

Technological Environment - International Marketing Strategy Relationship

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Abstract—International trade involves both large and small firms engaged in business overseas. Possible drivers that force companies to enter international markets include increasing competition at the domestic market, maturing domestic markets, and limited domestic market opportunities. Technology is an important driving factor in shaping international marketing strategy as well as in driving force towards a more global marketplace, especially technology in communication. It includes telephones, the internet, computer systems and e-mail. There are three main marketing strategy choices, namely standardization approach, adaptation approach and middle-of-the-road approach that companies implement to overseas markets. The decision depends on situations and factors facing the companies in the international markets. In this paper, the contingency concept is considered that no single strategy can be effective in all contexts. The effect of strategy on performance depends on specific situational variables. Strategic fit is employed to investigate export marketing strategy adaptation under certain environmental conditions, *which in turn can lead to superior performance*.

Keywords—Contingency approach, international marketing strategy, strategic fit, technological environment

I. INTRODUCTION

THE emergence of a more open world economy has resulted in an upsurge in international trade, since many countries belong to major trading blocs. Companies of all sizes need to develop skills, ability and knowledge to compete effectively in international markets. Moreover, with the advancement of technology, communications and international transportation become faster and more convenient, and increase opportunities for companies to look beyond their domestic markets and facilitate their engagement in international market operations [1].

Three common business strategies that have been found in many companies are competing on the basis of low prices through production at lowest cost; offering a differentiated product and competing on basis of unique value to the customers; and avoiding competition by seeking government assistance to operate in a protected market [2], [3]. In general, companies emphasize the marketing elements in management and have applied them to create, deliver and communicate superior customer value to their chosen target markets, which attract their target customers and persuade them to buy products and services.

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In a competitive environment, companies should strive to maintain their differential advantage from their competitors in order to retain their existing customers and attract new ones.

II. TECHNOLOGICAL ENVIRONMENT

Technological advancement is an important environmental factor impacting strategy formulation. It has accelerated in transportation, communication, manufacturing and computer systems, which may be considered major part of marketing strategy [4]. Different levels of technological development and information technology between markets can affect the degree of export marketing strategy adaptation. For example, the availability, reliability and cost of communication media such as telephones, internet systems, technological networks, and computer software and hardware in the export country, which are likely to differ from the home country to a varying degree, may necessitate an adaptation in marketing strategy [5]-[8].

Advanced technology in transportation can facilitate the distribution of products. It helps companies to better communicate and control their distribution channels. Information technology together with technological skills can create new opportunities for companies to communicate with their target customers [9]. Moreover, the selection of promotional media in foreign markets should take into consideration the existing technological environment. Many domestic companies expect that replicating their domestic promotion plans in foreign markets will be important for marketing purposes. This may be so if, other things are equal, the level of technology and the environment surrounding it are similar. Nonetheless, this may not be the case for many firms. In sum, this discussion suggests that technological environment factors are crucial in determining extent of marketing strategy adaptation.

Many companies use the internet as a direct marketing tool to send e-mail to the target market. Moreover, transportation technology and other logistics are important aspects that affect export marketing strategy adaptation. This includes the application of information technology to scheduling and controlling shipments, such as new bridges and roads and high speed trains, as well as technological skills to support transportation and communication facilities [9]-[10]. Therefore, these technological aspects should be evaluated to customize export marketing strategy from home market to export market. In addition, companies can increase productivity and revenue-growth such as a research advantage,

cost saving, global presence, establishing and maintaining a competitive edge and shortening components of supply chains. Thus, technology advancement can be a thrust on all aspects of marketing strategy formulation, involving gathering data on markets, managing control capabilities and carrying out the business function internationally with the advancement of electronic communications. Information technology together with technological skills can create new opportunities for companies to communicate with their target customers.

III. INTERNATIONAL MARKETING STRATEGY

Technological environment is fundamental for companies to make a decision regarding the degree of their international marketing strategy adaptation in overseas markets, consisting of product, price, promotion and distribution components. Explicit consideration of environmental factor linkages leads to successful marketing strategy, in terms of export performance. Understanding of local market conditions in each of the export markets stimulates companies to adopt a more standardized approach. This is because those companies learn about local conditions in overseas markets, and perceive the similarities among them. Therefore, they are able to standardize the marketing mix, which may lead to better performance. Nevertheless, companies may still find some differences across markets. They should monitor their foreign market environments and adjust their offered products to fulfil overseas customers' needs. Companies have to be sensitive to these variations and remain constantly on the alert to adapt their marketing strategy to suit local conditions.

This paper focuses primarily on those issues relating to the marketing programme. The term programme comprises various aspects of the marketing mix, such as product design, product mix, brand name, packaging, retail price, basic advertising message, sales promotion, role of the middlemen, type of retail outlets and customer service [2], [11]. The issue of standardisation, adaptation and the degree of export marketing strategy adaptation (middle-of-the-road) has long occupied the attention of international marketers and researchers. Standardisation strategy leads to consistency, ability to attract cross-country market segmentation, cost reduction and economies of scale in marketing, research and development and production. Although adaptation strategy faces higher costs than standardisation, it can achieve specific local customer requirements from different environmental factors. Companies using an adaptation strategy can achieve customer satisfaction in foreign markets by adapting their offerings to suit local environments [12]. The middle-of-the-road approach evaluates marketing strategy adaptation/standardisation for the optimal benefits upon differences in *technological environment* factors between the home and the export markets, which can help companies to gain long-term economic payoffs.

IV. MIDDLE-OF-THE-ROAD OR CONTINGENCY APPROACH

Use The middle-of-the-road approach is proposed by many researchers, who claim that neither complete standardisation nor complete adaptation of the marketing programme is

conceivable [9]. The standardisation approach leads to many benefits such as cost savings, consistency and planning control improvement. However, it may fail to respond to customer needs and fit local market requirements. Adaptation is viewed as a reverse to standardisation. Making a decision on either adaptation strategy or standardisation strategy is deemed as not necessary. Standardisation and adaptation strategies should not be seen separately from each other. Flexibility is necessary in determining the right magnitude of standardisation versus adaptation [2], [6], [11], [13]. The extent to which the marketing programme should be adapted or standardised across national boundaries has received significant research attention in international marketing [9]. These alternatives should be evaluated in the light of the company's performance in international markets, as well as the differences in technological environment factors to survive in competitive markets [9]. This 'middle-of-the-road' approach or 'contingency perspective' is advocated on the marketing programme standardisation versus the adaptation issues.

Contingency theory differs from other theories in the specific form of the propositions made [14]. The distinction between congruent and contingent propositions clarifies this dissimilarity. A contingent proposition is more complex, since a conditional association of two or more independent variables with a dependent outcome is hypothesised and directly subjected to empirical testing. The contingency perspective identifies the importance of external environmental determinants of a firm's strategy [7]. Marketing managers have to decide on the extent of marketing strategy adaptation and the conditions under which these adaptations are implemented. The middle-of-the-road approach or the contingency view of strategy is based on the assumption that no universal set of strategic choices is optimal for all organisations and circumstances. Accordingly, it has been suggested that optimal strategy is subject to a certain set of environmental conditions [14].

The middle-of-the-road or contingency approach is the most appropriate choice for companies to explore the degree of export marketing strategy adaptation. Decisions regarding the degree of strategy adaptation are based on specific situations through the evaluation of contingency factors, such as the external environmental differences between home and export markets. The linkage between the degree of export marketing strategy adaptation and export performance is quite important. Every business seeks to survive with superior performance in international markets. However, the consequences of strategy on performance remain inconclusive. Some studies have found that export marketing strategy adaptation has a positive effect on export performance [15], [16], while others have concluded a negative impact [5], [17]. The current study reconciles these inconclusive findings by utilising the concept of strategic fit.

V. STRATEGIC FIT: TECHNOLOGICAL ENVIRONMENT - INTERNATIONAL MARKETING STRATEGY RELATIONSHIP

The critical importance of co-alignment between the environment (i.e., external environment and internal organizational elements) and strategy has long been recognized in the literature. This paper examines contingency hypotheses under the different environments between the international and domestic markets leading to the more feasible competitive strategy approach. It investigates business performance by using co-alignment strategy between competitive strategy and the environmental context within which the strategy is implemented. This paper is a response to the need to systematically develop and examine a conceptual model and to determine measures of fit, which is related to strategic management areas. The main proposition in this study is that competitive strategy leads to a higher performance level only to a degree that there is fit between the environmental factors and the strategy being deployed. In other words, the investigator posits that the main issue facing the manager is to achieve fit between strategy and its context, and the presence of fit should have significant and positive implications for firms' performance.

The chosen fit approach in this study is viewed as 'matching' perspective or 'residual approach', in which fit is a theoretically defined match between two variables. A measure of fit between two variables is developed independent of any performance. Its conceptualisation is that no strategy is universally superior, irrespective of environmental or organisational context [17], [18], [19]. In terms of analytical issue of the matching perspective, residual analysis reflects operationalization of fit. The residuals from the regression of one variable on the other are used to reflect fit, which subsequently can be related to the criterion variable. Low performance is the result of misfit from this relationship, and residuals of the regression of the context-structure relations on performance should be significant [19], [20].

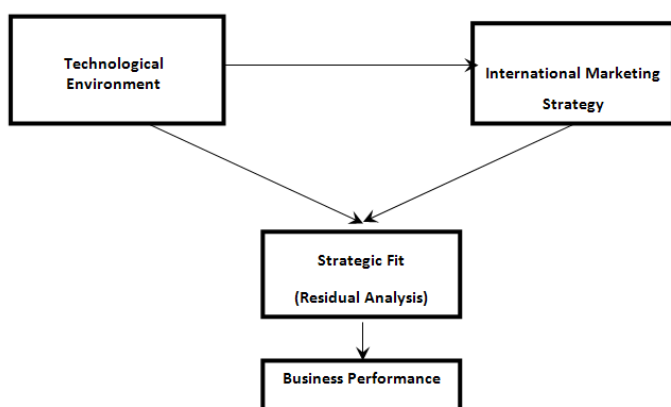


Fig. 1 Conceptual framework of technological environment - international marketing strategy relationship

VI. METHODOLOGY

The deployment of the individual product-market ventures

as the unit of analysis remains very rare. The widely used unit of analysis in previous studies is the single firm or a business division, which is likely to have led to confounded, unreliable and less valid results because of the existence of a wide range of various products that a firm may have and/ or several markets in which the firm may compete. Firms often tend to offer many types of products and employ different competitive strategies across different foreign markets. The product-market venture, defined as strategy of a specific product in a particular market, can facilitate a more accurate and better understanding of the strategy-performance link and provide more reliable and valid results in comparison with studies using the firm's overall activities as the focus of attention [2], [4], [17].

VII. EXPECTED RESULT

In this empirical study, the expected result is that the match between export marketing strategy adaptation and context (technological environment factors) can enhance business performance. Strategic fit can provide a solid theoretical foundation to study export marketing strategy adaptation and performance, and explain the formulation of an effective strategy to compete in global markets. Thus, the residual analysis method is employed in this empirical study to measure fit, and assess its impact on performance. Therefore, the main proposition of this study is that export marketing strategies, whether adapted, standardized, or a combination of the two, result in superior performance only to the extent that the strategy being deployed is co-aligned with the technological environment contexts.

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