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Strategies”  
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## INTRODUCTION

Cross border marketing management and international marketing management is increasingly important in a globalized world. Over the last thirty years, corporations have been diversifying the markets in which they operate, encountering new struggles as they seek to enter new global markets. Modern marketing management requires an integrated and comprehensive effort when entering into a new market or new cross border market opportunity.

Internationally focused firms now have advanced capabilities to directly contact the consumer using modern communications and tools. With an increased volume of international trade, marketing management practices need to be clear and well understood for successful cross border trade to develop.

The author hypothesizes that *“Joint venture and brand partners have been more successful in implementing, executing and controlling cross border marketing management programs for market followers and challengers than without.”*

Objectives of the work:

The aim of the work is to evaluate strategies for cross border marketing management and market penetration, potential risks when choosing a marketing management strategy, and the negative aspects of choosing a joint venture market penetration model.

To achieve this goal, and prove the hypothesis, the tasks that are set are:

- Research and analyze scientific research related to cross border marketing, marketing management, global markets, and market penetration strategies;
- Study the aspects marketing management aspects of joint venture and direct investment strategies used by corporations;
- Evaluate challenges faced by marketing managers in cross border environments
- Evaluate risks of choosing different cross border marketing strategies;
- Analyze Ford Motor Corporation’s history of sales and joint ventures in China;
- Conduct a survey of marketing managers and marketing professionals related to international marketing activities
- Investigate sources of marketing management competence: capacity, communication with partners, and digital tools

This master's thesis consists of three sections. The first chapter analyzes the nature of marketing management and international marketing. A broad survey of relevant theories related to marketing management was conducted. This chapter analyzes the four stages of marketing management, the history of marketing management, and marketing management. It also analyzes what influences organizations when they expand internationally, how their status as market leaders, challengers, or followers influence their actions in the marketplace.

In the sector chapter, the author analyzes a company's efforts to expand internationally into the Chinese market. The domestic market is analyzed in detail, showing the position of the corporation, the challenges it faces, and the sources of its current profit. The part two explores the history of that company's joint venture with Changan Automobile, "Changan Ford" in the Chinese marketplace. The chapter evaluates the strengths and weaknesses of the corporation, its international efforts, and the marketing management of the partnership within the context of selling automobiles into the Chinese market.

The third chapter is the research of the work and evaluates survey respondents and expert opinions on the process of international marketing management. The focus is on a likert score survey that is evaluated at length to determine the strengths and weaknesses of respondents in their international marketing efforts. A statistical analysis is also performed, and the respondents scores are scaled and categorized. The timeline for the research was March to April, 2020.

Research methods include survey, general theoretical research, empirical method, and statistical cluster analysis.

The work uses a variety of scientific literature found on the topic of marketing management. Authors included are Ajay K. Kohli, Bernard J. Jaworski, Stanley F. Slater, John C. Narver David Bendall, Neil A. Morgan, Douglas W. Vorhies, Charlotte H. Mason, Lars Witell, Per Kristensson, Michael Valos, Anders Gustafsson, Martin Löfgren, Eugene Del Vecchio, Phillip Kotler, Kevin Lane Keller, Neil Borden, Joel Dean, Jay Wright Forrester, E. Jerome McCarthy, and Michael Porter are all discussed and applied.

Additional sources of information come from the United States Securities and Exchange Commission, Ford Motor Company, The United States Department of Energy and the United States Transportation Agency.

An interview was conducted with an expert from Ford Motor Corporation's Marketing and Advertising agency, GTB. Written responses were received and then a follow up interview was scheduled.

Additionally, the author works in the field of digital marketing and advertising and tries to bring his experience working with clients into the work. Themes include difficulties in

communication, digital tools, and international marketing strategy. The author works daily with international partners and part of the motivation for the work was the help bring understanding to international strategic marketing partnerships and marketing activities.

Many thanks and acknowledgements go out to all those who helped in conducting the research for this paper, including those who helped to provide statistics and information on production data and their experiences within their own companies.

# 1 MARKETING MANAGEMENT AND INTERNATIONAL MARKETING MANAGEMENT THEORY

## 1.1 Marketing management frameworks and capabilities

The definition of marketing management varies by the scholar or authority that is attempting to define it. Some, like Vorhies et al, describe marketing management as one of a few capabilities that a firm must have in order to perform their marketing activities. To Vorhies et al, marketing management is the organization and execution of marketing programs, the acquisition of new customers, and the ability to coordinate different areas of a firm that are necessary for the successful execution of the program. There are other capabilities that are important, such as marketing research, the ability to competitively price products, product development, and channel distribution.<sup>1</sup> For Vorhies et al, marketing management is about bringing the resources of the firm to bear largely after other functional tasks have been completed, such as marketing research.

Still other scholars see that marketing management is not just one in a set of capabilities, but a process by which the resources of a corporation are put to the task of developing the marketing activities of the organization. This process professionalized and created modern marketing departments from the ad-hoc and somewhat haphazard way that marketing was performed by corporations in the past, when marketing activities usually evolved from the sales department.<sup>2</sup>

Those that embrace this marketing management as process view have placed most of these tasks into their formulas based on their functional descriptions. For these scholars, the marketing management process is a step by step process designed to discover and anticipate the marketing needs of a corporation. The marketing activities of a corporation are implemented via a marketing management process to ensure that the activities are successful, focused, and clear for all stakeholders. These stages can either be well developed, or simple, acronym type programs for smaller corporations, or for products with shorter sales cycles.

Marketing management in this more systemic view as described by Gellynck and building off the work of others, consists of the following goals: market investigation, identifying the

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<sup>1</sup> Vorhies, DW, and Harker “The Capabilities and Performance Advantages of Market Driven Firms: and Empirical Investigation” *Australian Journal of Management*, Vol. 25, No. 2, 2000 p. 149

<sup>2</sup> Wooliscroft, B. and Shaw, E. “Marketing strategy” *Journal of Historical Research in Marketing*, Vol. 4, No. 1, P. 35 - 40

marketing objectives, and developing the marketing strategy.<sup>3</sup> This systemic view places the corporation as both artist and scientist, it chooses a target market and grows its customer base by executing a superior marketing plan around creating value for its customers. In the approach followed by Gellynck et al, there are four clear stages: market research, marketing strategy, planning and implementation and control and evaluation.<sup>4</sup>

This marketing management approach has a tendency to disregard other important areas of a corporation's function, namely product development. If marketing management is to develop a plan for executing the corporate's image and its sales promotional campaigns, it also develops product feedback that falls into areas of production, which can cause conflict.

Still other approaches advise a similar approach, if not slightly different in their organization, and how the functions are grouped. Mullins, Walker and Boyd outline a three step process, based around market opportunity analysis, Developing strategic marketing programs, what can be considered a subset of Strategic marketing programs for selected situations such as new markets, growing markets and maturing and declining markets, and finally the implementing and managing of marketing programs as a third step. This approach puts well known corporate strategies and frameworks like the 4 C's (company, context, customers and competitors) and the 4 P's (product, price, place and promotion) into a theoretical framework that constitutes a comprehensive approach. While the strategies within the framework are well known, the focus of this framework is on the decision-making process. Each step involves bringing different knowledge from different areas of the organization into the framework, so that strategic marketing decisions can be made in a step by step, systemic way.<sup>5</sup>

Others reject such a framework and attempt to find another theory that helps to measure the corporation's marketing management capabilities. Resourced based theory derives the firm's capabilities as extending from its resources – where the value creating strategies are formed.<sup>6</sup> The limitations of this theory extend from the deployment of resources to achieve competitive advantage, and the dynamic nature of a market environment on the effectiveness of the resources. This gave rise to so called “Dynamic capabilities theory” or DC to try to address these deficiencies.

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<sup>3</sup>Gellynck, X., Banterle, A., Kühne, B., Carraresi L. and Stranieri S. “Market orientation of marketing management of traditional food producers in the EU” *British Food Journal*, Vol. 114 No4, 2012 p. 484

<sup>4</sup>Gellynck, X., Banterle, A., Kühne, B., Carraresi L. and Stranieri S. “Market orientation of marketing management of traditional food producers in the EU” *British Food Journal*, Vol. 114 No4, 2012 p. 484

<sup>5</sup>Mullins, J., Orville, C. W. Jr. and Harper, W. B. Jr. “Marketing Management” 2008, McGraw-Hill Irwin P. 14 - 15

<sup>6</sup>Morgan, N. A., Vorhies D. W., and Mason, C. H. “Market Orientation, Marketing Capabilities, and Firm Performance” 2009, *Strategic Management Journal*, Vol. 30, P. 909 - 920

Dynamic marketplaces require diverse resources, and this is what DC posits about the market. The capabilities of firm are used to acquire and deploy resources in accordance with the environment of the market the firm operates in. These activities become institutionally embedded in the reflexes and knowledge actions of the organization and are performed well compared against rivals. This institutional knowledge becomes the valuable assets that the firm possesses in relation to its competitors and the market in general. However, they also have to use complementary resources, like capital, to drive performance in.<sup>7</sup>

Market orientation (MARKOR) is another attempt to outline the implementation of the marketing concept. Developed by Kohli and Jaworski, they define marketing as essentially a business philosophy, or statement of goals. This statement has little to say with how to achieve marketing, through implementation. MARKOR tries to explain how an organization achieves its marketing objectives through the three pillars of marketing they discovered through field interviews of practitioners and after a review of the literature, 1.) Customer Focus 2.) coordinated marketing and 3.) profitability. Being customer focused is about understanding and meeting the needs of your customers, which is sometimes dictated through research about customer preferences or market intelligence (MARKINT). Coordinated marketing refers to the firm's internal coordination towards marketing activities and specifically as they relate to market intelligence. Profitability is, in the MARKOR framework, a consequence of a company's degree of marketing orientation, rather than a part of an overall marketing effort.<sup>8</sup>

In the MARKOR framework, a company's departments try to develop and anticipate a customer's needs, both current and future, and what factors drive them. They then share this information across departments, and the company as a whole try to meet the customer needs, they think they have an advantage in meeting. This intelligence generation is a broad concept, and includes not only an analysis of their needs, but exogenous factors such as government regulations and competitors. Environmental scanning also falls under this area. Intelligence gathering isn't the responsibility of the marketing department alone, virtually everyone in the organization that comes into contact with customers should be identifying their needs and passing this information along to the rest of the company. While MARKOR doesn't comprehensively address the entire marketing process, it is focused on the outcomes of the

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<sup>7</sup> Morgan, N. A., Vorhies D. W., and Mason, C. H. "Market Orientation, Marketing Capabilities, and Firm Performance" 2009, Strategic Management Journal, Vol. 30, P. 910

<sup>8</sup> Kohli, A. and Jaworski B. "Market Orientation: The Construct, Research Propositions, and Managerial Implications" 1990, Journal of Marketing, Vol. 4 P. 3

marketing management process, it does touch enough of that process to be considered a marketing management framework.<sup>9</sup>

While various approaches outlined in the literature detail with one or two parts, marketing management frameworks try to account for all areas of marketing activity for an organization. This can include areas such as production, finance, product development, distribution, and sales capability. At times, this places the marketing manager, the marketing director, or the marketing department in a unique position within the organization, as the marketing activities often cross functional units, departments, and matrices.

The job of the marketing manager also sees key insights and market intelligence coming into the marketing department in the form of research and market insights about the company, its products, and its customers. This is valuable information not just for the marketing department, but for other departments as well. A key job of the marketing manager is to disseminate and communicate these insights to other key departments and personnel. These activities are sometimes captured in the theoretical, but oftentimes are missed altogether.

This paper will investigate a general marketing management framework, analyze some deficiencies and strengths, and give a general theoretical discussion of the work of the literature.

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<sup>9</sup> Kohli, A. and Jaworski B. "Market Orientation: The Construct, Research Propositions, and Managerial Implications" 1990, *Journal of Marketing*, Vol. 4 P. 4

## 1.2 Marketing Research

Marketing research is a diverse discipline full of functions for each and every corporation's specific needs, and also the needs of the market. Because corporations, consumers, and marketplaces are so different, market research has come to be understood as a large range of potential activities designed to give a corporation insight into the market and especially the behavior of its customers.<sup>10</sup> Traditional marketing research involves the use of focus groups, behavioral studies, interviews or surveys to attempt to discover market intelligence, either about customers or their wants and needs.

Market research can be undertaken for a variety of reasons. To support management decisions about a specific goal or task, market research might be undertaken to clarify potential decision paths. Market research will help to evaluate these decisions and potential action may be evaluated. This might involve evaluating the market, an area of business performance, or key performance indicators (KPI). Market research can also be speculative, as the corporation might be seeking to understand a market area or potential opportunity for evaluation in the future. The research might also be undertaken to bolster internal political and power objectives within the corporation.<sup>11</sup>

Slater and Narver identified these functions as falling into two broad categories, action oriented or knowledge enhancing.<sup>12</sup> The first is action oriented (AO), which is direct application of research knowledge or generated intelligence to solve a specific and defined problem. Knowledge enhancing (KE) activity. They further suggest that this type of market intelligence is generated through four generic strategies: market focused intelligence generation, collaborative market intelligence generation, intelligence generation from experimentation, and intelligence generation through repetitive generation.<sup>13</sup>

Market-focused intelligence generation strategy is the perhaps the most well-known and practiced, and what might be traditionally understood as marketing research. It is focused on the customer's needs, competitor's capabilities and strategies. It seeks to understand the business environment for activities like product development, sales growth efforts other business focuses.<sup>14</sup> This will involve the use of market scanning tools like market surveys,

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<sup>10</sup> Bednall, H.B.D. and Valos M. J. "Marketing research performance and strategy" *International Journal of Productivity and Performance Management*, Vol. 54 No. 5/6 2005 P. 438

<sup>11</sup> Bednall, H.B.D. and Valos M. J. "Marketing research performance and strategy" *International Journal of Productivity and Performance Management*, Vol. 54 No. 5/6 2005 P. 439

<sup>12</sup> Slater, S. and Narver. J "Intelligence Generation and Superior Customer Value" *Journal of the Academy of Marketing Science*, Vol. 28 No. 1 P. 121

<sup>13</sup> Slater, S. and Narver. J "Intelligence Generation and Superior Customer Value" *Journal of the Academy of Marketing Science*, Vol. 28 No. 1 P. 121

<sup>14</sup> Slater, S. and Narver. J "Intelligence Generation and Superior Customer Value" *Journal of the Academy of Marketing Science*, Vol. 28 No. 1 P. 121

databases, and focus groups. It will also involve “high touch techniques” like working directly with some of the consumers and channel sales personnel. Slater and Narver go on to say that market focused intelligence gathering is usually “related to new product successes” and “superior sales growth”.<sup>15</sup>

Intelligence generated through collaboration means collaborating with other organizations about new opportunities or the means for creating a new and superior customer value offer.<sup>16</sup> This typically takes place when an industry’s knowledge base is both complex and constantly expanding. The sources of expertise could also be widely distributed, and innovation could be found in places outside of the structures of individual firms. Because it is impossible for any one person, company, or organization to have all of the market knowledge and intelligence necessary to be competitive, these partnerships are necessary. It’s also less expensive than traditional market research, and partners can even develop prototypes or pilot runs to further research for new products, for example. This also causes an of encouraging the generation and dissemination of intelligence throughout the network.<sup>17</sup>

Intelligence generated through experimentation means thinking outside the box, or outside the corporation’s normal expertise and routines. This is done when new products are being considered outside a corporation’s normal catalog of products, or the offering is in some way different. This is particularly important in industries or product categories where customers have difficulty in expressing their needs or desires, and how a new technology or innovation could benefit them. This is a quasi-entrepreneurial activity, and the corporation is engaging in behavior normally suited for entrepreneurs, such as “innovativeness, risk taking, and competitive aggressiveness.”<sup>18</sup> This can be a problem for corporations that aren’t adept at the nimble systems, knowledge transfers, and adjustments that are necessary for this type of innovation. It’s also a risk, due to the threat of being copied, or being surpassed by competitors that weren’t saddled with this financial risk in their own product development. The risk can be minimized, and the learning maximized by working directly with leading customers to understand their “latent needs”, undertake low cost experiments, and share knowledge through cross functional teaming in the corporation’s functional groups.<sup>19</sup>

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<sup>15</sup> Slater, S. and Narver. J “Intelligence Generation and Superior Customer Value” Journal of the Academy of Marketing Science, Vol. 28 No. 1 P. 122

<sup>16</sup> Slater, S. and Narver. J “Intelligence Generation and Superior Customer Value” Journal of the Academy of Marketing Science, Vol. 28 No. 1 P. 122

<sup>17</sup> Slater, S. and Narver. J “Intelligence Generation and Superior Customer Value” Journal of the Academy of Marketing Science, Vol. 28 No. 1 P. 122

<sup>18</sup> Slater, S. and Narver. J “Intelligence Generation and Superior Customer Value” Journal of the Academy of Marketing Science, Vol. 28 No. 1 P. 122

<sup>19</sup> Slater, S. and Narver. J “Intelligence Generation and Superior Customer Value” Journal of the Academy of Marketing Science, Vol. 28 No. 1 P. 122

Intelligence generated from repetitive experience is often called the learning curve or the experience curve and is well known in industry. In order to be a true advantage for the corporation, the process and opportunities for improvement must be constantly identified. For example, customer insights might be generated by losing customers or losing a portion of their business. A dwindling customer base gives the corporation an opportunity to uncover market insights about its operations, and to try to discover why the customers are leaving. It's in the corporation's interest, because repeat business is lower cost and has a higher profitability, as there are less ongoing sales costs. If a corporation uses root cause analysis and a continuous improvement philosophy, then it might be able to prevent future defections. It will build strong relationships with customers and improve production processes.<sup>20</sup>

As Slater and Narver support in their study, a well-developed marketing research department and process is positively associated with superior customer value. Market research will reveal new growth opportunities and segments for companies and identifying where opportunities will be the greatest. They also go on to say that collaboratively generated intelligence is related to the strongest product quality and superior customer value. This is because partners and collaborators are willing to share practices or services methods that will lead to high quality and productivity gains, because they are noncompetitors and often collaborators in the market with the corporation. They go on to say that developing a thorough understanding of business systems is a critical component of market research. A strong market strategy pursued by clear market research objectives and capabilities will further the goals. Develop performance indicators that the organization will pursue in its marketing activities. Managing collaborative relationships to develop market insights is also a key finding of the research, which should be centered around clear goals and have clear conflict resolution processes.<sup>21</sup>

Having the advantage of publishing later, Witell at all address these same types of collaborative partnerships when they talk about co-creation vs traditional marketing research techniques. The purpose of their research is to attempt to understand the differences in the proactive and reactive market research techniques, or "new" vs "traditional". Focus groups, surveys, and in-depth interviews compare to co-creation-oriented techniques that try to capture a customer's value while using a product. Similar to the collaboration method outlined by Slater and Narver, this is more market intelligence gathered through collaboration. In this case, the collaborator is a customer, but not necessarily a leading or

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<sup>20</sup> Slater, S. and Narver, J. "Intelligence Generation and Superior Customer Value" Journal of the Academy of Marketing Science, Vol. 28 No. 1 P. 122 - 123

<sup>21</sup> Slater, S. and Narver, J. "Intelligence Generation and Superior Customer Value" Journal of the Academy of Marketing Science, Vol. 28 No. 1 P. 125 - 126

repeat customer. Witt et al argue that value-in-use is especially relevant in-service sector products, because the customer is always a co-creator of value. Value-in-use (VIU) means that the customer determines the value of the service, and it is created when the service is in the consumptive process and being used, and the customer also creates the core offering itself. VIU then sees the customer engaging in shared designing or even production of related goods and could also extend to other partners in the network. The key difference in this type of research from the above intelligence gathering through collaboration is that this is essentially a process that is more organic and less controlled by the collaborators, especially the firm itself. The firm will engage in interactive dialog with its customer and engage in presumption. Prosumption is a process that sees customers co-designing and co-producing their own products and services. In these types of exchanges, market intelligence is generated by the customers becoming principal participants in the creation of and the value competition the company is engaging in.<sup>22</sup>

Of course, Witell et al acknowledge that customers being active contributors to new product development is well known. They thus define co-creation as customer participation in only the early phase of development by contributing information about their needs and suggesting ideas about future services. Witell et al's research supported the idea that customers, particularly "lead users" or those that were most involved in the co-creation process could make significant contributions to the profitability of the firms. They further supported the idea that this method was more valuable than traditional methods of market research. The study revealed that the reason behind this was that co-creation research methods are significantly more innovative than those generated through the use of traditional marketing research methods. Another reason is that these customers are more hands on, and the value comes from their triggered understanding of how value can be created from usage, or on the spot. Traditional marketing research techniques rely on focus groups and in-depth interviews are relying on the memories of previous experiences that may or may not produce an idea. The limitations are clear and a result of participant's difficulty in imagining or remembering scenarios where they have experienced certain needs. The participants then are limited to ideas they can connect to particular moments or memories, or by run of the mill situations they experience every day or can imagine experiencing very easily. Activating customers in co-creation of a good or service can increase the resulting VIU, and also the bottom line of a company, especially vs traditional marketing research techniques. The co-

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<sup>22</sup> Witell, L., Kristensson, P., Gustafsson A, and Löfgren, M. "Idea generation: customer co-creation versus traditional market research techniques" *Journal of Service Management*, Vol. 22 No. 2 2011 P. 142 - 145

creation concept is a market-oriented approach that focuses on proactive customization and should be extended where possible to the other areas of the innovation process.<sup>23</sup>

There are different processes, often ad hoc, to market research. Del Vecchio, who outlines the process in his article "*Market Research as a Continuous Process*". The market research process generally involves firstly, strategic research. This is about who the customers are, what they need, and their purchase process and dynamics. Next, the corporation will undertake concept / positioning research. This is to determine where their product fits in the marketplace (so called "mix" research – or product mix research that is a component of marketing and business strategy). The company will also undertake some brand and executional research. Then, the product the product is put to market, perhaps at first on a small scale, and then market performance research is performed. This involves tracking, awareness, attitudes, interests, and sales analysis. For Del Vecchio, it is important to remember that market research is a continuous process, a circular function of re-evaluation and discovery that tries to maintain a competitive advantage for the firm. Research helps track the success of the marketing plan, so it is essential to have this process put together and defined.<sup>24</sup>

Still other market orientation frameworks place the generation and dissemination of market intelligence as a core tenant discovering a firm's degree of MARKOR. Morgan et al placed these as one of the three factors of MARKOR within their research. If a firm was skilled at these three categories, it stands to reason that this would be positively associated with their profitability.<sup>25</sup>

In creating their model, Gellynck used a combination of MARKOR and Kotler's 4 steps to create a framework for marketing research. This was summed up simply as intelligence generation or the collection of market information and the translation of that information into objectives.<sup>26</sup> There are other things to do with this information after it's collected, and even before. The research problem must be defined, along with the objectives. The research plan must be executed, the information analyzed, and conclusions drawn or presented. These are all steps in the modern marketing research program.

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<sup>23</sup> Witell, L., Kristensson, P., Gustafsson A, and Löfgren, M. "Idea generation: customer co-creation versus traditional market research techniques" *Journal of Service Management*, Vol. 22 No. 2 2011 P. 152 - 253

<sup>24</sup> Del Vecchio, E. "Market Research As a Continuous Process" *Journal of Services Marketing*, 1990, Vol. 4 No. 3 P. 13 - 19

<sup>25</sup> Morgan, N. A., Vorhies D. W., and Mason, C. H. "Market Orientation, Marketing Capabilities, and Firm Performance" 2009, *Strategic Management Journal*, Vol. 30, P. 911

<sup>26</sup> Gellynck, X., Banterle, A., Kühne, B., Carraresi L. and Stranieri S. "Market orientation of marketing management of traditional food producers in the EU" *British Food Journal*, Vol. 114 No4, 2012 p. 485

### 1.3 Marketing Strategy

Mullins et al describe that the essence of marketing strategy is business strategy. Without knowing how a strategic business unit intends to compete, there's no way to develop a comprehensive strategy. This may be while so much of marketing strategy is linked to general business strategy to begin with, as we will see. Most marketing strategy has to be informed by and take into account the strategic abilities and resources of an organization. Wooliscroft and Shaw state that the origin of marketing strategy can be found in the 1960s. They contend began as a separate and distinct vein of thought emerging from managerial economics and marketing management. Early marketing strategy concepts include Borden's "Marketing Matrix"; Smiths "Differentiation and Segmentation Strategies", Dean's "Skimming and Penetration Strategies" as well as Forrester's "Product Lifecycle or PLC"<sup>27</sup>

Perhaps the earliest form of marketing strategy was Borden's list of 12 marketing mix sections and in the form of a checklist with two dozen subsections. Frey in 1956 Had published "The Effective Marketing Mix", in which there were a dozen items in something of a marketing strategy checklist. This marketing mix might well have remained an obscure concept, as it appeared in Borden's unpublished 1957 paper, but instead took off when McCarthy (1960) reduced Frey and Borden's laundry lists to a now common 4 P's: product, price, promotion, and place.<sup>28</sup> The 4 P's were the variables most easily controlled by marketing managers, so the subsequent strategies developed early in marketing strategies history consisted of adding or subtracting various ingredients to the marketing mix .<sup>29</sup>

"Product differentiation" and "markets to segmentation" were described in a Journal of Marketing article in 1956. Product differentiation and markets to segmentation re-introduced the ideas to the marketplace, after having been originally developed by Alderson in 1936. In product differentiation according to Smith, a firm tries "bending the will of demand to the will of supply" this is a differentiation strategy to make some aspect and the marketing mix different from those of its competitors. This is typically done in a large market where consumer preferences are mostly the same. In an attempt to shift its aggregate demand curve to the left, or to have greater quantity sold for a given price, and make it more inelastic, or less amenable to substitutes. With segmentation, a firm recognizes that it faces multiple

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<sup>27</sup> Wooliscroft, B. and Shaw, E. "Marketing strategy" Journal of Historical Research in Marketing, Vol. 4, No. 1, P. 35 - 40

<sup>28</sup> Wooliscroft, B. and Shaw, E. "Marketing strategy" Journal of Historical Research in Marketing, Vol. 4, No. 1, P. 35

<sup>29</sup> Wooliscroft, B. and Shaw, E. "Marketing strategy" Journal of Historical Research in Marketing, Vol. 4, No. 1, P. 35

demand curves, because customer preferences are heterogeneous, and focuses on serving one or more specific target segments within the overall market.<sup>30</sup>

Market segmentation is dividing and subdividing a multifaceted and heterogeneous market into smaller more homogeneous subgroups based on common characteristics such as demographic, geographic or purchase time or frequency.<sup>31</sup>

Market skimming sees a firm selling to customers on every point of the demand curve. The firm introduces their product or service with the highest price possible and, after selling to the least sensitive part of the demand curve, reduces gradually its price to capture buyers at difference price points, in a gradual process. The alternative strategy is price penetration. This strategy sees the introduction of a product at a lower price in order to rapidly capture sales in market share but sees less profit margins and skimming. This has the side effect of producing a barrier to entry because competitors are less attracted to a market with reduced profitability.

Andrew's SWOT analysis originated in corporate strategy, not marketing strategy. For Andrews, strategy emerges from aligning environmental opportunity with corporate capability. This is an analysis that matches opportunity and capability. SWOT analysis, like PLC, provide factors and metrics that help to determine strategic choices. The availability of resources to apply a marketing mix, market size, rate of growth, and the strength of the competition. SOWT analysis is a fundamental concept for product portfolio matrices, especially those focused on growth products.

Porter's "generic strategies" were developed for corporate strategy, hence it also has pros and cons for marketing strategy. For example, Shaw argues that Porters advantage of a lower cost provides almost no value for the marketing strategist. The implication is that a company can have higher profit margin or lower cost to the consumer than the competition if the company is a cost leader. Porter apparently has in mind that low cost leadership will mean an above average profit margin. Only when the price falls below the competition's does it become a strategic marketing advantage. Price has to be included as a differentiating factor, and a potential advantage, though price and cost are two different things.

Another problem with Porter's matrix is the "dichotomy between "industrywide" and "narrow target" strategies."<sup>32</sup> One is for a large firm going into a mass market with lots of capabilities. In marketing literature this is called a mass market strategy. The "narrow target

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<sup>30</sup> Wooliscroft, B. and Shaw, E. "Marketing strategy" *Journal of Historical Research in Marketing*, Vol. 4, No. 1, P. 35

<sup>31</sup> Wooliscroft, B. and Shaw, E. "Marketing strategy" *Journal of Historical Research in Marketing*, Vol. 4, No. 1, P. 34 - 35

<sup>32</sup> Wooliscroft, B. and Shaw, E. "Marketing strategy" *Journal of Historical Research in Marketing*, Vol. 4, No. 1, P. 45

segment” or “niche strategy” is a strategy used by a smaller firm with strong marketing skills but limited financial capability.<sup>33</sup> There are many alternatives between the niche strategy and the mass market strategy that Porter’s matrix does not recognize. There a “variety of segment expansion strategies (e.g. multi segment or across the board). Shaw argues that all variations of Porter’s strategies, except loss leadership, can be derived from Smith’s differentiation in segmentation.<sup>34</sup>

BCG’s “growth-share portfolio matrix” was developed by Bruce D. Henderson, CEO of the Boston Consulting Group (BCG) in 1968. This is a strategy for large, multi-product firms. The model seeks to relate environmental opportunities to organizational strengths. Products in various cells of the growth share matrix are directly related to shares in the product lifecycle. They enter the matrix as question marks and, if they realize their potential, they become stars. Slowing growth rate stars become cash cows and as growth declines cows turn into dogs. This is a product lifecycle variation. In this maturity and decline stage three additional strategies emerge: maintenance harvesting and divesting. These models make the stages clearer. “...portfolio models rationalize these strategies and make them more explicit. In early to mid-maturity, when sales growth is slowing comma the BCG suggests a “maintenance strategy” in which a firm maintains its marketing mix effort at current expenditure levels. In mid to late maturity when sales growth begins turning negative, a “harvesting strategy” is recommended where the firm reduces its marketing makes expenditures into spending less than proportional reduction in sales. As the market continues declining, at some point a “divesting strategy” becomes necessary. The marketing mix is reduced to zero and the brand removed from the market.”<sup>35</sup>

Shaw argues that when introducing a company or product to a market, there are two principle strategies: penetration or niche. A penetration strategy emphasizes an aggressive marketing mix for a mass market or a large segment of the market”. This is not limited to just low-price offering, “...a penetration strategy involves using the marketing mix aggressively. Although every mix element need not be aggressive, a penetration strategy should include some combination of a no-frills product, minimal service, low price, high promotional expenditures and intensive distribution effort. A penetration strategy following Andrew’s SWOT, is ideal for large firms with strong financial resources facing a large and growing market, price sensitive customers with minimal brand awareness or preference, many

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<sup>33</sup> Wooliscroft, B. and Shaw, E. “Marketing strategy” *Journal of Historical Research in Marketing*, Vol. 4, No. 1, 45

<sup>34</sup> *Ibid.* P. 45

<sup>35</sup> *Ibid.* P. 45 - 46

potential competitors and few barriers to entry.”<sup>36</sup> Penetration strategies work from the product’s initial introduction to the growth stage, and “perhaps as late as the early maturity stage of the PLC.”<sup>37</sup> As the product or service enters the maturity stage and growth slows, marginal costs go up and marginal revenue declines, this strategy cannot be sustained.<sup>38</sup>

Shaw outlines the marketing strategy for niche markets. He equates this to Porter’s “focus” or “narrow target segment” strategy and also says that it incorporates Deans price skimming but from the new angle of the market niche or segments sensitivity to price. Shaw argues that this is a market segment-oriented strategy and the marketing mix is “dictated by company and market considerations”.<sup>39</sup> Typical marketing mixes have a custom-tailored product, a higher than average price, and a small sized base of customers. This means promotional and advertising expenses are low relative to the mass market and can be focused with selective efforts or even “exclusive distribution coverage.”<sup>40</sup> Niche strategy can be very profitable because it combines high price and profit with a low marketing mix expenditure. The other advantage is that there's a relatively low effort acquired to enter a market and it doesn't require a lot of setup time, effort or money, so firms can enter into the market quickly and exit just as rapidly. Another advantage: a niche product is profitable at any point along the product lifecycle curve.<sup>41</sup> As an example, Shaw offers the experience of the General Pencil Company or (GPC), “Founded in 1889, produced a high quality LED pencil (once the standard bearer of the ubiquitous No. 2 pencil), but since pencils have become a throwaway, even single use product, GPC was unable to compete with cheap imports on price. Facing a declining market, for a commodity type product, GPC found their niche – artists and illustrators who required a harder more durable lead in their pencil and were willing to pay a premium price for a higher quality product.”<sup>42</sup>

Market growth strategies are typically aimed at growing the product in different stages of the product lifecycle. In the early growth stage, there are two strategic alternatives: segment expansion or brand expansion. A strategist will add new targets to the marketing segments already served in segment expansion. This means that a company is targeting new segments in the segmentation curve returns that it has developed.<sup>43</sup> Shaw offers as an example the entry of Toyota's Crown automobile entering the US market in 1956. “...A niche strategy,

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<sup>36</sup> Wooliscroft, B. and Shaw, E. “Marketing strategy” *Journal of Historical Research in Marketing*, Vol. 4, No. 1, 47

<sup>37</sup> *Ibid* P. 147

<sup>38</sup> *Ibid*. P. 147

<sup>39</sup> *Ibid*. P. 147

<sup>40</sup> *Ibid*. P. 147

<sup>41</sup> *Ibid*. P. 147

<sup>42</sup> *Ibid*. P. 147

<sup>43</sup> *Ibid* P. 47 - 48

a single marketing mix targeted at a single market, economy conscious subcompact auto buyers. After gaining a toehold in the market, it used segment expansion to go beyond its niche, offering brands for multiple segments including the subcompact, compact, midsize, large size and sports car segments. Ultimately targeting across the board, it aimed a marketing mix at virtually all auto and small truck market segments and even develop the separate Lexus brand to target the luxury auto segment. Although also a form of segment expansion, it is useful to separate geographics from other forms of segmentation, such as demographics, psychographics, socio graphics comma and behavioral statistics .”<sup>44</sup>

The other alternative is brand expansion in the growth stage. This adds more variety, products or variations to the same customer segment already being sold into, in an attempt to offer customers greater value. Finally during the late growth stage, some sales and products are still rapidly growing, “but hit an inflection point where they shift from increasing at an accelerating rate to increasing at a de-accelerating rate.”<sup>45</sup> At this stage some “competitive turbulence, can occur come many market insurance are no longer able to remain profitable . During this stage “another strategy is often called for, a differentiation strategy. If not used in late growth, as firms jockey for advantage, then differentiation is often employed in the maturity stage.”<sup>46</sup>

Market maturity stage often sees a maintenance strategy employed, similar to the Boston Consulting Group’s matrix. Often seen in industries where a small number of firms hold most of the market, a company is satisfied with their market share and just trying to maintain and “milk” profits, they're not trying to rock the boat. This is effective until the sales declined so much then they intersect with the cost line making future sales unprofitable. Again, differentiation is another strategy as discussed above, and is often an “affordable strategy in market maturity”.<sup>47</sup> Firms could seek to change things about their offering such as the quality, the price comma the advertising campaign, or brand targeting and distribution. Shaw points out that this is a “marketing makes finesse” and does not need to be expensive and that it could work on nearly any stage of a product lifecycle from initial introduction growth into decline period.

Market decline marketing strategies are harvesting and divesting. If most competition drops out, then a company may stay profitable by staying in the market. However, for most firms, there are hidden costs of staying in the market when there are declining sales and rising

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<sup>44</sup> Wooliscroft, B. and Shaw, E. “Marketing strategy” *Journal of Historical Research in Marketing*, Vol. 4, No. 1, P. 48

<sup>45</sup> Ibid. P. 48

<sup>46</sup> Ibid. P. 48

<sup>47</sup> Ibid P. 48

costs. Shaw offers an example of non-filter cigarettes or double edge razor blades to show how a few companies have survived in a slowly declining market. “Eventually, as customers die out, marketing mix expenditures declined to zero and the brand is removed from the market.”<sup>48</sup>

In their paper “Revisiting International Marketing Strategy in a Digital Era”, Katsikeas, Leonidou, and Zeriti seek to explore the new digital, strategic marketing environment that faces organizations and the new digital era in international marketing.

They identify first internal company requirements. Organizational resources such as know-how of state-of-the-art digitalized technologies, information technologies and artificial intelligence tools, are a must for developing a well-developed marketing strategy that will work internationally and exploit opportunities as well as face current challenges in the global business environment. As these tools are advancing and becoming more powerful, they are integrating with other operational systems, which increases their effectiveness. Areas like manufacturing, research and development, and procurement now have access to marketing information like never before.<sup>49</sup>

International opportunities are better exploited and faster recognized by firms with the right online capabilities over the competition. Foreign customers’ interactions can be generated and responded to with the right organizational capabilities. Customer generation, retention and expansion are all linked to having the right organizational capabilities online. Digital tools can also help to adapt a firm’s marketing activities to the foreign market’s proclivities and allow for swift changes as any differences arise. They can also help to build trust and efficiencies with foreign partners and customers.<sup>50</sup> Using big data, or the wealth of information available on line provided by consumers across numerous platforms and social media, data science analytical tools and new technological platforms firms can analyze content and formulate and implement sound strategies for marketing tasks such as segmentation, positioning, communications and other activities.<sup>51</sup>

Firms can also evaluate the external environmental situation more easily with digital tools. Digital tools provide a global reach for firms and companies to learn more about their customers and for customers to place their orders with the company regardless if geographic

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<sup>48</sup> Wooliscroft, B. and Shaw, E. “Marketing strategy” *Journal of Historical Research in Marketing*, Vol. 4, No. 1, P. 49

<sup>49</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. “Revisiting international marketing strategy in a digital era” *International Marketing Review*, 2019

<sup>50</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. “Revisiting international marketing strategy in a digital era” *International Marketing Review*, 2019

<sup>51</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. “Revisiting international marketing strategy in a digital era” *International Marketing Review*, 2019

distance. Feedback can also be received from global customers and product improvements such as new service ideas can easily reach the company whose products are on the world market. Building an online brand also helps companies stay connected to their audience and get more feedback and information about their foreign environment. These types of communities offer direct input on how to market new products, what is acceptable marketing practice and information on buying habits and cycles. These brand communities can provide three-way feedback between the consumers, other potential or past consumers, in the company. Foreign customers and potential buyers can also learn about the firm, its goods, and services by joining the community and interacting with its members. The firm can also directly post positive messaging into these communities to help bolster its image. Customer relationship management or CRM systems are also well developed and allow for message customization, special service and product offerings and custom products for individuals. Because the type of information being collected through digital tools is essential for the success of the international entry effort, these digitalized technologies become useful if not essential to the effort. New tools have also brought new competition from international firms. As the tools expand the market and lower the barrier to entry for new firms from other countries, and they will have varying degrees of international experience. Digitalization will give many firms the tools they need to compete globally. These tools can include monitoring and execution tools, response tools to monitor competitors, quickly changing any marketing strategies as a result; discovering more easily the customer base and audience of a competitor; finding rival firm information in many different countries very easily; finding potential partners in the same way; participating in the creation of standards, boards, or other quality control standards that create a potential barrier to entry for new market entrants.<sup>52</sup>

Firms and their marketing managers should also pay attention to the macro environment when designing an international marketing strategy with digital tools. The availability of the Internet and its use; how controlled it is by state actors; and digital compliance issues all factor into forming the macro environment. Differences might also be cultural, for example there is some evidence to suggest that societies that are more collectivist, where social interactions in collaborative efforts are more evident in his email, search the Internet, and participate in social media activities more.<sup>53</sup>

Although devices such as computers, tablets, and smartphones seem ubiquitous, many parts of the world are still behind, even as the driving force of digitalization forges on. In

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<sup>52</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. "Revisiting international marketing strategy in a digital era" *International Marketing Review*, 2019

<sup>53</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. "Revisiting international marketing strategy in a digital era" *International Marketing Review*, 2019

many poor and underdeveloped countries, access to digital communications devices remains sporadic. The internet is also not widely available in some countries, as well as the lower digital equipment ownership rate. Worse yet, illiteracy can be a significant barrier for the adoption of digital technologies, and high illiteracy rates mean that it's likely digital technologies won't be able to penetrate and scale any time soon. Countries are also enacting various laws around privacy data protection, this makes collecting market insights and intelligence based on consumer profiles of data more difficult, as firms are forced to comply and may inadvertently find themselves on the wrong side of the law for regulations.<sup>54</sup>

Greater digitalization has made market entry internationally a lot more achievable because of the wealth of information about foreign countries and their residents that is available in digital formats. Online databases, both public and private provide easy access to primary data about foreign markets while at the same time firms can easily collect their own primary data through survey online, social media tools, content analysis or page visit tracking through a website's cookie's.<sup>55</sup>

With digital tools, the firm can sell to anywhere in the world, without any of the traditional customer acquisition pain points, like finding, identifying communicating with and managing the foreign buyer relationship. Also, more apparent, the unquantifiable things, such as cultural customs and traditions, business cultural, religious institutions and potential idiosyncrasies unique to each market, just by using social media and by having access to users in the foreign market.<sup>56</sup>

A firm's foreign expansion and international market strategies could also change based on new information. Using new market technologies and digitalized tools, firms can now serve multiple markets even if they are distant in the verse at the same time while concurrently, enabling them to have intense marketing campaigns across multiple borders for deep penetration. Firms can now choose whether to opt for a single strategy, multiple strategies or tailor their strategies to diverse and far flung markets provided they have "the necessary financial, human, production in allied resources to sustain" their strategies.<sup>57</sup>

Foreign market entry modes are also transformed by digital tools and technologies. The choice of appropriate mode of entry into a foreign market is both strategic and operational.

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<sup>54</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. "Revisiting international marketing strategy in a digital era" *International Marketing Review*, 2019

<sup>55</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. "Revisiting international marketing strategy in a digital era" *International Marketing Review*, 2019

<sup>56</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. "Revisiting international marketing strategy in a digital era" *International Marketing Review*, 2019

<sup>57</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. "Revisiting international marketing strategy in a digital era" *International Marketing Review*, 2019

Digital tools can facilitate both exports and foreign base production for the firm. Now, using digital tools, firms have the opportunity to export more easily, and with increased effectiveness, to any part of the world, because, even though in the past these activities were potential risks, the risks of dealing with foreigners is reduced because of increased research, communications, and interconnectivity across the supply chain. Additionally, there's better and more reliable information about the potential partner or acquisition, so firms can research any potential transactions they're considering engaging in. It should also reduce uncertainty by allowing for close monitoring of transactions, and improved performance<sup>58</sup>

Particularly affected are firms opting for a foreign direct investment mode, because digitalization can help to deeply penetrate a foreign market. Establishing foreign production facilities and using online marketing focused on the foreign market a firm might be able to quickly and easily capture market share. Digitalization also helps headquarters communicate with foreign subsidiaries, quickly make changes in products or services to match changes in consumer preferences analyze the movements of the competition and macro trends in the foreign market.<sup>59</sup>

Another area where digitalization and digital tools are transforming international marketing: international product strategy. The longstanding debate between standardization across foreign markets or adaptation to local conditions rages on but digital tools offer unique opportunities for firms operating in international markets to change or customize their product based on a single customer requirement across numerous markets. This is achieved through the use of self-serve digital tools that allow personalization in customization in online marketing.<sup>60</sup> New technology is also solving an age old dilemma for marketers and manufacturer's alike: should you enter into a new market with increased local or customized product offerings, or have a worldwide standard across your products and maintain brand identity. Now, with digital tools, a firm can do both, and hit multiple segments in the market.<sup>61</sup> Some firms such as Nike, Marks & Spencer, and All Star are using a hybrid strategy: mass customization. Mass customization sees the combination of both mass production and the adaptation to local markets specifically down to the single consumer.

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<sup>58</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. "Revisiting international marketing strategy in a digital era" *International Marketing Review*, 2019

<sup>59</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. "Revisiting international marketing strategy in a digital era" *International Marketing Review*, 2019

<sup>60</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. "Revisiting international marketing strategy in a digital era" *International Marketing Review*, 2019

<sup>61</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. "Revisiting international marketing strategy in a digital era" *International Marketing Review*, 2019

“with mass customization, firms can combine the benefits of both standardization (e.g. achieving economies of scale) and adaptation.

Digitalization also helps build “strong brand equity in international markets, by making use, for example, of attractive corporate / selling web sites, engaging content in social media and deliberate viral positive messaging by the firm. All these are important digital strategies in enhancing the awareness, reputation and image of brands (Particularly those having a regional or global reach), as well as building in during customer satisfaction and loyalty across many countries.”<sup>62</sup>

Perhaps nowhere has digitalization provided more transparency to the marketing mix than price. International pricing strategy now has to contend with a “transparency and information regarding final selling prices in various countries”. Consumers and potential customers “are now in a better position to compare prices for the same product offered in offline versus online shopping and verify whether the product considered is reasonably priced.” This means prices must be closely monitored and consumer perceptions in reactions mitigated to reduce any potential discontent stemming from inconsistency or mispricing. At the same time firms are now in a better position to monitor the prices of their international competition and rivals while the same is true for their rivals, in both “cannot also monitor the firm’s prices and how these are adjusted in each country.”<sup>63</sup> All the parameters that influence cost in international sales, such as tariffs, shipping insurance, customs or taxes must be taken into consideration in the pricing strategy of the firm in the targeted foreign markets.<sup>64</sup> Because these factors are constantly changing, it can be difficult for firms pricing strategy, however “using Internet based technologies, the firm is also in a position to alter its prices in international markets more quickly and at more frequent intervals, while at the same time proceeding with the fine tuning of differentiating its prices across foreign markets.<sup>65</sup> This should also result in greater price standardization both within and across countries.

Firms now, through the use of digitalization, are in a position to bypass their traditional market partners and intermediaries and sell directly to the end consumer. This strategy should yield both lower prices and higher profits, as the middleman is effectively “cut out”. This direct marketing approach should be treated with caution, however. Great difference exists

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<sup>62</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. “Revisiting international marketing strategy in a digital era” *International Marketing Review*, 2019

<sup>63</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. “Revisiting international marketing strategy in a digital era” *International Marketing Review*, 2019

<sup>64</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. “Revisiting international marketing strategy in a digital era” *International Marketing Review*, 2019

<sup>65</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. “Revisiting international marketing strategy in a digital era” *International Marketing Review*, 2019

among countries with regard to how the share of online vs offline customers. Traditional, offline ways of purchasing still exist in a large party of the world. This strategy is more price competitive, but it's not 100% without hazard. Traditional partners could become unwilling to deal with a foreign company that is cutting them out of the transaction chain.<sup>66</sup>

There are issues existing that relate to pricing when selling digitally and internationally. Access to credit cards or banks in many places is still poor, and cultural attitudes are that it is not safe to carry such financial instruments or “carry out cross country transactions.”<sup>67</sup> Initially issues of exchange rate and transfer payment technology may frustrate both the customer and the firm's margin for profit on the product.

Because of the prevalence of digital technologies and online information firms have never been better positioned to select they will work with in international markets. Additionally, dependence on a “single distributor / agent in a specific foreign market, especially when this intermediary exhibit relatively poor performance and / or shows little interest in aggressively promoting the company's products” can be a challenge.

Digitalization will also help to improve and strengthen relations between firms operating in international markets in their distribution or channel partners. Digital communication tools will help to monitor sales goals improved communication and increased trust all the while providing “demonstration of more commitment in the strengthening of cooperation.”<sup>68</sup> Additionally, new opportunities for exploiting business networks via digitalized social media tools are also available and you could uncover new actors and allowed the firm to enter into more mutually beneficial arrangements.

“Digitalization can also open new ways of distributing the firm's products to foreign markets through the computer network system.”<sup>69</sup> Many firms now take the opportunity to sell directly to their customers over the computer networks and bypass traditional distribution. The downside of this is it may cause conflict with distributors or partners you may refused to supply or sell the firm's products anymore because they feel they are being bypassed. This is usually the case when there is a large price disparity between this price the firm is selling

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<sup>66</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. “Revisiting international marketing strategy in a digital era” *International Marketing Review*, 2019

<sup>67</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. “Revisiting international marketing strategy in a digital era” *International Marketing Review*, 2019

<sup>68</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. “Revisiting international marketing strategy in a digital era” *International Marketing Review*, 2019

<sup>69</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. “Revisiting international marketing strategy in a digital era” *International Marketing Review*, 2019

directly through its website or intermediary websites and its channel in traditional distribution partners.<sup>70</sup>

International logistics “demands a lot of commitment by the company when taking orders (e.g. being precise), shipping goods abroad (e.g. identifying and using appropriate transportation means) and providing services (e.g. handling possible complaints) from foreign customers on a 24/7 basis. It also requires the necessary expertise to execute these orders in a timely and reliable fashion, conformed to domestic and foreign export import regulations, ineffectively handle customs requirements in multiple countries.”<sup>71</sup> Digitalization allows the firm to track and secure at any time orders progression through its supply chains into monitor and make sure that it is being processed properly. This reduces the likelihood of mistakes as intermediate delivery and logistics partners are all connected to system of tracking that allows them to prevent package loss in mis-delivery.

Advances in digitalization with regards to transportation have been responsible for increasing online sales to customers abroad, however some important issues remain. In some countries, shipping facilities are relatively inaccessible and render selling online by a firm difficult and unreliable. Large open quote air express carriers comma like FedEx, UPS and DHL which are usually outsourced by online sellers for expedient delivery of their products abroad, may not have proper connections and poor face customs clearance problems in certain countries; traditional mail services are underdeveloped in some countries, which makes local customers skeptical or even reluctant to make online purchases; and in some relatively poor countries, inland transportation is still heavily based on antiquated methods, which make product delivery to the end user difficult.<sup>72</sup>

When a firm considers their international promotion strategy online, using digital marketing tools to reach a wide number of people is attractive. Compared to traditional, large-scale media or television or print buying, social media banner advertising and search advertising in targeted email messaging offers a lower cost solution for many firms when they think about their international promotion strategy. Firms advertising and promoting internationally face several challenges, not the least of which is cultural. Without reliable information to the contrary, a firm may be presenting information to its new audience which goes against long held traditions, religious values or cultural norms. It's also possible that a

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<sup>70</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. “Revisiting international marketing strategy in a digital era” *International Marketing Review*, 2019

<sup>71</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. “Revisiting international marketing strategy in a digital era” *International Marketing Review*, 2019

<sup>72</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. “Revisiting international marketing strategy in a digital era” *International Marketing Review*, 2019

message maybe interpreted and decoded by an audience in a less developed economy in one way versus our more an audience in a more developed economy will understand it. Language could be a large barrier for foreign buyers, even when tools are available for automatic translation. Nonetheless, these are the avenues that advertisers pursuing an international promotion strategy have to consider as advertising in many countries on the Internet and social media has surpassed advertising spend in traditional advertising media such as television or print. Still, without an in depth understanding of the foreign market it could be that resources devoted towards online advertising and digital marketing will miss that audience found in traditional print media or mass market advertising such as on television.<sup>73</sup>

A company's online presence, such as their website, is an opportunity to convey valuable information about the firm and its products to anyone that happens to see it. This gives the firm exposure and awareness to the wider audience base in an inexpensive way, yet there are still challenges such as: should language be English or should it be available in other languages; should the design be uniform in structured one way or adapted in its organization to different audiences for example who will read characters differently, should the content be adjusted to the marketplace. More and more firms are adjusting their online presence to the local market using symbols, colors and graphics that their foreign buyers and foreign audience will appreciate more and understand better. Because the use of social media tools like Facebook, Twitter, YouTube in Instagram provide immediate and direct messages between brands and their customers, firms are more and more receiving immediate and welcome feedback to their strategies, products, promotions and other brand awareness activities. One particularly useful strategy is the creation of brand communities such as Facebook groups or fan pages whereby your customers interact with each other or with the firm. For the brand in a foreign market, social media facilitates a broader interaction that may otherwise not be possible when the firm first enters the market.<sup>74</sup>

Digitalization has improved the strategic implementation and control step that traditional marketing management theory holds is one of the steps for a successful marketing management program. Addressing implementation, international firms marketing activities abroad are better coordinated, measured and easily visible for all in the organization. This is particularly important when operating in a large number of countries with a diverse set of market needs. Firms also are better coordinated internally between functional divisions because of the use of digitalized systems, and this facilitates better service to the customer in

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<sup>73</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. "Revisiting international marketing strategy in a digital era" *International Marketing Review*, 2019

<sup>74</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. "Revisiting international marketing strategy in a digital era" *International Marketing Review*, 2019

the foreign market. The use of digital and online technologies also provides feedback and facilitates communication between those involved in the international supply chain in the movement of goods from production to retail facilities and allows those in the distribution channel to communicate with each other, which helps to prevent and resolve any challenges that come up within the chain during the distribution process.<sup>75</sup>

The controlling and monitoring of the implementation in international marketing strategy is now more easily achieved and better controlled. Low cost surveys through the Internet in the countries or serving the customers at has already sold to that assess satisfaction levels, the effectiveness of any advertising program, how well the product performs, or any other aspect of its marketing can be easily distributed. The Internet also provides wealth of information on the environment in which the company is attempting to operate. Secondary information such as political and legal developments, any technological aspects in the environment that could affect its operations, and other events or happenings it would need to account for and make adjustments to when attempting to carry out a successful international marketing campaign. Even just closely monitoring the content frequency and feedback generated from social media discussions about and around its products and services can serve as a wealth of information when it is attempting to carry out, track, and control its sales progress in a foreign market during specific time period, or in auditing a specific type of product or product categories.<sup>76</sup>

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<sup>75</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. "Revisiting international marketing strategy in a digital era" *International Marketing Review*, 2019

<sup>76</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. "Revisiting international marketing strategy in a digital era" *International Marketing Review*, 2019

## 1.4 Planning and implementation

Planning and implementation of the marketing program is one of the most important steps within the framework outlined by Gellynck et al in order to determine a firm's marketing management capabilities.<sup>77</sup> Program focus must be chosen, and the purpose must be developed. This plan will be put together using all of the market intelligence generated earlier in the marketing management process, through the complex processes of market intelligence or MARKOR.

As Del Vecchio said, marketing research is a continual process, and this phase of the marketing management process is no different. To some extent, the corporation's functional structure will determine how the programs are implemented. The marketing mix will be finalized in the marketing strategy, and the different channels and marketing activities will now be put into action.

Marketing implementation is the process by which marketing plans are turned into action. This is the process that is designed to achieve the plan's objectives, in contrast to "strategy which addresses the "what" and "why" of marketing activities, implementation addresses the who, where, when, and how." This can come from the head office or chief executives. If an organization is a MARKOR organization, then there is a top to bottom focus on the customer. Kohli and Jaworski argue that the commitment of the top executives to this philosophy is one of the critical factors in determining whether or not a company is MARKOR.<sup>78</sup> They further elaborate, saying that the signals that the entire corporation receives from the CEO and the executive management team about the corporation's commitment to the marketing plan are the most important factors in determining successful implementation.<sup>79</sup>

Corporations with a gap between what junior management says and does and what senior management says and does have a difficult time being market oriented. Kohli and Jaworski also found that the attitude of some managers towards being MARKOR was that it involved a degree of risk – because it was new and potentially a loss-making move. Executives found it was much safer and less risky to not be MARKOR, meaning to continue doing what they were doing already to continue to be profitable. This, coupled with a gap between what senior managers were saying vs what they were doing, left junior managers

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<sup>77</sup> Kohli, A. and Jaworski B. "Market Orientation: The Construct, Research Propositions, and Managerial Implications" 1990, Journal of Marketing, Vol. 4 P. 3

<sup>78</sup> Kohli, A. and Jaworski B. "Market Orientation: The Construct, Research Propositions, and Managerial Implications" 1990, Journal of Marketing, Vol. 4 P. 7

<sup>79</sup> Kohli, A. and Jaworski B. "Market Orientation: The Construct, Research Propositions, and Managerial Implications" 1990, Journal of Marketing, Vol. 4 P. 7 - 8

unable to divine the seriousness of the MARKOR programs or the marketing strategy in general. Eventually, junior executives would catch on that there was a gap between the MARKOR words of the senior managers, and their actual actions, which were more revealing of their attitudes towards the implementation.<sup>80</sup>

Kohli and Jaworski also go on to talk about interdepartmental conflict that could hinder the marketing program's implementation. These are the formal and informal interactions and relationships among the organization's functional departments and units. The literature suggests that interdepartmental conflict is detrimental to the implementation of the marketing concept. These conflicts may be territorial, or personality driven, or they may be baked into resistance to the marketing program. Certain departments might have to take on difficult work, such as a plant manager opening up space and talent for experimental production lines, for a MARKOR framework to succeed. Departmental conflict will also hinder communications across groups, which will also have a negative impact on the dissemination of information, including market intelligence, between the departments. Therefore, MARKOR will be negatively affected by companies that have a high degree of interdepartmental conflict. Additionally, the functional units might not be set up to interact regularly with one another, which will also have an outsized impact on the way information flows between the offices and departments of a company.<sup>81</sup>

Other factors include the departmental IT, organizational and communications systems, and the organizational structure of an organization. Departmentalization, formalization, and centralization negatively affect intelligence gathering, but they positively affect response implementation. Still further, executive compensation could disincentivize MARKOR, which is primarily a customer focused marketing strategy and framework. If compensation is based primarily on the short-term profitability of a firm, then MARKOR may not be able to overcome this resistance and the programs themselves might not be implemented. Kohli and Jaworski point out that their research indicated repeatedly that the primary focus of the corporations was indeed on the short-term profitability of the organization, and no incentives existed that promoted strategic thinking.<sup>82</sup>

Still a further hinderance to implementation was political behavior. This is an attempt to promote self-interest to the detriment of the interests of others, up to and including threats. A

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<sup>80</sup> Kohli, A. and Jaworski B. "Market Orientation: The Construct, Research Propositions, and Managerial Implications" 1990, *Journal of Marketing*, Vol. 4 P. 7-8

<sup>81</sup> Kohli, A. and Jaworski B. "Market Orientation: The Construct, Research Propositions, and Managerial Implications" 1990, *Journal of Marketing*, Vol. 4 P. 9

<sup>82</sup> Kohli, A. and Jaworski B. "Market Orientation: The Construct, Research Propositions, and Managerial Implications" 1990, *Journal of Marketing*, Vol. 4 P. 9

highly politicized system has a high degree of likelihood of interdepartmental conflict, and so the greater the acceptance of political behavior within an organization, the more likely MARKOR programs will be either not implemented or ineffectively implemented.

Nigel Piercy proposed the Information-structure-power theory in order to address such behavior in not just implementation but all stages of marketing. Piercy proposed his theory as a way to explain the gap between the practice of marketing by practitioners in the field, and the theory that he and other academics would develop. Piercy was of course trying to develop an explanation for all things related to marketing practice, such as the level of expenditures for marketing not being used even though there was careful analysis of what the budget should be. Piercy theorizes that the bulk of theory has been decision oriented – about the strategic choices managers face. Piercy proposes thus that we examine the decision-making process of the corporations in order to see why implementation might fail (and by extension, why a MARKOR program might fail). Piercy argues that the organizational influences on the corporation's decision making and the organization's way of determining significant decision outcomes must be explored. Piercy himself acknowledges that this is a controversial way of addressing the problem, because it places managerial behavior as potentially irrational. However, if we examine Kohli and Jaworski's work, we see that although a MARKOR approach leads to higher degrees of profitability, there is significant and "rational" resistance to its implementation, discussed above. The resistance is irrational in that the corporation will suffer from a lower degree of profitability, and rational from the sense that the individual departments or their heads might benefit by operating on incentives that aren't immediately obvious to outsiders or even perhaps shareholders. Piercy sites power and information as two ways in which these detriments can manifest themselves. These can come as rules-oriented tactics, rule evading tactics, persuasion tactics or organizational interactive tactics. This could even come creatively – in the form of an outside expert that might be called upon by a manager to offer testimony that benefits themselves. Even the generation of market intelligence can become political, those that have access to this information may have power over others in the form of a superior understanding of the corporation's activities or position. Piercy points out it might be the very uncertainty and information holding that a corporate environment is producing that may lead to the very creation of the marketing department in the first place – to specialize with information and intelligence generation and dissemination outside the usual departmental structures.<sup>83</sup>

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<sup>83</sup> Piercy, N. "The Corporate Environment for Marketing Management" 1985 Marketing Intelligence and Planning, VOL 3 No. 1 P. 37-39

No matter how the implementation comes about, the process will be a product of this corporate environment, the pitfalls of which are ably outlined by Kohli and Jaworski and Piercy. These hinderances and other factors that may potentially limit an organization's ability to be MARKOR and carry out a successful marketing management program are less quantitative but may be just as important as any energy price spike or other, more easily quantified challenge that a corporation comes across.

## 1.5 Control and evaluation

Control and evaluation of any marketing program is one of the keys to its success, especially one that attempts to be MARKOR. Beyond the usual frameworks that specify a step by step, cross departmental evaluation of the data, the MARKOR framework provides some potential avenues for evaluation. The evaluation of the goals of the programs and the key performance indicators among the most basic of things to do in this step of the marketing management process.

Kohli and Jaworski identify at least one obstacle to the success of the MARKOR program. Because they are viewed as generally riskier by senior management, that outlines the goals, and junior management, that sets about achieving them, there is a potential for a conflict of interest. If the senior management holds the junior managers accountable for the failure of their riskier MARKOR programs instead of accepting the occasional failure, in other words if they are taking risky but acting risk averse, then the programs will struggle. The junior managers will not be too happy to take on this risk and the simultaneous responsibility, and will seek to scapegoat or otherwise hinder the success of the marketing strategy in general.<sup>84</sup>

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<sup>84</sup> Kohli, A. and Jaworski B. "Market Orientation: The Construct, Research Propositions, and Managerial Implications" 1990, *Journal of Marketing*, Vol. 4 P. 8

## 1.6 Traditional food producers in the EU

In their work, “Market orientation and marketing management of traditional food producers in the EU”, Gellynck et al. describe the marketing management framework from which they operate. Borrowing from Kotler, they describe the marketing management process they use to analyze traditional food producers in the EU. Firstly, they describe the MARKOR or market orientation framework they. “This concept has been defined as a philosophy of business management”, characterized by the recognition of the importance of customer orientation, profit orientation, and communication of market needs across the company departments.”<sup>85</sup>

“Following this approach, a firm is market oriented if it incorporates two main pillars of the marketing concept, i.e. customer focus and coordinated marketing.”<sup>86</sup> The construct of market orientation is constituted by three main steps, namely intelligence generation, intelligence dissemination, and responsiveness, necessary to be customer focused and develop a coordinated marketing.<sup>87</sup>

“Intelligence generation concerns the collection of market and competitive environment information, the translation of this information into objectives and the definition of strategies.”<sup>88</sup> Marketing intelligence is collected during the market research process. Marketing intelligence should then be disseminated to all functional departments and groups so that there is a “shared basis for concerted actions by different departments.”<sup>89</sup>

Gellynck et al attempt to place this MARKOR framework within Kotler’s marketing management framework. “Market research is aimed at collecting information and data to analyze the competitive environment, carrying out a marketing audit and SWOT analysis of the economic context the firm is operating in.”<sup>90</sup> This should also extend to supplier and retailers.<sup>91</sup>

Marketing strategy “defines the aims of the marketing activities, it outlines the segmentation and the targeting of demand and it applies the product differentiation.

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<sup>85</sup>Gellynck, X. Bamterle, A., Kühne, B. Carraresi, L. and Stranieri, S. “Market orientation and marketing management of traditional food producers in the EU” *British Food Journal*, Vol. 114 No. 4, 2012. P. 483

<sup>86</sup> Ibid. P. 483

<sup>87</sup> Ibid. P. 483

<sup>88</sup> Ibid. P. 483

<sup>89</sup> Kohli, A.K. and Jaworski, B.J. “Market orientation: the construct, research propositions, and managerial implications” *Journal of Marketing*, Vol. 54, No. 2 P. 5

<sup>90</sup> Gellynck, X. Bamterle, A., Kühne, B. Carraresi, L. and Stranieri, S. “Market orientation and marketing management of traditional food producers in the EU” *British Food Journal*, Vol. 114 No. 4, 2012. P. 483

<sup>91</sup> Ibid. P. 483

Furthermore, pricing, the choice of distribution channels, and the investment in advertising are also critical decisions during the definition of a marketing strategy.”<sup>92</sup>

Planning and implementation carry out the marketing strategy and lay out the methods used “through the application of a marketing plan in line with the global strategy of the firm, which should be adapted to market changes.”<sup>93</sup> The control and evaluation phase assesses how well the marketing strategy is implemented.<sup>94</sup> “In order to maintain an efficient marketing plan, a company needs to monitor, and periodically control, its marketing activities so that, if any corrective actions are needed, they can be made at the appropriate time.”<sup>95</sup>

Gellynck et al attempt to combine the two approaches of Kohli and Jaworski, the MAKOR or market orientation approach, and Kotler’s marketing management process through their own adaption.<sup>96</sup> They “used a set of variables to represent different stages of the marketing management process” and “linked them to the market orientation approach.”<sup>97</sup>

They conducted an analysis of SME corporations and their market orientation in marketing management of traditional food producers in the European Union. They used a market orientation approach in the survey involved 150 firms from which 118 are SME producing traditional food products located in Hungary Belgium and Italy. The survey consisted of Likert scale questions then were broken up into sections based on the four steps Kotler outlined above. They then put the resulting scores into medians and clusters and determined how market oriented each SME was and what characteristics they have in common within the cluster.

Their cluster analysis resulted in four significantly different clusters. "The first cluster groups 41.4% of the respondents characterized by good overall results in all five stages. This group is thus referred to as “market oriented”. This cluster has significantly the best results in the stages of planning and implementation and control and evaluation. In the stages of marketing research marketing strategy in innovativeness, this cluster achieves the significantly best results for most of the variables...More than 1/3 of the respondents fall in the second cluster (34.5%). The members of this cluster achieved lower scores than the members of the first cluster, but obtained fairly good results in all five stages, and so this cluster is referred to as “upper intermediate market oriented”... The third cluster shows the respondents with low market orientation but with developed strategy; this cluster is referred to

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<sup>92</sup> Gellynck, X. Bamterle, A., Kühne, B. Carraresi, L. and Stranieri, S. “Market orientation and marketing management of traditional food producers in the EU” *British Food Journal*, Vol. 114 No. 4, 2012. P. 484

<sup>93</sup> Ibid. P. 484

<sup>94</sup> Ibid. P. 484

<sup>95</sup> Ibid. P. 484

<sup>96</sup> Ibid. P. 485

<sup>97</sup> Ibid. P. 485

as “less market oriented but with well-developed strategy” and comprises a minority of the sample (8.6%). Finally, the 4th cluster assembles another minority of respondents 15.5%; they have overall low scores in all five stages and our hands referred to as “not market oriented.”<sup>98</sup>

They “determined the weakest step of market orientation is the dissemination of generated intelligence”.<sup>99</sup> There were determined that a considerable part of the SMB sampled showed good marketing management capabilities and were classified as market oriented or within the first cluster. They also determined that there was weakness in marketing management capabilities depending on the situations in each firm highlighted that some SMS face problems with market insight circulation and dissemination and responsiveness. They concluded that the generation of intelligence was done fairly well.<sup>100</sup>

They also concluded that their “analysis revealed there were several factors influencing the market orientation and marketing management capabilities of the SM ES Sir made. Those firms that are market oriented tend to distribute mainly through supermarkets at national level, highlighting that the market conditions with higher level of competition positively affect the market orientation of the firms. Moreover, those firms that are likely to have established voluntary certification schemes are those with a higher level of market orientation, because they try to meet consumer needs, assuring product quality attributes.”<sup>101</sup>

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<sup>98</sup> Gellynck, X. Bamterle, A., Kühne, B. Carraresi, L. and Stranieri, S. “Market orientation and marketing management of traditional food producers in the EU” *British Food Journal*, Vol. 114 No. 4, 2012. P. 488 - 489

<sup>99</sup> *Ibid.* P. 481

<sup>100</sup> *Ibid.* P. 494

<sup>101</sup> *Ibid.* P. 495

## 1.7 Managerial risk perceptions of international entry mode strategies

Forlani, Parthasarathy and Keaveney investigated the managerial perceptions of risk when a company goes abroad. In outlining their purpose, they said they aimed “Investigate how opportunity for control and firm capability interact to moderate the amount of risk that managers associate with various international entry mode strategies. A secondary goal is to investigate how managers perceive the need to retain control over three core functional areas (marketing, production, and R&D) when making entry mode decisions.”<sup>102</sup>

In order to investigate this, they designed a field experiment with “a sample of US business owners and executive. Using an online data collection method, the study asked a sample of small business owners and managers to assess the amount of risk they associated with three modes of entering the Japanese market: non ownership (export), equal partnership (50/50 joint venture) and sole ownership. They were also asked how much control they need to retain over R&D, production and marketing for the venture to be successful.”<sup>103</sup>

The study examined which functions the managers wished to retain in-house or with a partner when a firm entered into a new international market. They categorized different entry modes based on a scale of “all, some, or none” or what is effectively high medium and low control. “...in practice, however, the “all, some, or none” configuration is achieved by retaining control over some functional areas while relinquishing control over others. Specifically, when do managers seek to retain control over R&D as compared to marketing, when choosing low or medium control international entry modes ?”<sup>104</sup>

The authors state that standard internationalization theory would suggest that managers “retain control over marketing when there is a risk of free riders”<sup>105</sup> That could profit indirectly or directly from a marketing campaign or by taking advantage of the brand. The author stated the literature's opinion is mixed, “some studies have found that heavily advertised goods and well-known brands can be efficiently marketed through low control entry modes. (Lall, 1978; Helleiner and Lavergne, 1979) Others argue that heavy advertising and well-known brands attract free riders. (Davidson, 1982; Caves, 1981; Anderson and Gatignon, 1986).

Resource based theory, on the other hand, suggests that many firms will see to outsource functions like marketing when operating in an international environment where the

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<sup>102</sup> Forlani, D., Parthasarathy, M. and Keaveney, S. M. “Managerial risk perceptions of international entry-mode strategies” *International Marketing Review*, Vol. 25, No. 3, 2008 P. 292

<sup>103</sup> *Ibid.* P. 292

<sup>104</sup> *Ibid.* P. 297

<sup>105</sup> *Ibid.* P. 297

market is not clearly understood by the company. A local partner will ultimately have marketing outsourced to it by the internationalizing firm so that it can “learn from the market and cultural expertise of the local partner and ultimately enhance the capabilities of the firm.”<sup>106</sup>

The “results showed that managers of less capable firms see increased risk with increasing levels of ownership, while those of more capable firms see increased risks with decreasing levels of ownership. Before this study, these seemingly contradictory observations would have set the two prevailing theoretical perspectives in the entry mode literature at odds: the former result is consistent with the internationalization theory prediction managers should perceive increased risk with increased ownership (Anderson and Gatignon, 1986; Williamson, 1975) and the latter result is consistent with the resource based prediction that managers should perceive less risk of ownership with increased capability (Madhok, 1997; Root, 1994). However, the apparent theoretical conflict is mitigated as managers’ risk perceptions are a function of both control and capability, reconciling the predictions of the two predominant entry mode series well at the same time introducing a new perspective, a managerial risk perspective, for understanding international entry mode decisions.”<sup>107</sup>

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<sup>106</sup> Forlani, D., Parthasarathy, M. and Keaveney, S. M. “Managerial risk perceptions of international entry-mode strategies” *International Marketing Review*, Vol. 25, No. 3, 2008 P. 298

<sup>107</sup> *Ibid.* P. 305

## 1.8 Service Joint Venture as Strategic Trade Alliances

Kaynak, Kara, and Hyder investigate international strategic alliance alternatives. They argue that firms form these alliances to gain advantages in areas where they have a competitive deficiency and are more competitive with a partner.<sup>108</sup>

First, Kaynak et al examined the motives for entering into joint ventures. “Joint ventures were considered to be the most valuable means for entering foreign markets. Through an empirical study of joint ventures and wholly owned firms, Ahn (1980) found that the local partners were attracted by foreign capital, technology, training, management and marketing know-how.”<sup>109</sup> Chinese Firms were attracted by superior technology when considering forming joint ventures. Another reason was the shortage of management skills and technology in the host country which open cloud would open scope for foreign firms who could provide these facilities. Nigh, Walters, and Kuhlman (1990) studied U.S.-Russian Joint ventures and found contributions of technology, capital, managerial expertise in access to foreign markets by the US firms as the major criteria for local firms in adopting joint ventures of an energy strategy.”<sup>110</sup>

In considering the formation of joint ventures, it was found that the most important resource exchange between partners was technology. “In every such relationship, some partner provides the technology and thereby reduces a major uncertainty. (Doz) 1998 Found larger firms formed joint ventures with smaller firms to get technology. Tyebjee (1998) Found that one partner provided technology and the other a marketing facility and joint ventures between developed countries. Pfeffer and Salancik (1978) Asserted that the partner who could reduce organizational uncertainty would get the power.”<sup>111</sup>

In a review of the literature, Kaynak et al proposed that “In the service joint ventures, marketing emerges as the vital resource area; therefore, during the formation of such cooperation, major emphasis will be given on this issue.”<sup>112</sup> They go on to state that the review of the literature supports this conclusion. “Service joint ventures will be mainly established between partners from developed countries, whereas in developing countries, passive form of strategic alliances such as piggy backing and non-equity farm ventures will be formed. In Tyebjee’s (1988) typology of joint ventures, service firm partners can be

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<sup>108</sup> Erdener, K., Kara, A. and Hyder, S. “Service Joint Ventures as Strategic Trade Alliances” *Competitiveness Review*, Vol. 5 No. 1, P. 44

<sup>109</sup> *Ibid.* P. 46

<sup>110</sup> *Ibid.* P. 46

<sup>111</sup> *Ibid.* P. 48

<sup>112</sup> *Ibid.* P. 49

recognized with procreation type where the venture is formed out of a mutual need between each of the parents for each-other's strengths."<sup>113</sup>

In their conclusions, they draw special attention to the role of marketing in a service joint venture. Service joint ventures require constant updating of products, constant learning and constant knowledge exchange to be competitive. "When a local partner is the marketer, cultural differences between buyer and seller is less likely and a good interaction is more likely to emerge. Child and Marko'czy (1993) emphasized the prospect of learning in joint ventures through active participation by the owners in joint activities. Learning will be a vital factor in service joint ventures because partners seem to be equally strong and therefore need to learn from each other."<sup>114</sup>

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<sup>113</sup> Erdener, K., Kara, A. and Hyder, S. "Service Joint Ventures as Strategic Trade Alliances" *Competitiveness Review*, Vol. 5 No. 1, P. 49

<sup>114</sup> *Ibid.* P. 50-51

## 2 ANALYSIS OF MARKETING MANAGEMENT STRATEGIES

### 2.1 Ford Motor Company

#### 2.1.1 Background and Sales Analysis – North America – 1995 - 2019

Ford Motor Company is one of the “Big Three” auto manufacturers in the United States. Founded in 1903 by Henry Ford, the company employs 175,000 people worldwide.<sup>115</sup>

The Ford Motor company has long enjoyed high sales in its home market, the North American market, but its market share is declining.<sup>116</sup> The company offers a diverse range of trucks, sport utility vehicles, and luxury cars. Its primary profit center is from the manufacture of large vehicles for the domestic market.<sup>117</sup>

Figure 2.1 represents the sales of Ford Motors sales in its core US market since 1995. The figures represent the decline in market share and in total vehicles sales in its core US market. Its gradually decline in its overall market share since 1995 is plain to see, from a high of 21.0 in 1995 to a low of 13.42 in 2019. This decline was only arrested by strong sales coming out of the 2007 financial crisis.

Figure 2.2 Shows the relationship between the growth rate and total market share. Growth in total sales was positive only ten years since 1995, or 41.67% of the time. Despite that, a more recent recovery of market share has taken place, from 2010 to 2011, when market share once again topped 16% for the first time since 2004. This decline in market since 1995 is not without a response from the company. Vehicle sales have remained over 2m units since 2010, which was a down year for Ford but also for the market in general. Ford suddenly gained back market share up to 15%, despite selling fewer cars than in the preceding years and since 2007.

Analysis would indicate that Ford is a market follower in most segments, not a market leader. It is a market leader in the US market for light trucks. The overall market leader in the US auto segment is General Motors, followed by Toyota Motor

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<sup>115</sup> Auto Alliance (Alliance of Automobile Manufacturers) “Ford Motor Company” <https://autoalliance.org/companies/ford-motor-company/> accessed 15.03.2020

<sup>116</sup> Wards Intelligence “Datacenter” <https://wardsintelligence.informa.com/datacenter> Accessed 15.03.2020

<sup>117</sup> Ford Motor Company “SEC Reporting” <https://sec.report/CIK/0000037996>

Corporation and the newly consolidated Fiat Chrysler.<sup>118</sup> Chrysler is the third and smallest of the “Big Three” American auto manufacturers, and was at one time merged with Daimler.<sup>119</sup>

The core decline of the American market is one of the possible reasons Ford decided to go abroad into new markets. It was also a necessity, the Chinese auto market is now the largest in the world,<sup>120</sup> and is increasingly the largest market for all auto manufacturers that participate in it. Ford had no choice, as its core market was declining, and new competition entered into its home territory.

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<sup>118</sup> Wards Intelligence “Datacenter” <https://wardsintelligence.informa.com/datacenter>  
Accessed 15.03.2020

<sup>119</sup> Beveridge, Dirk “Diamler-Chrysler Merger Worth \$37B” Associated Press, May 7<sup>th</sup>, 1998  
<https://apnews.com/2a7a76fd6c8b2cffc38610d8ad4ff20e> accessed 10.03.2020

<sup>120</sup> International Organization of Motor Vehicle Manufacturers “World Motor Vehicle Production By Country and Type” <http://www.oica.net/wp-content/uploads/By-country-2019.pdf> accessed 06.04.2020

## 2.1.2 Domestic US Market Consumer Preferences

Ford Motors enjoys one strong advantage in its home market: its F series truck lines. Ford sells the most popular single model, the Ford F-150, and also the larger sized F-250 and F-350. The American auto market consumer market segment for larger vehicles is large: fully 69.8% of the 2019 consumer auto market was for vehicles classified as light trucks or vans.<sup>121</sup> Larger vehicles drive higher profit margins, as they are both more expensive and have less foreign competition. Foreign markets typically demand smaller, fuel efficient vehicles, and foreign manufacturers hold a distinct advantage over their American counterparts in this regard.

The lower profit margin and perceived superiority of foreign auto manufacturers as compared to the American competition have proven too difficult for the American auto manufacturers to overcome. Some, such as Chrysler, have nearly abandoned standard auto manufacturer altogether, and only manufacture large cars. Chrysler now only offers one car in its lineup, the full-sized Chrysler 300. Starting at almost \$30,000, this is not a low or budget offering. Chrysler's other badge, or auto brand, is Dodge. Dodge makes two cars, the Charger and the Challenger. Both are sports or "muscle car" callbacks and aren't for a typical daily driver or commuter. Jeep, its other brand, does not manufacture cars at all. Its Dodge Ram Pickup truck is currently the second most popular truck, after the Ford F-series trucks, and competes with Ford for this segment.<sup>122</sup>

Ford's largest domestic competition is General Motors Corporation, or GM. GM owns the Chevrolet ("Chevy"), GMC, Buick and Cadillac brands in their domestic market. Its Chevy Silverado is often the main competitor to Ford's F Series Trucks and is also a profit center for the company. GM's full line of trucks, including the Silverado, Sierra, and Colorado and GMC Canyon, will sometimes outsell the Ford F Series lineup. Chevrolet offers a full lineup of cars and trucks, and is a "mid-priced" brand, and in some cases even entry level. They offer alternatives to the foreign manufactured, small and economy compact vehicles. Chevy's smaller cars, the Spark, Sonic, and the electric Bolt, lag behind their foreign competition in sales. GM's strategy for these vehicles is to be competitive on price, rather than quality or features. Its other cars, the

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<sup>121</sup> Wards Intelligence "Datacenter" <https://wardsintelligence.informa.com/datacenter>  
Accessed 15.03.2020

<sup>122</sup> Wards Intelligence "Datacenter" <https://wardsintelligence.informa.com/datacenter>  
Accessed 15.03.2020

Malibu, Corvette, Camaro, and Corvette range from mid to full sized and show that GM is a full range auto maker.

The largest foreign competition in the US market comes from Toyota Motors. Toyota is the world's largest by volume, and it enjoys an increasing percentage of US market share.<sup>123</sup> It manufactures the popular RAV4, Camry, and Corolla. Its entry into the truck market, the Tacoma, is also increasingly popular, and is enjoying more and more market share in the US. Unlike its American competitors, Toyota has no problem selling compact, economy, and mid and full-sized vehicles. Its brand identity is that of reliable, fuel efficient and well manufactured vehicles. The next highest American competition is the Ford Fusion, which sells less than half of what the Camry sells in a typical year.

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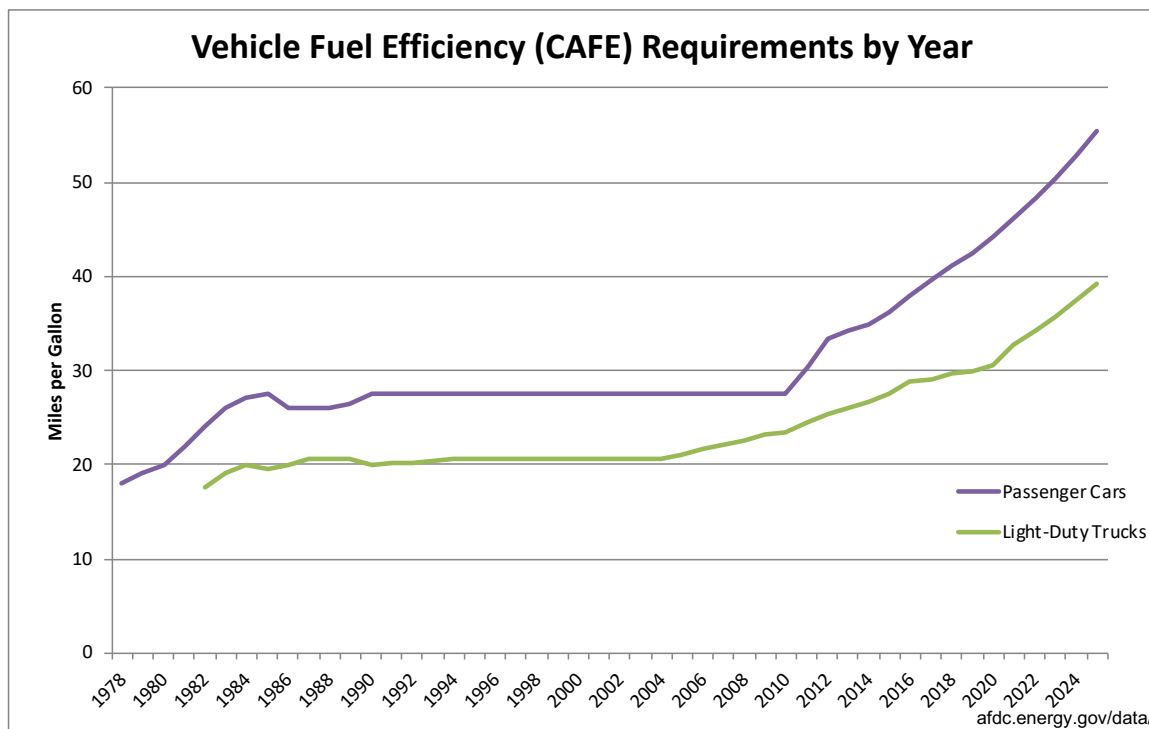
<sup>123</sup> Wards Intelligence "Datacenter" <https://wardsintelligence.informa.com/datacenter>  
Accessed 15.03.2020

### **2.1.3 CAFE Standards**

CAFE or Corporate Average Fuel Economy standards in the United States are a legislative solution to increasing fuel efficiency in newly manufactured vehicles in the United States. First enacted in 1975, they were an effort by the United States Congress to improve fuel efficiency standards and after the Arab Oil Embargo of 1973 – 74. CAFE standards calculate the total fleet fuel efficiency of a manufacturer's vehicle lineup, which must meet a target "Miles per Gallon" (mpg) or fuel efficiency standard.

CAFE Standards began in 1978 to require that cars and light trucks begin to raise their fuel efficiency standards, initially passenger cars fuel efficiency was set at 18 mpg (13 L/100km). In 1982, light trucks were set at 17.5 mpg (13.44 L/100km). By 1984, passenger cars' target was 27.5 mpg (8.55 L/100km), which dipped slightly and then by 1990 again returned to 27.5 mpg (8.55 L/100km), remaining there until 2010.

Standards for light trucks also began to increase. Starting in 1982 standards for light trucks began to grow increase year-by-year. That year began requiring a standard of 17.5 mpg (13.44 L/100km). By 1984 the increase in gas mileage mandated under the CAFE standards for light trucks was. It hovered around this number until 2006 when it once again began to increase. In 2010, light duty trucks were expected to receive from miles per gallon of 23.5 mpg (10 l/100km), by 2015 this number had increased to 27.5 mpg (8.55 l/100km). In 2020, the CAFE standards for light trucks mandate an mpg of 30.5 (7.71 l/100km) for light trucks. By 2025, this number is mandated to be 39.3 mpg (5.9 l/100km) for newly manufactured light trucks.



2.1 Vehicle Fuel Efficiency (CAFE) Requirements by year, 1978 – 2025. Data and chart provided by US Department of Energy<sup>124</sup>

The new standards came on the heels of the financial crisis and a bailout of General Motors and Chrysler by the federal government. The state of California had begun to impose more stringent fuel economy standards and the question was where the automakers have to build one set of cars for the state of California and another for the rest of the country. The Bush Administration had started to review and revise these CAFE standards in part because of the actions of the Californians.

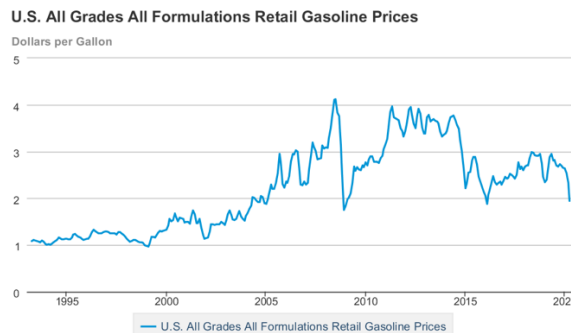
The incoming Obama administration decided to have even more stringent regulations on fuel economy for newly manufactured vehicles in the CAFE rules. Having taken office on the heels of the financial crisis, the new administration decided to be more aggressive. Politically it was now easier as the federal government owned large stakes in General Motors and Chrysler. Also, it was thought at the time, the increase in standards could mean consumers would pay less money to operate their vehicles. They would enjoy these lower operating costs and have more money to spend on more expensive vehicles. It was also stated to time that the fuel economy standards would lead to an overall increase in US market sales of over 300,000 vehicles per year. News reports at the time quoted calculations made in a report by Citi investment

<sup>124</sup> U.S. Dept. of Energy “Vehicle Fuel Efficiency Requirements by Year” Sept. 2013, <https://afdc.energy.gov/data/10562> accessed 02.04.2020

research and analysis and in cooperation with Ceres, the environmental coalition. The new regulations would lead to several billion dollars in profit by the year 2020. Under the standards, it was projected that there would be an overall increase of profits of 5.3% which amounts to some \$4.76 billion in 2020. The big three auto manufacturers would collectively see a jump of 6.3point three% in profits amounting to some \$2.44 billion. The big three auto manufacturers would see a jump in sales of 4% while foreign automakers would see the 3% uptick in unit sales.<sup>125</sup>

Researchers speculated at the time that even with gasoline prices as low as one dollar and \$1.50 cents a gallon in 2020 money save during vehicle use would fully offset the cost of added fuel economy technology. At the time the new standards were enacted, gasoline prices were fully double that worst-case scenario. Gasoline prices in United States reached an average of \$3.95 in April 2012, that is the highest they have been since the CAFE standards were enacted. Since January 2012, the trend for gasoline prices in United States is steadily downward with current prices being affected by look global crisis because of Corona Virus, however, stand at \$1.93 a gallon as of April 2020.<sup>126</sup>

This trend is a boom for Ford and the other big three automakers. Lower gas prices help to fuel purchases of their core product lineup which consists of light trucks and SUVs. The lower gas prices help to boost Ford and the other big three auto makers as they adjust to the new reality that is the CAFE standards.



## 2.2 U.S. All Grades All Formulations Retail Gasoline Prices<sup>127</sup>

<sup>125</sup> Josh Cable “Report: Proposed CAFE Standards Will Pump Up Profits for GM, Ford and Chrysler” April 5<sup>th</sup>, 2012, <https://www.industryweek.com/the-economy/environment/article/21944792/report-proposed-cafe-standards-will-pump-up-profits-for-gm-ford-and-chrysler> accessed 20.03.2020

<sup>126</sup> U.S. Energy Information Administration, “U.S. All Formulations Retail Gasoline Prices” [https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=p&s=emm\\_epm0\\_pte\\_nus\\_dpg&f=m](https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=p&s=emm_epm0_pte_nus_dpg&f=m) accessed 05.05.2020

<sup>127</sup> U.S. Energy Information Administration, “U.S. All Formulations Retail Gasoline Prices” [https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=p&s=emm\\_epm0\\_pte\\_nus\\_dpg&f=m](https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=p&s=emm_epm0_pte_nus_dpg&f=m) accessed 05.05.2020

Figure 2.2 shows the Retail gasoline prices from 1995 to 2020 in the United States. Ford’s profitability depends on these fuel prices being palatable to the American consumer, so that they can continue to sell their larger, profit center vehicles to the US consumer. The chart shows again visually the spike in gasoline prices that occurred in early 2012 in the United States, and prices having generally retreated since then.

<b>U.S. All Grades All Formulations Retail Gasoline Prices</b>												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1993				1.078	1.1	1.097	1.078	1.062	1.05	1.092	1.066	1.014
1994	0.998	1.009	1.008	1.027	1.047	1.078	1.106	1.155	1.144	1.114	1.119	1.129
1995	1.13	1.12	1.119	1.157	1.225	1.239	1.201	1.17	1.158	1.134	1.109	1.118
1996	1.137	1.136	1.183	1.275	1.324	1.3	1.272	1.251	1.247	1.249	1.278	1.282
1997	1.283	1.276	1.251	1.244	1.245	1.242	1.22	1.268	1.276	1.242	1.216	1.177
1998	1.132	1.096	1.064	1.077	1.105	1.103	1.094	1.065	1.049	1.059	1.036	0.987
1999	0.98	0.962	1.022	1.171	1.171	1.154	1.197	1.26	1.295	1.285	1.292	1.313
2000	1.329	1.415	1.556	1.506	1.526	1.666	1.591	1.506	1.588	1.571	1.557	1.483
2001	1.487	1.49	1.45	1.591	1.738	1.658	1.466	1.461	1.557	1.357	1.212	1.127
2002	1.148	1.155	1.289	1.439	1.434	1.424	1.438	1.438	1.441	1.486	1.461	1.429
2003	1.5	1.655	1.734	1.633	1.539	1.533	1.554	1.661	1.721	1.606	1.555	1.522
2004	1.614	1.69	1.778	1.839	2.023	2.013	1.954	1.92	1.912	2.042	2.023	1.887
2005	1.875	1.953	2.12	2.285	2.205	2.198	2.333	2.529	2.951	2.765	2.303	2.229
2006	2.36	2.326	2.468	2.787	2.953	2.93	3.025	2.999	2.606	2.293	2.275	2.359
2007	2.289	2.323	2.609	2.891	3.187	3.102	3.011	2.834	2.849	2.853	3.128	3.07
2008	3.095	3.078	3.293	3.507	3.815	4.105	4.114	3.833	3.756	3.112	2.208	1.745
2009	1.84	1.975	2.011	2.102	2.316	2.681	2.582	2.67	2.609	2.605	2.706	2.663
2010	2.769	2.699	2.824	2.9	2.89	2.785	2.782	2.783	2.757	2.853	2.913	3.048
2011	3.148	3.264	3.615	3.852	3.96	3.735	3.705	3.696	3.667	3.506	3.443	3.326
2012	3.44	3.64	3.907	3.958	3.791	3.596	3.498	3.78	3.91	3.812	3.521	3.381
2013	3.391	3.736	3.779	3.638	3.675	3.689	3.661	3.645	3.604	3.42	3.322	3.357
2014	3.392	3.434	3.606	3.735	3.75	3.766	3.688	3.565	3.484	3.255	2.997	2.632
2015	2.208	2.301	2.546	2.555	2.802	2.885	2.88	2.726	2.462	2.387	2.26	2.144
2016	2.057	1.872	2.071	2.216	2.371	2.467	2.345	2.284	2.327	2.359	2.295	2.366
2017	2.458	2.416	2.437	2.528	2.503	2.46	2.414	2.494	2.761	2.621	2.678	2.594
2018	2.671	2.705	2.709	2.873	2.987	2.97	2.928	2.914	2.915	2.943	2.736	2.457
2019	2.338	2.393	2.594	2.881	2.946	2.804	2.823	2.707	2.681	2.724	2.693	2.645
2020	2.636	2.533	2.329	1.938								

2.3 U.S. All Grades All Formulations Retail Gasoline Prices (Dollars Per Gallon)<sup>128</sup>

<sup>128</sup> U.S. Energy Information Administration, “U.S. All Formulations Retail Gasoline Prices” [https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=emm\\_epm0\\_pte\\_nus\\_dpg&f=m](https://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=emm_epm0_pte_nus_dpg&f=m) 05.05.2020

Figure 2.3 shows a chart of Retail gasoline prices by month, with the average price per month, until April 2020. The price table shows that the prices month to month were quite stable during the 1990s, and then became high and volatile during the 2000s and later, after the great recession.

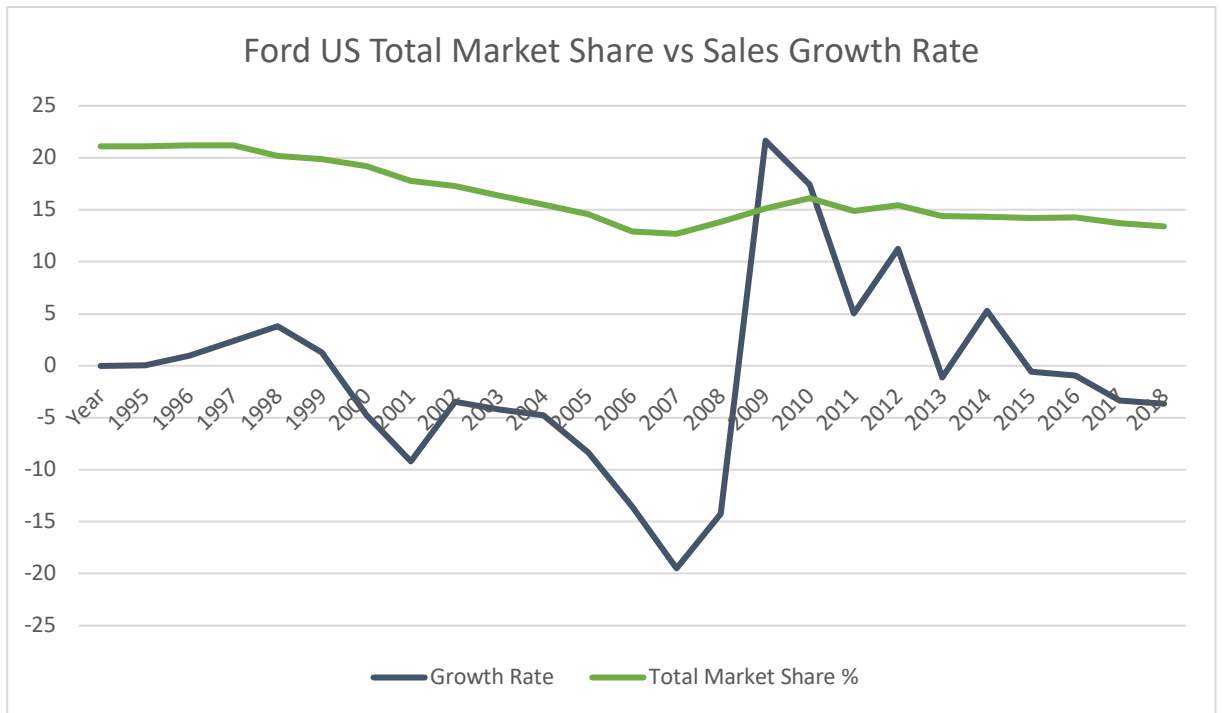
Year	Sales	Growth Rate	Total Market Share %
1995	3,180,549	-	21.1
1996	3,181,378	0.03	21.1
1997	3,212,698	0.98	21.2
1998	3,288,544	2.36	21.2
1999	3,414,169	3.82	20.2
2000	3,457,996	1.28	19.9
2001	3,294,190	-4.74	19.2
2002	2,990,472	-9.22	17.8
2003	2,886,575	-3.47	17.31
2004	2,766,025	-4.18	16.35
2005	2,634,041	-4.77	15.5
2006	2,415,059	-8.31	14.58
2007	2,087,048	-13.58	12.92
2008	1,680,321	-19.49	12.69
2009	1,440,653	-14.26	13.81
2010	1,752,511	21.65	15.12
2011	2,057,210	17.39	16.1
2012	2,160,859	5.04	14.91
2013	2,403,542	11.23	15.42
2014	2,376,841	-1.11	14.38
2015	2,501,855	5.26	14.32
2016	2,487,487	-0.57	14.18
2017	2,464,041	-0.94	14.29
2018	2,381,635	-3.34	13.74
2019	2,293,984	-3.68	13.42

2.4 Ford Motor Corporation, United States Unite Sales by year

Growth rate and Market Share<sup>129</sup>

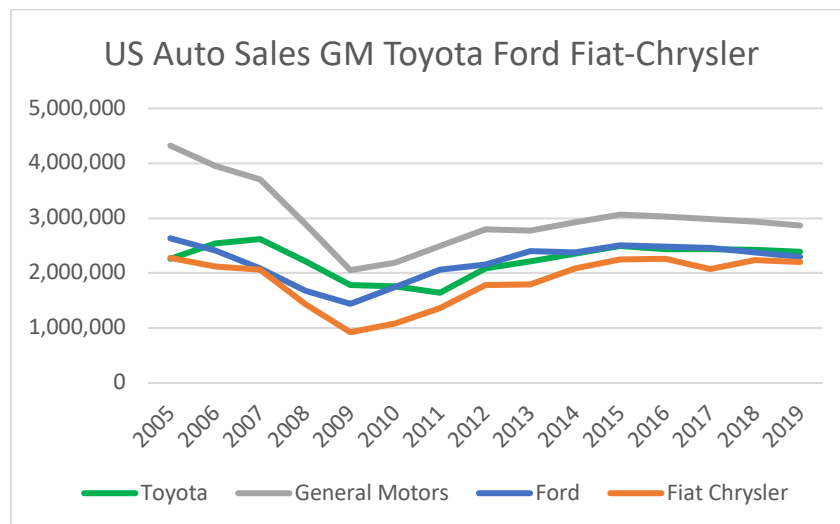
Figure 2.4 shows Ford Motor Corporation’s sales of automobiles by year and its overall market share. It’s market share since 1995 has gone from slightly above 20% to just above 13% in 2019, which isn’t an all-time low, which was 2008.

<sup>129</sup> Wards Intelligence “Datacenter” <https://wardsintelligence.informa.com/datacenter>  
 Accessed 15.03.2020



2.5 Graph, Ford Motor Corporation Growth Rate Vs. Market Share<sup>130</sup>

Figure 2.5 shows Ford Motor Corporation’s growth rate vs it’s total market share. This chart presents in a more neutral way the data that shows sales growth vs market share, in particular it shows the relationship during bad years such as 2006, 2007 and 3008 to market share. Although total sales growth during this time was negative, total market share was somewhat steady. This is because the overall market was down, and sales among all of the major auto makers were suffering.



2.6 Ford Motor Corporation vs. GM, Toyota and Fiat Chrysler<sup>131</sup>

<sup>130</sup> Wards Intelligence “Datacenter” <https://wardsintelligence.informa.com/datacenter>  
 Accessed 15.03.2020

<sup>131</sup> Wards Intelligence “Datacenter” <https://wardsintelligence.informa.com/datacenter>

Figure 2.6 shows Ford Motor Corporation vs its largest domestic competitors, GM, Fiat and Toyota. In terms of its competition, Ford Motor Corporation has held steady, and at times is the #2 automaker in the United States. At other times, such as currently, they are edged out by Toyota. General Motors remains the #1 US automaker, however, we can see that GM's total units since 2005 down by over 1 million units per year.

Whether or not Ford will be able to realize a new profit center in other areas of the world is debatable. It's current strategy in its home market sees that its struggling to sell outside of a narrow range of vehicles, such as the F150.

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## 2.2 Ford in China

Ford Motor Corporation began in China with a joint venture with Changan Automobile, a local Chinese company. It had been established as Changan Ford Automobile in 2001 and began producing vehicles by 2004. In 2006, Mazda acquired a 15% stake in Changan Ford Automobile, at which time it was renamed to Changan Ford Mazda. Ford had a controlling interest in Mazda until 2008, when it sold its controlling stake back to Mazda. The company's principal activity was manufacturing and selling Ford and Mazda branded cars in China. By early April 2012, Changan Ford Mazda had split into two joint ventures, with 50:50 ownership stakes: Changan Ford and Changan Mazda.<sup>132</sup>

By 2003, Ford had been granted an export license to export its vehicles to China. That first year, 5,250 US built automobiles were shipped to China under the new license.<sup>133</sup> This was this the first year of large-scale operations in China. Ford automobiles had begun exporting for the first time would become its second largest country and third largest market for automobiles.<sup>134</sup>

Ford also began manufacturing vehicles in China in 2003. Ford had begun its ambitious program into China with its Chinese government partner, the automobile manufacturer Changan, one of China's oldest vehicle manufacturers. Founded as a military engineering firm in 1862, during China's Westernization program at the end of the Qing dynasty, Changan launched its first production vehicle in 1959, which it began to manufacture its version of the American military's Willys Jeep, labeled as the Changjiang type 46.<sup>135</sup>

In evaluating Ford's decision to go to China, Ford was motivated by several factors. One was declining US sales and market share. Additionally, as the regulations under the CAFE standards began to tighten, Ford faced a more difficult US market, and the opportunity to develop new markets in China could be seen as a solution to their domestic woes. Tougher foreign competition amongst smaller and more fuel-efficient

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<sup>132</sup> Mazda Motor Corporation "Restructure of Changan Ford Mazda Automobile Approved" <https://newsroom.mazda.com/en/publicity/release/2012/201211/121130b.html>  
Accessed 1.03.2020

<sup>133</sup> Embassy of the People's Republic of China in the United States of America "GM, Ford to export thousands of vehicles to China (11/13/03)" <http://www.china-embassy.org/eng/jjmy/b/t41056.htm>  
Accessed 23.03.2020

<sup>134</sup> Ford Motor Company "Form 10-K Ford Motor Co Annual report" <https://sec.report/Document/0000037996-20-000010/> accessed 3.03.2020

<sup>135</sup> Changan Automobile "About Us" [http://www.globalchangan.com/about\\_us/index.html](http://www.globalchangan.com/about_us/index.html)  
Accessed 20.03.2020

vehicles, where Ford hasn't competed particularly well, also played a role. As the CAFE standards are for the entire fleet and aren't for one particular vehicle but a manufacturer's class of vehicles, there's additional incentive to produce the more compact and fuel-efficient vehicles to bring the company in line with CAFE standards. Once they are in line with the standards, they are free to sell their larger vehicles to the US domestic market and maintain their core profit center.

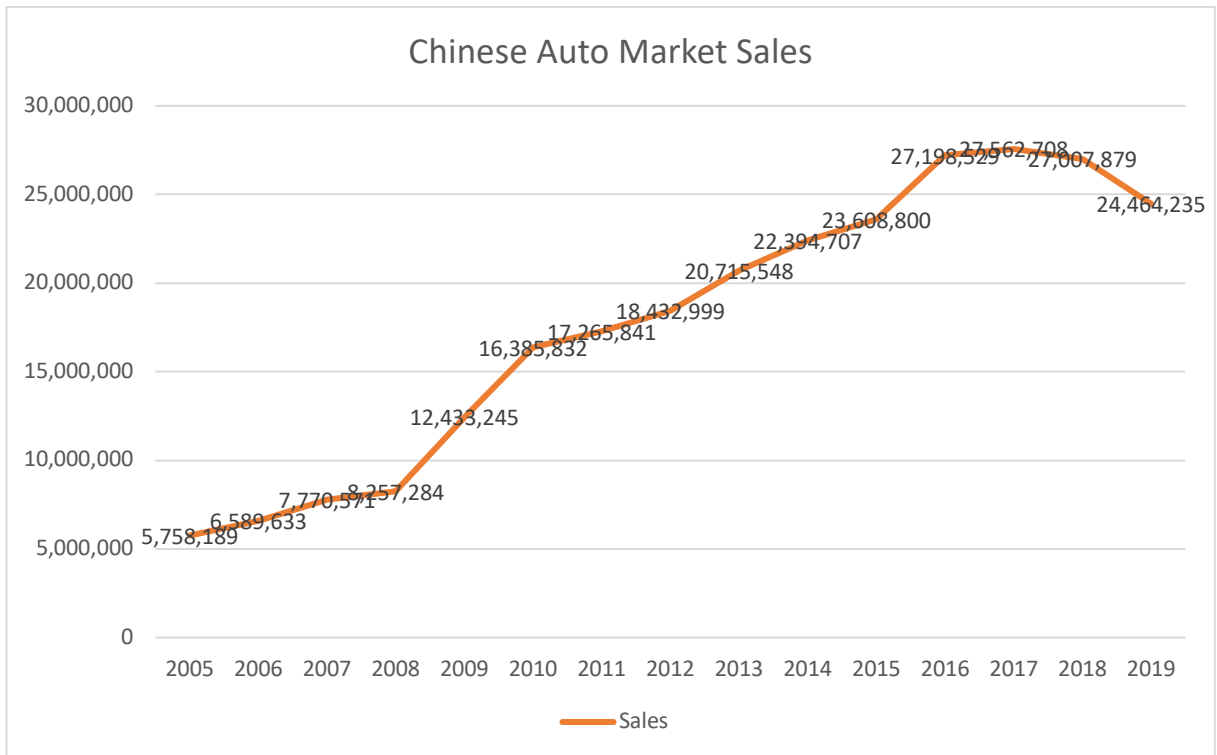
Because of the existence of a less expensive labor in China, one might be forgiven to expect that there are considerable savings in producing vehicles in China. While true in some respects, most Ford and competitor plants are nearly fully automated at the production level. Also, most vehicles that Ford produces in China aren't produced for export, but are instead sold into the domestic market.<sup>136</sup> These vehicles don't then help Ford to compete in the US domestic market, because they aren't exported there, nor do they help to offset CAFE standards, because they don't enter into production in the United States. It can be concluded then that Ford's China strategy must be profitable on its own, with sales within China, and the question is how they seek that profitability.

Year	Sales
2005	5,758,189
2006	6,589,633
2007	7,770,571
2008	8,257,284
2009	12,433,245
2010	16,385,832
2011	17,265,841
2012	18,432,999
2013	20,715,548
2014	22,394,707
2015	23,608,800
2016	27,198,529
2017	27,562,708
2018	27,007,879
2019	24,464,235

2.7 Chinese Auto Sales, 2005 – 2019<sup>137</sup>

<sup>136</sup> Ford Motor Company "Form 10-K Ford Motor Co Annual report" <https://sec.report/Document/0000037996-20-000010/> accessed 3.03.2020

<sup>137</sup> Chooseauto.com.cn database "Sales Ranking" <http://www.chooseauto.com.cn/xlph/> accessed 05.04.2020



2.8 Chinese Auto Market Sales, 2005- 2019<sup>138</sup>

Figures 2.7 and 2.8 show the market potential of the Chinese auto market. The Chinese auto market is currently 24.4 million units a year with a recent slight dip after years of steady, strong growth. The market size is much larger in comparison to the US market, which is Ford’s home and best market. The unique position of Ford Motor Corp. in the United States give it advantages it may not have in China. Despite that, Ford’s heavy investment in China shows no sign of slowdown, even in the face of some heavy loses, as discussed below.

<sup>138</sup> Chooseauto.com.cn database “Sales Ranking” <http://www.chooseauto.com.cn/xlph/> accessed 05.04.2020

## 2.2.1 Ford Production in China

Ford has produced more vehicles in its Chinese markets than any other country outside the United States since 2013<sup>139</sup> It is currently producing through its joint venture with Changan, Changan Ford, nine models.

- Ford Escort
- Ford Focus
- Ford Mondeo
- Ford Taurus
- Ford EcoSport
- Ford Kuga (formerly Escape)
- Ford Edge

Each one of these vehicles is a car or compact light SUV, with the Ford Edge being the largest. Ford also produces most of these vehicles in its other plants worldwide, with six models being produced by Changan Ford being sold only in China. This could be a risky strategy given that models of this type are not very popular elsewhere in the world, at least when they're being sold by Ford. Another thing to remember about these automobiles is that they are manufactured and sold in China.

Ford in China is a net exporter of automobiles to China. They not only manufacture most of their cars in China for the Chinese domestic market, but they also import from abroad into the Chinese market. This means that they are vulnerably positioned among automakers, and that they are affected by any disruption to the trade balance through import and export restriction mechanisms.<sup>140</sup>

In making the decision to go to China and partnering with a local company, its strategy was clear:

- follow into the Chinese market by offering pre-existing Ford models
- manufacture in China in order to avoid any import tariffs or other restrictions
- capitalize on any labor savings that can be achieved
- expand market share
- rely on the joint venture to market and sell in China

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<sup>139</sup> Ford Motor Company “SEC Reporting” <https://sec.report/CIK/0000037996> accessed 03.03.2020

<sup>140</sup> Michael Wayland, “Tesla, Ford have the most to lose among US carmakers on China’s new round of tariffs” <https://www.cnbc.com/2019/08/23/tesla-ford-have-most-to-lose-among-us-automakers-on-chinas-new-tariffs.html> accessed 10.03.2020

Evidence also indicates that the models that Ford were selling were outdated, and they have done this to meet a Chinese market preference for older model cars, because they are cheaper and more reliable than newly developed car models.<sup>141</sup> This can be considered a kind of modified decline marketing strategy, where at the end of a life cycle, Ford shifts production of an older model of car to a foreign market, one that may even have a preference for older models, at least in some segments. In a product decline phase of the PLC, as Shaw noted earlier, reducing the number of distribution outlets is one of the ways in which manufacturers can keep a product profitable.

The data indicates that this strategy is increasingly a failure. Ford's non-competitive models are no more competitive in the Chinese market than they are in its home US market. Its reliance on its joint venture partner to do sales and marketing of automobiles produced in China has produced mixed results. That's why it announced in June of 2018 that it would combine sales channels for vehicles manufactured by CAM and JMC into a single manufacturing group. In doing this it ignored market realities.<sup>142</sup>

Unfortunately for Ford, unforeseen complications and rivalries within China have stalled its efforts to widen its distribution through its joint venture partners. Speaking to Reuters, Anning Chen, who took over as Ford's China President, said "I would say there was a lack of deep understanding on how relationships work in China."<sup>143</sup> One case in point is the rivalry between its two joint venture projects in China. Ford gave development of the Everest, a new SUV project, to JMC. JMC is the smaller partner and this created rivalry and tension within Ford's main partner in China, Changan. Ford also decided that some of its marketing could be done without its joint ventures, which angered their partners.

For example, Ford entered into a new partnership with retail giant Ali Baba. Ford entered into a marketing promotion with Ali Baba intended to highlight its partnership and boost Ford sales through online retail. It involved the construction of a 5-storey vending

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<sup>141</sup> De Feijter, T. "Hands Off! These Fords Are Only For China", forbes.com, <https://www.forbes.com/sites/tychodefeijter/2016/05/25/hands-off-6-ford-cars-available-only-to-china/#7448e6c23211> accessed 15.03.2020

<sup>142</sup> Moss, T. and Colias, M. "Ford's Shrinking China Business Is Hurting Its Global Ambitions" Wall Street Journal, 22.07.2020, accessed 03.04.2020

<sup>143</sup> Shirouzu, N. and Klayman, B "Exclusive: In U-turn, Ford ditches plan to unify China sales system after partners push back" Reuters, 05.09.2019 <https://www.reuters.com/article/us-ford-motor-china-exclusive-idUSKCN1VQ01U> accessed 03.15.2020

machine that would dispense its automobiles for test drives or buy the vehicle outright.<sup>144</sup> The idea being that a potential buyer could get their vehicle for test driving through the vending machine. Ford's venture partners only learned of the project days before it was set to launch, causing further tension.<sup>145</sup> The two joint venture partners were also at odds when it came to how to correct their declining and collapsing sales fortunes. “Ford wanted to restructure and move faster to put out new models, well Changan’s priority as a state-owned enterprise was to protect jobs and to keep manufacturing cars to lift the local economy.”

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<sup>144</sup> CNBC, “Alibaba and Ford unveiled a car vending machine in China”, 27.03.2018, <https://www.cnbc.com/video/2018/03/27/you-can-now-buy-a-car-from-a-vending-machine.html> accessed 16.03.2020

<sup>145</sup> Moss, T. and Colias, M. “Ford’s Shrinking China Business Is Hurting Its Global Ambitions” Wall Street Journal, 22.07.2020, accessed 03.04.2020

## 2.2.2 Ford China 2.0

Because of its flagging Chinese sales fortunes, Ford began to attempt a massive turn around in China. It has launched its Ford China 2.0 initiative, a massive new effort on the part of the manufacturer to regain lost market share. This is welcome attention to its China market and its partners, that have been dragging the company's fortune's down for years now.

The first addresses the analysis above, regarding product life cycle. Ford is launching 30 new vehicles in China, including all new models in the Ford Escape midsize SUV with unique front "face" or "grill" just for China. This includes 10 vehicles that will be electric vehicles, or fully 33% of its new vehicle launches in China.

They also are putting new technology into the vehicles, partnering with Baidu, the Chinese internet services and AI conglomerate to build the in-vehicle "infotainment system" for their new cars. This should go a long way to addressing consumer concerns in China that they are end of life cycle, or cash cow vehicles in the market.

Ford is also boosting R&D investment, setting up a new "China Innovation Center" and a "China Design Center", which are to be focused on developing local vehicles in China. This is quite interesting, given the Forlani et al analysis that suggests that R&D is something that joint venture partners will try to control when they can. It suggests that Ford sees this as its only way to return to profitability in China.

Ford's new China Partner plan seeks to further its relationship with its local partners and deepen strategic partnerships with Chinese tech companies. With Changan Automobile and Jiangling Motors, it wants to focus on strengthening cooperation on product, marketing, and sales and technology development. The theoretical issues are detailed already, but it seems that, if true, Ford might finally be recognizing it doesn't have the capabilities to do what it needs to do to make its China operations profitable.

Regarding its marketing practices, it will be rebranding with a new slogan, "Best of Ford, Best of China"; Ford is betting on electric vehicles and smart technology to revive the brand's lagging fortunes. In doing so, it is bypassing its traditional Changan Ford partner to engage directly with Chinese tech conglomerates, something that has caused Changan headaches in the past. Ford's view of the tech conglomerates may embrace the idea of a service joint venture, but at the moment, its relationship with its current joint venture partners seem to still be sidelined.<sup>146</sup>

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<sup>146</sup> Ford Motor Corporation "Ford China 2.0" Combines "Best of Ford, Best of China"[https://media.ford.com/content/fordmedia/fap/cn/en/news/2019/04/03/Ford\\_China\\_2\\_0\\_Combines\\_Best\\_of\\_Ford\\_Best\\_of\\_China.html](https://media.ford.com/content/fordmedia/fap/cn/en/news/2019/04/03/Ford_China_2_0_Combines_Best_of_Ford_Best_of_China.html) 3.04.2019;

### 3 RESEARCH INTO CROSS BORDER MARKETING MANAGEMENT CAPABILITIES

This paper seeks to investigate the nature of cross border marketing management and how to improve cross border marketing outcomes. Common strategies and used by organizations entering new international markets are examined. Cross border marketing investigates the perceptions of marketing managers as they pursue a cross border marketing strategy.

In particular, research addressed by this paper is about the strategies of market followers and challengers as they pursue cross border outcomes. The motivations for going into foreign markets is examined as well as how each market follower could or would improve outcomes by adapting their strategies to embrace new market realities outside of their core markets.

Market followers are following and imitating the market leader in a given market. They may have deficiencies such as quality, price, or distribution. These are the reasons why they lag behind in large margin. However, they still may have a core audience within their home market. They also may not have cost associated with research and development. This may be why they are still in business altogether, and some clues as to where competitive advantage can be realized lay not within where they are otherwise deficient. Meaning, market followers should not expect to become more competitive in other markets simply because they face less competition from a market leader there. A firm may face even stronger headwinds in trying to establish itself overseas when it, in its core market, has brand notoriety, goodwill, and fame that otherwise help it to carry through its deficiencies.

### 3.1 Methodology

In order to assess the market management capabilities of companies engaged in cross border trade, a survey was conducted in the period of January to April 2020 through a questionnaire formulated along the lines of Kotler's framework for questionnaires, outlined above. The formulation of the survey is based on Gellynck et al's *Market orientation and marketing management of traditional food producers in the EU*.

The introductory part of the survey contains general information about the respondent and the firm they work for. This included firm type (company, agency, self-employed or nonprofit), job title, and firm size (1-10, 10-50, 50-250+).

The 26 variables selected all have a Likert-scale of 1 to 5, worst to best respectively. Variable description is in table 3.1 below.

In order to attempt to avoid a high no response or abandoned response rate, the survey was structured in 6 pages, with a progress bar at the bottom. The survey completion rate was 100%, suggesting that this element did not contribute to the overall no response rate or even any incomplete responses.

The first set of variables refers to the firm's strategy in conducting cross border or international marketing. The first two questions relate to Forlani et al's research, *Managerial risk perceptions of international entry-mode strategies*, exploring whether or not risk perception is caused by a lack of investment resources (internationalization theory) or a lack of capability (resource-based theory). This is to establish whether or not the respondents feel the firm itself is capable of carrying out an international marketing strategy.

The second set of variables is about a firm's ability to conduct research in an international market. Brand analysis, supplier analysis, retailer analysis, competitor analysis, market analysis, and consumer analysis are all assessed. Question #7, regarding supplier analysis, can also relate to Forlani et al's work in this section.

The third set is a particular focus and contains the largest number of questions. It concerns marketing strategy in the foreign market. Can the firm develop its strategy internally and with proper communication? Does it have influence over the strategy's macro forces, such as price or sales force (even within a partner)? Does have choice over distribution channels and advertising?

The fourth set of variables refers to the firm's organization and implementation of its marketing activities. It measures the firm's ability the implement and adapt its plan to new realities as the plan confronts the market.

The fifth set of variables is about the fourth step in the marketing management framework, control and evaluation. How well the firm evaluates its performances and whether or not it compares its results to those of competitors is evaluated here.

The population sample for the survey was marketing professionals, typically C level or higher within their organizations. The survey created using common survey generating software (Google Forms) and distributed via message on online social media platforms and email. Additionally, the survey was posted to marketing websites and forums where professionals go for advice and interaction with one another. The firms investigated all operated internationally and had experience marketing internationally in foreign markets. Firms did not have one specific geographic or regional identity, nor was this variable surveyed. Firms surveyed roughly followed the European commission's definition of SMEs, however this was not intentional or expected. Four firms identified as larger than 250+.

The author had intended also to conduct a Latent Class Analysis of the data, as the cluster analysis provides for an arbitrary distance but the latent class would provide a more detailed distribution of data for which classes could have been assigned along the distribution, but the sample size,  $n = 28$ , made that unlikely to be useful, so it was not attempted.

## 3.2 Results

### 3.2.1 Cluster Analysis

The data collected from the survey about the marketing management process and capabilities of the firms surveyed was analyzed by means of R (4.0.0) and R Studio (Version 1.2.5042). Cluster analysis was conducted 210 groups of respondents with similar cross border in international marketing management capabilities. Based on the firm score for each variable hierarchical clustering with Euclidean distance followed by K means cluster analysis was conducted. No respondents were excluded from the cluster analysis as all variables were accounted for. The variables are visible in table 3.1.

The cluster analysis resulted in 4 different clusters, With at least some clear distances across the categories between clusters. The first cluster saw the fewest number of respondents placed within it, and this was overall the clearest difference from the other clusters, with four respondents being placed in the not strategically oriented cluster, or 14% of respondents. this cluster performed poorly especially Across all five categories but especially poorly in market positioning, market strategy and market planning and implementation. Market research also saw somewhat lower responses than the other clusters however, this appeared to be a strength for all clusters and the first cluster achieved perhaps his best category in the research category. In particular, in the market research category, the first cluster reported low scores related to questions 9 and 10 which are competitor analysis and market analysis questions. Other low scores were related to question 3, 16, and 20. Question three relates to whether or not an agency his entering the market primarily to diversify geographically, or two attempted bypass attack. This does not refer to marketing management capability personally, but it is no respondents self-reported as a market leader, this was an attempt to assess motives for international expansion and whether or not this bypass attack was being used by market challengers and market followers as they expanded internationally. Question 16 refers to companies influence on price and in this case the respondents self-reported having the lowest possible influence over price, which of course makes marketing strategy more difficult. Question 20 relates to planning in advance it again the respondents in this cluster self-reported the lowest possible score suggesting that there was little to no advance planning for marketing activities in advance of international market entry or product launch.

The next cluster and all clusters we're the same size, with eight respondents each 4 28.5%. Overall this cluster did well particularly in the planning and implementation, and evaluation and control phrases. If not for low performance in certain aspects of the market

Question #	Variable name	Description	Variable Type	n	Mean	SD
<i>Market Position</i>						
1	Risk / Control (Forlani)	My firm is generally capable to control marketing in a foreign market without help from a local partner	Scale (1-5)	28	4.08	1.02
2	Resources (Forlani)	My firm generally has the resources needed to manage marketing risks in a foreign environment	Scale (1-5)	28	2.77	1.07
3	Bypass Attack	The company or agency is entering the market primarily to diversify geographically	Scale (1-5)	28	4.04	1.31
4	Encirclement Attack	The company or agency is aggressive and tries to capture a wide market share or territory	Scale (1-5)	28	3.96	1.25
5	Imitation Follower	The company or agency matches closely the leading product or services' name, packaging, and product	Scale (1-5)	28	4.23	1.21
<i>Research</i>						
6	Brand analysis	The company or agency investigates the brand's position in the foreign market.	Scale (1-5)	28	3.92	0.84
7	Supplier analysis	The company or agency investigates the skills of any partners in the market before selecting them	Scale (1-5)	28	3.81	0.94
8	Retailer analysis	The company investigates the requirements of any partners in the market	Scale (1-5)	28	3.88	1.07
9	Competitor analysis	The company or agency investigates the marketing strategies of any competitors	Scale (1-5)	28	2.81	1.06
10	Market analysis	The company or agency analyzes data and information about the foreign market	Scale (1-5)	28	4.04	1.48
11	Consumer analysis	The company or agency analyzes the consumer requirements of the foreign market	Scale (1-5)	28	3.92	1.16
<i>Marketing Strategy</i>						
12	Existence of clear objectives	The company or agency has clear and measurable objectives in its marketing strategy	Scale (1-5)	28	4.23	0.99
13	Strategy well-known inside firm	The company or agency implements its objectives very strictly	Scale (1-5)	28	3.85	0.83
14	Product tailoring according to consumer needs	The company or agency develops the product according to consumer needs or demand	Scale (1-5)	28	3.58	0.95
15	Product differentiation	The company or agency tries to differentiate its product from the competition	Scale (1-5)	28	3.96	1.00
16	Influence on price setting	The company or agency has a strong influence over price or pricing	Scale (1-5)	28	2.77	1.03
17	Investment in dynamic and qualified sales forces	The company or clients have trained and qualified sales force or operation	Scale (1-5)	28	4.00	1.36
18	Choice of distribution channel	The company or agency chose the sales channel according to the sales objectives	Scale (1-5)	28	3.85	1.26
19	Investment in promotion and advertising	The company or agency invests in promotions and advertising	Scale (1-5)	28	4.23	0.99
<i>Planning and implementation</i>						
20	Planning in advance	The company or agency has a detailed marketing plan in advance of entry or product launch	Scale (1-5)	28	3.65	0.85
21	Adaptation of promotional activities to changes in market	The company or agency will adapt promotional or advertising activities to changes in the market	Scale (1-5)	28	3.77	0.99
22	Adaptation of budget to changes in market	The company or agency adapts the planned budget for marketing activities easily if necessary	Scale (1-5)	28	4.12	0.99
<i>Control and evaluation</i>						
23	Evaluation of results	The company or agency reviews whether or not the objectives of the promotional activities were achieved	Scale (1-5)	28	2.81	1.06
24	Cost analysis	The company or agency reviews the marketing costs in comparison to the results achieved	Scale (1-5)	28	4.00	1.36
25	Benchmarking with competitors	The company or agency collects information about the results of competitors	Scale (1-5)	28	3.88	1.21

Table 3.1 Selection of Variables, source: survey and own calculations

strategy phase this may well of then a different cluster and perhaps four clusters would not distinctly have appeared. This cluster scored particularly well where other respondents did not especially in the market position phase where it has the highest average score across the five questions. Another standout score is on question 15, which relates to product differentiation. This cluster self-reports low scores mainly in market strategy on questions 12, 13 and 17. This cluster's low scores on questions 12 and 13 which relate to the existence of clear marketing object is an how strictly the company holds to those objectives, while at the same time having high scores in planning and implementation as well as control and evaluation, could mean that these firms taken overall more flexible approach to their strategy while keeping in mind that it needs to be executed and controlled at a very high level.

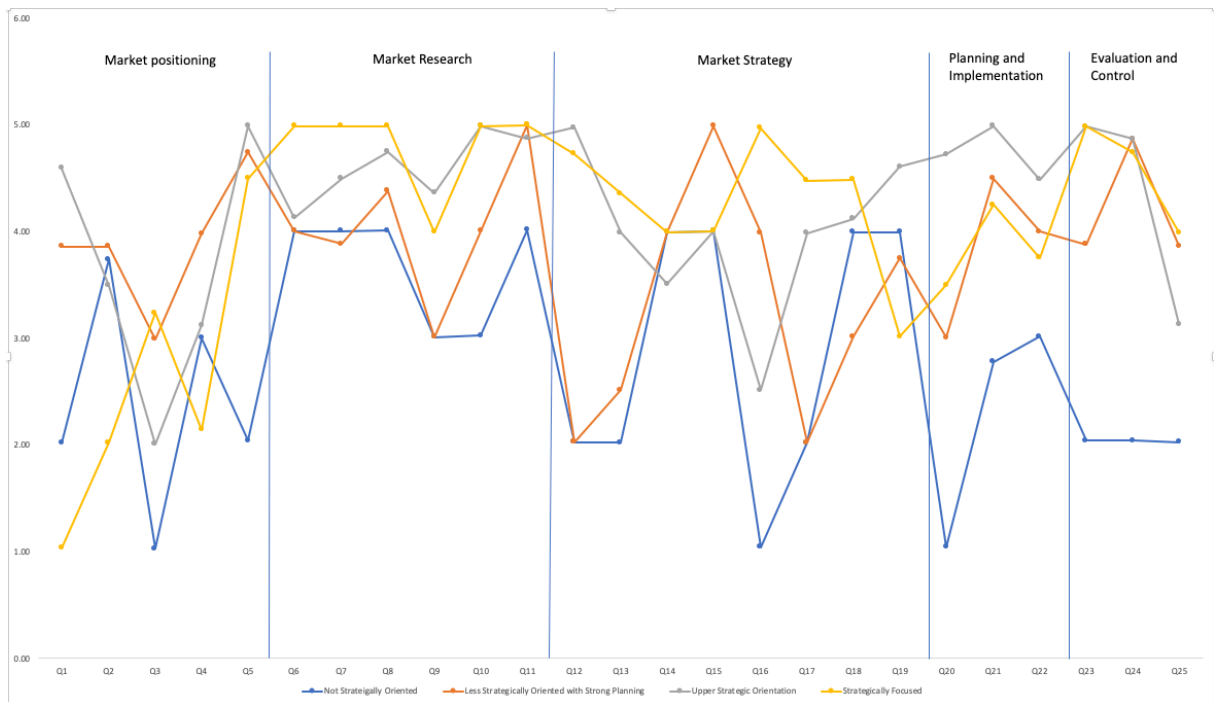
The third cluster saw 8 respondents as well and showed development across all five categories, with particular strength in planning and implementation, where it was the highest reporting cluster. This cluster self-reported a score of two on question #3 which relates to again bypass attacks and geographic diversity, or the motives for expanding internationally. The highest score for market positioning on question five also belongs to this cluster, and that questions relates to whether or not the company closely matches the offerings of the market leader, such as the market leaders packaging, services or products. This cluster generally reported highly in the market research categories and in the market strategy categories. Its low score of below 3 was for question 16, which was the influence on the price setting. In the planning and implementation phase, this was the highest scoring cluster for the three questions, self-reporting at least a 4.5 across all three questions, which indicates a high degree of planning among the firms in the cluster. The evaluation and control section show high scores for question

23 and 24 which deals with result evaluation and cost analysis but interestingly question 25, which relates to benchmarking results with competitors saw this clusters score the second lowest among all clusters.

<b>Question #</b>	<b>Not Strategically Oriented</b>	<b>Less Strategically Oriented with Strong Planning</b>	<b>Upper Strategic Orientation</b>	<b>Strategically Focused</b>
Q1	2.02	3.86	4.60	1.04
Q2	3.74	3.86	3.49	2.02
Q3	1.03	2.99	2.01	3.24
Q4	3.00	3.98	3.12	2.14
Q5	2.04	4.74	4.99	4.50
Q6	4.01	4.01	4.13	4.99
Q7	4.01	3.88	4.50	4.99
Q8	4.01	4.38	4.75	4.99
Q9	3.01	3.01	4.36	3.99
Q10	3.03	4.01	4.99	4.99
Q11	4.01	5.00	4.87	5.00
Q12	2.03	2.03	4.98	4.73
Q13	2.03	2.52	3.99	4.36
Q14	4.00	4.00	3.51	4.00
Q15	4.01	4.99	4.01	4.01
Q16	1.04	3.99	2.52	4.97
Q17	2.02	2.02	3.99	4.48
Q18	4.00	3.02	4.12	4.49
Q19	4.00	3.75	4.61	3.01
Q20	1.04	3.01	4.72	3.50
Q21	2.78	4.50	4.99	4.25
Q22	3.02	4.00	4.49	3.75
Q23	2.04	3.88	4.99	4.99
Q24	2.04	4.87	4.87	4.74
Q25	2.03	3.87	3.13	3.99

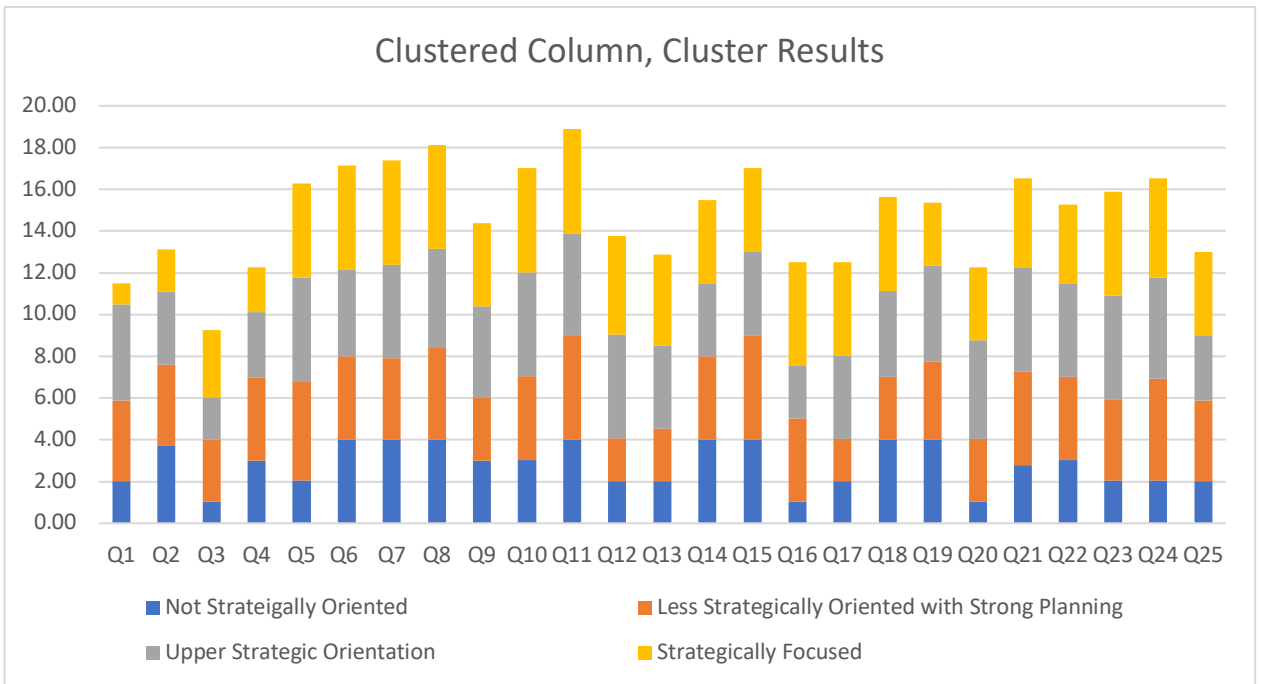
3.2 Cluster Table Scores, Cross border and International marketing management capabilities,

source: survey and own calculations



3.3 Cluster scatter plot, cluster scores by marketing management capabilities, source: survey and own calculations

The 4th and highest scoring cluster also saw 8 respondents. This cluster scored well across most categories and questions but interestingly, did poorly in the market positioning category. Because of its high scores we can say that this is the most strategically focused cluster in their data set. The only one score it put forth was on question number one which is about being generally capable to control marketing in a foreign market without help from a local partner. Because of this it might be passable that these firms lack the capabilities necessary to control their marketing activities without the help of a local partner. It could be that this shapes the responses for the rest of the categories, as working with a local partner may make you more confident because of enhanced capabilities that the partner might bring. The other standout score is in the marketing strategy portion, question number 19. Question 19 relates to the investment the firm puts in promotion and advertising. Here the respondents scored a more neutral 3, which indicates that respondents feel spending in promotions and advertising could be increased or at least that there is a level above what they're doing that might be more effective. This cluster performed the best in market research as well and had generally high marks for market strategy. Another interesting fact about this cluster is its response to question 16 which showed that it has the highest degree of price influence or control over the price of the good or services it is selling. Contrasting with the lowest scoring cluster, this may be indicative of a broader trend, where firms that have greater control over pricing feel more confident in their capabilities.



3.4 Stacked column, cluster scores by marketing management capabilities, source: survey and own calculations

Chart 3.4 presents a clustered column graph for another view of the dataset. The chart shows the upper strategic orientation to be a significant portion, and often the largest portion, across the data set. As discussed, low scores that the end of the survey contributed to making this cluster just miss out on the highest performing cluster.

### 3.2.2 Cross Border Management capabilities

Figure 3.3 also shows the results of the clusters during each stage of the marketing management cycle.

The first area shows the market positioning of the firms of the respondents. The respondents in this section have different answers for the first question, that relating to the capability to conduct marketing operations in an international market without a partner. The second question relates to risks and shows that the perception of risk is relatively the same for most clusters, except strategically focused assumes more risk operating in a foreign environment, or a lack of resources to do so. The question of whether the firm is engaged in a bypass attack is the focus of question three, with mostly neutral or negative responses.

The fourth question relates to an encirclement attack, and whether or not the firm is aggressive, with only the less strategically oriented scoring above 4 here. The next question relates to product imitation, and whether or not the firm is a market follower. Here, the three high scoring clusters are in agreement that they are offering very similar services, closely following the leading product or service. The not strategically oriented, however, has mild disagreement to this proposition, indicating that they might be more challengers than followers. This could account for their lower scores overall, as they are not simply following on the heels of a well-developed, market leading marketing program, but are trying to develop their own. The market positioning message then is that market followers are entering into foreign markets not just to diversify geographically as a bypass attack, but to follow market leaders into new markets.

Market research was a strong point for all respondents, with no single question facing any disagreement among the clusters. Question 6 and 7 relate to brand and supplier analysis, which presents as a strength for respondents, with strong agreement among the clusters that this analysis is performed well. Question 8 relates to the retail analysis of partners, and what they need to sell the product or service the firm is offering. This also a strength for respondents, that generally agreed (between 4 and 5 for all respondents) that this is something their firms investigate and take into consideration. Question nine sees a dip in respondent confidence, and this relates to competitor analysis. While not negative, respondents indicate that they don't believe they're doing all they can in this regard, which may be a result of their status as market followers or challengers, rather than leaders. Market analysis and consumer analysis are considerably more developed, though there begins to form some separation

between the not strategically oriented and the upper focused clusters. Overall, this is a clear strength for respondents, who feel that they're doing well in the research of the marketplace.

Market strategy shows the widest disparity between the scores of the respondents and is revealing. Questions 12 and 13 show the not strategically oriented cluster responding lowest, as well as the less strategically oriented cluster. The market strategy section shows clear separation between those respondents that think their firms have clear objects and strategy, as well as the influence and capital to carry it out, and those that don't. The not strategically oriented firm cluster also responds that they have control over distribution and advertising spend, and questions 18 and 19 are the area in which most of the respondents are responding in a favorable direction. While not a weakness for the respondents generally, this area shows that there is a wide variety of marketing activities being undertaken by respondent firms, and they have varying degrees of confidence about their ability to execute and influence critical elements of their marketing strategy.

The planning and implementation cluster also shows generally unfavorable confidence from the not strategically oriented cluster, and a wide disparity on question 20, which relates to planning. While that cluster answered lowest, at close to 1, the upper strategic orientation answered highest, closer to 5. The other two clusters are close to neutral or slightly positive, showing that respondent firms have a varying degree of confidence in their planning. Positive marks are registered for the ability to adapt promotional activities to changes in the market, and also the budget.

The evaluation and control section show some mixed results. Low marks are registered for the non-strategically oriented, with other respondents showing high confidence in questions 23 and 24, but not 25. Again, it could be that the place as a market follower informs the respondent's view of how well they are competing versus a market leader or other competitors, and the high confidence in the market research shows that firms are closely watching the competition. The section also can't be considered a strength for respondents, while it seems they have some confidence in the analysis of their costs, they don't have great confidence in their overall evaluation and control abilities in this section.

Overall, respondent strengths lay in research and planning and implementation, but not in strategy and evaluation and control. These areas show too many variances to be confident in any conclusions drawn, other than to say that the respondents seemed to depart from earlier confidence in the research section they had about their abilities to evaluate the competition.

### 3.3 General Characteristics of Respondents

In figure 3.4, respondent firm's general data according to cluster is shown. This information is presented to show further detail about the cluster respondents.

In the first cluster, those rated not strategically oriented, all respondents were companies. The second cluster shows only agencies being less strategically oriented but with strong planning. The third, is a split, between agencies and companies, and the last again show only companies as being the most strategically focused.

Characteristic	Less Strategically Oriented with Strong Planning			
	Not Strategically Oriented (n = 4)	Upper Strategic Orientation (n = 8)	Strategically Focused (n=8)	
Agency	0	8	4	0
Company	4	0	4	8
<i>Size</i>				
0-10	4	7	1	8
10-50			4	
50-250				
250+		1	3	
<i>Product Market Share</i>				
Nicher				
Follower	4	8	8	
Challenger				8
Leader				
<i>Digital Tools</i>				
CRM	4	8	8	8
Customer DB	4	8	8	8
Other Analytics		8	6	7

3.4 Respondent Firm General Data by cluster, source: survey, own calculations

Most of the firms that responded reported having employees numbering ten or less, with companies responding in the first cluster all reporting ten or less. The second cluster is slightly more diverse, with respondents showing firms ten or less in 7 of 8 cases, and one larger firm of 250 or more. The third cluster is the most diverse, with firms of 250+ making up three respondents, 4 respondents of 10 to 50, and one respondent of 10 or less. The final category is again made up of only firms' size 10 or less.

No firms reported being the market leader, all firms in the first cluster self-described as market followers. Respondents in clusters two and three also reported as market followers, and cluster four reported as market challengers. The firms reported that they used digital tools regularly in their marketing activities. The first group did not report any additional analytics use beyond CRM and databases. The second group, made up of some agencies, reported using a wide variety of digital tools, and the third group all but two reported using tools beyond a CRM system and a customer database. In the fourth cluster, all but one reported using digital tools beyond CRM and customer databases.

The characteristics lend themselves to a bit of further analysis. The first cluster, made up of small companies, reports the least amount of confidence in their marketing activities. They also report using fewer digital tools and being less confident in their capabilities. This supports Forlani et al's assertion that capability plays a large role in how developed a firm feels its marketing management strategy is, and the amount of risk they are taking as they move into international markets.

The second group, made up of agencies, has high degrees of confidence in their performance generally. Where this cluster experiences some challenges are in the marketing strategy component, but interestingly not over influence of product and price. This might be expected of agencies, if they are not directly producing the product or controlling the price, to have a lower degree of confidence in their abilities to control these variables, yet the data do not indicate this. The data does indicate a low confidence in sales forces, presumably of clients, to function within the marketing strategy and to be well trained. This is perhaps to be expected if there are any challenges with the clients related to sales. They also report strong use of digital tools, which also influences their confidence. The third cluster, made up half and half of agencies and companies, shows upper strategic focus. With almost half of these respondents being large companies, resources for competitive functions and strategic planning are more readily available, and it shows in their scores. There is also strong use of digital tools and these are also small firm sizes. Data indicates here that these respondents feel that their firms are performing well in their marketing activities, and that their strategy is working.

The use of digital tools is interesting to consider because of the trends the chart 3.3 shows with relation to the five categories. The first category is related to market position, and the second is market research. Market research is generally a strength for all respondents. Market strategy is not a particular strength in comparison to the other categories surveyed and planning and implementation and evaluation and control are trending somewhat higher.

In the evaluation of digital tools, this is what might be predicted by Katsikeas et al's research into international marketing strategy in the digital era. They state that targeting foreign countries has become easier and more reliable because of the prevalence and widespread use of digital tools. Because of the information available on the internet about a country's demographics, geographic population distribution, and other economic indicators, advanced customer profiles can now be created. These customer profiles allow for easy and low-cost targeting of foreign nationals by an international company, often without the use of intermediaries. There are also tools that allow this targeting to take place easier, such as well-established online databases with reputable and reliable secondary source information about consumer patterns and other information useful for marketing activities. The collection of primary source information is also much easier than it has been in the recent past, as surveys can be conducted in a foreign audience without a significant cost or time delay, as had been the case in the past.<sup>147</sup>

Additionally, qualitative research was often somewhat more expensive, but this is also easier to conduct, either by phone or another electronic tool. This type of information can lead to more detailed research questions and directions in the future, allowing a company to evaluate the market, its positioning, and its segmentation before it enters with a higher degree of accuracy.

This notion supports the findings within the information analyzed above, and organizations are easily able to evaluate whether or not they should enter into a foreign market based on their ability to reliably and cheaply conduct accurate research on foreign markets and their potential partners operating within the market.

CRM and other digital analytical tools also allow for easier planning and implementation, as well as monitoring and control, of a firm's marketing activity. The findings support that the use of digital tools in this area also increases the confidence of the respondents.

Marketing strategy is the area in the marketing process that is not as transformed by the use of digital tools as the other areas. One reason for this: the strategic choices made by firms

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<sup>147</sup> Katsikeas, C., Leonidou, L. and Zeriti, A. "Revisiting international marketing strategy in a digital era" *International Marketing Review*, 2019

are often not numeric or quantifiable. Digital tools are limited by their inputs, and the choice of what objectives to set; whether or not to follow those objectives strictly; how much to tailor a product and differentiate it from a competitor; what price level to set; how much capacity and capability there is in a sales force, the choice of distribution channels and the level of investment and promotional spending are fundamentally human choices, requiring strategic and judgement and analysis by a human. Digital tools can provide transparency of information about competitors and their pricing, and may lead a firm to obvious decisions, but they can't fundamentally make a decision on which international pricing strategy to follow, or what distribution strategy works best for which product.

Likewise, international promotion strategy is also easier to do with social media, as standardized social media platforms like Facebook, Instagram or Twitter have worldwide reach, and in most cases, companies are already using these platforms. There are incredible cost reductions through using their platforms, but firms still have to make creative choices about campaign, targeting, and how much to spend in order to use these platforms, and these are often human, rather than digital choices.

### **3.4 Further Research Directions and Criticisms**

Further research is needed into the international entry mode decisions of corporations as they pursue new international markets. The research suggests that, in areas where digital tools are being used, firms assess their capabilities quite highly. However, the lack of any results-oriented literature or data, meaning actual sales, brand value indicators, or market penetration data, leaves this data as an incomplete set.

The small sample size is also an issue. As has been discussed, small sample sizes can skew the results of data in a large way. Initially, the author thought that the majority of firms responding would be between 50 and 250, or 250+. The data sample size is small, but because of the small size of the respondent's companies, the capabilities are also skewed, as are potentially the market experiences. Larger organizations, that conduct business on a large scale internationally, may have a different idea of their capabilities, due to a more complex product nature, sales cycle, or other factors.

The author sought to use best marketing research practices in his collection of data, however, the set is still limited. The no response rate was high, and the means used to spread the survey and contact respondents could have been improved by obtaining more relevant lists to send the survey to. Also, the structure of the questions could potentially bias the respondents.

The completion rate of those that attempted the survey was 100%, and no respondents left early, suggesting the length of the survey was not a cause for concern.

Another point of weakness and potential criticism of the work is the level of detail that the survey went in to regarding the use of digital tools. A more detailed analysis, requesting further information on the type of digital tools being used, would have been useful and would have informed the results and the survey more generally. More conclusions could have been drawn if the type of tools being used was elicited in greater detail.

Likewise, this questionnaire followed Kotler's marketing management formulation, with questions designed to elicit responses from those surveyed to place them into market leader, challenger, follower or nicher. It also attempted to discover the motivations for diversifying internationally, either as a bypass attack or an envelope attack.

More options could have been considered with regard to international marketing strategy. As the survey was limited in scope, it did not explore in detail the marketing mix or corporate business strategy of the respondents. This may have been useful in determining whether or not their placement was accurate relative to this framework or another. As there are many potential segmentation and price costing strategies that Kotler's framework doesn't

account for, this perhaps more basic framework doesn't allow for the assessment of capabilities based on market position that would be desired. Conclusions drawn from the survey regarding market position feel incomplete without the fuller picture of the marketing mix of each corporation. However, such a corporate strategy is not always obvious, and sometimes a trade secret, so it could have encouraged a higher no response rate than was already achieved with the survey was already seen.

Additionally, in depth research and analysis of the respondent's segmentation and positioning would have been useful. This is perhaps a future direction of research, as it is well known that position, resource capability, and potential profit play into the mode of international market entry mode. Future research could identify companies based on their market positioning based on how they believe they should be positioned or based on their actual position in the minds of a customer. Positioning strategy is one area that was not thoroughly addressed and could be an interesting research subject.

What was not considered was the level of familiarity respondents would have with the marketing management framework. Questions regarding research and strategy were centered and focused on the theory, but the responses could only be accurate in a full sense if the respondent was aware of the corresponding theory. For example, questions in the research section could have been more specific. Rather than asking what types of research method were used, the more general question about confidence in abilities was asked. However, self-assessing one's ability to conduct research online, as some might interpret the question, against the theoretical task of having to put together a well-crafted and represented focus group, interview, or survey, might be expected by the researcher to receive to different answers. It is for this reason that certain sections of the survey, while orientated towards the theoretical framework of marketing management, must be speculated to actually be a review of the results of marketing research, marketing strategy, planning and implementation, or control and evaluation. The theoretical basis of the answer, having not been understood by the respondent, might be instead rooted in the perception of results for clients, or a company's own sales figures.

### 3.6 Summary

This paper sought to investigate the relationship of market mode entry, market positioning, and partner relationship to an international corporate entity's marketing management capabilities. In the analysis, the international marketing capabilities and orientation of respondent firm market followers and market challengers exercising international marketing management practices. The research and other analysis provide proof that the hypothesis is true and proved.

The hypothesis stated: *“Joint venture and brand partners have been more successful in implementing, executing and controlling cross border marketing management programs for market followers and challengers than without.”*

The cluster analysis proves that the highest performing group is the group that has the least faith in their capabilities and the most faith in their partners. Across all of the sections analyzed, this group performed the highest, and was the only one that reported using partners in this process.

The strategically focused group performed well across all aspects of the survey test area, with a few exceptions. This group showed particular strength in the controlling and implementation phase, where the others fell off. This may be because of the company make up, which is companies utilizing a partner in the local market.

The upper strategically oriented group also performed generally well, with a steep decline at the end contributing to its drop in the ratings from the highest performing cluster. The less strategically oriented but with strong planning showed high marks in most categories, except for those involving strategy, which was a particular weakness.

The lowest performing cluster was also the smallest, showing as not strategically oriented in their marketing activities. This group followed a similar pattern as the others, where their highest scores were achieved in areas of easy digital control, such as marketing research and control of marketing and advertising spend activities.

Additionally, the analysis provides that, although difficult, the use of partners where marketing functions are outsourced should be treated as a service venture between the partners, with the local company bearing most of the marketing responsibilities. The difficulty with a partner lays in the marketing strategy, or marketing mix, when approaching a foreign market, and whether or not a business partner is a fully informed and trusted partner in the business or is merely providing a small aspect of the overall project.

## **Conclusions**

1. The results of the analysis performed show that firms have relatively good marketing management capabilities in the marketing research, planning and implementation and evaluation and control phases. The analysis shows that the marketing strategy portion remains a challenge for some respondent firms. Firms had different attitudes towards their ability to control price, their sales forces, and their creation of clear objectives for their marketing strategy.
2. Respondent firms having a high degree of confidence in their ability to manage their international marketing activities without a partner, responded less favorably to their ability to form marketing strategy later in the survey. The most strategically focused firms reported that they had less confidence to manage this relationship without a partner, and later reported high confidence in their own marketing strategy.
3. The use of digital tools increases confidence in all areas of the marketing management process but has a particular weakness with relation to marketing strategy, due to the limits of the tools.
4. Firms face problems in the area of market strategy capabilities in their international marketing activities, and this is mainly due to lack of information and control over the marketing strategy process.
5. The interpretation of the results leads to the conclusion that firms with a partner had a higher confidence in their marketing strategy and their overall marketing management process. Firms using a partner in their international marketing had the highest degree of confidence in their marketing management process.
6. Firms using a partner scored the highest in the evaluation and control group as well, so the conclusion drawn is that the use of a local partner does not negatively affect the firm's ability to evaluate and control its marketing management strategy.
7. Agencies generally had less confidence in their ability to control sales functions, which is an area for improvement. Critical points here are that firms are less likely to give up control over these areas. With regard to pricing strategy, this is an area of international marketing strategy that an agency will not have full control over, nor will a firm. International pricing strategy is also affected by the macro environment, not just the individual pricing of supply and demand or production costs.
8. Firms that showed as not strategically oriented were firms that had less use of available digital tools. This could contribute to their overall weakness within the marketing management framework and needs to be addressed through the firm's internal processes.

9. The analysis indicates that all clusters performed well in the planning phase, and also were able to adapt their plan and their budget easily to any changes in the environment. This is a particular strength in all respondents' marketing management.

10. All respondents showed a drop in their confidence when evaluating and benchmarking their results versus those of the competition. This may be because of a lack of intelligence about the activities and success of the competition, or the status as market follower or challenger that influences the perception of the firm's results vs the competition.

## **Recommendations**

1. Firms should base their choice of international marketing management strategy first on their capabilities. Firms capable to do so should proceed with caution, as they may experience difficulties in their confidence over their marketing strategy.
2. The collection of secondary data about partners and about the international market being considered must be given priority. Such data is inexpensive and readily available for most firms and increases the firm's confidence in its marketing management capabilities.
3. The use of digital tools is a must and expanding capacity and abilities internally will positively affect a firm's confidence in their marketing management. Digital tools such as CRMs and customer databases are important additions to any marketing management arsenal, but deeper analytics must be used to raise confidence in the overall marketing management strategy.
4. The use of a local partner in helping to manage the marketing management process generates a higher confidence in the overall marketing management process. Firms should use a local partner when possible to help develop and enhance their marketing capabilities.
5. Managing the relationship with the local partner is one of the primary ways in which a firm can help to make their marketing management more successful. Expansive use of increasingly available digital communications tools will help to manage the partner relationship.
6. Clear communication over responsibilities with a local partner must be prioritized and competing distribution plays in role in success when a firm is operating with multiple partners.
7. Marketing control should not be determined by capacity but familiarity with the market in joint ventures. Organizations with more capacity should support, rather than determine, marketing strategy with their international partners in local markets.
8. Marketing efforts between both service and manufacturing joint ventures need to be treated as strategic alliances, where both parties are bringing something to the marketing mix. Strategic alliances acknowledge that each partner will have a special, but the local partner is better suited to the task of marketing, with input from the other joint venture partners.

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## **Appendix 1 – Interview Questions**

Interview – Questions asked of Respondent Kurt Unkel, GTB Agency Detroit

My name is Phil Brown, and I'm conducting research for a master's thesis at the University of Latvia in Riga, Latvia. I invite you to participate in this survey of questions, afterwards I may or may not contact you to request a follow up interview. These questions are purely research oriented and will not be published in a way that could provide information to your competition or violate any confidentiality.

1. Do you consider the process of marketing management as well conceived at your company?
2. In your opinion, what was the motivation for your client to expand internationally?
3. Would you say your client or company is a market leader in any segment?
4. What is the process of competitor analysis typically undertaken at your company?
5. In your opinion, do you have the proper tools to set clear objectives for your marketing and advertising campaigns?
6. In your opinion, does your company have a great or small degree of influence on the strategic direction of the organization?
7. How have digital tools mad the process of analysis, strategy, planning and control easier for you?
8. When expanding internationally, what evaluation does your organization carry out of any potential partners?
9. Does the reputation, capabilities, and know-how of the partner in an international market potentially rule them out, or is a certain degree of inexperience expected when searching for a partner?
10. In your experience, have international partnerships, joint ventures, and other cooperation gone well for the companies and clients you've worked with?

## Appendix 2 – survey and research questions

- 1) I work in a (an)
  - a) Company
  - b) Agency
  - c) Self-employed / Sole trader
  - d) Non-profit / other
- 2) My job title is:
- 3) My company or agency size is:
  - a) < 10
  - b) 10 – 50
  - c) 50 – 250
  - d) 250+
- 4) My company uses the following digital tools (choose any)
  - a) CRM
  - b) Customer Database
  - c) Other analytical tools
- 5) The product or service my company or agency is selling in the foreign market is, in the domestic or home market:
  - a) The best seller or leading solution in the market
  - b) A close alternative to the best seller
  - c) One of many potential solutions or products in the market, not the leader

LIKERT SCALE QUESTIONS 1 – 5, strongly disagree to strongly agree

- 6) My firm is generally capable to control marketing in a foreign market without help from a local partner
- 7) My firm generally has the resources needed to manage marketing risks in a foreign environment
- 8) The company or agency is entering the market primarily to diversify geographically
- 9) The company or agency is aggressive and tries to capture a wide market share or territory
- 10) The company or agency investigates the brand's position in the foreign market.
- 11) The company or agency investigates the skills of any partners in the market before selecting them
- 12) The company investigates the requirements of any partners in the market

- 13) The company investigates the requirements of any partners in the market
- 14) The company or agency investigates the marketing strategies of any competitors
- 15) The company or agency analyzes data and information about the foreign market
- 16) The company or agency analyzes the consumer requirements of the foreign market
- 17) The company or agency has clear and measurable objectives in its marketing strategy
- 18) The company or agency implements its objectives very strictly
- 19) The company or agency develops the product according to consumer needs or demand
- 20) The company or agency tries to differentiate its product from the competition
- 21) The company or agency has a strong influence over price or pricing
- 22) The company or clients have trained and qualified sales force or operation
- 23) The company or agency chose the sales channel according to the sales objectives
- 24) The company or agency invests in promotions and advertising
- 25) The company or agency has a detailed marketing plan in advance of entry or product launch
- 26) The company or agency will adapt promotional or advertising activities to changes in the market
- 27) The company or agency adapts the planned budget for marketing activities easily if necessary
- 28) The company or agency reviews whether or not the objectives of the promotional activities were achieved or realized
- 29) The company or agency reviews the marketing costs in comparison to the results achieved
- 30) The company or agency collects information about the results of competitors