The Strategic Role of Branding in International Marketing

Ho Yin Wong
B. Accountancy, M.Sc. (Marketing), M.A. (International Business Management)

Department of Marketing, Griffith Business School, Griffith University

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Declaration

This work has not previously been submitted for a degree or diploma in any university. To the best of my knowledge and belief, the thesis contains no material previously published or written by another person except where due reference is made in the thesis itself.

Signed

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Ho Yin Wong
Acknowledgements

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Publications from Thesis Related Research

**Refereed Journal Articles:**


**Refereed Conference Papers:**


Abstract

This dissertation examines the importance of branding strategy in international marketing. The research question is “what is the role of branding strategy in international marketing?” The particular focus is to examine the consequences of branding and international marketing strategy in international markets. Furthermore, the antecedents of branding and international marketing strategy have been studied with the aim of depicting the systemic picture of international marketing strategy in a holistic view. Branding is recognised as a powerful strategic tool for marketers. With globalisation, foreign markets are becoming more accessible and available; accordingly, a brand becomes a strategic tool for firms not only for domestic markets, but also for international markets. However, there are few studies explicitly exploring the issues of international branding from an international marketing perspective. This study anchors the branding concept in a holistic view of a brand and not simply the product itself.

Using the literature review as a point of departure, and strengthened by in-depth interviews, a conceptual model is developed. It is argued that international marketing strategy should be the focal point of any new international marketing venture. Moreover, it is believed that the successful deployment of an international marketing strategy determines the overall international marketing performance. To ensure a thorough understanding of the role of international marketing strategy in international marketing, this study also examines the antecedents of the international marketing strategy.

Ten research hypotheses are established, three of which investigate the impact of international marketing strategy on firm performance. Another three hypotheses examine the relationships between international marketing strategy and its antecedents, being brand orientation, brand repositioning and international commitment. The other four hypotheses look at the relationships between the
constructs of brand repositioning, brand orientation, international commitment, control of marketing activities and culture. The ten hypotheses are as follows:

1. International marketing strategy is a positive determinant of brand performance
2. International marketing strategy is a positive determinant of financial performance
3. Brand performance is a positive determinant of financial performance
4. Brand orientation is a positive determinant of international marketing strategy
5. International commitment is a positive determinant of international marketing strategy
6. Brand repositioning is a positive determinant of international marketing strategies
7. Control of marketing activities is a positive determinant of international commitment
8. Culture aspect is a positive determinant of brand repositioning
9. Control of marketing activities is a positive determinant of brand orientation
10. International commitment is a positive determinant of brand repositioning

The research methodology in this study is a mix of qualitative and quantitative approaches. The major advantage to this methodology is the opportunity for the researcher to tease out rich information from qualitative research combined with the objectivity and generalisability stemming from quantitative research. The qualitative research was carried out in two phases. Firstly, I interviewed eight domestic Australian firms to study the features of brand orientation. After that, I conducted interviews with management executives of Australian firms involved in international business, with the aim of strengthening the conceptual model.

As to the quantitative survey, the steps suggested by Churchill (1979), Cheng (2001) and Andersen and Gerbing (1988) have been rigorously followed with an aim to producing a piece of research that is both objective and generalisable. The
results from the quantitative study using structural equation modelling method confirm significant relationships between the constructs hypothesised in the model. All major fit indices from structural equation modelling analysis show satisfactory results for both the measurement models and the structural model.

The essential contributions of this study are the establishment of the role of branding in international business. Both brand orientation and brand repositioning have significant impacts on international marketing strategy, which in turn positively affects a firm’s performance. Developments of new constructs such as brand orientation, brand repositioning and cultural aspects are statistically validated.
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Chapter 1  Introduction

1.1 Introduction

This dissertation discusses the importance of branding in the context of international marketing strategy. The concept of a brand is now considered one of the most powerful ideas in the business world. Strong brand names have even been described as *the ultimate competitive weapon* for companies (Light, 1997). Kapferer (1992) suggests brands are the real capital of all businesses, being major assets of international business that are possibly more valuable than plant, machinery and real estate. Brands represent a foundation upon which international business can build a future (Pawle, 1999).

While the importance and management of a brand have been well addressed by the literature from the perspective of domestic marketing, studies examining a brand from an international perspective are limited. It was shown by Moore, Fernie and Burt (2000) that the role of branding receives only limited comment from the existing literature on the international growth strategies of companies.

As noted by Shocker, Srivastava and Ruekert (1994), in order for research on brand management to remain significant to the practice of marketing, areas such as the global management of brands should be embraced. They further propose that considerable theoretical development is needed to complement the empirical research.

From the point of view of marketing strategy, Varadarajan and Jayachandran (1999) criticised the extant literature for lack of an international orientation, as most studies were in the context of US businesses. This fact casts doubt on the generalisation of strategy-performance relationships to the larger international context. Varadarajan and Jayachandran (1999) further argued that the cultural aspect in the strategy formulation process in international contexts is not well researched, even though this issue is critical within increasing globalised markets.
All these works point to the direction of conducting more research on branding in an international context, and that both theoretical and empirical works are required.

There is a need to fill a research gap on the understanding of the strategic role a brand plays in benefiting the firm financially at both the domestic and international levels (Malhotra, Peterson, & Kleiser, 1999). In other words, the relationship between brand performance and financial performance needs to be further studied in order to measure and understand the brand’s strategic importance.

It is clear from the extant literature in brand management that the significance of brands has been recognised, and that brand orientation is considered a powerful resource for firms (Mosmans & van der Vorst, 1998; Simoes & Dibb, 2001; Urde, 1994, 1999; Wong & Merrilees, 2005). In fact, branding can function as the basis for corporate strategy. Both the theoretical literature and case studies have laid a logical basis of this new branding concept. However, empirical research is needed to validate the internal and external expression of the brand’s impact upon the firm and its behaviour in the marketplace (Simoes & Dibb, 2001).

This dissertation responds to the challenge to develop a conceptual model of branding strategy and marketing strategy from the international marketing perspective. The key features of this proposed model are the examination of the relationship of branding strategy and marketing strategy on overall international marketing performance, and the determinants of these two strategies. Hence, the purpose of this dissertation is to examine the development of international marketing strategy, and its antecedents and consequences.

The aim of this dissertation is to critically analyse the strategic role of international marketing strategy in the international marketing of Australian firms. This dissertation will fill the research gap mentioned above by testing the key relationships between the orientation of an international brand and its impact on international marketing strategy with the further consequence on overall international marketing performance.
This chapter will first discuss why brand is important to firms in section 1.2. Perspectives on international branding will then be discussed in section 1.3, followed by research questions that lay the foundation for the dissertation; several issues in branding and international marketing strategy will then be highlighted in section 1.4. Section 1.5 will discuss the significance and justification for the dissertation. Next, a general overview of the research design for this dissertation will be provided in section 1.6. Section 1.7 will outline the chapter organisation. Delimitations of the study and the definitions of the terms will be stated in sections 1.8 and 1.9 respectively.

### 1.2 Why is the Brand So Important?

Brands can furnish a number of benefits to a firm. A brand is believed to be a company intangible that generates value for firms (Calderon, Cervera, & Molla, 1997). This value can be viewed as additional cash flows generated by a product identified with its brand (Doyle, 1990; Murphy, 1990). Hence, a brand is becoming increasingly important due to its core element status in firm strategy and also due to its financial contribution as an intangible asset (Aaker, 1991; Farquhar, 1989; Feldwick, 1996; Keller, 1993).

Another potential benefit of branding, from the customer point of view, is its ability to enhance purchase confidence and improve customer loyalty (Aaker, 1991; Chaudhuri & Holbrook, 2001). Brands work by facilitating the customer’s buying decision process (Doyle, 1990). In a competitive market, customers face hundreds of products and messages competing for attention. Their buying decisions are reliant on their past experience and perception about a product and this habitual buying process is associated with brand loyalty.

Customers tend to evaluate a brand based on its quality, value, reputation, service and credibility (Zeithaml, 1988). Brand attributes such as quality and value for money can provide real and objective cues for customers to make final buying decision. On the other hand, brand image or personality such as status and youthfulness, offers emotional and abstract means upon which a buying decision can be based. Both brand attributes and personality need advertising, design,
packaging, effective distribution, price, and display to communicate to customers (Doyle, 1990). Brands perceived positively on these two main characteristics by target customers are more likely to generate confidence in the customer’s mind, with a consequence of creating a favourable brand preference and brand loyalty.

High brand awareness, brand preference, brand loyalty, perceived quality, and other product attributes such as patents and trademarks, comprise brand equity. In other words, brand equity can be viewed as a brand’s comprehensive performance. A brand with strong brand equity is a valuable asset, as it can be sold for a price that exceeds the value of its tangible assets. Therefore cultivating all branding factors mentioned above is important for firms to achieve better results in terms of increasing their asset value.

1.3 Perspectives on International Branding
With the globalisation of markets and the growth of competition on a global scale, firms are increasingly expanding their operations overseas, either through investments or acquiring firms in other countries, entering into strategic alliances with firms in other countries, or exporting directly or indirectly to target countries. At the same time, markets are becoming more integrated due to the spread of media, the expansion of international retailers, and the mobility of people, goods, and firms across national borders. To respond to this global market, international firms need to have a coordinated and integrated international marketing strategy in place (Douglas, Craig, & Nijssen, 2001). The same logic can apply to branding strategy when a firm aims to expand its overseas operations.

International branding shares the basic brand management and development techniques as the domestic counterpart, except that a firm must operate in an unfamiliar macro-marketing environment. The macro-marketing environment in any overseas market comprises, economic, sociocultural and technological elements (Preble, Rau, & Reichel, 1988; Subramanian, Fernandes, & Harper, 1993). Compared with a firm’s domestic customers, customers within an overseas market may also have different tastes, preferences, values, expectations, and behaviours. No matter how integrated the overseas markets are becoming, some
national differences remain. Elements of dissimilarity in customers between the
domestic and overseas markets make the international marketer’s job challenging.

Whether or not marketing and branding activities should be globalised has long
been debated in the international marketing literature (Agrawal, 1995; Kotler,
1986; Levitt, 1983a; O'Donnell & Jeong, 2000; Ohmae, 1985; Rugman, 2001a;
Sandler & Shani, 1992; Will & Jacobs, 1991; Zou & Cavusgil, 1996). While there
is no consensus on the issue, “think global act local” seems to be the preferred and
advantageous approach for international marketers (Rugman, 2001a; Sandler &
Shani, 1992; Will & Jacobs, 1991). The major implication of these emerging
global markets is that international marketers need to deploy their marketing
strategies to match the characteristics of diverse external environments.

From the above review of brand and international branding, one comes to the
conclusion that a brand is not only a physical product, but also a strategic tool for
firms to achieve better performance. A brand is an asset for a firm. Branding
should no longer be treated as solely a job for middle management. A brand
should be viewed as a firm’s focal point, and be taken care of from top
management all the way through to front-line staff. With the complication of the
macro-marketing environment and different customers’ wants and needs within
overseas markets, international marketers must carefully take on unfamiliar issues
in order to successfully manoeuvre resources and strategy within alien markets.

Chapter two has identified a major gap in literature to be the limited attention to all
aspects of international branding. Specifically, there is a lack of understanding
about the nature of the contribution of brand management to international
marketing strategy and performance. The literature review in chapter two has
raised the possibility of a multifaceted role of branding, including brand orientation
and brand repositioning, together with the need to “control” the brand in foreign
markets.
1.4 Research Question

The central issue this study addresses is “What is the role of branding in international marketing?”

Several specific questions derived from this general research issue are:

1. What is the impact of international marketing strategy on overall international marketing performance?
2. How important is international branding within a firm’s overall international marketing strategy?
3. How does brand orientation affect international marketing strategy?
4. What is the role of international commitment in international marketing strategy?
5. What is the role of control of international marketing activities in overseas marketing?
6. How does the macro-marketing environment affect international marketing?

1.5 Significance of This Study

The importance of the research question to international marketers has been heightened by changes in the global economy. A rapidly globalising market place, accelerating rates of technological change, the economic expansion of newly-industrialised countries, and the transition of Eastern Europe and China from centrally-planned economies to a more market-based approach, have drawn attention to international markets. In addition, the annual per cent change in world trade from 1995 to 2003 was 5.4 percent growth per year (WTO, 2004). Compared with the growth of world trade, world GDP growth during the same period is only about 3.6 percent (IMF, 2005). The figures show that growth in trade across countries is faster than the domestic growth of the countries all over the world. The growth in world trade creates both opportunities and threats for international marketing. The reality is that all firms operate within an international economy that features new competitors, new markets and an extraordinary transformation in the business environment. Consequently, it is critical for international marketers to seek out the best international strategy to capitalise on the long-term profitability and growth opportunities within the global market.
To be able to meet the challenges posed by a globalising economy, international marketers are being forced to think strategically about how to succeed in foreign markets. International researchers are seeking to understand factors that relate to international strategy methods and ways to improve business performance. As branding is an important strategic tool available to marketers, there is a need for a comprehensive study to understand the role that international branding plays in the global market place.

The absence of a clear, rigorous, comprehensive, and empirically based understanding of the antecedents and consequences of international marketing strategy hinders a more consistent and managerially actionable conceptualisation of international branding strategy. As a result, it handicaps international marketers in the development of international marketing strategies to improve overall international marketing performance. A need for research in this area has been noted (Moore et al., 2000; Shocker et al., 1994); however, minimal research to date has examined the specific problem posed here.

Thus, it is expected that this dissertation will make the following contributions to at least partially address the stated problems:

1. Determine the factors, including branding likely to result in higher overall international marketing performance.

2. Develop a better understanding of the effects of international marketing strategy on overall international marketing performance.

3. Provide international marketers with evidence that appropriate international marketing constructs and decisions result in enhanced overall international marketing performance.

4. Develop a better understanding of the relationship between brand orientation and international marketing strategy.

5. Provide practical inputs to design branding strategy in order to enhance international marketing strategy.

7. Provide practical measures/indicators of brand orientation, overall international marketing performance, macro-marketing environment, and repositioning.

8. Develop a better understanding of the role of international commitment in international ventures.

9. Provide a test of the efficacy of structural equation modelling in international branding research.

10. Develop a better understanding of the role of control in international ventures.

In summary, this dissertation is expected to make theoretical, methodological and practical contributions. The main theoretical contribution will be the addition to knowledge on international branding. It will be alert to the possibility of a methodological contribution that advances research methods used in the extant literature. Practically, its contribution will be the understanding of how to make international marketing strategy work better to improve overall international marketing performance.

1.6 Research Design

To be able to answer the research questions mentioned above, the research approach adopted in this dissertation is four-fold, and is briefly described below.

1. Reviewing the literature: This presents the main research issues by analysing previous research in the areas of branding, international marketing strategy, firm performance and macro-marketing environments.

2. Proposing a conceptual model of international marketing strategy, based on the literature review: This new conceptual model extends the study of Cavusgil and Zou (1994) who examined export marketing strategy and firm performance. Elements of branding will be made explicit in the new conceptual model. In addition, definitions of each construct will be made to help establish the items measuring the constructs.
3. Conducting qualitative research: There are two major aims for qualitative research. Firstly, there is a need to develop a new branding construct. The measurement of the new branding construct and other constructs that are unavailable in the literature will be developed with the assistance of in-depth interviews with Australian firm owners, general managers, or marketing managers. The second is to develop the proposed conceptual model. The model will be refined using the rich ideas and feedback from the participating firms from two case studies; one domestic, the other international.

4. Conducting quantitative research: A survey will be conducted on Australian firms involved in international business. Data obtained from the survey will be analysed with structural equation modelling to confirm whether the proposed conceptual model holds. The advantage of quantitative research is that the results are more precise indications of which variables are more important in the conceptual model. Using a structural equation modelling approach possesses an advantage in that it allows testing the conceptual model in a holistic and integrated way, linking various variables. It is necessary to test the hypotheses to find out the most important influences on international marketing strategy and firms’ international performance. A number of hypotheses will be tested, such as the relationships between international marketing strategy and performance; brand orientation and international marketing strategy and macro-marketing environment and brand repositioning.

1.7 Chapter Organisation

This dissertation is structured into six main chapters. Chapter one is an introduction laying the foundation for this dissertation.

Chapter two will cover a thorough literature review relevant to this study. Issues with regard to branding and international branding issues will firstly be discussed,
followed by topics related to international marketing. Then the debate as to whether branding activities should be adapted or standardised will be examined in detail. Finally, the contemporary literature on the potential strategic use of a brand will be covered. Research gaps will be identified based on the literature review.

Chapter three discusses development of the conceptual model to be tested empirically at the later stage. Definitions of all the constructs will be made in this chapter. Moreover, it also covers the preliminary development of scales for each construct. Finally, hypotheses to guide the empirical research will be established.

In chapter four, research methodologies employed during empirical testing of the conceptual model presented in chapter three will be detailed. The sampling method in terms of the choice of respondents and the selection of the sample will first be discussed. Next, data collection procedures will detail how in-depth interviews and the field survey will be conducted to collect the data. Administration of the survey instrument, descriptive statistics, and tests of normality will then be discussed. It then will move on to examine the logic behind the use of structural equation modelling in this study. Furthermore, the absolute and incremental fit measures used to evaluate the full theoretical model will be laid down prior to the model testing. Finally, the logic behind measurement model evaluation by using reliability and confirmatory factor analysis will be detailed.

Data gathered from the empirical work will then be analysed in terms of the structural model, and the results will be shown in chapter five. The evaluation of the conceptual model in terms of various fit measures and the results of hypothesis testing will be examined in detail.

The final chapter will discuss the research findings compared with the extant literature. Discussion will move on to discuss theoretical contributions, methodological contributions and contributions to the international marketers. Limitations of this research and future research directions will be covered in the next section. Finally, the chapter will be wrapped up by concluding comments relating to this study.
1.8 Delimitations
The data will be confined to firms from Australia doing business internationally. This is based on time and cost constraints.

1.9 Definitions
- **International firms**: are defined as firms doing businesses in markets other than Australia, irrespective of choice of foreign market entry mode (exporting, franchising, joint venture or foreign direct investment).
- **International marketing strategy**: refers to the deployment of the marketing mix to create a sustainable advantage within the international marketplace.
- **Brand orientation**: is defined as a mindset that ensures that brand will be recognised, featured and favoured in the marketing strategy.
- **Overall international marketing performance**: refers to the extent to which a firm’s financial and strategic objectives with respect to marketing a product/service to a foreign market that are achieved through planning and execution of its international marketing strategy.
- **International commitment**: refers to the extent to which resources are made available for marketers in the international marketing activities.
- **Brand repositioning**: refers to the adaptation of domestic brand’s market position, in the overseas customers’ minds, to suit the overseas market situation.
- **Congruence of marketing environment**: describes the similarities between domestic and international markets in which an international marketer operates.
- **Control of international marketing activities**: denotes the use of controls as authority over operational and strategic decision-making employed by international marketers to guide international marketing activities.

1.10 Chapter Summary
This chapter lays the foundation for this research on branding strategy in international marketing process within today’s dynamic global markets. It has
provided the background of the research, the research problem and objectives, justification of the proposed research and the research methodology for the primary data. Based on these foundations, the next chapter will proceed with a complete and detailed description of the relevant literatures used in this study.

1.11 Postscript

In the last week of writing up this thesis, I discovered a very important article to this thesis from Ewing and Napoli (2005) with regard to brand orientation. Unfortunately, it came too late to incorporate their work in this thesis. However, in chapter six, when I compare my research findings to the prevailing literature, I have added in a new paragraph which compares my findings specifically to the Ewing and Napoli (2005) study.
Chapter 2  Literature Review

2.1 Introduction
This chapter will review the extant literature with the aim of providing a foundation for answering the research questions stated in chapter one. The literature review will cover three themes. The first theme will include various issues of managing a brand and contemporary branding. This theme is mainly in the domestic context. The second theme will discuss international marketing strategy, which comprises capability development and resources allocation issues. The third theme will be concerned with the measurement of the international marketing performance.

The structure of this chapter is as follows. Section 2.1 will firstly discuss branding issues in terms of managing brand image, creating brand value, building brand reputation, and maintaining brand loyalty. Next, brand repositioning and contemporary branding – brand orientation will be examined. The critics of branding literature will wrap up the first theme of literature review. A discussion of five main aspects related to international marketing strategy will follow in section 2.3. The international marketing strategy literature will start with the standardisation versus adaptation debate. Congruence of macro-marketing environment, international commitment, control of international marketing activities and international experience will be discussed in turn. In section 2.4, overall international marketing performance will be examined as the final theme of the literature review. Based on these reviews, a research gap, drawn from the research questions mentioned in chapter one, will be identified in section 2.5.

2.2 Branding Issues
The literature related to branding issues includes the use of domestic branding management techniques in an international context and brand repositioning. The former emphasises managing brand image, creating brand value, building brand reputation, and maintaining brand loyalty, with a consequence of obtaining competitive advantage and achieving financial and strategic benefit. Another emerging area within the literature on branding is brand orientation, which is
concerned with the point of reference for a firm to develop strategy in order to obtain competitive advantage. In the international context, owing to the differences between the domestic and international macro market environments, international marketers could consider repositioning their brands in order to achieve best performance. The repositioning of a brand is a psychological issue in which international marketers try to create a desired image as perceived by their target customers. The following sub-sections will discuss all of these aspects, both domestic and international branding, in detail in relation to this research.

2.2.1  The Characteristics of a Brand
To comprehend the contemporary circumstances of international branding strategy, it is necessary to scope the branding concept. Two main approaches to defining a brand are suggested by Styles and Ambler (1995). The first definition is the more recent holistic view that emphasises the brand itself, rather than just the product. Thus “the brand is considered to be the sum of all elements of the marketing mix: product is just one element, alongside price, promotion and distribution” (Ambler & Styles, 1996, p.10). The second is the more traditional product plus approach that views branding as an additional aspect to the product.

The holistic view of a brand is ascendant in the current environment of brand management. Hence, this study will adopt this approach. This definition implies that a synergistic effect of the marketing mix can create added value for a brand. This added value is the principal basis for distinguishing a brand from a product. In fact, the added value focuses on potential customers rather than the firm itself (Aaker, 1996; Farquhar, 1994; Keller, 2003; Levitt, 1980; McCracken, 1993). Thus, a brand can build the added value surrounding the tangible features with distinctive benefits perceived by customers. The combination of core functionality, added value, and emotional values of a brand can create customer value and loyalty. Therefore, firms that have successful brands with these attributes are more likely to perform better in terms of creating stronger cash flows and higher earnings, consequently creating higher values for shareholders as demonstrated by Yovovich (1988). With brands being so important to firms and shareholders, it is
useful to look at the evolutionary process of branding in order to obtain a better appreciation of how it works.

Branded products or services, that have been the subject of great marketing research interest, are a fairly recent significant historical phenomenon that can be dated back approximately 120 years. Many customers still buy brands founded before the turn of the twentieth century: Maxwell House coffee-1873; Levis jeans-1873; Budweiser beer-1876; Ivory soap-1879; Coca-Cola soft drink-1886; Campbell’s Soup-1898; Hersey Bar candy-1900 (Berry, 1988). Nevertheless, the initial concept of branding goes back all the way to ancient Egypt, where brick makers placed brand symbols on products to distinguish them from competitors. This functional purpose had highlighted the branding decisions until the nineteenth century, when it became far more concerned about the implication of value differences, which deals with psychological aspects in brands rather than purely functional aspects (Farquhar, 1989).

Brand names now mean more than just a symbol representing the physical product of a particular manufacturer or firm. Brands now denote a whole bundle of information signifying all of their attributes and characteristics (Biswa & Sherrell, 1993; Jones, 1986). That is, not only are brands representing more than the underlying physical product or service characteristics, but they also signal to the customers more than the total of all their tangible and intangible characteristics. In other words, brands become a reference point and have their own personality, which is classified as a post-modern marketing approach (Goodyear, 1996).

In addition to this post-modern marketing view of brand, a brand can be used as a corporate strategic tool to enhance a firm’s performance (Mosmans, 1996; Mosmans & van der Vorst, 1998). Some argue that a brand can be placed as the focal point of a firm so that brand issues can be coordinated and given higher priority, and the strategic decisions be promoted to the corporate level (Capon, Berthon, Hulbert, & Pitt, 2001; Urde, 1994, 1999). This approach of brand orientation extends the resource-based theory of marketing strategy, in terms of how brands are created, developed, maintained, and protected, and can result in
enhanced performance of firms. Owing to the strategic advantage that brands can
give firms, attention to brands has moved from middle management to the
corporate level. The implication of this move is that the top management allocates
resources to branding activities and establishes a branding-being-very-critical
culture within the firms.

2.2.2 Managing a Brand

There is a wide recognition of branding strategy as a source of competitive
advantage in domestic markets (Biel, 1992; Calderon et al., 1997; Chaudhuri &
Holbrook, 2001; de Chernatony, 2001; Farquhar, 1994; Moore et al., 2000;
Mosmans, 1996; Mosmans & van der Vorst, 1998; Rubinstein, 1996). When a
brand is properly deployed, it can help a firm to achieve competitive advantage
with consequence of attaining better performance.

Branding is consistent with the holistic view of what a brand is in the contemporary
branding literature. As defined by Styles and Ambler (1997, p.5), brand equity is
“the set of memories, habits and attitudes of consumers, the parent corporation,
distribution channels, influence agents, and their associated technologies, that will
enhance future profits and long-term cash flow.” This definition features a number
of issues, including the holistic view of the brand, the distinction from financial
valuation, a situation of being more than just consumer driven, recognition of the
importance of channel members, and consideration of the value of technologies in
business transactions.

The holistic view of branding emphasises the brand itself, rather than simply the
product. Thus “the brand is considered to be the sum of all elements of the
marketing mix: product is just one element, alongside price, promotion and
distribution” (Ambler & Styles, 1996, p.10). This holistic view is more relevant to
the current environment of international brand management. In other words, it is
comprised of traditional international marketing strategy that includes product,
global communications, and channel management. This views a brand as a total
value that contains intangible composite mixed elements. In other words, this
brand value goes beyond the total impact of the combination of the marketing mix.
It represents the synergistic effect of all marketing efforts that instil and perpetuate an image in customers’ minds, and will finally contribute to the success of a firm in an international market.

2.2.3 Managing Brand Image

Brands facilitate the customer’s choice process. With hundreds of buying decisions to make every day, plenty of products to choose from and hundreds of promotional messages to evaluate, a customer relies on habit most of the time; that is, he/she buys brands that have proved satisfactory in the past (Doyle, 1990). This habit comes not only from experience of use, but also perceptions. The perceptions towards a brand are based on both internal factors, such as cultural, social and personality; and external stimuli, like marketing mix activities (Roth, 1992). This is where managing brand image or personality comes into place.

Customers form an image through a synthesis of all signals released by the brand (Kapferer, 1992). Brands endeavour to encourage customers to perceive the attributes they seek as being strongly associated with the brand. These attributes may be factual (e.g. quality and price) or abstract (e.g. status and youthfulness) (Doyle, 1990). Brand image is thus usually considered as the effect of the combination of brand associations (Biel, 1992; Keller, 1993) or the consumer’s perceptions of the brand’s tangible and intangible associations (Doyle, 1990; Eagel, Roger, & Miniard, 1993).

Brand association is postulated as anything linked in memory to a brand (Aaker, 1991). Keller (1993) describes the consumer’s memory as a function of a set of nodes and links of the various associations in relation to a brand. The strength of the links between nodes varies according to the level of processing and involvement of the consumer. The linkage of information about the product to the brand accounts for the product attributes, perceived benefits, and various summary evaluations that consumers hold about brands (Farquhar & Herr, 1993). The effectiveness of brand associations as to consumers’ evaluations of different brands is based on favourability, strength and uniqueness of established brand associations (Keller, 1993). The development of favourable brand associations unique to the
brand and superior to other brands is believed to be the ultimate goal of firms investing in advertising (Keller, 1993).

The literature suggests that creation of positive brand associations should result in a positive brand image (Aaker, 1991; Keller, 1993). Both brand associations and brand image are created by the marketing mix, which will lead to long-term development of a successful brand. Park and Lessig (1981) also discussed the importance of strategically managing the firm’s marketing mix and brand benefits in order to create a needed brand image. All these efforts related to the branding issues mentioned above aim to create brand loyalty in the market place. Whether this brand loyalty can be fostered depends on the brand value projected through the brand image in the target customers’ minds by using appropriate marketing mix. This study will examine the relationship between the marketing mix strategy and brand performance.

2.2.4 Creating Brand Value

*Brand value* denotes the branding efforts that build purchase confidence and create customer loyalty by adding distinctive benefits surrounding the tangible features of a firm’s product or service. The concept of brand value is rooted in added value, which is claimed to be the most important part of a brand’s definition and was used as the foundation for distinguishing a brand from a commodity (Jones, 1986). Gronroos (1997) argued that a core value is the essential solution, and its added value is additional services. Not distinguishing the foundational difference between value and added value, McCracken (1993) suggested added value as a brand’s meaning for consumers in describing their actual and aspirational selves. Farquhar (1994) used a term “adding value” to refer to the bolstering of tangible features with distinctive benefits based on the perception of customers as adding value. The roles of added value have been moved from the traditional task of distinguishing brands from a physical product to a more strategic role of securing competitive advantage. Such added value is believed to be sustainable over time. This sustainable added value sometimes needs branding to facilitate the process. As asserted by McCracken (1993), a product’s attributes may change in the long run, but it is the brand and the added value that can endure.
The brand value goes beyond the concepts of tangible product and basic brand. This aspect of brand value distinguishes a brand from a product. Essentially, brand value comprises three tiers; core functionality, emotional values, and added value services (Maklan & Know, 1997). The core functionality centres on the core physical product. Quantifiable measures, such as number of defects, usable product life and use of the product in other situations, are forms of core functionality. Emotional values represent the intangible aspects of a brand that seek to fit the psychological profiles of the target customers; for instance, creating status and prestige for owners of the product or service. Added values are concerned about bringing in extra features and are critical to the brand, which would enhance the usage of the brand for the customers (Maklan & Know, 1997). An example is the banking industry’s re-engineering of service delivery systems to reduce cost and time for the customer by using telecommunication technology.

The three-tier value proposition is similar to Mudambi, Doyle and Wong’s (1997) argument that brand value to the customer is a function of the expected price and performance of both tangible and intangible attributes. It is the augmented brand, emotional values, and added value services that matter in creating brand value (Doyle, 1990; Levitt, 1983b; Michell, King, & Reast, 2001). This brand value is critical in generating brand distinctiveness and brand reputation, with the consequence of brand loyalty.

2.2.5 Building Brand Reputation
Marketers need to understand the perception of their target customers in order to build brand reputation. Brand reputation is described as an extrinsic cue, that is, an attribute related to the product / service (Zeithaml, 1988). One of the ways to build brand reputation may occur when the brand values offered to target customers perceive them as matching their personalities. Selling perceived high-quality products or services, which is the combination of tangible and intangible brand value, is related to the reputation associated with the brand name (Shapiro, 1983; Tepeci, 1999; Zeithaml, 1988). These arguments suggest that customers’ perception about a brand plays an important role in managing the brand. In order
to become successful, brands must develop a positive reputation through proper use of the brand values. Positive reputation of a brand can bring about a number of advantages. The symbolic meaning in which brands are based facilitates target customers in the recognition of the brand and the buying decision making process. Firms with a positive reputation are more likely to gain acceptance when expanding their product line within the market. Family branding also enjoys the distinct advantage of instant recognition, which is a benefit of the halo effect of the brand’s established reputation (Herbig & Milewicz, 1997). The family-branding approach benefits from minimal cost of branding to the marketer, as initial marketing costs such as name research and extensive advertising at the introduction stage are minimal due to the brand name awareness and preference. When continuous positive reputation of a brand is maintained, brand loyalty can be expected to occur.

2.2.6 Maintaining Brand Loyalty

Brand loyalty is defined as “a consumer’s preference to buy a single brand name in a product class” (Chaudhuri, 1999, p.137). Brand loyalty fosters customers buying consistently over time irrespective of offerings from other brands and generally at regular prices. While those brands with loyal customers can hold existing customers, brands without the support of loyal customers have to put in extra effort in terms of advertising, promotion and selling to win new customers. The cost of winning new customers were estimated to be six times that of retaining current ones (Peters, 1988), which shows the importance of brand loyalty in achieving financial results. Moreover, customers are more likely to buy a new product under the brand they are familiar with (Berthon, Hulbert, & Pitt, 1999).

There are several levels of loyalty, and each represents a different challenge to marketers to exploit or manage certain assets of a product (Aaker, 1991). The bottom level is the non-loyal customer who is completely indifferent to a brand. For this group, brand is considered adequate, and often whatever is on sale or convenient at the time is what the non-loyal customer buys. This type of buyer has been named a “brand switcher” or “price buyer”. The second level includes customers who are satisfied with the product, or at least not dissatisfied. If there is
not enough dissatisfaction to be considered sufficient reason to change, they are unlikely to do so. They are called habitual buyers, and can be easy targets for competitive brands that can show the benefits of switching.

The third level consists of those who are satisfied but also have switching costs that the time, money, or performance risk are associated with switching. This group is called switching cost loyal. Switching cost loyal consumers feel that another brand may not prove to be satisfactory for their particular wants and needs. In order to attract these customers, competitive brands need to overcome the switching costs by offering an inducement to switch or by offering a benefit large enough to compensate. On the fourth level are those consumers who really do prefer a specific brand. Their preference may be based upon an association such as a symbol, a set of use experiences, or a perception of high quality. These buyers are termed “friends of the brand” due to the emotional attachment. The top level is the ultimate committed users. The brand is an expression of their image, and as such is an important part of their everyday life. These five levels of brand loyalty do not always appear in hierarchical form; that is, there will be customers who will appear to have some combination of these levels.

In addition to the reduction of marketing cost, brand loyalty is believed to possess advantages of market leverage, attracting new clients, familiarity, positive attitude, and primed price (Calderon et al., 1997). Brand can facilitate repeat purchases which can have a positive impact on a firm’s financial performance (Berthon et al., 1999). On the contrary, Chaudhuri (1999) argues that price should not be playing any role in brand loyalty, as customers make their purchase decision based on the perceived quality of the brand, not on price. Successful branding can also increase the durability of the brand’s resources and prolong the existence of the brand (Grant, 1991). When combined with market extension, increased customer loyalty can curb competitors’ imitative moves with the consequence of protecting brand equity (Aaker, 1996).
2.2.7 Summary of Managing a Brand
Managing a brand basically advocates that a successful brand can bring long-term financial and strategic benefits to a firm. The first step to building a successful brand is to create an image for the product or service with which target customers can associate. Brand value, in combination with the image, forms the basis of brand reputation. If the brand reputation is positive, customers will become loyal to the brand. As a result, the brand will gain competitive advantage over its competitors with the consequence of enhancing the firm’s performance. When a marketing manager needs to manage a brand in different countries, branding strategy such as brand repositioning becomes one of the critical issues, as he or she is facing a group of unfamiliar target customers.

2.2.8 Brand Repositioning
Brand repositioning refers to the adaptation of the market position of a domestic brand to one that is relevant to the minds of its foreign customers. Brand repositioning has long been considered an important branding activity in the domestic situation (Aaker & Shanby, 1982; DiMingo, 1988; Rise & Trout, 1981). Positioning is one of the key factors building positive brand image (Ewing, Napoli, & Pitt, 2001). Positioning can be based on specific attribute or abstract aspects (Pham & Muthukrishnan, 2002), but is a more holistic concept than simply the marketing mix. In other words, brand re-positioning is a different concept to marketing mix adaptation. For instance, to reposition a brand within a foreign market that targets the same segment of customers as the domestic market does not necessarily require adaptation of price. On the other hand, if a firm has to sell the product at the same price within the foreign market, the brand may have to be repositioned to reflect the value.

In the international context, brand re-positioning becomes a complicated issue. International marketers consider repositioning their brands due to competitive pressures, new channels and changing customer needs that may erode their brands’ position of strength within international markets. Changing customer needs reiterate the significance of the cultural differences between the domestic and international markets. International marketers often attempt to adapt brand
positioning to local conditions in the overseas markets (Cervellon & Dube, 2000). International marketers may need to consider the degree of difference of consumer characteristics and behaviour in making a positioning decision (Ganesh & Oakenfull, 1999). Brand re-positioning is necessary in certain situations. Brand needs to go further than just changing slogans and using a standard theme for the brand image but customising it to local meanings (Kates & Goh, 2003). An example quoted by them is Mars Bar has to change its brand positioning from a snack bar to an indulgent and luxurious treat in France to suit the local culture of eating as walking on the street not being socially desirable.

Brand repositioning is different from the concept of adaptation of marketing strategy. They both involve a change of the existing offerings such as product features, packaging, and language in an advertising message in foreign markets. However, brand repositioning is a broader term that includes the creation and placement of a desired brand in target customers’ minds (Czinkota, Ronkainen, Moffett, & Moynihan, 2001). It involves both psychological and physical factors, while strategy adaptation emphasises the changes of the marketing mix only, such as packaging and selling price. Hence, repositioning a brand requires changing product features, the target market and/or the brand image within an international market place. This repositioning of brands may be necessary for firms aiming to achieve higher success of their brands. In order to maximise brand performance, brand repositioning should be based on the macro-marketing environment of the international market.

2.2.9 Contemporary Branding
Two emerging branding literature are brand orientation and branding in SMEs. Brand orientation is concerned with centralising a brand in a firm’s corporate strategy. A brand is advocated to play such a critical role in corporate strategy that top management, rather than only brand managers, are recommended to get involved with and responsible for the brands (Capon et al., 2001). Branding strategy is thus elevated to the level of corporate strategy. The literature on branding in SMEs is still in its infancy. The published works consist of conceptual papers and case studies. Nevertheless, findings of these works suggest that
branding is gaining ground in SMEs. The following sections will discuss these two emerging aspects in branding literature.

2.2.9.1 Brand Orientation

One of the contemporary branding literatures centres on the corporate and marketing planning around a brand. As Hamel and Prahalad (1994) argued, firms can no longer afford to invest heavily in branding processes without fully understanding the corresponding implications for executive decision-making. The implication is that executive decision-making on corporate strategy cannot be isolated from investment in brands, and executives must anticipate which organisational and environmental factors will have the most influence on the branding business (Macrae & Uncles, 1997). George, Freeling and Court (1994) agree, by suggesting that world-class firms must earn the right to brand. These firms should think strategically, and responsibility for brand management should shift up the organisational hierarchy.

The main idea of this trend is to broaden the concept of branding by taking care of not only the consumer’s perception of the brand, but also how a firm approaches the brand and makes it distinctive within the market place (Simoes & Dibb, 2001). Berthon, Holbrook and Hultber (2003) suggest that a brand can move from functional (what a brand can do rather than what it means) and reified (when a brand closely identified with product) focuses to enacted (what a brand means rather than what it can do) and abstract (brand almost product independent) focuses. These moves broaden the strategic use of a brand. Broadening the brand spectrum means that branding goes beyond marketing communications, and should be regarded as an integrated business approach (Rubinstein, 1996). Firms must manage the various aspects of a brand and tie it to the total business strategy (Rooney, 1995).

Brand management could be embedded in the whole firm rather than purely being the job of the marketing department. The distinctive values a brand offers must always be present from start to finish (Simoes & Dibb, 2001). In fact, it is argued that senior management should be responsible for the brand; they should act as
custodian of the brands (Capon et al., 2001). The branding concept is believed to be applicable at the corporate level. As stated by Ind (1997, p.13), “a corporate brand is more than just the outward manifestation of an organisation – its name, logo, and visual presentation. Rather it is the core of values that defines it.” Berton, Hulbert and Pitt (1999) also argue that branding becomes a philosophy, rather than a specialist function, instilled in the whole firm. A brand thus becomes the centre point in the whole business planning and execution process, involving all staff in all departments.

Brands become an unseparated part of a firm’s value and an important strategic asset, which could drive the whole marketing planning process. Going beyond a tactical level in the marketing planning process, a brand could become a competitive advantage for firms. Mosmans (1996), recognising the strategic importance of a brand, argues that a brand can be considered as an integrated marketing idea driving the business. Mosmans and van der Vorst (1998) further advance that firms should shift from brand strategy to brand-based strategy that plays a critical role in selecting and maintaining a strategic direction for a company. This means strategic decisions should be driven by the brand, which is a firm’s central focus. Douglas, Craig and Nijssen (2001) go one step further to suggest that brands can play a critical role in establishing a firm’s visibility and position within international markets.

The brand as an important resource of a firm can serve as a strategic reference point. It can shape business development by realising an alignment between the capabilities of the firm and the external environment. The emphasis of brand strategy is shifted to brand-based strategy (Mosmans & van der Vorst, 1998). In parallel with their argument, Urde (1994; 1999) also advocates the use of a brand as a starting point in the formulation of firm strategy. He coined this concept as “brand orientation”.

Urde (1999, p.117) defines brand orientation as “an approach in which the processes of the organisation revolve around the creation, development, and protection of brand identity in an ongoing interaction with target customers with
the aim of achieving lasting competitive advantages in the form of brands.” By using customers and brands as central points in the formulation of company strategy, brand orientation should be created as a precondition, with well-established brands able to enhance the ability of companies to compete as well as generating growth and profitability (Urde, 1994). Brand orientation is thus a choice of strategy that would determine a firm’s competitive edge with favourable consequences for their future survival.

Three trends of development within business were identified as associated with selecting brand orientation as a strategic choice; namely, decreasing product divergence, increasing media costs and integration of markets (Urde, 1994). Decreasing product divergence delineates the fact that a product itself is no longer a guarantee of success, irrespective of its superiority (King, 1991). Firms could rely on other competitive advantages to compete. For example, Tetra Pak, an international food packaging product manufacturer, selected the firm’s reputation together with its brands as the new competitive strategy after the diminishing of its technical edge (Urde, 1994). Increasing media costs force management to rationalise and prioritise their investment and resources. An example is the British food-producing firm Rank Hovis McDougall that found that increasing media costs meant insufficient resources being available to allocate to all the brands to make them stand out. Consequently, they concentrated their marketing efforts on selected strategic brands to acquire long term competitiveness, growth and profitability (Urde, 1994).

Competition within the international market increases with the integration of markets such as the European Union and the North American Free Trade Agreement. On the one hand, firms face competition from competitors all over the world, while on the other, firms have more opportunities available to them. Thus, firms need to internationalise their brands to avoid elimination (Urde, 1994). A brand-oriented or brand based strategy must be built upon the foundation of market orientation. Market orientation basically represents the attainment of a firm’s objective by creating opportunities to more effectively satisfy customers’ needs within the constraints of resources and skill limitations of the firm. It is believed to
be an uncomplicated, short-term, and fundamental level business approach (Urde, 1999), that implies a firm is still more concerned about products, markets and systems. The extant literature suggests that improving a firm’s market orientation has a positive impact on business performance (Han, Kim, & Srivastava, 1998; Jaworski & Kohli, 1993; Narver & Slater, 1990). Nevertheless, brand orientation goes one step further than market orientation in a sense that it takes competition and the external environment into consideration. In other words, brand orientation is market orientation “plus” (Urde, 1999).

When branding becomes a corporate issue rather than a marketing management job, brands play a critical role in selecting and maintaining a strategic direction for a firm. Brands turn out to be a strategic reference point for developing strategic decisions by actualising a dynamic fit between the firm’s capabilities and the changing environment (Mosmans & van der Vorst, 1998). The strategic reference point is a signal of organisational priorities and overall direction defined by top managers who focus the attention of organisational members on particular goals and objectives (Fiegenbaum, Hart, & Schendel, 1996). The selection of a strategic reference point thus appears to have an impact on and implications for firm’s strategic decisions. A firm’s decision of strategic reference point is able to achieve strategic alignment capable of gaining sustainable competitive advantage, and potentially yielding improved performance (Fiegenbaum et al., 1996).

The alignment concept is important in strategic management. It proposes the criticality of establishing and maintaining a match between external environmental characteristics and internal resources and skills. Aligning internal elements to the ever-changing external environment is a very difficult job for managers. Management needs to work hard to build internal capabilities, send consistent messages and align strategies, systems, and processes to achieve high performance (Fiegenbaum et al., 1996; Prahalad & Hamel, 1990). Firms should develop their capabilities in a continuous manner in order to cope with the future business (Hart, 1992). With this time dimension, strategic alignment emphasises that firms need to continuously build their distinctive capabilities to capture potential external opportunities that may arise in future. Both the concepts of brand orientation and
brand-based strategy are rooted in the resource-based strategy perspective that emphasises the relationships between external environment, a firm’s strategic capabilities and its performance.

The limitation of brand orientation literature is four-fold. First, it is normative in nature. While a number of models are advocated to understand brand orientation, there is a lack of empirical evidence to support the argument. Furthermore, the benefits of being brand-oriented have not been empirically related to firms’ overall international marketing performance. Third, the existing literature on brand based strategy or brand orientation emphasises these issues from the domestic point of view. This perspective is not adequately dealt with in international branding literature. Brand orientation is concerned not only with the product or brand, but also with the external environment. The extant literature lacks explicit indication as to what the external factors could impact upon. As Simoes and Dibb (2001, p.223) suggest: “the literature review and mini-case studies present a logical explanation of these new branding ideas. Empirical research is now needed to explore how this internal and external expression of the brand impacts upon the organisation and its behaviour in the market place.” Finally, not only is large-scale empirical work with respect to brand orientation needed, but also there is a need to develop a measurement scale for this concept.

2.2.9.2 Branding in Small and Medium-Sized Firms

Branding and brand management have emerged and recognized as important factors in the SMEs literature (Boyle, 2003; Inskip, 2004; Krake, 2005; Wong & Merrilees, 2005), even though the extant literature on branding and international branding is still dominated by studies examining big firms and multinationals. Since the literature of branding in SMEs is at the infancy stage, most of the studies have used case-study approach to build the theory of SMEs branding (Boyle, 2003; Inskip, 2004; Krake, 2005; Wong & Merrilees, 2005). Studying the UK SMEs from the corporate branding point of view, Inskip (2004) finds that corporate branding as a philosophy is relevant for not only big firms, but also SMEs. This finding corresponds to study from Wong and Merrilees (2005), who examine the Australia SMEs, that firms with high brand orientation are more likely to achieve
higher business growth. Another study of an UK vacuum cleaner manufacturer shows that the medium sized firm has successfully built a strong brand by emphasising the importance of brand image and the role of product attributes and the development of brand personality (Boyle, 2003). Krake (2005) studies the brand management of ten European medium sized firms. The findings suggest that the entrepreneurs themselves are the important factor that drives the firms to recognise the significant role of brand management. These pioneer studies of branding and brand management in SMEs shed light on the fact that branding is not just for big firms or multinationals. Some SMEs also endeavour to develop their brands with the aim to achieving better performance.

2.2.10 International Branding

International branding is different to branding in domestic market in a number of ways. Firstly, the macro marketing environment, such as culture, legal, technological and economic aspects in which a firm operates in the overseas market is different (de Chernatony, Halliburton, & Bernath, 1995; Diamantopoulos, Schlegelmilch, & Du Preez, 1995; Jain, 1989). The differences between the domestic and overseas macro marketing environments raise an issue for international marketers to consider whether the brand needs to be adapted to the characteristics of the overseas markets. de Chernatony, Halliburton and Bernath (1995) suggest that the international brand-planning process comprise two sequential stages. The first is a decision with respect to the core value and positioning of a brand that can differentiate the brand to the competitors’ brands and the second stage is to execute the planned brand’s benefits internationally. Both stages need to consider each country’s environment.

de Chernatony, Halliburton and Bernath (1995) also suggest that international marketers need to consider the demand size of the markets when considering whether a brand should be standardized in the overseas markets. The demand size considerations comprise indigenous culture, consumption patterns, regulations, competitive practices, media availability and brand history development, which are the factors to force the international marketers to adapt their brands. Owing to the cultural differences, firms need to change their brand names in the overseas
markets (Chan, 2001; Dong, 2001). It is argued that the success of some consumer goods firms in the overseas markets contributes to the successful translated brand names, which often with completely different meanings than those in the domestic markets (Dong, 2001). International branding can be seen as a step further to extend the domestic branding, as the branding activities are conducted in distinctive market environments.

From another point of view to examine the differences between domestic and international branding, Cheng, Blankson, Wu and Chen (2005) focus on the process of firms internationalizing their brands. Their findings of South Korea and Taiwan manufacturers suggest that firms go through the process of pre-international, which is domestic focus, lead market carry capacity, international branding and market succession. Their study proposes that firms need to increase worldwide brand awareness, brand association and brand image/recognition through promotional efforts, such as sponsorship.

Thirdly, it is suggested that international branding is relatively more complex than domestic branding because international marketers four distinctive decision levels to consider (Onkvisit & Shaw, 1989). They are i) brand versus no brand, ii) manufacturer’s brand versus private brand, iii) one brand versus multiple brands for the same market, and iv) worldwide brand versus local brand. The last point is the major difference for international marketers, as domestic branding does not need to deal with issues at the international branding.

All the arguments discussed above show that international branding is a distinctive regime compared to the domestic branding. International branding is a step further and more complicated than domestic branding.

The main theme of the international branding literature is the study of the impact of branding strategy on the firm’s performance. Firms deal with the globalisation of markets and the growth of competition on a global scale by expanding the geographic reach of their operations, merging and acquiring firms in other countries, and entering into alliances and/or contractual agreements across national
boundaries. Consequently, firms may consider more emphasis on coordinating and integrating international marketing strategy across markets.

In line with the branding concept for domestic markets, international branding scholars advocate that the development of brands on an international basis offers opportunities for capitalizing on economies of scale, developing global markets and pursuing multiple market segments (Barwise & Robertson, 1992; de Chernatony et al., 1995). International branding is important and beneficial for firms to gain economies of scale. This benefit from an economic perspective reiterates the significance of a branding, not only in domestic markets, but also within an international venture, which is the focus of this research.

The literature of international branding in general is rooted in international marketing strategy, especially in the standardisation / adaptation approach. It has been studied as a small part of product decisions, if not totally ignored. Nevertheless, some works with regard to international branding have been undertaken. Perhaps the most widely investigated aspect of international branding is brand name standardisation versus adaptation. Contradictory empirical results have been found with regard to this issue. Some studies supported brand name standardization (Rosen, Boddewyn, & Louis, 1989; Sandler & Shani, 1992; Still & Hill, 1984), whereas some works have suggested that external factors are the cause of the need for brand name adaptation (Alashban, Hayes, Zinkhan, & Balazs, 2002; Dong & Marilyn, 2001; Francis, Lam, & Walls, 2002).

From a different point of view, an empirical study examined the brand image on attitude and behaviour in a cross cultural setting (Hsieh & Lindridge, 2005). Their study found that multiple brand image dimensions, namely consumer’s sensory, utilitarian, symbolic and economic needs differed across nations. These differences might reflect a nation’s culture and its level of economic development. From a broader view to study international branding, a stage model of international brand development of manufacturers has been developed using a case study approach (Cheng et al., 2005). They found that Taiwanese and Korean manufacturers’ brands went through four successive and progressive stages,
namely pre-international, lead market carrying capacity, international branding and market succession, and local climax. It can be seen from the extant literature that international branding plays only a small part within the international marketing strategy. The significance of international branding has not been fully exemplified, compared to their counterpart in domestic market. It is a research gap that the current study is focused.

2.2.11 Critics of Branding Literature

Even though the literature on branding issues has accelerated at an exponential rate during the past decade, the literature is not without limitations. These are:

1. Too domestic a focus: most of the literature, both conceptual and empirical, focuses on the development and management of branding issues with one environment, usually in the U.S. or the “West” in general. So little work has been done from the international perspective, with academics urging more studies of branding from the international point of view (Moore et al., 2000; Shocker et al., 1994).

2. Concerned only with brand-related performance such as brand loyalty, market share, or brand equity. Measures related to the performance of a brand in a holistic manner have not been covered; for example, whether a brand has built strong brand awareness within the target market (brand performance) and is profitable for the firm (financial performance).

3. No mention is made of the development of brand orientation, and how this relates to other branding and marketing activities. The extant literature has limited large-scale empirical research to study what brand orientation can do, especially in the international branding context. Little work has considered the underlying factors of the antecedents, or of the consequences of brand orientation.

4. Repositioning of brands within foreign markets is neglected. The repositioning has received limited attention irrespective of its importance to international marketers. The extant literature in international marketing and
branding focuses on the adaptation of marketing mix within the overseas markets. However, these changes are too inward-looking and disregard abstract factors that can be projected to the target customers’ minds. Moreover, there is no existing scale with which to measure this construct.

While branding is critical to a firm’s success in international markets, it needs to complement the international marketing strategy to achieve better overall marketing performance. Accordingly, this research will propose and test a conceptual model that will address these issues.

2.3 International Marketing Strategy

The literature on international marketing strategy covers six main areas. The first is the standardisation or adaptation of domestic marketing strategy to foreign markets. There are two main camps in the literature of standardisation or adaptation of marketing strategy (Agrawal, 1995; Cavusgil, Zou, & Naidu, 1993; Hamel & Prahalad, 1985; Jain, 1989; Jolson, 1989; Kotler, 1986; Levitt, 1983a; Wind, 1986). The advantages of each approach will be studied in detail. Secondly, international marketing mix (product, price, promotion and distribution) will be discussed in detail. Thirdly, congruence of the macro-marketing environment, which has a significant impact on the standardisation or adaptation of marketing strategy, will be examined. Next, the roles of international commitment and then control in international marketing activities will be examined. Finally, the extant literature of international experience will be reviewed.

2.3.1 Standardisation or Adaptation

One of the dominant themes in international marketing strategy is the contrast between standardisation and adaptation. The issue of standardisation versus adaptation in international marketing activities has been prominent in the international literature following the publication of Levitt’s (1983a) article on the globalisation of markets. He argued that there has been an increase in the similarity of markets across the globe due to improved communications, travel and the emergence of demographically similar segments in different countries.
The impact of technology, which has revolutionised communications, especially in media, enables people in even the most isolated places to gain knowledge of and to understand the culture of others and to acquire information about the latest products, features, and brands. The wide availability of affordable transport allows consumers to travel between country and city, across national borders and between continents. Knowledge and experience create a demand for modern and advanced products. Consumers might give up domestic product preferences, which are based on local cultural and tastes, for more global ones. Therefore, firms can benefit from this emerging trend by globally standardising their products to the greatest possible extent in order to offer them at the lowest price and highest quality.

This suggestion is based on a view that the world market is comprised of a limited number of standardised markets rather than a large number of customised markets. Firms can serve the world market in a more economical manner by means of large-scale production. Even though the original starting point of Levitt’s article was concerned with global products rather than global brands, it soon activated a great interest in global branding, particularly in the advertising community (Fisher, 1984). No matter what disciplines take up the standardisation versus adaptation debate, it is largely based on Levitt’s arguments.

2.3.1.1 Advantages of Standardisation
The arguments in favour of standardisation of the marketing program are centred on two main aspects. According to Theodosiou and Katsikeas (2001), the first driver of standardisation are developments in the international business environment that make standardisation a feasible or even inescapable strategy. The second issue concerns the potential advantages of pursuing a strategy of international marketing program standardisation. Hamel and Prahalad (1985) also advocated that country markets are increasingly becoming interdependent. Firms need to deal with the national fragmentation of markets and cross subsidise their activities in different countries. The standardisation of products and marketing strategy is a viable method of furnishing cross-subsidisation due to the fact that firms can take advantage of a global brand and global channel domination (Zou, Andrus, & Norvell, 1997).
The advocates of standardisation further suggest that world markets are becoming homogeneous due to the rapid advancement in transportation and communication technologies (Levitt, 1983a; Ohmae, 1985). It is suggested that cultural convergence will proceed at an accelerated rate due to the proliferation of television satellites and increased cable penetration that will enable viewers to access international issues and cultures (Wind, 1986). Homogenisation of consumer tastes provides firms with opportunities to achieve cost savings by means of economies of scales in production, marketing and other activities through standardization (O'Donnell & Jeong, 2000). Thus, it is argued, marketers should treat market segments as global entities rather than local ones. Ohmae (1985) argues that the emergence of the Tridians: Japan, the United States, and the European Union have strikingly similar needs and preferences because of their people having similar academic backgrounds, income levels, lifestyles, uses of leisure time, and aspirations.

Another argument for standardisation includes the need for international firms to serve their multinational customers (Douglas & Wind, 1987). This central argument is that when customers go global, it is better for firms to follow their customers in order to benefit from economies of scale. This can be termed customer-driven globalisation.

Regional economic integration such as North America or the European Union, is another incentive for standardisation (Walters & Toyne, 1989). In Walters and Toyne’s article, international product modification and standardisation strategies were proposed, as well as policies that facilitate the maximisation of international product uniformity. Three ways to develop standardised products include, firstly, product extension, which involves "projecting" the product presentation developed for a single market, usually the home market and overseas. A second method is called a premium prototype approach, which involves the development of a product that meets the needs of the most demanding group of customers within overseas markets and the most stringent product-use conditions. A third method is a global common denominators policy whose main objective is to identify a global segment.
of demand in which consumer traits and conditions of use are relatively homogeneous. This allows for the development of a standardised product around common consumer characteristics and the other shared features that distinguish the identified segment.

Costs can then be pushed down due to economies of scale. In fact, cost savings can be achieved not only from production, but also in research and development, distribution and promotion (Douglas & Wind, 1987; Onkvisit & Shaw, 1989). The gains can then be invested in more advanced equipment, efficient plants, additional promotion, and cheaper products (Korey, 1995; Whitelock & Pimblett, 1997).

The competitive environment has implications for the standardisation level (Levitt, 1983a). The emergence of global competition may cause changes in a firm’s competitive structure that encompasses several country markets. The economies-of-scale of the marketing effort would then become a force for globalisation. This view is shared by Dholakia and Firat (1988) who proposed that the superpower of multinational corporations (MNCs) would eventually dictate a development of supply-led homogenisation of world demand patterns. Examples of this globalisation driver are the arrival of international retailer chains such as Wal-Mart and Carrefour that internationalise their business through foreign direct investment or strategic alliances. The use of a standardised marketing mix across borders by these chain stores have had an impact on buying behaviour within the host markets (Solberg, 2000).

While the impact of this marketing strategy of MNCs is uncertain, the most likely achievement is the establishment of a consistently strong brand image across countries (Hallibuton & Hunerberg, 1993). Some empirical studies support this view by finding high levels of brand name standardization (Rosen et al., 1989; Sandler & Shani, 1992; Still & Hill, 1984).

In summary, the standardisation strategy possesses a number of advantages that include:

1. Larger volume of sales output and economies of scale.
2. Increased opportunities to balance decreasing sales in one area with growing sales volume in another.
3. The strengthening of the competitive position of multinational firms in the domestic and global markets.
4. Tapping into new markets that have similar consumer characteristics to those of the domestic market.

The standardisation approach of international marketing strategy emphasises the financial benefits. It is considered by some academics as an advantageous approach, and by some as an inescapable strategy. However, the standardisation approach is not without criticisms. The major criticism is the overlooking of the differences of macro-marketing environments, such as culture, between the domestic and overseas markets. Secondly, the standardisation approach is mainly normative. Arguments are based on the subjective viewpoints of the authors. Thirdly, the standardisation approach seems to neglect the importance of customer focus. Furthermore, cost savings that are related to the standardisation approach do not guarantee positive financial performance. Finally, the standardisation approach might create strategic deficiencies, such as slow responses to changes in foreign markets. These criticisms will be discussed in detail in the following section.

2.3.1.2 Advantages of Adaptation
Proponents of adaptation argue that world markets are not becoming homogeneous, highlighting differences in physical environment, legal requirements, cultures, economic development, and infrastructure among national markets (Boddewyn, Soehl, & Picard, 1986; Cavusgil et al., 1993; Fletcher, 1979; Hill & Still, 1984; Wind, 1986; Wong & Merrilees, 2006; Zou & Cavusgil, 1996). It is argued that firms rarely desire, if it were possible, total standardisation of their marketing activities. Consequently, it is preferable for firms to take into consideration the specific conditions of each market, such as cultural differences and unique marketing infrastructures, by localising or adapting their marketing programs (O'Donnell & Jeong, 2000).
Another criticism of standardisation of marketing strategy is the lack of empirical evidence to support the standardisation argument (Douglas & Craig, 1986; Onkvisit & Shaw, 1989; Wind, 1986). Kotler (1986) also casts doubt on the standardisation approach by indicating that standardisation should not be assumed to be the best method for marketers. The adaptation school of thought emerged essentially in reaction to the propositions advocated in favour of standardisation (Theodosiou & Katsikeas, 2001). These two streams of thought symbolise the avocation of two extreme approaches of running businesses in international ventures.

One of the critiques of the standardisation argument is a questioning of the worldwide homogenisation in needs and preferences, seen to be too simplistic, myopic and contrary to the marketing concept (Boddewyn et al., 1986; Douglas & Wind, 1987). The standardisation approach of driving the price of the product down and improving the quality of the product implies a product orientation, rather than a customer and competitor orientation (Douglas & Wind, 1987). A product orientation is so short-sighted that it could result in failure (Laughlin, Norvell, & Andrus, 1994). The market orientation approach focuses on both customers and competitors, having more potential to increase performance (Jaworski & Kohli, 1993; Narver & Slater, 1990). Firms concerned solely with product costs may be unable to detect idiosyncratic customer needs and preferences across countries and may be exposed to competitive attacks in individual foreign markets due to their inability to cater for the host market circumstances (Cavusgil & Zou, 1994).

Customers within different markets have different characteristics, behaviour, tastes, preferences, and usage patterns. Firms need to be aware of these diverse cultures, and to meet the needs of the target market within foreign markets (Eckhardt & Houston, 2002; Theodosiou & Leonidou, 2003). Culture is everything that people have, think, and do as members of their society (Ferraro, 1997). Elements of culture, such as geography, topography and climate are not subject to change, whereas other elements, like belief systems, aesthetic standards, language, the nature of social institutions and the level of material development may hinder change (Whitelock & Pimblett, 1997). All of these elements of culture can have an impact on firms’ marketing strategies. For example, firms change their brand
names within foreign markets to avoid linguistic problems (Francis et al., 2002). McDonalds also changes its marketing mix to suit foreign markets (Vignali, 2001); for example, their brand meaning is found incompatible with the nature of traditional culture in China (Eckhardt & Houston, 2002). Lego A/S, the Danish toy manufacturer, learnt a lesson not to use the same promotions, which are highly successful in the State and in Japan (Czinkota et al., 2001; Ganesh & Oakenfull, 1999).

Cross-cultural empirical research has confirmed significant differences in customer characteristics, preferences, and purchasing behaviour among different countries (Diamantopoulos et al., 1995). There is no evidence to suggest that customers are so price-conscious that they are prepared to take lower priced products rather than products with features especially suitable to them (Theodosiou & Katsikeas, 2001). Whitelock and Pimblett (1997) add that there is no evidence to support the view that advancement of technology will lead to greater homogenisation of markets. Instead, it may lead to greater fragmentation as consumers’ demand becomes more sophisticated. Technology such as the Internet allows for mass-customisation.

The external environments of foreign markets necessitate an adaptation strategy. Diverse government regulations and marketing infrastructure differences are beyond the control of international marketers, who have no choice but to adapt if necessary, based on the local situations (Kotler, 1986; Zou & Cavusgil, 1996). A standardisation strategy is not viable in situations where environmental regulations, promotion restrictions, product safety standards, or local content requirements differ across markets (Cavusgil et al., 1993; Kotler, 1986; Wind, 1986). Kotler (1986) quoted an example of a Kellogg cereal commercial that had to be changed before being applied in different European countries. For example, in the Netherlands, deletion of references to iron and vitamins; in France, deletion of the child actor; and in Germany, deletion of the claim that “Kellogg makes their corn flakes the best they’ve ever been.” These requirements and pressures from external environments make the adaptation strategy necessary. One study has found that the vast majority of Fortune-500 firms localise their brand names by using the strategy of transliterating the brand name for the Chinese market (Francis et al., 2002).
more recent empirical result is contradictory to previous findings supporting brand name standardisation (Rosen et al., 1989; Sandler & Shani, 1992; Still & Hill, 1984).

The rationale for the standardisation approach associated with economies of scale and cost savings has been challenged. One of the arguments is that cost savings are not related to financial performance (Samiee & Roth, 1992; Walters, 1986). In this view, the cost saved is not justified relative to the potential loss of sales resulting from not adapting to local circumstances. Even when cost savings can be realised, their effect may not be significant in certain product types, as the cost saved from raw materials and labour that may have minimal impact on total cost (Douglas & Craig, 1986; Douglas & Wind, 1987).

From a strategic point of view, the adaptation approach can enjoy the benefit of penetrating foreign markets by tailoring to local taste (Cavusgil et al., 1993). The result is an increase in market share and sales volume for the firm. Adaptation can also enhance local managers’ motivation and morale, as they have more say in planning and implementing marketing strategy (Douglas & Wind, 1987; Quelch & Hoff, 1986). By using adaptation strategies, firms can augment their capabilities in analysing and understanding foreign markets, monitoring market developments overseas, and quick responding to changes in customer preferences (Craig & Douglas, 1996). Rugman (2001b, p.583), who announced the “death of global strategy”, believes adaptation prevails.

In summary, the underlying principle of the adaptation approach is the consideration of foreign markets’ unique characteristics. It is believed to be beneficial to adapt international marketing strategies to suit local conditions, which are in the form of culture, regulations, market infrastructure, and competition. The costs saved, if any, advocated by standardisation approach, are unlikely to outweigh the impact of these local conditions. Hence, adaptation, it is argued, should be used rather than standardisation strategy for firms involved in international business.
2.3.1.3 Summary of Standardisation versus Adaptation

The debate between these two camps is ongoing and no solution has yet been identified. However, a fruitful emerging perspective of the extant literature on standardisation versus adaptation appears to be the contingency approach, which lies somewhere between the two streams of thought. According to this perspective, the difference between standardisation and adaptation is a matter of degree rather than kind (Theodosiou & Katsikeas, 2001). The concept of “think global, act local” has been widely accepted as a better approach, due to cultural differences, and differences in regional government regulations (Jain, 1989; Rugman, 2001a; Sandler & Shani, 1992; Williamson, 1975). This school of thought advocates the combination of standardisation and adaptation. The critical issue becomes under what circumstances international marketing strategies should be adapted, and how much adaptation is needed.

From the standardisation versus adaptation literature, there are two issues that have not been well covered. Firstly, the aim of a firm that standardises or adapts its international marketing strategies is to satisfy the needs of its target customers better than their competitors can. The more they can satisfy the customers’ needs, the more likely they can succeed within the overseas market. Thus, the understanding of the characteristics, behaviour, taste, preferences, and usage patterns of customers within the host markets is very important so that appropriate adaptation or standardisation of international marketing strategies can be deployed. However, the antecedent factors, which are the issues related to the external environment, that affect the standardisation or adaptation strategy are under researched. Theodosiou and Leonidou (2003), in their study assessing and integrating the empirical research of standardisation versus adaptation of international marketing strategy, explicitly stated that these antecedent factors were, surprisingly, the least examined by researchers in the field.

Secondly, the brand-repositioning issue has not been addressed in detail. The extant literature on adaptation discusses issues like changing the packaging, prices, and brand names. However, these changes do not necessarily mean that firms have changed their market positioning in the overseas markets. For instance, the lower
the price of a brand within the foreign market does not mean a change of the positioning of the brand. In other words, selling at a lower price can still approach the same segment of customers as that of the domestic market, which may be due to the fact that the cost of living is lower in the overseas market. Therefore, it would be beneficial to look closer at the role of brand repositioning in the international context, which is one of the purposes of this thesis.

2.3.2 International Marketing Mix
Marketing strategy is a central focus in the standardisation/adaptation debate. It has been associated with an activity that is able to achieve marketing objectives (Theodosiou & Leonidou, 2003). International marketing strategy is particularly stated in terms of product, price, distribution and promotion aspects.

In terms of product decisions, studies have found significant results of product adaptation (Cavusgil & Zou, 1994; Shoham & Kropp, 1998; Zou et al., 1997) in firms’ international marketing strategy. Price adaptation in overseas markets has been found in the empirical studies of Shoham, Kropp (1998), Zou et al. (1997), and Theodosiou and Katsikeas (2001). In comparison to product decisions, price aspects are more adapted. It may be due to the differences of overseas markets in factors, such as the economic situation, government control and cost structures (Theodosiou & Leonidou, 2003).

The most adapted marketing mix is distribution, according to Theodosious nad Katsikeas (2003). Empirical research strongly supports the adaptation of distribution elements (Michell, Lynch, & Alabdali, 1998; Shoham, 1999; Zou et al., 1997). The reported main reasons for the distribution adaptation are the different roles distribution channel members play in domestic versus foreign markets, as the results of variations in bargaining power, financial strength, and marketing know-how (Theodosiou & Leonidou, 2003). In addition to the human facet of distribution aspect, physical features of distribution elements have been found to cause adaptation. These features include documentation and order procedures required in international product shipments; the availability of transportation facilities to carry goods to and within foreign markets; the number and type of
warehouses in overseas markets; and the optimum level of inventories to be maintained (Theodosiou & Leonidou, 2003).

The final, and probably the most widely studied, element of marketing mix, is promotion. In general, this marketing mix has been found to have slightly above-average levels of adaptation in foreign markets (Theodosiou & Leonidou, 2003). Kates and Goh (2003, p.60) argue that “brands become inscribed with the local meanings associated with a community or social grouping. Brand and ad meanings therefore change across different across different social locations and are inflected by foreign consumers’ shared ways of making sense of marketing communications.” Standardisation is a less preferred promotional strategy because the cultural meanings are firmly rooted in the overseas markets (Cervellon & Dube, 2000). An example of advertising adaptation is Kraft’s Philadelphia cheese. A global brand changing the advertising execution that the angel used to project a heaven image has to be taken off in the middle east countries in order to accommodate local cultural images, meanings, and other representations (Kates & Goh, 2003). Taylor and Johnson (2002) also suggest that even though general strategy appears to be standardised, many advertisers adapt their advertising executions and language to suit the characteristics of the overseas markets as required.

Empirical works have established that firms adapt the elements of promotion elements to suit the characteristics of overseas markets (Cavusgil & Zou, 1994; Michell et al., 1998; O’Cass & Julian, 2003; Shoham, 1999; Zou et al., 1997). With regard to each of the promotion elements, the adaptation of advertising is mainly due to language differences, media availability, government regulations and economic differences. The key factors that cause adaptation of sales promotions are legal restrictions, cultural characteristics, and competitive practices. Public relations are adjusted because differences in the extent of firm involvement, the nature of publics and availability of public relations agencies, in overseas markets. Finally, personal selling has been adapted in foreign markets in relation to recruitment, training, motivation, and control of the salesforce. In summary, more
empirical evidence has found to favour marketing mix adaptation than standardisation.

2.3.3 Congruence of Macro-Marketing Environment

The macro-marketing environment has a profound impact on international marketers’ marketing strategy. International marketers must adapt to and instigate change within overseas markets in order to maintain competitive advantage. For instance, marketing electronic products a little cheaper as a marketing strategy to Germany may not be effective due to the sophistication of the German market in relation to electronic products, as Tandy discovered to its detriment some years ago. Adaptation to the market situation is more likely to be successful if the changes are based on the knowledge of the forces shaping market behaviour and the ability to gain insights that furnish the development of sustainable competitive advantages (Shocker et al., 1994). Thus, in order to develop a sustainable branding strategy, international marketers need to thoroughly understand the marketing environment of the host country.

Elements of the macro-marketing environment of the overseas market are likely to differ from those of the domestic market. Literature on macro-marketing environments focuses heavily on the sources, processes and use of information at the corporate level (Fahey & King, 1977; Ghoshal, 1988; Hambrick, 1982; Preble et al., 1988; Subramanian et al., 1993). Ogunmokun and Ng (1999) studied the types of market information collected by Australian export firms. While the variables used in their study were centred on economic, customers and competitive areas; the political, cultural and technology aspects remained relatively untouched. This thesis proposes to use variables to study the impact on international marketing activities of a wide range of external environment variables, such as, economic, social and technological aspects.

Culture is probably one of the most important macro-marketing environments for international marketers to consider when they venture internationally. Culture is considered “the instrument by which each new generation acquires the capacity to bridge the distance that separates one life from another” (Kramer & Herbig, 1994,
p.36). The function of culture is to instil the beliefs and values that influence conduct, standards of performance and ways of dealing with interpersonal and environmental relations. In the context of international marketing, the acceptability of a firm’s products and services is very much based on culturally bounded social and individual needs and wants (Kramer & Herbig, 1994). If a product is not perceived as being socially acceptable, firms need to revise their offerings (Kim, Forsythe, Gu, & Moon, 2002; Kramer & Herbig, 1994). The logic behind this revision of the offerings corresponds with the fundamental marketing concept – exchange to satisfy customer’s needs and wants.

Customers’ choice on particular brands are based not only on the functional or performance benefits, but also on the abstract aspects, such as consumers’ personality, social status or affiliation, fulfilling their internal psychological needs, and emotional purposes (Kim et al., 2002). The introduction of this abstract dimension makes the marketer’s job more difficult, as the rational economic model is unable to explain the behaviour of customers. For international marketers, branding issues become even more complicated due to the inclusion of a foreign culture, which can be unfamiliar to the marketers.

A country’s culture has been considered as a major environmental characteristic that causes systematic differences in buying behaviour (Steenkamp, 2001). Culture can change people’s perceptions, dispositions, and behaviours (Markus & Kitayama, 1991). Many businesses fail simply because of not taking cultural differences between countries into account. Pawle (1999) provides a conceptual model of how culture influences brand image, brand relationship and brand positioning. Empirical studies on the impact of linguistic differences on international brand name (Francis et al., 2002) and the cultural interpretation of the brand meaning of McDonald (Eckhardt & Houston, 2002) have shed light on the importance of culture affecting international branding activities.

There is an insightful article about the role of brand management in exploiting the post-NAFTA Mexico market and how to handle cultural differences (Ghosh, 1998). An introduction to the special issue for challenges and opportunities facing
brand management has also been put forward to study the impact of the international environment on brand management (Shocker et al., 1994). Czinkota and Ronkainen (2005) argue that international marketers may wish to minimise the foreign ownership image of their brands in the minds of the customers. Douglas, Craig, and Nijssen (2001) provide an international brand architecture framework for international marketers to establish their brands within the international market. They also discuss the drivers that shape the architecture and the implications for the design and management of it.

Focusing on the standardisation versus adaptation of international advertising strategy, another framework put forward is to study the influences of environmental factors within foreign markets on the international advertising strategy continuum (Papavassiliou & Stathakopoulos, 1997). While these conceptual papers contribute to the understanding of the effects of cultural factors in the foreign markets on various branding issues, there is a need to advance the theory by empirically testing the validity of these theories. In addition, in terms of collecting data in relation to cultural dimensions, samples of businesspeople are under-represented (Taylor & Johnson, 2002). This study will sample the businesspeople to examine the cultural aspect in an attempt to filling the research gap.

Some empirical studies are seeking to comprehend cultural factors and brand management. One study examines the significant impact of linguistic differences on international brand names (Francis et al., 2002). The role of market conditions on brand image adaptation or standardisation and market share has also been tested empirically (Roth, 1995). It was found that when markets differ in cultural uncertainty avoidance, individualism, and national social economics, marketers tend to use image customisation strategy. The psychological aspects in terms of self-directed values, social affiliation values, and social needs have also been tested and found to have significant influences on brand purchase behaviour (Kim et al., 2002). The relationships between international brand name/meaning and the cultural factors have also been examined and found to be significant (Alashban et al., 2002; Eckhardt & Houston, 2002). All of these studies have shed light on the
importance of culture affecting international branding activities. However, no study has looked at the effects of culture within foreign markets on brand repositioning in the international context, but this research will do so.

International marketers require not only people but people with money; therefore, it is necessary to understand the income aspect within the host market. The income conditions within a host market can influence international marketing strategy in several ways. For example, demand potential for a particular product and a firm’s cost structure are based on economic conditions (Theodosiou & Katsikeas, 2001). The overall level of a country’s economic and industrial development determines customers’ preferences for products (Jain, 1989). Two countries in different stages of development may consider the same product as essential or less necessary respectively (Hill & Still, 1984). Disposable income as an economic measure of the amount left after the basic necessities have been acquired can vary from country to country. This measure can also take cultural differences into consideration. For example, most young people in Asia live with their parents until they get married; which results in much of their income being disposable. Both cultural and economic aspects within overseas markets will be examined in this study.

2.3.4 International Commitment
Managerial commitment to international marketing plays an important role in international marketing strategy. It recognises the existence of considerable differences in market characteristics between a host market and a home market. In order to succeed in international ventures, it is important that Australian firms understand the overseas market situation and employ appropriate international marketing practice. In developing such a capability, international commitment to international business is important (Katsikeas, Piercy, & Ioannidis, 1996). Unlike external environmental factors, which are beyond the control of a firm, international commitment includes both behaviour and attitudes that can be manipulated by the firm (Evangelista, 1994). The attitudinal component is similar to the cognitive, affective and behavioural elements of attitudes toward international business (Aaby & Slater, 1989; Cavusgil & Nevin, 1981), whereas the
behavioural aspect refers to the degree of effort and resources associated with international business (Cavusgil & Zou, 1994; Evangelista, 1994). These two domains of international commitment can have a particularly strong impact on international behaviour and success. The extant empirical literature considers international commitment as an independent variable that affects a firm’s performance (Cavusgil & Nevin, 1981; Cavusgil & Zou, 1994; Evangelista, 1994). Factors that influence international commitment of a firm have not been examined empirically, but this research will study this aspect to fill a gap.

2.3.5 Control of International Marketing Activities

The concept of control of international marketing activities is critical to protecting a brand within international markets. The extent of control of the brand within the international markets affects how that brand is run. The effective and efficient management of interdependent activities across geographic locations requires sophisticated formal controls that can address local situations and contingencies while approaching global opportunities (Gencturk & Aulakh, 1995). Geographical distances and cultural differences are the two main factors that increase the cost of monitoring and coordinating operations with geographical dispersion (Hennart, 1991). Insufficient or inappropriate control over a firm’s foreign agents can have a negative impact on the international firm’s ability to effectively and efficiently position itself within and penetrate into overseas markets (Aulakh & Gencturk, 2000). Thus, the challenge for international marketers is to design a control mechanism that facilitates the desired marketing strategy on the one hand, and limits any potential dysfunctional mindset and misbehaviour of the firms within the particular network.

In international business literature, control has an important role to play, principally because the nature of control itself is a means of influencing economic efficiency of firms within international markets (Anderson & Gatignon, 1986; Dunning, 1988). Hill, Hwang and Kim (1990) suggest control as authority over operational and strategic decision-making. Control allows firms to manage supplies of essential inputs to the production process, co-ordinate activities, ensure the quality of end products, and influence the logistical and marketing activities for the
product within the target foreign market (Anderson & Gatignon, 1986; Dunning, 1988). Firms also make use of various levels of control for adjusting resource commitment with an aim to achieving strategic benefits. In this context, a firm’s performance within a foreign market and its control over foreign operations are considered to be closely related. In conclusion, firms can determine their own fate with their international branding and marketing activities if they maintain decision-making control.

Empirically, a number of studies have analysed firm performance in terms of control of different market entry modes (Nitsch, Beamish, & Makino, 1996; Pan & Chi, 1999; Simmonds, 1990; Wilson, 2001; Woodcock, Beamish, & Makino, 1994). Other works on control systems have tried to rationalise the choice of foreign market entry mode (Driscoll & Paliwoda, 1997; Erramilli & Rao, 1993; Gatignon & Anderson, 1988). However, these studies have examined only the impact of control on market entry mode choice. The impact of control on other aspects of international marketing activities has not been addressed.

An empirical study has found that informal control in terms of solidarity, information exchange and flexibility has a positive impact on inter-organisational performance (Dahlstrom, McNeilly, & Speh, 1996). Another empirical study has found that either process control or output control has a significant effect on a firm’s performance (Gencturk & Aulakh, 1995). Studying the process control mechanisms in export marketing venture, Li and Ogunmokun (2000) found control mechanisms had a significant moderating effect on the impact of flexibility on export performance. Nevertheless, a gap in the literature exists in the role of the control on other international marketing activities. This research will fill this gap in the literature.

2.3.6 International Experience

Experience refers to the extent to which a firm has been involved in its international operation (Cavusgil & Zou, 1994; Erramilli, 1991; Klein, Frazier, & Roth, 1990), and includes experience gained from the operation in a particular country or from the operation in the general international environment. Knowledge
obtained from foreign market experience is critical in international marketing activities. A lack of market knowledge is an important obstacle to the development of international operations. Limited experiential knowledge of the overseas market can create a perception of uncertainty (Agarwal & Ramaswami, 1992; Davidson, 1982), and this perception can have an adverse effect on the firm’s competitive position in the overseas market. Inexperienced firms have been found to overstate the risks and costs of operating internationally and to understate the returns generated from international operation (Caves, 1982; Cavusgil & Nevin, 1981; Davidson, 1980). On the contrary, firms with relatively high levels of international business experience tend to perceive less uncertainty in their international ventures and hold a better understanding of export market forces (Madsen, 1989).

Firms gain and accumulate foreign market knowledge through their operations overseas. Knowledge gained through experience from overseas markets creates business opportunities, which in turn become a driving force in the internationalisation of the firm (Johanson & Vahlne, 1990). A firm’s cumulative knowledge in learning results in improving its business operations by creating a learning curve effect that reduces average unit cost (Chang, 1996). This lower cost enables a firm to generate more business in the future. When outputs grow, a firm gradually acquires experience that helps them manage their business in an efficient and effective manner. Empirical studies have examined the relationship between a firm’s international experience and export performance (Cavusgil & Zou, 1994; Madsen, 1989), the degree of strategy standardisation or adaptation (O'Cass & Julian, 2003), the degree of internationalisation (Dominquez & Sequeira, 1993), attitudes towards future exports (Gripsrud, 1990), and international entry decisions (Gielens & Dekimpe, 2001; Mutinelli & Piscitello, 1998). All these studies found positive significant results. This study will also examine the role of international experience on a firm’s performance in international ventures.

2.4 International Marketing Performance

Since business performance is an important area, it attracts a considerable amount of attention in the marketing literature (Cavusgil & Zou, 1994; Morgan, Clark, & Gooner, 2002; O'Cass & Julian, 2003; Ogunmokun & Ng, 1999; Styles, 1998). In
the strategic management literature, business performance has also been studied (Calantone & Knight, 2000; Chen & Hu, 2002; Pan & Chi, 1999; Prescott, 1986; Slevin & Covin, 1997). However, the construct has not yet been adequately developed and tested due to conceptual and methodological problems (Keats, 1988; Lewin & Monton, 1986).

Business performance in the marketing literature has been rooted in the concept of microeconomics such as profit maximisation (Styles, 1998). Profit is said to be maximised when marginal revenue is equal to or greater than marginal cost. As a result, one of the streams of international marketing performance is concerned with the measure of profit, such as return on investment (ROI), and profit-to-sales ratios. Another stream of international marketing performance is focused on sales-driven measures such as sales growth and market share (Day & Wensley, 1988), which are generally referred to as objective measurements. In addition, marketing literature also shows that firms can have goals focused on competitors (Day & Wensley, 1988) or geographic areas (Appiah-Adu, 1999; Beamish & Craig, 1993). These strategic considerations and objective measures, together with soft measures or subjective measures (Madsen, 1998), reveal that business performance may be a multidimensional construct.

However, the extant international marketing literature on performance lacks a branding focus (Cavusgil & Zou, 1994; Morgan et al., 2002; O’Cass & Julian, 2003; Ogunmokun & Ng, 1999; Styles, 1998). For instance, concepts of brand performance, such as brand awareness, satisfaction and loyalty, have not been considered as a part of performance measures. Given that these brand-performance concepts may have a profound impact on a firm’s performance, there is a need to include them in the business performance construct, which this thesis does.

2.5 Research Gaps in the Literature

Branding is a major gap in the international marketing literature. Firstly, most of the branding issues in the literature have a domestic focus (Aaker, 1991; Kapferer, 1992; Mosmans, 1996; Mosmans & van der Vorst, 1998). The international aspects of branding issues are not covered in as much depth compared to domestic...
branding studies. Furthermore, it is evident that the determinants of international marketing strategy have not been studied thoroughly comprehensively in the literature. Thirdly, while there are a number of conceptualisations of the significant value of brand orientation, the relationship between brand orientation and overall marketing performance has not been empirically tested (Mosmans, 1996; Mosmans & van der Vorst, 1998; Urde, 1994, 1999). Measures and conceptualisations of the constructs such as brand repositioning and brand orientation need to be explored further. Moreover, the extant literature (Cavusgil & Zou, 1994; Morgan et al., 2002; O’Cass & Julian, 2003; Ogunmokun & Ng, 1999; Styles, 1998) shows the construct of performance does not cover brand performance, which was proposed as part of the construct. Furthermore, there is a need to close a gap in the literature relating to the relationship between the various performance and measures. Finally, an internal factor, control of marketing activities in the overseas markets, needs to be studied with regard to its role in the marketing.

This study is expected to close these gaps in the literature by firstly identifying new constructs such as brand repositioning, brand orientation, congruence of macro-marketing environment and overall international marketing performance. Building on the literature, this study will configure concepts and relationships into a new model that can be tested empirically. The proposed framework is designed around the antecedents and consequences of international marketing strategy; that is, international marketing strategy is the core of the model. The empirical findings in this study are expected to provide insight into the relationships between the external and internal factors, international marketing strategy and overall international marketing performance.

2.6 Chapter Summary

This chapter has introduced branding issues and international marketing strategy concepts by reviewing and critiquing the extant literature. Branding concepts, such as managing a brand, brand repositioning and brand orientation were discussed initially. A critique of the literature in this respect was then described. Next, the literature of various international marketing strategies was studied. Particular
emphasis was placed on the standardisation versus adaptation approach of strategy. While both of the approaches possess advantages and disadvantages, the extant literature seems to support the idea of think global, act local. In other words, strategy adaptation has been a more popular approach adopted by international marketing researchers.

Next, the literature review discussed the external factors that were beyond the control of international marketers; namely political, economical, social and technological aspects. Internal factors, such as international commitment, control of international marketing activities, and international experience were then examined in detail.

This chapter was then concluded by identifying research gaps in the extant branding and international marketing literature. The identified research gaps were mainly concerned with the role of branding in the international context, the lack of measurement of (international) brand orientation and the need to establish empirical relationships of various international branding issues. Performance measurement and the role of control of international marketing activities were other aspects where research gaps were identified.
Chapter 3  Construct and Model Development

3.1 Introduction
This chapter firstly discusses theoretical anchor that provides a platform for conceptual model development. Secondly, a development of the conceptual model with international marketing strategy as the core is developed. The model specifies both consequences (performance) and antecedents (such as international commitment) of international marketing strategy. Discussion will move on to the development of construct will be studies. Finally, the relationships between the constructs will be discussed. The chapter draws on the literature review presented in chapter two, in-depth interviews with firms involved in domestic and international business, and quantitative study. The approach used in these interviews and the reasons behind using these approaches will be discussed in section 4.3.2 in the next chapter.

Section 3.2 discusses three theoretical paradigms that anchor the development of the conceptual model. Structure-conduct-performance, resource- and capability theory and institutional theory will be examined in turn.

In section 3.3, the development of the conceptual model will be discussed in detail. Cavusgil and Zou’s (1994) study serves as the point of reference of the conceptual model development. The conceptual model to be empirically tested will comprise three main tiers. The top tier will delineate the relationships between international marketing strategy and a firm’s performance. The middle tier will add in three more constructs concerning a firm’s resources and branding activities as antecedents to international marketing strategy. The bottom tier will include two exogenous constructs, control of international marketing activities and macro-marketing environments, which will affect some of the constructs in the second tier.
Definitions of the constructs will firstly be proposed in section 3.4. Three approaches were used to develop the constructs; namely literature review, qualitative in-depth interviews, and quantitative analysis (Details of the interviews and quantitative analysis will be described in the next two chapters on the research methodology and results). While some constructs are borrowed directly from the literature, other new constructs are operationalised through the three approaches mentioned above.

Next, the relationships between the constructs will be established with detailed explanations. Section 3.5 will discuss the hypotheses with regard to the constructs for empirical testing. A brief summary of the relationships among the constructs will be given in section 3.6. Section 3.7 will discuss the impact of branding on a firm’s performance in the conceptual model. Finally, the special features of the conceptual model will be examined in section 3.8.

3.2 Theoretical Anchor
This section will discuss the theoretical paradigms that lay down the foundation for the development of conceptual model. Three paradigms; structure-conduct-performance, organisational resources and capability, and institutional theory will be examined in turn.

3.2.1 Structure-Conduct-Performance Perspective
According to structure-conduct-performance paradigm, the industry consists of homogeneous firms and the industry structure is an unchangeable external factor given to the firms. In other words, the industry structure, which is an external and uncontrollable factor for firm, determines the firms’ conducts which in turn decide firm performance. The structure-conduct-performance addresses the homogeneity of an industry. Changes in the external environment create different strategic and organizational demands on the firm (Miles & Snow, 1978). The environment of a firm comprises of a combination of physical, social, cultural and technological factors to which the firm may adapt (Preble et al., 1988; Subramanian et al., 1993). Different types of environments create different impacts on the firm. Technological changes can have a significant impact on the effectiveness of a
firm’s current resources and capabilities in creating competitive advantage in the market (Tushman & Anderson, 1986). Culture in overseas markets can also have an impact on the firm’s positional advantage (Francis et al., 2002). The external environmental is a key factor that can affect resources and capability with the consequence of influencing strategic decisions.

3.2.2 The Resource-Based Perspective

In contrast to the structure-conduct-performance perspective, resources based theory emphases on a micro level that consists of relatively similar firms in a state of recognized mutual interdependence (Caves & Porter, 1977). The industry in this micro-level sense is viewed as comprising of different firms, each having homogeneous members, but differing from one another. In consideration of the high level of heterogeneity observed in firm behaviour and the large variance in firm performance within industries that has not been explained by industry-level factors (Powell, 1992; Rumelt, 1991; Schmalansee, 1985), the focus on firm level factors seems well justified. This change in focus from macro level towards the firm level has important implications as it allows more scope to firms in regard to their strategic conducts. The recognition of heterogeneity within an industry makes the resource-based framework less deterministic than the structure-conduct-performance paradigm since group composition is partly the outcome of strategic actions made by firms.

The internal focus of resource-based theory complements the structure-conduct-performance paradigm that is concerned with the attainment of strategic competitiveness through the competitive positioning of firm with the consequence of achieving better firm performance. Resource-based perspective of the firm has been used to explain international firm behaviour and performance. This perspective focuses on the internal resources and capabilities of the firm as the fundamental source of competitive advantage. It is consistent with the conceptualization of classic business policy (Wernerfelt, 1995). The firm in the resource-based view of the firm is considered to be a bundle of resources that made up of physical, for instance building and machinery; and intangible assets, such as labour, capital, technological skills and funds. A firm can create competitive
advantage by deploying its resources (Grant, 1991). As the resources of the firm result from the firm’s strategic choices over time (Mehra, 1996), neither resources are not homogeneous across firms nor the products/services created by these resources (Collis, 1991; Wernerfelt, 1984, 1995). According to this perspective, strategy is viewed as a mean of exploiting a firm’s resources and developing or acquiring new resources for the firm to generate economic success (Mahoney & Pandian, 1992).

Focusing on the resource-based perspective, some researchers have examined the content of the firm’s resources and its impacts on firm behaviour and performance. In the conceptual literature, resources have been classified in different ways. Barney (1991) distinguishes physical, human, and organisational capital resources of firms. Grant (1991), on a similar vein, suggests that firms’ resources can be grouped into financial, physical, human technological, reputation and organisation resources. Black and Boal (1994) conceptualise strategic resources as contained and system. These classifications of resources include all types of tangible and intangible that can form a basis on which the strategy of the firm are built to achieve better performance. Makadok (2001) develops a basic theoretical model that synthesises resource-picking and capability building that firms can use both of the strategic thrusts.

In the empirical research, the strategic importance of skills in certain functional areas is correlated with high performance, dependent on the overall strategic goals of the firm and the firm’s principal industry (Hitt & Ireland, 1985). Characterising the resource base of the firm in terms of advertising intensity, research and development intensity, capital intensity, and overall firm diversity, Montgomery and Hariharn (1991) found that strategic decisions by manufacturing firms depended upon the breadth of the firm’s resource base and its similarity with the resource requirements in the newly entered industry. Similar results in the UK financial services sector were found by Ingham and Thompson (1995). Focusing on the research and development technological resources, Helfat (1994) found that there were intra-industry differences in research and development activity. The
study supported the resources-based literature that emphasises the heterogeneity of firm resources.

3.2.3 The Organisational Capability Perspective

The organisational capability perspective has its theoretical origin in organization theory and evolutionary economic. The notions of organizational capabilities have emerged into prominence under the rubric of the resource-based view of strategy (Barney, 1991; Wernerfelt, 1984). Capabilities are the organizational processes that develop, combine and transform the resources available into service for the overseas markets (Day, 1994). The organizational capability perspective can thus be viewed as the capacity for a set of resources to integratively perform a task or an activity (Hitt, Ireland, & Hoskisson, 2001). In addition to focusing on the traditional factors, such as capital and labour, as determinants of the firm output, the emphasis is also placed on the intangible resources possessed by the firm. These notions of resources are potential source of strategic advantage. The difference between resources and capabilities is that resources are more static and referred to transferable input factors whereas capabilities are more dynamic and referred to more firm-specific and interactive processes through which resources are deployed to generate value (Amit & Schoemaker, 1993). In other words, firm resources are the primary source of creating value and it is the organisation’s capability that manages these resources in actually creating value.

The organizational capability perspective is concerned that firms rely on knowledge acquisition and deployment to manage their strategy. Experience is a critical factor to the process of accumulating knowledge. Core capabilities serve as a base for developing and applying the firm’s capabilities to develop new products and services (Kogut & Zander, 1992). The study highlights the importance of the continual development and extension of core capabilities to be crucial in attaining competitive advantage. While capability acquisition is a dynamic phenomenon (Teece, 1998), the absorptive capacity of the firm is critical to a firm’s learning and innovative capabilities, in particular that the firm is facing fast changing environments (Cohen & Levinthal, 1990). Development of organizational
capabilities is important because it enhances the firm’s knowledge and skill base, which in turn will increase its competitiveness.

The process of creating new resources and capabilities involves integration and application of existing knowledge, and acquisition and assimilation of new knowledge (Cohen & Levinthal, 1990; Kogut & Zander, 1992). This process was coined as combinative capabilities (Kogut & Zander, 1992) and can create and transfer knowledge among individuals, within and between groups and among organisation. Strong combinative capabilities provide the firm with an edge that is difficult for competitors to imitate (Kogut & Zander, 1992) with the consequence of achieving competitive advantage. Combining capabilities and resources available to the export firms has both a direct and indirect positional advantages (Day, 1994; Day & Wensley, 1988; Morgan, Kalaeka, & Katsikeas, 2004; Oliver, 1997; Teece, Pisano, & Shuen, 1997).

The review of the resource-based literature sheds light on two issues important to understanding of international branding strategy. Firstly, a resource-based view offers a basis for a conceptualization of international branding strategy. The resource-based view advocates that international branding strategy is a process of utilization of the resources and capabilities necessary to achieve competitive advantage with the consequence of attaining better performance. Secondly, the literature highlights the potential diversity and breadth of characterizations of firm resources and capabilities that are in contrast to the extant literature on export strategy, which has employed a limited range of variables in describing the firm. The resource-based view offers another perspective to build a framework that can understand international branding strategy. According to this perspective, international branding strategy is a decision about how the resources and capabilities can be integrated to create competitive advantage with the consequence of better performance.

The firm’s resources and capabilities alone may not be able to fully explain firm performance. Whether the value created by a firm’s resources and capabilities would enhance competitive advantage depends on their fit with the external
environment (Black & Boal, 1994). As suggested by Morgan, Kaleka and Katsikeas (2004), the two competing perspectives, resource-base and structure-conduct-performance, can be integrated to understand international firms’ behaviours. This approach is parallel to the institutional theory.

3.2.4 The Institutional Theory
The institutional theory suggests that firms’ international marketing decisions are shaped by the external environment, such as macro-societal actors and monetary policy of the host government, and the internal environment that consists of a firm’s unique set of skills and resources (DiMaggio & Powell, 1983; Varadarajan & Jayachandran, 1999). The institutional theory emphasises the co-alignment of strategy and the environment in international markets. The co-alignment is concerned with the fit between strategy and the context of the external environment (Porter, 1980; Venkatraman & Prescott, 1990). This has profound effects especially for international marketers who are unfamiliar with the external marketing environment within the overseas markets.

In addition to the above-mentioned literature to understand the theoretical foundation of the institutional theory, further insight was sought by conducting in-depth interviews with firms involved in international business. A brief description of the interviewed firms’ profiles involved in the international in-depth interviews is contained in the lower part of Appendix A.

An insight gained from the in-depth interviews was the driving force of the international marketing strategy. Most of the respondents stated that both internal and external forces shaped their international marketing strategy. As one of them mentioned:

“It’s kind of both. The external factor such as competitive situation and internal capability of developing an exciting game and of providing what the customer wants are important. We have to manage both aspects well.” (Firm K)
Another interviewee stated that both internal and external driving forces were important in designing international marketing strategy:

“Probably a bit of both. Externally, we need to compete with others trying to get members on. Also, internally, we have our existing members whom we promote to as well, to trying to get them trading, so marketing are two prone, getting new members on and the members we have got are continuing to trade. We also have a board of directors who provide a lot of input into where they believe the brand should be positioned to flourish.” (Firm L)

Nevertheless, one respondent did mention that the external factor was a more important driving force:

“Probably more external, depends on what the competitors are doing over there and the overseas customers. We are trying to keep aware of them. We look at the fact bring out new product. Can we follow to bring out a new product ourselves? That would sometimes help, like I am in overseas, like say in HK, Taiwan, I will have a look at the pet shops and the warehouse shops to see what products they have got. There might be product we don’t know about, which is competitor product. We can bring it back here. Maybe we can make our version of products. It helps our market product and strategy as well. Our sales force in the overseas markets is a big part of our marketing strategy as well. Sales force of overseas distributor gives us feedbacks about our products and prices. We then will consider this information for our marketing strategy.” (Firm M)

Both the extant literature and findings from the in-depth interviews support the use of institutional theory as one of the perspectives in this study.

In this study, the proposed conceptual model will follow the logic behind three paradigms; the structure-conduct-performance, resource- and capability- base
theories and institutional theory will be integrated in the hope to provide a platform that can fully explain international branding strategy.

3.3 Conceptualisation of the Model

The model developed by Cavusgil and Zou (1994) serves as a point of departure for the current study. Their work is a comprehensive study examining export firms’ performance in terms of various marketing factors. Their model is a three-tiered process model that embraces *firstly*, international background factors as the antecedents, *secondly*, export marketing strategy based on the four Ps and *thirdly*, export performance in terms of strategic and economic perspectives. They found that the marketing strategy, except price competitiveness and promotion adaptation, has a significant impact on export marketing performance. The international background factors are also a significant force on the marketing strategy.

Nonetheless, there are a number of limitations in their model. The first limitation of their model is that the strategic role of *international branding* is not explicitly spelt out in the international marketing planning process. Moreover, the items in the marketing strategy construct are quite weak, over-emphasising the adaptation aspect. A better formulation of international marketing strategy is needed to strengthen the construct that can represent marketing strategy in a broader sense. Third, the marketing performance construct in their model includes eleven items representing financial, subjective and strategic performances. It is assumed that there is no relationship between the different dimensions of the performance construct. But one of the performances may come before another can be realised. Fourthly, their study is based on individual product-market export ventures, and firms using other modes of entry such as foreign direct investment or licensing is not considered in their study. As Styles and Ambler (1994, p.41) suggest, “the scope of enquiry should also be widened to include all forms of foreign market entry (direct investment, franchising, licensing).” Finally, path analysis adopted by their study can be improved by using more sophisticated analysis, such as structural equation modelling, which has an advantage over path analysis in that structural equation modelling allows constructs to be composed of multi-indicators in a model.
This study will draw upon Cavusgil and Zou (1994) process model with modifications to accentuate the criticality of international branding issues in the international marketing venture. In addition, this proposed research will study not only the behaviour of export firms as the Cavusgil and Zou study did, but also firms involved in various international businesses, such as licensing and foreign direct investment in addition to exporting.

An important first stage in studying processes is the identification of the key stages involved (Van de Ven & Ferry, 1980). Based on the literature and qualitative research, a conceptual model in relation to international branding strategy was developed for empirical testing. The proposed conceptual model comprises three tiers. The first tier includes the relationship between international marketing strategy and international marketing performance. The second tier is concerned with the determinants of the international marketing strategy. The third tier represents the exogenous factors affecting the second tier factors (the determinants of international market strategy).

The top tier is concerned with the direct causes of international marketing performance. It is hypothesised that international marketing strategy has a direct impact on the international marketing performance. It is depicted in Figure 3-1 as follows. Justifications of the relationships and hypotheses will be detailed in section 3.5.

**Figure 3-1: The Top Tier of the Conceptual Model**
Section 2.4 argued that the international marketing performance construct can be broken down into two constructs, namely brand performance (qualitative) and financial performance (quantitative), to reflect the multidimensional facets of the international marketing performance construct. Given that this study attempts to study the role of branding strategy in international marketing in an explicit manner, it is logical to separate brand performance from financial performance and understand their relationship. Thus, the top tier of the conceptual model will involve international marketing strategy affecting both financial performance and brand performance. A diagram depicting their relationships is as follows:

**Figure 3-2: The Top Tier of Conceptual Model with Two Performance Constructs**

![Diagram of Conceptual Model](image)

The middle tier, drawn in blue in Figure 3-3, is concerned with the internal deployment of international firms’ resources and branding activities related to international marketing strategy. In turn, these middle tier constructs are hypothesised to impact significantly on international marketing strategy. It
delineates the inter-relationships between the constructs of brand orientation, international commitment and repositioning.

Figure 3-3: The Top and Middle Tiers of the Conceptual Model

The bottom tier includes constructs of control of marketing activities and the macro-marketing environment within the overseas markets. These are exogenous constructs (without any determinants) and reflect the complexity of international marketing environments, and could impact on the middle tier constructs such as international marketing strategy, international commitment and brand repositioning. The relationships between these constructs are demonstrated in Figure 3-4.
The international marketing strategy should respond to the marketing environment in which it operates. The fit between strategy and environment has significant implications for firm performance. Based on the study by Cavusgil and Zou (1994) regarding the impact of export marketing strategy on export performance, this new proposed conceptualisation suggests that international branding should be a major basis of a firm’s strategy formulation. It further argues that the strategic role of international branding is critical to determining a firm’s overall performance.
The conceptualised framework comprises three key characteristics. Firstly, it is argued that the overall performance of international firms is determined by both a firms’ strategy and external considerations. Secondly, the framework draws on the work of Cavusgil and Zou (Cavusgil & Zou, 1994), who pioneered the links between marketing strategy and performance in the international marketing context. Thirdly, in recognition of the strategic importance of international marketing strategy, international branding aspects are introduced into the framework, to study their direct/indirect impact on firms’ overall performance.

The proposed conceptual model is parallel to the existing marketing literature that has adopted the structure-conduct-performance, resource- and capability- based theory, and institutional theory to study the relationships among the market environments, capabilities of firms and firms’ performance (Cavusgil & Zou, 1994; O'Cass & Julian, 2003; Venkatraman & Prescott, 1990).

3.4 Construct Development

The purpose of this section is to conceptually and operationally define the constructs under investigation in this study. Conceptually defining constructs involves specifying the domain of the construct. Operationally defining constructs refers to the “rules for assigning numbers to objects in such a way as to represent quantities of attributes” (Nunnally & Bernstein, 1994, p.3). Each of the study’s constructs is defined in the following subsections.

The construct development in this study is based heavily on Churchill’s work (1979), a widely-used process for developing measurement scales in the marketing discipline. The steps involve:

1. Specifying the domain of the construct through a literature search.
2. Generating a list of items from the literature and/or qualitative research that relate to this construct.
3. Collecting data (sometimes through a pilot test).
4. Purifying these measures using exploratory factor analysis and the coefficient alpha.
5. Collecting new data and assessing reliability and validity.

The first step of construct development in this study was the literature review, which helped define the domain for each construct. The second step was to generate a list of items to measure the constructs. Reviewing the extant literature and/or carrying out in-depth interviews achieved this. While some items from the literature were used without any modification for certain constructs, changes of items for some constructs were also made to suit the purpose/context of this study, and to better represent the constructs. The method of in-depth interviews used in construct development was a response to the lack of appropriate variables within the literature. The in-depth interviews provided insight into the topic under study so that potentially useful items could be generated. During this stage, not only were concepts generated, but also the terminology appropriate in the business industry was obtained for use in the survey.

The domestic in-depth interviews were followed by international in-depth interviews that yielded further comments and information about the survey instrument and conceptualisation. Modifications of the variables and the survey instrument were made based on the feedback from these studies. Purification of the measures for each construct was achieved by carrying out exploratory factor analysis and Cronbach Alpha analysis to ensure their reliability. Variables that did not load were taken out of the analysis. The final step of the whole process was the collection of fresh data and assessment of reliability and validity after making all of the necessary changes in response to the steps mentioned above. Details of the test will be discussed in the next chapter – research methodology. The next section will examine the constructs in detail.

3.4.1 **International Marketing Strategy**

International marketing strategy refers to the deployment of the marketing mix to create a sustainable advantage within the international marketplace. It is a comprehensive marketing effort that international marketers make to launch their product/service in overseas markets. International marketing strategy is the means by which a firm responds to external environment factors to meet the objectives of
the international marketing venture. The international marketing strategy uses elements of the marketing mix such as product, pricing, marketing communications and channel management to achieve strategic objectives.

*Product* here refers not only to a perspective of a physical product such as standardisation or adaptation of the product/service, but also to innovation, quality, and even extensive customer service aspects that can be utilised by a product. In other words, the product perspective takes a broader view that includes strategic perspectives, all in a non-domestic context.

*International pricing* refers to strategic issues, such as the formulation of policies and methods, the terms and conditions of sales and the consideration of competitors’ prices, in addition to the actual setting of the prices. Strategic issues like long credit terms and market price leaders are also potential variables of the construct. This strategic view of pricing gives it a broader sense to tap into the international marketing strategy construct.

Similar to the product perspective, *international channel management* refers to a strategic focus that relates to a firm’s emphasis on controlling distribution channels to achieve marketing objectives (Cravens, Merrilees, & Walker, 2000; Fletcher & Brown, 2005). This strategic focus embraces a broader perspective of channel management than the traditional “place” concept in marketing. For example, high levels of control over channels, designing and implementing effective dealer relations programs, and analysis of transportation methods all form part of the construct.

*International marketing communications* is similar to that in domestic operations; that is, to communicate to customers the information that they need to make buying decisions. Its main purpose is to communicate with the target customers and position the brand within international markets. Instead of using all elements of the marketing communication mix; namely advertising, public relations, sales promotion and personal selling as the variables of the construct, a broader strategic perspective is adapted to develop this construct.
Some findings in relation to international marketing strategy from the international qualitative in-depth interviews are presented below.

A key finding was that international marketing strategy plays a critical role for most of the firms. As one interviewee mentioned:

“We have a number of products. Each of them has different market segments. One is aiming at corporate clients, one at retail trades. We don’t show the dollar value on the product. Otherwise, Australian will think it is in Australian dollars and Malaysian will think it is Malaysian ringgit. Therefore, we show unit value instead of dollar value on the product, so that it won’t confuse customers. In fact, at this stage, we are still trying hard to look for appropriate distributors in overseas markets.” (Firm L)

The respondents immediately mentioned products and distribution aspects when she was asked about the firm’s international marketing strategy. These two aspects seemed to be very prominent in that firm’s international marketing strategy.

Another respondent expressed his international marketing strategy with particularly emphasis on the importance of distribution and promotion aspects:

“We support the overseas operation, by things like samples of the shampoos, brochures, posters. We help them so paper advertising, local magazine and so forth. We’ll support them with things like pet show, trade shows, even dog shows that type of thing. Like the HK dog show, we’ll have a little display there. I’ll put some photos, posters, a photo of shampoo in the dog show. Sponsorship, with things like dog show is the thing we will do. A lot of marketing strategy is involved once we have got a distributor there; will involve supporting them. Advertising or dog show and so forth that they do. We also involve visiting them. Especially with the Asian markets, it is
a sort of personal visit is very important. I was in Taiwan and HK last month. There was a pet show in Taipei. We share a stand with our distributor there, and then I went to HK to sort out export down there and talked to them over the problems they have and had lunch with them. I try to get over there at least a couple of times a year to see the overseas markets.” (Firm M)

The relationship with and support of distribution channel members in the overseas markets seemed to be an important factor for this firm. This firm also exercised a high level of commitment in terms of money for frequent visits and provision of promotional materials to their distributors to ensure that their international marketing strategy was carried out successfully.

The international marketing strategy construct combines the findings from the international in-depth interviews and the measures developed by Appiah-Adu (1999) consisting of the four Ps of the marketing mix (product, price, promotion, and place), which reflects the fundamentals of the marketing concept and the variables related to branding strategy. There are four items for product, two items for price and four for distribution strategies and three items for promotion strategy, and these are listed below.

1. Our firm modifies existing products to a great extent (V69)
2. Our firm emphasises product quality and warranties (V70)
3. Our firm engages in development, testing and introduction of new products to a great extent (V71)
4. Our firm eliminates products that do not satisfy customer needs to a great extent (V72)
5. Our firm engages in analysis of competitors’ prices to a great extent (V73)
6. Our firm frequently offers discounts (V74)
7. Our firm sets strategic promotional objectives (V75)
8. Our firm carefully develops advertising/promotion messages (V76)
9. Our firm provides after sales services (V77)
10. Our firm builds strong relationship with distributors (V78)
11. Our firm provides a lot of channel support (V79)
12. Our firm carefully evaluates alternative channels of distribution (V80)
13. Our firm engages in designing and implementing effective dealer relations programs (V81)

3.4.2 Brand Orientation

Brand orientation refers to the extent to which the marketing strategy and activities are centred on the brand, with the aim of reinforcing distinctiveness. The activities reflect the action taken by firms in terms of their branding approach. Brand orientation becomes the driving force for brand-oriented firms that consider branding as a significant issue in all the business decisions and directions. Brand orientation is a mindset that ensures that the brand will be recognised, featured and favoured in the marketing strategy. It is very much a “state of mind” process to establish a foundation for the deployment of a firm’s international marketing activities (Urde, 1994, 1999). This mindset can give direction of a firm’s international marketing strategic planning. The orientation of an international brand is believed to be the first step by which a firm builds its competitive advantages within international markets.

All the literature on brand orientation is built upon either conceptual development (Simoes & Dibb, 2001; Urde, 1999) or a mini-case study (Urde, 1994). The main argument of these studies is that brand orientation becomes the driving force for brand-oriented firms, making branding a significant issue in all business decisions and directions. It emphasises the deployment of the marketing mix and human resources to deliver a distinctive brand. Cultivating the brand is not only the responsibility of a handful of staff within a firm, but also a common goal for the whole firm. Emphasis is also placed on an integrated effort from all aspects within the firm. This integrated effort requires a total understanding of what branding is and means among all the staff. It goes beyond the sole responsibility of marketing people, and includes everyone from top management to front-line staff. Everybody in the firm prioritises branding, and endeavours to maintain the brand value provided to the customers. Nevertheless, there is no large scale empirical testing as to the construct of brand orientation (however, see postscript in chapter one).
Because of this, new measures had to be developed by the author to test the variables.

This construct is operationalised by the results drawn from the literature, eight in-depth interviews in a domestic context and a quantitative reliability test. The items comprising the construct are mainly concerned about the criticality of a brand in its overall marketing strategy.

3.4.2.1 Domestic Studies (In-depth Interviews)
One of the main objectives of domestic studies one and two that were performed was to develop the new construct – brand orientation. The construct development process firstly involved eight in-depth interviews with key marketing decision makers of Australian firms (Wong & Merrilees, 2005). The results from the interviews together with the extant literature generated eleven items that can tap into the meaning of brand orientation.

As one executive indicated in the interview, “branding is essential to their firm’s long term planning.” Also, recognising a brand as an important asset, he was willing to invest in building a brand. Another executive mentioned that staff were made to understand their brand’s promises and ensure a proper implementation to maintain the brand image. Other responses from executives were also integrated in the survey; for example, when executives discussed issues regarding brand orientation, some mentioned that staff in their firms placed branding as a top priority in their business. As a result, an item relating to this aspect was added to the questionnaire for the survey.

3.4.2.2 Domestic Quantitative Survey
Eleven items that were identified from the first two phases of this study (literature review and domestic in-depth interviews) were subject to Cronbach Alpha reliability test to study the internal consistency of the items. These eleven items were tested their reliability and validity in a quantitative study of 303 samples by using Cronbach Alpha test and CFA respectively, resulting in six items remaining for further (that is international) tests. Results of the reliability test are shown in
Table 3-1. The initial value of Cronbach Alpha reliability of the eleven items was 0.93, which was quite high. However, for parsimony purposes, items that loaded relatively low on the construct were eliminated. After iterative processes, six items were retained, with Cronbach Alpha value of 0.94. Their values for corrected item-total correlation ranged from 0.70 to 0.89. These six items were considered reliable to measure the brand orientation construct and were potential useful for further analysis in the international stage.

Table 3-1: Brand Orientation Reliability Test Results

<table>
<thead>
<tr>
<th>Item</th>
<th>Initial Reliability</th>
<th>Final Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coefficient alpha</td>
<td>0.93</td>
<td>0.94</td>
</tr>
<tr>
<td>Corrected item-total correlation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>V1 branding flows through marketing activities</td>
<td>0.80</td>
<td>0.85</td>
</tr>
<tr>
<td>V2 branding essential to strategy</td>
<td>0.81</td>
<td>0.82</td>
</tr>
<tr>
<td>V3 branding essential in running the firm</td>
<td>0.80</td>
<td>0.89</td>
</tr>
<tr>
<td>V4 long term brand planning</td>
<td>0.79</td>
<td>0.80</td>
</tr>
<tr>
<td>V5 brand is an important asset</td>
<td>0.84</td>
<td>0.88</td>
</tr>
<tr>
<td>V6 everyone understand branding being a top priority</td>
<td>0.79</td>
<td>0.70</td>
</tr>
<tr>
<td>V7 creating brand awareness is important (deleted)</td>
<td>0.74</td>
<td>n.a.</td>
</tr>
<tr>
<td>V8 staff understand brand promise (deleted)</td>
<td>0.57</td>
<td>n.a.</td>
</tr>
<tr>
<td>V9 staff are educated as to brand promise (deleted)</td>
<td>0.70</td>
<td>n.a.</td>
</tr>
<tr>
<td>V10 staff clear about distinctiveness (deleted)</td>
<td>0.52</td>
<td>n.a.</td>
</tr>
<tr>
<td>V11 checks up to ensure brand standards (deleted)</td>
<td>0.69</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

Confirmatory factor analysis testing the validity of these six items was performed. These six items were found significant in measuring the construct. The critical ratio (c.r.) values for the loadings ranged from 15.21 to 25.64. These values demonstrated adequate convergent validity, as they are above the 1.96 cut-off. (When critical ratio is >1.96 for a regression weight, that path is significant at the 0.05 level; that is, the estimated path parameter is significant). Overall fit statistics of the brand orientation model were as follows: Chi-square 14.14, df=8, p=0.05;
Adjusted Goodness-of-Fit Index (AGFI) were 0.96; Root Mean Square Error of Approximation (RMSEA) was 0.06; Incremental Fit Index (IFI) was 0.99. The acceptable cutoffs for various indices will be discussed in sections 4.5.2 and 4.6. These indices indicated a reasonable level of fit of the model. Therefore, the items are both reliable and valid measures for the brand orientation construct.

To determine the predictive validity of the brand orientation scale, the study adopted the method used by Dabholkar, Thorpe and Rentz (1996). Data had been collected on a dependent variable, a firm’s brand performance, in the same study as brand orientation. The variable was measured using a 7-point semantic differential scales with endpoints strongly disagree and strongly agree. Predictive validity was examined using correlations between the brand orientation scale containing six items and the firm’s brand performance, which comprised four items relating to “building strong brand awareness”, “building solid brand reputation”, “satisfying brand marketing”, and “building strong customer brand loyalty”. The results indicated a moderate strength linear relationship between brand orientation and brand performance ($r=0.53$ and adjusted $r^2=0.27$), with $F(1,301) = 114.99$, $p<0.001$. That is, higher levels of brand orientation are associated with higher performance, indicating predictive validity. It can be concluded that the brand orientation construct seems viable and potentially useful as the study moves from the domestic to the international context. With the satisfactory reliability test and validity test results, these six items were kept in the survey for the international study, which is to be discussed in section 5.2.

From the tri-method approach (literature review, in-depth qualitative interviews, and quantitative analysis) mentioned above, six items were developed to make up the construct:

1. Branding flows through all our marketing activities (V32)
2. Branding is essential to our strategy (V33)
3. Branding is essential in running this firm (V34)
4. Long term brand planning is critical to our future success (V35)
5. The brand is an important asset for us (V36)
6. Everyone in this firm understands that branding our product/service is a top priority for our business (V37)

3.4.3 Overall International Marketing Performance

The firm’s overall international marketing performance indicates the extent to which a firm’s economic and strategic objectives with respect to marketing a product/service to a foreign market are achieved through planning and execution of its international marketing strategy. A major criticism of earlier studies is that the use of a single dimension of performance does not adequately represent the performance construct (Nicholson & Breene, 1994; Styles, 1998). In recent years, most researchers have advocated a multi-dimensional approach (Calantone & Knight, 2000; Chaudhuri, 1999; Reid, 2002; Shoham & Kropp, 1998). This thesis adopts the idea of multi-dimension measures of a firm’s performance, as it will enhance the validity of the construct. Multi-dimensional measure of a firm’s performance includes quantitative/qualitative and strategic/financial aspects.

In terms of quantitative/qualitative aspects, Styles (1998) suggests that the marketing literature has focused on three dimensions of marketing performance: effectiveness, the extent to which organisational objectives are reached; efficiency, the relationship between performance outputs and the resources inputted to achieve the objectives; and adaptiveness, the firm’s ability to react to changes within the external environment. Based on this argument, Morgan, Clark and Gooner (2002) have come up with a performance indicator of marketing performance, which includes market share, sales responses, revenue, margin, cash flow, customer behaviours, and customer perceptions. This approach takes into consideration efficiency, effectiveness and adaptiveness perspectives within and between each stage of the marketing performance process. In essence, performance can be measured not only from the quantitative perspective, but also from that of the qualitative.

As argued by Cavusgil and Zou (1994, p.4), “a firm usually initiates an export venture with a number of objectives, which can be financial (i.e. profits, sales, or costs) and/or strategic (i.e. market expansion, competitive response, gaining a
foothold in a foreign market, or increasing the awareness of the product/firm).” Again, it is suggested that marketing performance is a multidimensional process. Given the overwhelming support for a multidimensional approach to international marketing performance, that has been selected for the current study. Two dimensions will be used, financial and brand (strategic).

Firstly, the financial dimension has been a recurring theme in the literature (Calantone & Knight, 2000; Cavusgil & Zou, 1994; Shoham, 1999). From the international business point of view, Calantone and Knight (2000) studied the international performance of firms involved in international business from the financial point of view. In this study, the firm’s overall international marketing performance will be measured based on the studies of Calantone and Knight (2000) and Shoham (1999). The combination of the scales of these two studies enables this research to measure both the financial dimensions. These items represent the quantitative aspects of a firm’s performance.

Secondly, this study adopted the idea of measuring strategic aspects of a firm’s performance mentioned above by introducing brand performance as part of the overall international marketing performance construct. Brand performance represents the success of a brand within the market. It has been measured in a variety of ways and from different viewpoints. The items used in this study capture the essential ideas of measuring brand performance from different studies. Customer loyalty is a common item used to measure brand performance (Chaudhuri & Holbrook, 2001; Reid, 2002). In addition to customer loyalty, brand awareness and customer satisfaction, used also in Reid’s study, form part of the construct for this study. Reid’s study on the relationship between brand performance and integrated marketing communication highlights two different types of performance, namely market impact-related performance and profitability-related performance (Reid, 2002). The construct of brand performance in this study shares the same thought of Reid in the sense that brand performance is evaluated in a non-financial manner. Brand reputation has been empirically tested to have a positive impact on brand performance (Chaudhuri, 2002). Thus the idea of reputation has been adopted as one of the item for this construct. The four items
from these studies together with a new item that measure the success of the brand in general are included in the construct.

There are nine items representing the financial aspects (quantitative) of firm performance, and five items for brand performance (qualitative) in the construct. Altogether, the construct comprises fourteen items capturing a broad representation of overall international marketing performance.

1. Growth rate of sales in the overseas markets in the last 12 months (V42)
2. Your market share in the overseas markets in the last 12 months (V43)
3. Profitability of your firm in the overseas markets in the last 12 months (V44)
4. Overall financial performance in the overseas markets in the last 12 months (V45)
5. We are very satisfied with our sales performance in the overseas markets (V46)
6. The total return on your investment (ROI) of the overseas market (V47)
7. Overall, our firm has fully capitalised on the potential that overseas markets afford for our firm (V48)
8. We are satisfied with the ratio of overseas to domestic sales (V49)
9. We are satisfied with the sales profitability ratio from the overseas market (V50)
10. Our overall marketing strategy is working well (V51)
11. Our firm has built a strong brand awareness in the target market (V52)
12. Our firm has built a solid brand reputation (V53)
13. We are very satisfied with our brand marketing (V54)
14. Our firm has built strong customer brand loyalty (V55)

3.4.4 International Commitment
International commitment describes the extent to which resources are made available for marketers in international marketing activities. These resources consist of both financial and human resources. Commitment is defined by Wilson (1995, p.337) as “the desire to continue the relationship and ensure its continuance”
and by Dwyer, Schurr and Or (1987, p.19) as “an implicit or explicit pledge of relational continuity between exchange partners.” Based on these theories, Mavondo and Rodrigo (2001) studied inter-organisational commitment in organisations conducting business between Australia and China. Although their study is mainly concerned with the commitment of two or more different companies, the items for the construct commitment are still useable after they were adapted to suit the purpose of my research. A key item chosen for this study is “we have promised resources (e.g. information technology and human resources) to the international venture.” This item taps into the intention and determination of the resources for the international venture. Research by Cavusgil and Zou (1994) studied the export performance of 202 export venture cases by using the substantiality of the following two measurements, namely the extent of management commitment to the venture and the extent of resource commitment to the venture. These two items represent a broader sense of the extent of management and resource commitment and the extent of careful planning. These items will be used together with those from Mavondo and Rodrigo (2001), making a total of five items, to examine the construct of commitment.

1. We have promised resources (e.g. information technology and human resources) to the international ventures (V7)
2. The extent of management commitment to the international marketing venture is substantial (V8)
3. Our firm sets aside adequate funds to develop overseas markets (V9)
4. Our firm’s executives travel frequently to foreign markets (V10)
5. International business is a high priority activity in our company (V11)

3.4.5 Brand Repositioning
As shown in section 2.2.8, the concept of brand repositioning has moved from marketing mix adaptation to a broader notion of brand repositioning. Here, brand repositioning refers to the adaptation of domestic brand’s market position in the overseas customers’ minds, to suit the overseas market situation. Pham and Muthukrishnan (2002) suggest that specific attribute and/or abstract factors can be the basis of positioning. Thus, the construct of brand adaptation needs to include
both physical and psychological aspects. The degree of difference of market characteristics and consumer behaviour between domestic and overseas markets should be considered when making a positioning decision (Czinkota et al., 2001; Ganesh & Oakenfull, 1999). Positioning is a mental image perceived by consumers in relation to competitors’ brands (Czinkota et al., 2001). Thus, repositioning a brand requires changing the target market and/or the brand image in an international marketplace and/or product features in relation to the domestic market characteristics.

There have been few empirical studies on positioning in an international marketing context (Ganesh & Oakenfull, 1999). With regard to brand positioning, studies have been conducted to establish the criteria of brand positioning (Pham & Muthukrishnan, 2002; Romaniuk, 2001), and a new technique to enhance brand-positioning strategy (Marsden, 2002). Ganesh and Oakenfull (1999) have used perceptual mapping techniques to study international product positioning based on U.S. and Mexican consumers’ perceptions. However, little work has been done to establish which brand factors should be repositioned in the international context in response to the macro-marketing environment of the overseas market.

Kalafatis, Tsogas and Blankson (2000) have examined positioning strategies of the UK timber trade in particular, and in business markets in general. Four of the variables (V62 the quality of the product, V64 upmarket, V66 product feature and V67 brand distinctive identity) used in this proposed study have been adapted from their work, as those variables capture both physical aspects such as product features, and psychological aspects like brand identity. Two extra items (V65 approach of promotion/advertising and V68 different method of distribution/outlet) are added in to the construct to reflect that re-positioning can be performed in the distribution (Dow, 2001) and promotion aspects (Crowford, 1985; Ganesh & Oakenfull, 1999). As suggested by Ganesh and Oakenfull (1999, p.86), “in the international environment, marketers need to understand the similarities and differences across countries on a number of dimensions that are not a factor in domestic marketing decision.” In other words, international marketers need to understand both the domestic and overseas markets in order to perform the
repositioning exercise in the overseas markets. Hence, the items in the re-
positioning construct are measured with the comparison of domestic market to the 
foreign markets.

1. Compared to the domestic market, the quality of the product in the foreign 
market was increased (V62)
2. Compared to the domestic market, the target market of the brand in the 
foreign market was moved upmarket (V64)
3. Compared to the domestic market, the approach of promotion/advertising in 
the foreign market was different (V65)
4. Compared to the domestic market, the product features in the foreign 
market were different (V66)
5. Compared to the domestic market, the distinctive identity of the brand in 
the foreign market was different (V67)
6. Compared to the domestic market, the distribution of the brand in the 
foreign market requires a different method of distribution/outlet (V68)

3.4.6 Congruence of Marketing Environment
The congruence of marketing environments denotes the similarities between 
domestic and international markets in which an international marketer operates. 
These can be generally grouped into four environmental aspects: economic, 
sociocultural and technological (Preble et al., 1988; Subramanian et al., 1993). 
Each represents a set of overseas market characteristics that international marketers 
need to take into consideration when deploying an international marketing strategy. 
Since international marketers often function within highly diverse markets, each 
market has its own macro-marketing environment, composed of elements in the 
broader society that may affect firms within it (Hitt et al., 2001; Walters & Priem, 
1999). Firms cannot directly control the elements of the macro-marketing 
environment. Accordingly, firms need to understand all these elements and their 
impacts on and implications for international marketing so as to deploy the 
appropriate strategies that will achieve competitive advantage within the overseas 
markets.
The macro-marketing environments of the overseas market are likely to be different to those of the domestic market. Literature on international macro-marketing environments focuses heavily on the sources, processes and use of information at a corporate level (Fahey & King, 1977; Ghoshal, 1988; Hambrick, 1982; Preble et al., 1988; Subramanian et al., 1993). As there are no suitable items that can be used for the construct, a series of in-depth interviews was carried out to establish the items. The key feature is that each item in this construct is in relative terms, namely the perception of some facet of culture in the foreign market relative to the home market. Previous studies, such as Hofstede (1980) usually use absolute measures of culture. Any culture is difficult to define in absolute terms. But people are able to identify the extent to which a foreign culture deviates from their own. That is, the respondents’ home country becomes a reference norm. Thus the scale can be used by research in any home country and applied to any host country, providing the business has experience of both markets, which they do in our study because that is the country all the questions are geared to. The scale is therefore potentially robust, that is, it can be used by any home (domestic) market in relation to any host (foreign) market.

1. In relation to the domestic market, the foreign market is more unstable (V12)
2. In relation to the domestic market, customers in this foreign market behave differently (V13)
3. In relation to the domestic market, disposable income of this foreign market is lower (V14)
4. In relation to the domestic market, customers in this foreign market are wealthier (V15)
5. In relation to the domestic market, the motivation of customers in the foreign market is harder to understand (V16)
6. In relation to the domestic market, people in this foreign market tend to value individual time more (V17)
7. In relation to the domestic market, interpersonal relationships in this foreign market are more important (V18)
8. In relation to the domestic market, the technological knowledge of customers in this foreign market is more sophisticated (V19)

9. In relation to the domestic market, visual aspects such as packaging and colours are more important in this foreign market (V20)

10. In relation to the domestic market, the distribution system in this foreign market is more complex (V21)

11. In relation to the domestic market, the culture in this foreign market is totally different (V22)

3.4.7 Control of International Marketing Activities

Control of international marketing activities within the overseas markets refers to the use of controls as authority over operational and strategic decision-making employed by international marketers to guide inter-firm and intra-firm activities. Operationalisation of this construct has been problematic in the international business literature, partly due to inconsistent definitions of control (Driscoll & Paliwoda, 1997; Gencturk & Aulakh, 1995). A more acceptable definition is the extent to which a firm desires authority over decision-making for the product within the host market (Anderson & Gatignon, 1986; Hill et al., 1990). Decision making authority refers to the extent to which a firm influences operational and strategic decisions for the product within the host market (Driscoll & Paliwoda, 1997). Some literature has supported the view of control as authority over decision-making responsibilities (Driscoll & Paliwoda, 1997; Klein, 1989).

The definition of this construct characterises that there is a mechanism initiated by international marketers to regulate marketing activities to ensure their conformance to the firm’s expectations in the home country. Note that the need to control is just as important for small medium sized enterprises as it is for big business. It is basically derived from the literature of output control which draws from transaction cost and internationalisation literature in using hierarchical and market governance methods to root the concept in this construct (Anderson, 1985; Eisenhardt, 1989; Gencturk & Aulakh, 1995; Hannart, 1991). Output controls are often suggested as they require little managerial intervention. Greater intervention is likely when
firms believe that consistent delivery of the marketing strategy and the brand are important to business success.

This study draws upon the items developed by Driscoll and Paliwoda (1997), and modifications have been made to suit the purpose of this research. In total, there are three items representing the construct, each of which covers both the operational and strategic decisions.

1. Our firm wanted to have a considerable influence over the marketing of the products/services (V1)
2. Our firm wanted to control major decision-making of the foreign operation (V2)
3. Our firm wanted to make the decisions relating to the integrity of the brand (V3)

3.5 Relationships among Constructs
The proposed conceptual model aims to explain the impact of international marketing strategy on international marketing performance of Australian firms. Moreover, the antecedents of international marketing strategy will also be examined, with an aim of providing a full picture of the antecedents and consequences of international marketing strategy. While international marketing performance is the ultimate outcome variable, antecedent variables also play an important role. They include brand orientation, brand repositioning, control of foreign marketing activities, the macro-marketing environment, international marketing strategy, and international commitment. This section will detail the relationships of these variables one by one.

3.5.1 Relationship between International Marketing Strategy and Performances
International marketing strategy could enhance the overall international marketing performance by a number of means. Marketing decisions and actions have a potential impact on changing consumer knowledge regarding the brand (Ewing et al., 2001). International marketing strategy could enhance a firm’s reputation and build strong brand awareness. It can also foster brand loyalty that leads to certain
marketing advantages, such as lower marketing costs, new customers, and greater trade leverage (Calderon et al., 1997; Ewing et al., 2001). International marketing strategy can create brand loyalty and awareness that can reduce marketing costs and generate a price premium. Kelly (2000) advocates that consistent marketing support is necessary in order for brands to be successful. All these studies suggest that international marketing strategy can influence directly a firm’s performance.

Brand awareness and perceived quality of a brand can attract new customers. Brand reputation is argued to be one of the important factors influencing firm performance (Herbig & Milewicz, 1997). Other benefits that brand loyalty can bring to a firm include favourable word of mouth and greater resistance among loyal consumers to competitors’ strategies (Calderon et al., 1997; Dick & Basu, 1994). An empirical study in a domestic context by Yoo, Donthu and Lee (2000) found that distribution intensity had a positive impact on brand loyalty, but not brand awareness/associations. Advertising spending was found to have a positive influence on brand loyalty and brand associations/awareness. Strategically, branding can provide a firm with competitive advantage and an opportunity for brand extension (Calderon et al., 1997). All of these factors combined can enhance brand performance within a foreign market. Firms with recognisable brands outperform those firms without (Appiah-Adu, 1997, 1999; Okoroafo, 1996).

In the international in-depth interviews, one of the respondents also believed in the power of brand, which can strengthen their firms’ position within the market and increase sales and/or market share. As one of the interviewees stated:

“Having got the (product development) ICT award makes the brand more famous. The recognition of the brand opens doors of more overseas markets. It also helps create awareness. The award in Malaysia generates some publicity that helps us to market the product.” (Firm J)
The respondent made an explicit link between the international marketing strategy in terms of product aspect and brand performance; the better the product, the better the brand awareness and reputation.

The manipulation of ingredients of the marketing mix can cause a firm to gain competitive advantage over other competitors, which in turn can potentially result in financial benefits. For example, firms can win new customers within overseas markets by offering products with unique features. These new customers can increase sales, market share and even profits for firms. However, not all aspects of marketing strategy will necessarily impact on performance. Both Cavusgil and Zou (1994) and Shoham and Kropp (1998) found that price competitiveness does not impact significantly on marketing performance. However, in another study, Appiah-Adu (1999) found that pricing did impact significantly on performance of international firms. These contradictory results call for a closer look at the impact of pricing on firm performance. Previous research findings have established a positive relationship between an effective marketing mix and business performance (Appiah-Adu, 1999; Okoroafo & L. Russow, 1993). These results suggest that firms need to engage in sound product, pricing, promotion and distribution mix activities in order to achieve competitiveness within foreign markets. The effective execution of these marketing mix decisions is expected to result in better performance. Thus:

Hypothesis 1: International marketing strategy is a positive determinant of brand performance.

Hypothesis 2: International marketing strategy is a positive determinant of financial performance.

3.5.2 Relationship between Brand Performance and Financial Performance

Brand performance such as awareness, reputation and loyalty can affect a firm’s financial performance. When customers are aware of the products/services available to them, the firm has opportunities to convince target customers to try its products/services. Positive reputation and loyalty to a brand can maintain a customers’ patronage. Consequently, the firm’s financial performance can improve not only by achieving more sales, but also by investing less to acquire new
customers. With stable and loyal customers, the long-term benefits of building up a strong brand can outweigh immediate costs (Ewing et al., 2001). In other words, good brand performance, such as customer loyalty, can affect a firm’s financial performance. Positive relationships between brand loyalty and market share and brand performance were found in an empirical study (Chaudhuri & Holbrook, 2001). In a subsequent empirical study, Chaudhuri (2002) discovered the relationship between brand reputation and brand sales and market share. Even though the studies were conducted in a domestic context, they suggest that financial performance could also be enhanced with the increase of brand performance such as brand awareness, brand reputation and brand loyalty. In the international in-depth interviews, one respondent mentioned the relationship between the benefits of branding and the firm’s performance.

“For HK market, they like the fact that it is a Western product, it is an Australian product. Australian product seems to be strictly clean and green sort of image and they do like that. So that’s one of the brand images of Australian label and Australian brand. Australia generally is a representation of good quality product. We also trademarked our brand in HK and China.” (Firm M)

The respondent suggested that target customers in the overseas markets bought their products because of brand possessed a favourable image. This implied the relationship between brand and financial performance. Thus:

Hypothesis 3: Brand performance is a positive determinant of financial performance.

3.5.3 Relationship between Brand Orientation and International Marketing Strategies

Brand orientation as a strategic planning approach affects the efforts and extent of international marketing strategies. Brand orientation influences international marketing strategy effort, which is the fundamental tool for supporting a brand. For example, product features need to be consistent with the projected brand image to the target customers within the foreign market. Price needs to reflect the brand
value offered in the product. Promotional efforts addressed to target customers need to project the brand image that matches the psychographics of the target customers. Distribution strategy should also reflect the brand offerings in the sense that it does not damage the brand; for instance, selling a premium brand at a discount store. All of these marketing mix decisions and efforts should reflect the brand. Brand orientation can have a profound impact on international marketing strategies. A number of studies have proposed that the whole business, including corporate and marketing actions, should endeavour to develop a brand (Mosmans, 1996; Mosmans & van der Vorst, 1998; Urde, 1994, 1999). This mindset of brand orientation will affect every aspect of international marketing strategies in the sense of whether a brand is adequately and properly supported within an international market.

In the domestic in-depth interviews, eight interviews with senior executives or owners were conducted in total for brand orientation in the domestic context. From the in-depth interviews with the eight firms, the information gathered is insightful and useful for understanding brand orientation in marketing. A brief summary relating to the brand orientation in marketing is discussed in the following paragraphs.

The domestic qualitative in-depth interviews were able to provide insights about theory building around the brand orientation. *Three branding archetypes* were identified from the qualitative in-depth interviews. The three archetypes are termed as follows in ascending order: minimalist brand orientation, embryonic brand orientation and integrated brand orientation. Figure 3-5 depicts the archetypes, using the vertical axis of level of brand orientation and horizontal axis brand-marketing performance.
Figure 3-5: Brand-Archetypes Ladder

Table 3-2 summarizes the archetypes with the allocation of cases to them. Briefly, the minimalist archetype has a very low level of brand orientation linked to a very limited horizon of brand distinctiveness. This type of SME is very short-term focused (almost crisis or survival orientated), which usually translates into a day-to-day transaction or selling or production approach, as opposed to marketing or branding orientation. Brand barriers loom high for this type of firm.
Table 3-2: Branding-Archetypes

<table>
<thead>
<tr>
<th>Type</th>
<th>Branding activities</th>
<th>Brand Distinctiveness</th>
<th>Brand Orientation</th>
<th>Brand Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minimalist</td>
<td>Low-key marketing across the board</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
</tr>
<tr>
<td>Embryonic</td>
<td>Stronger marketing but not branding; very informal branding; seen as optional; narrow promotional tools; word of mouth</td>
<td>Low / Medium</td>
<td>Medium</td>
<td>Medium</td>
</tr>
<tr>
<td>Integrated</td>
<td>Stronger marketing &amp; branding; either informal or formal branding; branding integral, not an option; wider promotional tools</td>
<td>Medium / High</td>
<td>High</td>
<td>High</td>
</tr>
</tbody>
</table>

Moving up the ladder, we have the embryonic brand oriented firm. Such a firm has a lot more marketing and business acumen than the minimalist firm. Marketing issues and activities are more prominent in the way they do business. There is a much greater awareness of competitive advantage and competitive positioning and the differential strengths of the firm. In short, there is a greater level of brand orientation. However brand orientation is still limited. Firms appreciate that they have to focus on their competitive advantage, but the brand seems to be more of an implicit, optional part of the way they do business, and not necessarily critical for business success. They do have a branding strategy, but it is also largely implicit and best described as a *de facto* branding strategy.

This takes to the third and top step of the ladder, the integrated brand orientation approach. Compared to the previous step there is a slight increase in the brand
distinctiveness element, that is, there is a very good understanding of the competitive advantage of the firm and the overall distinctiveness of the firm compared to competitors. The main difference between the embryonic and the integrated brand orientated SME is the extent to which the brand distinctiveness translates into brand orientation. In other words, the brand is a more important and active part of the marketing strategy. Brand is not seen as an optional extra, but rather an integral part of the marketing strategy. Similarly, branding has a greater role to play in the marketing mix implementation. For this archetype, a wider range of promotional tools is employed and the messages used are more likely to have a branding aspect compared to firms on the first two steps of the ladder.

Graphically these archetypes are reflected in Figure 3-5. It shows a staged model depicting the relationship of the archetypes and brand-marketing performance. Brand-marketing performance will improve if minimalist brand orientation firms can progress to embryonic brand orientation. Furthermore, embryonic brand oriented firms can improve brand-marketing performance if they advance to an integrated orientation level. The three-archetype ladder can be an explanatory tool to the successfulness of brand-marketing performance. For more details of this approach, see Wong and Merrilees (2005).

The model proposes that brand-marketing performance will be greater for firms pursuing an integrated brand orientation approach. At this stage the model has internal validity using the criteria of qualitative research.

In the international in-depth interview, a respondent mentioned about the relationship between branding and international marketing strategy:

“We do a lot of sponsorships, so we are trying to get the brand out. For example, we actually sponsor Indy, because it’s an international event and that gets TV coverage throughout the world. So we try to do some of those events that are televised”. (Firm L)
The result from the respondent suggested that their brand could be projected through the international marketing strategy, especially television advertising, implying that a brand-orientated mindset drove the international marketing strategy. Combining the literature and the in-depth interviews, it is thus:

**Hypothesis 4: Brand orientation is a positive determinant of international marketing strategy.**

### 3.5.4 Relationship between International Commitment and International Marketing Strategies

Deploying marketing strategy within an overseas market needs resources to support. International commitment affects the extent of marketing effort to be put in the international marketing strategy. If a firm concentrates primarily on its domestic market, attention and resources will not be in place for the international marketing venture. This restricted commitment on the international venture will limit the resources available for international marketing activities. Consequently, the overall international marketing strategy may not be run as effectively and efficiently as it could be. On the contrary, with commitment to an international venture, necessary resources in terms of finance and human resources will be made available and more attention will be paid to the venture.

In order to succeed in the deployment of the international marketing strategy, firms need to understand different buying behaviours and employ more sophisticated marketing practices compared with those of their counterparts and those within the domestic market (Appiah-Adu, 1999; Katsikeas et al., 1996). Empirical research suggests international marketing commitment has a positive impact on the internationalisation of firms (Kwon & Hu, 2001). It can be seen that firms’ commitment to the international venture plays an important role in marketing strategy, as the resources available for and willingness to be involved in an international venture are crucial to the support of the strategy.

As one of the executives stated during an in-depth interview, meeting the distribution channel members within the foreign markets in person was an important element of their marketing strategy. They tried hard to build strong
relationships with channel members, and to develop an appropriate promotional campaign, taking the channel members’ ideas into consideration. International commitment provides ongoing support to foreign distributors and/or subsidiaries in the form of sales force training, technical assistance, and so on.

A number of studies has examined the relationship between commitment and the marketing channel (Anderson & Narus, 1990; Kumar, Scheer, & Steenkamp, 1995; Noordewier, John, & Nevin, 1990). In a study of the behaviour of export firms, Cavusgil and Zou (1994) argue that the most critical determinant of support can be management’s commitment to an export venture. Commitment to an international venture is believed to be critical in terms of the impact on the efficient and effective use of channel management. A positive relationship between international commitment and support of the foreign distributor was found (Cavusgil & Zou, 1994). It shows a unique role of distributors playing a bridge between the marketer and customers. The extant literature supports a strong role of international commitment in international marketing.

When more resources are inputted to the international venture, international marketing activities such as promotional efforts, pricing strategy, product strategy and distribution channel support within overseas markets will be more likely to be conducted successfully. International commitment can ensure the necessary resources are made available for international marketing exercise. Thus:

*Hypothesis 5: international commitment is a positive determinant of international marketing strategy.*

### 3.5.5 Relationship between Brand Repositioning and International Marketing Strategies

International marketing strategies need to be changed as a result of the repositioning of a brand within a foreign market. These changes reflect the new and unique position an international brand holds. It is necessary for international marketers to employ the elements of international marketing strategies to achieve the required objective of repositioning a brand. For instance, when an international
brand is targeting a lower income market, the international marketing communications need to be modified to suit that target market. On the other hand, if a brand is repositioned to target the higher end market, brand value in terms of customer service may have to be enhanced to satisfy the wants of that target segment.

The long-term growth of a firm requires its brands to reach their full potential within each marketplace. In order to do so, each brand must have a well-developed position that optimises its appeal by being recognised to the user segment to which it has unique leverage. Positioning is an essential element of the international marketing strategy, as it underlies all strategic branding decisions, both short- and long-term. It also defines the platform a brand will complete within an international market. Thus:

_Hypothesis 6: Brand repositioning is a positive determinant of international marketing strategy._

3.5.6 Relationship between Control of International Marketing Activities and International Commitment

International commitment as an input of various resources could be dependent on the desired level of control of marketing activities within the overseas market. Successful international firms are willing and able to invest in improving the product related to the brand and creating new products to strengthen brand portfolio (Wilke & Zaichkowsky, 1999). Gillette and Procter & Gamble have spent considerable time, money and effort to support their brands and marketing activities (Wilke & Zaichkowsky, 1999). When marketers perceive international business as a high priority of the firm, they prefer to have a considerable influence over the marketing of the products/services in order to ensure that resources are used effectively and efficiently. If a high level of control is needed as a strategic point, the firm must allocate resources.

Resources such as human and financial for international marketing activities are partly contingent on the control of marketing activities in the foreign market. An international manager who wants a high level of control requires more resources to
make the control function work. For example, own office staff are located in the overseas market to operate marketing activities to ensure the conformity of international marketing strategy. On the other hand, an international marketing manager can exercise low control over the marketing activities, leaving another party within the foreign market to make the final marketing decisions and to carry them out. As a result, the extent of international commitment will be limited. Thus:

_Hypothesis 7: Control is a positive determinant of international commitment._

3.5.7 Relationship between the Congruency of Marketing Environment and Brand Repositioning

A brand might be repositioned to respond to the uniqueness and special characteristics of the overseas market. The positioning issue becomes critical in the international context. In line with domestic marketing, international marketers need to consider the extent of homogeneity in consumer characteristics and behaviour when making a position decision. International marketers also need to be aware of the similarities and differences of the foreign markets on a number of aspects that may not be an issue in relation to domestic marketing decisions. Ganesh and Oakenfull (1999) suggest international marketers needed to consider the macro-marketing environment – political, socio-economic and cultural environments in each foreign market entered.

When the macro-marketing environment changes, brand attributes can also be altered accordingly. The repositioning may result from technological, social and/or economical characteristics. These aspects direct what a brand should be changed to in order to maximise brand values within brand portfolios. For example, Mercedes Benz has different market positions in Asia and in Germany. Hitt et al. (2001) advocate that performance improves when the firm integrates the insight gained from analyses of the macro-marketing environment. It is suggested that to successfully reposition a brand, the macro-marketing environment should first be examined in order to ensure the international brand is positioned properly within the international market place.
Brand repositioning takes the forms of changing product/service offerings, marketing activities, and psychological image of a brand in the minds of the customers within the overseas markets. The adaptation of these aspects can bring benefits of better serving the overseas target customers who have a different cultural background, economic situation, and technological characteristics (Cavusgil et al., 1993; Eckhardt & Houston, 2002; Francis et al., 2002; Theodosiou & Leonidou, 2003; Wong & Merrilees, 2006; Zou & Cavusgil, 1996). These factors necessitate repositioning within the overseas markets.

Several respondents in the international in-depth interviews indicated the impact of macro-marketing environment on strategy. One interviewee stated the importance of changing the promotional approach:

“**In Middle East countries, you can’t have any female in any advertising so there are only male pictures. When we get all the trainees over, they are all males. So when they come into our organisation, we have probably got 60% female, 40% male, so they found that very overwhelming because they used to be very male dominated.”** (Firm L)

Another one mentioned about the change of the brand image based from cultural aspects:

“**For another product, “greeting 2 fone”, we used a cartoon character instead of a foreigner face as originally planned in the hope that it would not project an image of foreign firm.** (Firm K)

Another interviewee also found an impact of cultural differences on brand position:

“**Cultural differences are mainly found in communication and ways of doing things rather than our brand. Japanese customers need a lot of explanations during the process, while the American need**
Based on the literature and findings from the in-depth interviews, the positioning of a brand needs to be changed according to the characteristics of the overseas markets. Thus:

Hypothesis 8: The lack of congruency between marketing environments is a positive determinant of brand repositioning.

3.5.8 Relationship between Control of Foreign Marketing Activities and Brand Orientation

If the firm chooses to exercise a high level of control over marketing activities, the firm has more power over all branding issues. For example, if a firm is concerned about the image of a brand within a foreign market, an ability to have a higher control of branding activities within the foreign market is necessary to ensure the brand image is projected as expected by the international marketer. If another party within the foreign market carries out this issue, the brand image may not turn out as the marketer wants it to be. The impact of control of foreign marketing activities on brand orientation is critical because the nature of branding activities carried out depends on how much authoritative power the firm has over other partners. If the marketer has lower control over the branding activities within the foreign market, it is more difficult for the brand to reflect the orientation of the firm.

Control on international ventures has been investigated by a number of studies (Anderson, 1993; Driscoll & Paliwoda, 1997; Dunning, 1988; Erramilli & Rao, 1993; Kim & Hwang, 1992; Li & Ogunmokun, 2000). The control variable links to brand orientation as follows. Control of marketing activities in a focused way helps to ensure the brand is understood and implemented consistently across different branches of a firm. That is, control of foreign marketing activities helps achieve a higher level of brand orientation. It can be seen that control of foreign branding activities can impact directly on brand orientation. Thus:

Hypothesis 9: Control of foreign branding activities is a positive determinant of brand orientation.
3.5.9 **Relationship between International Commitment and Brand Repositioning**

Repositioning is an expensive and time-consuming exercise. When a firm repositions its brand within an overseas market, it needs various resources to support this activity. These resources could be in the form of human resources, money, and information technology. When Eaton’s repositioned its retail business, the financial commitment was immense (Silcoff, 2000). Without the financial commitment from top management, the repositioning strategy of Eaton’s could not have been carried out. It demonstrates that the involvement of top management in committing resources for repositioning project is crucial. While the high level of commitment to international business could be from detailed analysis and careful planning, and firms’ executives travelling frequently to overseas markets (Evangelista, 1994), it could also be based on serendipity (Merrilees, Miller, & Tiessen, 1998).

When firms consider international business as a high priority activity, marketing activities such as repositioning within the overseas markets will be more likely to be conducted thoroughly. Repositioning takes the form of changing product/service offerings, marketing activities and the psychological image of a brand in the minds of customers within the overseas markets. The adaptation of these aspects can bring benefits of better serving the overseas target customers who have different cultural backgrounds, economic situations and technological characteristics (Cavusgil et al., 1993; Eckhardt & Houston, 2002; Francis et al., 2002; Theodosiou & Leonidou, 2003; Zou & Cavusgil, 1996). These factors necessitate repositioning within the overseas markets. Understanding these aspects that form the basis of performing repositioning is important. International commitment could ensure the necessary resources are available for repositioning. Thus:

_Hypothesis 10: International commitment is a positive determinant of brand repositioning._
3.6 **Summary of the Relationships among Constructs**

After performing the literature review, domestic in-depth interviews, domestic quantitative study, and international in-depth interviews for construct development and conceptual model development, the whole three-tiered conceptual model shown below has emerged and is ready for empirical testing. The relationships between these constructs are shown in Figure 3-6 on page 100. It can be seen that overall international marketing performance is directly influenced by international marketing strategy. International marketing strategy is affected by international commitment, brand orientation and brand repositioning. Brand orientation is dependent on control over marketing activities within foreign markets. Finally, international commitment and the macro-marketing environment influence brand repositioning. Each of these eight constructs is made up of a number of items, which can be analysed by using latent variable modelling method, which is the topic of the next chapter.
3.7 Branding’s Impact on a Firm’s Performance

This chapter has provided a new way of looking at international branding. It has demonstrated that branding is not a single component. It comprises a number of multi-faceted mechanisms, such as brand orientation, brand repositioning and brand performance. They are not separated or independent components. Instead, they are interwoven in the model, interacting with other variables. For example, brand performance is believed to have an impact on a firm’s financial performance. Brand orientation and brand repositioning are believed to play a critical role in influencing international marketing strategy. As a matter of fact, two out of the
three variables that affect international marketing strategy are brand components. Through international marketing strategy, brand orientation and brand repositioning may enhance a firm’s financial and brand performance.

3.8 Special Features of the Model
The conceptual model possesses a number of special features. The first is the explicit delineation of international branding components in the model. The brand components play critical roles in the model, hypothesised to have either a direct or an indirect impact on a firm’s financial performance. The second special feature is that the brand repositioning construct has a higher explanatory power than marketing mix adaptation, as psychological aspects are included as a measure within the construct. Thirdly, it is the first study to use brand orientation concept in the international context. The study of brand orientation in the international context extends the scope, with an aim of providing further insight for both academics and international marketing managers. Fourthly, the construct of control of international marketing activities is included, one of the two exogenous variables in the model. It becomes the factor determining the resources allocation and capability development. Finally, another exogenous variable, macro-marketing environment, is incorporated in the model. This construct is a newly modified measurement construct that may affect a firm’s capability development. Further, previously developed concepts, including performance, international commitment and international marketing strategy, are retained as part of the model.

3.9 Chapter Summary
This chapter began with a discussion of construct development. Construct development followed the framework suggested by Churchill (1979). That is, firstly define the domain of the construct based on extant literature and secondly create a list of items from the literature and/or qualitative research. Development of the items for all the eight constructs was based on this framework. Next, the formulation of the conceptual model of the antecedents and consequences of international marketing strategy was discussed.
The conceptual model attempts to explain international marketing performance through international marketing strategy and comprises three tiers. The top tier was concerned with the relationships between international marketing strategy and a firm’s performance. The middle tier added three constructs that were hypothesised to be the factors affecting international marketing strategy. These three constructs were brand orientation, brand repositioning and international commitment. The bottom tier consisted of two exogenous variables, namely control of marketing activities and macro-marketing environment. These two constructs were hypothesised to impact on international marketing and branding strategies. Finally, the causal relationships amongst these eight constructs were hypothesised with the assistance of the literature and qualitative research. Altogether, ten hypotheses were set to test the strength of these relationships.
4.1 Introduction
In this chapter, the research method used in this study will be discussed and justified. Research methodology is important for systematic empirical research. An empirical research needs to gather valid and meaningful data. To achieve this objective, it requires a carefully planned research method. Since there is no one best rule to conduct a research, it will customise the research methodology to suit the research questions articulated in chapter one.

This chapter will firstly detail sampling issues in terms of choice of respondents and selection of the sample. These will be detailed in section 4.2. Secondly, data collection procedures, namely literature review and domestic and international qualitative and quantitative studies will be described in section 4.3. Next, section 4.4 will examine data cleaning methods to handle non-response bias, replacement of missing data and non-normality. A data analysis strategy dealing with reliability and various validity tests will follow in section 4.5. Finally, cut-offs for confirmatory factory analysis, measurement model and structural model will be discussed in sections 4.6, 4.7 and 4.8 respectively.

4.2 Sampling Issues
Two sampling issues need to be addressed in this study; the first relates to the choice of respondents as key informants, and the second concerns the selection of the sample.

4.2.1 Choice of Respondents
The choice of respondents for this study was considered in relation to the knowledge required on the particular issues under investigation. Key informants are respondents who are knowledgeable about the issues being researched, and are willing to communicate their knowledge to others. Major involvement in decision areas related to the investigation in a survey appears to be a sufficient condition for establishing the qualification of an informant (Phillips, 1981). In this research, key
informants were selected on the basis of their knowledge of international marketing activities in their firms.

In the context of the research questions outlined in chapter one, the sampling universe includes all Australian managers who make, or contribute in a major way, international marketing decisions for their firms. The choice of senior executives responsible for, or heavily involved in, their firm’s international operations as respondents is consistent with the purposes of the study. Senior executives such as CEOs, marketing managers, general managers, managing directors and export managers were chosen as the sampling units, as they are most likely to be involved in the international operations of their firms, and will thus be knowledgeable about international marketing activities.

4.2.2 Selection of the Sample
In this study, the target population is Australian firms involved in international business. The database for the targeted population was derived from Austrade, which has a directory of Australian firms involved in international business or intending to expand internationally. The database is maintained by the Australian Government (Web address: http://www.austrade.gov.au/).

The sampling frame for the study was Australian firms currently active within international markets listed in the directory. Owing to resource constraints, it was not practical to survey the whole population. Therefore, a random sampling method was adopted. A simple random sample of firms within the Austrade directory was invited to participate in the study by completing the survey mailed to them. The sample was drawn randomly by selecting systematically every fifth firm from the sampling frame.

In structural equation modelling analysis, the data analysis method used in this research, a relative large sample size is required to maintain power and obtain stable parameter estimates and standard errors. A general rule of thumb for structural equation modelling analysis is that five observations are required for each model parameter estimated (Hair, Anderson, Tatham, & Black, 1998).
Another recommendation is to have a sample size of at least one hundred cases, preferably two hundred when using the Maximum Likelihood estimation procedure, as in this study (Hair et al., 1998; Loehlin, 1992). Bentler and Chou (1987) proposed at least five cases per parameter estimate, including error terms and path coefficients. Since the total number of parameters in this study is approximately forty, a minimum sample size of 200 is needed. It is believed that 200 cases render statistical tests sufficient power to identify relationships in the study. With an estimated response rate of 10%, adopted from the study of Hart (1987), the minimum sample size needed to achieve 200 usable responses is 2,000 mailouts. Being conservative and as a safeguard, a slightly greater number of mailout was targeted.

4.3 Data Collection Procedure
The data collection process had several phases including literature review, domestic in-depth interviews, domestic quantitative study, international in-depth interviews, and international quantitative field survey, which are described next.

4.3.1 Literature Review
The first phase of the research was to carry out the literature review to evaluate previous research, also aiming to link the extant literature of branding with international marketing. The objectives of doing the literature review were to examine the knowledge of the theories in branding and international marketing and to integrate the literature. As a result of this, a research gap was identified and some existing scales found pertinent to this study. Moreover, the methods and techniques used were also evaluated in terms of suitability and effectiveness. The research gaps mentioned in chapter two are the results of the review of the body of existing literature.

4.3.2 Domestic and International Studies
In this phase, a four-stage approach was applied. The first two stages were in the domestic context, while the third and fourth stages involved international firms.
The reason for adopting this approach was that the construct brand orientation, being so new in the literature, required greater exploratory analysis. The combination of domestic and international approach is expected to enhance the reliability and validity of the items for the construct.

The first stage was to conduct the domestic in-depth interviews with firms involved only in domestic business; and the second was a survey study to quantify the brand orientation construct.

Next, as stage three, the international in-depth interviews were conducted, followed in stage four by the international quantitative study. Details of these four stages are discussed below.

4.3.2.1 Stage One: Domestic In-depth Interviews
Following the literature review, a series of in-depth interviews was conducted with executives of firms currently active within international markets. The objective of this second phase of the study was to identify key factors of branding. This information was important to a key component of the conceptual model, namely the *brand orientation* construct.

Conducting qualitative research is particularly useful for studying the “how” and “why” forms of research questions (Yin, 1994), especially for relatively new constructs. Qualitative input from experts such as managers or consultants using established methods for qualitative research is recommended before modelling to identify the appropriate variables and relationships to include in the model (Laurent, 2000). Quantitative modelling based on qualitative input can also ensure the functional forms and numerical values adequately reflect the real situation (Laurent, 2000).

In view of the limited material on brand orientation in literature, I wanted to explore how firms make sense of brands and what exactly they are doing with their brands. In consideration of the exploratory nature of this research, I chose the in-depth personal interview approach. A case research methodology provides the
opportunity to focus on naturally occurring and ordinary events in natural settings (Mankelow & Merrilees, 2001). It allows me to wholly explore and gain insights into the branding issues of firms involved in only domestic business. The in-depth personal interviews were semi-structured with closed and open-ended questions with the owners or marketing managers of the businesses. This methodology is in line with a number of domestic marketing studies (Gilmore, Carson, O'Donnell, & Cummins, 1999; Holmes & Zimmer, 1994; Mankelow & Merrilees, 2001; Merrilees & Miller, 2001; Merrilees & Tiessen, 1999) and branding studies (de Chernatony & Riley, 1998).

The decision as to how many cases are developed is left to the researcher (Romano, 1989). Eisenhardt (1989) suggests that cases should be added until reaching theoretical saturation, and Lincoln and Guba (1985) recommend sampling selection to the point of redundancy. Since there are no precise guides to the number of cases to be included in a qualitative research, the convergent interview technique has been adopted. The central point of this technique is to keep adding cases until the theory reaches saturation. In this study, eight cases have been conducted, with saturation occurring after seven cases.

The interviews were focused mainly on the issues of how and why the companies deal with branding strategy, with special emphasis on brand orientation. With this in mind, branding strategy was the unit of analysis of the interviews. The collection of qualitative data, used in the structural modelling stage, can enhance external validity of the research (Laurent, 2000). The main themes of the in-depth personal interview protocol were:

1. *What do you think about branding?*  
   (Probe: reputation, awareness, services.)
2. *What is your vision for your business?*  
   (Probe: growth, recognised to be the best.)
3. *What is your competitive advantage?*  
   (Probe: unique product/service, positive image.)
4. *How do you position your business?*
Another objective of these domestic in-depth interviews was to refine the measurement scales developed from the literature and to improve the questionnaire design of the study. The survey was given to those interviewees taking part in the in-depth interviews to fill in. These same interviewees were asked to review drafts of the questionnaire and to provide critical comments on content, wording, and layout of the survey instrument. Feedback about the wording, measurement scales and questionnaire design was then gathered from interviewees. Revisions based on the feedback were made where necessary; for instance, an option of CEO was added to the titles of respondents after some feedback indicated that CEOs could be appropriate respondents. Another example was the deletion of an item – “our firm has a noticeable brand personality”, which was difficult for some respondents to conceptualise and comprehend. Following this process, the items with revised wording and measurement scales were prepared for the domestic quantitative test.

The final objective of the domestic in-depth interviews was to understand the theory around the brand orientation construct and brand performance. As with most qualitative research, the aim was to include as much diversity as possible in the selection of the cases. Our approach was to develop clusters based on the case material and then to allocate firms into particular clusters or branding archetypes.

A research protocol (with key questions) was used, similar to a questionnaire, but delivered in a more flexible (probing and iterative) way. Data collection and analysis were conducted simultaneously.

I adopted the data analysis and interpretation methods recommended by Creswell (2003) who proposes six major steps to collect and interpret the data. These six steps are:
1. organise and prepare the data for analysis – involving transcribing interviews, optically scanning material and sorting the data into different types of information.
2. read through all the data – getting a general sense of the information and reflecting on its overall meaning.
3. begin detailed analysis with a coding process – involving classification of text data into categories and labelling those categories with a term.
4. come up with a theme / themes for analysis – involving the use of code to generate a small number of themes.
5. describe the theme(s) in the qualitative narrative – using a narrative passage to convey the findings of the analysis. Researchers can also use visuals or tables as adjuncts to the discussions.
6. interpret the data – involving the interpretation of the lessons learned from the data.

The main findings were discussed in chapter three.

4.3.2.2 Stage Two: Domestic Quantitative Study

The survey instrument developed in the previous two phases of the study was subjected to a quantitative test in the domestic market. The method of communication used in this stage was mail survey. It was appropriate, for the purpose of this phase, to conduct a mail survey as the cost was comparatively lower than other contact methods. Also, the population was large and widely spread, it was better to reach the potential respondents by mail. The scale used in the questionnaire for the variables was interval scale from 1 to 7. Owners and managers were the targeted respondents. Questionnaires with a covering letter explaining the nature of the study were sent to their attention. Pre-paid envelopes were attached in the hope to enhance the response rate. A probability sampling method was exerted in the domestic quantitative study. Mailing addresses were obtained randomly from yellow pages directories for South East Queensland. For the sampling frame, the yellow pages directories, every 4th sampling unit (firms listed in the yellow pages directory) were drawn as the samples. 303 usable responses were returned from 2,276 mailouts, resulting in a 13.3% response rate.
Cronbach Alpha reliability test and confirmatory factory analysis were conducted to purify the items for the brand orientation construct, ready for the international stage (see section 3.4.2.2 for results).

4.3.2.3 Stage Three: International In-depth Interviews
The next stage of this study involved performing in-depth interviews with executives who worked in firms involved in international business. Six in-depth interviews were conducted. The interviews were focused on the meaning of the constructs in the conceptual model, and questionnaire design aspects. The main purposes were to explore international marketing strategy and international branding in general. It was trying to understand the strategy aspects and the antecedents and consequences. The methods used in the international in-depth interviews were the same as the domestic in-depth interviews mentioned in section 4.3.2.1. The main themes and prompts used in the in-depth personal interviews were:

1. Can we start with your nomination of two overseas markets you have gone into? Which countries are they?
   (Probe: It may be your latest overseas expansion and / or the most critical expansion.)
2. How did you make your foreign market entry decision into the country X?
   (Probe: Was it exporting, licensing, franchising or foreign direct investment?)
3. Think about the brand in your home country and the brand in the overseas markets. What were the differences of the offerings of the brand? For example, is the price higher or lower?
   (Probe: Or something else is different about the brand?)
4. Why was the brand different between the two countries?
   (Probe: Was it because of the economic differences between the two countries?)
5. Did culture differences play a role in branding?
   (Probe: In Asia, did relationship affect your branding? Did colour / language affect your branding?)
6. Did economic differences play a role in branding?
   (Probe: Pricing difference.)
7. What other factors of the macro environment played a role in the branding difference?
   (Probe: Technology.)
8. Now let's talk about the marketing strategy. What are the main features of marketing strategy in the overseas markets?
   (Probe: Quality of product or something else.)
9. What are the big forces driving the marketing strategy? Are they external forces? Or mainly internal?
   (Probe: External forces are beyond your control, such as cultural and economical aspects.)
10. What role did branding play in the international marketing strategy?
    (Probe: Greater focus / more disciplined.)
11. What are the benefits of branding approach in international marketing strategy?
    (Probe: Better marketing strategy.)
12. Returning to the market entry decision, in which you nominated export (or something else). When you chose that entry mode, did you make any planning for branding? Or you did not worry about the branding?
    (Probe: Change of your target market.)
13. Could you please elaborate more?
    (Probe: Such as how?)
14. Thank you and can you quickly fill out the questionnaire?

The main findings from these in-depth interviews were discussed in chapter three.

In summary of the findings from the in-depth interviews, four main themes emerged in the international stage. The first theme gives me a perspective of how international marketing works. The second theme provides me with insights about the role of branding in international business. Another perspective derived from the interviews is how the macro-marketing environment impacts on international marketing strategy. The final theme is the role of both internal and external factors
in international business venture. Moreover, the six in-depth interviews gave me confidence in terms of developing the conceptual model, especially the relationships between various constructs. For example, both internal and external factors were perceived as important to international market performance, endorsing the thrust of the proposed structural model. Finally, the interviews provided specific ideas and points to develop the survey questions.

4.3.2.4 Stage Four: International Quantitative Field Survey

The objective of this phase of the research was to explore the relationships between the antecedents and consequences of international marketing strategy. These relationships were specified in chapter three. The final phase of the study was a field survey. Three main tools available to conduct field survey are telephone, Internet and mail. According to Neuman (2000), telephone survey possesses a number of disadvantages. The first is a relatively high cost. Secondly, there is a limited interview length. For a relatively big survey like this thesis, it has too many questions to cover in a telephone survey. Finally, telephone survey can potentially introduce multiple respondents’ bias and interviewer bias. An Internet survey also has many weaknesses. Firstly, it can be ruled out quickly. Secondly, it is hard to get internet addresses. As a matter of fact, not all firms have e-mail addresses. Thirdly, it is difficult to assure that respondents to an Internet survey will be representative of the population. Finally, the use of Internet survey has not been fully proven to be a meaningful survey research. On the other hand, as suggested by Nueman (2000), a mail survey possesses five advantages. Firstly, it is one of the cheapest survey methods. Secondly, a single researcher can conduct it. Moreover, survey questionnaires can reach a wide geographical area. Fourthly, the respondents can complete the questionnaires at their convenience, especially when they need to gather further information. Finally, mail questionnaires offer anonymity and reduce interviewer bias. With all these advantages, a mail survey was chosen to be the survey method, as superior to both telephone and Internet alternatives.

Each sampling unit was mailed a survey booklet; an introductory letter and description of the study, and information on the measures taken to ensure
confidentiality of responses. A pre-paid return envelope for the survey and a separate letter for informants to request a complimentary summary of research results accompanied each survey. Data acquired from this phase of the study were used to test the research hypotheses specified in chapter three.

4.3.3 Administration of Survey Instrument

Managing the response is important in data collection stage. The major concern is to achieve an acceptable response rate. Five main attributes of poor response to surveys have been identified previously (Alreck & Settle, 1995; Fowler, 2002): (1) the instrument does not reach some respondents, (2) some respondents refuse to respond, (3) respondents are unable to respond, (4) concern about lack of anonymity of responses, (5) lack of motivation to respond and perceiving the survey as one of many surveys sent to them.

In order to maximise the response rate in this research, the following seven remedies proposed in the works of Dillman (1987), Alreck and Settle (1995) and Fowler (2002) were adapted during the administration of the instrument. First, the study was chosen from a selective relevant database. Second, the survey packets were personally addressed to the appropriate person. Third, an information sheet was included in the packet to minimise non-response due to a lack of comprehension. Fourth, it was promised that the results of the study would be sent to respondents to increase their motivation to participate. Fifth, confidentiality was assured for respondents. Sixth, the simplicity and the layout of the questionnaire, coupled with its size, reduced time and effort for the respondents to complete it. Finally, an incentive of a lucky draw prize of $100 was also introduced to encourage replies.

The survey packets contained: (1) a cover letter; (2) a copy of the questionnaire; (3) a form for requesting the results of the study; and (4) a postage-paid return envelope of 23mm x 16mm size. The outgoing survey was airmailed in 23mm x 16mm clasp envelopes to ensure the contents would be delivered in reasonably good condition. In short, every effort was made during this phase to enhance the credibility and importance of the survey and ensure the highest response.
4.4 Data Cleaning Methods

Before the raw data is analysed in any type of structural equation modelling, data cleaning needs to be performed to achieve maximum accuracy. Failure to do that may create potential problems that may affect the results of the subsequent analysis. Data cleaning will be conducted in terms of dealing with potential non-response bias, replacement of missing data and tests of normality of data (Kline, 2005; Tabachnick & Fidell, 2000).

4.4.1 Non-response Bias

Non-response bias is analysed with the aim of assessing the generalisability of the sample to the population (Armstrong & Overton, 1977). Ideally, the strongest test of non-response bias is to contact non-respondents and compare data from them, if possible, with data from responding firms. However, this option could not be performed due to financial constraints. Because of the lack of comparable data from non-responding firms, a direct approach of comparison between responding and non-responding firms was not possible. As a consequence, non-response bias is dealt with by comparing early respondents with late respondents, as proposed by Armstrong and Overton (1977). This method is based on an assumption that those subjects who are slower to respond are more like non-respondents. That is, some prospective respondents are too busy or uneasy about filling in a survey. Time elapses and some of these laggards do eventually submit their answers, while others never get around to doing so. Hence, those who respond later are deemed equivalent to non-respondents. This provides some information as to whether data from the completed questionnaires are likely to be biased by the non-responses.

4.4.2 Replacement of Missing Data

Missing data is a problem in structural equation modelling for three reasons: (1) a loss of information decreases the efficiency of parameter estimates and reduces the sensitivity of the analysis technique, even if the loss of data occurs only randomly (Gold & Bentler, 2000; Gold, Bentler, & Kim, 2003); (2) any incomplete surveys create a smaller database, and the data analysis technique requires large samples and complete data (Schafer & Graham, 2002); (3) the structural equation modelling
software used here (AMOS) requires that complete data be provided for the probability density calculation. Hence, it was necessary to adopt a method of inputting missing values.

There are several methods to deal with missing data stated in the extant literature, namely pairwise deletion, listwise deletion, mean imputation, regression imputation, multiple imputation, or expectation maximisation (Donner, 1982; Gold & Bentler, 2000; Hair et al., 1998; Olinsky, Chen, & Harlow, 2003; Roth, 1994; Tabachnick & Fidell, 2000). Since there is no single best way to handle missing data (Hair et al., 1998; Tabachnick & Fidell, 2000), a reasoned judgment of the situation needs to be made. For the purpose of this research and based on the characteristics of the missing values, the mean substitution method was chosen for a number of reasons. Firstly, it is simple to apply (compared with multiple imputation and regression imputation). Secondly, it is superior to deletion methods, as it does not lose or eliminate information (like listwise deletion) nor cause a problem in the data being positive definite (like pairwise deletion). Furthermore, mean substitution is considered to be appropriate when less than 10% of the data are missing (Donner, 1982; Olinsky et al., 2003).

4.4.3 Tests of Normality
Another measure assessment procedure is to examine the extent to which the distribution of variable scores approximates normality. This is achieved using the Kolmogorov-Smirnov test for goodness of fit, which decides whether a sample comes from a population with a specific distribution, and bases its p value on the largest discrepancy between the observed distribution function of the sample and the theoretical distribution. When the p value is <0.05, normality is assumed.

4.5 Data Analysis Strategy
The data analysis strategy outlined here is a systematic way of conducting data analysis that aims to explain how to establish valid and reliable scales for each of the constructs of interest within the study. Once a list of items had been generated following the procedure detailed in the previous section, the analysis of nine steps to accomplish reliability and validity was performed.
The purification of variables was accomplished by a staged approach of performing:

1. Bartlett’s test of sphericity and the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy.
2. Cronbach Alpha reliability tests.
3. Confirmatory Factor Analysis.
4. Convergent validity analysis.
5. Discriminant validity analysis.
6. Face validity analysis.
7. Predictive validity analysis.
8. Measurement Analysis (partial disaggregation) to ensure the attainment of reliability and validity for each construct, and
9. Structural analysis of the whole model.

4.5.1 Test of Sphericity and Measure of Sampling Adequacy

Bartlett’s test of sphericity calculates whether a set of items are associated with each other. This is a test of unidimensionality of the items. Bartlett’s test of sphericity tests the null hypothesis that the items are uncorrelated in the population. A high chi-square value with a low p-value (p<0.05) indicates a significant relationship between the items, suggesting that the data are suitable for further analysis, such as factor analysis (refer to section 5.4.1 for the results).

KMO test statistics are based on partial correlation. If two items share a common factor with other items, their partial correlation will be small, indicating the unique variance they share. The measures of KMO test can range from zero to one. But the overall score should be greater than 0.50 (De Vaus, 2001). Hair et al. (1998) propose the following guidelines in interpreting the KMO sampling adequacy score:

- Outstanding : 0.90 – 1
- Meritorious : 0.80 – 0.89
- Middling : 0.70 – 0.79
- Mediocre : 0.60 – 0.69
• Miserable : 0.50 – 0.59
• Unacceptable: < 0.50

If the KMO score is less than 0.50, it shows lack of systematic covariation in the data and the variables are essentially independent (refer to section 5.4.1 for the results.

4.5.2 Cronbach Alpha Tests

Cronbach Alpha tests the reliability of the factors obtained from the factor analysis. Reliability is an assessment of the degree of consistency between multiple measurements of a variable (Hair et al., 1998). Cronbach Alpha is the most commonly used measure of reliability, and is based on the concept of internal consistency. The logic behind internal consistency is that the individual items of the scale should be measuring the same construct, the basic idea of reliability, with the consequence of reasonably high inter-correlation among the individual items.

The constructs were operationalised through multi-item measures, which are preferable to single-items measures for fully capturing the meaning of a concept. An important advantage of multi-item measures is that each item has a distinctive flavour, which improves reliability of measurement (Churchill, 1979). At the earlier stages of research, various items with subtle degrees of difference in meaning should be used in order to provide a better foundation for measurement and scope for eventual improvement of the measure. Another advantage of multi-item measures is that they allow measurement errors to cancel each other out with the consequence of increasing reliability (Peter, 1979).

In the phase of reliability tests, item-to-total correlations and exploratory factor analysis are used to purify measures. Reliability is necessary, but not sufficient for construct validity (Nunnally & Bernstein, 1994), as the items may be consistent, but not capturing the right measure. Reliability tests were performed one construct at a time. As there are eight constructs involved in the conceptual model, eight reliability tests were required.
In the reliability test, the corrected item-total correlation ratio is the correlation coefficient between the score on an individual item and the total score on the remaining items. According to Nunnally and Bernstein (1994), a low item-total correlation ratio score could be due to an item being too easy, too difficult, too ambiguous or even not belonging to the construct. Items with higher item-total scores are to be preferred, as they show the reliability of the measure. A cut-off point of 0.2 for the correlations is suggested (Nunnally & Bernstein, 1994). They further propose that items with low correlations or those reflecting a sudden drop in the coefficients should be taken out of the analysis, with the aim of obtaining a consistent scale.

There is no general agreement on the rule for the acceptable level of coefficient alpha, but measures with values 0.7 or more indicates satisfactory internal consistency reliability (Francis, 2001; Robinson, Shaver, & Wrightsman, 1991). Items below this threshold were taken out from further analysis to ensure reliability of the constructs. In the case of a low alpha, items where the item-total correlation ratio was poor or those where the drop was sudden were eliminated and the coefficient alpha was recalculated. This process continued until an acceptable level of alpha was obtained. The initial and revised reliability estimates for the various constructs are presented one by one in the following section. Details of reliability tests are shown in section 5.4.2.

4.5.3 Confirmatory Factor Analysis

Following the incremental approach to SEM suggested by Cheng (2001) and Anderson & Gerbing (1988), it is necessary to assess the reliability and validity of the measures employed before testing the structural model that hypothesises relationships among constructs. While the reliability of the measures has been covered in the previous section, this section will discuss the validity of the measures to be performed by confirmatory factor analysis in AMOS. It is important to evaluate the construct validity, so the basis of rejection or acceptance of a hypothesis is contributed to the appropriateness of the hypothesis, rather than disproportionate error in measurement (Joerskog & Sorbom, 1993). Confirmatory factor analysis is a method available for testing the relationship that may exist.
between the observed variables and any underlying factors (Bagozzi, Yi, & Phillips, 1991; Ding & Hershberger, 2002).

The scales used for the variables are either interval or ratio scales. The recommendation of numerical scales from 1 to 7 was used to measure variables (Schumacker & Lomax, 1996). The use of the same scale values for variables assists in the interpretation of results and/or relative comparison of variables in structural equation modelling. For each of the statements, respondents were required to rate on a scale ranging from “strongly disagree (or decreased enormously”), through “neutral”, to “strongly agree (or increased enormously”). Similar to the reliability test, confirmatory factor analysis (CFA) is performed one construct at a time, though for the measurement below, CFA is applied to sub-groups of constructs.

Chen (2001) suggests that in confirmatory factor analysis (and the subsequent measurement model development), in order to modify a measure an item has to be dropped if it cannot measure the underlying construct and/or indicates the measurement of more than one construct. Moreover, an item has to be deleted if it has low factor loading; that is, low internal consistency. The incremental modifications are necessary to achieve the best-fitting model. In other words, modifications should be made one by one, as dropping an item or a measure may influence other parts of the model simultaneously (Segars & Grover, 1993).

Construct validity refers to whether an instrument accurately measures what it is intended to measure. A useful technique for construct validation is factor analysis. Factor analysis can confirm the theoretical model by identifying the underlying dimensions (Churchill, 1979; Schwab, 1980). This confirms whether items designed to measure a construct load together, and whether those designed to measure other constructs discriminate by loading separately into other factors (Van de Ven & Ferry, 1980). Hence, if the measures are built based on tight theories and the corresponding items have high reliability, they should load onto the corresponding constructs. Results of confirmatory factor analysis are discussed in section 5.5.
4.5.4 Convergent Validity

Convergent validity assesses whether the construct is what it is meant to be, which means items explaining a construct must yield similar results irrespective of approaches. Convergent validity can be tested by examining the factor loadings to see whether the items in a construct converge or load together on a single construct in the measurement model (Steenkamp, 1991). Thus, convergent validity exists when statistically-significant loadings for all items hypothesised to measure a latent variable are found (Anderson & Gerbing, 1988; Dunn, Seaker, & Waller, 1994; Hair et al., 1998). The critical ratio values in confirmatory factor analysis can analyse the convergent validity of the items within the construct to check whether they are fitting together. Critical ratio values that are greater than 1.96 ($c.r. > 1.96 = p < 0.05$) suggest convergent validity.

Another commonly used method to examine convergent validity in structural equation modelling manner is to view each item on a construct as a different approach to measuring the construct (Ahire, Golhar, & Waller, 1996). Convergent validity is then tested by using the Normed Fit Index (NFI) that represents the ratio of the chi-square value of the specified measurement model to that of the null model, which corresponds with completely unrelated items. In other words, there are no hypothesised item loadings on a construct. Convergent validity exists when NFI value is 0.90 or above (see section 5.4.3 for results).

4.5.5 Discriminant Validity

Discriminant validity shows that the measure is not measuring the wrong construct. It refers to an assessment of the extent to which measures of different constructs are unique from each other (Bagozzi et al., 1991; Churchill, 1979). Evidence of discriminant validity emerges when items measuring a certain construct do not correlate strongly with items of other constructs. The test can indicate the unidimensionality of the items. There are four methods to test for discriminant validity.
The first method is to test for discriminant validity in structural equation modelling. It is suggested that correlations among constructs of the measurement model can be compared with a theoretical model (Ahire et al., 1996; Dunn et al., 1994). The characteristic of the theoretical model is to fix all correlations between constructs to one; the chi-square test can then be used to examine the differences between the measurement model and the theoretical model. A significant chi-square difference test suggests the existence of discriminant validity between the constructs. Anderson and Gerbing (1988) propose that the chi-square difference test to examine discriminant validity should be run on pairs of scales at a time. According to Ahire, Golhar and Waller (1996) the number of chi-square tests for C constructs will be:

$$C = \frac{c!}{(c-2)!2!}$$

Where c is the number of constructs.

The second method to study discriminant validity is to measure the average variance extracted (AVE) in exploratory factor analysis in pairs of all the constructs. AVE is the square root of the variance shared between the constructs and their measures. Discriminant validity exists when AVE is greater than the correlation between pairs of factors (Fornell & Larcker, 1981).

The third method is to consider the correlation between factors. Discriminant validity exists if the intercorrelations between the constructs are not too high (Kline, 1998).

The last method used to test discriminant validity was the examination of all pairwise constructs to study the number of components extracted. Discriminant validity requires two components (per two construct), in contrast to the case of no discriminant validity that is associated with just one component being extracted (Anderson & Gerbing, 1988). Exploratory factor analysis using principal components with varimax rotation was performed. (see section 5.4.4 for results).
4.5.6 **Face Validity**

Face validity refers to the extent to which an empirical measure adequately reflects the meaning of the construct under consideration. The first step in the measurement development process is to define the constructs under investigation in this study, and to specify their domain. The procedure for the development of the constructs has drawn heavily from the work of Churchill (1979). The literature was reviewed to do this. The extant literature provided insight into the relevant constructs, how these constructs were defined, and their domain. In addition to a literature search, in-depth interviews were also conducted to identify relevant constructs and to specify the domain of the constructs. Constructs used in this study have been identified in chapter three and are discussed in detail within Section 3.2. The literature review and personal interviews resulted in a clear conceptualisation of the constructs and helped to define these more sharply. This then formed the basis for the development of the questionnaire (Appendix C).

The second step in developing measures was to generate a pool of items that reflects the conceptual definition of each construct. These items were generated through both literature search and in-depth interviews. The literature review indicated the items previously used by researchers to measure constructs. Wherever possible, published scales with known psychometric properties have been used in this study. However, as noted earlier, since published scales with known reliability estimates and evidence of construct validity do not exist for a number of constructs in the study, items have had to be developed or modified in order to render them suitable to the context of this study.

As mentioned previously, several interviewees in the in-depth interview phase of the study were also used to crosscheck and validate items identified through the literature review. Modifications to the items were made based on the comments of the managers in the in-depth interviews. Several modifications were made to the final measures based on the results of the domestic and international studies. Firstly, some items were rewritten to better reflect the construct under investigation. Secondly, some items were taken out to make the construct more robust statistically. The items dropped are listed in Appendix D.
4.5.7 Predictive Validity

Predictive validity refers to the extent to which a construct can predict the happening of another construct in a statistically significant manner. This validity can be confirmed by examining whether the relationships between the constructs are statistically significant. That is, p value < 0.05 of the relationship represents predictive validity. Predictive validity cannot be tested for those constructs that are not used to explain other constructs. The only constructs in this category in this study is financial performance. Also note that I associate predictive validity with explanatory power. This can be termed “within sample” prediction. However, in a forecasting context, predictive validity means the ability to predict next “out of sample” events, such as next year’s behaviour. Results of predictive validity of each construct will be shown in section 5.4.5.

4.5.8 Measurement Model Analysis

After the confirmatory factor analysis models and various validities have been found to be satisfactory, the measurement model analysis can be performed to evaluate the construct validity of the study measures in three separate sections; namely, international marketing strategy, its antecedents and consequences. Before a full structural model is performed, a measurement model analysis should be conducted (Anderson & Gerbing, 1988; Cheng, 2001). An analysis of the measurement model is to test all measures together at one time, before structural analysis is performed. The purpose of the measurement model analysis is to improve the psychometric properties of the measures. In measurement model analysis, the relationships between the items of different constructs are considered simultaneously. The measurement model can detect items that may measure other constructs that they are not supposed to measure (Cheng, 2001). Thus, each of the items satisfies the validation requirements and implies that the measurement model comprising various constructs will pass the same criteria as they do in the confirmatory factor analysis.

It is argued that the measurement model must hold before the test of the hypothesised relationships among constructs should be performed (Anderson &
The aim is to ensure the items accurately measure their underlying structures. In other words, it is imperative to evaluate the construct validity, because the rejection or acceptance of a hypothesis to be tested in the structure model is based on the appropriateness of the hypothesis, and not on disproportionate error in measurement (Joerskog & Sorbom, 1993). If a structural model is analysed without first conducting the measurement model analysis and the results indicate the overall fit of the structural model is poor, it is not possible to tell whether the problem lies in the measurement portion of the model or the structural model or even both. Thus, performing measurement model analysis and structural model separately can detect this problem.

The measurement model analysis phase basically tests three blocks of data; namely, strategy (treated as the core and pivotal variable), its antecedents and its consequences. It is used to test the fit between data and model from the measurement prospective. Satisfactory results of the three sets of measurement analysis were found. Details of the analysis will be described in Section 5.6.

4.5.9 Structural Model Estimation Analysis

After all the above analyses have been performed, the conceptual model will be estimated by structural equation modelling (SEM) with AMOS computer software (the structural model analysis is to be discussed in chapter five). The term SEM refers to a series of statistical techniques used to analyse data (Hair et al., 1998; Tabachnick & Fidell, 2000). Included in the series of analysis are path analysis, confirmatory factor analysis (discussed in the section 4.5.3), structural regression models, and latent change models.

SEM has four advantages over other statistical methods, such as multiple regression and exploratory factor analysis. Firstly, this method can simultaneously take into consideration the interaction effects between both the dependent and independent variables (Cheng, 2001). In contrast to, for instance, multiple regression analysis, SEM can estimate several equations simultaneously. In other words, SEM can investigate the relationships between latent constructs that are both dependent and independent variables, as the stated conceptual model and
research hypotheses mentioned in chapter three. Moreover, the distinctive feature of SEM takes into account measurement errors in the analysis (Cheng, 2001; Steenkamp & Baumgartner, 2000), which most multivariate analysis techniques fail to accomplish. Thirdly, the ability to incorporate abstract and unobservable constructs comprised of multi-indicators in a model provides a formal framework for constructing and testing both theories and measures (Bagozzi, 1980; Cheng, 2001; Hulland, Chow, & Lam, 2000; Steenkamp & Baumgartner, 2000). Furthermore, it is more theory-driven than more traditional analysis technique such as exploratory factor analysis. This ability to model complex relationships is not possible with any other available multivariate technique (Hair et al., 1998). Thus, the SEM method is considered appropriate in this study, where theory or a priori guidelines posit the relationships between the constructs in the model for empirical testing.

Retaining control over the complexity of the model is an important issue in SEM (Perugini & Conner, 2000). The characteristics of a complex model comprising many variables and many parameters are more likely to have computational problems, poorer fit, increased measurement error, improper solutions, and inflated standard errors (Bentler & Chou, 1987; Ding, Velicer, & Harlow, 1995; Perugini & Conner, 2000).

A strategy mentioned in the extant literature to overcome these problems is the adoption of partial disaggregation technique (Bagozzi & Heatherton, 1994; Dabholkar et al., 1996; Little, Cunningham, Shahar, & Widaman, 2002). This technique combines items into composites to reduce higher levels of random error, yet it retains the advantages of structural equations and is capable of dealing with data problems, including accounting for measurement error; allowing for multiple, multidimensional variables; testing for hierarchical factor structure; reducing the dimensionality and number of parameters estimated; increasing the stability of the parameter estimates and proper solutions of model fit; improving the variable to sample size ratio; and remedying small sample sizes (Bagozzi & Heatherton, 1994; Bandalos & Finney, 2001; Dabholkar et al., 1996; Little et al., 2002).
In essence, a partial disaggregation approach in which constructs are represented by subsets of test items has been found to lead to more interpretable and meaningful results. Thus, in this study, the partial disaggregation approach will be used for both measurement and structural analyses (this is the topic in section 5.7 in the next chapter).

In this phase of analysis, international marketing strategy is posited as being pivotal to explaining both brand and financial performances. International marketing strategy depends upon three specified antecedents, namely brand orientation, international commitment and brand repositioning. Other explanatory relationships include international commitment influencing brand repositioning; cultural aspects influencing brand repositioning; control influencing brand orientation; and control influencing international commitment.

4.6 Confirmatory Factor Analysis Cut-offs

AMOS is specifically designed to perform confirmatory factor analysis. The full set of questionnaire responses was evaluated using confirmatory factor analysis in AMOS 4.0 software. A good fit between the model and the data (as measured by Chi-Square, Adjusted Goodness of Fit Index, Root Mean Square Error of Approximation, Normed Fit Index, and Incremental Fix Index); together with significant correlations between the dimensions provide evidence of convergent validity. In this study, confirmatory factor analysis was used to measure the strength of the fit of the indicators as definitions of the construct.

For assessment of fit for the proposed model, this study took the suggestions of Bagozzi and Yi (1988), Bollen (1989), Browne and Cudeck (1993), Byrne (1998), Chou and Bentler (1995), Joreskog and Sorbom (1993), and Hair et al. (1998), that the proposed model be evaluated from an overall model fit, as well as a fit of internal structure.
Overall absolute fit measures

1. Chi-square – it is a test of the difference in fit between a given over-identified model and a just-identified version of it. It is a commonly used fit test. The value of chi-square should not be significant. That is, p>0.05.

2. Goodness of Fit Index (GFI) and Adjusted Goodness of Fit Index (AGFI) – GFI can be considered a squared multiple correlation in a multiple regression analysis. It is a measure of the proportion of variance and covariance that the proposed model is able to explain. The AGFI is an extension of the GFI, adjusted by the ratio of degrees of freedom for the proposed model to the degrees of freedom for the null model (Hair et al., 1998). The AGFI is an adjusted corrected squared multiple correlation that takes into consideration the increase of parameters that need to be estimated by adjusting downward the value of the GFI (similar to adjusted R-square in a multiple regression analysis). The AGFI result shows that squared residuals from prediction compared with the actual data, adjusted for the degrees of freedom, indicates a good fit of the model. AGFI is analogous to adjusted R\(^2\) in multiple regression. Both GFI and AGFI should be larger than 0.90 (GFI is always greater than AGFI).

3. Root Mean Square Error of Approximation (RMSEA) – The RMSEA fit index is primarily concerned with evaluating the extent to which the model fails to fit the data (Raykov & Marcoulides, 2000). It estimates the lack of fit in a model compared to a saturated model. The RMSEA estimates the lack of fit in a model compared with a saturated model. When the model is saturated, the index becomes zero. Thus, the greater the model misspecification, the larger the index is. It can be viewed as a “badness-of-fit” index, as the value of zero signifies the best fit and higher values signifies worse fit. RMSEA values less than 0.05 indicates good fit. RMSEA values ranging from 0.05 to 0.08 indicates fair fit. The values ranging from 0.08 to 0.10 are indicative of mediocre fit. The values larger than 0.10 are indicative of a poor fit.
Incremental fit measures

1. Normed Fit Index (NFI) – NFI reflects the proportion by which the proposed model improves the fit compared to the null model. In other words, NFI indicates the proportion of the improvement of overall fit in the proposed model relative to a null model, by comparing the chi-square value of the proposed model to that of the null model. The null model assumes there are absolutely no inter-relationships between any of the variables. For example, NFI – 0.60 means the proposed model improves fit by 60% compared to the null model. Ideally, the value of NFI should be larger than 0.90.

2. Incremental Fit Index (IFI) – IFI compares the lack of fit of a target model to the lack of fit of a baseline model. The IFI value estimates the relative improvement per degree of freedom of the target model over a baseline model. It corrects the problem of Normed Fit Index of underestimating the fit of the model in good-fitting models (Hair et al., 1998). The value of IFI should be larger than 0.90.

4.7 Structural Equation Modelling Analysis Cut-offs: Measurement Phase

The cut-offs to be used for the evaluation of measurement models are the same as those used for confirmatory factor analysis, which is detailed in Section 4.6. In this study, partial disaggregation will be used for parcelling items of the eight constructs depicted in the conceptual model of the international marketing strategy. Three tests on measurement models will be performed. The first one tested the international marketing strategy measurement model. Next, a measurement model for the antecedents of international marketing strategy will be conducted, followed by the third test on the measurement model for the consequences of international marketing strategy. Details of the parcelled items within each construct are listed in Appendix E. The cut-offs for the overall absolute fit measures and incremental it measure are in line with confirmatory factor analysis stated in Section 4.6.
4.8 Structural Equation Modelling Analysis Cut-offs: Structural Phase

Structural equation modelling analysis in the structural phase tests the full conceptual model, allowing for relationship estimation among the constructs. Consistent with confirmatory factor analysis and the measurement phase of structural equation modelling analysis, this phase will adopt partial disaggregation method. That is, items for the eight constructs will be parcelled. The cut-offs for the overall absolute fit measures and incremental fit measures are exactly the same for the confirmatory factor analysis (discussed in Section 4.6).

4.9 Chapter Summary

In this chapter, sampling issues were firstly discussed. Senior executives, knowledgeable about their international marketing activities, were the targeted respondents. The database of Austrade maintained by the Australian government was the sampling frame for the population of this study. At least 2,000 questionnaires drawn from the sampling frame were targeted, with an aim to getting at least 200 useable questionnaires. Data collection procedures involved a literature review, interviews for the domestic and international context; and tactics to enhance the return rate were articulated.

The methods for data screening methods were then justified. Non-response bias is to be analysed by comparing early respondents with late respondents, to see if there is a significant difference between these two groups of respondents. The mean substitution method will be used to handle to missing data, and the Kromogorov-Smirnov test will examine the normality of data.

Nine steps of data analysis strategy to purify, measure and configure the variables were proposed. These nine steps were Bartlett’s test of sphericity and KMO measure of sampling adequacy, Cronbach Alpha reliability test, confirmatory factor analysis, convergent validity analysis, discriminant validity, face validity, predictive validity, measurement analysis and structural analysis using partial disaggregation method.
Next, various fit measures to decide model fit were discussed. From the literature, the cut-off points for chi-square statistics should be $p > 0.05$; RMSEA value $< 0.08$, AGFI $> 0.90$, IFI $> 0.90$, and NFI $> 0.90$ for confirmatory factor analysis, measurement models in estimated phase and the full structural model. Finally, a framework analysing measurement structures of international marketing strategy, its antecedents and consequences was discussed.
Chapter 5  Results

5.1 Introduction
This chapter discusses the analysis of the data gathered by both domestic and international studies. It presents the results in relation to international marketing strategy, its antecedents and its consequences, in terms of reliability tests, validity tests and hypothesis testing. The objective of the data analysis in this chapter was to establish reliable and valid empirical results, which explain international marketing performance and the inter-relationships, between the constructs. In order to achieve this objective, discussion will be based on the qualitative and quantitative findings for both domestic and international studies.

This chapter will firstly present the sample statistics and descriptive information, such as survey response, firm characteristics, respondent information and entry mode information for the international quantitative survey in section 5.2. Next, data cleaning in terms of non-response bias, replacement of missing data and normality tests, will be examined in section 5.3. Section 5.4 will discuss the results of test of sphericity, measure of sampling adequacy, reliability and various validity test results. Results of confirmatory factor analysis of each of the eight constructs will be followed in section 5.5.

Next, section 5.6 will discuss the results of the three blocks of structural analysis of measurement models of international marketing strategy, its antecedents and consequences. The first block will examine the measurement model of international marketing strategy. The second block will study the measurement of the antecedents of international marketing strategy. The measurement model for the consequences of international marketing strategy will be analysed. Section 5.7 will present the results of the analysis that tests the overall conceptual model in which it suggests international marketing performance is predicted to be a function of the firm’s strategy. The firm’s strategy is based on the firm’s resources and capabilities, and the overseas market environment. This relationship will be confirmed through the identification of the structural model, evaluation of the
model fit, and interpretation of results and modification of the model if necessary. The results of hypothesis testing on the ten hypotheses in relation to the structural model will then be examined in section 5.8. A summary of hypothesis testing of the paths will be presented in section 5.9. Finally, sensitivity analyses to test whether the conceptual model achieves the best fit of the data will be discussed in section 5.10.

5.2 International Quantitative Survey: Sample Statistics and Descriptive Information

This section provides information regarding the sample drawn from the Austrade Directory. Firstly, response information pertaining to the final study is presented. Secondly, the approach for dealing with non-response bias is discussed. The goal of this is to examine the generalisability of the sample. Next, information concerning the firms’ characteristics is presented; followed by the respondents’ characteristics. These two pieces of information are used to examine the representativeness of the sample.

5.2.1 Survey Response

2,000 questionnaires was the target number to be mailed out (see section 4.2.2.). In fact 2,882 questionnaires were mailed to Australian firms in the sampling frame in final survey, to ensure that the sample size was adequate. In the ensuing response period, 26 wrote back, and two called to advise that they were unable to complete the survey because they were not in international business. Three called to advise that the study was irrelevant to their businesses (because of their perceived smallness), but were finally convinced to complete the survey; while 322 were returned due to incorrect addresses. A total of 315 usable questionnaires was received, giving a response rate of 12.4%. The sample size was greater than the minimum target of 200.

5.2.2 Firm Characteristics

In an open-ended question, respondents were asked to provide information on their business, its size in terms of number of employees, and its foreign sales as a percentage of total sales. Of the firms included in the data analysis phase of the
study, about 41% were in the manufacturing sector, 5% in the agriculture sector, and 54% in the service sector.

Respondents were asked about the number of employees in the firm. Four firms out of 315 did not answer this question. In summary, about 33% of the sample were firms with ten or fewer employees, while 41%, 9% and 12% of the sample were firms with 11 to 50 staff, 51 to 100 staff, and 101 to 500 staff respectively. Approximately 4% of firms employ 500 or more employees, and 1% represents missing data (missing data handling to be discussed in section 5.3.2).

Also about 29 percent of the sample are firms with foreign sales accounted for 10% or less of their total sales. A further 29% have foreign sales between 10 to 30% of total sales while 14% of the sample are firms with 31 to 50% of foreign sales. 5% of firms have 51 to 70%, 12% of firms with 71 to 90%, and 11% of firms with 91 to 100% of foreign sales.

The sample is comprised of mainly small and medium size firms, as only about 16% of the sample of firms had 100 or more staff. Details of the descriptive statistics of these three firm characteristics are presented in Table 5-1 below.

5.2.3 Respondent Information
Respondents were asked to indicate their job title to determine whether senior executives are indeed responding to this survey. Summary statistics are listed in Table 5-2, 28% of the sample listed their job title as “owner”, 20% as “managing director”, 21% as “marketing manager”, 12% as “general manager”, and 15% as “managers”, with a further 2% stating that they are the CEO, and there is 2% missing value. On the whole, the majority of sample respondents appear to represent targeted senior executives.
Table 5-1: Firm Characteristics

<table>
<thead>
<tr>
<th>A. Business of Firm</th>
<th>N</th>
<th>% of firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Services</td>
<td>172</td>
<td>54</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>128</td>
<td>41</td>
</tr>
<tr>
<td>Agriculture</td>
<td>15</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>315</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B. Number of staff</th>
<th>N</th>
<th>% of firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 – 10</td>
<td>103</td>
<td>33</td>
</tr>
<tr>
<td>11 – 50</td>
<td>130</td>
<td>41</td>
</tr>
<tr>
<td>51 – 100</td>
<td>28</td>
<td>9</td>
</tr>
<tr>
<td>101 - 200</td>
<td>18</td>
<td>6</td>
</tr>
<tr>
<td>201 and more</td>
<td>32</td>
<td>10</td>
</tr>
<tr>
<td>Missing</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>315</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C. Foreign sales as a % of total sales</th>
<th>N</th>
<th>% of firms</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 - 10</td>
<td>90</td>
<td>29</td>
</tr>
<tr>
<td>11 – 30</td>
<td>93</td>
<td>29</td>
</tr>
<tr>
<td>31 - 50</td>
<td>45</td>
<td>14</td>
</tr>
<tr>
<td>51 - 70</td>
<td>17</td>
<td>5</td>
</tr>
<tr>
<td>71 – 90</td>
<td>37</td>
<td>12</td>
</tr>
<tr>
<td>91 – 100</td>
<td>33</td>
<td>11</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>315</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 5-2: Informant Characteristics

<table>
<thead>
<tr>
<th>Job title of informants</th>
<th>N</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner</td>
<td>88</td>
<td>28</td>
</tr>
<tr>
<td>CEO</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td>Managing director</td>
<td>65</td>
<td>20</td>
</tr>
<tr>
<td>General manager</td>
<td>39</td>
<td>12</td>
</tr>
<tr>
<td>Marketing manager</td>
<td>65</td>
<td>21</td>
</tr>
<tr>
<td>Manager</td>
<td>46</td>
<td>15</td>
</tr>
<tr>
<td>Missing</td>
<td>6</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>308</td>
<td>100</td>
</tr>
</tbody>
</table>
5.2.4 Entry Market Entry Information

Regarding foreign market entry mode choice, respondents were asked to identify the country entered and the type of mode related to the stated country. Response bands were used to elicit the type of entry mode firms used to enter foreign markets. In summary, of the 315 responses, 82% reported the use of export entry mode, and 4% foreign direct investment mode; while other entry modes represent 14%. Responses are summarised in Part A of Table 5-3.

The large number of export modes reported in this study reflects the popularity of the export modes in the general population of international entry modes of Australia firms, and indicates sample domination towards SMEs. This study will continue to refer to international marketing activity, which covers all modes of entry, and this reflects the reality as portrayed by the respondents. However, about 80% of the sample used the export mode, so essentially (but not completely), the study could be re-conceptualised as a study of export marketing performance.

In terms of foreign country entered, a wide range of countries were represented in the sample. A total of 45 countries comprised the sample. The top five countries reported were USA, China, Japan, Malaysia and Singapore. The responses are classified into six regions as shown in Part B of Table 5-3. The most popular continents were Asia; representing 63% of the sample; followed by North America and Europe, with 17% and 10% respectively. This is to be expected, given that Asia is geographically close to Australia, and has experienced high economic growth in recent years.

5.3 Data Cleaning

The following three sections present the results of data cleaning in terms of non-response bias, replacement of missing data and test of normality.
5.3.1 Handling of Non-response Bias

In this study, early responses were defined as the first 50% of returned surveys. The other (late) 50% were considered representative of firms that did not ultimately respond to the survey. Early and late respondent groups were compared using a series of independent t-tests at the 0.05 significant level. All variables relevant to the study were compared across both groups to determine whether the two groups differed significantly in their responses. Results are detailed in Appendix B. In summary, no significant differences were found between the two groups on any constructs relevant to the study. We conclude that there is no evidence of a major bias in construct measurement items due to non-response.

5.3.2 Replacement of Missing Data

Data were visually inspected to ascertain obvious patterns for missing data. The number of missing responses for all scales was low. The highest amount of
missing data is from variable number 79 (V79) “our firm provides a lot of channel support”, 16 responses were missing (about 5%).

Altogether, there were 701 missing values out of 25,830 possible responses {i.e., 82 (questions) times 315 (surveys)}, or 2.7% missing data. With the mean substitution method, the variable containing an empty cell was replaced by the mean value of that same variable. This method was used to fill in all missing values. With a full dataset thus assured for all survey variables, test of normality is the focus of the next sub-section.

5.3.3 Tests of Normality
Results of this test of normality were not encouraging. According to this restrictive test prescribed by the Kolmogorov-Smirnov formulation, no single variable was normally distributed. Attempts were then made to reduce non-normality by using the methods suggested by Tabachnick and Fidell (2000), namely the reflect-and-square-root and reflect-and-logarithm methods. However, the data remained skewed even after applying the transformation methods. Although not desirable, it is not necessarily a major problem for data analysis, as Maximum Likelihood Estimation is a reasonably robust method of dealing with non-normality data with a medium sample size (Browne, 1984), which is the case of this study.

5.4 Test of Sphericity, Measure of Sampling Adequacy, Reliability and Validity Tests
This section will firstly proceed with Bartlett’s test of sphericity and Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy. Secondly, Cronbach Alpha reliability tests for all eight constructs in the conceptual model will be examined. Convergent, discriminant and predictive validity will then be tested in turn.

5.4.1 Test of Sphericity and Measure of Sampling Adequacy
Table 5-4 presents the results of the Bartlett’s test of sphericity and KMO measure of sampling adequacy. All constructs achieved a significant p-value, less than 0.001. The results of Bartlett’s test of sphericity suggest that the items of the
construct are sufficiently correlated, indicating that the data are suitable for factor analysis.

The scores of KMO measure of sampling adequacy of all constructs are higher than the cut-off, 0.5. The scores range from 0.72 to 0.89. While items for the control construct (0.72), macro-marketing environment construct (0.78) and international marketing strategy (0.79) are “middling”, all the rest five constructs are “meritorious”; international commitment (0.85), brand orientation (0.89), brand performance (0.86), financial performance (0.86), brand repositioning (0.81). The results suggest that there is adequate and high variability in the collected data. In consideration of the satisfactory results of the Bartlett’s test of sphericity and KMO measure of sampling adequacy, further analysis based on the tested items in the constructs is deemed to be suitable.

5.4.2 Reliability Test

The initial and revised reliability scores for the various constructs are presented in Table 5-5 to Table 5-12, and discussed systematically in the subsequent section.

The reliability test results for international commitment are presented in Table 5-5. International commitment showed high consistency with an alpha value of 0.88, and all corrected item-total correlations were above the cut-off point. Thus, all five variables were retained for further study. However, V10 “Our firm’s executives travel frequently to foreign markets” was deleted after confirmatory factor analysis, which is discussed in a later section.
### Table 5-4: Test of Sphericity and Measure of Sampling Adequacy

<table>
<thead>
<tr>
<th>Constructs</th>
<th>KMO Measure of Sampling Adequacy</th>
<th>Bartlett’s Test of Sphericity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control</td>
<td>0.72</td>
<td>Approx. Chi-Square = 377.7 df = 3 sig. &lt; 0.001</td>
</tr>
<tr>
<td>International Commitment</td>
<td>0.85</td>
<td>Approx. Chi-Square = 983.8 df = 10 sig. &lt; 0.001</td>
</tr>
<tr>
<td>Macro-Marketing Environment</td>
<td>0.78</td>
<td>Approx. Chi-Square = 628.3 df = 45 sig. &lt; 0.001</td>
</tr>
<tr>
<td>Brand Orientation</td>
<td>0.89</td>
<td>Approx. Chi-Square = 1774.2 df = 15 sig. &lt; 0.001</td>
</tr>
<tr>
<td>Financial Performance</td>
<td>0.86</td>
<td>Approx. Chi-Square = 1826.0 df = 28 sig. &lt; 0.001</td>
</tr>
<tr>
<td>Brand Performance</td>
<td>0.86</td>
<td>Approx. Chi-Square = 795.7 df = 10 sig. &lt; 0.001</td>
</tr>
<tr>
<td>Brand Repositioning</td>
<td>0.81</td>
<td>Approx. Chi-Square = 620.6 df = 15 sig. &lt; 0.001</td>
</tr>
<tr>
<td>International Marketing Strategy</td>
<td>0.79</td>
<td>Approx. Chi-Square = 1169.4 df = 78 sig. &lt; 0.001</td>
</tr>
</tbody>
</table>

### Table 5-5: International Commitment Reliability Test Result

<table>
<thead>
<tr>
<th>Item</th>
<th>Initial Reliability</th>
<th>Final Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coefficient alpha</td>
<td>0.90</td>
<td>0.88</td>
</tr>
<tr>
<td>Corrected item-total correlation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>V7 promised resources</td>
<td>0.62</td>
<td>0.62</td>
</tr>
<tr>
<td>V8 management commitment</td>
<td>0.83</td>
<td>0.84</td>
</tr>
<tr>
<td>V9 adequate funds</td>
<td>0.78</td>
<td>0.74</td>
</tr>
<tr>
<td>V10 executives travel frequently (deleted after CFA)</td>
<td>0.74</td>
<td>n.a.</td>
</tr>
<tr>
<td>V11 international business high priority</td>
<td>0.78</td>
<td>0.75</td>
</tr>
</tbody>
</table>
Table 5-6 shows the reliability test results for brand repositioning. Brand repositioning measures demonstrated high alpha value of 0.81. All corrected item-total correlations are above the cut-off point. Therefore, all six variables were retained for further analysis. However, items V62 “compared to the domestic market, the quality of product in the foreign market was decreased” and V68 “compared to the domestic market, the distribution of the brand in the foreign market requires different method of distribution outlet” were deleted after confirmatory factory analysis.

### Table 5-6: Brand Repositioning Reliability Test Result

<table>
<thead>
<tr>
<th>Item</th>
<th>Initial Reliability</th>
<th>Final Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coefficient alpha</td>
<td>0.81</td>
<td>0.81</td>
</tr>
<tr>
<td>Corrected item-total correlation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>V62 quality of product decreased (deleted after CFA)</td>
<td>0.45</td>
<td>n.a.</td>
</tr>
<tr>
<td>V64 target market moved downmarket</td>
<td>0.69</td>
<td>0.62</td>
</tr>
<tr>
<td>V65 different promotion approach</td>
<td>0.51</td>
<td>0.52</td>
</tr>
<tr>
<td>V66 different product features</td>
<td>0.68</td>
<td>0.65</td>
</tr>
<tr>
<td>V67 different brand identity</td>
<td>0.63</td>
<td>0.67</td>
</tr>
<tr>
<td>V68 different distribution / outlet (deleted after CFA)</td>
<td>0.50</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

The reliability test results for control of marketing activities are presented in Table 5-7. The measures illustrated high consistency with an alpha value of 0.83, and all corrected item-total correlations were above the cut-off point. Thus, all three variables were used for further study.
Table 5-7: Control of Marketing Activities Reliability Test Result

<table>
<thead>
<tr>
<th>Item</th>
<th>Initial Reliability</th>
<th>Final Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coefficient alpha</td>
<td>0.83</td>
<td>0.83</td>
</tr>
<tr>
<td>Corrected item-total</td>
<td></td>
<td></td>
</tr>
<tr>
<td>correlation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>V1 influence over marketing</td>
<td>0.74</td>
<td>0.74</td>
</tr>
<tr>
<td>V2 control major decision</td>
<td>0.71</td>
<td>0.71</td>
</tr>
<tr>
<td>V3 make decisions relating to the brand</td>
<td>0.66</td>
<td>0.66</td>
</tr>
</tbody>
</table>

Table 5-8 shows the reliability test results for brand orientation. The measures satisfied both the cut-off points of the alpha coefficient and the item-total correlations. As a result, all six variables were kept for further analysis. Item V32 “branding flows through all marketing activities” and V7 “everyone in this firm understands that branding our product / service is a top priority for our business” were deleted after confirmatory factor analysis.

Table 5-8: Brand Orientation Reliability Test Result

<table>
<thead>
<tr>
<th>Item</th>
<th>Initial Reliability</th>
<th>Final Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coefficient alpha</td>
<td>0.94</td>
<td>0.94</td>
</tr>
<tr>
<td>Corrected item-total correlation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>V32 branding flows through marketing activities (deleted after CFA)</td>
<td>0.75</td>
<td>n.a.</td>
</tr>
<tr>
<td>V33 branding essential to strategy</td>
<td>0.88</td>
<td>0.85</td>
</tr>
<tr>
<td>V34 branding essential in running the firm</td>
<td>0.87</td>
<td>0.89</td>
</tr>
<tr>
<td>V35 long term brand planning</td>
<td>0.85</td>
<td>0.87</td>
</tr>
<tr>
<td>V36 brand is an important asset</td>
<td>0.85</td>
<td>0.85</td>
</tr>
<tr>
<td>V37 everyone understands branding being a top priority (deleted after CFA)</td>
<td>0.74</td>
<td>n.a.</td>
</tr>
</tbody>
</table>
For the macro-marketing environment construct (Table 5-9), five items including V12 “in relation to the domestic market, the foreign market is more unstable”, V14 “in relation to the domestic market, disposable income of this foreign market is lower”, V15 “in relation to the domestic market, customers in this foreign market are wealthier”, V17 “in relation to the domestic market, people in this foreign market tend to value individual time more” and V19 “in relation to the domestic market, the technological knowledge of customers in this foreign market is more sophisticated” were dropped due to a low item-total correlation. The resulting estimates had an alpha value of 0.73. Moreover, V18 “interpersonal relationships more important” was dropped after confirmatory factor analysis. Thus, further analysis was based on the remaining four variables, which are related to cultural aspects, whereas the loadings of all other aspects on macro-marketing such as economical and technological did not load (well) on this construct.

Table 5-9: Macro-marketing Environment Aspects Reliability Test

<table>
<thead>
<tr>
<th>Item</th>
<th>Initial Reliability</th>
<th>Final Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coefficient alpha</td>
<td>0.70</td>
<td>0.73</td>
</tr>
<tr>
<td>Corrected item-total correlation</td>
<td>0.03</td>
<td>n.a.</td>
</tr>
<tr>
<td>V12 more unstable foreign market (deleted)</td>
<td>0.03</td>
<td>n.a.</td>
</tr>
<tr>
<td>V13 overseas customers behave differently</td>
<td>0.51</td>
<td>0.54</td>
</tr>
<tr>
<td>V14 lower disposable income (deleted)</td>
<td>0.05</td>
<td>n.a.</td>
</tr>
<tr>
<td>V15 wealthier overseas customers (deleted)</td>
<td>-0.02</td>
<td>n.a.</td>
</tr>
<tr>
<td>V16 motivation of overseas customers harder to understand</td>
<td>0.47</td>
<td>0.50</td>
</tr>
<tr>
<td>V17 value more individual time (deleted)</td>
<td>0.16</td>
<td>n.a.</td>
</tr>
<tr>
<td>V18 interpersonal relationships more important (deleted after CFA)</td>
<td>0.51</td>
<td>n.a.</td>
</tr>
<tr>
<td>V19 more sophisticated technological knowledge (deleted)</td>
<td>0.16</td>
<td>n.a.</td>
</tr>
<tr>
<td>V20 visual aspects more important</td>
<td>0.45</td>
<td>0.42</td>
</tr>
<tr>
<td>V22 culture totally different</td>
<td>0.51</td>
<td>0.54</td>
</tr>
</tbody>
</table>
The measures for a firms’ brand performance were also found acceptable after dropping the item V51 “our overall branding strategy is working well”, because both the alpha coefficients and item-total correlation were above the cut-off points. Details of the results are shown in Table 5-10.

Table 5-10: Firms' Brand Performance Reliability Test Result

<table>
<thead>
<tr>
<th>Item</th>
<th>Initial Reliability</th>
<th>Final Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coefficient alpha</td>
<td>0.88</td>
<td>0.88</td>
</tr>
<tr>
<td>V51 overall branding strategy</td>
<td>0.60</td>
<td>n.a.</td>
</tr>
<tr>
<td>working well (deleted after CFA)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>V52 building a strong brand</td>
<td>0.77</td>
<td>0.77.</td>
</tr>
<tr>
<td>awareness</td>
<td></td>
<td></td>
</tr>
<tr>
<td>V53 building a solid brand</td>
<td>0.69</td>
<td>0.69</td>
</tr>
<tr>
<td>reputation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>V54 satisfying with brand</td>
<td>0.76</td>
<td>0.76</td>
</tr>
<tr>
<td>marketing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>V55 building strong brand loyalty</td>
<td>0.73</td>
<td>0.73</td>
</tr>
</tbody>
</table>

The measures for a firms’ financial performance were also found acceptable; both the alpha coefficients and item-total correlation were above the cut-off points after deleting V46 “we are very satisfied with our sales performance in the overseas markets”, V48 “overall, our firm has fully capitalised on the potential that overseas afford for our firm”, V49 “we are satisfied with the ratio of overseas to domestic sales” and V50 “we are satisfied with the sales profitability ratio from the overseas market”. V43 “your market share in the overseas markets in the last 12 month” was dropped after confirmatory factor analysis. Details of the results are shown in Table 5-11.
Table 5-11: Firms' Financial Performance Reliability Test Result

<table>
<thead>
<tr>
<th>Item</th>
<th>Initial Reliability</th>
<th>Final Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coefficient alpha</td>
<td>0.90</td>
<td>0.87</td>
</tr>
<tr>
<td>Corrected item-total correlation</td>
<td>0.81</td>
<td>0.73</td>
</tr>
<tr>
<td>V42 growth rate of sales</td>
<td>0.78</td>
<td>n.a.</td>
</tr>
<tr>
<td>Corrected item-total correlation</td>
<td>0.84</td>
<td>0.84</td>
</tr>
<tr>
<td>V44 profitability</td>
<td>0.84</td>
<td>0.87</td>
</tr>
<tr>
<td>V45 overall financial performance</td>
<td>0.68</td>
<td>n.a.</td>
</tr>
<tr>
<td>Corrected item-total correlation</td>
<td>0.49</td>
<td>0.50</td>
</tr>
<tr>
<td>V47 total return on investment</td>
<td>0.48</td>
<td>n.a.</td>
</tr>
<tr>
<td>V48 capitalising overseas market potential</td>
<td>0.50</td>
<td>n.a.</td>
</tr>
<tr>
<td>V49 satisfaction with the ratio of overseas sales</td>
<td>0.62</td>
<td>n.a.</td>
</tr>
<tr>
<td>V50 satisfaction with the sales profitability ratio</td>
<td>0.82</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

For international marketing strategy (refer to Table 5-12), seven items were dropped due to low item-total correlation. The resulting estimates had an alpha value of 0.82. Thus, further analysis was based on the remaining six variables. Note should be made here that all six remaining variables represent promotion and distribution strategies. All items related to product and pricing were taken out due to the low loadings. One consideration of the implication of having just two of the Ps is that the price variable does not feature in this strategy, which is consistent with the literature (Cavusgil & Zou, 1994; Shoham & Kropp, 1998).

Product could be more problematic. It may be due to the lack of variance in these items. Another implication of it may be the product aspect within the international marketing strategy is relatively standardised. The final thought here is that the items used to measure the product aspect may not represent the construct well.
This may be the cause of the low reliability and validity of the product aspect in the international marketing strategy construct, as measured in this study.

Table 5-12: International Marketing Strategy Reliability Test Result

<table>
<thead>
<tr>
<th>Item</th>
<th>Initial Reliability</th>
<th>Final Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coefficient alpha</td>
<td>0.79</td>
<td>0.82</td>
</tr>
<tr>
<td>V69 modifying products (deleted)</td>
<td>0.37</td>
<td>n.a.</td>
</tr>
<tr>
<td>V70 emphasising product quality (deleted)</td>
<td>0.30</td>
<td>n.a.</td>
</tr>
<tr>
<td>V71 engaging development of new products (deleted)</td>
<td>0.34</td>
<td>n.a.</td>
</tr>
<tr>
<td>V72 eliminating products not satisfying customer needs (deleted)</td>
<td>0.29</td>
<td>n.a.</td>
</tr>
<tr>
<td>V73 analysing competitors’ prices (deleted)</td>
<td>0.40</td>
<td>n.a.</td>
</tr>
<tr>
<td>V74 frequently offering discount (deleted)</td>
<td>0.14</td>
<td>n.a.</td>
</tr>
<tr>
<td>V75 setting promotional objectives</td>
<td>0.57</td>
<td>0.57</td>
</tr>
<tr>
<td>V76 developing promotion messages</td>
<td>0.53</td>
<td>0.48</td>
</tr>
<tr>
<td>V77 providing after sales service (deleted)</td>
<td>0.30</td>
<td>n.a.</td>
</tr>
<tr>
<td>V78 building strong relationship with distributors</td>
<td>0.62</td>
<td>0.61</td>
</tr>
<tr>
<td>V79 providing channel support</td>
<td>0.66</td>
<td>0.65</td>
</tr>
<tr>
<td>V80 evaluating channels of distribution</td>
<td>0.57</td>
<td>0.57</td>
</tr>
<tr>
<td>V81 engaging in dealer relations programs</td>
<td>0.57</td>
<td>0.57</td>
</tr>
</tbody>
</table>

The coefficient alphas for all constructs were above the 0.60 cut-off point. The range of the coefficient alphas was from 0.73 to 0.94. In all cases, the coefficient alpha exceeded 0.70. The item-total correlations of the variables of the constructs were above the 0.20 cut-off point. The range of the item-total correlation was from 0.42 to 0.89. For all constructs, the alpha coefficient and item-total correlation for these measures were considered acceptable to proceed with this study.
5.4.3 Convergent Validity

The critical ratio values in confirmatory factor analysis can be used to analyse the convergent validity of the items within the construct, to see whether they are fitting together. The critical ratios (c.r.) of all the items were found significant at the 0.05 level (c.r. >1.96, p<0.05). These results support the convergent validity of the proposed measurement models.

All measurement models were found to have a Normed Fit Index score of values 0.90 or above, which demonstrates strong convergent validity of the measurement model (refer to Section 5.5 for details).

5.4.4 Discriminant Validity

The current study used four tests of discriminant validity, as a way of being totally confident. The first test was to test discriminant validity in structural equation modelling. The second test was to measure the average variance extracted in exploratory factor analysis. Correlation between factors was the third test to examine discriminant validity. The last test was to use exploratory factor analysis to examine the number of components extracted in pairwise manner. The results of these four tests will be presented below in turn.

The first test of discriminant validity was performed by using structural equation modelling method. With eight constructs in the model, there were twenty six chi-square tests in total to run for discriminant validity checks. Twenty-five out of these twenty-six discriminant validity checks achieved significant results, at the 0.01 level, and one at the 0.05 level (financial performance and international commitment). Thus, by this test, discriminant validity of all constructs has been established.

The second test of discriminant validity was the examination of the average variance extracted (AVE) in pairs of all constructs. Results of the tests of AVE were found satisfactory. The upper diagonal of Table 5-13 shows the results of the tests. All paired AVEs showed higher values than the correlations coefficient,
which are at the lower diagonal. The results suggested that discriminant validity was supported.

Table 5-13: Discriminant Valid Test Using AVE and Correlation Methods

<table>
<thead>
<tr>
<th>Constructs</th>
<th>com</th>
<th>repos</th>
<th>control</th>
<th>bo</th>
<th>cul</th>
<th>brand</th>
<th>fin</th>
<th>strat</th>
</tr>
</thead>
<tbody>
<tr>
<td>com</td>
<td>---</td>
<td>0.77</td>
<td>0.85</td>
<td>0.78</td>
<td>0.75</td>
<td>0.84</td>
<td>0.84</td>
<td>0.84</td>
</tr>
<tr>
<td>repos</td>
<td>0.19</td>
<td>---</td>
<td>0.74</td>
<td>0.77</td>
<td>0.83</td>
<td>0.79</td>
<td>0.76</td>
<td>0.81</td>
</tr>
<tr>
<td>control</td>
<td>0.47</td>
<td>0.11</td>
<td>---</td>
<td>0.82</td>
<td>0.73</td>
<td>0.79</td>
<td>0.77</td>
<td>0.79</td>
</tr>
<tr>
<td>bo</td>
<td>0.22</td>
<td>0.19</td>
<td>0.34</td>
<td>---</td>
<td>0.79</td>
<td>0.79</td>
<td>0.77</td>
<td>0.81</td>
</tr>
<tr>
<td>cul</td>
<td>0.15</td>
<td>0.39</td>
<td>0.07</td>
<td>0.24</td>
<td>---</td>
<td>0.75</td>
<td>0.75</td>
<td>0.81</td>
</tr>
<tr>
<td>brand</td>
<td>0.40</td>
<td>0.24</td>
<td>0.23</td>
<td>0.26</td>
<td>0.15</td>
<td>---</td>
<td>0.85</td>
<td>0.85</td>
</tr>
<tr>
<td>fin</td>
<td>0.40</td>
<td>0.16</td>
<td>0.19</td>
<td>0.19</td>
<td>0.15</td>
<td>0.44</td>
<td>---</td>
<td>0.82</td>
</tr>
<tr>
<td>strat</td>
<td>0.43</td>
<td>0.31</td>
<td>0.23</td>
<td>0.32</td>
<td>0.31</td>
<td>0.47</td>
<td>0.33</td>
<td>---</td>
</tr>
</tbody>
</table>

Abbreviations used in the structural model in Table 5-13:

comm = international commitment
repos = brand repositioning
control = control of international marketing activities
bo = brand orientation
cul = cultural aspects
brand = brand performance
fin = financial performance
strat = international marketing strategy

The third method was concerned with the intercorrelations between the constructs. Results of the intercorrelations between the constructs are shown in the lower diagonal in Table 5-13. None of the correlation shows more than 0.50, indicating that no pair of constructs were so inter-correlated as to suggest that they could be one construct. As a result, discriminant validity of all constructs was support.

The final test examined discriminant validity by performing an exploratory factor analysis. Exploratory factor analysis using principal components with varimax rotation was performed. For all of the twenty-eight pairs in this study, there were always two components extracted for each pair of concepts, indicating discriminant validity.
5.4.5 Predictive Validity
With eight constructs in the conceptual model, seven of these were examined for their (within sample) predictive validity. The financial-performance construct cannot be considered, as it does not predict the occurrence of any construct in the model. All other seven constructs were shown to have predictive validity as they all showed consequential statistical significant relationships (critical ratio > 1.96, p < 0.05). The statistical significant correlations of the constructs showed that the measures can correctly predict the occurrence of other constructs that have a theoretical relation.

5.5 Confirmatory Factor Analysis
Confirmatory factor analyses of all seven constructs showed satisfactory results in terms of the fit measures mentioned above. The results are summarised in Table 5-14.

Detailed discussions of the confirmatory factor analyses for various constructs are presented as follows:

5.5.1 Brand Repositioning
In general, from various fit indices, this model adequately represents the sample data. After deleting the items “compared to the domestic market, the quality of the product in the foreign market was increased” (V62) (factor loading = 0.54) and “compared to the domestic market, the distribution of the brand in the foreign market requires a different method of distribution / outlet” (V68) (factor loading = 0.57), the results of the confirmatory factory analysis indicated an excellent fit, adjusted goodness of fit index (AGFI)=0.99. Additionally, the p-value for the chi-square statistic of 1.73 was good because it is insignificant, indicating a close fit between the model and the data. Regarding the factor loadings, the standardised coefficients for all indicators were above 0.50 (0.71, 0.54, 0.80, 0.74, respectively), indicating construct validity. It can be noted that the best two indicators for this construct are “compared to the domestic market, the product features in the foreign market were different” (V66), which had 0.80 factor loading and “compared to the
domestic market, the distinctive identity of the brand in the foreign market was different” (V67), which had 0.74 factor loading. As shown in Table 5-15, all three absolute fit indices passed the hurdle requirement. Incremental fit measures also performed very well, with all measures larger than the recommended value of 0.90, again indicating a good fit for the model.

Table 5-14: Summary of Confirmatory Factor Analysis of Various Constructs

<table>
<thead>
<tr>
<th>Constructs / Fit measures</th>
<th>Chi-Square (df, p-value)</th>
<th>AGFI</th>
<th>RMSEA</th>
<th>IFI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand repositioning</td>
<td>1.73 (4df, p=0.42)</td>
<td>0.99</td>
<td>0.01</td>
<td>0.99</td>
</tr>
<tr>
<td>International commitment</td>
<td>0.78 (2df, p=0.68)</td>
<td>0.99</td>
<td>0.01</td>
<td>0.99</td>
</tr>
<tr>
<td>Culture</td>
<td>0.66 (2df, p=0.72)</td>
<td>0.99</td>
<td>0.01</td>
<td>0.99</td>
</tr>
<tr>
<td>Brand Orientation</td>
<td>2.26 (1df, p=0.13)</td>
<td>0.96</td>
<td>0.06</td>
<td>0.99</td>
</tr>
<tr>
<td>International marketing strategy</td>
<td>11.96 (7df, p=0.10)</td>
<td>0.96</td>
<td>0.05</td>
<td>0.99</td>
</tr>
<tr>
<td>Brand performance</td>
<td>0.02 (1df, p=0.89)</td>
<td>0.99</td>
<td>0.01</td>
<td>0.99</td>
</tr>
<tr>
<td>Financial performance</td>
<td>0.59 (2df, p=0.74)</td>
<td>0.99</td>
<td>0.01</td>
<td>0.99</td>
</tr>
</tbody>
</table>

Note:  

i) Normed fit indices (NFI) are not shown in the summary, but they are the same values as Incremental fit indices (IFI).

ii) The control construct is not included in the summary. It is because there are only three items measuring the construct with the consequence of obtaining a saturated model to which the fit measures cannot be applied. Instead of using the mentioned fit measures, p-values of the three items were adopted to test the measurement model. A p-value less than 0.05 indicates a statistically significant result. That is, the items are considered to load well on the hypothesised latent construct. The results of the three items demonstrate significant results (refer Section 5.5.5 for details).
Table 5-15: Fit Measures for the Confirmatory Factor Analysis Model of Brand Repositioning

<table>
<thead>
<tr>
<th>Fit indices</th>
<th>Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square</td>
<td>1.73 (4 df, p=0.42)</td>
</tr>
<tr>
<td>Adjusted goodness of fit index (AGFI)</td>
<td>0.99</td>
</tr>
<tr>
<td>Root mean square error of approximation (RMSEA)</td>
<td>0.01</td>
</tr>
<tr>
<td>Incremental fit index (IFI)</td>
<td>0.99</td>
</tr>
<tr>
<td>Normed fit index (NFI)</td>
<td>0.99</td>
</tr>
</tbody>
</table>

5.5.2 International Commitment

The results of CFA in general are very satisfactory after deleting the indicator, “our firm’s executives travel frequently to foreign markets” (V10) (factor loading = 0.77). All four of the absolute fix indices achieved excellent results. For instance, the p-value for chi-square was greater than 0.05, and AGFI was greater than 0.90. The standardised factor loading coefficients (0.67, 0.93 0.80, 0.83) were well above the acceptable level 0.4, and the squared multiple correlations for each indicator were 0.44, 0.87, 0.64, 0.68. It might be noted that “the extent of management commitment to the international venture is substantial” (V8) was perceived to have the strongest impact on this factor, with a regression coefficient loading of 0.93.

The incremental fit measures demonstrated satisfactory results, with all of these above the cut-off point of 0.90. As with the incremental fit measures, absolute fit indices also demonstrated satisfactory results. Statistics of these indices are shown in Table 5-16.

Table 5-16: Fit Measures for the Confirmatory Factor Analysis Model of International Commitment

<table>
<thead>
<tr>
<th>Fit indices</th>
<th>Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square</td>
<td>0.78 (2 df, p=0.68)</td>
</tr>
<tr>
<td>Adjusted goodness of fit index (AGFI)</td>
<td>0.99</td>
</tr>
<tr>
<td>Root mean square error of approximation (RMSEA)</td>
<td>0.01</td>
</tr>
<tr>
<td>Incremental fit index (IFI)</td>
<td>0.99</td>
</tr>
<tr>
<td>Normed fit index (NFI)</td>
<td>0.99</td>
</tr>
</tbody>
</table>
5.5.3 Culture

The results of the various fit measures demonstrated satisfactory results of this construct. After deleting “in relation to the domestic market, interpersonal relationships in this foreign market are more important” (V18) (factor loading = 0.58); the indices of the absolute fit measures for culture aspects suggest that the model fits well, with the p-value for chi square statistics being 0.66 and AGFI 0.99. All incremental fit measures also reported acceptable results, all above the 0.90 cut-off (details are shown in Table 5-17).

The standardised factor loading coefficients (0.45, 0.67, 0.64, 0.67) were well above the acceptable level (0.4), and the squared multiple correlations for each indicator were 0.20, 0.45, 0.40, 0.45. The strongest variable in this construct was “in relation to the domestic market, the culture in the foreign market is totally different” (V22) with standardised factor loading of 0.673, followed by “in relation to the domestic market, the motivation of customers in the foreign market is harder to understand” (V16); and “in relation to the domestic market, customers in the foreign market behave differently” (V13), with standardised factor loadings of 0.67 and 0.64 respectively.

Table 5-17: Fit Measures for the Confirmatory Factor Analysis Model of Cultural Aspects

<table>
<thead>
<tr>
<th>Fit indices</th>
<th>Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square</td>
<td>0.66 (2 df, p=0.72)</td>
</tr>
<tr>
<td>Adjusted goodness of fit index (AGFI)</td>
<td>0.99</td>
</tr>
<tr>
<td>Root mean square error of approximation (RMSEA)</td>
<td>0.01</td>
</tr>
<tr>
<td>Incremental fit index (IFI)</td>
<td>0.99</td>
</tr>
<tr>
<td>Normed fit index (NFI)</td>
<td>0.99</td>
</tr>
</tbody>
</table>

To further check the face validity of the culture construct, a categorisation of overseas countries based on the mean scores using the four items to measure culture scale was performed. The mean score represents the perception with regard to the cultural closeness/distance of overseas markets in relation to Australia held by the international marketers of Australian firms. An interval scale of one to
seven with endpoints “strongly disagree” to “strongly agree” was used. This scale can examine the perceived cultural closeness/distance deviated from Australia. In other words, the higher the mean score, the higher the perceived cultural distance is from Australia. Three groups of countries/districts emerged. The results are shown in Figure 5-1.

The countries in the first group scored relative low in the four questions. That is, they were perceived to have little cultural difference in relation to Australia one. These countries included New Zealand, U.S.A., Canada, the U.K., Switzerland and Spain. These countries have similar historical background and/or are at a similar economic standing.

The second group of countries scored about average in the scale. It represents a perceived moderately close culture to Australia. Seven countries in this group are Hong Kong, Philippines, Singapore, South Korea, Taiwan, Saudi Arabia and Macau. Interestingly, all countries in this group are in Asia, including the four little dragons. The increasing economic activities between Australian firms and these countries may minimise the perceived cultural difference, as more understanding and common grounds can be found between them.

The distant culture group scored relative high in the scale. This group comprises China, U.A.E., Thailand, Indonesia, New Caledonia, Malaysia, Japan and India. An interesting finding is that Thailand and Indonesia are geographically close to Australia, but they were perceived to be very different culturally.

Face validity arises because most of the nominated countries are readily associated with a particular category. Based on common understanding, most Australia people would associate New Zealand, U.S.A., Canada and U.K. as having a culture fairly similar to Australia. The same people would, in contrast, associate China, Japan, India and Indonesia as having a more distant culture from Australia.
Figure 5-1: Categorisation of Perceived Cultural Closeness

Countries with close culture to Australia
- New Zealand
- U.S.A
- Canada
- U.K.
- Switzerland
- Spain
- South Africa

Countries with moderately close culture to Australia
- Hong Kong
- Philippines
- Singapore
- South Korea
- Taiwan

Countries with distant culture to Australia
- China
- U.A.E.
- Thailand
- Indonesia
- New Caledonia
- Malaysia
- Japan
- India
Note that countries with insufficient number were not shown in the table and this classification is based on the mean score of the four cultural aspect items:

- In relation to the domestic market, visual aspects such as packaging and colours are more important in this foreign market
- In relation to the domestic market, the culture in this foreign market is totally different
- In relation to the domestic market, the customers in this foreign market behave differently
- In relation to the domestic market, the motivation of customers in the foreign is harder to understand

5.5.4 Brand Orientation

In general, based on various fit indices, this model adequately represents the sample data. After making covariations of “branding is essential to our strategy” (V33) and “long term brand planning is critical to our future success” (V35); and taking out “everyone in this firm understands branding our product / service is a top priority for our business” (V37) (factor loading = 0.75), the results of the confirmatory factory analysis indicate a reasonable fit, adjusted AGFI=0.96. Also, the p-value for the chi-square statistic of 0.13 was good because it was insignificant, indicating a close fit between the model and the data. Although the RMSEA measure did not meet the excellent pre-determined cut-off of 0.05, it was still at the acceptable level of 0.06 (that is, less than 0.08). Regarding factor loadings, the standardised coefficients for all indicators were above 0.85 (0.91, 0.91, 0.93, 0.87 respectively), indicating construct validity. It can be noted that the best two indicators for this construct were “long term brand planning is critical to future success” (V35), which had 0.93 factor loading, followed by “branding is essential in running this firm” (V34) and “branding is essential to our strategy” (V33); both of which had 0.91 factor loading.
As shown in Table 5-18, all three absolute fit indices passed the hurdle requirement, with incremental fit measures also performing very well. All measures satisfy the pre-specified values; for instance, IFI at 0.99, which was higher than the 0.90 cut-off point. All measures indicated a good fit for the model.

Table 5-18: Fit Measures for the Confirmatory Factor Analysis Model of Brand Orientation

<table>
<thead>
<tr>
<th>Fit indices</th>
<th>Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square</td>
<td>2.26 (1 df, p=0.13)</td>
</tr>
<tr>
<td>Adjusted goodness of fit index (AGFI)</td>
<td>0.96</td>
</tr>
<tr>
<td>Root mean square error of approximation (RMSEA)</td>
<td>0.06</td>
</tr>
<tr>
<td>Incremental fit index (IFI)</td>
<td>0.99</td>
</tr>
<tr>
<td>Normed fit index (NFI)</td>
<td>0.98</td>
</tr>
</tbody>
</table>

5.5.5 Control of Foreign Marketing Activities

Because the measurement model of control of foreign marketing activities was a saturated model, it has no degree of freedom. This is a kind of perfect fit and the model cannot be disconfirmed. Thus, the only way of assessing the validity of this model was to study factor loadings for the individual observed variables. Table 5-19 shows that the factor loadings for observed variables were significant (at p < 0.05 or better), as indicated by critical ratio well in excess of the benchmark of 1.96 in absolute terms. This consequence indicated that all the indicators could validly reflect the construct of control of foreign market entry choice. Among the three observed variables, “our firm wanted a considerable influence over the marketing (V1) had the highest standardised loading 0.85; followed by “our firm wanted to control major decision making of the foreign operation” (V2) and “our firm wanted to make all the decisions relating to the integrity of the brand” (V3), with factor loadings of 0.81 and 0.73 respectively.
Table 5-19: Measures for the Confirmatory Factor Analysis Model of Control

<table>
<thead>
<tr>
<th></th>
<th>Standardised regression weight</th>
<th>T-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>V1</td>
<td>0.85</td>
<td>13.52</td>
</tr>
<tr>
<td>V2</td>
<td>0.81</td>
<td>13.52</td>
</tr>
<tr>
<td>V3</td>
<td>0.73</td>
<td>12.66</td>
</tr>
</tbody>
</table>

5.5.6 International Marketing Strategy

The results of CFA in general are very satisfactory after making two modifications for four indicators, “our firm sets strategic promotional objectives (V75)” and “our firm carefully develops advertising/promotion messages” (V76); and “our firm carefully evaluates alternative channels of distribution” (V80) and “our firm engages in designing and implementing effective dealer relations programs” (V81). All four of the absolute fit indices achieved excellent results. For instance, the p-value for chi-square was 0.10, which was greater than the cut-off 0.05, and AGFI was also greater than 0.96. The standardised factor loading coefficients (0.45, 0.41, 0.79, 0.86, 0.64, and 0.58) were well above the acceptable level 0.4, and the squared multiple correlations for each indicator (0.21, 0.17, 0.62, 0.74, 0.41, 0.33) of this construct are graphically displayed in Table 5-20 below. It might be noted that “our firm provides a lot of channel support” (V79) was perceived to have the strongest impact on this factor, with a regression coefficient loading of 0.86.

The incremental fit measures demonstrate satisfactory results. All of them were above the cut-off points of 0.90. Moreover, all three overall absolute fit indices met all pre-set cut-off points, as shown in Table 5-20.
Table 5-20: Fit Measures for the Confirmatory Factor Analysis Model of
International Marketing Strategy

<table>
<thead>
<tr>
<th>Fit indices</th>
<th>Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square</td>
<td>11.96 (7 df, p=0.10)</td>
</tr>
<tr>
<td>Adjusted goodness of fit index (AGFI)</td>
<td>0.96</td>
</tr>
<tr>
<td>Root mean square error of approximation (RMSEA)</td>
<td>0.05</td>
</tr>
<tr>
<td>Incremental fit index (IFI)</td>
<td>0.99</td>
</tr>
<tr>
<td>Normed fit index (NFI)</td>
<td>0.98</td>
</tr>
</tbody>
</table>

5.5.7 Brand Performance

Various fit indices show this model adequately represents the sample data. After allowing for a covariations of (V53) “our firm has built a solid brand reputation” and (V55) “our firm has built strong brand loyalty”, the results of the confirmatory factory analysis indicated an excellent fit, AGFI=0.99. Additionally, the p-value for the chi-square statistic of 0.89 was good because it was insignificant, indicating a close fit between the model and the data. Regarding the factor loadings, the standardised coefficients for all indicators were above 0.70 (0.87, 0.70, 0.78, and 0.84 respectively), indicating construct validity. Details of the statistics are shown in Table 4.19. It can be noted that the best two indicators for this construct were “our firm has built strong brand awareness in the target market” (V52), which has 0.87 factor loading; followed by “we are satisfied with brand marketing” (V54), with 0.84 factor loading.

As shown in Table 5-21, all three absolute fit indices passed the requirement. All measures satisfied the pre-specified values; for instance, AGFI at 0.99, was higher than the 0.90 cut-off point. Incremental fit measures also performed very well. All measures indicated a good fit for the model.
Table 5-21: Fit Measures for the Confirmatory Factor Analysis Model of Brand Performance

<table>
<thead>
<tr>
<th>Fit indices</th>
<th>Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square</td>
<td>0.20 (1 df, p=0.89)</td>
</tr>
<tr>
<td>Adjusted goodness of fit index (AGFI)</td>
<td>0.99</td>
</tr>
<tr>
<td>Root mean square error of approximation (RMSEA)</td>
<td>0.01</td>
</tr>
<tr>
<td>Incremental fit index (IFI)</td>
<td>0.99</td>
</tr>
<tr>
<td>Normed fit index (NFI)</td>
<td>0.99</td>
</tr>
</tbody>
</table>

5.5.8 Financial Performance

Various fit indices confirmed that this model adequately represents the sample data. After deleting (V43) “market share in the past twelve months” (factor loading = 0.7), the results of the confirmatory factory analysis indicated an excellent fit, AGFI = 0.99. Also, the p-value for the chi-square statistic of 0.74 was good because it was insignificant, indicating a close fit between the model and the data. Regarding the factor loadings, the standardised coefficients for all indicators are above 0.50, (0.78, 0.93, 0.97, 0.52 respectively), indicating construct validity. Details of the statistics are shown in Figure 8. It can be noted that the best two indicators for this construct were “overall financial performance in the overseas market in the last 12 months” (V45), which had a 0.97 factor loading; and “profitability of your firm in the overseas market in the last 12 month” (V44), which had a 0.93 factor loading.

As shown in Table 5-22, all three absolute fit indices passed the requirement. All measures were larger than the recommended value of 0.90, or less than that of 0.05, indicating a good fit for the model. Incremental fit measures also performed very well. Both INF and NFI were above the pre-set level of 0.90.
Table 5-22: Fit Measures for the Confirmatory Factor Analysis Model of Financial Performance

<table>
<thead>
<tr>
<th>Fit indices</th>
<th>Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square</td>
<td>0.59 (2 df, p=0.74)</td>
</tr>
<tr>
<td>Adjusted goodness of fit index (AGFI)</td>
<td>0.99</td>
</tr>
<tr>
<td>Root mean square error of approximation (RMSEA)</td>
<td>0.01</td>
</tr>
<tr>
<td>Incremental fit index (IFI)</td>
<td>0.99</td>
</tr>
<tr>
<td>Normed fit index (NFI)</td>
<td>0.99</td>
</tr>
</tbody>
</table>

In summary, satisfactory results of confirmatory factor analysis of the eight constructs in the conceptual model in terms of overall absolute fit measures and incremental fit measures, confirmed the validity of the constructs. Combined with the acceptable levels of reliability, discussed in Section 5.5, all constructs have been purified and are ready for measurement and structural model evaluation, which are the topics of the next sections.

5.6 Evaluation of Measurement Models

The following three sub-sections will present the results of three blocks of measurement models. Measurement model analysis aims to confirm that the items measure the specified theoretical constructs, even when more than one construct is present in the model. The first block is to examine the measurement model for international marketing strategy. The first block of measurement model analysis involves only one construct, international marketing strategy. The second block analyses the measurement model for the antecedents of international marketing strategy. It comprises the constructs that influence international marketing directly or indirectly. Those constructs included in this block of analysis included cultural aspect, control of international marketing activities, international commitment, brand repositioning and brand orientation. Brand performance and financial performance were the two construct in the third block of measurement model analysis. These two constructs made up the measurement model for the consequences of international marketing.
5.6.1 The First Block of Measurement Model for International Marketing Strategy
Since there was only one construct involved in this measurement model, the results are exactly the same as the confirmatory factor analysis presented in Section 5.5.6. The results are satisfactory, with all indices satisfying the cut-offs (refer to Table 5-20). For example, the AGFI value was 0.96, RMSEA value was 0.05 and IFI value was 0.99. The results confirmed that the items of international marketing strategy did measure the construct it was specified to measure.

5.6.2 The Second Block of Measurement Model for the Antecedents of International Marketing Strategy
Five constructs, which are jointly engaged in this block of measurement model, were correlated with one another. At this stage, no directions of paths were stated. All four of the absolute fit indices for this measurement model achieved excellent results. For instance, the p-value for chi-square was greater than 0.05, and the AGFI was greater than 0.90. The incremental fit measures also demonstrated satisfactory results, with all of these being above the cut-off points of 0.90. In summary, the results, as depicted in Table 5-23, show the model is valid. That is, the items of the five constructs in this block of analysis measure their specified constructs in a valid way.

Table 5-23: Fit Measures for the Second Block of Measurement Model of Antecedents of International Marketing Strategy

<table>
<thead>
<tr>
<th>Fit indices</th>
<th>Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square</td>
<td>32.98 (25 df, p=0.13)</td>
</tr>
<tr>
<td>Adjusted goodness of fit index (AGFI)</td>
<td>0.96</td>
</tr>
<tr>
<td>Root mean square error of approximation (RMSEA)</td>
<td>0.03</td>
</tr>
<tr>
<td>Incremental fit index (IFI)</td>
<td>0.99</td>
</tr>
<tr>
<td>Normed fit index (NFI)</td>
<td>0.99</td>
</tr>
</tbody>
</table>

5.6.3 The Third Block of Measurement Model for the Consequences of International Marketing Strategy
Constructs of consequences of international marketing strategy were involved in this measurement model, namely financial performance and brand performance.
As shown in Table 5-24, all four overall absolute fit indices passed the minimum requirement. Incremental fit measures also performed very well. All measures are far larger than the recommended value of 0.90 for AGFI, IFI and NFI; or less than that of 0.05 for RMSEA. The results indicated a good fit for the model. In general, from various fit indices, this block of measurement model adequately represents the sample data for the consequences of international marketing strategy. In other words, the items were found to measure their specified latent constructs.

### Table 5-24: Fit Measures for the Measurement Model of Consequences of International Marketing Strategy

<table>
<thead>
<tr>
<th>Fit indices</th>
<th>Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-square</td>
<td>0.89 (1 df, p=0.36)</td>
</tr>
<tr>
<td>Adjusted goodness of fit index (AGFI)</td>
<td>0.99</td>
</tr>
<tr>
<td>Root mean square error of approximation (RMSEA)</td>
<td>0.01</td>
</tr>
<tr>
<td>Incremental fit index (IFI)</td>
<td>0.99</td>
</tr>
<tr>
<td>Normed fit index (NFI)</td>
<td>0.99</td>
</tr>
</tbody>
</table>

After the measurement models of international marketing strategy were tested to be satisfactory, the inter-relationships amongst these three tiers of constructs can be tested by structural equation modelling. The satisfactory results in terms of various fit measures of the structural model also enable me to advance to the further investigation of causal relationships of the conceptual model. Details of the analysis of the structural model will be discussed in the next section.

### 5.7 Evaluation of the Full Structure Model

Based on the protocol suggested by (Cheng, 2001) and Anderson and Gerbing (1988), evaluation of the full model starts with assessment of the model fit. Assessment of the model fit uses goodness-of-fit measures (see Section 4.6) to determine how adequately the model accounts for the data.

#### 5.7.1 Overall Absolute Fit Measures

Maximum likelihood estimation determines estimates for the model parameters that maximise the likelihood of observing the available data that may represent the parameters in the same population. The structural model was tested using
maximum likelihood estimation, and was found to achieve a good overall fit. All overall absolute fit measures met all pre-determined criteria. To start, the index of AGFI found was 0.91, which is above the cut-off point of 0.90, indicating a good fit of the model to the data.

Another overall fit index, RMSEA index, also demonstrates a good fit of the model with a 0.05 value. Compared to 0.08, this indicates a lack of misfit of the model to the data. Thus, both RMSEA and AGFI achieved satisfactory results. These two results suggest that there is support for the overall conceptual (structural) model. In other words, international marketing strategy is a statistically factor influencing a firm’s performance. A firm’s internal factors, such as commitment and capabilities, together with external factors (such as culture), statistically significantly affect a firm’s international marketing strategy.

The next fit index to look at is the chi-square test statistics. There is a growing body of literature showing concerns about the reliability of chi-square index in SEM when the sample size is big (Anderson & Gerbing, 1988; Bacon, 1997; Cheng, 2001; Hair et al., 1998; Hoyle, 1995; Purdie & Hattie, 2002). When the sample size exceeds 200 respondents, the chi-square has a greater tendency to indicate a significant value even though only trivial discrepancies exist between a model and the data (Hair et al., 1998). As a result, the chi-square value is probably a less useful indicator in comparison with other fit measures for a model based on a large sample (Bacon, 1997; Hair et al., 1998). When a significant chi-square result is obtained (that is the value less than 0.05), it is necessary to perform extra tests to examine whether the result is caused by large sample size.

In the structural model analysis for the current international study, there is an issue in the chi-square test that shows a significant result (Chi-square=169.17, df=93, p=<0.001). Although not desirable, such a significant p-value can occur due to large samples (Anderson & Gerbing, 1988; Bacon, 1997; Cheng, 2001; Hair et al., 1998; Hoyle, 1995; Purdie & Hattie, 2002). Therefore, the current study follows the practice of other researchers and de-emphasises the p scores associated with the chi-square value. Note however that the p was significant (less than 0.01), which
may not be desirable but not considered a problem (Bacon, 1997; Cheng, 2001; Hair et al., 1998).

In response to the limitation of the chi-square index, three other alternative measures that throw light on the problem of sample size will be further considered. These are Hoelter’s critical N, Normed chi-square (chi-square / df), and the standardised root mean square residual (SRMR), and the recommended cut-off criteria to be used are as follows:

1. Hoelter’s critical N - greater than 200 (Hoelter, 1983; Hu & Bentler, 1995)
2. Normed Chi-square - 3 or less (Carmines & McIver, 1981; Kline, 1998)
3. SRMR - 0.08 or less (Asmundson, Stein, & Mcreary, 2002; Hu & Bentler, 1999; Kline, 2005; Lindwall, 2004)

The results of all these three measures are satisfactory in the current study.

Firstly, the value for Hoelter’s critical N is 217 at 0.05 level and 237 and 0.01 level. Hoelter’s critical N presents the largest sample size for which one would accept the hypothesis that a model is correct, at the 0.05 or 0.01 level. This sheds light on the chi-square fit index's sample size problem. When Critical N is greater than 200, it suggests that a large sample size may be a cause of insignificant chi-square. The cut-off (Critical N greater than 200) was satisfied in the sample. Thus, the model is an adequate representation of the sample data in consideration of the large sample size.

Secondly, the Normed Chi-square also achieved a satisfactory result, with the value of 1.82. Normed Chi-square is the ratio of chi-square divided by the degrees of freedom, and is related to sample size when the model is false (Marsh, Balla, & McDonald, 1988). The result of meeting the cut-off point of less than indicates a reasonable model fit when considering the sample size effect.

Thirdly, the value of the SRMR is 0.06, which is appropriately less than the cut-off of 0.08. The SRMR is measured on the basis of average residual covariance (Hair
et al., 1998). A low residual level indicates a symmetrical distribution around zero. The satisfactory result of the SRMR analysis indicates that the model is fitting well when the sample size is taken into consideration.

The acceptable results of these additional measures signify that the p-value of chi-square being less than 0.05 may be due to the effect of higher sample size, rather than inferior conceptualisation of the model. The three new measures of Hoelter’s critical N, Normed Chi-square and SRMR balance the chi-square p-value test.

With the results of various overall fit indices, such as AGFI, RMSEA, Hoelter’s critical N, Normed Chi-square, and SRMR, it is evident that the full model can be accepted in terms of these results on overall absolute fit measures.

5.7.2 Incremental Fit Measures
The incremental fit measures for the full model also attained very good results. All measures were larger than the recommended level of 0.90, indicating an acceptance for the model. For example, the Normed Fit Index is 0.94, which is above the predetermined cut-off point of 0.90. The Normed Fit Index of 0.94 found in this study means the relative fit of the model is 94% better than that of the null model estimated with the same sample data.

Another incremental fit measure is the Incremental Fit Index. In the analysis, Incremental Fit Index was found to be 0.97, which is above the pre-set cut-off point of 0.90. With satisfactory results from both the Normed Fit Index and the Incremental Fit Index, the full model is therefore acceptable in terms of incremental fit measures.

5.7.3 Summary of Structural Measurement of the Full Model
The conceptual model was analysed by structural equation modelling method based on the indices of AGFI, RMSEA, IFI, NFI, Hoelter’s critical N, Normed Chi-square and SRMR. The results of all these indices are satisfactory; that is, meeting all the pre-set thresholds. As a whole, all these fit measures indicated an acceptance of the full model. Therefore, the full model can be said to be logical,
and to have construct validity. Table 5-25 below summarises the values for all three types of measures.

**Table 5-25: Fit Measures for the Full Structural Model**

<table>
<thead>
<tr>
<th>Fit indices</th>
<th>Statistics</th>
<th>Benchmark</th>
<th>Acceptable or not</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Absolute fit measure</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chi-square</td>
<td>169.17 (93 df, p&lt;0.01)</td>
<td>p&gt;0.05</td>
<td>N/A*</td>
</tr>
<tr>
<td>Adjusted goodness of fit index (AGFI)</td>
<td>0.91</td>
<td>&gt;0.90</td>
<td>Yes</td>
</tr>
<tr>
<td>Root mean square error of approximation (RMSEA)</td>
<td>0.05</td>
<td>&lt;0.08</td>
<td>Yes</td>
</tr>
<tr>
<td><strong>Incremental fit measures</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Incremental fit index (IFI)</td>
<td>0.97</td>
<td>&gt;0.90</td>
<td>Yes</td>
</tr>
<tr>
<td>Normed fit index (NFI)</td>
<td>0.94</td>
<td>&gt;0.90</td>
<td>Yes</td>
</tr>
<tr>
<td>Measures taking into consideration of sample size</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hoelter’s critical N</td>
<td>217 at 0.05 level</td>
<td>&gt;200</td>
<td>Yes**</td>
</tr>
<tr>
<td></td>
<td>237 at 0.01 level</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Normed Chi-square</td>
<td>1.82</td>
<td>&lt;3</td>
<td>Yes**</td>
</tr>
<tr>
<td>Standardised root mean square residual (SRMR)</td>
<td>0.06</td>
<td>&lt;0.08</td>
<td>Yes**</td>
</tr>
</tbody>
</table>

Note:  * Chi-square not applicable because of large sample size.

** These alternative evaluations are proposed in place of chi-square p-value, namely Hoelter’s critical N, Normed Chi-square and SRMR.

A graphical representation of the fitted international marketing strategy model with correlations, the regression coefficients, and the R-squared values is illustrated in Figure 5-2 below.
Figure 5-2: Fitted International Marketing Strategy Model
Abbreviations used in the structural model in Figure 5.1:

fin = financial performance  
brand = brand performance  
strat = international marketing strategy  
bo = brand orientation  
comm = international commitment  
control = control of international marketing activities  
repos = brand repositioning  
cul = cultural aspects

5.8 Path Hypothesis Testing
After confirmation of the model fitting the data based on various fit indices as discussed in Section 5.7, there is a need to look at hypothesis testing of all paths in the conceptual model to determine whether the hypothesised relationships are statistically significant. In the conceptual model, there are two exogenous constructs, namely control of international marketing activities and foreign culture aspects. These two exogenous constructs do not have any hypothesised causes. The remaining seven constructs are endogenous constructs, which have hypothesised causal links to them.

International marketing strategy is pivotal to explaining two types of performance; namely financial and brand performance. Hence, these two performance measures represent the consequence of international marketing strategy. International marketing strategy also depends upon the three antecedents, namely brand orientation, brand repositioning and international commitment. Brand repositioning relies on international commitment and culture aspects. Finally, control of marketing activities has a direct impact on both international commitment and brand orientation.

All ten hypotheses achieved significant results statistically, all with p-values associated with the parameter coefficients less than 0.01. The paths demonstrate
positive relationships *between* the constructs, meaning that when a specified
construct moves positively or negatively, another specified construct will move
positively and negatively correspondingly. The standardised coefficients of the ten
paths range from 0.17 to 0.65.

The three most significant paths are H1 (international marketing strategy
determining brand performance); H7 (control of marketing activities determining
international commitment); and H5 (international commitment determining
international marketing strategy; with standardised coefficients of 0.65, 0.56 and
0.52, respectively. These results firstly indicate the importance of international
marketing strategy, which can enhance a firm’s brand performance by 0.65
standardised points for every standardised point increase in international marketing
strategy. Secondly, control of marketing activities is an important determinant of
international commitment such that an increase of one standardised point of extent
of control of marketing activities will lead to 0.56 standardised points of
international commitment. Finally, international commitment is a critical input to
international marketing strategy. Every single standardised point of increase in
international commitment can lead to an increase of international marketing
strategy by 0.52 standardised points.

The results of hypothesis testing in terms of the standardised coefficients, t-
statistics and significant level (p-value) for the relationships between the three tiers
of constructs (i.e. firm performance, international marketing strategy, brand related
activities and cultural environment) are summarised in Table 5-26 below.

The three strongest paths (H1, H5 and H7) have been noted. Briefly the other paths
found to be significant include the role of international marketing strategy as a
determinant of financial performance (H2 supported). H3 was also supported,
indicating that brand performance is a significant influence on financial
performance. Brand orientation was found to be a significant determinant of
international marketing strategy (H4 supported). A significant result of brand
repositioning having a positive impact on international marketing strategy was also
found (H6 supported). H8, which was hypothesised that culture aspect is a positive
determinant of brand repositioning, was statistically confirmed. Control of marketing activities was found to be a significant factor to influence brand orientation (H9). Finally, H10 was supported, signifying that international commitment is a positive determinant of brand repositioning.

Table 5-26: Path Hypothesis Confirmation Using Total Population Data

<table>
<thead>
<tr>
<th>Model Hypotheses</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>H1</strong>: International marketing strategy is a positive determinant of brand performance.</td>
<td>Coefficient 0.65 t-statistic 7.43 (p&lt;0.001) Significant</td>
</tr>
<tr>
<td><strong>H2</strong>: International marketing strategy is a positive determinant of financial performance</td>
<td>Coefficient 0.33 t-statistic 3.32 (p&lt;0.002) Significant</td>
</tr>
<tr>
<td><strong>H3</strong>: Brand performance is a positive determinant of financial performance</td>
<td>Coefficient 0.27 t-statistic 3.16 (p&lt;0.003) Significant</td>
</tr>
<tr>
<td><strong>H4</strong>: Brand orientation is a positive determinant of international marketing strategy</td>
<td>Coefficient 0.29 t-statistic 4.54 (p&lt;0.001) Significant</td>
</tr>
<tr>
<td><strong>H5</strong>: International commitment is a positive determinant of international marketing strategy</td>
<td>Coefficient 0.52 t-statistic 6.61 (p&lt;0.001) Significant</td>
</tr>
<tr>
<td><strong>H6</strong>: Brand repositioning is a positive determinant of international marketing strategies</td>
<td>Coefficient 0.29 t-statistic 4.54 (p&lt;0.001) Significant</td>
</tr>
<tr>
<td><strong>H7</strong>: Control of marketing activities is a positive determinant of international commitment</td>
<td>Coefficient 0.56 t-statistic 8.03 (p&lt;0.001) Significant</td>
</tr>
<tr>
<td><strong>H8</strong>: Culture aspect is a positive determinant of brand repositioning</td>
<td>Coefficient 0.49 t-statistic 5.58 (p&lt;0.001) Significant</td>
</tr>
<tr>
<td><strong>H9</strong>: Control of marketing activities is a positive determinant of brand orientation</td>
<td>Coefficient 0.39 t-statistic 6.32 (p&lt;0.001) Significant</td>
</tr>
<tr>
<td><strong>H10</strong>: international commitment is a positive determinant of brand repositioning</td>
<td>Coefficient 0.17 t-statistic 2.73 (p&lt;0.007) Significant</td>
</tr>
</tbody>
</table>
5.9 Summary of Hypothesis Testing

All ten hypotheses were found statistically significant at the 0.01 level. The results indicated very strong specified relationships between the constructs. It can be concluded from the findings that the structural model is valid. In other words, both the *external* environment (H8, H6) and *internal* organisation (H5, H7, H9, H10) characteristics affect international marketing and branding strategies, and these in turn impact positively on a firm’s performance. Although the coefficients of internal factors are higher than those of external factors, both are important. Nonetheless, internal factors are somewhat more important in the overall model.

5.10 Sensitivity Analysis

The purpose of sensitivity analysis was to determine the sensitivity of the outcomes of an alternative model in terms of changes in its estimated parameters. If a small change in a parameter results in relatively large changes in the estimated parameters, the outcomes are considered to be sensitive to that parameter. Sensitivity analysis can thus provide further insight that demonstrates the robustness of the model and reassurance that the design of the model is optimal. Four sensitivity analyses were conducted to examine whether the structural model depicted in Figure 5-2 best fits the data. The first sensitivity analysis was to add in a construct, experience. The second will test a model *without* international marketing strategy to establish whether it is a real mediator of firm’s performance and other constructs. The third analysis was firstly introduced to replace the brand orientation construct in the model. The fourth analysis was simply to add the market orientation construct to the model while other constructs remained the same. Then, multiple regression analyses were performed to examine if, in terms of the beta coefficients, there were differences between service and manufacturing firms; and large and small firms. The final sensitivity test was to investigate the formative structure of the constructs.

The variable ‘experience’, operationalised as the number of foreign markets in which the firms operate, was added to the model to examine the changes to the parameters. It was hypothesised to impact on brand and financial performance.
International experience enables international marketers to gain insights and knowledge of an international market. Foreign market knowledge is critical for firms to succeed in international marketing activities. Firms accumulate knowledge of foreign markets through experience (Anderson, 1993). Knowledge about a foreign market could enhance a firm’s chances to succeed. Firms that have international experience are more likely to be able to capitalise on these experiences in their operation. Organisational learning through experience may reduce the risks involved in new market entries, and benefit subsequent market performance and survival probability (Gielens & Dekimpe, 2001). A firm’s cumulative knowledge in learning can improve its business operation in a sense that it may benefit price competitiveness by creating a learning curve effect that reduces overheads, average unit costs and higher volume of production (Chang, 1996). The more thorough understanding of a market, the more a firm can come up with an international branding strategic planning that suits the characteristics of the market, which in turn will be more likely to boost overall international marketing performance.

Empirical evidence supports the positive relationship between firms’ international experience and export performance (Aaby & Slater, 1989; Cavusgil & Zou, 1994; Li & Ogunmokun, 2000). It seems that when firms gather experience in their international venturing, they may be able to learn more efficient international marketing techniques. This experience becomes a competency effect in international operations enabling firms to make better use of a variety of international branding strategies. Thus, the international experience construct was added to examine whether there is a positive determinant of the overall international marketing performance as suggested by the extant literature.

From the results of various indices and path hypothesis testing, little change in the overall fit indices was found. However, the newly added paths did not show significant results, with low (insignificant) 0.56 and 0.52 p-values for impacts on brand performance and financial performance respectively. It can be concluded that this new model with the construct ‘experience’ did not fit the data better than the model without the construct; thus, the original should be sustained. It means
that international experience, while important, did not add to the explanatory power of the model. Structural equation modelling is a very demanding in not allowing too many variables to play a role. Only the most powerful variables survive this rigorous approach. International experience was not among the survivors.

The second sensitivity analysis was to take out the construct international marketing strategy to study the changes to the parameters without the mediating effect of this construct. The three constructs, namely brand orientation, international commitment and brand repositioning, directly affecting international marketing strategy in the original conceptual model were respecified to impact directly on firm performance. The relationships of other constructs remained the same as the original conceptual model. For examples, brand performance affects financial performance and culture influences brand repositioning. The results showed that there were little change in fit indices. However, a closer examination reveals the path of repositioning influencing financial performance, as well as the path of brand orientation influencing financial performance were not significant, their p-values being 0.89 and 0.20 respectively. These two paths were significant in the original conceptual model before re-specification. The model without international marketing strategy thus gave insignificant results for these two important paths. It casts doubt on the model representing the population parameters. Therefore, the original model is considered the better model, that is, international marketing strategy is retained as a mediating variable.

Market orientation is considered as a cornerstone of contemporary marketing. It is concerned with a business focus paying balanced attention to both customers and competitors to drive the business (Kohli & Jaworski, 1990; Narver & Slater, 1990). Kohli and Jaworski (1990) and Narver and Slater (1990) were the first to consider market orientation in as a multifaceted concept. In general, the three dimensions of market orientation are organization-wide generation of intelligence generation, sharing and dissemination of such market intelligence and organization-wide market responsiveness. Empirical studies with respect to market orientation have suggested that there are favourable links to job satisfaction, intentions to leave and trust in management (Ruekert, 1992); it has a favourable impact on customer
retention rates (Balakrishnan, 1996); it can enhance business profitability (Kim, 2003; Pelendran, Speed, & Widing, 2000); it can positively affect sponsor trust and sponsor commitment (Farrelly & Quester, 2003). These empirical studies proposed that market orientation can drive the business to achieve better firm performance.

Market orientation was operationalised by seven items, adopted from (Farrelly & Quester, 2003). These items are i) in this organization we do a lot of in-house research, ii) we undertake market research to measure customer satisfaction, iii) our management involves employees in planning and decision making, iv) we respond quickly to changing customer requirements, v) we successfully plan ahead to satisfy customers in the future, vi) a high priority is placed on implementing changes to increase future customer satisfaction, and vii) we target customer and customer groups where we have, or can have, a competitive advantage. These seven items represent the multifaceted concept of market orientation, intelligence generation, information dissemination and market responsiveness.

The third sensitivity test was to examine the discriminant validity of market orientation construct to see how that construct differs from brand orientation. Treating brand orientation and market orientation as a pair of constructs, the combined AVE was 0.77 and the correlation coefficient of these two constructs was 0.19. As AVE was greater than the square of the correlation coefficient, it can be declared that they are different constructs.

The results from the fourth analysis, market orientation construct in place of brand orientation construct, showed that the fit indices of the model were worse than the original model. For example, AGFI was 0.89, which is lower than the predetermined minimum acceptable level 0.90. In addition, NFI was 0.90 (compared to 0.94 in the original model), IFI was 0.94 (compared to 0.97 in the original model), RMSEA was 0.07 (compared to 0.05 in the original model), normed chi-square was 2.40 (compared to 1.82 in the original model) and SRMR was 0.07 (compared to 0.06 in the original model). All these fit indices suggest that the market orientation does not fit in the model well as brand orientation. Therefore,
the original model is considered the better model, that is, brand orientation rather than market orientation is retained in the model.

Another approach to test the validity market orientation construct in the model is to add the market orientation construct to the model, all other constructs remained the same. The market orientation construct had the identical paths as brand orientation, a path being marketing orientation affecting international marketing strategy and a path being control influencing market orientation. The fit indices of the model were worse than the original model. AGFI was 0.88, which was not up to the pre-determined minimum level 0.90. Compared to the original model, all other indices performed worse. NFI was 0.90 (compared to 0.94 in the original model), IFI was 0.94 (compared to 0.97 in the original model), RMSEA was 0.07 (compared to 0.05 in the original model), SRMR was 0.07 (compared to the original model 0.06 in the original model). Thus, the original model, having only brand orientation construct, is considered the better model than the model with both market orientation and brand orientation in the model.

All these five sensitivity analyses illustrated that brand orientation, which is different to market orientation, and international marketing strategy are two important and irreplaceable constructs in the model. International experience, on the other hand, does not play any role in the international branding model.

The last sensitivity analysis is to test the formative structure of the constructs. In addition, the international marketing strategy is separated into three components, namely product, promotion and distribution. Price was not included in the analysis due to low reliability of the items (Cronback’s Alpha 0.26 and item-total correction 0.15). Multiple regression analyses were performed to examine if the model works in formative manner. The results, which are shown in Appendix G, demonstrate similar results as those found in structural equation modelling in general. In brief, all the paths in the structural model are still significant in the multiple regression analyses, except the variable product. These results are also consistent with the findings from structural equation modelling in that product does not play any role in predicting financial performance or brand performance. From the analyses of
multiple regression and structural equation modelling, it can be concluded that the results are the similar no matter it is in formative or reflective structure.

5.11 Chapter Summary
This chapter started with the satisfactory reliability and validity results of brand orientation construct development and model strengthening in the domestic and international stages. Sample statistics showed that 315 useable questionnaires were returned from 2,882 mailouts, making the response rate 12.4%. A wide range of both manufacturing (41% of all responding firms) and services firms (54% of all responding firms) were represented in the study. Additionally, market entry into 45 countries was reported, although there are a relatively high percentage of entries into Asia. The sample is skewed towards to small and medium size firms, with 84% of the sample employing less than 100 staff.

Missing data was less than 3% of the answers to the questions asked. Missing data was substituted by mean score. Non-response bias, estimated by comparing early with late responses to the survey, does not appear to be a major problem in this study. The results of a series of independent t-tests indicated that there are no statistically significant differences between early and late respondents on any of the construct components relevant to the study.

Bartlett’s test of sphericity and KMO measure of sampling adequacy showed good results for the items measuring their specified constructs. Next, Cronbach Alpha reliability tests were conducted for all constructs. All results were satisfactory, that is, the Alpha coefficients were greater than the cut-off of 0.70. The critical ratio values of the items within each construct and the NFI scores for the confirmatory factor analysis model in confirmatory factor analysis demonstrated convergent validity. All four tests used to examine discriminant validity of all constructs were satisfactory, confirming the existence of discriminant validity. Predictive validity was also confirmed for all constructs, as statistically significant (determining) relationships of the specified constructs were found.
The conceptual model was analysed in the steps of confirmatory factor analysis, measurement model analysis and full model estimation. Various statistics, such as Chi-square, RMSEA, GFI, AGFI, NFI, and IFI, were adopted to evaluate these models. Satisfactory results were found for confirmatory factory analysis of all constructs and measurement models.

Satisfactory results were also found to achieve acceptable statistics and cut-off points for the final structural measurement analysis. In response to the limitation of the chi-square statistics in SEM, three more model fit measures were introduced. They were Hoelter’s critical N, Normed Chi-square and SRMR. These alternative measures confirmed that the insignificant result of the p-value of the chi-square statistics in the structural model was due to large sample size. All fit measures showed the structural model as fitting the data well. The satisfactory results of the various statistics demonstrate the essential role of international marketing strategy in the structural model. When combined with other capabilities such as international branding factors and commitment and external factors like culture, a firm’s performance can be enhanced.

Results of standardised coefficients and hypotheses testing were studied to examine the significance of the paths outlined in the conceptual model, all of which had significant p-values of less than 0.01. All ten hypotheses were strongly supported. The strongest path was international marketing strategy being a positive determinant of brand performance.

Six sensitivity tests were conducted to examine the alternative models, the discriminant validity of market orientation and brand orientation, and the formative structure of the constructs. The results of the sensitivity tests of the alternative model confirmed that the conceptual model of international marketing strategy was best fitted the data than other alternative models. Sensitivity tests also confirmed that market orientation and brand orientation are two distinctive constructs. Moreover, formative structures of the constructs were tested using multiple regression analyses. The results showed no big difference to those with reflective structures.
The implications of the role of branding in terms of its impact on financial performance and the prerequisites of carrying out brand repositioning within the overseas markets were discussed.

In summary, the results of all the tests mentioned in this chapter confirmed the reliability and validity of the items of the constructs. The tests also supported the holistic conceptual model of international marketing strategy proposed in this research.
Chapter 6  Conclusion

6.1  Introduction
This chapter is the final part of the thesis. It will span a summary of the chapters to contributions to knowledge, practice and methodology, limitation of the study and future research.

This chapter will firstly summarise all the previous chapters in section 6.2. Section 6.3 will present a summary of the research findings. Next, a discussion in terms of the role of international marketing strategy, branding and other issues will be detailed in section 6.4. Section 6.5 will contain a discussion of knowledge contributions in general. Theoretical contributions will then be examined in section 6.6, followed by a discussion of methodological contributions in section 6.7. Section 6.8 will detail practical contributions. This will then be followed by the limitations of the study and potential topics for future research, in sections 6.9 and 6.10 respectively. The final section 6.11 will detail concluding comments on the whole study.

6.2  Summary of the Chapters
In chapter one, the perspectives on international branding were briefly discussed. From there, the key research question regarding the role of branding strategy in international marketing was established. The factors related to it, such as international branding, international commitment and macro-marketing environment that this research tries to find out were discussed. The significance of this study and the framework of the research design were also discussed.

In chapter two, the extant literature on the branding issues, international marketing strategy and international marketing performance were reviewed, attempting to understand the relationships among these three areas. A research gap, namely the role of branding in the international context, in the literature was derived from the literature review.
Based on the literature review and in-depth interviews, a refined model of Cavusgil and Zou’s (1994) export marketing model was presented in chapter three. The refined conceptual model explicitly spelt out the critical role a brand plays in the international venture. It was hypothesised that macro-marketing environment in the foreign market and the extent of control of marketing activities had significant impacts on international marketing strategy and branding issues, which would affect a firms’ brand and financial performance. Altogether, there were eight constructs identified in this conceptual model. The definitions and ten hypotheses delineating the relationships of these eight constructs were discussed in chapter three as well.

Chapter four discussed the research method used to test the conceptual. The chapter outlined the research process; from sampling issues, data collection procedure to the method of dealing with missing data, used in this study. The key (and new) construct, brand orientation, was developed both domestic and international studies. The procedure drawn from Churchill (1979) was used as the base for the development of the constructs. Barlett’s test of sphericity, KMO sampling adequacy, Cronbach Alpha reliability test and Confirmatory Factor Analysis were identified and articulated as tests of the reliability and validity of the constructs. Suggestions by Anderson and Gerbing (1988), Cheng (2001) and Kline (1998) were followed to test the conceptual model in two phases, namely measurement and structural estimation. The main advantage of this approach is the assurance of the items actually measuring their specified constructs. The cut-off criteria adopted for various fit indices were pre-determined before the analyses were performed.

Chapter five analyses the survey data. Items that were specified to measure their constructs were found reliable and valid. The whole conceptual model of international marketing strategy tested by using structural equation modelling was found satisfactory in fitting the sample data, in both measurement and structural phases. All hypotheses were confirmed and the predictive power of the exogenous variables on endogenous variables was established.
This chapter presents a discussion based on the research findings; the theoretical, methodological and practical contributions of the research, its limitations, and potential topics of future research.

6.3 Summary of the Study
This study has validated a model of international marketing strategy. The conceptual model is basically three-fold. Firstly, it suggests that international marketing strategy influences a firm’s performance; secondly, that branding strategy and internal commitment affect international marketing strategy; and finally, that external factors such as culture within overseas markets affect branding strategy. The overall structural model was found to be statistically valid and reliable.

This study highlights the multidimensionality, complexity and critical importance of international marketing strategy. Studying international marketing strategy in a way that explicitly considers its multidimensionality does not supersede, but rather enriches, previous conceptualisations in the international marketing literature. This study signifies that international branding is more complex and different from domestic branding.

6.4 Discussion
This section will firstly discuss the implications of the role of international marketing strategy, followed by the implications of the role of international branding strategy, with emphasis on the relationships between the branding constructs such as brand orientation, brand repositioning and brand performance. Finally, other issues found from the model will be discussed.

6.4.1 Implications of the Role of International Marketing Strategy
The results of the structural model confirm the importance of international marketing strategy, as it has a positive and significant effect on both a firm’s brand and financial performance. When comparing the coefficients of the international marketing strategy on brand performance and financial performance, it was found that international marketing strategy has a greater direct impact on brand

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performance than financial performance. In other words, marketing strategies can enhance brand performance, such as brand awareness, reputation and loyalty to a greater extent than financial performance, such as growth rate, market share and return on investment. This result signifies that international marketers need good international marketing strategies to achieve good brand performance. In other words, high levels of brand awareness, reputation and loyalty can be accomplished when the international marketing strategies are right. Additionally, the total impact of international marketing strategy on financial performance needs to combine both direct and indirect effect. An indirect effect occurs because international marketing strategy influences brand performance and in turn brand performance influences financial performance.

The final specification of the model reveals that the only direct antecedent of performance is international marketing strategy. Thus, international marketing strategy mediates the influence of brand orientation, international commitment and brand repositioning. Effective international marketing performance is enhanced through greater commitment of resources, a brand orientation and brand repositioning to suit the cultural context. However, ideally, these three forces need to be designed into the international marketing strategy to achieve optimal impact. For example, a firm like Coca Cola might slightly reposition itself to suit the more conservative culture in Asia. It should then ensure that the marketing mix, including promotion, reflex this different brand position.

6.4.2 Implications of the Role of Branding in the Structural Model
The results confirm the important role branding plays in this model. Firstly, one of the performance measures is brand performance, which indicates branding is important as an end, of value by itself. This finding indicates that it is not sufficient for firms to focus purely on the process of brand management such as developing the right brand message. Additionally, firms could focus on the matrix relating to brand performance. The relevant matrix in the current study includes brand awareness, reputation and loyalty.
Relatedly, brand performance has a significant influence on a firm’s financial performance. That is, the higher the brand performance, the higher the financial performance. This finding suggests that brand awareness, reputation and loyalty do pay off in terms of monetary reward for firms. In other words, monetary reward will follow when brands perform well in the overseas markets. Equally, for firms that have not themselves understood, verified or articulated the link between brand performance and financial performance, they can now be more confident that if they can get brand right, there will be a flow-on effect to financial performance.

Thirdly, brand repositioning and brand orientation were found to help shape effective international marketing strategy. In fact, two out of the three factors that directly affect international marketing strategy are overtly brand related. The finding relating to brand repositioning proposes that international marketing strategy works better if the brand is repositioned to suit the culture of the overseas markets. From another point of view, when firms want to improve their international marketing strategy in the overseas market, it is better to reposition their brands to reflect the uniqueness of the culture.

Fourthly, brand orientation needs to be part of the whole strategic process, as it can strengthen international marketing strategy. International marketing strategy needs to draw on the brand. Brand oriented firms are more likely to enhance their distribution and promotion efforts with better targeting to reflect the brand.

6.4.3  **Implications of Other Issues**

The finding of this study provides insight into how a brand oriented firm can be developed. The result suggests that a brand oriented firm needs to have a high level of control of marketing activities within the overseas market. It places emphasis on cultivating, protecting and managing the brand, keeping the brand under the control of the international marketer. The control of marketing activities allows international marketers to maintain the brand, as they would like to in the overseas market.
Control of marketing activities can also affect the level of international commitment. When international marketers want to have a higher level of control in the overseas market, they need to commit more resources. For example, promotional materials may need to be provided by international marketers from the home country rather than leaving distributors in the overseas markets to produce them. Another form of higher level of control is to open an office that performs marketing activities in the overseas market. This wholly owned office can act as a control agent whose function is to conduct marketing activities in the way the international marketer in the home country would like them to be. Operating with a wholly owned office requires a higher level of resources to make it work.

The model also reveals that when a firm decides to reposition its brand within the overseas markets, they need to understand the nature of culture within those overseas markets. The repositioning needs to be conducted in a culturally acceptable way in the overseas markets. In other words, before exercising brand repositioning, it is more likely to be successful when the target market’s culture is taken into consideration.

Moreover, brand repositioning was found to be affected by international commitment. The result indicates that brand repositioning is an exercise that needs input from various resources. A higher level of international commitment, such as human and financial resources can facilitate better brand repositioning within the overseas markets.

A special aspect of the results is the establishment of the relationships between brand repositioning and both international commitment and cultural aspects of the overseas markets. While both international commitment and cultural aspects were found to significantly impact on brand repositioning, cultural aspects were more critical than international commitment in influencing the deployment of brand repositioning. It was shown that the external factor (cultural aspects) was a stronger driver of brand repositioning, compared with the internal driver (international commitment). It confirms the findings in the in-depth interviews at the international stage that both internal and external factors are the driving force of
the international marketing strategy. For this particular construct (brand repositioning) the external factor dominates. However, when all factors in the model are considered, the internal factors (control of marketing activities, international commitment) seem to be somewhat more important than the external factor (culture).

One of the factors influencing international marketing strategy, besides the branding variables discussed in the previous section, is international commitment. The findings suggest that international commitment is the most significant factor affecting international marketing strategy, followed by brand repositioning and brand orientation. These results confirm the critical role of international commitment in international marketing strategy. International commitment, such as financial and human resources, is needed to be in place when designing the international marketing strategy. Without the required resources, firms are less likely to deploy an effective international marketing strategy in the overseas markets.

6.5 Contributions to Knowledge, Methodology and Practice
International expansion is one of the important strategic means by which firms pursue growth. This study makes several contributions to the academic study and business practice of international marketing. Some findings in this research reinforce the extant literature, while other findings add new knowledge to it. The findings provide insight to international marketers with regard to deploying resources, establishing strategy and adapting the strategy to the culture within overseas markets. The competitive pressure of international markets requires firms to pursue strategies that increase their potential for success. Judicious investments in finance and personnel are required for overseas expansion.

Brands are increasingly considered and used as a strategic tool in order to stand out and excel within a competitive market (Moore et al., 2000; Mosmans, 1996; Mosmans & van der Vorst, 1998). Nevertheless, only a limited number of studies have considered branding strategy in the international context (Moore et al., 2000; Shocker et al., 1994). International branding strategy can be used to enhance a
firm’s performances abroad. Two different types of firm performance - brand and financial - were considered in this research. Additionally, this research extends our knowledge of international branding strategy. By studying international branding in a holistic view, this research builds an understanding of the role played by international marketing strategies in international business.

### 6.6 Theoretical Contributions

The theoretical or knowledge contributions of this study can be viewed from four perspectives. The first perspective is the findings that reinforce the extant literature. This perspective of contributions is to respond to Hubbard and Armstrong’s (1994) view that lack of replication studies is important not only to marketing in general but also in the realm of international marketing. The second perspective represents theoretical contributions that go one step further than those at the first level. This means contributions that build on the existing literature, but provide a new perspective to it. The third perspective characterises significant and innovative contributions to the knowledge of international marketing. Finally, the fourth perspective signifies contributions that challenge the extant literature. Details of these four levels of contributions will be discussed in turn below.

#### 6.6.1 Contributions Reinforcing the Extant Literature

The extant literature suggests that both internal and external factors are important in international marketing (Cavusgil & Zou, 1994; Li & Ogunmokun, 2000; O'Cas & Julian, 2003; Shoham, 1999). The findings in this study are parallel to the literature.

In terms of internal factors, the literature suggests that firms’ resources and capability standings affect firms’ international performance (Appiah-Adu, 1999; Cavusgil & Zou, 1994; Li & Ogunmokun, 2000; O'Cas & Julian, 2003; Shoham & Kropp, 1998; Styles & Ambler, 1994). The findings of this research are in line with this internal-based perspective of the firm. The structural tests of the overall model support the proposition that firms’ capabilities such as brand repositioning plays an important strategic role in enhancing firms’ international performance.
The availability of resources such as funds and human resources leads firms to deploy better international marketing strategy.

On the other hand, a number of studies have mentioned the importance of the external environment, such as culture and economic aspects, that can impact on a firm’s strategy (Appiah-Adu, 1999; Cavusgil & Zou, 1994; Jain, 1989; Kim et al., 2002; Kramer & Herbig, 1994; O'Cass & Julian, 2003; Shoham & Kropp, 1998; Steenkamp, 2001; Styles & Ambler, 1994). The findings in this research also reaffirm the necessity of understanding the cultural environment within overseas markets, which may influence both capabilities such as repositioning and resources in the form of firms’ international commitment. However, I was not able to discern the role of other macro-marketing environment, such as economic and technological aspects.

Some of the extant literature on international marketing argues that marketing activities should be adapted to the external environment of the overseas markets (Bodewyn et al., 1986; Cavusgil et al., 1993; Hill & Still, 1984; Wind, 1986; Zou & Cavusgil, 1996). This study also explored how cultural aspects influence international branding strategy. The findings suggest cultural aspects within the overseas market do lead firms to reposition their branding strategy. The results of this research support the view that an adaptation strategy is preferable on the grounds that the culture of the overseas market is different from that of the domestic market.

Previous studies found a positive relationship between firm performance and distribution strategy, such as working closely with channel members (Madsen, 1989) and support given to foreign distributors / subsidiaries (Cavusgil & Zou, 1994). The co-operative nature of a distribution strategy between the international marketers and channel members provides potential cost-saving and enhanced competitive advantage by better co-ordination and design of distributions activities within the channel (Stern & Reve, 1980). This study provides added support to the extant literature in that distribution strategy as part of international marketing strategy has a significant positive influence on firm performance.
The international marketing literature on pricing strategy generally finds that it has no significant impact on a firm’s performance (Cavusgil & Zou, 1994; O’Cass & Julian, 2003; Shoham & Kropp, 1998). The findings in the current study re-confirm the literature that pricing strategy does not seem to play a critical role in international marketing in terms of enabling superior performance. That is, pricing is still important in international marketing, but it is generally not a source of competitive advantage among Australian firms. The predominance of SME’s in the sample would add weight to the findings that price advantage (based on economies of scale) is not a dominant basis for international marketing strategy.

Finally, the extant literature on international commitment proposes that it is a major factor in international marketing (Aaby & Slater, 1989; Cavusgil & Zou, 1994; Evangelista, 1994). The current study confirms their findings that international commitment does play a significant role in international marketing.

6.6.2 Contributions Adding Different Perspectives to the Extant Literature

The existing literature suggests international commitment is an independent variable or an exogenous variable (Cavusgil & Zou, 1994; Evangelista, 1994). However, the current study establishes that international commitment is dependent on another variable – the desire to control marketing activities within international markets. The latter variable involves the formal control of various activities operationally and strategically to prevent system sub-optimisation and to provide guidance with regard to the resources needed in the international venture for the firm as a whole. Notwithstanding, a full understanding of international commitment would require a separate study.

The relative roles played by specific types of resources and capabilities provide some interesting insights. Previous findings relating to promotion strategy are inconclusive. Some studies found that promotion strategy had a role to play in international marketing (Aaby & Slater, 1989; Appiah-Adu, 1999; Shoham & Kropp, 1998), while other studies have found promotional strategy was not a significant factor in terms of export marketing performance (Appiah-Adu, 1999;
In this research, propositions were tested regarding the positive relationship between international marketing strategy and a firm’s performance. The findings in this study have confirmed the results of that part of the extant literature that suggests that promotional strategy has a significant positive impact on performance. This situation calls for replication studies to further examine the relationship before a more decisive conclusion can be drawn.

Adaptation strategy literature argues that it is important for firms to change their strategy to suit the external environment of overseas markets (Boddewyn et al., 1986; Cavusgil et al., 1993; Hill & Still, 1984; O'Donnell & Jeong, 2000; Wind, 1986; Zou & Cavusgil, 1996). The extant literature on the strategy adaptation concept argues that a firm’s strategy needs to be adapted to suit its particular circumstances (Boddewyn et al., 1986; Cavusgil et al., 1993; Hill & Still, 1984; O'Donnell & Jeong, 2000; Wind, 1986; Zou & Cavusgil, 1996). This study confirms the extant literature, and has established the pivotal role of brand repositioning, which is based on the adaptation concept, in the international branding strategy. The result suggests brand repositioning has significant impact on international marketing strategy and has been affected by international commitment and cultural environment of overseas markets. The findings reiterate the long advocated arguments from the resource-based view of strategy that it is important to adapt a firm’s strategy to both the external environment (particularly the cultural aspects referred to in this study) and the firm-specific resources available to them (Dow, 2001; Wernerfelt, 1984). Thus, this study takes one step further than Aaby and Slater’s (1989) framework, that suggests environment has a direct impact on firm performance, by showing that the environment to performance relationship is mediated by international marketing strategy.

6.6.3 Contributions Making Major Addition to the Literature

There is a research gap in the branding literature in the international context (Malhotra et al., 1999; Moore et al., 2000; Shocker et al., 1994; Varadarajan & Jayachandran, 1999). The findings in this thesis respond to the call for an understanding of the international dimensions of branding, and empirically test a
model that includes various aspects of international branding and international marketing strategies. This research identifies and integrates key constructs of international branding from multiple sources, including strategic branding issues; international marketing; export marketing management literature; and personal interviews with executives of Australian firms with international activities.

A capability firms can have is brand orientation, which suggests a potential for the strategic importance of branding to survival and growth of firms (Mosmans, 1996; Mosmans & van der Vorst, 1998; Urde, 1994, 1999). The extant literature on brand orientation is based on the domestic branding context and/or conceptual argument or case studies. This study contributes to the brand orientation literature by firstly conducting qualitative in-depth interviews, which helped operationalise the brand orientation construct in the domestic and international context. Knowledge has been extended by pioneering empirical results about brand orientation in the international context. The empirical results of this study demonstrate that brand orientation has a significant and positive impact on international marketing strategy. Hence, this study has empirically tested this concept and expanded it to the international context. International firms with a mindset of brand orientation can strengthen their international marketing strategy. As suggested in the brand orientation literature in domestic marketing, a brand can be used as a base for strategy formulation, and as a strategic platform in the international context.

As forementioned in the “postscript” in chapter one, this paragraph will address the knowledge contribution of the thesis relative to the Ewing and Napoli (2005) study with regard to brand orientation. Their study (published and discovered in the last week of thesis writing) has filled the literature gap of brand management in organisational performance in the domestic and non-profit context. Their empirical study developed the brand orientation construct and found that this new concept (brand orientation) can impact positively on brand management effectiveness and the ability to achieve short- and long-term goals and objectives (except one of the three dimensions of the construct). My thesis and their work complement each other. While their study focuses on the domestic and non-profit organisations, one
of the objectives in this thesis was to understand the role of brand orientation in international and for profit firms. Both studies have contributed to knowledge by developing the brand orientation construct and helping establish its role with empirical results.

The construct development of brand orientation in this study addresses the limitation of the (primarily qualitative) existing literature, which is based mainly on conceptual arguments and case studies. The scale of brand orientation construct in this study has gone through two empirical and statistical tests; one in the domestic study and another in the international study. Both qualitative in-depth interviews and quantitative analysis were conducted for the domestic and international studies. The straight purification and reiteration of the items ensured the reliability and validity of this newly developed construct.

Another theoretical contribution is related to international branding strategy. The construct of brand repositioning was new, with no existing scale available to measure this construct. Thus, the construct development of the brand repositioning concept undertaken in this research has added new knowledge to the literature. With regard to brand repositioning, the extant literature on repositioning focuses on the adaptation of the marketing mix such as packaging, colours, and brand names to suit the characteristics of the foreign markets (Cavusgil & Zou, 1994; Cavusgil et al., 1993; O'Cass & Julian, 2003), while the psychological aspect of positioning is overlooked. The scale of brand repositioning in this study includes both the physical and psychological aspects of adaptation strategy. The inclusion of the psychological aspect, together with the physical aspect of the marketing change, increases the power of the brand-repositioning construct. Brand repositioning is a more holistic concept than marketing mix adaptation concept.

Another theoretical contribution of this study is the development of a reliable and validated measurement of culture. The uniqueness of the culture scale lies in the relative sense of the item. Instead of measuring culture in a static or absolute manner, the items in this study tap into the cultural aspects in a comparative approach. It is easier for one to discern his / her own cultural differences in
relation to other countries than to try to classify different cultures of various countries in a single model. Support was found for the new scale, in terms of construct validity and predictive validity.

The extant literature suggests that international marketing strategy directly impacts significantly on a firm’s financial performance (Appiah-Adu, 1999; Cavusgil & Zou, 1994; O'Cass & Julian, 2003; Okoroafo & L. Russow, 1993). Basically, the findings in this study show this relationship as well. Additionally, in the current study international marketing strategy influences brand performance, which in turn affects financial performance. Brand performance, such as strong brand awareness and/or customer brand loyalty, increases financial performance such as increased market share, and growth rate of sales. This finding helps distinguish the two performance constructs and delineates the relationship between them in international marketing. Equally, the study firmly establishes international marketing performance as a multi-dimensional construct.

6.6.4 Contributions Challenging the Extant Literature
This study’s final contribution is to shed light on the role of international experience in international marketing. The extant literature has established the positive relationship between a firm’s international experience and export performance (Cavusgil & Zou, 1994; Madsen, 1989; O'Cass & Julian, 2003). This study has found a contradictory result, namely that international experience does not affect a firm’s performance in the structural model. One reason for this contradictory finding is that it is possible that structural equation modelling is more demanding and statistically selective than other statistical methods (such as multiple regression). Since the non-significant relationship between international experience and a firm’s performance is based on only one (this thesis) study, caution is needed. The current research suggests that international experience does not greatly improve performance and is consistent with an emerging emphasis on born global firms that achieve early success internationally (Rennie, 1993), without a major benefit from a long history of international marketing.
6.7 Methodological Contributions

This research also makes several methodological contributions. Firstly, this study employs structural equation modelling analysis to test hypotheses, thereby enabling the simultaneous analysis of multiple effects. This highlights the advantages of evaluating the whole model rather than testing different sections as in multiple regression, and proposing a network of relationships between the variables. It is an advancement of the methodology in comparison to many studies on international marketing strategy, which are based mainly on multiple regression analysis (Appiah-Adu, 1999; Li & Ogunmokun, 2000; Shoham & Kropp, 1998) or path analysis (Cavusgil & Zou, 1994).

Secondly, the primary data used to carry out this research sought to directly measure perceptions of the firm’s resources and capabilities essential to international expansion. This is an improvement on previous studies that have relied on expenditure levels as indicators of the firm’s resource profile (Montgomery & Hariharan, 1991). Allowing respondents to define the importance of each resource and capability implies no prior assumptions were made about the value of a given resource. It is well argued by Collis and Montgomery (1995, p.120) that “resources cannot be evaluated in isolation, because their value is determined in the interplay with market forces. A resource that is valuable in a particular industry or at a particular time might fail to have the same value in a different industry or chronological context.”

Thirdly, this study makes a pioneering effort to develop multi-items scales for key variables measuring constructs influencing international branding strategy; for example, the measures of brand orientation and brand re-positioning. One major concern in international marketing research has been the lack of suitable measures of key constructs. This study developed multi-item measures of key dimensions underlying international branding and international marketing strategy, rather than relying on the use of proxy variables.

Fourthly, all eight constructs in this study had to pass through a series of very strict statistical analysis to test their discriminant validity. Normally, researchers tend to
use just one or two tests. However, in this study, four statistical tests were used to
determine the discriminant validity. Firstly, the discriminant validity was
conducted by using the chi-square statistic to establish whether any difference
existed between the measurement and theoretical models. The second test
examined the extent of the correlation between the constructs. A comparison of the
average variance extracted in relation to the squared correlation between pairs of
constructs was the third test. The final discriminant validity test was exploratory
factor analysis that explored the number of components between a pair of
constructs. The use of these four tests to examine the discriminant validity of the
constructs in one study establishes new ground for other researchers to study this
validity. All four tests gave consistent results, so future researchers could use just,
say, two of the simpler methods (2\text{nd} and 4\text{th}) for ease of use. The simplest tests
only require a correlation matrix and exploratory factor analysis, which could assist
future researchers who do not have access to CFA and SEM software.

Finally, during the data collection stage of conducting the international quantitative
survey, some respondents raised the issue of the relevance of this study to their
business. This could be the reason for the low average response rate. It brings out
a communication issue that researchers can use to improve the response rate.
Greater emphasis can be placed on the relevance of the academic study to their
business, irrespective of the size and nature of their business in all communication.
For example in the covering letter of a questionnaire and the questionnaire itself,
stressing the relevance of a study to their business can hopefully eliminate doubt
felt by some respondents who might be willing to participate in the survey but, are
not clear whether it is useful for them. This suggestion might be seen as an
extension of the Dillman’s (1987) method to increase response rate.

6.8 Contributions to International Marketing Practice
The results of this research have resource implications for the firm. International
marketers need to ensure the availability of resources required for international
ventures. For example, firms involved in international ventures need a human
resource system in place to sustain their international marketing activities. This
may mean there is a need to hire marketing managers who are aware of cross-
cultural issues and are willing to travel to the overseas market when developing international branding strategy.

This study indicates how firms can achieve better financial performance. Greater performance can be achieved firstly by understanding the cultural environment, and secondly in deciding the degree of control desired within overseas markets. This study brings out a message for international marketers to recognise that the cultural environments within overseas markets are not static, but dynamic, in nature. At any given point in time, marketers will face strategic decisions as to whether branding and marketing strategies should be changed within the overseas markets. Each decision should not be viewed in isolation, but with regard to the firm’s capability and resources, and the cultural aspects of the overseas market.

The findings also show that the higher the control of the foreign marketing activities, the more likely the firm can become a brand-oriented firm. Therefore, if a firm wants to become a brand-oriented firm in the international context, it is better for it to have a higher level of control of foreign marketing activities, including distribution and promotion, thus being in command of a brand’s fate. The cultural awareness and control aspects will help develop better branding strategy, deploy better international marketing strategy and use internal resources efficiently, which in turn will impact the firm’s performance. This study emphasises that strategic marketing decision-making is an important issue for firms, as a bad strategic decision can be costly for firms. Extensive care needs to be given to this decision in order to avoid negative performance. If firms make sound strategic marketing decisions that allow them to capitalise on the opportunities present within overseas markets, they are more likely to thrive internationally.

International marketing managers need to integrate the firms’ internal factors, such as capability and resource variables, and external factors such as cultural aspects, when making strategic marketing decisions. This approach will influence benefit the multiple facets of firms’ performance.
Another contribution of this study to the international marketers is the central role branding plays in international ventures. It has been suggested that brand orientation is potentially important to firms’ achievement of strategic advantage (Mosmans, 1996; Mosmans & van der Vorst, 1998; Simoes & Dibb, 2001; Urde, 1994, 1999; Wong & Merrilees, 2005). This study sheds light on how to develop a brand-oriented firm. International marketers need to understand the extent of control of their preferred foreign marketing activities, which would form the basis for deciding the level of power they need to exert in order to build a brand within their international markets.

The study provides international marketers with ideas about the need for and how they can conduct a repositioning exercise within an overseas market. When international marketers find there is a cultural difference between the domestic and target markets, they can target a particular market by moving the brand to suit the foreign market. Moreover, they can market their products with different product features within the foreign market to suit the local taste. The approach to promotion or advertising within the foreign market can be changed to adapt to the overseas market’s culture. International marketers can also create a distinctive brand identity that suits the overseas market.

6.9 Limitations of the Study
Although this study makes several significant and important contributions, its limitations should be noted. Firstly, even though an adequate sample was obtained for testing the hypothesised structural model, the response rate, although on par with some previous studies, was modest. This low response rate may cause non-response error, which has potential impact on biasing estimation of parameters.

Secondly, the research design, like most academic marketing research, is cross-sectional; so it is not possible to make absolutely definitive cause and effect conclusions without using longitudinal research. However, researchers have recently suggested this limitation could be neutralised by evidence that supports a priori theory-based inferences (Spector, Chen, & O’Connel, 2000). Their findings indicate that common method variance was less of a problem than previously
predicted, and that cross-sectional surveys in general may have been unnecessarily criticised (Spector et al., 2000).

Thirdly, while a mail survey method was used to collect data with the survey instrument being completed by top management, some of the subjects may not have possessed the information and knowledge required to answer the questionnaires correctly. However, given the level of information and detail the respondents had to know about their jobs and outcomes, the likelihood of this occurrence is believed to be low.

Fourthly, measurement errors are another drawback of using mail surveys. However, structural equation modelling has sophisticated methods where true measurements are separated from their error variances in linking observed variables in the measurement model to latent variables in the structural model. This technique enables researchers to minimise the effects of measurement errors.

Finally, the non-normality of data in this study also presents some limitations. The Kolmogorove-Smirnov test discussed in chapter four indicated that the constructs included in the study were not normally distributed. Fortunately, the Maximum Likelihood estimation method in structural equation modelling analysis is robust to violations of the normality assumption with samples of 200 or more, as was the case in the current study.

6.10 Future Research
This study has identified a number of opportunities for productive future research. These opportunities arise from the study’s limitation. It would be interesting to examine in more detail firms’ behaviour in relation to how they understand cultural aspects within the overseas market. Case study research may again be used as a starting point for any researcher to gain some insight into this particular area. Moreover, research that replicates the study utilising non-Australian firms is called for, as generalisability of results cannot be made until this is achieved. While the model has been designed to be generalisable in terms of the constructs used, generalisability to other countries has yet to be proven. Future study is called for to
examine the international marketing strategy and its antecedents and consequences using firms based in different countries in addition to Australia. A comparison study can be conducted to validate both the constructs and model. This type of replication study responds to the call for replication studies, especially for international marketing (Hubbard & Armstrong, 1994; Paliwoda, 1999).

Research using longitudinal data would provide further confirmation concerning the effectiveness of the international marketing strategy model. Firms could be surveyed two or more times over a two to five year period to determine whether firm performance is sustained. Longitudinal data could be analysed, though attrition, or firms dropping out of the survey, might make this type of research challenging. Longitudinal research is still relatively rare in marketing studies.

This study provides an overall model of factors critical to international marketing performance. However, it does not address the practicalities of how to deal with barriers to implementation and success, whether internal or external to the firm. Case study research could prove a useful tool for achieving this objective.

Cultural aspects need further exploration. A research gap still exists as to whether international firms employ different marketing strategies for different groups of countries. For instance, distribution strategies used in China, Malaysia, Taiwan and Hong Kong are different from that in Japan, Korea, and USA. If so, the nature of these groups and their underlying commonalities would need to be examined in detail to help understand the behaviour of international marketing firms. A quantitative survey will be the most appropriate approach for studying the issue.

6.11 Concluding Comments
This closing chapter discusses the conclusions, significance and limitations of this research. Several directions for future research in this area are also indicated. In conclusion, a model of international marketing strategy, its antecedents and its consequences was empirically tested. The findings fill a research gap by providing three types of contributions; namely theoretical, methodological and practical.
The first theoretical contribution is the establishment of positive relationship between international marketing strategy and a firm’s performance. This relationship provides answer to the first research question mentioned in chapter one – what is the impact of international marketing strategy on overall international marketing performance? This study confirms that international marketing strategy can enhance both brand and financial performance.

Another theoretical contribution includes the development of new scales for emerging constructs, such as brand orientation, brand repositioning, and cultural aspects. Moreover, the central role of branding in international ventures has been established. The empirical results highlight the impact of brand orientation and brand repositioning on international marketing strategy. The model proposes that international brand and marketing performance will be greater for firms pursuing a brand driven approach when this approach is well integrated with international marketing strategy and external factors. These contributions relating to international branding answer the research questions two and three with regard to the role of international branding in international marketing strategy.

The reinforcement of the role of international commitment in international marketing, affecting both international marketing strategy and brand repositioning, is another theoretical contribution of this study. It reinforces the extant literature with regard to the importance of international commitment. This gives an affirmative answer to research question four regarding the role of international commitment in international branding and international marketing strategy.

The finding that control of marketing activities in overseas markets influences international commitment answers research question five – what is the role of control of international marketing activities in the overseas markets? It adds new knowledge to the extant literature that control of international marketing activities can be a positive force in international marketing.

Moreover, the finding that culture affects brand repositioning covers research question six – how does the macro-marketing environment affect international
brand re-positioning. The finding provides answers with regard to the relationship between brand repositioning and adaptation strategy.

Another finding is that international experience plays no role in this study, which is different from the extant literature. This result sheds new light on the international marketing literature and may herald the greater presence of born global firms.

Methodological contributions were discussed with emphasis on the advancement of the research method and construct development in international marketing in comparison with the previous research. One of the major methodological contributions was the use of structural equation modelling analysis to test the international marketing strategy model. Each of the constructs in the model underwent four comprehensive and strict discriminant validity tests. Multiple-item scales developed for brand orientation, brand repositioning and cultural aspect constructs were other methodological contributions. A reflective thought was made about the relevance of a study increasing the response rate. It is believed that communication is the issue, and that relevance of academic research to business should be emphasised in the communication with the potential respondents.

Practical contributions included the need for international marketing managers to be aware of cultural differences, especially the impact of these on international marketing strategy. International marketing managers can gain insight into how to increase firms’ international performance through commitment, control and by developing brand-oriented marketing strategies.

Future research was also discussed to lay foundations for further development of international marketing knowledge, with the area requiring particular attention being cultural aspects. In order to fully understand a firms’ behaviour within international markets, further studies are recommended. Replication of this study in other countries is proposed to enhance generalisability of the constructs and the model of this study.
In summary, the driving force for this study was the desire to apply rigorous research methodology to study international marketing and branding issues. It is hoped the results of this dissertation will stimulate the interest of other academics to expand and strengthen the knowledge of international marketing strategy in general, and of international branding in particular.
References


Silcoff, S. (2000). Second time friendly: Seven Eaton's stores in choice downtown locations across Canada are about to be reborn as, wait for it, a retail chain for urban hipsters. *Canadian Business, 73*(10), 34.


Appendix A: Profile of the In-Depth Interviewed Firms

<table>
<thead>
<tr>
<th>Domestic Study / Domestic firms</th>
<th>Business nature</th>
<th>No. of employees</th>
<th>Interviewee’s position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm A</td>
<td>Financial Planning</td>
<td>3</td>
<td>Manager</td>
</tr>
<tr>
<td>Firm B</td>
<td>Car Rental</td>
<td>2</td>
<td>Owner</td>
</tr>
<tr>
<td>Firm C</td>
<td>Marketing Consultant</td>
<td>1</td>
<td>Owner</td>
</tr>
<tr>
<td>Firm D</td>
<td>Coffee Shop</td>
<td>150</td>
<td>Marketing manager</td>
</tr>
<tr>
<td>Firm E</td>
<td>Chinese Restaurant</td>
<td>5</td>
<td>Owner</td>
</tr>
<tr>
<td>Firm F</td>
<td>Car Cleaning</td>
<td>4</td>
<td>Owner</td>
</tr>
<tr>
<td>Firm G</td>
<td>Retail</td>
<td>30</td>
<td>Manager</td>
</tr>
<tr>
<td>Firm H</td>
<td>Computer shop</td>
<td>2</td>
<td>Owner</td>
</tr>
<tr>
<td>International Study / International firms</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Firm I</td>
<td>University</td>
<td>Over 2,000</td>
<td>International marketing manager</td>
</tr>
<tr>
<td>Firm J</td>
<td>Technology Development</td>
<td>5</td>
<td>Owner</td>
</tr>
<tr>
<td>Firm K</td>
<td>Software Development</td>
<td>7</td>
<td>Owner</td>
</tr>
<tr>
<td>Firm L</td>
<td>Barter Facilitation</td>
<td>Over 100</td>
<td>Marketing manager</td>
</tr>
<tr>
<td>Firm M</td>
<td>Pet Hygiene</td>
<td>100</td>
<td>Marketing manager</td>
</tr>
<tr>
<td>Firm N</td>
<td>Computer game design &amp; development</td>
<td>50</td>
<td>Marketing manager</td>
</tr>
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</table>
## Appendix B: Non-response Bias

<table>
<thead>
<tr>
<th>Early / Late</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Std. Error Mean</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
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<td>V1 early</td>
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<td>5.312</td>
<td>1.466</td>
<td>0.118</td>
<td>0.770</td>
</tr>
<tr>
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<td>161</td>
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<td>0.121</td>
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</tr>
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<td>Time</td>
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<td>P1</td>
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Appendix C: Questionnaire

Dear Sir or Madam:

Griffith University are conducting a national survey among Australian firms to examine their international marketing practices and performance. Because of the changing global environment for marketers in international markets, there is a need to understand how these practices affect performance. Understanding the relationships will enhance the competitiveness of Australian firms in the international marketplace.

We need your help. We would appreciate it if you could please complete the enclosed survey and return to us in the prepaid envelope provided. The survey should take about 15 minutes to complete. We know that you are busy, but the time you take to complete this will be valuable to this important research. Moreover, we hope you will find the questions interesting.

Since only a selected group of Australian firms is being surveyed, every response is important to ensure our results reflect current behaviour of Australian firms involved in international business.

A summary of the results will be available on the web. See page twelve of the questionnaire. To express our appreciation for your valuable time and kind assistance, we offer two $100 lucky draw prizes to the participants. If you would like to enter into the lucky draw of $100.00, please give brief contact details as shown on page twelve of the questionnaire.

You may be assured that your responses will be completely confidential. Your name / firm will never appear in the published results and your answers will never be associated with your name. We would be happy to answer any questions you may have about the study. Please contact us either (07) 555 29034 (Professor Bill Merrilees) bill.merrilees@griffith.edu.au or (07) 555 28195 (Mr. Ho Yin Wong) h.wong@griffith.edu.au.

Thank you for your willingness to participate in this research and in helping to make Australian firms more internationally competitive.

Sincerely,

Ho Yin Wong
Ph.D. Candidate
Griffith Business School
Griffith University
Thank you for agreeing to complete this survey.

**Important**: When filling in the survey, good approximations are acceptable.

---

**Firm Background information**

The following questions are concerned about the demography of your firm.

---

**General Information**

i. Approximately how many staff are there in your organisation? ______________

ii. What industry are you in? _________________ Years in business __________

iii. Number of years in international business _______________

iv. You are: Owner CEO Managing Director
    General Manager Marketing Manager Manager

(Please circle one)
Market Entry Mode Choice

The following questions are concerned about the market entry mode chosen for the overseas market. In responding to the following questions, please think back to a relatively recent, important international expansion decision (if possible, an Asian country, but not necessary) that you were involved in. **Answer most of the questions in this survey with reference to this particular country market.**

v. Please state your nominated country market that your firm entered (list only one country)? _________________________________

vi. What year did your firm enter this country market? __________

vii. Please give a brief description of the product involved in this decision ___________________________________________

viii. What mode of entry did your firm use to enter this country? (Please tick one)

Foreign direct investment _____ Export _____ Licensing _____

Joint Venture _____ Franchising _____ Other _______

Influences on foreign market entry decision

The following questions deal with your firm’s foreign market entry decision in relation to the above-mentioned nominated country market. Please circle the appropriate answers

1. **Our firm wanted to have a considerable influence over the marketing of the products / services**

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2. **Our firm wanted to control major decision-making of the foreign operation**

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3. **Our firm wanted to make all the decisions relating to the integrity of the brand**

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Experience in the International Market Place

The following questions deal with the experience of your firm in the international market place. Write the answers in the space provided when answering this question.

4. How long has your firm regularly operating in overseas market? _____ year(s)
5. Number of foreign markets in which your firm operates? ______
6. What percentage of your sales comes from overseas markets? _____%
The following questions relate to the similarity of the market environment of your home market and the nominated country market as stated in page two. Please circle the appropriate answers.

12. In relation to the domestic market, this foreign market is more unstable
   1  2  3  4  5  6  7
   Strongly disagree  Disagree Disagree somewhat Neutral Agree somewhat Agree Strongly agree

13. In relation to the domestic market, customers in this foreign market behave differently
   1  2  3  4  5  6  7
   Strongly disagree  Disagree Disagree somewhat Neutral Agree somewhat Agree Strongly agree

14. In relation to the domestic market, disposable income of this foreign market is lower
   1  2  3  4  5  6  7
   Strongly disagree  Disagree Disagree somewhat Neutral Agree somewhat Agree Strongly agree

15. In relation to the domestic market, customers in this foreign market are wealthier
   1  2  3  4  5  6  7
   Strongly disagree  Disagree Disagree somewhat Neutral Agree somewhat Agree Strongly agree

16. In relation to the domestic market, the motivation of customers in the foreign market is harder to understand
   1  2  3  4  5  6  7
   Strongly disagree  Disagree Disagree somewhat Neutral Agree somewhat Agree Strongly agree

17. In relation to the domestic market, people in this foreign market tend to value individual time more
   1  2  3  4  5  6  7
   Strongly disagree  Disagree Disagree somewhat Neutral Agree somewhat Agree Strongly agree
18. In relation to the domestic market, **interpersonal relationships** in this foreign market are more important

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19. In relation to the domestic market, the **technological knowledge** of customers in this foreign market is more sophisticated

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20. In relation to the domestic market, **visual aspects** such as packaging and colours are more important in this foreign market

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21. In relation to the domestic market, the **distribution system** in this foreign market is more complex

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22. In relation to the domestic market, the **culture** in this foreign market is totally different

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23. In relation to the domestic market, there is **more competition** in our industry in this overseas market

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24. **This overseas market is extremely competitive**

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**Marketing Approach**

The following questions deal with your firm’s ways of doing marketing in domestic and foreign markets in general. Please circle the appropriate answers.

---

### 25. In this organisation we do a lot of in-house market research

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### 26. We undertake market research to measure customer satisfaction

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### 27. Our management involves employees in planning and decision making

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### 28. We respond quickly to changing customer requirements

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### 29. We successfully plan ahead to satisfy customers in the future

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### 30. A high priority is placed on implementing changes to increase future customer satisfaction

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### 31. We target customer and customer groups where we have, or can have, a competitive advantage

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### 32. Branding flows through **all** our marketing activities

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### 33. Branding is essential to our strategy

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### 34. Branding is essential in running this firm

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### 35. Long term brand planning is critical to our future success

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### 36. The brand is an important asset for us

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### 37. Everyone in this firm understands that branding our product / service is a top priority for our business

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### Innovation level

The following questions deal with your firm’s innovation level in domestic and foreign markets in general. Please circle the appropriate answers.

### 38. Compared to competitors, we have a high rate of product / service innovation

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### 39. Compared to competitors, we have a high rate of process / organisation improvement

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### 40. Compared to competitors, our marketing (advertising, distribution, price) is very innovative

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### 41. Over time, we have been very successful with overall innovation in recent years

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International Performance

The following questions deal with the performance of your firm in the nominated country market as stated in page two. Please circle the appropriate answers.

42. The growth rate of sales in the overseas market in the last 12 months
   1  Decreased a lot  2  Decreased moderately  3  Decreased slightly  4  Neutral  5  Increased slightly  6  Increased moderately  7  Increased a lot

43. Your market share in the overseas market in the last 12 months
   1  Decreased a lot  2  Decreased moderately  3  Decreased slightly  4  Neutral  5  Increased slightly  6  Increased moderately  7  Increased a lot

44. Profitability of your firm in the overseas market in the last 12 months
   1  Decreased a lot  2  Decreased moderately  3  Decreased slightly  4  Neutral  5  Increased slightly  6  Increased moderately  7  Increased a lot

45. Overall financial performance in the overseas market in the last 12 months
   1  Decreased a lot  2  Decreased moderately  3  Decreased slightly  4  Neutral  5  Increased slightly  6  Increased moderately  7  Increased a lot

46. We are very satisfied with our sales performance in the overseas market
   1  Strongly disagree  2  Disagree  3  Disagree somewhat  4  Neutral  5  Agree somewhat  6  Agree  7  Strongly agree

47. The total return on your investment (ROI) of the overseas market
   1  Increased a lot  2  Increased moderately  3  Increased slightly  4  Neutral  5  Decreased slightly  6  Decreased moderately  7  Decreased a lot

48. Overall, our firm has fully capitalised on the potential that the overseas market affords for our firm
   1  Strongly disagree  2  Disagree  3  Disagree somewhat  4  Neutral  5  Agree somewhat  6  Agree  7  Strongly agree

49. We are satisfied with the ratio of overseas to domestic sales
   1  Strongly disagree  2  Disagree  3  Disagree somewhat  4  Neutral  5  Agree somewhat  6  Agree  7  Strongly agree

50. We are satisfied with the sales profitability ratio from the overseas market
   1  Strongly disagree  2  Disagree  3  Disagree somewhat  4  Neutral  5  Agree somewhat  6  Agree  7  Strongly agree
51. Our overall branding strategy is working well

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Disagree somewhat</th>
<th>Neutral</th>
<th>Agree somewhat</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
</table>

52. Our firm has built strong brand awareness in the target market

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Disagree somewhat</th>
<th>Neutral</th>
<th>Agree somewhat</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
</table>

53. Our firm has built a solid brand reputation

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Disagree somewhat</th>
<th>Neutral</th>
<th>Agree somewhat</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
</table>

54. We are very satisfied with our brand marketing

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Disagree somewhat</th>
<th>Neutral</th>
<th>Agree somewhat</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
</table>

55. Our firm has built strong customer brand loyalty

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Disagree somewhat</th>
<th>Neutral</th>
<th>Agree somewhat</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
</table>

56. There is a lot of competition in our industry

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Disagree somewhat</th>
<th>Neutral</th>
<th>Agree somewhat</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
</table>

57. Our firm has a different marketing approach or position in the market compared to our competitors

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Disagree somewhat</th>
<th>Neutral</th>
<th>Agree somewhat</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
</table>

58. Our overall marketing strategy is very distinctive

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Disagree somewhat</th>
<th>Neutral</th>
<th>Agree somewhat</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
</table>

59. We know where we are heading in the future and how to market the business to get there

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Disagree somewhat</th>
<th>Neutral</th>
<th>Agree somewhat</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
</table>

60. We have a clear brand vision for our business

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Disagree somewhat</th>
<th>Neutral</th>
<th>Agree somewhat</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
</table>
### International Marketing and Brand Adjustment Issues

The following questions deal with the adjustment of your marketing offer to suit the nominated country market as stated in page two. Please circle the appropriate answers.

61. Compared to the domestic market, the quality of the product in the foreign market was increased
   - Strongly disagree
   - Disagree
   - Somewhat disagree
   - Neutral
   - Somewhat agree
   - Agree
   - Strongly agree

62. Compared to the domestic market, the quality of the product in the foreign market was decreased
   - Strongly disagree
   - Disagree
   - Somewhat disagree
   - Neutral
   - Somewhat agree
   - Agree
   - Strongly agree

63. Compared to the domestic market, the target market of the brand in the foreign market was moved upmarket
   - Strongly disagree
   - Disagree
   - Somewhat disagree
   - Neutral
   - Somewhat agree
   - Agree
   - Strongly agree

64. Compared to the domestic market, the target market of the brand in the foreign market was moved downmarket
   - Strongly disagree
   - Disagree
   - Somewhat disagree
   - Neutral
   - Somewhat agree
   - Agree
   - Strongly agree

65. Compared to the domestic market, the approach of promotion / advertising in the foreign market was different
   - Strongly disagree
   - Disagree
   - Somewhat disagree
   - Neutral
   - Somewhat agree
   - Agree
   - Strongly agree

66. Compared to the domestic market, the product features in the foreign market were different
   - Strongly disagree
   - Disagree
   - Somewhat disagree
   - Neutral
   - Somewhat agree
   - Agree
   - Strongly agree

67. Compared to the domestic market, the distinctive identity of the brand in the foreign market was different
   - Strongly disagree
   - Disagree
   - Somewhat disagree
   - Neutral
   - Somewhat agree
   - Agree
   - Strongly agree

68. Compared to the domestic market, the distribution of the brand in the foreign market requires a different method of distribution / outlet
   - Strongly disagree
   - Disagree
   - Somewhat disagree
   - Neutral
   - Somewhat agree
   - Agree
   - Strongly agree
The following questions relate to the functions of the marketing variables of your firm in the nominated country market as stated in page two. Please circle the appropriate answers.

### 69. Our firm modifies existing products to a great extent

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Somewhat</th>
<th>Neutral</th>
<th>Agree somewhat</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

### 70. Our firm emphasises product quality and warranties

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Somewhat</th>
<th>Neutral</th>
<th>Agree somewhat</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

### 71. Our firm engages in development, testing and introduction of new products to a great extent

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Somewhat</th>
<th>Neutral</th>
<th>Agree somewhat</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

### 72. Our firm eliminates products that do not satisfy customer needs to a great extent

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Somewhat</th>
<th>Neutral</th>
<th>Agree somewhat</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
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<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

### 73. Our firm engages in analysis of competitors’ prices to a great extent

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Somewhat</th>
<th>Neutral</th>
<th>Agree somewhat</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
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</tbody>
</table>

### 74. Our firm frequently offers discounts

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Somewhat</th>
<th>Neutral</th>
<th>Agree somewhat</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

### 75. Our firm sets strategic promotional objectives

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Somewhat</th>
<th>Neutral</th>
<th>Agree somewhat</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

### 76. Our firm carefully develops advertising / promotion messages

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Somewhat</th>
<th>Neutral</th>
<th>Agree somewhat</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>

### 77. Our firm provides after sales services

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Somewhat</th>
<th>Neutral</th>
<th>Agree somewhat</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>
78. Our firm builds strong relationship with distributors

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Disagree somewhat</th>
<th>Neutral</th>
<th>Agree somewhat</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
</table>

79. Our firm provides a lot of channel support

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Disagree somewhat</th>
<th>Neutral</th>
<th>Agree somewhat</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
</table>

80. Our firm carefully evaluates alternative channels of distribution

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Disagree somewhat</th>
<th>Neutral</th>
<th>Agree somewhat</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
</table>

81. Our firm engages in designing and implementing **effective dealer relations programs**

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Disagree somewhat</th>
<th>Neutral</th>
<th>Agree somewhat</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
</table>

82. Our industry is **very price competitive**

<table>
<thead>
<tr>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Disagree somewhat</th>
<th>Neutral</th>
<th>Agree somewhat</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
</table>

THANK YOU very much for your valuable time and cooperation.
(Please return the questionnaire in pre-paid envelope)

------------------------------------------------------------------- End -------------------------------------------------------------------

If you would like a summary of the report, please go to the following website

http://www.gu.edu.au/school/gbs/mkt/

then click “Community Research Feedback”

then click “Ho Yin Wong’s international marketing practices of Australian firms” in two months time.

☐

If you would like to go for the lucky draw, please tick the box and fill in contact details.

First Name: _______________________

Tel. No.: ______________________
Appendix D: Examples of Dropped Items after Domestic In-depth Interviews

- In relation to the domestic market, there are a larger number of working women
- In relation to the domestic market, achievement is a dominant value in the foreign market
- In relation to the domestic market, the social inequality in foreign market is greater
- In relation to the domestic market, the social class status in the foreign market is an important issue
- In relation to the domestic market, the cultural pattern of seeking stability in the foreign market is greater
- In relation to the domestic market, the people’s tendency to value individual time in the foreign market is greater
- In relation to the domestic market, assertiveness is a dominant value in the foreign market
- Compared to the domestic market, the information on the labels of the product in the foreign market will be changed
- Our firm believes that advertising messages should explicitly portray the brand
- Our firm emphases the importance of brand name
- Our firm substantiates our firm’s credibility
- Our brand exemplifies the firm’s know-how
- Our strategies depend on strict quality control
- Our foreign market advertising / promotions can reach the target customers effectively
- Our firm supports long credit terms
- Our firm uses evaluative research to monitor the effectiveness of the advertising
- Our firm’s objective was to respond to competitive pressure
• Our firm’s objective was to expand strategically into foreign markets
• Staff responsible for international branding decisions is bound to the company future operations
• The brand is the focal point in developing our international marketing strategy
• Our brand commands a price premium
• Our brand offers more scope for line extensions
## Appendix E: Parcelled Items by Construct

<table>
<thead>
<tr>
<th>Construct</th>
<th>Items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial performance</td>
<td></td>
</tr>
<tr>
<td>Path one (v1)</td>
<td>• Growth rate of sales in the overseas market in the last 12 months</td>
</tr>
<tr>
<td></td>
<td>• Profitability of your firm in the overseas market in the last 12 months</td>
</tr>
<tr>
<td>Path two (v2)</td>
<td>• Overall financial performance in the overseas market in the last 12 months</td>
</tr>
<tr>
<td></td>
<td>• The total return on your investment of the overseas market</td>
</tr>
<tr>
<td>Brand performance</td>
<td></td>
</tr>
<tr>
<td>Path one (v3)</td>
<td>• Our firm has built a strong brand awareness in the target market</td>
</tr>
<tr>
<td></td>
<td>• Our firm has built a solid reputation</td>
</tr>
<tr>
<td>Path two (v4)</td>
<td>• We are very satisfied with our brand marketing</td>
</tr>
<tr>
<td></td>
<td>• Our firm has built strong customer brand loyalty</td>
</tr>
<tr>
<td>International marketing strategy</td>
<td></td>
</tr>
<tr>
<td>Path one (v5)</td>
<td>• Our firm sets strategic promotional objectives</td>
</tr>
<tr>
<td></td>
<td>• Our firm carefully develops advertising / promotion messages</td>
</tr>
<tr>
<td>Path two (v6)</td>
<td>• Our firm builds strong relationship with distributors</td>
</tr>
<tr>
<td></td>
<td>• Our firm provides a lot of channel support</td>
</tr>
</tbody>
</table>
- Our firm carefully evaluates alternative channels of distribution
- Our firm engages in designing and implementing effective dealer relations programs

<table>
<thead>
<tr>
<th>International commitment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Path one (v7)</strong></td>
</tr>
<tr>
<td>- We have promised resources (e.g. information technology &amp; human resources) to international ventures</td>
</tr>
<tr>
<td>- The extent of management commitment to international marketing is substantial</td>
</tr>
<tr>
<td><strong>Path two (v8)</strong></td>
</tr>
<tr>
<td>- Our firm sets aside adequate funds to develop overseas markets</td>
</tr>
<tr>
<td>- International business is a high priority activity in company</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Brand orientation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Path one (v9)</strong></td>
</tr>
<tr>
<td>- Branding is essential to our strategy</td>
</tr>
<tr>
<td>- Branding is essential in running this firm</td>
</tr>
<tr>
<td><strong>Path two (v10)</strong></td>
</tr>
<tr>
<td>- Long term brand planning is critical to our future success</td>
</tr>
<tr>
<td>- The brand is an important asset for us</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Brand repositioning</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Path one (v11)</strong></td>
</tr>
<tr>
<td>- Compared to the domestic market, the target market of the brand in the foreign market was moved upmarket</td>
</tr>
<tr>
<td>- Compared to the domestic market, the approach of promotion / advertising in the foreign market was different</td>
</tr>
<tr>
<td><strong>Path two (v12)</strong></td>
</tr>
<tr>
<td>- Compared to the domestic market, the distinctive identity of the brand in the foreign market was different</td>
</tr>
<tr>
<td>- Compared to the domestic market, the</td>
</tr>
<tr>
<td>Cultural aspect</td>
</tr>
<tr>
<td>-----------------</td>
</tr>
</tbody>
</table>
| Path one (v13)  | • In relation to the domestic market, visual aspects such as packaging and colours are more important in this foreign market  
|                 | • In relation to the domestic market, the culture in this foreign market is totally different |
| Path two (v14)  | • In relation to the domestic market, the customers in this foreign market behave differently  
|                 | • In relation to the domestic market, the motivation of customers in the foreign is harder to understand |
| Control         | 
| Path one (v15)  | • Our firm wanted to have a considerable influence over the marketing of the products/services  
|                 | • Our firm wanted to control major decision-making of the foreign operation |
| Path two (v16)  | • Our firm wanted to make all the decisions relating to the integrity of the brand |
Appendix F: Confirmatory Factor Analysis – Standardised Factor Loadings by Constructs

Figure A    CFA - Brand repositioning: Standardised factor loading. Chi-square = 4.728 (4 df) p=0.316
Figure B  CFA - International commitment: Standardised factor loading.
Chi-square = 3.197 (4 df) p=0.417
Figure C  CFA - Cultural aspects: Standardised factor loading.  Chi-square  
= 2.668 (4 df) p = 0.615
Figure D  CFA - Brand orientation: Standardised factor loading.  Chi-square = 4.839 (3 df) p = 0.184
Figure E  Control of foreign marketing activities: Standardised factor loading
Figure F  CFA - International marketing strategy: Standardised factor loading. Chi-square = 11.96 (7df) p=0.102
Figure G  CFA - Brand Performance: Standardised factor loading. Chi-square = 0.020 (1df) p=0.886
Figure H  CFA - Financial Performance: Standardised factor loading. Chi-square = 1.558 (4 df) p=0.816
### Appendix G: Multiple Regression Results of the Conceptual Model

<table>
<thead>
<tr>
<th>Dependent Variables</th>
<th>Independent Variable(s)</th>
<th>Beta (t value)</th>
</tr>
</thead>
<tbody>
<tr>
<td>financial performance = f</td>
<td>promotion</td>
<td>0.05 (0.84)</td>
</tr>
<tr>
<td></td>
<td>distribution</td>
<td>0.14 (2.46)*</td>
</tr>
<tr>
<td></td>
<td>product</td>
<td>0.21 (0.39)</td>
</tr>
<tr>
<td></td>
<td>brand performance</td>
<td>0.36 (6.18)**</td>
</tr>
<tr>
<td>brand performance = f</td>
<td>promotion</td>
<td>0.29 (5.30)**</td>
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<tr>
<td></td>
<td>distribution</td>
<td>0.26 (4.70)**</td>
</tr>
<tr>
<td></td>
<td>product</td>
<td>0.06 (1.13)</td>
</tr>
<tr>
<td>brand repositioning = f</td>
<td>commitment</td>
<td>0.13 (2.49)*</td>
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<tr>
<td></td>
<td>culture</td>
<td>0.37 (7.01)**</td>
</tr>
<tr>
<td>commitment = f</td>
<td>control</td>
<td>0.47 (9.28)**</td>
</tr>
<tr>
<td>brand orientation = f</td>
<td>commitment</td>
<td>0.34 (6.35)**</td>
</tr>
<tr>
<td>financial performance = f</td>
<td>brand performance</td>
<td>0.44 (8.59)**</td>
</tr>
<tr>
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<td>commitment</td>
<td>0.23 (3.98)**</td>
</tr>
<tr>
<td></td>
<td>brand orientation</td>
<td>0.06 (1.13)</td>
</tr>
<tr>
<td></td>
<td>brand repositioning</td>
<td>0.02 (-0.43)</td>
</tr>
<tr>
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<td>commitment</td>
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<tr>
<td></td>
<td>brand orientation</td>
<td>0.12 (2.26)*</td>
</tr>
<tr>
<td></td>
<td>brand repositioning</td>
<td>0.15 (2.73)**</td>
</tr>
<tr>
<td>promotion = f</td>
<td>commitment</td>
<td>0.31 (6.32)**</td>
</tr>
<tr>
<td></td>
<td>brand orientation</td>
<td>0.26 (5.22)**</td>
</tr>
<tr>
<td></td>
<td>brand repositioning</td>
<td>0.22 (4.51)**</td>
</tr>
</tbody>
</table>

*<0.05; **<0.01; ***<0.001