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STANDARDISATION INTERNATIONAL MARKETING: THE CROSSMARKET SCENARIO IN THE NORTH AMERICAN REGION

ABSTRACT

The debate related to marketing standardisation is an ongoing research issue. Prior studies can be divided onto two scenarios based on their analysis approach- the home-host and intermarket (crossmarket) scenarios. Most of existing studies fall into the former scenario. The outcomes established in this stream of research provide useful guidance when firms decide to transfer a set of marketing programme and progress from their home to a foreign host market. However, despite useful, prior studies provide little guidance for firms intended to transfer a set of successful programme and process from one foreign host to another host market. This is coded as the *crossmarket* scenario. This study adds new insights to the latter scenario by establishing a new framework for firms intended to operate in both the US and Canada at the same time. It confirms that firms operating in this regional market have adopted a highly standardised strategy. It also validates the general belief that the market conditions across these two markets are highly similar. It is, however, surprising that factors such as consumer-cultural, political-legal and economic are rated significantly to the deployment of crossmarket standardisation strategy but the significant impact of competitive-infrastructure environment fails to be supported. Firm-related factors such as firm size and international business experience are also confirmed to have a significant influence when operating in this regional market. The extent of cross-marketing standardisation is suggested to be related to firm's performance as well.

Introduction

Though the research concerning marketing standardisation strategy has been initialised for more than four decades (Elinder, 1961), it is still progressing (Zou, 2005). In spite of its fruitful development more empirical work is still needed (Roper, 2005). The often mentioned benefits of standardisation strategy

including economies of scale, cost savings and contribution to performance (Xu, Cavusgil and White, 2006). A significant amount of research findings have been revealed in the literature (e.g., Katsikeas, Samiee and Theodosiou, 2006). For example a large group of studies have made substantial contributions by revealing key factors influencing various elements of marketing programme and process – e.g., advertising (Elinder, 1961; Hite and Fraser, 1988; Shintaro, Taylor and Zou, 2006), product (Johnson and Arunthanes, 1995), product and promotion (Cavusgil, Zou and Naidu, 1993); marketing programme and process (Katsikeas, Samiee and Theodosiou, 2006; Akaah, 1991; Griffith, Hu and Ryans, 2000). Process denotes the tools that are used in programme development and implementation (Jain, 1989). Some have proposed a framework concerning the dyadic relationship of standardisation-performance (e.g., Xu et al, 2006). Others have outlined a guideline on uncovering the affiliation between the decision-making structure and standardisation (e.g., Picard, Boddewyn and Grosse, 1998; Solberg, 2000; Laroche et al, 2001).

Recently a group of studies have synthesised standardisation strategy literature based on the analysis approach adopted by previous authors (Chung, 2003; Roper, 2005). This analysis methodology has received little research attention in the literature (Theodosiou and Leonidou, 2003; Katsikeas et al, 2006; Shintaro et al, 2006; Xu et al, 2006). These studies have classified existing literature onto two categories– the home-host and intermarket scenarios (Chung, 2003). The home-host scenario represents those studies whose findings are established based on analysis of their sample firms’ marketing programme and process used in their home country as compared with that in a host country (e.g., Akaah, 1991; Johnson and Arunthanes, 1995; Katsikeas et al, 2006). The intermarket scenario, on other hand, denotes those studies whose research results are concluded based on firms’ marketing programme and process used across two foreign host markets or in a region at the same time (e.g., Grosse and Zinn, 1990; Boddewyn and Grosse, 1995; Chung, 2003; Roper, 2005). The primary function of the former group of research is to provide guidance for firms to transfer a set of marketing programme/process

from their home country to a foreign host market. The key aim of the latter group is “determining whether it is possible to transfer a standardised set of programme and process from one foreign market to another or to apply a uniform marketing strategy in a regional market” (Chung, 2003, p.49).

Most of the existing frameworks are established using the home-host approach. For instance by comparing the degree of similarity in marketing mix and management process activities of firms’ operation in the US and in a group of host countries, Akaah (1991) has revealed that firm and country-related factors are significant influences of standardisation decision. Firms are more inclined to choose a standardised strategy when the characteristics and customer behaviour between the home and host countries are similar. Firms are also more likely to adopt a standardised strategy when they enjoy the ownership in the host countries and when assuming a geocentric/regiocentric orientation. In their study of US firms operation in fifty-three foreign host markets, Johnson and Arthunanes (1995) have suggested a framework for the scenario of ideal and actual product adaptation. Their study was also based on a similarity comparison of a product which is marketed in the host and home country. Key factors identified in this study include host government regulations, marketing infrastructure and market lag (stage of product life cycle). Likewise by observing seventy-nine US exporting firms’ operation in a number of foreign host markets, Cavusgil, Zou and Naidu (1993) have offered a contingency framework for firms intended to operate in the home-host scenario. Their study indicates that when moving a product to a foreign host market firms would need to consider the impact of firm, product/industry and export market environment. In an examination of multinational corporations’ (MNCs’) operation in the United Kingdom (UK), Katsikeas et al (2006) have examined the degree of similarity between the MNCs’ home and the host country (i.e., the UK) in the areas of marketing programme and environmental factors. This study has focused on the relationship of micro- (e.g., customer, infrastructure) and macro-factors (e.g., economic, regulatory) and standardisation and their fit between these two factors. The impact of strategic fit on performance is highlighted in this analysis. Their

research has offered guidance for firms intended to transfer a product successfully from their home to a foreign host market. In light of the findings established in the home-host scenario firms can formulate their standardisation framework when transferring a set of marketing programme or process from their home country to a foreign host market. However, though useful, the findings of this group of studies seem to provide little guidance for firms intended to operate in a multiple markets at the same time. Without empirical evidence it is unknown that, under what conditions, firms can transfer a standardised set of programme and/or process from one foreign host to another host market. This limitation might have severely hindered the development of standardisation strategy research as key motivations of this strategy are the economies of scale and cost saving (Levitt, 1983; Jain, 1989). It is probably insufficient to only provide guidance for the home-host scenario as MNCs are less likely to operate in a single host market alone (Chung, 2003; 2005). In order to maintain their competitive advantages MNCs often need to operate in a number of foreign markets simultaneously. Thus it seems logical to expand existing research investigation scope from the home-host to the intermarket scenario.

To address the indicated limitation the latter group of studies are designed to provide guidelines for firms intended to operate in a number of host countries at the same time –i.e., the intermarket scenario. In this group firms' operation in the specific host countries is identified. The intermarket conceptual framework was firstly initialised by Sorenson and Wiechamnn (1975) and Hill and Still (1984). Sorenson and Wiechmann (1975) have established their conclusions based on a pair-wise study across a number of EU host countries. This study has suggested that the intermarket standardisation is influenced by factors such as environment, firm and product. Hill and Still (1984) revealed that some segments in the less developing markets might share a similar set of characteristics to those found in the developed countries which could be satisfied by a common programme. Jain (1989) conceptualised this as an *intermarket* segment. He proposes that a standardised strategy is more effective when the customers act as the segment basis. By using a combination of marketing programme elements and segmentation

variables, Baalbaki and Malhotra (1993) established a framework for firms planned to operate in a multiple host markets at the same time. This study has used the term of “crossmarket” instead of “intermarket” as suggested by Jain (1989). Both terms of used in the literature as they are synonymous with each other and they are used interchangeably in the literature (Chung, 2003). This study also follows this practice. By integrating the suggestion of several conceptual studies, Chung (2003) has revealed an intermarket framework for firms intended to operate in the Greater China region. When transferring a product/service across this region firms would need to consider several factors including firm, product and environmental-related. Likewise Chung (2005) has specified the conditions for firms operating across the EU region. It is revealed that despite a complete similarity among the EU region is not likely to occur firms can target some common segments across the EU region which can be served by a similar programme and process. The most likely segments occur on the country pairs of UK-France, UK-Germany, UK-Ireland, Germany-France, Germany-Italy and Germany-Sweden. By concurring Chung’s findings, Roper (2005) has reported that firms operating in the Nordic region can also adopt a crossmarket standardisation strategy. The results revealed in this group are useful because they have provided specific guidance for firms intend to operate in a particular group of host countries at the same time (e.g., the EU, Greater China). Using the frameworks revealed firms can transfer a similar programme to a target segment in the second host market which shares a common feature to that in the first host market.

Despite its pioneering breakthrough, however, studies in the intermarket scenario still suffer from a number of weaknesses. As indicated the crossmarket research has just emerged which tends to be conceptually based. The available empirical studies tend to focus on US firms’ operation in a particular region such as the EU (Soreson and Wiechmann, 1975; Boddewyn and Grosse, 1995) or Latin America (Grosse and Zinn, 1990). Some studies such as those conducted by Chung (2003; 2005) have investigated Australian and New Zealand firms’ operation in the EU and Greater China region. Rope

(2005) has made some contributions to firms operating in the Nordic region. Though useful the investigation scope of existing studies can still be improved as it is suggested that standardisation decision is market- and situation-specific (Schuh, 2000; Roper, 2005). Therefore it is important to expand existing geographic coverage to a region which might offer a similar opportunity for the practice of crossmarket standardisation strategy.

Among the many markets available, the countries in the North American region seems to offer a logic choice for firms to conduct a crossmarket standardisation practice (Chung, 2003). This choice has a number of supports. Firstly, previous studies have suggested that crossmarket standardisation is more practical in markets which are economically alike (Jain, 1989; Kotabe, 1990). Both the USA and Canada represent two key economic centres. Both countries are members of the Organisation for Economic Cooperation and Development (OECD) (Jain, 1989). Their stage of development is likely to be similar. Secondly, the US and Canada have shared a common language, culture and customs. Both countries are also members of the North American Free Trade Agreement (NAFTA). Thus the political and legal systems are also expected to be parallel. Past studies reveal that the environmental similarity is a key prerequisite of crossmarket standardisation strategy (Baalbaki and Malhotra, 1993). Lastly the geographic proximity might also encourage firms to operate in both markets at the same time. This issue has been analysed in the literature (e.g., Baalbaki and Malhotra, 1993; Schuh, 2000).

Thus this study is designed to fill the gaps left by existing studies in the intermarket research. This study will focus on firms' operation in the US and Canada. This study will first examine whether the conditions for the employment of an intermarket segment exists in this regional market. It will then investigate the key factors influencing firms operating in this scenario. Adopting the suggestion of previous crossmarket research this analysis will also examine the relationship between standardisation and performance (Chung, 2005). The findings established in this study will add significant insights to

existing standardisation literature. In the following section a literature review on related studies will be provided; a set of research hypotheses will be proposed here. The research methodology analysis will be followed. Results discussion and conclusions are provided in the final sections.

Literature Review and Research Hypotheses

Economic factors

Previous results concerning the effect of economic factor in the choice of crossmarket scenario standardisation are mixed. The conceptual studies have proposed that this is a key factor of crossmarket standardisation but it has not received much support from the empirical studies. Jain (1989) revealed that firms operating in countries with a similar stage of economic development are more likely to employ a similar set of marketing programme and process. It has pointed out that standardisation strategy is more feasible among OECD countries. Baalbaki and Malhotra (1993) also support this view by stating that firms are more likely to pursue a cross-market standardised programme when operating in economic similar environment. However though useful the conceptual proposal is not supported by empirical studies. In their studies of firms' operation in the Greater China and the EU region, Chung (2003; 2005) cannot confirm that economic environment is a significant factor of crossmarket standardisation strategy. The longitudinal studies conducted by Boddewyn, Soehl and Picard (1986) and Boddewyn and Grosse (1995) also cannot verify that economic similarity across the EU region is a key factor of crossmarket standardisation. In a study of US and European MNCs' operation in the Central European and Latin American region the stage of economic development has not been considered by Schuh (2000) and Grosse and Zinn (1990) as a factor of intermarket standardised programme. These findings suggest that firms might only transfer a product or service from one host market to another when their target segment has shared a similar stage of economic development; thus it is not a key factor of crossmarket standardisation strategy. To be correspondent with the empirical studies a non-significant relationship is proposed.

Hypothesis 1: the extent of cross-market standardisation is unlikely to be related to the degree of economic environmental similarity between the US and Canada.

Political-legal factors

In contrary the political-legal factors are suggested to be a significant influence of crossmarket standardisation strategies. Baalbaki and Malhotra (1993) suggest that firms are more likely to use a cross-market standardised programme only when operating in the countries which have shared a similar political-legal environment. Jain (1989) indicates that the greater the difference in political and legal environment the lower the degree of crossmarket standardisation strategy can be employed. This proposition is widely supported by the empirical studies. Sorenson and Wiechmann (1975) indicate that crossmarket similarity in political system is a pre-condition for using a uniformed marketing strategy in the EU region. The research conducted by Boddewyn et al (1986) and Boddewyn and Grosse (1995) have listed the government regulation as the most important factor for employing a crossmarket standardisation in the EU region. By concurring this finding, Chung (2005) also points out that the political-legal factor has the highest influence of market standardisation strategy across a number of key EU countries. In his study on Greater China, Chung (2003) has also reached a similar conclusion by suggesting that the political-legal environment has a positive impact of various aspects of marketing programme. In light of previous suggestions the following hypothesis is expected.

Hypothesis 2: the extent of cross-market standardisation is likely to be positively influenced by the degree of political-legal environmental similarity between the US and Canada.

Social cultural and consumer factors

Because the influence of cultural and consumer behaviour is often considered together in the marketing standardisation literature (Hill and Sill, 1984; Jain, 1989; Czinkota and Ronkainen, 2007) both factors are reviewed collectively in this analysis. Baalbaki and Malhotra (1993) reveal that firms are more

likely to pursue a crossmarket standardised programme when operating in culturally similar environment. Jain (1989) indicates that the greater the similarity in the markets in terms of customer and consumer environment, the greater the degree of standardisation. Roper (2005) concurs this result by citing that cultural variation is a factor of crossmarket standardisation in the Nordic region. The studies conducted by Boddewyn et al (1986) and Boddewyn and Grosse (1995) have listed the consumer tastes and habits as one of key factors for the employment of crossmarket standardisation strategy. Schuh (2000) concluded that the existence of trans-national customer groups is a key reason for the adoption of crossmarket standardised strategy in the Central European region. The impact of cultural and consumer factors, conversely, are not supported by the studies conducted by Chung (2003; 2005). These two factors are treated as a prerequisite for the adoption of crossmarket standardisation in Chung's research, thus their significance is not identified. In short though a conclusive finding related to these factors is yet to be finalised, the majority of the literature seems to suggest that a positive relationship is likely to exist.

Hypothesis 3a: the extent of cross-market standardisation is likely to be positively related to the degree of cultural environmental similarity between the US and Canada.

Hypothesis 3b: the extent of cross-market standardisation is likely to be positively related to the degree of consumer environmental similarity between the US and Canada.

Competition and infrastructure factors

These two factors are also considered together as their integrated effect is highlighted in the literature (Chung, 2005). Jain (1989) indicates that the greater the degree of similarity of a firm's competitive position in different markets the higher the degree of standardisation. Baalbaki and Malhotra (1993) reveal that firms are more likely to pursue a cross-market standardised programme when operating in an environment where competition is similar. Boddewyn et al (1986) and Boddewyn and Grosse (1995) also identify that competition similarity is a key crossmarket standardisation factor in the EU region.

Chung (2003) has reported a positive relationship between crossmarket competitive similarity and standardisation but, in a study on firms' operation in the Latin America region, Grosse and Zinn (1990) fail to confirm a significant link between competitive environment and the degree of standardisation. In a recent study, Chung (2005) has integrated both competitive and infrastructure factors together as one construct. The combined construct is suggested to have a positive impact on crossmarket standardisation strategy. The influence of marketing infrastructure on crossmarket standardisation formulation is also supported by a number of conceptual studies (Jain, 1989; Baalbaki and Malhotra, 1993). Though not universally confirmed, the following relationships are anticipated.

Hypothesis 4a: the extent of cross-market standardisation is likely to be positively associated with the degree of competitive similarity between the US and Canada.

Hypothesis 4b: the extent of cross-market standardisation is likely to be positively associated with the degree of infrastructure similarity between the US and Canada.

Product factors

Prior studies on cross-market standardisation analysis tend to focus on manufacturing firms (e.g., Boddewyn et al, 1986; Boddewyn and Grosse, 1995; Grosse and Zinn, 1990; Baalbaki and Malhotra, 1993). Some recent studies have included service firms in their research frameworks (Schuh, 2000; Chung, 2003; 2005) where some significant results have been revealed. Chung (2005) has found that service firms are more likely to employ a cross-market adaptation strategy. Chung (2003) has also reached a similar conclusion by pointing out that service and consumer non-durables are more likely to employ an adapted crossmarket strategy. Prior studies have attributed this result to the special characteristics of service firms (e.g., intangibility, inseparability) (Patterson and Cicic, 1995, Style et al, 2006). This result is also expected in the North American region

Hypothesis 5: the extent of cross-market standardisation is likely to be significantly related to the nature of product category-e.g., service firms are more likely to employ a crossmarket adaptation strategy.

Firm factors

In addition to environmental and product factors, a number of firm-related factors have also been revealed to have a significant impact on crossmarket standardisation strategy. The two primary factors are firm size and international business experience (Xu et al, 2006). Existing findings concerning the impact of firm size is mixed. In the study on the Greater China markets, Chung (2003) revealed that large sized firms are more likely to employ a cross-market standardisation strategy. In his research concerning firms' operation in the EU region, Chung (2005) found that large sized firms are more likely to adopt an adapted strategy.

Firms with a high international business experience are more likely to employ a cross-market standardised programme. Existing outcomes are also inconclusive. Chung (2003) confirmed that firms with a high business experience are more likely to employ a standardised strategy. This result, however, is not supported by Chung (2005) whose study has concluded that firms with a large business experience are more likely to adopt a higher degree of adaptation. As the results concerning the effect of firm size and international business experience are not conclusive, it is decided to adopt the suggestion of Chung (2005) as its study is also on transferring a product/service from one developed to another developed country.

Likewise despite some conceptual studies suggest the employment of market entry strategy is likely to be factor of crossmarket standardisation (Rau and Preble, 1987), this factor has received a moderate or a non-significant support by empirical literature (Grosse and Zinn, 1990; Boddewyn and Grosse, 1995; Chung, 2003; 2005). In light of these results this factor is only listed as a control variable in the research framework. No specific hypothesis is proposed concerning this factor.

Hypothesis 6a: the extent of cross-market standardisation is likely to be negatively related to the size of firms- i.e., large sized firms are more likely to employ an adaptation strategy.

Hypothesis 6b: the extent of cross-market standardisation is likely to be negatively related to firms' international business experience- i.e., firms with high business experience are more likely to adopt an adaptation strategy.

Performance

Jain (1989) indicates that the ultimate relevance of standardisation strategy depends on its real economic payoff. Kotabe and Omura (1989) and Kotabe (1990) indicate that standardisation strategy is more likely to lead to a higher performance. The influence of cross-market standardisation strategy is also identified but the result is mixed. Both standardisation and adaptation could lead to a higher performance in this scenario. Within the developing region, Chung (2003) reveals that standardised product and distribution strategy lead to a higher financial performance. A standardised product strategy also leads to a higher financial performance but an adapted price is associated with a higher financial performance when operating in the developed economic region (Chung, 2005). Because of these diverse results a neutral direction is proposed.

Hypothesis 7: the extent of cross-market standardisation is likely to be significantly related to firms' performance.

Research Methodology and Measurement

Sampling Frame and Data collection

Consistent with the approach reported in the crossmarket literature (e.g., Grosse and Zinn, 1990; Boddewyn and Grosse, 1995), this study has also adopted a mail survey to collect its research data. Firms in the sampling frame were obtained from a number sources including web-sites, business associations and commercial listings. These firms were based in Australia and New Zealand. Because

this study has only focused on the cross-market scenario –i.e., firms operating in both the US and Canada at once, the sampling size was adjusted to about 395 firms. The survey questionnaire was completed by the most senior staff member such as managing director or the manager looking after their firms' operation in the North American region.

In total eighty-seven firms were included in this study. The useful response rate is about 22%. This response rate is likely due to the narrow focus of this study. The non-response bias was determined by wave technique as suggested by Armstrong and Overton (1977). The early and late reply firms were tested by a number of key indicators such as product category and performance items. No significant differences were observed across these group of firms; suggesting that this study has not suffered from any significant non-response bias issues.

Survey instrument

By adopting the pair-wise practice suggested by Sorenson and Wiechmann (1975) and Chung (2003), respondents were directed to answer the survey questionnaire related to their product/service which was concurrently marketed in their most important and second most important host market in the North American region. Importance was measured in terms of sales revenue. The environmental factors and marketing programme and process elements were a comparison between the first and second host markets while performance items were related to the second host market only (Chung, 2005). The majority of the respondents were operating in the scenario of US-Canada (i.e., US=first market and Canada=second market) while a small percentage of firms operating in the Canada-US scenario.

The operational measurement concerning environmental factors was borrowed from the practice of previous studies (Sorenson and Wiechmann, 1975; Grosse and Zinn, 1990; Boddewyn and Grosse, 1995; Chung, 2003; 2005). In total twenty-two sub-items were used to measure various aspects of

environmental factors including economic, political, legal, cultural and customer and competitive and infrastructure. Respondents were instructed to rate the extent of similarity of these items between the US-Canada/ Canada-US concerning their product/service marketing operation in both markets. These items were measured by a seven-point scale (1=very similar; 7=very different) (Akaah, 1991) (Table 1).

The measurement for the marketing programme and process was also based on those suggested in the literature (Sorenson and Wiechmann, 1975; Jain, 1989; Grosse and Zinn, 1990; Baalbaki and Malhotra, 1993; Johnson and Arunthanes, 1995; Chung, 2005). In total twenty-three items were proposed to measure various aspects of marketing programme (product, price, place and promotion) and process. Participants were instructed to nominate the extent of similarity of these items in their operation in the US as compared with those in Canada or vice versa. These items are also determined by a seven point scale (1=very similar; 7=very different) (Table 1).

The three performance items used were also based on those suggested in the literature (Kotabe, 1990; Cavusgil and Zou, 1994; Myers and Harvey, 2001; Chung, 2005). Three items were used in this study – profit, sales growth and market share. Consistent with those reported in the literature the performance items were in terms of firms' financial performance in their second important market (Chung, 2005). Profit was measure by a seven-point scale (1=high level of loss; 7=high level of profit), sales growth was also determined by a seven-point scale (1=negative growth; 7=greater than 25%). Both profit and sales growth were measured on a previous three-financial year basis. Market share was determined previous financial year. This item was determined out of 100% scale.

Firm-related factors were decided in light of prior suggestions. Firm size was determined by the number of employees hired by a firm (Xu et al, 2006). A firm's international business experience was measured by the number of countries operating and number of years in international business (Cavusgil

et al, 1993; Xu et al, 2006) (Table 1). Market entry modes were decided by whether firms have used the same entry mode to in their first and second host markets (Rau and Preble, 1987). Lastly firms were asked to identify the nature of their product (consumer, industrial or services). Adopting the practice of Chung (2005), two sub-items were used to represent the product type (service vs other and industrial products vs other). This choice is due to the fact (1) that only a small amount of service firms were presented in the study and (2) that industrial product operators were more likely to select a standardised strategy than firms from other sectors (Cavusgil et al, 1993; Baalbaki and Malhotra, 1993; Chung, 2005).

(insert Table 1 about here)

Research Findings

Descriptive statistics

The average number of employee is 195. This is classified as small-medium sized firms (Ellis and Petico, 2001). The average international business experience is also moderate. In terms of the product sector the majority of firms were operating in the consumer and industrial sectors with 56 percent and 37 percent respectively. Only seven percent of firms were operating in the service sector. Consumer products include food, apparel, publishing, computer, and agricultural-related while industrial goods include chemical, ingredients, equipment, raw materials and communications. Service items include freighting, testing, software and tourism. About sixty percent of firms using the same entry modes to service the US and Canada at the same time (e.g., distributors, agents, marketing subsidiary).

As displayed in Table 1, the mean ratings of environmental factors are all less than the medium scale four suggesting that the environmental factors across the US and Canada are similar. The average ratings of marketing programme and process are less than four, indicating they are highly standardised. These items confirm the conditions across the US and Canada are highly similar and the overall marketing strategy used by firms operating in both markets is greatly standardised.

Statistical analysis procedure and reliability outcomes

The sub-items of environmental and programme and process elements were grouped by a confirmatory factor analysis (Table 1). In this procedure it was found that culture-consumer and competitive-infrastructure related items need to be grouped together as a single construct. The two international business experience items were suggested to be treated as an individual factor due to their low correlation with each other. All other variables were grouped well within their own constructs. The reliability of the constructs drawn was high (alpha greater than 0.7) (Johnson and Arunthanes, 1995).

This study has used two rounds of multivariate regression analysis (Chung, 2005). In the first round the dependent variables were the five programme and process constructs and the independent variable set include firm size, international business experience, product category, environmental-related factors and the control factor. Factors within the independent variable set were investigated by a correlation examination (Table 2). The highest correlation value is less than 0.5, indicating that this study has not suffered from the issue of multicollinearity. In the second round the dependent variables were the three financial performance items while the five programme and process elements were the independent variables. The correlation among the five programme and process constructs was also investigated; the highest value was just over 0.5 (not listed in the table); suggesting that this variable set also has no muticollienarity issue. Table 3 and Table 4 list the outcomes established in the multivariate regression analysis steps.

(Insert Table 2, Table 3 and Table 4 about here)

Statistical Results

Extent of similarity

As reported in Table 1, the general proposition that the two countries in the North American region have a similar environment is confirmed. The most similar environment is the culture-consumer followed by political-legal, economic and competitive-infrastructure environments.

With respect to the extent of similarity of programme and process, the highest similarity is product, followed by process, price, promotion and place. These results confirm that firms operating in the US and Canada region have used a highly standardised programme and process.

Economic factor

As demonstrated in Table 3, economic environment is confirmed to be positively related to cross-market standardisation strategy on the elements of product and promotion. This outcome indicates that firms are more likely to employ a standardised product and promotion strategy when the cross-market economic environment is similar between the US and Canada. Though this result is not consistent with those revealed in other regions (Sorenson and Wiechmann, 1975; Boddewyn and Grosse, 1995; Schuh, 2000; Chung, 2005), it is in line with those revealed in the conceptual studies (Jain, 1989; Baalbaki and Malhotra, 1993; Kotabe, 2000). This inconsistency suggests that the effect of economic environment still plays a role in the crossmarket standardisation transfer, depending on the markets investigated. The mixed results suggest that the effect of economic factor in the crossmarket scenario is yet to be finalised. This inconsistency indicates that the effect of economic environment is likely to be market-specific. Therefore further research on this factor in this scenario is required. In light of these results, H1 is not supported.

Political-legal factors

Firms also tend to use a standardised programme only when the political-legal environment is similar. This occurs with the place, promotion and process elements (Table 3). The significant influence of

political-legal factor is also evidenced by studies conducted in other regions and conceptual studies (Boddewyn et al, 1986; Jain, 1989; Baalbaki and Malhotra, 1993; Chung, 2003; 2005). Thus the effect of political-legal environment in the crossmarket scenario is conclusive. H2 is supported related to the three indicated elements.

Culture and consumer factors

Unlike those revealed in other studies (Boddewyn and Grosse, 1995; Chung, 2005; Roper, 2005), cultural and consumer-related items are considered together as one integrated factor when operating in the North American region. This combined construct has the most influence when transferring a product/service across North American region. This factor has a significant influence on product, price, promotion and process elements (Table 3). The degree of crossmarket standardisation strategy is positively related to the degree of similarity of cross-market cultural-consumer environment between the US and Canada. This finding is consistent with those proposed in both conceptual and empirical studies (Jain, 1989; Baalbaki and Malhotra, 1993; Boddewyn and Grosse, 1995; Chung, 2005; Roper, 2005). These findings suggest that despite the overall environment between the US and Canada is similar, firms tend to transfer a set of standardised marketing programme across the North American region only when their target markets have shared a similar consumer-cultural environment. H3a and H3b are mostly supported but their influence needs to be integrated together when operating in the North American region. As the influence of culture-consumer related factor is also widely suggested in the studies on the EU region (Boddewyn and Grosse, 1995; Chung, 2005; Roper, 2005), the effect of this factor in the developed region seems conclusive.

Competitive and infrastructure factors

Similar to the result identified in the EU study, these two factors were also suggested as a combined factor (Chung, 2005). This combined factor, however, is not identified to have any significant impact.

These results indicated that H4a and H4b are not supported. This finding contradicts those uncovered in the EU study where it is suggested as highly significant with the choice of crossmarket standardisation strategy (Sorenson and Wiechmann, 1975; Baalbaki and Malhotra, 1993; Boddewyn and Grosse, 1995; Chung, 2005). This inconsistent result indicates that the influence of competition related factors might not be universal. Its effect might only be effective in a selected region such as the EU. Another possible explanation is that the competitive environment across the North American region might be similar so that it is not a key factor for firms intend to operate in both markets at the same time.

Product factors

Likewise product-related factor is also not revealed as a key factor in this analysis. Service firms are not found to be more likely to be adapted when transferring their programme or process from one to another North American market. One reason for this result might be because the small proportion of the service firms operating in the North American region. Industrial products are also not found to be more likely to employ a standardised strategy (Jain, 1989). This latter finding is consistent with the finding recently uncovered in the EU region (Chung, 2005). These findings indicate that the factors influencing firms' choice of crossmarket standardisation strategy in the North American region is more likely to be related to environmental and firm-related factors. These results suggest that the findings established in this study apply to all sectors investigated including industrial, consumer and service operators. In light of these results, H5 fails to be confirmed.

Employee

Large sized firms are also more likely to pursue an adapted product strategy when operating in the cross-market scenario. This finding is consistent with that uncovered in the EU region (Chung, 2005). Large sized firms are more likely to employ a cross-market product adaptation strategy. This consistency supports that the role of firm size in the cross-market standardisation is probably conclusive as it is now

confirmed in two major regional markets (the EU and North America). H6a is supported with relation to the product element.

Business experience (number of countries operating)

Firms with a higher business experience also tend to be more likely to employ an adapted cross-marketing strategy (price, place and promotion). Similar to those found in the EU study (Chung, 2005), this factor is also related to price and promotion. This is commonly found in both the EU and North America. However this factor is found to be related to place element but not to the process item as it has revealed in the EU study. H6b is mostly supported.

Performance

As demonstrated in Table 4, price adaptation is negatively related to the market share while place adaptation is positively related to market share. These outcomes suggest that firms adopting a uniformed pricing strategy or those employing an adapted place strategy are more likely to gain a higher market share when operating in the North American region. H7 is partially supported. The outcomes are varied from the results revealed in the previous studies which have focused on firms' operation in other regions (e.g., Greater China, EU). For example in the study on Greater China, Chung (2003) has revealed that uniformed product and place strategy are more likely to help firms to acquire a higher sales growth and market share. In the EU region (Chung, 2005), it is suggested that a uniformed product strategy is more likely to help firms to achieve a higher profitability but an adapted price and product strategy are likely to contribute to a higher profit and market share. Sorenson and Wiechmann (1975) also indicated that a unified process strategy is more likely to lead to a higher success in the EU region. These diversified results indicate that there is no conclusion can be drawn among the relationship between standardisation/adaptation and performance in the crossmarket scenario. The relationship between

standardisation/adaptation and performance is likely to be market and condition-specific (Roper, 2005). These outcomes have also offered some research implications for future research.

Conclusions

This study is among the early group of studies which have focused on firms' operation in the crossmarket scenario. By employing the methodology suggested in the literature (Sorenson and Wiechmann, 1975; Jain, 1989; Baalbaki and Malhotra, 1993; Chung, 2005), this study has established a new crossmarket framework by utilising the experience of firms operating across the US and Canada. This study has first examined the conditions for using the crossmarket standardisation strategy; followed by investigating the key significant factors influencing this strategy. The relationship between standardisation strategy and performance items was also explored. This pioneer study has generated a number of significant results which could provide some useful implications for firms intended to operate in this important regional market and for future research concerning international marketing standardisation. Details are analysed as follows.

First the environment across the US and Canada is confirmed to be similar. This similarity has provided a foundation for the deployment of crossmarket standardisation strategy. It is confirmed that the most similar environment is the culture-consumer followed by political-legal, economic and competitive-infrastructure environments. Second, despite the general environment is similar, firms would still need to ensure that their target markets across these countries have shared a similar consumer-cultural environment when transferring a set of marketing programme and process across both markets. This requirement applies to all firms operating in this region – consumer, industrial and services. The significant effect of culture-consumer environment is also highlighted by previous studies on the EU region. It seems conclusive that consumer-cultural similarity is a pre-condition for using the crossmarket standardisation in the developed economic region.

Third, despite their common political-legal environment, it is important for managers to ensure that effect of political-legal factors is similar across their target markets in the US and Canada. Only this condition is met, then a standardised place, promotion and process can be successfully implemented in this regional market. This result also indicates that the political-legal environment might still not be completely uniformed across the market segments in the US and Canada. As the effect of political-legal factor is widely confirmed in other regions such as the EU, the effect of this factor in the developed region is also conclusive.

Forth the results also confirm that firms with a short international business experience and those which are small in sized can still consider employing a crossmarket standardisation strategy if they choose their target markets carefully. This strategy is likely to assist these type of firms to maintain their competitive advantages over other firms operating when operating in the North American region.

Fifth firms should consider employing a uniformed price and adapted place strategy in order to gain a higher market share when operating in the North American region.

Lastly in contrast to the findings established in other regions, the economic environment is also suggested as a significant factor in the choice of crossmarket standardisation in this study.

Limitations

Though this study has established a number of significant outcomes, it has suffered from a number of limitations. First and foremost the sample size is small. This feature might have influenced the validity established in this study. As both American and Canada are very important markets for international firms, future studies should re-examine the framework established in this analysis. Only then a more

conclusive finding can be drawn. Likewise the size of the firms included in this study tend to be small-to-medium sized, future research should replicate this study and focus on larger sized firms. Their findings should be compared with those established in this study. By doing this the findings of this study can be better validated. Managers should be aware of these weaknesses before applying the outcomes established.

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Table 1: Constructs and indicators results

Constructs	Indicators	Mean ratings	Overall mean ratings	Factor Loading	Alpha
<i>Product</i> [†]	Characteristics	2.01	1.99	0.957	0.915
	Brand	1.87		0.952	
	Design	1.86		0.961	
	Positioning	2.23		0.540	
	Packaging	2.02		0.893	
<i>Price</i>	Wholesaling	2.48	2.59	0.907	0.921
	Retailing	2.59		0.931	
	Method	2.70		0.885	
	Price discount	2.57		0.872	
<i>Place</i>	Type of retailing outlets	3.15	3.06	0.862	0.941
	Channel of distribution	3.16		0.917	
	Sales force	2.99		0.932	
	Management of sales force	2.88		0.848	
	Role of middlemen	3.16		0.938	
<i>Promotion</i>	Role	2.74	2.61	0.918	0.968
	Theme	2.49		0.954	
	Copy	2.54		0.955	
	Expression	2.63		0.863	
	Media allocation	2.60		0.956	
	Sales promotion	2.68		0.928	
<i>Process</i>	Planning	2.56	2.55	0.980	0.973
	Budgeting	2.51		0.982	
	Philosophy	2.58		0.960	
<i>Political/Legal</i> [‡]	Product content	3.06	2.96	0.872	0.918
	Price and sales condition	2.99		0.948	
	Packaging	2.58		0.872	
	Political intervention	3.22		0.891	
<i>Economic</i>	Economic development	2.70	2.95	0.860	0.920
	GNP	3.02		0.934	
	Cost of labour	3.17		0.879	
	Purchasing power	2.90		0.922	
<i>Cultural-consumer</i>	Linguistic & connotation	2.98	2.68	0.862	0.958
	Understanding advertising	2.59		0.868	
	Consumer literacy & education	2.58		0.903	
	Customs and taboos	2.71		0.893	
	Consumer preference	2.70		0.949	
	Consumer purchasing habits	2.69		0.931	
	Consumption pattern	2.64		0.817	
	Product usage	2.54		0.813	
<i>Competitive-Infrastructure</i>	Competitive nature	2.80	3.06	0.799	0.846
	Market share position	3.32		0.764	
	Distribution infrastructure	3.30		0.871	
	Media infrastructure	2.80		0.875	
<i>International business experience</i>	Number of countries	19	NA	NA	NA
	Year in international business	17	NA	NA	NA
<i>Firm size</i>	Number of full-time employee	195	NA	NA	NA

[†]: marketing programme elements were measured by a seven-point scale (1=very similar; 7=very different)

[‡]: environmental factors were determined by a seven-point scale (1=very similar; 7=very different)

Table 2: Correlation matrix

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)
Employee (A)	1.000								
Year in international business (B)	.416	1.000							
Number of countries (C)	.345	.316	1.000						
Product type (ID vs others) (D)	.188	.086	-.142	1.000					
Product type (service vs others) (E)	.067	-.025	.174	-.209	1.000				
Entrymodesame (F)	-.067	.022	.068	.093	-.055	1.000			
PolitLegal (G)	-.003	.099	.168	-.038	.019	-.038	1.000		
CultureConsumr (H)	.046	.204	.116	-.081	-.029	-.185	.486	1.000	
Economic (inverse) (I)	-.044	.044	.083	.054	.032	.021	.137	.104	1.000
Competitive-infrastructure (inverse) (J)	.171	.164	.196	-.066	-.025	-.106	.193	.201	.020

Table 3: Multiple regression analysis results- standardisation

Dependent variable: Product	
Variable	Beta
(Constant)	-.227
Employee	.001*
Culture-consumer	.217**
Economic (inverse transformed)	.024**
<i>R² value = 0.236</i>	
<i>F value = 6.501</i>	
<i>F significance <0.01</i>	
Dependent variable: Price	
Variable	Beta
(Constant)	-.224
Number of countries	.011**
Political-legal	.296**
Culture-consumer	.253**
<i>R² value = 0.341</i>	
<i>F value = 10.695</i>	
<i>F significance < 0.001</i>	
Dependent variable: Place	
Variable	Beta
(Constant)	-.284
Number of countries	.009**
Political-legal	.692***
<i>R² value = 0.566</i>	
<i>F value = 38.507</i>	
<i>F significance < 0.001</i>	
Dependent variable: Promotio	
Variable	Beta
(Constant)	-.341
Number of countries	.007*
Political-legal	.447***
Culture-consumer	.330***
Economic (inverse transformed)	.017**
<i>R² value = 0.621</i>	
<i>F value = 24.148</i>	
<i>F significance <0.001</i>	
Dependent variable: Process	
Variable	Beta
(Constant)	-.122
Political-legal	.378***
Culture-consumer	.379***
<i>R² value = 0.554</i>	
<i>F value =39.141</i>	
<i>F significance <0.001</i>	

Table 4: Multiple regression analysis results- performance

Dependent variable: Market share	
Variable	Beta
(Constant)	10.438
Price	-7.534**
Place	6.354*
<i>R² value = 0.103</i>	
<i>F value = 2.751</i>	
<i>F significance <0.1</i>	