)=3.36) (see Table 42).

As regards the relative PLC stage in the home- and host-market, a higher degree of standardization is noted for all marketing-mix elements when the product finds itself in the same life cycle stage in both markets. Such differences have been found significant for the pricing element (M(1)=3.22, M(2)=2.86, p=0.04) and for the aggregate level of marketing-mix standardization (M(1)=3.69, M(2)=3.47, p=0.05), providing partial support for Hypothesis 14$_{plc}$ (see Table 43).

Table 43: Relative PLC Stage and Marketing-Mix Standardization

	Relative PLC Stage in Home- and Host-Market	n	M	SD	Levene's Test for Equality of Variances	F	Sig.	T-Test Sig. (2-tailed)
Product	(1) same stage	40	4.32	0.50	Equal variances assumed	3.457	0.065	0.33
	(2) different stage	86	4.18	0.79	Equal variances not assumed			0.25
Promotion	(1) same stage	40	3.61	0.99	Equal variances assumed	0.670	0.415	0.26
	(2) different stage	86	3.41	0.86	Equal variances not assumed			0.28
Pricing	(1) same stage	40	**3.22**	0.92	Equal variances assumed	0.908	0.343	**0.04**
	(2) different stage	86	**2.86**	0.86	Equal variances not assumed			0.04
Distribution	(1) same stage	40	3.63	0.90	Equal variances assumed	0.815	0.368	0.22
	(2) different stage	86	3.41	0.95	Equal variances not assumed			0.22
Marketing-Mix	(1) same stage	40	**3.69**	0.48	Equal variances assumed	3.170	0.077	**0.05**
	(2) different stage	86	**3.47**	0.63	Equal variances not assumed			0.03

n=126

As shown in Table 44, *consumer durables* exhibit a higher degree of standardization of all marketing-mix elements and at the aggregate level as compared to *consumer nondurables*. Differences are significant at the 0.05 level for *product* (M(1)=4.09, M(2)=4.41, p=0.01)

promotion (M(1)=3.26, M(2)=3.75, p=0.01), and *aggregate marketing-mix* (M(1)=3.38, M(2)=3.73, p=0.00) and at the 0.10 level for *pricing* (M(1)=2.84, M(2)=3.11, p=0.08) and *distribution* (M(1)=3.33, M(2)=3.63, p=0.07). Hence, Hypothesis $12_{prodnat}$ is mostly confirmed by the data.

Table 44: Product Nature and Marketing-Mix Standardization

	Product Nature	n	M	SD	Levene's Test for Equality of Variances	F	Sig.	T-Test Sig. (2-tailed)
Product	(1) CND	79	**4.09**	0.72	Equal variances assumed	1.027	0.313	**0.01**
	(2) CD	53	**4.41**	0.66	Equal variances not assumed			0.01
Promotion	(1) CND	79	**3.26**	0.92	Equal variances assumed	2.864	0.093	**0.00**
	(2) CD	53	**3.75**	0.76	Equal variances not assumed			0.00
Pricing	(1) CND	79	2.84	0.84	Equal variances assumed	1.544	0.216	0.08
	(2) CD	53	3.11	0.92	Equal variances not assumed			0.09
Distribution	(1) CND	79	3.33	0.99	Equal variances assumed	1.388	0.241	0.07
	(2) CD	53	3.63	0.84	Equal variances not assumed			0.06
Marketing-Mix	(1) CND	79	**3.38**	0.58	Equal variances assumed	0.584	0.446	**0.00**
	(2) CD	53	**3.73**	0.55	Equal variances not assumed			0.00

n=132

5.8.3 Firm Size, Market Entry Mode, Management's International Orientation and Marketing-Mix Standardization

Firm size is measured by the number of employees worldwide (with six interval categories), while *market entry mode* assesses the employed entry strategy into CEE1. Firms with up to 250 employees were coded "1" as SME, while firms with more than 250 employees, representing large companies were coded "2". *Entry mode* was classified following Griffith et al. (2003, pp. 36-37) in either indirect (i.e. indirect export, export, franchising/licensing, and minority joint ventures) or direct (i.e. majority joint venture and wholly-owned subsidiary) modes. This factor was dummy coded with "1" for indirect and "2" for direct entry modes. The operationalization of a last organizational factor, *management's international orientation* draws on the works of Perlmutter (1969, pp. 11-14), Richter (2002, pp. 81-84) and Walter (2004, p. 80) and comprises four categories, representing ethnocentric, polycentric, regiocentric and geocentric orientation.

This variable was dummy coded "1" for ethnocentric orientation and "2" for polycentric, regiocentric or geocentric orientation. Table 45 presents an overview of the investigated categorical organizational variables and their operationalization.

Table 45: Operationalization of Categorical Organizational Variables

Variable	Coding	Category
Firm size	(1) SME	Less than 10
		11 to 50
		51 to 250
	(2) Large	251 to 1000
		1001 to 5000
		Over 5000
Mode of entry	(1) IndirectME	Indirect export
		Export
		Franchising/Licensing
		Minority joint venture
	(2) DirectME	Majority joint venture
		Wholly-owned subsidiary
Management's international orientation	(1) Polyc	Our company primarily adapts strategies to the specifics of each foreign market.
	(2) Ethnoc/ Regioc/ Geoc	Our company primarily concentrates on the home-market – the international business is of minor importance to our company.
		Our company primarily tries to identify homogeneous groups of countries, where a uniform, regional marketing approach can be implemented.
		Our company is a global corporation and our foreign market is the world market. All decisions that are taken consider all aspects of the different countries in which we are present.

Two-sample T-tests were performed to uncover significant differences as regards the standardization degree of marketing-mix elements between the defined categories pertaining to *firm size*, employed *mode of entry* as well as *management's international orientation* (see Appendix III. 13). As no significant differences were found, Hypotheses $16_{firmsize}$, $17_{entrymode}$, 18_{mngor} must be rejected.

To sum up, findings from the analysis of the investigated relationships between categorical variables and marketing-mix standardization are presented in Table 46.

Table 46: Synopsis of Results Regarding Categorical Variables and Marketing-Mix Standardization

Hypothesis	Content	Finding
Hypothesis 7$_{targsegm}$	Firms targeting the upper-segment of the host-market have a higher propensity to standardize their marketing-mix than firms addressing middle-income or low-income segments.	Partially supported
Hypothesis 12$_{prodnat}$	Consumer durables will be to a higher extent standardized than consumer nondurables.	Mostly supported
Hypothesis 14$_{plc}$	Similarity of the firm's PLC stage in home- and host-markets is positively related to the degree of marketing-mix standardization.	Mostly supported
Hypothesis 16$_{firmsize}$	A firm's size is positively related to the extent of standardization of the marketing-mix elements.	No support
Hypothesis 17$_{entrymode}$	Firms employing indirect modes of entry standardize their marketing-mix to a higher degree than do firms employing direct modes of entry.	No support
Hypothesis 19$_{mngor}$	Companies which adopt an ethnocentric or geocentric/regiocentric approach towards their foreign operations are more likely to standardize their marketing-mix than companies which pursue a polycentric orientation.	No support

6   Discussion

In this chapter, the study's main findings will be discussed in light of previous research. Four main areas will be addressed: degree of marketing-mix standardization in CEE (Chapter 6.1); determinants of marketing-mix standardization in CEE (Chapter 6.2); the *product cultural specificity* scale: outcome and outlook (Chapter 6.3); performance outcomes of marketing-mix standardization in CEE (Chapter 6.4). The empirical findings are based on a sample of 132 German consumer goods companies, which market their products in at least one of ten EU member states from CEE.

6.1   Degree of Marketing-Mix Standardization in CEE

A major finding of this study is that companies in the sample standardize their marketing-mix to a high degree in CEE: 19 out of 21 indicators exceed the mid-point of 3 of the five-point standardization scale, while 7 indicators achieve a score even higher than 4. In Walter's (2004, pp. 185-186) study of marketing-mix standardization practices of Top 350 European food and beverages manufacturers in Western Europe, a lower degree of standardization is reported on a similar five-point scale: of 31 indicators, 15 indicators score above 3, of which only one (product quality) exceeds 4. This result may be interpreted in light of the specific industry focus, as food and beverages exhibited also in the present study the lowest standardization degree compared to the other surveyed industries. In a cross-industry survey, Richter (2002, pp. 151-152) found that the 500 largest German companies practice a high degree of marketing-mix standardization in the Triad markets: 37 out of 38 marketing-mix variables exhibited standardization scores above the mid-point of the scale, indicating a similar pattern of standardization as in this study.

However, a more accurate picture is obtained by looking at the individual components of the marketing-mix, product, promotion, pricing and distribution (see Figure 49). The standardization degree varies across the four Ps, suggesting that decision-making takes place at a disaggregated level. Since talking about a standardized or an adapted aggregate marketing-mix appears to lack consistency, the analysis was mostly conducted at the level of individual marketing-mix elements (Ryans et al., 2003, p. 596; Vrontis, 2003, p. 290).

Product had the highest standardization score, with a mean value of 4.22, followed by promotion and distribution, with a mean of 3.45, while pricing fell slightly below the scale mid-point into the "adaptation range", with a mean value of 2.89. If the absolute standardization degrees of the marketing-mix elements vary across studies and reference markets, their ranking order remains rather constant. Walter (2004, pp. 185-186) reveals a

similar order of marketing-mix elements according to their standardization degree (i.e. product, distribution, promotion and pricing). Even within the individual marketing-mix elements, indicators have rather similar rankings, with e.g. quality, core product, and packaging being the most standardized product elements, and advertising message being among the most standardized promotion elements (Walter, 2004, pp. 185-186). A similar picture is provided by Theodosiou and Leonidou (2003, pp. 156, 161-162), which note in their literature review that product elements exhibit the most standardization, probably due to: 1) potential benefits from economies of scale in research and development and production, 2) rapid diffusion of new products in the market, and 3) better coordination through the application of more uniform internal production controls and quality standards.

According to Papavassiliou and Stathakopoulos (1997, p. 504) companies standardize their *promotion* elements mainly to benefit from a consistent image and brand identity on a global basis, minimize confusion among traveling buyers, develop a single tactical approach, and take advantage of economies of scale in production and experience and learning curve effects. In this study, the most standardized promotion elements were advertising message and advertising creative presentation. This is typical of "pattern advertising", in which the creative idea and core message remain the same, yet their implementation is adjusted to different target groups in terms of brand awareness, attitudes, usage patterns, cultural and legal restrictions (Schuh, 2000, p. 144).

Pricing strategy was found to be the least standardized marketing-mix element, which is consistent with a number of previous studies (e.g. Boddewyn and Grosse, 1995, pp. 34-35; Michell et al., 1998, p. 632; Özsomer et al., 1991, p. 60; Vrontis, 2003, p. 290; Zou et al., 1997, p. 119). Especially in less developed host-market contexts, pricing standardization is expected to be lower, due to higher price sensitivity, lower purchase power etc. (e.g. Özsomer et al., 1991, p. 60). Mainly end-user price levels and profit margins are adapted to fit local market needs and requirements (Vrontis, 2003, p. 290).

Distribution strategy exhibited the same degree of standardization as promotion strategy. Interestingly, type of retail outlets was the most standardized distribution element. This result highlights the modernization trend of the retail sector in CEE, driven by the intensified activity of international retailers. Role of middlemen/dealers was the least standardized distribution element, like in the study by Özsomer et al. (2001, p. 60).

Figure 49: Comparison of Standardization Degree among Marketing-Mix Elements
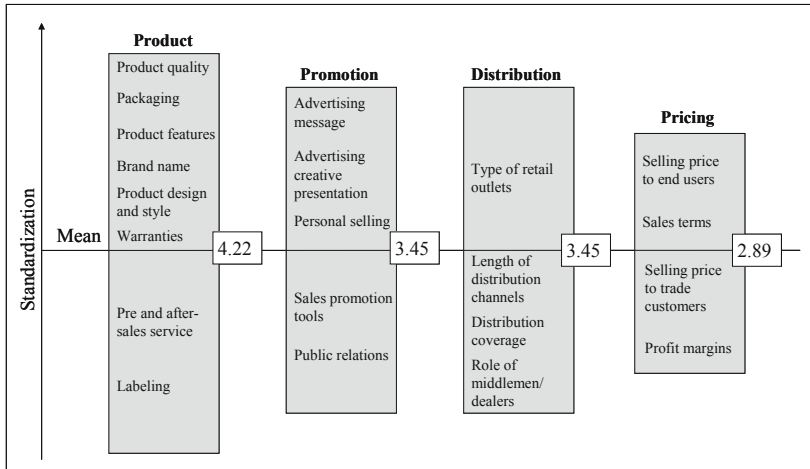
Overall, in absolute terms, a surprisingly high degree of standardization is observed in CEE. The same conclusion is reached also in the few empirical studies with CEE focus (e.g. Schuh, 2007b, p. 286; Schuh, 2000, p. 134). Empirical findings suggest that no significant differences exist between the degrees of standardization of marketing-mix elements among CEE host-countries, so that one may conclude that German firms tend to treat the CEE states primarily as a single market area. However, different degrees of similarity between home- and host-country are perceived for different CEE host-countries, indicating that the 10 CEE countries are not perceived as being homogeneous in terms of their business environment. Similar results were reported for Western Europe, where differences in the economic cultural and infrastructural environments still persist between countries (Kaynak and Jallat, 2004, p. 13; Taylor and Okazaki, 2006, p. 113). In the study of marketing-mix standardization strategies of Top 350 European food and beverages companies, Walter (2004, p. 235) reaches the reverse conclusion: notwithstanding homogeneous conditions, companies seem rather hesitant in implementing a high standardization degree.

Why would companies adopt a uniform marketing approach in a heterogeneous CEE region? Schuh (2007a, pp. 148-150) names geographic proximity, the transition process from a centrally-planned to a market-based economy as well as stage of market development and standard of living as main reasons for an integrated business approach to this region. Also higher economies of scale and scope are associated with a regionalization strategy (Schuh, 2000, p. 143). From a general perspective, Schuh (2007a, p. 149) asserts

that "it is not so much the past that leads to the emergence of commonalities, but its rejection and the future-oriented efforts and aspirations of governments, businesses and consumers in CEE."

A second question arising is why do Western companies still pursue a high degree of standardization in CEE, despite being aware of differences between home- and host-markets and among CEE host-markets themselves? Schuh (2007b, p. 278) argues that an exclusive market-oriented perspective does not suffice to explain strategic decisions of MNC in general and particularly in CEE. Additional aspects such as corporate goals and values, strategic orientation towards internationalization, organizational structure, configuration of value activities and, last but not least, profitability and risk considerations may play a major role in the decision-making process. Especially the latter will often prevent companies from making high up-front investments in product development and major adjustments of the product and marketing program for a specific foreign market. Instead, the prime goal is to leverage existing assets and resources such as brands, product technology and experience, even though this means addressing only a small affluent segment of the market (Schuh, 2007b, p. 278).

Such an approach is vividly criticized by scholars such as Prahalad (2005) and Prahalad and Lieberthal (1998) for failing to cater to the idiosyncrasies of emerging markets. They doubt that the transfer of Western business models to these markets will be in the long run ethically and financially sustainable. Companies should rather develop strategies from the scratch by rethinking cost structures, product development processes, leadership models etc., to tap into these (mass-) markets. Although their criticism is mainly placed in connection with the big emerging markets in Asia, Schuh (2007b, p. 288) reckons that the argument is valid also in the CEE context. A critical point concerns however market size: while India, China, Mexico or Brazil have a huge market potential due to their sheer population base, the CEE region considered in this study consists, excepting Romania and Poland, of small states, too small to justify investments in a differentiated marketing strategy (Schuh, 2000, p. 145). Additionally, the integration of these countries in the EU and hence the related institutionalized harmonization process, may support the "Westernization" theory multinational companies build on. Not the same holds for monolith economies such as India, China, or Mexico, where cultural and institutional ties with the Western world are much weaker.

However, this criticism is not entirely valid: a number of initiatives show that companies are increasingly interested in serving low-income consumers with tailored products and services (see UNDP, 2008). In doing so, companies cannot however ignore volume and profitability issues. For example, Danone's commitment to develop products accessible to low-income consumers was implemented in two CEE markets (but also in other countries such as China, Bangladesh and South Africa). Coincidentally or not, these two CEE

markets were the largest CEE markets, i.e. Romania, with a new product line called "Casa buna" ("Good house"), and Poland, with "Mleczny Start" (Milk Start), a milk porridge product. In both cases, the products are low-priced and enriched with vitamins and minerals for which a nutritional deficit was detected in the target population.

6.2 Determinants of Marketing-Mix Standardization in CEE

The following paragraphs will focus on discussing the results concerning the influence of the three major groups of contingency factors investigated in this study on marketing-mix standardization: environmental, product related and organizational factors.

6.2.1 The Influence of Environmental Factors on Marketing-Mix Standardization

A positive significant influence of *similarity of macro-environment* on *product*, *promotion* and *distribution standardization* could be confirmed in the structural model. In this respect, the finding is consistent with previous empirical (e.g. Michell et al., 1998, p. 625; Özsomer et al., 1991, pp. 58-59) and conceptual studies (e.g. Jain, 1989, pp. 74-75), which posit that standardization of the marketing-mix is appropriate within uniform macro-environmental conditions between home- and host-countries, including the natural, economic, political, legal as well as the socio-cultural conditions. On an absolute level, managers in the investigated sample still perceive large differences between the macro-environments of their home-country (Germany) and the referred host-country (CEE1). Consequently, the question whether and to what extent convergence is taking place across the new and old EU members remains to be answered in a relatively far future. No relationship between *similarity of macro-environment* and *pricing standardization* could be established, which may be related to the fact that, within the EU, rather uniform political and regulatory frameworks concerning pricing issues exist. Therefore, within pricing neutral macro-environmental conditions, micro-environmental factors may be more relevant to pricing decisions.

Consistent with the previous line of reasoning, *similarity of consumer characteristics* was found to be the main determinant of *pricing standardization*. Further significant positive paths were found between *similarity of consumer characteristics* and *product* and *promotion standardization*. Similar evidence was obtained by e.g. Katsikeas et al. (2006, p. 879), Özsomer and Prussia (2000, pp. 43-44), Özsomer and Simonin (2004, p. 411), and Theodosiou and Katsikeas (2001, p. 12). The path to *distribution standardization* was insignificant, suggesting that other factors such as marketing infrastructure may be relevant to the distribution strategy. Other studies have also failed to confirm the positive influence of *similarity of consumer characteristics* on the degree of *distribution standardization* (e.g.

Richter, 2002, p. 195). The impact of consumer characteristics has played a key role in the standardization versus adaptation debate, as it constituted Levitt's (1983) central argument for marketing standardization – that consumer needs and purchasing behavior will become homogenized across national borders. On an absolute level, consumer behavior in CEE is still perceived as being rather different compared to Germany, so that Ganesh's vision that the process of EU integration will result in "a blending of lifestyles and growing uniformity that will progressively minimize traditional geographical and political boundaries" may not come true in the near future (Ganesh, 1998, p. 44).

More than half of the companies (58%) addressed the *high-price segment* in CEE1, which was generally associated with a higher degree of *product*, *promotion* and *distribution standardization*. The difference was significant in case of the *product* element. An inverted situation was observed for *pricing standardization*, which was slightly higher in case of *low and middle-price segment*. Though the difference did not reach the significance level of 0.05, one scenario seems plausible: a lower standardization degree of *pricing* in the *high-price segment* in CEE1 may mean that either higher or lower prices than in the home-market are imposed on this price segment as compared to the *low or middle-price segment*. As it makes no sense to set lower prices for the *high-price segment* as compared to the *low or middle-price segment*, this implies that companies charge a (minor) price premium over the home-market level in the *high-price segment* in CEE1 (see also Schuh and Holzmüller, 2003, pp. 182-183). As an example supporting this argument, in the advertising booklets of the retailing chain Real in Germany and Romania in September 2009, products such as Hochland Almette are priced 0.79 € in Germany and approx. 1.00 € in Romania, and "I love Milka" pralines cost 1.79 € in Germany, whereas in Romania they cost approx. 2.01 €.

Furthermore, when companies position their product in the same *target segment* in CEE1 and the home-market, a higher standardization degree of marketing-mix elements is observed. Significant differences were obtained for *promotion*, *pricing* and at the *aggregate marketing-mix* level.

Against expectations, *COO effect* was significantly and negatively related to *product*, *pricing* and *distribution standardization*. This result may indicate that, at least for the countries and companies investigated, the *COO effect* may be embedded in the marketing-mix strategy configuration. By explicitly marketing the brand's and/or product's COO as a product attribute abroad, an adapted marketing strategy is implicitly adopted, according to the principle "the higher the perceived COO effect, the higher the propensity of companies to capitalize on this positive country-of-origin image in the CEE host-country". And this may well often be the case in CEE, where consumers generally appreciate the quality of German products (Krafft et al., 2007, pp. 303-326). Birnik and Bowman (2007, p. 310) note that the papers reviewing the impact of the parent company's country of origin on marketing standardization fail to reach any consistent conclusions.

Also *brand familiarity* seems to have a mixed influence on marketing-mix standardization, with negative path coefficients leading to *promotion* and *distribution standardization*, and a positive one to *pricing standardization*. This suggests that *brand familiarity* may be rather an effect than a cause of *promotion* and *distribution standardization*. Generating *brand familiarity* may be directly embedded in the *promotion* and *distribution* strategy, entailing an adapted approach, which would at the same time allow for a standardized *pricing* strategy. Pae et al. (2002, p. 187) found for example that Hong Kong consumers exhibit more favorable attitudes toward locally produced commercials in terms of purchase intention for less familiar brands. As in this sample *brand familiarity* was rated as being rather average in CEE, a similar rationale as outlined above may apply in this case as well. On the other hand, Papavassiliou and Stathakopoulos (1997, p. 520) argue that *promotion standardization* is appropriate when the objectives of advertising are centered on information and memorability rather than persuasiveness. Cavusgil and Zou (1994, p. 15) could not find evidence that *brand familiarity* in the export market has a positive impact on *promotion standardization* either. In contrast, O'Cass and Julian (2003, p. 379) established a significant positive effect of the degree of familiarity on the standardization decision. These contradictory results point to the existence of more complex relationships between marketing-mix standardization and *COO effect* as well as *brand familiarity*, which may be worth exploring in future research. Longitudinal studies may prove particularly illuminating in this respect.

In line with previous conceptual and empirical works, *similarity of marketing infrastructure* was the most important determinant of *distribution* and *promotion standardization* (e.g. Chung, 2005, p. 1362; Jain, 1989, p. 75; Özsomer and Simonin, 2004, p. 411; Papavassiliou and Stathakopoulos, 1997, p. 520). This comes as no surprise, given the conceptualization of this contingency factor as comprising "the institutions and functions necessary to create, develop, and service demand, including retailers, wholesalers, sales agents, warehousing, transportation, credit, media, and more" (Jain, 1989, p. 75). The configuration of distribution and promotion tactics is thus highly dependent on the available marketing infrastructure. Conceptual and empirical arguments underpin the view that the market penetration of Western companies in CEE, including the retail, transportation and media scene, is leading to the emergence of similar market structures and marketing infrastructures as in Western Europe (see Schuh 2000, p. 143 and Chapter 3.2.2). Concerning the other marketing-mix elements, in this study no relationship could be established between *similarity of marketing infrastructure* and *product standardization*, which suggests that the product standardization decision may be taken independently from marketing infrastructure conditions. Additionally, against expectations, a significant, yet negative influence on *pricing standardization* could be ascribed to the *marketing infrastructure* factor. A possible explanation for this relationship may be that

increasing *similarity in the marketing infrastructure* leads to cost savings, which can be passed on to the consumer in the form of lower prices, thus accommodating the lower purchase power in the CEE region. Theodosiou and Katsikeas (2001, p. 14) conjecture that the absence of a relationship between *similarity of distribution infrastructure* and the degree of international *pricing standardization* in their study may be related to the possibility that distribution costs represent a minor component of the product's total cost, hence having no significant effect on the international pricing strategies. Also Chung (2003, p. 68) failed to detect a significant relationship between *marketing infrastructure* and *pricing*, arguing that this strategy is more likely related to a host market's economic environment or consumption behavior.

The observed negative effect of *competition intensity* on *product standardization* indicates that competitive pressures may necessitate the adaptation of products to the specific requirements of the foreign market to gain competitive advantage over rivals (Cavusgil et al., 1993, p. 499; Theodosiou and Leonidou, 2003, p. 155). In this thesis, *competition intensity* refers to the five-market forces proposed by Porter (1980, p. 4), including threat of substitute products, threat of competitive rivalry, intensity of competitive rivalry, bargaining power of retailers and consumers as well as bargaining power of suppliers. Luo (2001, p. 454) argues (and demonstrates empirically) that competition intensity in a host market affects the level of product differentiation. Consumer goods markets in CEE experience increasing levels of competition and major changes in the nature of consumer demand (Fahy et al.,, 2000, p. 66; Schuh, 2007b, p. 277). As a consequence, those companies perceiving rising competitive pressure react by adapting their products to local consumer expectations. This does not necessarily entail increasing levels of *promotion adaptation*, as showed in this study. The detected positive effect of *competition intensity* on *promotion standardization* may be related to cost-saving objectives. The adoption of such hybrid competitive strategies, whereby companies combine low costs and differentiation elements has been found to be associated with increased performance (Gopalakrishna and Subramanian, 2001, p. 73; Spanos et al., 2004, p. 153), which may explain the contradictory effects of *competition intensity* on *product* and *promotion standardization*.

Overall, two environmental factors stand out in terms of the magnitude of their impact on the standardization/adaptation decision in CEE: *similarity of consumer characteristics* and *similarity of marketing infrastructure*. The other factors exert a more or less minor influence on explaining the standardization decision of marketing-mix elements in CEE.

6.2.2   The Influence of Product Related Factors on Marketing-Mix Standardization

Hypothesis 12$_{prodnat}$ stating that the marketing-mix elements of *consumer durables* will be standardized to a higher extent than those of *consumer nondurables* was confirmed at the *product*, *promotion* and *aggregate marketing-mix* level. This finding is consistent with previous research (e.g. Boddewyn and Grosse, 1995, p. 37; Papavassiliou and Stathakopoulos, 1997, p. 521). Apparently, *consumer durables* provide indeed a greater opportunity for standardization than *nondurables*, though the evidence was not always conclusive (Birnik and Bowman, 2007, p. 309; Theodosiou and Leonidou, 2003, p. 155).

The construct *product standardization potential* brings together a number of product attributes that have been suggested as relevant in influencing the degree of marketing-mix standardization, including the product's complexity, uniqueness, innovativeness, degree of technological loading, symbolic content, emotionality, and cultural specificity (e.g. Cavusgil and Zou, 1994, p. 5). A similar approach was used by O'Cass and Julian (2003, p. 58), which operationalized product uniqueness via items adapted from Cavusgil and Zou (1994), including the extent of patent protection, the uniqueness of the product/service and the culture specificity of the product/service. There, a reflective measurement model was implicitly assumed and the product uniqueness scale represented a dimension of the second-order construct firm specific characteristics. The new formative measure employed in this study, though based on previous conceptual works, could not be fully validated in this model. Only the path to *promotion standardization* was found to be significant, which is an insufficient proof of the construct's nomological validity.

The literature suggests that if a product is at similar *stages of the product life cycle* in domestic and foreign markets (a measure called *relative PLC stage*), companies would most likely follow a standardization approach (e.g. Jain, 1989, p. 73). In the current study, PLC stage was defined as the stage the referred product currently occupies in the home- and host-market, across introduction, growth, maturity and decline. Consistent with previous empirical findings (e.g. Johnson and Arunthanes, 1995, p. 42; Michell et al., 1998, p. 620; Papavassiliou and Stathakopoulos, 1997, p. 520; Theodosiou and Katsikeas, 2001, p. 14), a similar *PLC stage* between home- and host-country was generally associated with a higher degree of standardization of marketing-mix elements in this study. Significant differences in the standardization degree were detected for the *pricing* element as well as for the *aggregate marketing-mix*. In contrast to other contingency factors, the link between the *relative PLC stage* in home- and host-market and standardization of marketing-mix elements could be statistically validated by most of the studies that tested it (Theodosiou and Leonidou, 2003, p. 155).

To add more insight to this finding, the *absolute PLC stage* in CEE1 between early and late stages was analyzed. In total 75% of the respondents who disclosed this information

(n=129), reported that their products were either in an early, i.e. introductory or growth *PLC stage* in CEE1. Except for the *product* element, all other marketing-mix elements exhibited lower standardization degrees in this early *PLC stage* (significance was detected only for the promotion element). These findings seem to fit the CEE context: given the risks and costs associated with a new product launching as well as the appeal of "Western products" to CEE consumers, a standardized product strategy may seem more appropriate. At the same time, newly introduced products may require an adapted promotion approach to reach the "inexperienced" CEE consumer (see Figure 50). From an industry perspective, in early penetration phases of formerly underdeveloped markets, new entrants can shape up the market, often being able to even create the product category itself. As the saturation process settles in, competitors increasingly turn to product differentiation, e.g. by introducing innovative product and business concepts. In Hungary, for example, one of the most advanced countries in CEE, the introduction of private labels by retailers mark such a turning point (Schuh, 2007b, p. 285).

Figure 50: PLC Stage and Standardization of Product and Promotion Elements
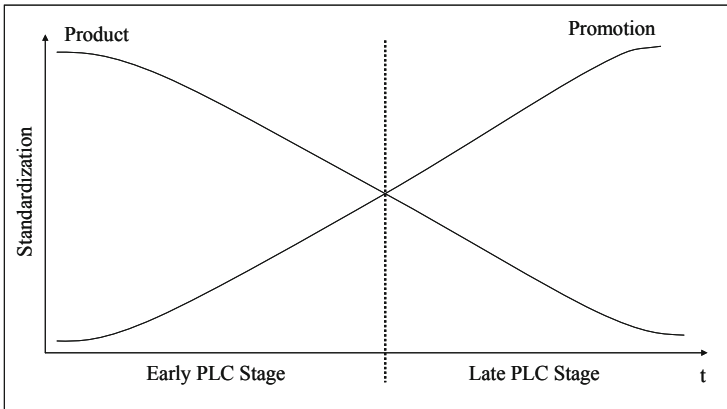
The influence of the newly developed measure of *product cultural specificity* on marketing-mix standardization will be discussed separately in Chapter 6.3.

6.2.3 The Influence of Organizational Factors on Marketing-Mix Standardization

Empirical findings in this study failed to establish a (significant) relationship between *firm size*, *entry mode*, *management's international orientation* and the degree of standardization of marketing-mix elements. This means that SME and large companies may, for different reasons, not differ in their standardization behavior: the former may not have the financial

resources to adapt, while the latter may want to leverage on their brand awareness through standardization (a statistically significant difference could be detected via T-test between SME and large companies regarding the level of brand familiarity). Hill and James (1989, p. 142) argue against the common view that larger MNC are expected to standardize more than smaller companies, by suggesting that an important affluent subsidiary may have "sufficient leverage with the parent company to be able to deviate from some corporate policies (such as preferred uniformity of image for certain brands)".

As for the *entry mode* factor, the sample was strongly biased towards indirect entry modes (78%), which may have hindered the detection of significant differences. The dominance of indirect entry modes and the high level of marketing standardization in the investigated sample provide at least descriptive evidence for a relationship documented in previous studies: Griffith et al. (2003, pp. 42-43) report that firms entering India through indirect modes of entry were more likely to standardize packaging to benefit from cost efficiencies through e.g. listing the product ingredients for three to four markets. In the CEE context, a number of companies use this approach (e.g. confectionery products such as Ritter Sport or Lindt chocolate bars). Similarly, Vrontis and Kitchen (2005, pp. 99-101) found that companies using direct investments as an entry mode implemented a significantly higher degree of adaptation of their product, promotion and distribution elements than direct exporters. Their findings are underpinned by an illustrative statement of a respondent: "When owning facilities and producing in international markets, we have the capability and flexibility to tailor products according to different needs" (Vrontis and Kitchen, 2005, p. 99).

Management's international orientation has also been regarded as a determinant of marketing-mix standardization (Jain, 1989, p. 75; Townsend et al., 2004, pp. 4-5; Wind et al., 1973, p. 14; Zou and Cavusgil, 1996, p. 63). Specifically, it has been claimed that companies with an ethnocentric, regiocentric or geocentric orientation have a higher propensity to standardize than companies with a polycentric orientation. Present findings could not support this hypothesis. The few studies that tested empirically the influence of *management's international orientation* on marketing-mix standardization could not find evidence for this association either (e.g. Richter, 2002, p. 231; Walter, 2004, p. 224), which casts doubts on the relevance of this factor to the standardization behavior of international companies.

The opposite holds true for the *international business experience* factor, which was found to exert a positive, significant influence on *product*, *promotion* and *distribution standardization*. This result adds up to the evidence suggesting a positive association between *international business experience* and marketing-mix standardization (e.g. Cavusgil et al., 2003, p. 72; Hultman et al., 2009, p. 13; Solberg, 2002, p. 16; Zou and Cavusgil, 2002, p. 51). Nevertheless, findings are far from being conclusive as concerns

this factor, since a negative association between *international business experience* and standardization was found by e.g. Cavusgil and Zou (1994, p. 16), Chung (2003, p. 66), while Lages and Jap (2002, p. 25) reported an insignificant relationship. Hultman et al. (2009, p. 16) argue that regular exporting to other markets may increase the need to secure economies of scale and consistent quality and branding through product standardization. On average, companies in the investigated sample have been active in CEE1 for 11 years, which suggests a rather early entry in these markets. As Schuh (2007b, p. 285) points out, early movers in the CEE markets have had the opportunity to establish new standards of product performance and appearance and often even to create the product category itself. Especially in the 1990s, first movers could "reap sales by providing high quality products that stand out in the sea of low-grade offerings, and that meet market needs for consistency and reliability" (Nakata and Sivakumar, 1997, pp. 473-474). It is therefore not surprising that *product* in general and *product quality* in particular were found to be the most standardized marketing-mix elements in this study.

Global marketing structure was found to have a significant, positive impact on *product standardization*, and a negative one on *promotion* and *pricing standardization*. This suggests that, despite a *global marketing structure* being in place, *promotion* and *pricing* were rather adapted and *product* strategy rather standardized. In a study of the impact of a centralized organizational structure on the standardization of price, place and management processes, Chung (2008, pp. 98-99) reaches a similar conclusion: firms adopting a centralized pricing decision-making structure are more likely to adapt pricing elements. That *product standardization* is positively associated with *global marketing structure* reflects the strategic importance of products as the most valuable asset of international companies (e.g. consider global brands that can be leveraged and need protection across countries or their influence on purchase behavior) (Özsomer and Simonin, 2004, p. 402). As non-product decisions need more frequent updating in response to changing local circumstances (e.g. competitor actions, collaboration with local retailers and distributors), they will be more responsive to subsidiary management's recommendations, while maintaining a high degree of control over the decision-making process (Özsomer and Simonin, 2004, p. 403). Such a mixed relationship between *global marketing structure* and marketing-mix standardization may suggest the presence of "federations"-type governing strategies, as described by Solberg (2002, p. 7). This means that headquarters possess deep market knowledge and centralized decision marketing power, adopting the spirit of the "think global, act local" axiom. Solberg (2000, p. 95) calls this type of strategic behavior "cooperative centralization", whereby subsidiaries are actively involved in the early phases of strategy and tactics development, yet final decisions are made at the headquarters.

The presence of *global marketing processes* was positively and significantly associated with *promotion* and *distribution standardization*. A negative association with *pricing*

standardization was found to be significant, while the path to *product standardization* proved not significant. This suggests that for *pricing standardization* to take place, a certain degree of globalized marketing processes has to exist, yet the final decision depends in the end on certain (local) environmental and market conditions (Theodosiou and Katsikeas, 2001, p. 14). As Zou and Cavusgil (2002, p. 47) report, executives at the headquarters may actually have little control over prices in foreign markets, due to local regulations and competitive situations. Solberg et al. (2006, pp. 39-40, 42-43) use the term "multilocal price setter" to describe firms that exert a tight control over the pricing process, while actively using pricing tactics to defend or gain additional market shares in compliance with the relevant idiosyncrasies of their local markets.

Synopsis of Results

The investigated contingency factors in the path model could explain 39% of the variance in *product*, respectively *promotion standardization*, 31% of the variance in *pricing*, and 46% of the variance in *distribution standardization*. If these results are considered in light of the optimization algorithm PLS uses to maximize explained variance in the endogenous variables, the model reaches only moderate explanatory power. Nevertheless, in relative terms, these results are in line with those reported by similar studies in the past. In a recent study by Hultman et al. (2009, p. 12), macro-, micro-, and internal environment factors explain 43% of the variance in product adaptation. Dees (2005, p. 198) investigates marketing standardization and firm performance in internationally active e-commerce companies from Germany. The reported R^2 values range from 21% for distribution standardization to 44% for pricing standardization (for further related studies, see Chapter 5.5.3).

Product standardization was mainly determined by *global marketing structure* and *similarity of consumer characteristics*. In case of *promotion standardization*, the most important factors were *similarity of consumer characteristics, similarity of marketing infrastructure* and *competition intensity*. *Pricing standardization* was impacted the most by s*imilarity of consumer characteristics*, while *similarity of marketing infrastructure* and *international business experience* had the greatest influence on *distribution standardization* (see Figure 51).

Figure 51: Main Determinants of Marketing-Mix Standardization
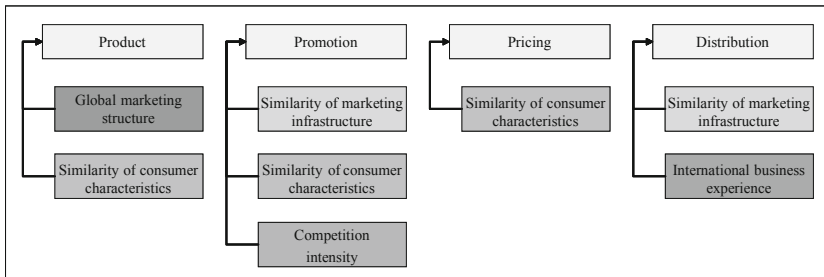
Overall, only a limited set of contingency factors affect in a substantial manner the level of standardization in CEE. *Product characteristics* and the *external environment* have a relatively minor influence on the configuration of the marketing-mix strategy in CEE. This finding points to the *bounded rationality* phenomenon (see Chapter 2.2.5). As Shoham (1999, p. 43) suggests, managers are often not able to neither collect all available information nor to make a complete situation analysis prior to developing a strategy. Such a behavior may indeed be prevalent among headquarters managers in this sample, as they may consider their CEE presence as an opportunity to be exploited and rather act based on intuition than rational analysis (Sadler-Smith and Shefy, 2004, p. 77). Alternatively, CEE markets may be perceived as test markets, where investments are still kept to a minimum.

6.3   The Product Cultural Specificity Scale: Outcome and Outlook

One of the research objectives of this study was to develop and test a new measure of the *product cultural specificity* construct, in the attempt to narrow an identified research gap between its theoretically assumed influence on marketing-mix standardization and empirical evidence underpinning this relationship. The construct operationalization process employed both deductive (literature review) and inductive (expert interviews and focus group discussions) procedures, following the steps recommended in seminal works on scale development and measurement issues (e.g. DeVellis, 2003; Homburg and Giering, 1996; Netemeyer et al., 2003; Viswanathan, 2005). The scale development process was divided into two phases: a first phase comprising the initial item generation and purification via qualitative and quantitative procedures (quantitative pre-test), and a second phase consisting of a quantitative study to evaluate the psychometric properties of the newly developed scale on a different sample than the one used in the previous phase.

The proposed definition of the PCS construct is:

> The *cultural specificity of a product* as a continuum between culture-free and culture-bound represents the degree of perceived cross-cultural variance of consumption patterns for a specific company product on a global – *absolute product cultural specificity* or multi-country basis – *relative product cultural specificity*, involving negative effects on international product acceptance and adoption.

The operationalization process resulted in a two-dimensional measure of PCS: one capturing the *cultural loading of consumption behavior* and the other representing a *product's ethnic identity*. Both the pre-test and the scale validation studies were conducted on similar samples: consumer goods companies with marketing activities in CEE, headquartered in Austria and Switzerland in the pre-test study, and in Germany, in the main study.

Overall, satisfactory evidence of the scale's reliability, convergent and discriminant validity was found across the two samples using first and second generation criteria. Not the same can be reported concerning the construct's nomological validity. The PLS path analysis failed to uncover significant relationships between the two PCS dimensions and the standardization degree of the four marketing-mix elements, with one exception: *cultural loading of consumption behavior* had a significant negative effect on *promotion standardization*. Correlation analysis indicated a (weak) negative and significant association between *cultural loading of consumer behavior* and *product*, *promotion*, *pricing* and overall marketing-mix standardization as well as between *product's ethnic identity* and *pricing standardization*. On the other hand, PCS was related as theoretically expected to *nature of product*, i.e. *consumer durables* vs. *consumer nondurables* as well as to the *product category*, i.e. *food* vs. *non-food*.

The weak evidence of the construct's nomological validity in this study may be due to three main causes: 1) measurement error; 2) lack of representativeness due to sample-specific findings; 3) lack of explanatory power. Though the scale development process adopted here followed established recommended procedures and steps, measurement error cannot be fully excluded. The initial item pool may have been too small and the number of negatively worded items included too high. As shown in Chapter 4.2.6, the negatively worded items performed poorly in the pre-study and were eventually dropped from the analysis. Additional exploratory research could be conducted to generate a larger initial item pool and perform multiple tests of face and content validity.

However, in order to reliably assess the presence of measurement error and/or nonrepresentativeness, the scale should be tested on further samples. The problem of nonrepresentativeness can be split into two areas (DeVellis, 2003, p. 89). First, a sample may not represent the population for which the scale is intended, when the level (i.e. mean,

standard deviation) of the scale reported in the sample is either higher or lower than that of the intended population. Besides this quantitative criterion, a second aspect concerns qualitative differences between sampled population and total population. This is the case if the sample exhibits different patterns of associations between the constructs of interest than the population, i.e. "the underlying causal structure relating variables to true scores may be different if a sample is unlike the population in important ways" (DeVellis, 2003, p. 89).

The aspect of nonrepresentativeness is all the more important, as the samples investigated here had specific features, which may hinder general inferences on the nomological validity of the PCS construct. One aspect concerns the rather small sample sizes, 80 in the pre-test and 132 in the validation study. A second issue relates to the composition of the samples, in terms of both industry and geographic focus (consumer goods companies from German-speaking countries with international marketing activities in CEE). By covering a broader range of industries and geographic areas of home- and host-markets, a more comprehensive assessment of the PCS role in the marketing standardization/adaptation context would be possible. Additionally, the "cultural specificity" of the PCS construct should be evaluated in cross-cultural studies.

Besides methodological issues, the very aspect of the construct's relevance to marketing-mix standardization decision-making should be discussed. Given the evolutionary nature of the construct, its impact on marketing-mix standardization may be difficult to capture in a cross-sectional design. Marketing itself may alter in time the cultural meaning of products through advertising and the fashion system, which suggests the existence of possible recursive relationships between the constructs (McCracken, 1986, pp. 71-72). Also other culture-related predictors of export behavior such as the psychic distance construct could neither be generally accepted nor discarded from an empirical point of view (see Sousa and Bradley, 2005, p. 54; Stöttinger and Schlegelmilch, 1998, p. 361). Nevertheless, calls for conceptual and measurement improvements have kept the interest in the topic alive and enriched the academic debate. In this study, the focus lied on the absolute (global) PCS construct. In future studies, PCS as a relative measure should be tested (on a multi-country or regional basis) as well. Given the incipient nature of this research, the PCS construct should not be abandoned so soon, yet thoroughly refined.

6.4   Performance Outcomes of Marketing-Mix Standardization in CEE

This study's findings support a positive significant direct relationship between *standardization of product*, *promotion*[43] and *distribution* elements, and *performance*.

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[43] Path was significant at 0.1 level.

Similar results were obtained previously by e.g. O'Donnell and Jeong (2000, p. 28), Özsomer and Simonin (2004, p. 412), Waheeduzzaman and Dube (2002, p. 199), Walter (2004, p. 128). No relationship was found between *pricing standardization* and *performance*. Past research is inconclusive as to how *pricing strategy* impacts *performance*. Shoham (1999, p. 42) argues that adapted prices enhance *performance* when adjusted to a higher level than the level of domestic prices. He suggests that measures should account for the extent and direction of adapted prices. As conjectured in Chapter 6.2.1, an upward price adaptation may have been undertaken in the high-price segment in CEE. This price premium could be compensated by a downward price adaptation in the low and middle-price segment, which would explain the absence of a relationship between *pricing standardization* and *performance*.

The estimation of an extended model of contingency factors, marketing-mix standardization variables and performance revealed that performance is significantly related to some of the investigated contingency factors (see Figure 52).

Figure 52: Significant Direct and Total Effects on Performance
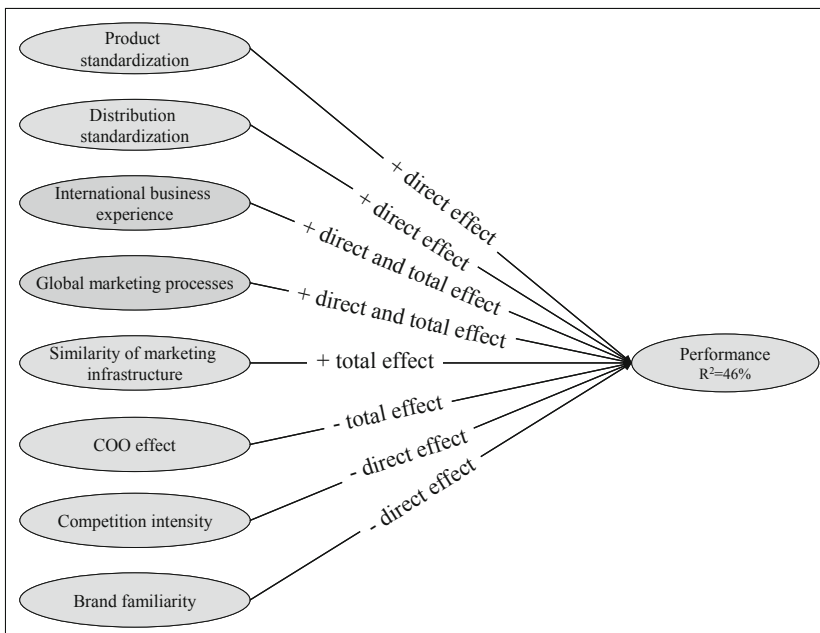
Especially *international business experience* and *global marketing processes* were found to have significant positive direct and total effects on *performance* (see also Cavusgil and

Zou, 1994, p. 13). This finding is consistent with Gray's (1995, p. 107) argument that it is primarily management behavior that differentiates companies facing the same environmental pressures and market opportunities in terms of performance and export activities. Since *international business experience* may be related to learning effects and *global marketing processes* to efficiency gains, their positive impact on *performance* seems justified. Positive direct effects between marketing-mix standardization and performance were confirmed only for *product* and *distribution standardization*, while *competition intensity* and *brand familiarity* had a significant direct negative effect on *performance*. *Similarity of marketing infrastructure* was positively and *COO effect* was negatively related to *performance*. That *similarity of marketing infrastructure* had a positive total effect on performance may be related to realized cost efficiencies when similar promotion and distribution infrastructures, i.e. same international retail chains, advertising and market research agencies, are used on a multi-country basis. The negative impact of *COO effect* on performance is mainly due to the indirect negative effects via marketing-mix standardization. Products with a positive *COO effect* were rather adapted, which involves higher costs. Additionally, these products were mostly placed in the high-priced CEE segment, which was associated with lower market shares. Hence, the negative impact on performance. The last factors, i.e. *competition intensity* and *brand familiarity,* may be associated with considerable financial efforts, which would explain their direct negative effect on performance. However, especially in case of brand familiarity, investments are expected to pay off in the long run in terms of performance. Laroche et al. (1996, p. 120) found out that brand familiarity influences a consumer's confidence toward the brand, which in turn affects his/her intention to buy the same brand. Given the cross-sectional character of the study, such time-lagged effects could not be examined.

Though these study's findings indicate that *standardization of product*, *promotion* and *distribution* has a positive direct contribution to *performance*, these factors explain only 35% of the variance in performance. The influence of selected contingency factors increases the explained variance to 46% (see Figure 52). Comparable results have been obtained by e.g. Schilke et al. (2009, p. 34), who found out that marketing-mix standardization as a second-order construct explains 46% of the variance in performance. Shoham et al. (2008, p. 137) studied the impact of standardization/adaptation of management processes and characteristics in relation to channels of distribution on international performance of Slovene firms. Their model explained 19.4% of the variance in the actual performance. Dees (2005, p. 247) estimates several partial models of performance determinants: 40%, 43% and 44% of the variance in the economic performance is explained, respectively, by marketing-mix and process standardization, internal contingency factors and marketing-mix standardization, and external contingency factors and marketing-mix standardization.

Industrial organization theory assumes that the degree of fit or congruency between a firm's strategy and its environmental influences would positively affect the firm's *performance* (see Chapter 2.2.5). Since the marketing-mix strategy in CEE is aligned to environmental conditions only to a low degree, a misfit necessarily occurs. Consequently, it is rather organizational resources, skills and competencies that may explain *performance*, than a strategic fit between structure and conduct. This is also reflected in the significant positive direct and total effects international business experience and global marketing processes exert on performance. Accordingly, strategic behavior in terms of marketing-mix standardization in the CEE context may be better explained by the resource-based view than by industrial organization theory. Hence, the main driver of competitive advantage is seen rather in the strategic resources or core competences companies possess, than in a corporate strategy aligned with market and industry conditions.

7 Implications, Limitations and Future Research

This closing chapter highlights at first the theoretical implications of this study's findings by indicating its main contributions to theory (Chapter 7.1). In Chapter 7.2 managerial implications for companies engaged in (or contemplating) marketing consumer products in CEE are provided. Finally, Chapter 7.3 discusses limitations of the present empirical investigation and suggests directions for future research.

7.1 Theoretical Implications

This study advances knowledge in several ways. Drawing from the contingency school of thought, a comprehensive model of antecedents and outcomes of marketing-mix standardization was developed and tested using PLS path modeling. The results give support to the view that the relevance and influence of contingency factors varies across the individual marketing-mix elements, with promotion and distribution elements being affected especially by marketing infrastructure aspects, while product and pricing elements were mainly determined by consumer characteristics. The simultaneous testing of such a broad range of environmental, product related and organizational factors is uncommon in most empirical works with similar theoretical focus, which have concentrated on either a small number or just one category of antecedents (e.g. Cavusgil et al., 1993; Lages et al., 2008; Sousa and Bradley, 2008; Theodosiou and Katsikeas, 2001). Thus, a more accurate picture of the factors international marketing managers may face in their decision-making and strategizing was provided.

The contingency factors investigated included, on the one hand, previously proposed and tested constructs (e.g. environmental factors), and newly developed measures (e.g. PCS and product's standardization potential) or factors less prevalent in past empirical research (e.g. global marketing structure and global marketing processes) on the other hand. Particularly as regards organizational factors, there are only few studies that have empirically tested their influence on marketing-mix standardization (e.g. Lages et al., 2008; Lages and Montgomery, 2004; Sousa and Bradley, 2008). Results were triangulated with previous empirical findings, adding, in some cases, to the existing evidence (e.g. similarity of macro-environment, similarity of consumer characteristics), whereas in some other cases, past assumptions were contradicted (e.g. COO effect, brand familiarity). Plausible explanations for divergent findings are advanced.

Special consideration was given to a relatively untapped construct, *product cultural specificity*, for which a new scale was developed and tested, in an effort to empirically substantiate the link between this construct and marketing-mix standardization. To the

author's best knowledge, this is the first attempt to conceptualize and operationalize this construct as an antecedent to international marketing-mix standardization. Though the study was not able to provide solid evidence of the construct's nomological validity, the proposed scale exhibited satisfactory levels of reliability, face, convergent and discriminant validity. As such, the scale can be used as a starting point in further research, to enhance the understanding about the nature of this construct and its role within international marketing decision-making.

Furthermore, a second product related factor was newly developed based on previous conceptual works. A series of product characteristics, assumed to impact the degree of marketing-mix standardization, were combined into an index representing the product's standardization potential. Its significant positive impact on promotion standardization provides an incentive to further explore this construct in future studies.

Findings indicated that the degree of standardization of marketing-mix elements is only to a limited extent determined by the investigated contingency factors. Apparently, the least influence was exerted by product related factors. On a general level, the findings of this study lend support to the resource-based view. Since the established macro- and micro-environmental factors explain only a small proportion of the variance in the standardization degree of marketing-mix elements, IO theory does not seem to match the current marketing practices of the sampled companies in CEE. In this respect, the study makes a major contribution to the contingency perspective of marketing-mix standardization, by testing the validity of general theories in the specific context of the CEE region. Findings lead to the conclusion that theoretical assumptions are only partially valid within this specific geographic context. While previous studies generally supported the influence of environmental factors on firms' marketing-mix standardization behavior, as proposed by IO theory, in the CEE context companies seem to rely more on internal considerations pertaining to e.g. risk assessment, resource allocation, opportunity costs etc. Accordingly, a rather high degree of standardization of marketing-mix elements, especially product, could be observed, notwithstanding substantial perceived differences between environments in home- and CEE host-markets and within CEE host-markets.

By examining the standardization-performance link, following theoretical contributions could be made:

1. a formative measure of performance was proposed and tested;

2. a positive direct relationship between performance and individual marketing-mix elements (i.e. product, promotion, and distribution) could be established. The positive association between standardization and performance suggests that economies of scale are a stronger rationale for standardization than expected benefits from adaptation (e.g. in form of higher revenues);

3. especially organizational factors such as international business experience and global marketing infrastructure exert positive direct and total effects on performance, supporting the resource-based view;

4. the proposition was made, that the standardization-performance link should be investigated for each marketing-mix element individually, as performance implications may vary across the marketing-mix elements (especially for pricing strategy purposes).

Finally, a specific feature of this study is the use of a formative measurement approach for most constructs of interest, based on several criteria derived from literature. Hence, multiple calls for a respecification of measurement models under formative considerations (e.g. Coltman et al., 1998; Diamantopoulos, 1999; Henseler et al., 2009) were answered. As such, this study explores uncharted territories concerning the extensive use of formative measurement models in the context of marketing-mix standardization.

7.2   Managerial Implications

The findings of this study have indicated that German companies adopt a similar degree of marketing-mix standardization across the ten member countries of the EU in the CEE region. In this respect, companies may be a few steps ahead of the ongoing harmonization process at the EU level, since they perceive substantial differences in macro- and micro-environments between their home-country, Germany, and the host-countries in CEE as well as among the CEE countries themselves. In other words, they employ a homogeneous strategy within a heterogeneous environment. Or, as Paliwoda and Marinova (2007, p. 239) claim: "Companies do not choose European customers, but seek instead to create them through standardisation of their product offering, a strategy that may lead to lower costs on the same volume of sales."

Standardizing marketing strategies for the CEE countries may no longer be an efficient way to conduct business in this region. If in early times, after the opening of these markets in the 1990s, an infusion of Western products was more than welcome to the eager Eastern European consumer, increasing sophistication of both markets and consumers has changed the marketing reality (Batra, 1997, pp. 98-99). As Paliwoda and Marinova (2007, p. 240) point out, the transfer of the strategy used in Western markets, optimal from a cost-risk perspective, often equates with a positioning in premium-segments. The higher margins associated with these segments are however increasingly offset by mounting competition for a relatively small group of consumers (Schuh and Holzmüller, 2003, p. 177). Consequently, managers need to recognize that a higher degree of product adaptation can lead them to a greater market share when operating in CEE (Chung, 2005, p. 1367).

Managers would thus be well advised if they switch from the inside-out to the outside-in perspective, by paying more attention to the specifics of the CEE region. The broad range of macro-environmental, micro-environmental, product related and organizational contingency variables advanced in this dissertation could be used as an initial checklist before moving on to more detailed analyses of the foreign market opportunities and internal capabilities. In this study, a positive relationship between similarity of macro-environment, similarity of consumer characteristics, similarity of PLC stage, product nature, international business experience and standardization degree of (some) marketing-mix elements was found. Nevertheless, the associations were not as strong as expected.

To many companies, especially small and medium-sized ones, product adaptation may not seem a viable alternative out of costs and resources considerations. Still, a compromise solution can be reached, if adaptation is performed on a regional scale, either for the whole CEE region, or for clusters of countries found to be more similar in terms of macro-environment, marketing infrastructure, competitive environment, and consumer behavior (Schuh, 2007a, p. 161; Schuh and Holzmüller, 2003, pp. 184-185). A multi-tier product strategy with standardized products targeting the high-end segments and adapted products for the middle and lower price segments allows larger companies to achieve an optimal market coverage (see Chapter 2.2.4, pp. 29-30)

Furthermore, the role of local partners and managers with deep knowledge of and cultural ties to the CEE region cannot be sufficiently stressed. Local partners and managers "can act as interpreters of local business customs and facilitate access to relevant authorities, established businesses and customer bases" (Schuh and Holzmüller, 2003, p. 186).

7.3 Limitations and Future Research

A limitation of this study concerns the accuracy of data generated from a single respondent located at headquarters with regard to marketing-mix strategies in CEE, environmental contingencies, product characteristics and performance outcomes, even though self-reported key informant competence was high. Another limitation is associated with the small sample size. Future research should use larger data sets and allocate more resources to data collection to increase the sample size. The specific context of the study, German consumer goods companies marketing products in the CEE region, makes generalizations beyond the sample difficult. For triangulation purposes, further studies located in this region should be conducted.

The use of formative measures is not free of methodological constraints, as validation of formative constructs is based more on theoretical reasoning than on conventional statistical tests. Consequently, the formative constructs used in this study were mainly validated

using theoretic rationale and expert opinion (Rossiter, 2002), following test procedures recommended by Anderson and Gerbing (1991). As formative measurement does not impose any constraints on inter-item correlations, multicollinearity cannot be completely avoided. The presence of multicollinearity is problematic from a methodological point of view, since formative constructs are modeled as regression equations. This study borrowed a procedure recommended in the multiple regression related literature to eliminate any multicollinearity issues: principal components regression, whereby the original variables are transformed into orthogonal components via principal components analysis. Though not free of disadvantages, such as loss of original information and interpretability issues, this method was preferred over the item elimination alternative for following reasons:

- removing items alters the content validity of a formative construct and is explicitly rejected by most representative contributors to formative measurement theory (e.g. Bollen and Lennox, 1991, p. 308; Jarvis et al., 2003, p. 202), whereas by using PCA, all original items are still represented in the orthogonal components;

- a controlled, minimal loss of variance is obtained by using principal components (after removing the last component(s) that account for a small proportion of variance and represent the source of multicollinearity in the data), than by eliminating the original variable(s);

- the use of principal components leads to more stable estimates of the measurement and structural models.

Altogether, the use of principal components regressions in association with PLS path modeling represents a novel endeavor that needs further investigations to be able to fully appreciate its merits and defects. PLS path modeling itself, as a statistical tool for analyzing structural models, can be critically discussed for its exploratory nature. The PLS approach is more adequate for prediction and/or theory building purposes, and less for theory confirmation, as it assumes that all measured variance is useful to explanation (Henseler et al., 2009, p. 297). Strictly speaking, PLS only tests whether analyzed relationships coincide with theoretical predictions, whilst reverse or mutual relationships between the variables cannot be excluded. Hence, causality cannot really be tested via PLS path modeling. The same is though valid also for covariance-based SEM, where a good model fit does not necessarily say anything about causality (Nachtigall et al., 2003, p. 6). In line with Popper's (1965, p. 42) positivist view, the formulated hypotheses can thereby only be rejected, not confirmed.

This study provides some interesting points of departure for future research. On the one hand, the PCS and product's standardization potential constructs should be further developed and explored within a wider range of industries and type of products (e.g. industrial products, services) as well as geographical areas. On the other hand, this study

focused exclusively on the home-host perspective, whereby, as argued in the literature, the regionalization, i.e. the host-host perspective seems a promising research avenue in the CEE context. Chung (2003) uses such an approach to illustrate the marketing strategies of Australian and New Zealand firms operating in the Greater China Markets. As this study analyzed companies headquartered in Germany, potential effects of culture-specific management practices and values remained unexplored. Expanding the study's scope to companies from other countries would allow for the control of these effects.

Furthermore, the issue of standardization vs. adaptation was addressed from the headquarters' standpoint. Future research could add to the body of knowledge by assuming the subsidiary perspective, or where possible, using both. Additionally, the focus on headquarters may have possibly biased the sample in favor of companies with a stronger standardization behavior, as they are most likely to dispose of relevant information at the headquarter level. In case of stronger adaptation, key-informants may have not been reached by this study, especially if they are located in the foreign subsidiary and/or within decentralized structures.

The cross-sectional character of the study also restricts the ability to make causal inferences, as dynamic phenomena such as drivers of degree of strategy standardization and performance links would require a temporal focus (Katsikeas et al., 2006, p. 883). Existing knowledge could be enhanced by using longitudinal research designs to examine cause-effect relationships in the study of international marketing standardization and its performance consequences.

Despite the mentioned limitations, this study has showed that the long debated subject of international marketing-mix standardization vs. adaptation is far from being exhausted. The CEE region has proven a challenging and rewarding field of inquiry from both a research and business perspective. Current trends and developments in the dynamic CEE environment indicate that this is not likely to change in the near future, so that researchers and managers are encouraged to further explore this region.

APPENDIX ILLUSTRATIONS

Appendix I: Main Areas of International Business Research in CEE

Research Areas	Covered Topics	Contributions
Institutional Environments	Challenges and outcomes of the transition/EU integration process, developments of the marketing infrastructure (distribution, promotion), challenges, risks and opportunities for foreign entrants.	Batra (1997), Brouthers et al. (1998), Manrai and Manrai (2001), Manrai et al. (2001b), Marinov et al. (2001)
Foreign Investors' Entry and Growth Strategy	Motives and entry mode choices of foreign investors, post-entry challenges such as cross-cultural management issues, knowledge transfer, management of headquarters-subsidiary relationships.	Brouthers and Bamossy (2006), Brouthers and Brouthers (2003), Gil et al. (2006). Manea and Pearce (2004), Marinov and Marinova (1999), Meyer (2001), Meyer and Lieb-Dóczy (2003), Nakos and Brouthers (2002), Uhlenbruck (2004)
Local Firms' Entry, Restructuring and Growth Strategy	Determinants of new firm establishment (entrepreneurship), restructuring/privatization processes, governance structures, business culture, international diversification.	De Castro et al. (1997), Estrin et al. (2006), Lyles et al. (2004), Peng (2001), Spicer et al. (2000), Uhlenbruck et al. (2003)
Analysis of Consumer Behavior	Changes in consumer behavior, country comparisons of consumer behavior, country-of-origin effects.	Coulter et al. (2005), Manrai et al. (2001a), Money and Colton (2000), Ozretic-Dosen et al. (2007). Shama (1992), Rojsek (2001)
Marketing Strategy	Marketing-mix strategy and brand strategy between standardization and adaptation.	Aistrich et al. (2006), Hooley et al. (1993), Schuh (2000), Schuh (2007b), Schuh and Holzmüller (2003)
Theoretical Perspectives and Literature Reviews	Analysis of theoretical foundations underpinning CEE research (e.g. transaction cost theory, agency theory, resource-based theory and institutional theory), methodological challenges, and literature reviews of marketing and strategy research in CEE.	Burgess and Steenkamp (2006), Hoskisson et al. (2000), Meyer (2003), Meyer (2004), Meyer and Peng (2005), Wright et al. (2005)

Appendix II: Empirical Conceptualization and Operationalization of the PCS Construct

Appendix II. 1: Partners for the Expert Interviews

Academics		
Name	**Function**	**Institution**
Prof. Joachim Büschken	Professor of Marketing	Catholic University of Eichstätt-Ingolstadt, Germany
Prof. Arnold Schuh	Ass.-Professor of Marketing	Vienna University of Economics and Business Administration, Austria
Prof. Antonella Zucchella	Professor of Marketing and Innovation Management	University of Pavia, Italy
Prof. Keith Brouthers	Professor of Business Strategy	King's College London, United Kingdom
Prof. Alois Moosmüller	Professor of Intercultural Communication	Ludwig-Maximilian University, Munich, Germany
Managers		
Name	**Function**	**Company**
Markus Englet	Export Manager	Weihenstephaner State Brewery, Germany
Michael Durach	General Manager	Develey Senf und Feinkost, Germany

Appendix II. 2: Focus Groups Assignment Photos

Appendix II. 3: Illustrative Statements for the Operationalization of the PCS Construct

"the more similar the perception, the evaluation, and the use [of a product], the more culture-free [the product]" (Interview Arnold Schuh, December 2007)

"categorizing whole product categories [as culture-free or culture-bound] could be done temporarily or as an approximation, but that doesn't mean that within these product categories, all products will be culture-bound [or culture-free]" (Interview Arnold Schuh, December 2007)

"[some people] behave or eat kosher although they are not religious or practicing Jews [...] they have other motives such as health reasons, hygiene, convenience etc..." (Interview Arnold Schuh, December 2007)

"the discriminatory criterion is the buying and usage behavior [of a product]" (Interview Arnold Schuh, December 2007)

"we care insufficiently about how consumption patterns can be changed" (Interview Arnold Schuh, December 2007)

"when one talks about culture-bound products I would introduce the variable "territory" [which can be a cultural unit within or across national borders]" (Interview Zucchella, August 2007)

"a product requiring a complex consumption behavior [involving complex information] is culture-bound" (Interview Zucchella, August 2007)

"drinking wine or consuming a product tied to a specific territory represents a model of consumption more complex, because the product has to be understood" (Interview Zucchella, August 2007)

"the consumption behavior may be culturally bound" (Interview Zucchella, August 2007)

"who defines what is cultural-bound? The ones that produce it, but also those that consume it" (Interview Zucchella, August 2007)

"[of relevance to marketers] is the quantity and the type of information necessary to consume the product" (Interview Zucchella, August 2007)

"a culture-bound product would be a product that is used only in certain cultures and not in other cultures" (Interview Brouthers, August 2007)

"one part of cultural boundedness must be religious beliefs" (Interview Brouthers, August 2007)

"[it's about] how different you think people's tastes and desires are [...] how acceptable is this product in foreign markets [...] is this product usable in other cultures?" (Interview Brouthers, August 2007)

"in Eastern Germany mustard is spread on the bread as a secondary consumption alternative" (Interview Durach, October 2007)

"those learned, inherited taste profiles and patterns cannot be changed so quickly" (Interview Durach, October 2007)

"new products, with whom the consumer is inexperienced... [allow me to be free in the marketing strategy]" (Interview Durach, October 2007)

"everyone may associate with a product something different and depending on how deep this product is anchored [in one's past], to some it is something new, to some it is something they know from their education, because they've learned it at home" (Interview Durach, October 2007)

"It depends on how deep beer is rooted in a country's culture" (Interview Englet, December 2007)

"Beer has in different countries different values. For example, in Bavaria it is tightly embedded in the culture, in other countries it is not so." (Interview Englet, December 2007)

Appendix II. 4: Initial Item Pool – German Version

1. Konsumenten benutzen dieses Produkt in jedem Land zum selben Zweck. (R)

2. Konsumenten kaufen dieses Produkt in jedem Land aus dem selben Grund. (R)

3. Dieses Produkt vermittelt einen globalen Lebensstil. (R)

4. Dieses Produkt befriedigt universelle Bedürfnisse. (R)

5. Der Konsum dieses Produktes wird von kulturellen Normen beeinflusst.

6. Dieses Produkt wird mit seit langem bestehenden Nutzergewohnheiten verbunden.

7. Die Konsumenten dieses Produktes teilen eine globale Konsumkultur. (R)

8. Der Konsum dieses Produktes ist frei von lokalen kulturellen oder traditionellen Zwängen. (R)

9. Dieses Produkt spricht Konsumenten an, welche ähnliche Werte teilen, unabhängig von deren Herkunft. (R)

10. Die Suche, Bewertung sowie der Einkauf dieses Produktes verlaufen weltweit in ähnlicher Form. (R)

11. Dieses Produkt wird als Symbol für eine Region oder ein Land wahrgenommen.

12. Der Konsum dieses Produktes kollidiert oft mit traditionellen Konsummustern.

13. Es gibt erhebliche Unterschiede zwischen Ländern bezüglich Verwendung und Handhabung des Produktes.

14. Der Konsumkontext dieses Produktes wird von lokalen kulturellen Traditionen beeinflusst.

15. Konsumenten in aller Welt messen diesem Produkt verschiedene kulturelle Bedeutungen zu.

16. Der Konsum dieses Produktes ist in vielen Ländern der Welt von religiösem Glauben und kulturellen Tabus geprägt.

17. Konsumenten verbinden ein hohes Maß an nationaler Identität mit dem Konsum dieses Produktes.

18. Die Nutzung dieses Produktes bricht in vielen Ländern der Welt mit traditionellen Konsummustern.

19. Dieses Produkt wird mit einem spezifischen Land/ einer spezifischen Region assoziiert.

20. Dieses Produkt wird von Geschmäckern, Gewohnheiten und Bräuchen beeinflusst, welche von Land zu Land verschieden sind.

Appendix II. 5: Experts for Content and Face Validity

Group	Name	Affiliation
Fellow Marketing Researchers	Dr. Marlen Arnold	Chair of Brewery and Food Industry Management, Technische Universität München
	Wenke Baumbach	
	Aline Krämer	
	Dr. Jasmin Pobisch	
	Sunita Ramakrishnan	
	Marc Requardt	
	Dr. Birte Schmidt-Riediger	
	Sandra Silvertant	
(Marketing) Managers with CEE Experience	Franziska Beisel	BSH Bosch and Siemens Home Appliances, Director Product Marketing, Dishwashing Division
	Dr. Stefan Geiser	Peter Kölln KGaA, Executive Manager, Corporate Communications
	Klaus Lebherz	Harman/Becker Automotive Systems, Director, Brand & Product Management
	Bernd Lothar Sallinger	Staatliches Hofbräuhaus München, Technical Director, International Brewing and Development

Appendix III: Testing the Contingency Model of Marketing-Mix Standardization and Its Performance Outcomes

Appendix III. 1: Survey Questionnaire – English Version

Technische Universität München

Research Project in International Marketing:
Marketing-Mix Strategies in Central Eastern Europe

Thank you very much for taking interest in our study! The addressees of the present questionnaire are export/ marketing managers in charge of one or more national markets in Central and Eastern Europe. The completion of the questionnaire takes about 15 Minutes. All data will be handled on a strictly confidential basis and will be interpreted anonymously.

Be so kind as to please carefully read the questions and available answers. There are no "right" or "wrong" answers. Answer the question in the manner that seems fittest, to the best of your consideration. Please take the whole scale width (ranging from 1 to 5) into account when assessing. Should you be unable/ unwilling to answer all questions, please do not hesitate to send us the partially completed questionnaire.

Upon completion of our research, you will receive, as long as so desired, an executive summary over the outcome. Moreover, you can take part in a drawing for 3 Amazon coupons worth 100 € each.

Please mail or fax the completed questionnaire at **0049 8161 71 3209** by **April 21, 2009**.

Thank you for your support and cooperation!

Dipl.-Kffr. Roxana Codita   Univ.-Prof. Dr. Frank-Martin Belz
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PART A. INDUSTRY AND INTERNATIONAL ACTIVITY

The following questions refer mainly to your industry and international activity.

1. Please select a **Central Eastern European (CEE)** country, where your company **markets consumer products** AND with which you are **personally most familiar** with.

    In the following this country will be referred to as **CEE1.**

o	Bulgaria
o	Czech Republic
o	Estonia
o	Latvia
o	Lithuania
o	Hungary
o	Poland
o	Romania
o	Slovenia
o	Slovakia

2. Please select your **primary mode of operation** in the CEE1 market:

o	Indirect export
o	Export
o	Franchising/ Licensing
o	Minority joint venture
o	Majority joint venture
o	Wholly-owned subsidiary

3. Please describe your company's **international business experience** in terms of:

numbers of years in international business:	_____	Years
number of countries currently operating in:	_____	Countries
years of presence in CEE1:	_____	Years

4. Which **one** of the following statements **best** describes your **company's general orientation** towards international business?

o	Our company primarily concentrates on the home market- the international business is of minor importance to our company.
o	Our company primarily adapts strategies to the specifics of each foreign market.
o	Our company primarily tries to identify homogeneous groups of countries, where a uniform, regional marketing approach can be implemented.
o	Our company is a global corporation and our foreign market is the world market. All decisions that are taken consider all aspects of the different countries in which we are present.

5. Which country is the home-market of your company?

    Home-market: _____

6. Now please think of a **consumer product** or **a consumer product line** you are **personally best familiar** with, that your company markets in CEE1! Please name the category this specific product (line) belongs to:

    _____

PART B. QUESTIONS CONCERNING YOUR SELECTED PRODUCT

Please keep your selected product in mind, when answering following questions!

7. Please describe **this product** using the following pairs of opposite adjectives. For instance, if you consider the product as being rather "Low-tech", please mark a box closer to the word "Low-tech".

	– –	–	0	+	+ +		n/a
Low-tech	☐	☐	☐	☐	☐	High-tech	☐
Simple	☐	☐	☐	☐	☐	Complex	☐
Unique	☐	☐	☐	☐	☐	Standard	☐
Innovative	☐	☐	☐	☐	☐	Traditional	☐
Rational	☐	☐	☐	☐	☐	Emotional	☐
Culture-free	☐	☐	☐	☐	☐	Culture-bound	☐
Symbolic	☐	☐	☐	☐	☐	Functional	☐

8. Please indicate on a scale from 1 to 5 (1= „does not apply" and 5= „applies fully") to what extent the following **statements apply to your selected product, in general**.

	does not apply 1	applies to a low extent 2	applies mode-rately 3	applies to a high extent 4	applies fully 5	don't know
There are substantial differences between countries with respect to product ownership and usage.						
Cultural norms are reflected in the consumption of this product.						
The consumption context of this product is influenced by local cultural traditions.						
Consumers around the world attach different cultural meanings to this product.						
The consumption of this product is affected by cultural taboos.						
This product is influenced by tastes, habits and customs, which vary from country to country.						

9. Please indicate on a scale from 1 to 5 (1= „does not apply" and 5= „applies fully") to what extent the following **statements apply to your selected product, in general**.

	does not apply 1	applies to a low extent 2	applies mode-rately 3	applies to a high extent 4	applies fully 5	don't know
This product conveys a global consumer lifestyle.						
This product responds to universal needs.						
The consumers of this product share a global consumer culture, regardless of their origin.						
The factors motivating the purchase of the product are the same worldwide.						
The search, evaluation and purchasing process of this product is similar all over the world.						

10. Please indicate on a scale from 1 to 5 (1= „does not apply" and 5= „applies fully") to what extent the following **statements apply to your selected product, in general**.

	does not apply	applies to a low extent	applies mode- rately	applies to a high extent	applies fully	don't know
	1	**2**	**3**	**4**	**5**	
This product is perceived as a symbol for a specific region or a country.						
Consumers invest a high level of national identity in the consumption of this product.						
This product is associated with a specific country or region.						

11. Please rate the level of **consumers' familiarity** with your **product and company brand** in the CEE1 market on a scale from 1 to 5, with 1= "very low" to 5= "very high":

	Very low	low	average	high	very high	don't know
	1	**2**	**3**	**4**	**5**	
Familiarity with the company brand						
Familiarity with the product brand						

12. What is your product's current **stage in the product life cycle** in the home market and the CEE1 market?

	Home-market:	**CEE1 market:**
Introduction		
Growth		
Maturity		
Decline		
Don't know		

13. In your opinion, to what extent do **following factors** play a **positive role** in the **purchase decision** of consumers in CEE1 for your product?

	to a very small extent	to a small extent	to some extent	to a large extent	to a very large extent	n/a
	1	**2**	**3**	**4**	**5**	
Product's Country of Origin ("made-in")						
Brand's Country of Origin						

PART C: CONFIGURATION OF MARKETING-MIX

In this section, you will be asked to assess the degree of **(dis-)similarity of your marketing-mix elements** in your home market and the CEE1 market.

14. How would you describe the following aspects of your **product strategy** in your chosen CEE1 market in comparison to the home market, on a scale from 1 to 5, where 1= "very different" and 5= "very similar"?

	very different	mainly different	partly different, partly similar	mainly similar	very similar	don't know
	1	**2**	**3**	**4**	**5**	
Product features						
Product design and style						
Brand name						
Packaging						
Pre and after sales service						
Product quality						
Warranties						
Labeling						

15. How would you describe the following aspects of your **pricing strategy** in your chosen CEE1 market in comparison to the home market, on a scale from 1 to 5, where 1= "very different" and 5= "very similar"?

	very different	mainly different	partly different, partly similar	mainly similar	very similar	don't know
	1	**2**	**3**	**4**	**5**	
Selling price to trade customers						
Selling price to end users						
Profit margins						
Sales terms						

16. How would you describe the following aspects of your **communication strategy** in your chosen CEE1 market in comparison to the home market, on a scale from 1 to 5, where 1= "very different" and 5= "very similar"?

	very different	mainly different	partly different, partly similar	mainly similar	very similar	don't know
	1	**2**	**3**	**4**	**5**	
Advertising message						
Advertising creative presentation						
Personal selling						
Public relations						
Sales promotion tools						

17. How would you describe the following aspects of your **distribution strategy** in your chosen CEE1 market in comparison to the home market, on a scale from 1 to 5, where 1= "very different" and 5= "very similar"?

	very different **1**	mainly different **2**	partly different, partly similar **3**	mainly similar **4**	very similar **5**	don't know
Length of distribution channels						
Type of retail outlets						
Distribution coverage (intensive, selective, exclusive distribution)						
Role of middlemen/ dealers						

18. What kind of **retailing partners** do you work with in **CEE1**?

exclusively local retailers **1**	mostly local retailers **2**	a balanced mix **3**	mostly international retailers **4**	exclusively international retailers **5**	don't know

PART D: INTERNATIONAL MARKETING ENVIRONMENT

In the following, we will take a closer look at the **marketing environment in CEE1 and your home-market**.

19. How would you rate the **competition intensity** in the home and the host markets, based on following criteria? (1= "very low" to 5= "very high")?

	very low **1**	low **2**	average **3**	high **4**	very high **5**	don't know
Threat of substitute products						
Threat of entry of new competitors						
Intensity of competitive rivalry						
Bargaining power of retailers and consumers						
Bargaining power of suppliers						

20. How would you describe your **consumers** in your chosen CEE1 market in comparison to the home market, on a scale from 1 to 5, where 1="very different" and 5="very similar"?

	very different **1**	mainly different **2**	partly different, partly similar **3**	mainly similar **4**	very similar **5**	don't know
Customers' requirements and preferences						
Product evaluation criteria						
Price sensitivity						
Customers' purchasing habits						
Product consumption patterns						

21. In which **market segment** is your product positioned?

	In the home-market	**In CEE1 market**
High-price segment		
Middle-price segment		
Low-price segment		
Don't know		

22. How would you describe the **marketing infrastructure** of CEE1 in comparison to your home-market, on a scale from 1 to 5, where 1= "very different" and 5= "very similar"?

	very different 1	mainly different 2	partly different, partly similar 3	mainly similar 4	very similar 5	don't know
Competencies of market research agencies						
Competencies of distribution firms						
Availability of suitable advertising media channels and agencies						
Structure of distribution channels						
Functions performed by middlemen						
Households' media infrastructure						

23. How would you describe the **macro-environment** of CEE1 in comparison to your home-market, on a scale from 1 to 5, where 1= "very different" and 5= "very similar"?

	very different 1	mainly different 2	partly different, partly similar 3	mainly similar 4	very similar 5	don't know
natural environment (e.g. climate, natural and human resources, topography)						
economic conditions (e.g. GNP, labor costs, purchasing power)						
political conditions (e.g. political interventions, stability, fiscal and monetary policy)						
legal conditions (e.g. regulations on price, product safety, packaging restrictions etc.)						
socio-cultural environment (e.g. religion, values and norms, education)						

PART E: COMPANY INFORMATION

The next questions refer to success dimensions, company processes and structures.

24. How high is the **estimated market share** of the selected product in the total product category market:

In the home-market:	☐ 0-10%	☐ 11-20%	☐ 21-30%	☐ 31-40%	☐ 41-50%	☐ >50%
In CEE1:	☐ 0-10%	☐ 11-20%	☐ 21-30%	☐ 31-40%	☐ 41-50%	☐ >50%

25. Please rate your product's **average performance in CEE1 relative to your main competitors** on a scale from 1 to 5, where 1= "much worse" and 5= "much better", with regard to following aspects:

	much worse 1	worse 2	same 3	better 4	much better 5	don't know
Market share						
Sales growth						
Profit						
Customer Satisfaction						

26. Please indicate on a scale from 1 to 5 (1= „does not apply" and 5= „applies fully"), to what extent the following **statements apply to your company's structure**.

	does not apply 1	applies to a low extent 2	applies mode- rately 3	applies to a high extent 4	applies fully 5	don't know
Business units in the same sector report to a common global sector leader/ division leader/ business area leader.						
Our company avoids structural redundancies across various country operations.						
We manage foreign operations through coordination structures such as global account managers, global teams, global product managers.						
Product-related decisions (e.g. brand name, product design) are made by the headquarters.						
Non-product related decisions (e.g. pricing, sales promotion) are made by the headquarters.						

27. Please indicate on a scale from 1 to 5 (1= „does not apply" and 5= „applies fully"), to what extent the following **statements apply to your company's processes**.

	does not apply 1	applies to a low extent 2	applies mode- rately 3	applies to a high extent 4	applies fully 5	don't know
We have a well defined and uniform process of international market research.						
We develop business processes, which are then adopted by our units worldwide.						
We introduce new products in international markets simultaneously.						
We embed the requirements of international customers in the early phases of our product development process.						

28. How many **employees** work in your company worldwide?

o	less than 10
o	10 to 50
o	51 to 250
o	250 to 1000
o	1000-5000
o	over 5000

29. How high was the **estimated yearly revenue** of your company last year?

In CEE1: approx. _____ Million EUR

In the home-market: approx. _____ Million EUR

Worldwide: approx. _____ Million EUR

30. What **position** do you hold in your company?

_____

31. Please rate following statements:

	very low	low	average	high	very high
	1	2	3	4	5
My influence upon strategic marketing decisions in CEE1 is:					
My influence upon tactical marketing decisions CEE1 is:					
My knowledge about the CEE1 market:					

That was the last question! Thank you for your valuable time!

You have made an important contribution to research in International Marketing. If desired, we will send you an executive summary with the main findings of the study. Moreover, as a token of our gratitude for your efforts, we raffle three Amazon vouchers worth 100 € amongst all participants in this survey.

In this case, please state alternatively your post address, fax-number, or email address:

_____

At this point, we would like to reassure you, that all information will be handled anonymously and confidentially. All data will be used for research purposes ONLY!

You can use this space for further comments, suggestions, and wishes.

Appendix III. 2: Survey Questionnaire – German Version

Technische Universität München

Forschungsprojekt im Bereich Internationales Marketing:

Marketing-Mix Strategien in Mittel- und Osteuropa

Vielen Dank für Ihr Interesse an unserer Studie! Die Adressaten der Umfrage sind Export/ Marketing Manager mit Verantwortung für einen oder mehrere Märkte in Mittel- und Osteuropa. Die Befragung dauert etwa 15 Minuten. Alle Angaben werden streng vertraulich behandelt und anonym ausgewertet.

Wir bitten Sie höflich, sich die Fragen und Antworten sorgfältig durchzulesen. Es gibt keine richtigen oder falschen Antworten. Beantworten Sie die Fragen so, wie Sie es am besten einschätzen können. Nutzen Sie dabei die gesamte Skalenbreite (von 1 bis 5). Wenn Sie nicht alle Fragen beantworten können, senden Sie uns den Fragebogen bitte dennoch zu.

Nach Abschluss der Untersuchung erhalten Sie, wenn gewünscht, einen ausgearbeiteten Ergebnisbericht. Darüber hinaus können Sie an der Verlosung von 3 Amazon-Gutscheinen im Wert von je 100 Euro teilnehmen.

Bitte senden Sie Ihren ausgefüllten Fragebogen

bis Dienstag, den 21.04.2009 per Fax an 0049 8161 71 3209 oder Post (Anschrift s. unten).

Wir bedanken uns für Ihr Vertrauen und Ihre Unterstützung!

Dipl.-Kffr. Roxana Codita
Wissenschaftliche Mitarbeiterin

Univ.-Prof. Dr. Frank-Martin Belz
Inhaber der Professur

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TEIL I: INTERNATIONALE TÄTIGKEIT

Die folgenden Fragen beziehen sich auf die internationale Tätigkeit Ihres Unternehmens.

1. Bitte wählen Sie **ein Mittel-Osteuropäisches (MOE) Land** aus, in dem Ihr Unternehmen **Produkte für den privaten Ver-/ Gebrauch** vermarktet **UND** mit dem Sie persönlich **bestens vertraut** sind.

   Im Folgenden wird dieses Land **MOE1** bezeichnet.

o	Bulgarien
o	Estland
o	Lettland
o	Litauen
o	Polen
o	Rumänien
o	Slowakei
o	Slowenien
o	Tschechische Republik
o	Ungarn

2. In welcher **Form** sind Sie auf dem **MOE1 Markt hauptsächlich** aktiv? Bitte kreuzen Sie nur **eine** Antwort an:

o	Indirekter Export
o	Direkter Export
o	Franchising/ Lizenzvergabe
o	Minderheits-Joint-Venture
o	Mehrheits-Joint-Venture
o	100% Tochtergesellschaft

3. Bitte verdeutlichen Sie die **internationale Erfahrung** Ihres Unternehmens im Hinblick auf:

Anzahl der Jahre, die Ihr Unternehmen international tätig ist:	_____ Jahre
Anzahl der Länder weltweit, in denen Ihr Unternehmen aktuell tätig ist:	_____ Länder
Anzahl der Jahre, die Ihr Unternehmen im **MOE1** tätig ist:	_____ Jahre

4. Welche der folgenden Aussagen stimmt mit der **generellen Ausrichtung** Ihres Unternehmens am ehesten überein? Bitte wählen Sie nur **eine** der folgenden Antworten aus:

o	Unser Unternehmen konzentriert sich vor allem auf den Heimatmarkt – das Auslandsgeschäft ist von untergeordneter Bedeutung.
o	Typisch für unser Unternehmen ist eine länderspezifische Bearbeitung jedes einzelnen Auslandsmarktes unter Berücksichtigung lokaler Gegebenheiten.
o	Wir versuchen weitestgehend homogene Ländergruppen zu bilden, um dann auf Gruppenebene eine einheitliche Marktbearbeitung vorzunehmen.
o	Unser Unternehmen ist eine globale Firma und unser Auslandsmarkt ist der Weltmarkt. Alle Entscheidungen, die getroffen werden, beziehen alle Länder mit ein, in denen wir tätig sind.

5. Welches Land ist der **Heimatmarkt** Ihres Unternehmens?

   Heimatmarkt: _____

6. Bitte denken Sie an **ein Produkt für den privaten Ver-/ Gebrauch** (alternativ auch eine Produktgruppe) Ihres Unternehmens in dem vorhin ausgewählten **MOE1** Markt, **mit dem Sie persönlich am besten vertraut sind**!

   Zu welcher **Produktkategorie** gehört **dieses Produkt/ diese Produktgruppe**?

   Produktkategorie: _____

TEIL II: FRAGEN ZU IHREM AUSGEWÄHLTEN PRODUKT

Bitte halten Sie sich das vorhin ausgewählte Produkt vor Augen. Wir möchten gerne mehr über **dieses Produkt** wissen…

7. Beschreiben Sie bitte **dieses Produkt** mit Hilfe folgender Gegensatzpaare. Zum Beispiel, wenn Sie das Produkt für eher „low-tech" halten, dann wählen Sie ein Kästchen näher an dem Wort „low-tech".

	− −	−	0	+	+ +		Keine Antwort
low-tech	☐	☐	☐	☐	☐	high-tech	☐
einfach	☐	☐	☐	☐	☐	komplex	☐
einzigartig	☐	☐	☐	☐	☐	standard	☐
innovativ	☐	☐	☐	☐	☐	traditionell	☐
rational	☐	☐	☐	☐	☐	emotional	☐
kulturgebunden	☐	☐	☐	☐	☐	kulturfrei	☐
symbolisch	☐	☐	☐	☐	☐	funktionell	☐

8. Bitte bewerten Sie auf einer Skala von 1 bis 5 (1 = „trifft nicht zu" und 5 = „trifft zu"), inwieweit die folgenden **Aussagen auf das von Ihnen ausgewählte Produkt, generell gesehen, zutreffen**:

	trifft nicht zu 1	trifft eher nicht zu 2	teils teils 3	trifft eher zu 4	trifft zu 5	weiss nicht
Es gibt erhebliche Unterschiede zwischen Ländern bezüglich Verwendung und Handhabung dieses Produktes.						
Kulturelle Normen spiegeln sich in dem Konsum dieses Produktes wider.						
Der Konsumkontext dieses Produktes wird von lokalen kulturellen Traditionen beeinflusst.						
Konsumenten in aller Welt messen diesem Produkt verschiedene kulturelle Bedeutungen zu.						
Der Konsum dieses Produktes ist in vielen Ländern der Welt von kulturellen Tabus geprägt.						
Dieses Produkt wird von Geschmäckern, Gewohnheiten und Bräuchen beeinflusst, welche von Land zu Land verschieden sind.						

9. Bitte bewerten Sie auf einer Skala von 1 bis 5 (1 = „trifft nicht zu" und 5 = „trifft zu"), inwieweit die folgenden **Aussagen auf das von Ihnen ausgewählte Produkt, generell gesehen, zutreffen**:

	trifft nicht zu 1	trifft eher nicht zu 2	teils teils 3	trifft eher zu 4	trifft zu 5	weiss nicht
Dieses Produkt vermittelt einen globalen Lebensstil.						
Dieses Produkt befriedigt universelle Bedürfnisse.						
Die Konsumenten dieses Produktes teilen ähnliche Werte, unabhängig von deren Herkunft.						
Konsumenten kaufen dieses Produkt in jedem Land aus dem selben Grund.						
Die Suche, Bewertung sowie der Einkauf dieses Produktes verlaufen weltweit in ähnlicher Form.						

10. Bitte bewerten Sie auf einer Skala von 1 bis 5 (1 = „trifft nicht zu" und 5 = „trifft zu"), inwieweit die folgenden **Aussagen auf das von Ihnen ausgewählte Produkt, generell gesehen, zutreffen**:

	trifft nicht zu **1**	trifft eher nicht zu **2**	teils teils **3**	trifft eher zu **4**	trifft zu **5**	weiss nicht
Dieses Produkt wird als Symbol für eine Region oder ein Land wahrgenommen.						
Konsumenten verbinden ein hohes Maß an nationaler Identität mit dem Konsum dieses Produktes.						
Dieses Produkt wird mit einem bestimmten Land oder einer bestimmten Region assoziiert.						

11. Wie schätzen Sie **den Bekanntheitsgrad** Ihrer **Unternehmens- und Produktmarke** unter den Konsumenten im **MOE1 Markt** auf einer Skala von 1 bis 5 (1 = „sehr niedrig" bis 5 = „sehr hoch") ein?

	sehr niedrig **1**	niedrig **2**	durch- schnittlich **3**	hoch **4**	sehr hoch **5**	weiss nicht
Bekanntheit der Unternehmensmarke						
Bekanntheit der Produktmarke						

12. In welcher **Phase des Produktlebenszyklus** befindet sich das von Ihnen ausgewählte Produkt aktuell?

	im Heimatmarkt:	**im MOE1 Markt:**
Einführung		
Wachstum		
Reife		
Degeneration		
weiss nicht		

13. In welchem Ausmaß üben – Ihrer Meinung nach – folgende Faktoren einen **positiven Einfluss** auf die **Kaufentscheidung der Konsumenten im MOE1 für Ihr ausgewähltes Produkt**? Bitte beurteilen Sie auf einer Skala von 1 bis 5 (1 = „in sehr geringem Ausmaß" bis 5 =„in sehr hohem Ausmaß").

	in sehr geringem Ausmaß **1**	in geringem Ausmaß **2**	in mittlerem Ausmaß **3**	in hohem Ausmaß **4**	in sehr hohem Ausmaß **5**	spielt keine Rolle
Herkunftsland des Produktes („made-in")						
Herkunftsland der Marke						

TEIL III: FRAGEN ZUR GESTALTUNG DES MARKETING-MIX

Zentraler Gegenstand der folgenden Fragen ist der **Marketing-Mix für das ausgewählte Produkt im MOE1 Markt im Vergleich zum Heimatmarkt**.

14. Wie würden Sie die folgenden Aspekte Ihrer **Produktstrategie** im ausgewählten MOE1 Markt im Vergleich zum Heimatmarkt, auf einer Skala von 1 bis 5 (1 = „sehr unterschiedlich" bis 5 = „sehr ähnlich") beschreiben?

	sehr unter-schiedlich **1**	unter-schiedlich **2**	z.T. unter-schiedlich z.T. ähnlich **3**	ähnlich **4**	sehr ähnlich **5**	weiss nicht
Produkteigenschaften						
Produktdesign und -stil						
Markenname						
Verpackung						
Pre- und After-Sales Service						
Produktqualität						
Garantien						
Labeling						

15. Wie würden Sie die folgenden Aspekte Ihrer **Preisstrategie** im ausgewählten MOE1 Markt im Vergleich zum Heimatmarkt, auf einer Skala von 1 bis 5 (1 = „sehr unterschiedlich" bis 5 = „sehr ähnlich") beschreiben?

	sehr unter-schiedlich **1**	unter-schiedlich **2**	z.T. unter-schiedlich z.T. ähnlich **3**	ähnlich **4**	sehr ähnlich **5**	weiss nicht
Händlerpreise						
Endverbraucherpreise						
Profitmargen						
Konditionen für den Handel						

16. Wie würden Sie die folgenden Aspekte Ihrer **Kommunikationsstrategie** im ausgewählten MOE1 Markt im Vergleich zum Heimatmarkt, auf einer Skala von 1 bis 5 (1 = „sehr unterschiedlich" bis 5 = „sehr ähnlich") beschreiben?

	sehr unter-schiedlich **1**	unter-schiedlich **2**	z.T. unter-schiedlich z.T. ähnlich **3**	ähnlich **4**	sehr ähnlich **5**	weiss nicht
Werbebotschaft						
Kreative Werbegestaltung						
Persönlicher Verkauf						
Public Relations						
Verkaufsförderungsinstrumente						

17. Wie würden Sie die folgenden Aspekte Ihrer **Distributionsstrategie** im ausgewählten MOE1 Markt im Vergleich zum Heimatmarkt, auf einer Skala von 1 bis 5 (1 = „sehr unterschiedlich" bis 5 = „sehr ähnlich") beschreiben?

	sehr unter-schiedlich	unter-schiedlich	z.T. unter-schiedlich z.T. ähnlich	ähnlich	sehr ähnlich	weiss nicht
	1	**2**	**3**	**4**	**5**	
Anzahl der Stufen im Distributionssystem						
Art der benutzten Absatzkanäle (Supermärkte, Discounter, Großhändler etc.)						
Distributionsgrad (intensive, selektive, exklusive Distribution)						
Rolle von Zwischenhändlern/ Händlern						

18. Welche **Handelspartner** nutzen Sie im MOE1 Markt?

ausschließlich lokale Händler	überwiegend lokale Händler	ausgewogene Mischung	überwiegend internationale Händler	ausschließlich internationale Händler	weiss nicht
1	**2**	**3**	**4**	**5**	

TEIL IV: FRAGEN ZU INTERNATIONALEN RAHMENBEDINGUNGEN

Bei den folgenden Fragen geht es darum, die Rahmenbedingungen zwischen dem ausgewählten **MOE1 Markt** und **Ihrem Heimatmarkt** zu vergleichen.

19. Wie schätzen Sie die **Wettbewerbsintensität im MOE1** Markt auf einer Skala von 1 bis 5 (1 = „sehr niedrig" bis 5 = „sehr hoch") ein?

	sehr niedrig	niedrig	durch-schnittlich	hoch	sehr hoch	weiss nicht
	1	**2**	**3**	**4**	**5**	
Bedrohung durch Substitutionsprodukte						
Bedrohung durch neue Marktteilnehmer						
Rivalität unter den bestehenden Wettbewerbern						
Verhandlungsstärke des Handels und der Konsumenten						
Verhandlungsstärke der Lieferanten						

20. Wie würden Sie die **Konsumenten** Ihrer Produkte im MOE1 Markt im Vergleich zu Ihrer Zielgruppe im Heimatmarkt auf einer Skala von 1 bis 5 (1 = „sehr unterschiedlich" bis 5 = „sehr ähnlich") beschreiben?

	sehr unter-schiedlich	unter-schiedlich	z.T. unter-schiedlich z.T. ähnlich	ähnlich	sehr ähnlich	weiss nicht
	1	**2**	**3**	**4**	**5**	
Konsumbedürfnisse und -präferenzen						
Kriterien zur Produktevaluation						
Preissensitivität						
Kaufgewohnheiten						
Konsummuster						

21. In welchem **Marktsegment** ist Ihr Produkt positioniert?

	im Heimatmarkt	im MOE1 Markt
Hochpreissegment		
Mittelpreissegment		
Niedrigpreissegment		
weiss nicht		

22. Wie würden Sie die **Marketinginfrastruktur** im MOE1 Markt im Vergleich zu Ihrem Heimatmarkt auf einer Skala von 1 bis 5 (1 = „sehr unterschiedlich" bis 5 = „sehr ähnlich") einstufen?

	sehr unterschiedlich 1	unterschiedlich 2	z.T. unterschiedlich z.T. ähnlich 3	ähnlich 4	sehr ähnlich 5	weiss nicht
Kompetenzen von Marktforschungsagenturen						
Kompetenzen von Distributionsunternehmen						
Verfügbarkeit geeigneter Werbemedien und Werbeagenturen						
Struktur der Distributionskanäle						
Funktionen von Zwischenhändlern						
Mediainfrastruktur der Haushalte						

23. Wie würden Sie die **Makroumwelt** im MOE1 Markt im Vergleich zu Ihrem Heimatmarkt auf einer Skala von 1 bis 5 (1 = „sehr unterschiedlich" bis 5 = „sehr ähnlich") einstufen?

	sehr unterschiedlich 1	unterschiedlich 2	z.T. unterschiedlich z.T.ähnlich 3	ähnlich 4	sehr ähnlich 5	weiss nicht
Natürliche Rahmenbedingungen (z.B. Klima, natürliche und personelle Ressourcen, Topographie)						
Wirtschaftliche Rahmenbedingungen (z.B. BIP, Lohnkosten, Kaufkraft)						
Politische Rahmenbedingungen (z.B. politische Interventionen, Stabilität, Steuer- und Geldpolitik)						
Rechtliche Rahmenbedingungen (z.B. Vorschriften zu Preissetzung, Verkaufsbedingungen, Verpackung)						
Sozio-kulturelle Rahmenbedingungen (z.B. Religion, Werte und Normen, Bildungsniveau)						

TEIL V: INFORMATIONEN ZUM UNTERNEHMEN

Die nächsten Fragen beziehen sich auf Erfolgsdimensionen, Unternehmensprozesse und -strukturen!

24. Wie hoch ist der **geschätzte Marktanteil** des ausgewählten Produktes in der betrachteten Produktkategorie?

Im Heimatmarkt:	☐0-10%	☐11-20%	☐21-30%	☐31-40%	☐41-50%	☐>50%
Im MOE1 Markt:	☐0-10%	☐11-20%	☐21-30%	☐31-40%	☐41-50%	☐>50%

25. Bitte bewerten Sie den **durchschnittlichen Erfolg** Ihres **ausgewählten Produktes im Vergleich** zu Ihren **Hauptwettbewerbern im MOE1 Markt** auf einer Skala von 1 bis 5 (1 = „viel schlechter" bis 5= „viel besser").

	viel schlechter 1	schlechter 2	etwa gleich 3	besser 4	viel besser 5	weiss nicht
Marktanteil						
Umsatzwachstum						
Gewinn						
Kundenzufriedenheit						

26. Bitte bewerten Sie auf einer Skala von 1 bis 5 (1 = „trifft nicht zu" und 5 = „trifft zu"), inwieweit die folgenden **Aussagen auf die Organisationsstruktur** Ihres Unternehmens, zutreffen:

	trifft nicht zu 1	eher nicht zu 2	teils teils 3	trifft eher zu 4	trifft zu 5	weiss nicht
Geschäftseinheiten im gleichen Geschäftsfeld berichten einem gemeinsamen globalen Bereichsleiter/ Divisionsleiter/ Business Area Leiter.						
Unser Unternehmen vermeidet Überschneidungen in den Organisationsstrukturen im Inland und Ausland.						
Wir steuern Auslandsaktivitäten über Koordinationsgruppen wie z.B. globale Account Manager, globale Teams, globale Produktmanager.						
Produktbezogene Entscheidungen (z.B. Markennamen, Produktdesign) für Auslandsmärkte liegen bei der Unternehmenszentrale.						
Nicht-produktbezogene Entscheidungen (z.B. Preis, Verkaufsförderung) für Auslandsmärkte liegen bei der Unternehmenszentrale.						

27. Bitte bewerten Sie auf einer Skala von 1 bis 5 (1 = „trifft nicht zu" und 5 = „trifft zu"), inwieweit die folgenden **Aussagen auf die Organisationsprozesse** in Ihrem Unternehmens, zutreffen:

	trifft nicht zu 1	eher nicht zu 2	teils teils 3	trifft eher zu 4	trifft zu 5	weiss nicht
Wir haben einen einheitlichen und gut definierten Prozess der internationalen Marktforschung.						
Wir entwickeln Geschäftsprozesse, welche dann von Einheiten weltweit übernommen werden.						
Wir führen neue Produkte auf internationalen Märkten gleichzeitig ein.						
Wir betten die Anforderungen internationaler Konsumenten in den frühen Phasen der Produktentwicklung mit ein.						

28. Wie viele **Mitarbeiter** beschäftigt Ihr Unternehmen aktuell weltweit?

o	Weniger als 10
o	11 bis 50
o	51 bis 250
o	251 bis 1000
o	1001 bis 5000
o	über 5000

29. Wie hoch war das **Umsatzvolumen** Ihres Unternehmens im abgelaufenen Kalenderjahr?

Im MOE1:   circa _____ Mio. EUR

Im Heimatmarkt: circa _____ Mio. EUR

Weltweit: circa _____ Mio. EUR

30. In welcher **Position** sind Sie innerhalb Ihres Unternehmens momentan tätig?

_____

31. Bitte geben Sie Ihre Einschätzung zu folgenden Aussagen:

	sehr gering 1	gering 2	mittel 3	hoch 4	sehr hoch 5
Mein Einfluss auf strategischen Marketing-Entscheidungen in MOE1 ist:					
Mein Einfluss auf operativen Marketing-Entscheidungen in MOE1 ist:					
Mein Wissen über den MOE1 Markt ist:					

Das war die letzte Frage! Vielen Dank für Ihre wertvolle Zeit!

Sie haben damit einen wichtigen Beitrag für die Forschung im Bereich Internationales Marketing geleistet. Wenn Sie es wünschen, senden wir Ihnen gerne den Ergebnisbericht zu.

Darüber hinaus können Sie an der Verlosung von 3 Amazon-Gutscheinen im Wert von je 100 Euro teilnehmen. Bitte nennen Sie uns in diesem Fall wahlweise Ihre Postanschrift, Fax-Nummer, oder Email-Adresse:

_____

An dieser Stelle möchten wir Ihnen noch mal versichern, dass alle **Daten anonym und vertraulich** behandelt werden. Diese werden **ausschließlich für wissenschaftliche Zwecke** verwendet!

Für Anmerkungen, Kommentare und Anliegen steht Ihnen der verbleibende Platz zur Verfügung:

Appendix III. 3: Email Invitation – English Version

Marketing Strategies in Central and Eastern Europe: Chair of Brewery and Food Industry Management at TU München launches Germany-wide survey

Dear Mr./Ms. X,

Should new markets in Central and Eastern Europe be addressed through a standardized marketing mix or is there a customization of the instruments necessary? What kind of effects do different marketing strategies take over commercial success in Central and Eastern Europe?

The current scientific research project of the Chair of Brewery and Food Industry Management at the Technische Universität München – „Marketing-Mix Strategies in Central and Eastern Europe" – is particularly headed towards the questions layed out above. The focal point rests on consumption goods of the kind marketed by German companies in Central and Eastern Europe.

Marketing managers in charge of one or more national markets in Central and Eastern Europe are cordially invited to take part in the online-survey until **March 31, 2009**. In case these responsibilities do not fall under your personal field of activities, we would like to ask you to kindly forward this email to the respective contact person within your company.

The current survey can be found under:

www.wzw.tum.de/same

The completion of the questionnaire will take about 15 minutes of your time. All data will be handled under strict confidentiality, will be presented exclusively in composite form and will be interpreted anonymously. Upon request you will receive an elaborate result report after completion of the study, which will convey a picture of the diverse strategies of successful German enterprises in Central and Eastern Europe as well as respective policy recommendations.

Moreover, we will draw the winners of 3 Amazon coupons, worth 100 each, among the participants.

Thank you very much for your support!

Sincerely yours,
Prof. Frank Martin Belz
Dipl. Kffr. Roxana Codita

Technische Universität München
TUM School of Management
Chair of Brewery and
Food Industry Management

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Email: Roxana.Codita@wi.tum.de
http://www.food.wi.tum.de

Appendix III. 4: Email Reminder – English Version

Dear Mr./Ms. X,

In the early days of March of this year we have sent you an invitation to take part in our survey on the subject "Marketing-Mix Strategies in Central and Eastern Europe" within the framework of a research project of the Technische Universität München.

Each of the filled in questionnaires contributes to the success of this scientific study. This is why we come back to you with the polite request to take part in this survey. We would be grateful if you could find 15 minutes of your valuable time to complete our questionnaire. Your efforts will be rewarded with an elaborate results report upon completion of our study. Additionally, we are holding a prize draw among the participants for three Amazon coupons worth 100 euro each. We would once more like to emphasize that all data will be handled under strict confidentiality, will be presented exclusively in composite form and will be interpreted anonymously.

In case the subject of this study does not fall under your personal field of activities, we ask you to kindly forward this email to the export manager or marketing manager territorially in charge of Central and Eastern Europe within your company.

Access to the questionnaire: www.wzw.tum.de/same

Please fill in the questionnaire as far as possible until **Tuesday, 04.21.09.**

Should you have already completed the questionnaire, we would like to take this opportunity to thank you sincerely.

We are glad to have received your support and wish you Happy Easter!

Sincerely yours,

Prof. Frank-Martin Belz
Dipl. Kffr. Roxana Codita

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Appendix III. 5: Email Invitation – German Version

Marketing Strategien in Mittel- und Osteuropa: Professur für Betriebswirtschaftslehre Brau- und Lebensmittelindustrie an der TU München startet deutschlandweite Umfrage

Sehr geehrte Frau X,

können neue Märkte in Mittel- und Osteuropa mit einem standardisierten Marketing-Mix angesprochen werden oder ist eine Anpassung der Instrumente notwendig? Wie wirken sich unterschiedliche Marketing-Strategien auf den Erfolg in Mittel- und Osteuropa aus?

Insbesondere diesen Fragen geht die aktuelle wissenschaftliche Studie „Marketing-Mix Strategien in Mittel- und Osteuropa" der Professur für Betriebswirtschaftslehre an der Technischen Universität München nach. Im Fokus stehen Produkte für den privaten Ver- oder Gebrauch, welche von deutschen Unternehmen in Mittel- und Osteuropa vermarktet werden.

Marketing-Manager mit Verantwortung für einen oder mehrere Märkte in Mittel- und Osteuropa sind herzlich eingeladen, sich **bis 31. März 2009** an der Online-Erhebung zu beteiligen! Falls dies nicht Ihrem persönlichen Aufgabenbereich entspricht, möchten wir Sie bitten, diese Email an den/ die entsprechenden Ansprechpartner(in) in Ihrem Unternehmen weiter zu leiten!

Die aktuelle Umfrage finden Sie unter der Adresse: www.wzw.tum.de/same

Das Ausfüllen des Fragebogens nimmt etwa 15 Minuten in Anspruch. Alle Angaben werden absolut vertraulich behandelt, nur in zusammengefasster Form präsentiert und anonym ausgewertet. Auf Wunsch erhalten Sie nach Abschluss der Studie einen ausgearbeiteten Ergebnisbericht, welcher Ihnen Aufschluss über die unterschiedlichen Marketingstrategien erfolgreicher deutscher Unternehmen in Mittel- und Osteuropa sowie entsprechende Gestaltungsempfehlungen liefert.

Darüber hinaus verlosen wir unter den Teilnehmern 3 Amazon-Gutscheine im Wert von je 100 Euro.

Vielen Dank für Ihre Unterstützung!

Mit freundlichen Grüßen

Univ.-Prof. Dr. Frank-Martin Belz
Dipl.-Kffr. Roxana Codita

Technische Universität München
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Appendix III. 6: Email Reminder – German Version

Sehr geehrte Frau X,

Anfang März haben wir Ihnen eine Einladung zur Teilnahme an unserer Umfrage zum Thema Marketing-Mix Strategien in Mittel- und Osteuropa im Rahmen eines Forschungsprojektes an der TU München zugeschickt.

Jeder ausgefüllte Fragebogen trägt zum Erfolg der wissenschaftlichen Studie bei. Daher treten wir noch mal mit der Bitte an Sie heran, sich an der Umfrage zu beteiligen. Wir würden uns freuen, wenn Sie, trotz Ihrer knappen Zeit, ca. 15 Minuten für das Ausfüllen unseres Fragebogens finden können. Für Ihre Mühen erhalten Sie nach Abschluss der Studie einen ausgearbeiteten Ergebnisbericht. Zusätzlich verlosen wir unter den Teilnehmern drei Amazon-Gutscheine im Wert von je 100 Euro. Wir möchten nochmals betonen, dass alle Angaben absolut vertraulich behandelt, nur in zusammengefasster Form präsentiert und anonym ausgewertet werden.
Falls das Thema dieser Studie nicht Ihrem persönlichen Aufgabenbereich entspricht, bitten wir Sie, diese E-Mail an den/ die Export Manager(in) oder Marketing Manager(in) mit Zuständigkeitsbereich Mittel- und Osteuropa in Ihrem Unternehmen weiter zu leiten.

Zugang zum Fragebogen: www.wzw.tum.de/same

Bitte beantworten Sie den Fragebogen möglichst bis **Dienstag, den 21.04.09**.
Sollten Sie den Fragebogen bereits beantwortet haben, möchten wir uns auf diesem Wege recht herzlich bedanken.

Wir freuen uns über Ihre Unterstützung und wünschen Ihnen frohe Ostertage!

Mit freundlichen Grüßen

Univ.-Prof. Dr. Frank-Martin Belz
Dipl.-Kffr. Roxana Codita

Technische Universität München
Professur für Betriebswirtschaftslehre
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Appendix III. 7: Descriptive Data Statistics: Mean, Standard Deviation, P_{sa} and C_{sv} Indices

Marketing-Mix Variables:

Construct	Item Label	Item	Mean	Standard Deviation	P_{sa}	C_{sv}
Product standardization	Product1	Product features	4.41	0.94	1.00	1.00
	Product2	Product design and style	4.30	1.04	1.00	1.00
	Product3	Brand name	4.39	1.08	0.69	0.38
	Product4	Packaging	4.42	0.90	0.75	0.50
	Product5	Pre and after sales service	3.47	1.16	0.63	0.44
	Product6	Product quality	4.50	0.97	0.94	0.88
	Product7	Warranties	4.27	1.19	0.69	0.50
	Product8	Labeling	4.00	1.20	0.63	0.31
Promotion standardization	Promo1	Advertising message	3.72	1.26	0.94	0.88
	Promo2	Advertising creative presentation	3.55	1.26	1.00	1.00
	Promo3	Personal selling	3.48	1.12	0.75	0.50
	Promo4	Public relations	3.16	1.12	0.94	0.88
	Promo5	Sales promotion tools	3.37	1.07	0.75	0.63
Pricing standardization	Pricing1	Selling price to trade customers	3.08	1.13	0.75	0.50
	Pricing2	Selling price to end users	2.70	1.17	1.00	1.00
	Pricing3	Profit margins	2.79	1.06	0.88	0.81
	Pricing4	Sales terms	3.01	1.06	0.75	0.50
Distribution standardization	Place1	Length of distribution channels	3.35	1.12	1.00	1.00
	Place2	Type of retail outlets	3.80	1.12	0.94	0.88
	Place3	Distribution coverage	3.38	1.18	1.00	1.00
	Place4	Role of middlemen/ dealers	3.26	1.24	0.94	0.88

Environmental Variables:

Construct	Item Label	Item	Mean	Standard Deviation	P_{sa}	C_{sv}
Similarity of macro-environment	MacroNat	Natural environment	3.35	1.11	1.00	1.00
	MacroEcon	Economic conditions	1.89	0.82	0.94	0.88
	MacroPol	Political conditions	2.41	0.96	1.00	1.00
	MacroLeg	Legal conditions	2.83	0.95	0.88	0.81
	MacroSoc	Socio-cultural environment	2.92	0.95	0.88	0.75
Similarity of consumer characteristics	ConsChar1	Customer requirements and preferences	3.30	1.04	1.00	1.00
	ConsChar2	Product evaluation criteria	3.30	0.97	0.75	0.50
	ConsChar3	Price sensitivity	2.78	1.21	0.94	0.88
	ConsChar4	Purchasing habits	2.77	1.00	1.00	1.00
	ConsChar5	Product consumption patterns	2.84	0.96	0.88	0.81
COO effect	COOProd	Product's Country of Origin	3.43	1.14	1.00	1.00
	COOBrand	Brand's Country of Origin	3.57	1.01	0.94	0.88
Brand familiarity	BrFamCo	Familiarity with the product brand	2.67	1.16	1.00	1.00
	BrFamProd	Familiarity with the company brand	3.02	1.17	0.94	0.88
Similarity of marketing infrastructure	MarkInfra1	Competencies of market research agencies	3.13	1.43	1.00	1.00
	MarkInfra2	Competencies of distribution firms	3.17	1.02	0.69	0.63
	MarkInfra3	Availability of suitable advertising media channels and agencies	3.36	1.11	1.00	1.00
	MarkInfra4	Structure of distribution channels	3.25	1.03	0.63	0.50
	MarkInfra5	Functions performed by middlemen	3.13	0.99	0.69	0.44
	MarkInfra6	Households' media infrastructure	2.91	1.26	0.69	0.50
Competition intensity	CompInte1	Threat of substitute products	3.34	1.16	0.81	0.69
	CompInte2	Threat of entry of new competitors	3.11	0.96	1.00	1.00
	CompInte3	Intensity of competitive rivalry	3.73	0.87	1.00	1.00
	CompInte4	Bargaining power of retailers and consumers	3.53	0.83	0.75	0.63
	CompInte5	Bargaining power of suppliers	3.12	0.78	0.94	0.88

Product Related Variables:

Construct	Item Label	Item	Mean	Standard Deviation	P_sa	C_sv
Product's standardization potential	PrNatTech	Low-tech vs. high-tech	2.87	1.41	0.94	0.88
	PrNatCompl	Simple vs. complex	3.02	1.16	0.75	0.69
	PrNatUniq	Standard vs. unique	3.14	1.23	1.00	1.00
	PrNatInnov	Traditional vs. innovative	3.05	1.32	0.69	0.56
	PrNatEmot	Emotional vs. rational	2.69	1.49	0.56	0.31
	PrNatCultu	Culture-bound vs. culture-free	3.49	1.29	0.63	0.44
	PrNatSymb	Symbolic vs. functional	3.64	1.47	0.81	0.75
Cultural loading of consumption behavior	CultLoad1	There are substantial differences between countries with respect to product ownership and usage.	2.55	1.37	1.00	1.00
	CultLoad2	Cultural norms are reflected in the consumption of this product.	2.97	1.31	0.94	0.88
	CultLoad3	The consumption context of this product is influenced by local cultural traditions.	2.94	1.26	0.81	0.75
	CultLoad4	Consumers around the world attach different cultural meanings to this product.	2.73	1.39	0.94	0.88
	CultLoad5	The consumption of this product is affected by cultural taboos in many countries.	1.77	1.20	0.81	0.75
	CultLoad6	This product is influenced by tastes, habits and customs, which vary from country to country.	3.44	1.33	0.94	0.88
Product's ethnic identity	Ethnic1	This product is perceived as a symbol for a specific region or a country.	2.10	1.28	1.00	1.00
	Ethnic2	Consumers invest a high level of national identity in the consumption of this product.	2.11	1.27	0.94	0.88
	Ethnic3	This product is associated with a specific country or region.	2.42	1.41	1.00	1.00

Organizational and Performance Variables:

Construct	Item Label	Item	Mean	Standard Deviation	P_sa	C_sv
International business experience	IBEYrs	Numbers of years in international business	31.70	28.82	0.94	0.88
	ICECtr	Number of countries currently operating in	39.70	27.81	0.81	0.69
	IBEYrsCEE	Years of presence in CEE1	11.17	12.20	0.81	0.63
Global marketing structure	OStruct1	Business units in the same sector report to a common global sector leader/ division leader/ business area leader.	3.60	1.44	0.94	0.88
	OStruct2	Our company avoids structural redundancies across various country operations.	3.53	1.35	0.81	0.69
	OStruct3	We manage foreign operations through coordination structures such as global account managers, global teams, global product managers.	3.05	1.47	0.69	0.44
	OStruct4	Product related decisions (e.g. brand name, product design) are made by the headquarters.	4.30	1.12	0.81	0.63
	OStruct5	Non-product related decisions (e.g. pricing, sales promotion) are made by the headquarters.	3.53	1.32	0.69	0.44
Global marketing processes	OProc1	We have a well defined and uniform process of international market research.	2.65	1.29	0.94	0.88
	OProc2	We develop business processes, which are then adopted by our units worldwide.	2.89	1.19	0.88	0.75
	OProc3	We introduce new products in international markets simultaneously.	3.24	1.33	0.81	0.75
	OProc4	We embed the requirements of international customers in the early phases of our product development process.	3.23	1.20	0.81	0.69
Performance	Perfor1	Market share	3.08	1.15	1.00	1.00
	Perfor2	Sales growth	3.40	0.86	0.94	0.88
	Perfor3	Profit	3.30	0.91	0.94	0.88
	Perfor4	Customer satisfaction	3.80	0.78	1.00	1.00

Appendix III. 8: Inter-Item Correlations (Pearson Correlation Coefficients)

Marketing-Mix Variables:

	Product1	Product2	Product3	Product4	Product5	Product6	Product7	Product8	Promo1	Promo2	Promo3	Promo4	Promo5	Promo6	Pricing1	Pricing2	Pricing3	Pricing4	Place1	Place2	Place3	Place4
Product1	1.000																					
Product2	0.633**	1.000																				
Product3	0.410**	0.466**	1.000																			
Product4	0.446**	0.618**	0.520**	1.000																		
Product5	0.187*	0.290**	0.113	0.207*	1.000																	
Product6	0.536**	0.572**	0.437**	0.495**	0.211*	1.000																
Product7	0.393**	0.313**	0.214*	0.373**	0.342**	0.546**	1.000															
Product8	0.296**	0.500**	0.322**	0.465**	0.263**	0.321**	0.282**	1.000														
Promo1	0.207*	0.320**	0.109	0.245**	0.149	0.190*	-0.118	0.377**	1.000													
Promo2	0.171*	0.326**	0.166	0.236**	0.285**	0.169	0.015	0.358**	0.805**	1.000												
Promo3	0.190*	0.336**	0.139	0.210**	0.473**	0.263**	0.185*	0.407**	0.343**	0.464**	1.000											
Promo4	0.017	0.195*	0.023	0.062	0.488**	0.088	0.111	0.327**	0.328**	0.451**	0.629**	1.000										
Promo5	0.128	0.236**	0.182*	0.131	0.382**	0.253**	0.078	0.171*	0.314**	0.415**	0.467**	0.539**	1.000									
Pricing1	0.251**	0.163	0.075	0.096	0.165	0.251**	0.132	0.269**	0.315**	0.234**	0.314**	0.171	0.096	1.000								
Pricing2	0.211*	0.163	0.120	0.216**	0.294**	0.210*	0.097	0.326**	0.300**	0.281**	0.392**	0.311**	0.176*	0.736**	1.000							
Pricing3	0.180*	0.169	-0.067	0.142	0.239**	0.112	0.167	0.186*	0.178*	0.157	0.279**	0.215*	0.036	0.583**	0.624**	1.000						
Pricing4	0.196*	0.164	0.051	0.141	0.290**	0.190*	0.216*	0.168	0.184*	0.203*	0.183*	0.249**	0.092	0.484**	0.460**	0.588**	1.000					
Place1	0.146	0.200*	0.062	0.188*	0.244**	0.176*	0.222*	0.136	0.102	0.130	0.213*	0.168	0.260**	0.142	0.111	0.238**	0.191*	1.000				
Place2	0.092	0.031	-0.055	0.098	0.055	0.127	0.091	0.017	0.118	0.045	0.125	-0.078	0.036	0.151	0.077	0.087	0.040	0.441**	1.000			
Place3	-0.003	0.008	-0.058	0.073	0.193*	0.080	0.161	0.059	0.195*	0.266**	0.208*	0.144	0.147	0.087	0.062	0.120	0.022	0.581**	0.601**	1.000		
Place4	0.060	0.100	-0.036	0.013	0.320**	0.013	0.228*	0.123	0.198**	0.296**	0.345**	0.299**	0.238**	0.171*	0.171	0.176*	0.249**	0.546**	0.484**	0.553**	1.000	

Note: *: Correlation is significant at the 0.05 level (two-tailed); **: Correlation is significant at the 0.01 level (two-tailed)

Product Related Variables:

	PrNatTech	PrNatComp1	PrNatUniq	PrNatInnov	PrNatImox	PrNatCultu	PrNatSymb	CultLoad1	CultLoad2	CultLoad3	CultLoad4	CultLoad5	CultLoad6	Ethnic1	Ethnic2	Ethnic3
PrNatTech	1.000															
PrNatComp1	0.535**	1.000														
PrNatUniq	0.090	-0.082	1.000													
PrNatInnov	0.289**	0.074	0.547**	1.000												
PrNatImox	-0.296**	-0.233**	0.074	-0.085	1.000											
PrNatCultu	0.090	0.165	-0.136	0.020	0.100	1.000										
PrNatSymb	0.268**	0.112	-0.005	0.132	0.032	0.455**	1.000									
CultLoad1	0.049	-0.003	0.025	0.047	0.005	-0.148	-0.063	1.000								
CultLoad2	-0.114	-0.115	-0.068	-0.110	-0.005	-0.267**	-0.160	0.545**	1.000							
CultLoad3	-0.090	0.011	0.030	-0.044	-0.071	-0.140	-0.065	0.424**	0.710**	1.000						
CultLoad4	-0.178*	-0.048	0.036	-0.080	-0.224**	-0.188*	-0.164	0.342**	0.511**	0.615**	1.000					
CultLoad5	-0.258**	-0.128	0.048	-0.089	-0.006	-0.204*	-0.221*	0.295**	0.421**	0.410**	0.458**	1.000				
CultLoad6	0.055	0.028	0.045	-0.048	-0.150	-0.212*	-0.004	0.316**	0.408**	0.444**	0.417**	0.290**	1.000			
Ethnic1	-0.133	-0.073	-0.009	-0.180*	-0.167	-0.239**	-0.118	0.238**	0.366**	0.192*	0.412**	0.388**	0.306**	1.000		
Ethnic2	-0.103	-0.012	-0.044	-0.136	-0.131	-0.106	-0.088	0.194*	0.401**	0.246**	0.262**	0.297**	0.234**	0.671**	1.000	
Ethnic3	-0.077	-0.085	0.009	-0.111	-0.268**	-0.088	-0.022	0.186*	0.301**	0.267**	0.381**	0.356**	0.285**	0.682**	0.592**	1.000

Note: *: Correlation is significant at the 0.05 level (two-tailed); **: Correlation is significant at the 0.01 level (two-tailed)

Environmental Variables:

	MacroNat	MacroEcon	MacroPol	MacroLeg	MacroSoc	ConsChar1	ConsChar2	ConsChar3	ConsChar4	ConsChar5	COOPol	COOBrand	BrandCo	BrFamProd	MarkInfo1	MarkInfo2	MarkInfo3	MarkInfo4	MarkInfo5	CompIne1	CompIne2	CompIne3	CompIne4	CompIne5
MacroNat	1.000																							
MacroEcon	0.436**	1.000																						
MacroPol	0.395**	0.613**	1.000																					
MacroLeg	0.477**	0.495**	0.566**	1.000																				
MacroSoc	0.515**	0.429**	0.538**	0.644**	1.000																			
ConsChar1	0.195*	0.162	0.236**	0.220*	0.242**	1.000																		
ConsChar2	0.150	0.155	0.225**	0.204*	0.185*	0.772**	1.000																	
ConsChar3	0.160	0.107	0.123	0.134	0.090	0.476**	0.316**	1.000																
ConsChar4	0.233**	0.229**	0.289**	0.231**	0.164	0.536**	0.418**	0.648**	1.000															
ConsChar5	0.239**	0.297**	0.342**	0.204*	0.302*	0.566**	0.484**	0.460**	0.751**	1.000														
COOPol	-0.054	0.066	0.060	-0.039	-0.030	0.164	0.108	0.075	0.069	-0.006	1.000													
COOBrand	0.060	0.064	0.049	0.028	0.065	0.027	0.042	0.165	0.065	-0.032	0.777**	1.000												
BrandCo	0.121	0.090	0.082	0.074	0.106	0.265**	0.326**	0.197*	0.233**	0.266**	0.104	0.162	1.000											
BrFamProd	0.150	0.097	0.151	0.044	0.112	0.179*	0.211**	0.170	0.153	0.165	0.167	0.219*	0.666**	1.000										
MarkInfo1	0.247**	0.259**	0.311**	0.174*	0.267**	0.062	0.148	-0.041	-0.005	0.087	-0.109	-0.056	0.182*	0.288**	1.000									
MarkInfo2	0.429**	0.258**	0.396**	0.367**	0.306**	0.320**	0.318**	0.233**	0.262**	0.361**	-0.148	-0.085	0.144	0.133	0.499**	1.000								
MarkInfo3	0.318**	0.142	0.287**	0.202*	0.231**	-0.032	-0.032	0.088	-0.005	0.111	-0.263**	-0.117	-0.041	0.154	0.422**	0.531**	1.000							
MarkInfo4	0.245**	0.266**	0.311**	0.269**	0.240**	0.252**	0.275**	0.112	0.068	0.28**	-0.125	0.002	0.019	0.156	0.311**	0.499**	0.499**	1.000						
MarkInfo5	0.203*	0.242**	0.296**	0.339**	0.198*	0.267**	0.236**	0.011	0.184**	0.229**	-0.272**	-0.104	0.031	0.084	0.084	0.401**	0.220**	0.694**	1.000					
CompIne1	0.302**	0.285**	0.219*	0.350**	0.229**	0.218*	0.209*	0.042	0.134	0.233**	-0.137	-0.114	0.068	0.297**	0.087	0.130	0.252**	0.370**	0.302**	1.000				
CompIne2	-0.097	-0.106	-0.186	0.108	0.068	0.125	0.158	0.119	0.089	-0.074	0.044	0.139	0.051	-0.026	-0.022	0.068	0.045	0.048	-0.052	0.421**	1.000			
CompIne3	-0.028	0.005	0.052	0.112	0.018	-0.032	0.104	0.007	-0.101	-0.130	0.111	0.087	0.052	-0.022	0.180*	0.060	0.121	0.089	0.002	0.027	0.399**	1.000		
CompIne4	0.099	-0.157	0.061	0.000	-0.087	0.008	0.022	0.031	-0.088	-0.034	0.013	0.143	0.013	0.124	0.022	0.017	0.056	0.008	0.023	-0.030	0.225**	0.252**	1.000	
CompIne5	0.013	-0.006	0.108	0.113	0.066	-0.024	-0.002	0.199*	0.132	0.087	0.129	0.026	0.086	0.182*	0.167	0.228**	0.260**	0.183*	0.129	-0.026	0.270**	0.146	0.112	1.000

Note: *: Correlation is significant at the 0.05 level (two-tailed); **: Correlation is significant at the 0.01 level (two-tailed)

Organizational and Performance Variables:

	IBEYrs	ICECo	IBEYrsCEE	OStruc1	OStruc2	OStruc3	OStruc4	OStruc5	OProc1	OProc2	OProc3	OProc4	Perfor1	Perfor2	Perfor3	Perfor4
IBEYrs	1.000															
ICECo	0.399**	1.000														
IBEYrsCEE	0.147	0.340**	1.000													
OStruc1	0.067	0.114	-0.051	1.000												
OStruc2	0.080	0.121	-0.076	0.114	1.000											
OStruc3	0.015	0.096	0.012	0.352**	0.076	1.000										
OStruc4	0.077	-0.006	0.002	0.147	0.055	0.089	1.000									
OStruc5	-0.091	-0.156	0.012	-0.036	-0.116	-0.001	0.341**	1.000								
OProc1	0.167	0.253**	0.123	0.117	0.208*	0.323**	0.065	0.060	1.000							
OProc2	0.196*	0.161	0.162	0.162	0.130	0.356**	0.287**	0.060	0.452**	1.000						
OProc3	0.179*	0.229**	0.204*	0.282**	-0.034	0.288**	0.037	-0.026	0.090	0.458**	1.000					
OProc4	0.072	0.028	0.075	0.216*	0.015	0.076	-0.040	0.039	0.130	0.299**	0.461**	1.000				
Perfor1	0.261**	0.255**	0.137	0.148	0.107	0.220**	0.148	0.069	0.239**	0.223*	0.212*	0.137	1.000			
Perfor2	0.167	0.146	0.063	0.051	0.065	0.076	0.086	-0.021	0.153	0.140	0.067	0.103	0.638**	1.000		
Perfor3	0.324**	0.255**	0.160	0.117	0.005	0.110	0.165	0.133	0.234**	0.213*	0.198*	0.139	0.505**	0.438**	1.000	
Perfor4	0.309**	0.149	0.046	0.086	0.115	0.048	0.087	-0.046	0.137	0.142	0.039	0.089	0.393**	0.313**	0.454**	1.000

Note: *: Correlation is significant at the 0.05 level (two-tailed); **: Correlation is significant at the 0.01 level (two-tailed)

Appendix III. 9: PCA Results: Average Variance Explained and Rotated Factor Matrix

Similarity of Macro-Environment:

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.050	61.010	61.010	3.050	61.010	61.010	1.363	27.260	27.260
2	0.681	13.626	74.635	0.681	13.626	74.635	1.119	22.387	49.647
3	0.571	11.413	86.048	0.571	11.413	86.048	1.104	22.072	71.719
4	0.367	7.340	93.389	0.367	7.340	93.389	1.083	21.669	93.389
5	0.331	6.611	100.000						

	Component			
	1	2	3	4
MacroNat	0.220	0.213	0.933	0.133
MacroEcon	0.210	0.880	0.215	0.265
MacroPol	0.235	0.440	0.114	0.821
MacroLeg	0.886	0.325	0.172	0.167
MacroSoc	0.656	-0.031	0.379	0.543

Similarity of Consumer Characteristics:

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.183	63.656	63.656	3.183	63.656	63.656	1.764	35.279	35.279
2	0.875	17.510	81.166	0.875	17.510	81.166	1.619	32.375	67.654
3	0.534	10.687	91.854	0.534	10.687	91.854	1.210	24.200	91.854
4	0.212	4.232	96.086						
5	0.196	3.914	100.000						

	Component		
	1	2	3
ConsChar1	0.849	0.289	0.282
ConsChar2	0.929	0.210	0.076
ConsChar3	0.189	0.260	0.935
ConsChar4	0.213	0.781	0.481
ConsChar5	0.314	0.902	0.139

Similarity of Marketing Infrastructure:

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.844	47.399	47.399	2.844	47.399	47.399	1.785	29.756	29.756
2	1.179	19.648	67.047	1.179	19.648	67.047	1.286	21.436	51.191
3	0.802	13.370	80.417	0.802	13.370	80.417	1.265	21.089	72.280
4	0.543	9.051	89.468	0.543	9.051	89.468	1.031	17.188	89.468
5	0.407	6.786	96.254						
6	0.225	3.746	100.000						

	Component			
	1	2	3	4
MarkInfra1	0.037	0.957	0.175	0.067
MarkInfra2	0.462	0.539	0.476	-0.107
MarkInfra3	0.142	0.214	0.934	0.145
MarkInfra4	0.783	0.183	0.351	0.228
MarkInfra5	0.949	0.011	0.019	0.125
MarkInfra6	0.192	0.030	0.106	0.962

Product Standardization:

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.790	47.371	47.371	3.790	47.371	47.371	1.648	20.595	20.595
2	1.032	12.898	60.268	1.032	12.898	60.268	1.404	17.547	38.143
3	0.855	10.691	70.959	0.855	10.691	70.959	1.144	14.295	52.437
4	0.632	7.905	78.864	0.632	7.905	78.864	1.068	13.355	65.792
5	0.607	7.586	86.450	0.607	7.586	86.450	1.063	13.288	79.080
6	0.441	5.517	91.967	0.441	5.517	91.967	1.031	12.887	91.967
7	0.397	4.957	96.924						
8	0.246	3.076	100.000						

	Component					
	1	2	3	4	5	6
product1	0.888	0.238	0.082	0.074	0.167	0.052
product2	0.698	0.082	0.470	0.295	0.155	0.171
product3	0.219	0.105	0.220	0.127	0.932	0.031
product4	0.222	0.221	0.869	0.201	0.247	0.065
product5	0.092	0.158	0.066	0.104	0.028	0.972
product6	0.474	0.631	0.247	0.074	0.258	0.006
product7	0.123	0.916	0.108	0.118	0.023	0.193
product8	0.159	0.131	0.188	0.943	0.122	0.112

Promotion Standardization:

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.910	58.192	58.192	2.910	58.192	58.192	1.791	35.820	35.820
2	1.004	20.073	78.265	1.004	20.073	78.265	1.612	32.235	68.055
3	0.547	10.946	89.211	0.547	10.946	89.211	1.058	21.156	89.211
4	0.359	7.185	96.397						
5	0.180	3.603	100.000						

	Component		
	1	2	3
promo1	0.945	0.131	0.106
promo2	0.884	0.288	0.188
promo3	0.222	0.893	0.129
promo4	0.181	0.794	0.359
promo5	0.185	0.289	0.930

Pricing Standardization:

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.744	68.604	68.604	2.744	68.604	68.604	1.666	41.656	41.656
2	0.622	15.557	84.161	0.622	15.557	84.161	1.056	26.408	68.064
3	0.379	9.479	93.639	0.379	9.479	93.639	1.023	25.575	93.639
4	0.254	6.361	100.000						

	Component		
	1	2	3
pricing1	0.890	0.266	0.184
pricing2	0.837	0.147	0.378
pricing3	0.342	0.305	0.882
pricing5	0.236	0.933	0.262

Distribution Standardization:

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.606	65.144	65.144	2.606	65.144	65.144	1.379	34.473	34.473
2	0.578	14.448	79.592	0.578	14.448	79.592	1.239	30.981	65.455
3	0.461	11.524	91.116	0.461	11.524	91.116	1.026	25.661	91.116
4	0.355	8.884	100.000						

	Component		
	1	2	3
place1	0.195	0.914	0.262
place2	0.921	0.148	0.222
place3	0.650	0.550	0.239
place4	0.263	0.280	0.923

Appendix III. 10: Latent Variable Intercorrelations: PLS Path Model Contingency Factors of Marketing-Mix Standardization Exogenous Variables:

	Similarity of macro-environment	Similarity of consumer characteristics	COO effect	Brand familiarity	Similarity of marketing infrastructure	Competition intensity	Product's standardization potential	Cultural loading of consumption behavior	Product's ethnic identity	International business experience	Global marketing structure	Global marketing processes
Similarity of macro-environment	1.000											
Similarity of consumer characteristics	0.233	1.000										
COO effect	-0.001	0.108	1.000									
Brand familiarity	0.087	0.296	0.189	1.000								
Similarity of marketing infrastructure	0.296	0.287	-0.133	0.070	1.000							
Competition intensity	-0.027	0.077	0.164	0.056	0.031	1.000						
Product's standardization potential	0.161	0.069	-0.013	0.196	0.012	-0.112	1.000					
Cultural loading of consumption behavior	-0.187	-0.261	-0.003	-0.302	-0.070	-0.009	-0.190	1.000				
Product's ethnic identity	-0.027	-0.158	0.230	-0.182	-0.139	0.071	-0.225	0.452	1.000			
International business experience	-0.039	0.077	0.212	0.391	0.034	-0.096	0.219	-0.156	-0.087	1.000		
Global marketing structure	0.132	0.044	-0.013	0.057	0.000	-0.035	0.254	-0.050	-0.005	0.148	1.000	
Global marketing processes	0.019	0.285	0.077	0.324	0.043	0.028	0.011	-0.128	-0.257	0.256	0.155	1.000

Endogenous Variables:

	Product	Promotion	Pricing	Distribution
Product	1			
Promotion	0.389	1		
Pricing	0.177	0.144	1	
Distribution	0.204	0.332	0.086	1

Appendix III. 11:   Latent Variable Intercorrelations: PLS Path Model Performance
                     Outcomes of Marketing-Mix Standardization

Exogenous Variables:

	Product	Promotion	Pricing	Distribution
Product	1			
Promotion	0.239	1		
Pricing	0.169	0.100	1	
Distribution	0.218	0.301	0.231	1

Appendix III. 12:   PLS Estimates of an Extended Model of Performance Determinants

Measurement Model Evaluation of Included Environmental Variables:

Construct/Item	VIF	Components/Indices	Weight	T-value	Significance (one-sided)
Similarity of macro-environment					
Natural environment	1.508	Natural environment (c)	0.18	0.96	n.s.
Economic conditions	1.767	Economic conditions (c)	0.11	0.70	n.s.
Political conditions	1.979	Political conditions (c)	0.47	2.19	*
Legal conditions	2.041	Socio-institutional environment (c)	0.86	4.92	***
Socio-cultural environment	2.002				
Similarity of consumer characteristics					
Customer requirements and preferences	3.085	Purchase decision criteria (c)	0.75	4.09	***
Product evaluation criteria	2.531				
Price sensitivity	1.840	Price sensitivity (c)	0.58	2.91	**
Purchasing habits	3.138	Purchase and post-purchase behavior (c)	0.32	1.75	*
Product consumption patterns	2.569				
COO effect					
Product's Country of origin ("made-in")	2.526	COO effect (i)	-	-	-
Brand's Country of origin	2.526				

Brand familiarity					
Familiarity with the company brand	1.806	Brand familiarity (i)	-	-	-
Familiarity with the product brand	1.806				
Similarity of marketing infrastructure					
Competencies of market research agencies	1.461	Competencies of marketing business partners (c)	0.21	1.27	n.s.
Competencies of distribution firms	1.882				
Availability of suitable advertising media channels and agencies	1.728	Availability of suitable advertising media channels and agencies (c)	0.12	0.95	n.s.
Structure of distribution channels	2.726	Infrastructure of distribution channels (c)	0.97	8.83	***
Functions performed by middlemen	2.201				
Households' media infrastructure	1.194	Households' media infrastructure (c)	-0.04	0.27	n.s.
Competition intensity					
Threat of substitute products	1.451	-	0.09	0.29	n.s.
Threat of entry of new competitors	1.343	-	0.01	0.07	n.s.
Intensity of competitive rivalry	1.431	-	0.53	2.11	*
Bargaining power of retailers and consumers	1.125	-	0.22	0.97	n.s.
Bargaining power of suppliers	1.049	-	-0.74	2.73	**

Significance levels: n.s.: not significant; `p<0.10, t: 1.28; *p<0.05, t: 1.65; **p<0.01, t: 2.33; ***p<0.001, t: 3.11

Measurement Model Evaluation of Included Product Related Variables:

Construct/Item	VIF	Components/Indices	Weight	T-value	Significance (one-sided)
Product's Standardization Potential					
Low-tech vs. high-tech	1.710	-	0.67	2.29	*
Simple vs. complex	1.487	-	-0.91	0.05	n.s.
Standard vs. unique	1.527	-	0.18	0.62	n.s.
Traditional vs. innovative	1.587	-	-0.40	1.61	•
Emotional vs. rational	1.158	-	0.62	2.32	*
Culture-bound vs. culture-free	1.349	-	0.49	2.13	*
Symbolic vs. functional	1.378	-	0.06	0.30	n.s.

Significance levels: n.s.: not significant; `p<0.10, t: 1.28; *p<0.05, t: 1.65; **p<0.01, t: 2.33; ***p<0.001, t: 3.11

Construct/Item	Factor loading	T-value	Cronbach's Alpha	AVE
Cultural loading of consumption behavior				
CL1	0.65	4.53	0.825	0.54
CL2	0.81	7.08		
CL3	0.86	9.08		
CL4	0.79	8.49		
CL5	0.58	4.68		
CL6	0.66	5.41		

Significance levels: n.s.: not significant; ˙p<0.10, t: 1.28; *p<0.05, t: 1.65; **p<0.01, t: 2.33; ***p<0.001, t: 3.11

Measurement Model Evaluation of Included Organizational Variables:

Construct/Item	VIF	Components/Indices	Weight	T-value	Significance (one-sided)
International business experience					
IBEYrs	1.189	-	0.21	3.28	***
IBECtrs	1.316	-	0.74	0.80	n.s.
IBECEE1	1.131	-	0.39	1.67	*
Global marketing structure					
OStruct1	1.175	-	0.24	1.29	•.
OStruct2	1.035	-	0.03	0.14	n.s.
OStruct3	1.145	-	0.40	1.95	*.
OStruct4	1.175	-	0.88	3.62	***
Ostruct5	1.163	-	-0.01	0.03	n.s.
Global marketing processes					
OProc1	1.289	-	0.64	2.45	**
OProc2	1.622	-	0.01	0.04	n.s.
OProc3	1.521	-	0.73	2.60	**
OProc4	1.290	-	-0.04	0.19	n.s.

Significance levels: n.s.: not significant; ˙p<0.10, t: 1.28; *p<0.05, t: 1.65; **p<0.01, t: 2.33; ***p<0.001, t: 3.11

Measurement Model Evaluation of Marketing-Mix Standardization Variables:

Construct/Item	VIF	Components/Indices	Weight	T-value	Significance (one-sided)
Product standardization					
Product features	1.896	Core product (c)	-0.11	0.94	n.s.
Product design and style	2.660				
Brand name	1.524	Brand name (c)	0.20	1.23	n.s.
Packaging	1.994	Packaging (c)	0.74	3.57	***
Pre and after sales service	1.210	Pre and after sales service (c)	0.61	3.23	***
Product quality	2.075	Quality policy (c)	0.05	0.28	n.s.
Warranties	1.666				
Labeling	1.457	Labeling (c)	0.17	1.11	n.s.
Promotion standardization					
Advertising message	2.856	Advertising strategy (c)	0.40	1.72	*
Advertising creative presentation	3.366				
Personal selling	1.813	Personal communication instruments (c)	0.56	2.84	**
Public relations	1.947				
Sales promotion tools	1.519	Sales promotion tools (c)	0.72	3.31	***
Pricing standardization					
Selling price to trade customers	2.393	Selling price level (c)	0.61	2.76	**.
Selling price to end users	2.499				
Profit margins	2.635	Profit margins (c)	0.72	3.61	****
Sales terms	1.897	Sales terms (c)	-0.32	1.51	•
Distribution standardization					
Length of distribution channels	1.703	Length of distribution channels (c)	0.64	5.06	***
Type of retail outlets	1.661	Distribution intensity (c)	0.35	2.81	**
Distribution coverage	2.052				
Role of middlemen/dealers	1.681	Role of middlemen/ dealers (c)	0.68	5.03	***

Significance levels: n.s.: not significant; •p<0.10, t: 1.28; *p<0.05, t: 1.65; **p<0.01, t: 2.33; ***p<0.001, t: 3.11

Measurement Model Evaluation of Performance:

Item	VIF	Weight	T-value	Significance (one-sided)
Market share	1.938	0.63	2.45	**
Sales growth	1.740	-0.06	0.04	n.s.
Profit	1.533	0.73	2.60	**
Customer satisfaction	1.321	-0.45	0.19	n.s.

Significance levels: n.s.: not significant; •p<0.10, t: 1.28; *p<0.05, t: 1.65; **p<0.01, t: 2.33; ***p<0.001, t: 3.11

Structural Model Evaluation: Extended Model of Performance Determinants:

Predictor	Product standardization		Promotion standardization		Pricing standardization		Distribution standardization		Performance Direct Effects		Performance Total effects	
	Path coeff.	T-value	Path coeff.	T-value	Path coeff.	T-value	Path coeff.	T-value	Path coeff.	T-value	Path coeff.	T-value
Environmental factors												
Similarity of macro-environment	0.27**	2.48	0.13 n.s.	1.06			0.15'	1.62	-0.03 n.s.	0.44	0.09 n.s.	0.78
Similarity of consumer characteristics	0.13'	1.44	0.25**	2.39	0.48***	3.29			-0.06 n.s.	0.76	0.02 n.s.	0.15
COO effect	-0.20**	2.48			-0.22**	2.39	-0.10'	1.49	-0.10 n.s.	1.18	-0.21*	1.86
Brand familiarity			-0.15*	1.76	0.22*	2.17	-0.07 n.s.	1.24	-0.14*	1.77	-0.13 n.s.	1.20
Similarity of marketing infrastructure			0.25**	2.80	-0.17'	1.43	0.54***	4.933	0.09 n.s.	1.06	0.19*	1.77
Competition intensity	0.13'	1.31	-0.11'	1.28					-0.26**	2.38	-0.21 n.s.	1.09
Product related factors												
Product's standardization potential			0.14'	1.40					0.00 n.s.	0.09	0.00 n.s.	0.01
Cultural loading of consumption behavior			-0.15*	1.74					0.00 n.s.	0.11	0.01 n.s.	0.14
Product's ethnic identity												
Organizational factors												
International business experience	0.27**	2.66	0.14*	1.86			0.20*	2.11	0.17*	1.73	0.31**	2.39
Global marketing structure	0.32**	2.74	-0.08 n.s.	1.08	-0.05 n.s.	0.44			-0.03 n.s.	0.37	0.09 n.s.	0.66
Global marketing processes			0.14'	1.344	-0.27*	2.07	0.14*	1.69	0.27**	2.53	0.27*	2.11
Marketing-mix elements												
Product standardization									0.37**	2.67		
Promotion standardization									-0.05 n.s.	0.47		
Pricing standardization									0.09 n.s.	1.11		
Distribution standardization									0.25*	2.10		

Significance levels: n.s.: not significant; 'p<0.10, t: 1.28; *p<0.05, t: 1.65; **p<0.01, t: 2.33; ***p<0.001, t: 3.11

Appendix III. 13:   T-Tests for Firm Size, Market Entry Mode, Management's
                    International Orientation and Marketing-Mix Standardization

Firm Size:

	Firm Size	N	Mean	Std. Deviation	Levene's Test for Equality of Variances	F	Sig.	T-Test Sig. (2-tailed)
Product	(1) SME	59	4.09	0.82	Equal variances assumed	2.202	0.140	0.09
	(2) Large	66	4.31	0.62	Equal variances not assumed			0.09
Promotion	(1) SME	59	3.44	0.86	Equal variances assumed	0.147	0.702	0.97
	(2) Large	66	3.43	0.96	Equal variances not assumed			0.97
Pricing	(1) SME	59	3.00	0.97	Equal variances assumed	1.663	0.200	0.60
	(2) Large	66	2.91	0.83	Equal variances not assumed			0.60
Distribution	(1) SME	59	3.41	1.00	Equal variances assumed	0.224	0.637	0.62
	(2) Large	66	3.49	0.93	Equal variances not assumed			0.62
Marketing-Mix	(1) SME	59	3.48	0.62	Equal variances assumed	0.723	0.397	0.62
	(2) Large	66	3.54	0.59	Equal variances not assumed			0.62

Market Entry Mode:

	Market Entry Mode	N	Mean	Std. Deviation	Levene's Test for Equality of Variances	F	Sig.	T-Test Sig. (2-tailed)
Product	(1) IndirectME	103.00	4.19	0.75	Equal variances assumed	1.317	0.253	0.336
	(2) DirectME	29.00	4.33	0.55	Equal variances not assumed			0.256
Promotion	(1) IndirectME	103.00	3.45	0.88	Equal variances assumed	0.014	0.906	0.997
	(2) DirectME	29.00	3.46	0.96	Equal variances not assumed			0.997
Pricing	(1) IndirectME	103.00	2.94	0.91	Equal variances assumed	1.133	0.289	0.811
	(2) DirectME	29.00	2.99	0.80	Equal variances not assumed			0.798
Distribution	(1) IndirectME	103.00	3.40	0.91	Equal variances assumed	0.165	0.685	0.286
	(2) DirectME	29.00	3.61	1.03	Equal variances not assumed			0.321
Marketing-Mix	(1) SME	103.00	3.50	0.57	Equal variances assumed	0.023	0.879	0.419
	(2) Large	29.00	3.60	0.66	Equal variances not assumed			0.460

Management's International Orientation:

	Market Entry Mode	N	Mean	Std. Deviation	Levene's Test for Equality of Variances	F	Sig.	T-Test Sig. (2-tailed)
Product	(1) Polyc	79.00	4.20	0.79	Equal variances assumed	0.482	0.489	0.705
	(2) Ethnoc/ Regioc/ Geoc	53.00	4.25	0.59	Equal variances not assumed			0.689
Promotion	(1) Polyc	79.00	3.49	0.97	Equal variances assumed	4.400	0.038	0.567
	(2) Ethnoc/ Regioc/ Geoc	53.00	3.40	0.76	Equal variances not assumed			0.548
Pricing	(1) Polyc	79.00	2.88	0.90	Equal variances assumed	0.077	0.782	0.230
	(2) Ethnoc/ Regioc/ Geoc	53.00	3.06	0.84	Equal variances not assumed			0.224
Distribution	(1) Polyc	79.00	3.54	0.98	Equal variances assumed	1.065	0.304	0.175
	(2) Ethnoc/ Regioc/ Geoc	53.00	3.31	0.87	Equal variances not assumed			0.166
Marketing-Mix	(1) Polyc	79.00	3.53	0.63	Equal variances assumed	3.538	0.062	0.847
	(2) Ethnoc/ Regioc/ Geoc	53.00	3.51	0.52	Equal variances not assumed			0.841

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