Product Customisation/Standardisation for Export
Packaged Foods to China – Modeling for Managerial
Decision Making

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Abstract

A gap exists in our knowledge of international marketing concerning the specific variables that are decisive in actual managerial decisions concerning the customisation or standardisation (C/S) choices for packaged food exported to China. On one hand, international marketers who standardise their products too much potentially undermine their performance in foreign markets by marketing products that don’t meet consumers’ changing needs. On the other hand, too much product customisation that goes beyond the existing needs of specific target markets is an inefficient use of productive resources.

Research Problem: To determine the extent to which packaged food exporters are required to standardise or adapt their products for export to the People’s Republic of China.

Research Objective: The objective of this study is to develop and test a marketing model aimed at answering the following research question: What factors influence an exporter’s managerial decision of whether to develop and market standardised or customised food products to China and to what extent do these factors influence this decision?

Methodology: This study employed a range of literature based variables salient in making this managerial decision, in terms of the economic or behavioural payoffs derived from implementation of the product customisation or standardisation decisions made. Using mixed methods of data collection, namely both qualitative and quantitative inquiry which accessed practitioners actively involved in this work, this study empirically modelled the importance of different possible influences on managerial decisions affecting the degree of packaged food product C/S for export to China as these decisions.

Findings: The study found that country-of-origin had the strongest effect on the food product customisation or standardisation decision. Other factors suggested in the literature influenced the same decision, but the effects are largely mediated by country of origin effects. The study found a degree of consensus between what the literature suggests, and practitioners’ own product development strategies and perceptions, in this highly specific export context. This bridges an important gap between academic theory and actual practice. An unanticipated
finding was results concerning the moderating role of intermediaries in these decisions. Intermediaries were found to have a moderating role in the food export product C/S in that some food exporters relied on intermediaries to assist them with product and market related decisions. This finding was also supported empirically.

**Managerial Implications:** This knowledge should provoke useful reflection by practitioners upon how they currently undertake this work, and how they may best do so in the future, relative to the views and practice of their peers, as well as to the literature. There are further implications of these findings for the practice of exporters, the composition of suitable export management teams, and for the satisfaction of export customers and for exporter performance.
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I am forever thankful to my Supervisor, Dr. Railton Hill from Swinburne University of Technology whose guidance, support, and encouragement enabled me to develop a deep understanding of the managerial decision making context surrounding the product development decisions pertaining to exporting packaged food products to China.

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Finally, I owe a deep gratitude to the two hundred or more people who agreed to participate as respondents to my research. Without their involvement and commitment to my study, my passion for the topic would not be fulfilled.
Declaration

I hereby acknowledge that this dissertation contains no material that has been accepted for the award to a candidature of any other degree or diploma.

To the best of my knowledge this dissertation contains no material previously published or written by any other person except where due reference is made in the text of the examinable outcome, and where the work is based on joint research or publications, the relative contributions of the respective authors is disclosed.
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Chapter 1

MANAGERIAL DECISION MAKING AND PRODUCT CUSTOMISATION VERSUS STANDARDISATION

Introduction

As more organisations attempt to take advantage of international trade opportunities in rapidly developing emerging economies, the need to understand strategic marketing decisions made by exporters significantly increases (Raymond, Kim and Shao, 2001). For marketers to create value for international or global customers, traditional marketing logic argues the need to formulate and implement appropriate new product development strategies and processes to meet the needs and demands of international markets (Johnson and Filippino, 2013; Lai, et al., 2011; Peres, Muller, and Mahajan, 2010; Schmid and Kotulla, 2011). International marketers have to grapple with more demanding regional and global customers. A rising level of international competition, suppliers and resource markets, pressures to keep pace with rapid technological change in information and communication, must all be addressed by the managerial decision maker (Czinkota, Ronkainen and Moffatt, 2010). In spite of the important role that competition plays in determining marketing strategy, research on the role of competition through product standardisation has been relatively sparse (Viswanathan and Dickson, 2007).

This study considers the development and export of packaged food products to China and the product customisation or product standardisation decision inherent in product development. With a population of 1.3 billion people, a rising per capita income and a booming economy, China’s urban consumers have developed a growing interest and demand for quality imported packaged foods (http://www.euromonitor.com 2008) that comply with international standards (Horton, 1998). Such is the demand for quality imported packaged foods, that in 2007-08, Australian food exports to China were valued at AUD$928 million, up to 40 from the previous year (Source: Food Australia Report - Australian Food Statistics 2008). In light of this, the Australian government established the Small Business Development Corporation to assist domestic producers find export markets for their products to benefit from the growing
The importance of exporting (especially foods) to other countries (http://www.exporters.sbdc.com.au/07_02_exportready.asp). Whilst this study is international in its nature, that is, this study looks at how food export marketers from various nations make product related decisions for China, Australia is used as the base from which the qualitative data for this study is collected, as this country represents the researcher’s home base. Further, Australia as a food producer and importer has placed an emphasis on food safety (Hobbs, Fearne, and Spriggs, 2002; Smith and Riemuller, 1999) and food quality assurance (Wills and Harris, 1994) for their locally made and exported produce. These emphases, if promoted within China, may alter the thinking of local food producer and exporters from other nations in light of China’s recent food problems (Gossner, et al, 2009; Ingelfinger, 2008; Xin and Stone, 2008).

**Background**

Field studies have shown that there is a great need for more systematic research to advance the understanding of the management of international new product development and the strategic decisions associated with developing new products for foreign markets (Leonidou, 1996; 1998). Of particular interest in this research study are strategic product decisions related to the need to market adapted or standardised packaged food products to China. Surprisingly, very little research has examined this phenomenon given the importance of food for daily survival and the number of food exporters targeting China as a packaged and organic food export destination (Gale, 2002b). The researcher extends the current knowledge by focusing on the managerial decisions associated with exporting customised or standardised food products to China. In doing so, the researcher hopes to bridge the knowledge gap on how these managerial decisions are made, and to what extend if any food manufacturers adapt (or customise) their products for export to China, and hope the researcher can assist practitioners to make more accurate packaged food product development decisions for China.

China is the focal geographical setting for this study for several reasons. China has experienced near double digit economic growth for the past two decades. Perhaps more importantly, China accounts for one-sixth of the world’s food market (Anderson and Peng,
Indeed, Anderson and Peng (1998) posit that China will become a significant net importer of food. This is because to do otherwise would be very costly in terms of the economic growth that would have to be foregone by this densely populated country. They add maintaining self-sufficiency in food without slowing industrial development and economic growth is simply not going to be possible. Finally, as per capita GDP increases in China and the effects of integration into a global economy take place, Chinese consumers’ demand for imported food products is likely to increase (Ravallion and Chen, 2007). In light of this, we are interested in examining what effect, if any, these factors have on consumers’ preference for imported food product to determine whether imported food products in China, particularly, whether consumers in China prefer imported food products that are manufactured and exported to an international standard or customised to the specific needs of China’s food market.

Overview of Product Standardisation and Customisation

To demonstrate the importance of the managerial decision to customise or adapt products Lim, Sharkey, and Heinrichs (2006) argue that organisations with a product development focus have an advantage in efficient production as compared with those pursuing a market penetration strategy. However, they also suggest that organisations pursuing a product development strategy need greater resource commitment than organisations that pursue an international market penetration strategy.

International marketing strategies may be differentiated according to the degree of customisation (or customisation) versus standardisation pursued with respect to one or more marketing mix elements. A standardisation strategy involves uniform marketing mix elements across different national markets, whilst a customisation strategy involves the tailoring of marketing mix elements to each international market (Chung, 2005; Lim, Acito, and Rusetski, 2006; Siraliiova and Angelis, 2006). Within a packaged food context, customisation refers, but is not limited to, the customisation of the product’s packaging, ingredients, and labelling (Regmi and Gehlhar, 2005; Sajilata et al. 2007). In this study, reference will be made to the product customisation or standardisation decision through the abbreviation of product C/S.
Ryans, Griffith, and White (2003) argue that the last 40 years of scholarly research in product C/S within international marketing strategy has advanced without a strong underlying theoretical framework. They suggest that the primary underlying elements of research in this area have remained relatively constant, with researchers unable to substantiate some of the key underlying assumptions regarding the value of standardisation. This is an interesting finding given Shoham’s (2003) assertion that the extent to which a product is standardised influences an organisation’s ability to unlock opportunities for competitive advantage in primary and support activities of its value chain, to rapidly enter export markets, and to standardise positioning strategies. By contrast, other researchers report that an organisation’s international product customisation strategy leads to sales growth but not market share. (Leonidou, Katsikeas, and Samiee, 2002). It is important here to define or explain some key terms.

**Key Terms Defined**

The current study attempts to explore the managerial decisions related to export food product C/S for China. The study attempts to build a theoretical and empirical understanding of the antecedent factors affecting such a decision. To enable a clearer understanding of some of the key concepts that impact the export food product C/S, this study uses the extant literature to define some key terms. In doing so, it is noted the extant literature offers no one universally accepted definition of the key terms.

The key terms being defined in this study are not only central to understanding the concepts that impact the packaged food product C/S decision, they are also common expressions found in the extant literature on product C/S studies. These terms include standardisation, globalisation, and product customisation.

**Standardisation**

Buzzell (1968, p. 103) defines standardisation as
Offering identical product lines at identical prices through identical distribution systems, supported by identical promotional programs in several different countries.

Medina and Duffy (1998, p. 225) offer a more refined definition:

The process of extending and effectively applying domestic target-market dictated product standards, tangible or intangible attributes, to markets in foreign environments.

In a broader context Picard, Boddewyn and Grosse (1998, p.38) suggest that marketing standardisation is

The degree of similarity in the marketing activities, programs or policies of a multinational enterprise from one country to another.

**Globalisation**

Robertson (1987, p.38) defines globalisation as

The crystallisation of the world as one place.

Rundh (2007, p. 181) offers an economic based definition of globalisation, that is,

The shift toward a more integrated and interdependent world economy.

Hannertz (1990, p. 237) suggests that a ‘world culture’ is emerging as a result of increased globalisation. World culture in the Hannertz context is the:

Interconnectedness of varied local cultures as well as through the development of cultures without clear anchorage in any one territory.
Product Adaptation

Jain (1989, p. 77) defines product adaptation as

The degree to which physical product change when they cross national boundaries.

In contrast, Johnson and Aruthanes (1995, p. 33) define product customisation strategy as

A firm’s consistent and planned activities to meet local consumers’ preferences and values.

To refine this definition and internationalise its context, Medina and Duffy (1998, p. 225) offer

The mandatory modification of domestic target-market dictated product standards, tangible or intangible, as to make the product suitable to foreign environmental conditions.

In the Medina and Duffy (1998) definition, mandatory refers to compulsory changes made to either an existing or new product to ensure its conformance to cultural or legal requirements in a foreign country. Thus, Medina and Duffy (1998) refer to product adaptation as a form of product customisation.

For the purpose of this study, the Medina and Duffy definition of product standardisation will be adopted for its conciseness and clarity. Product customisation is generally perceived as the opposite of product standardisation. Bonaccorsi (1993) distinguishes product customisation to foreign markets and product customisation to individual foreign customer requirements. The former involves customising products for specific country markets. The latter refers to customising products for individual buyers in an international market and tends to be more prevalent in industrial or business to business marketing. The current research is concerned with the food product customisation for China’s food markets. China serves as the export destination for this study because the extent of product C/S may be impacted by the country’s diverse ethnic population (Xu, et al, 2005), who have diverse food preferences (Wright,
Nancarrow, and Kwok, 2001). Further, China as a food export destination makes for interesting product C/S study due to the nation’s climate which affects where locally produced food is grown and stored for further processing (Heilig, Fischer, and Van Velthuisen, 2000), and its infrastructure which affects how locally produced or imported food reaches its target audience (Li and Shum, 2001). Further, the term product adaptation will be referred to as product customisation throughout the rest of this thesis for consistency.

**Product Market Strategy**

Product market strategy concerns how an organisation intends to compete in the markets it chooses to serve (Day and Wensley, 1988). Product market strategy has been conceptualised in the literature in terms of two decisions. First product market scope illustrates how a marketing organisation intends to target its intended consumers (i.e. broad or narrow focus) (Yarborough, Morgan and Vorhies, 2011), while value proposition refers to the benefit/cost bundle created by the marketing organisation to target its intended consumers (Slater and Olson, 2001).

**The Argument for Product Standardisation**

The globalisation of markets is the principal driving force behind the need for global product standardisation thinking (Loyka and Powers, 2003).

Proponents of standardisation essentially argue that world markets have become more homogeneous and that a standardised approach to international product planning can generate advantages through economies of scale and greater efficiencies (Buzzell, 1968; Kogut, 1985; Levitt, 1983; Ryans, Griffith, and White, 2003; Viswanathan and Dickson, 2007). Rapid advances in transportation and communication technologies have facilitated this trend towards homogenisation of world markets (Ohmae, 1985). In light of this, Buatsi (1986) suggested that product standardisation can lower inventory handling, spare parts, and maintenance costs and the cost of training service personnel, although this argument appears less immediately compelling in the case of packaged food products, than in, consumer durables for example. Kotabe (1990) posits that European and Japanese organisations that
their standardised products had higher levels of product innovation (a source of competitive advantage) than those using product customisations. Similarly, Chung (2009) suggests that organisations should standardise their products when marketing to nations that have a high cross-national similarity and in the economic and cultural marketing environments, especially if the similarities pertain to consumers’ tastes and preferences (Lim, Acito, and Rusetski, 2006).

In light of these general effects of globalisation, an important question becomes: How does the globalisation phenomenon influence an export decision maker’s product strategies? Pitta (2005) echoes many claims that the first lesson many export decision makers learn is that culture remains an important factor in globalising business process. However, culture is extremely difficult to define. Kroeber and Kluckhohn (1952) identified over 140 conceptual definitions of this construct.

In addition to cultural understanding, a standardised approach to sourcing, production, marketing, and other organisational functions seems to be both feasible and desirable (Lee, Roehl, and Choe, 2000). Consumer heterogeneity in one country is likely to be high (Roth 1995) such that companies may benefit from seeking similar segments across markets and standardising their product rather than customising products to appeal to different segments in different markets, although both approaches acknowledge the importance of matching product offering to local market characteristics. When consumer preferences and communication requirements are largely similar among consumers of diverse cultures, a standardised product strategy can be cost effective (Cui, 1997). Similarly, global products have been shown to be beneficial in emerging markets under transition economies (Lee and Tai, 2009). Explication of the phenomena of globalisation strengthens the argument for product standardisation. Why customise products when the world (and therefore consumers) is becoming increasingly globalised in its tastes?

One of the many possible answers to this question comes from a study undertaken by Bardakci and Whitelock (2000) which reveals that managers see a standardised brand name as a key element in competing globally for both consumer and industrial goods marketers, since a standardised brand name is seen as essential in obtaining global recognition.
Similarly, Alashban, et al., (2002) note that successful international marketers are those that treat market segments as global entities, not local ones.

Proponents of the standardisation approach argue that in light of the accelerating internationalisation of world economies and the parallel increase in competition on a global scale, due to factors such as technological advancements, trade liberalization and economic integration, success lies in the development of universal marketing mix strategies (Leonidou, 1996). Yet, while standardisation can offer economies of scale, it can also lead to suboptimal sales when it is inconsistent with the environment in the host market (Yip, 2003). Schuh (2000) found that strong corporate cultures and management practices with regard to quality, innovation, and product performance are also antecedents of product standardisation.

**Levitt’s Product Standardisation Argument**

Perhaps the greatest proponent of the product standardisation in international markets is Theodore Levitt. In his seminal article, Levitt (1983, p.33), asserts that well managed companies have moved from an emphasis on customising items to offering globally standardised products that are advanced, functional, reliable and low priced. He states that there are essentially two types of firms engaged in international marketing. The global corporation that ‘operates with resolute constancy, at low relative cost, as if the entire world (or major regions of it) were a single entity; it sells the same things the same way everywhere.’ The multinational corporation on the other hand, ‘adjusts its products and practices in each country, at high relative cost.’ A product standardisation strategy helps organisations provide more consistent offerings to their customers and more uniform planning and control procedures to their international operations (Chung, 2005).

Levitt also suggests that multinational corporations are dinosaurs because ancient differences in national tastes and modes of doing business are disappearing. He cites examples of successful Japanese conglomerates that sell standardised products (such as robots, hi-fi equipment, computers, and software) globally with little consideration for customisation to accommodate national differences. Levitt (1983, p. 35) states, ‘if a company forces costs down and pushes quality and reliability up, while maintaining reasonable concern for
suitability, customers will prefer its world-standardised products.’ Similarly, Katsikeas, Samiee, and Theodosiou, (2006) suggest that a higher degree of customisation is likely when there is a similarity in institutions (e.g. media, intermediaries, trade facilitation agents) within the nation markets selected.

Whilst Levitt does not dispute that countries have different national tastes, cultural preferences and business institutions, he believes these are ‘vestiges of the past.’ He cites generic examples of pita bread, pizza, jazz, and country and western music being enjoyed everywhere in the world. These products target market segments that exist in worldwide proportions. He argues that rather than contradicting global homogenisation, they confirm it. Levitt (1983, p. 93) also argues against the assumption that an extant difference must remain in place.

I do not advocate the systematic disregard of local and nation differences. But a company’s sensitivity to such differences does not require that it ignore the possibility of doing things differently or better.

In summary, Levitt (1983 p. 94) states,

The successful global corporation does not abjure customisation of differentiation for the requirement of markets that differ in product preferences, spending patterns, shopping preferences, and institutional or legal arrangements. But the global corporation accepts and adjusts to these differences only reluctantly, only after relentlessly testing their immutability, after trying in various ways to circumvent and reshape them…

Levitt (1983, p.95) further suggests:

The global competitor will seek constantly to standardise his offering everywhere. He will digress from this standardisation only after exhausting all possibilities to retain it and he will push for reinstatement of standardisation whenever digression and divergence have occurred.
The premise underlying Levitt’s argument is: do not customise for the sake of customisation. Always seek to sell standardised products everywhere and if this is not possible, then and only then, customise your products. Levitt’s approach appears on the surface to contradict the ‘marketing concept’, whereby marketers determine what the customer wants, and then prepare a marketing mix to suit. Levitt (1983, p.100) answers this criticism by stating that,

Marketers falsely presume that marketing means giving the consumer what he says he wants rather than trying to understand exactly what he’d like.

Levitt (1983, p. 100) argues that Japanese companies operate almost entirely without marketing departments or market research of the kind prevalent in the West, yet they have been successful in their international expansion.

They have done this not by looking with mechanistic thoroughness at the way that the markets are different but rather by searching for meaning with a deeper wisdom.

**Additional Product Standardisation Views**

Whilst acknowledging that complete standardisation of products for international markets is difficult and impractical, Jain (1989) suggests that the marketplace is becoming increasingly global and the decision to standardise needs examination in terms of its impact on competitive advantage. Jain sites examples of Mercedes Benz, and Coca Cola among consumer goods and Boeing among industrial goods as examples of global products. The likelihood of successful program standardisation according to Jain depends on a variety of factors that include ‘the nature of the product’, ‘environment’, ‘organisational factors’ and (presumably specific aspects of) the target market and its ‘position’ vis-a-vis) are similar to such factors. Jain asserts that total standardisation is unthinkable and that the degree of standardisation in a product/market situation should be examined in terms of its long-term advantage.

Taking Jain’s (1989) position on standardisation, it is reasonable to ask (in the context of this study): If exporters do decide to adapt their offering for China, to what extent does the
offering need to be adapted? Which elements require the most customisation and which require the least? What specific environmental factors within China influence the product standardisation decision and why?

An alternate way of looking at target markets involves dividing the entire market into discrete groups of consumers, that is, in terms of discrete homogenous segments within nations (Ganesh and Oakenfull, 1999). This leads Jain (1989, p. 74) to propose that:

Standardisation strategy is more effective if worldwide customers, not countries, are the basis for identifying the segment(s) to serve.

Considering a variable he terms market position, Jain suggests that in addition to segmenting world (geographical) markets, market-specific contexts must be considered. Market development, market conditions, and competitive factors must also be considered. The reason for this is that different markets are at different stages of development. An explanation of this is suggested by product life cycle theory. If, for example, a product is in the maturity stage of the product life cycle in Australia, and the same product is in for example, the growth stage of the product life cycle in China, there may need to be appropriate changes in the product design to make adequate product/market match. According to Jain there are three market conditions that influence the decision. These are cultural differences, economic differences and differences in customer perceptions. Jain (1989, p. 75) proposes:

The greater the similarity in the markets in terms of customer behaviour and lifestyle, the higher the degree of standardisation.

Jain (1989, p 75) also proposed:

The higher the cultural compatibility of the product across the host countries, the greater the degree of standardisation.
The Argument for Product Customisation

An often stated basic aim of the ‘marketing concept’ is to identify consumers with a given need and then provide them with an offering that satisfies that need in a manner superior to that of your competition (Kotler and Keller, 2012), then the product offering (in this case a tangible food product) is critical. Empirical studies have tended to support the idea that marketers can meet consumers’ needs over time better than the competition by offering a high variety product line (Kahn, 1998). Boddewyn, Soehl, and Picard (1986) report that organisations perceive competition is the most important obstacle in standardising any element of the marketing. In light of this, Cavusgil, Zou and Naidu (1993) found that the most important consideration in a packaging and labelling customisation decision is the intensity of competition in the foreign market.

Organisations that support customisation in market offerings do so, on the basis that despite a more globalized world, people still retain their unique cultures, backgrounds, and tastes (Hofstede, 1997). By adapting market programs and processes, companies are seeking to be more responsive to diverse demands from targeted groups of consumers, thus capturing more market share than those who do not adapt (Leonidou 1996; Ozsomer, Bodur, and Cavusgil 1991). Many have empirically shown the importance of local customisation, especially as it relates to marketing communication (Burt, Johansson, and Thelander 2010; Lee and Tai 2009). For an organisation that wants to use adaptive strategies in its multinational operations, it is important not to be too ethnocentric, or home-country oriented, so as not to think that what works well in one’s home country will work well in all other cultures (Burt, Johansson, and Thelander 2010; Jain 1989).

Despite its importance, product customisation has no universally accepted definition. Other similar terms have been used in lieu of product customisation such as ‘localisation.’ In light of this, the American Marketing Association defines product customisation as the strategy of developing new products by modifying or improving the product innovations of others.

The American Marketing Association’s definition introduces the possibility of product standards being an integral aspect of product customisation. Product standards are requirements that specify characteristics that a product must have. Because product standards
impose requirements on the manufacturer, these standards can impede export trade, therefore affecting an organisation’s decision to export or invest in production abroad (Neff and Malanoski, 1996). Further, nations specify minimum product standards that enforce some degree of product customisation.

Research evidence suggests that product customisation has a number of different conceptual constructs. For instance, Kahn (1998) and Bardacki and Whitelock (2003) suggest that variety in a product line will make it more likely that each consumer finds the exact option they desire, boosting market share and profitability. In a study of Canadian companies conducting business in Japan, Ryans (1988) found that products that were modified to meet the needs of the Japanese consumer had significantly higher market share than the products that were not. Kahn’s idea is central to the argument of product customisation strategy. The more choice an export organisation offers (profitably) to international consumers, the more likely it is to succeed in export markets in the long term. The purpose of this research study is to gain a detailed understanding of the managerial decision makers make the product C/S decisions. For example, how do managers decide how long their product line should be relative to the line in our home market, or what brand related changes may be required for the export market?

Given the importance product development plays in organisational success, Kotler (1986) asserts that international product failures have been caused by a lack of product customisation. He advocates product customisation because consumer demand in different nations for specific product features is different, whilst Valenzuela and Dhar (2004) argue that product customisation allows decomposition of the purchase decision into a series of smaller sub problems affecting consumers’ choice evaluation. Bardakci and Whitelock (2003) argue that customers now seek exactly what they need, when they need it and how they need it at affordable prices. They are not willing to wait for customised products, but are seeking customised products in record time and without having to make sacrifices to acquire those products (Kotha, 1995).

Using macro-environmental forces to examine product related decisions for international markets, Schuh (2000) states that by employing a more responsive international differentiation (customisation) strategy, different levels of market development and the
differences in household income, customer expectations, and usage patterns could be better addressed. He found that adjustments in the product mix occur mainly among non-core elements and are often kept to a minimum – such as product instructions, labelling of content, package design, and names of consumer products are changed to meet legal requirements in foreign markets.

Forms of Product Customisation

Gilmore and Pine (1997) propose four distinct approaches to customisation. These are:

- Collaborative – the conduct of discussions with key customers who articulate their needs, to define the precise goods and services that meet those needs, and then to produce that offering.
- Adaptive – offering one standardised yet customisable product, designed such that buyers can alter it themselves.
- Cosmetic – offering a standard product differently to different customers. Marketing communications becomes an important strategy in communicating differences to different consumers.
- Transparent – providing customers with unique goods and services without letting them know explicitly that those offerings have been customised to suit the specific target market(s).

Each of these approaches would appear to have possible application with packaged food products. The applications vary from the degree of customer orientation to the degree of product C/S. Indeed applications extend to other marketing variables, especially promotional activities within the exporting organisation.

An alternative approach to product customisation is offered by Mintzberg (1988) who argues that customisation can take three distinct forms. These are:

- Pure customisation strategy – furnishes products designed and produced from scratch for each individual customer
- Tailored customisation strategy – requires a basic design that is altered to meet the specific needs of consumers, while a
• Standardised customisation strategy – the final product is assembled from a predetermined set of components.

The Mintzberg (1988) and Gilmore and Pine (2007) frameworks provide export decision makers with a platform on which to consider their export product customisation decision. An international marketer may (for example) adopt a cosmetic approach in their domestic market and a transparent approach in one or more of their export markets.

Factors Affecting Product Customisation

The design of a product for a specific market affects consumers’ beliefs about the product and brand (Bittner, 1992; Solomon, 1983). In that vein, Keegan and Green (2000) recognise that the degree of product customisation to a national locality is related to cultural sensitivity. They suggest a continuum of product categories, with industrial (business to business) products being the least sensitive to culture, computers being in the middle of the continuum, and food being the most sensitive to culture and requiring the most customisation to the specific needs of different national markets. This would encourage us to expect that culture would emerge as a key factor in this study of factors influential in the managerial C/S decision regarding packaged food products for China.

Some organisations take a proactive stance by imbedding the customisation issue in their product development strategy. Others focus on commonalities across multiple markets (Appiah-Adu, 1999). Johnson and Aruthanes (1995) conducted a comprehensive study into market related determinants of product customisation that impact on the performance of United States exporting firms. Their research distinguishes between actual product customisation and ideal product customisation. The actual can be defined as the similarity between exported and domestic product on measurement units, size, brand packaging, contents and quality (Douglas and Wind, 1987). The ideal is defined as the marketing manager’s opinion of the extent to which the product should be adapted on the same factors. This study attempts to measure the actual rather than the ideal amount of food product customisation undertaken.
The study undertaken by Johnson and Aruthanes (1995) concludes that determinants such as government regulation, infrastructure differences, cultural differences, competitive intensity and end-user differences determine the extent to which ideal or actual product customisation takes place. Similarly, Vrontis, Thrassou, and Lamprianou (2009) placed multinational companies on a linear continuum in terms of their standardization-customisation ratio. Then, they separated various environmental factors into ‘significant’ and ‘peripheral’ reasons pulling towards standardization or customisation, so that practitioners can adjust their behaviour according to the dynamics of their served markets. This in turn affects organisational performance (market share, sales growth, profit).

The Johnson and Aruthanes (1995) research addressed one weakness in Cavusgil, Zhou, and Naidu’s (1993) research namely, the distinction between consumer goods and industrial goods when it comes to making international product customisation decisions. Interestingly, one of Johnson and Aruthanes’ hypotheses, namely, that the level of actual product customisation positively affects the firm’s performance was supported. Further, in another hypothesis, that the level of actual product customisation positively affects market share did not receive support. This gives support for the value of standardisation.

Supporters of the customisation or localisation philosophy have found that due to the inherent complexities and dissimilarities involved in operating in the international marketplace, particularly as regards macro-environmental forces, consumer behaviour, usage patterns, and competitive situations, it is more viable to have a marketing program tailored to the individual needs of each foreign market (Grewal and Dharwadkar, 2002; Leonidou, 1996). For example, Li and Atuahene-Gima (2001) found that organisations marketing high technology ventures into China were forced to adapt their offerings because of the inherent risk and resource consuming activity of marketing new technologies to a developing economy. Further, organisations have to adapt their product offerings in export markets with high cross-national differences in the economic macro-environments compared to those of the exporter’s home market (Schilke, Reimann, and Thomas 2009), or where there is a high cross-national psychic distance (Sousa and Lengler, 2009). In addition, Felzenstein, Hibbert, and Vong, (2001, p. 77) suggest:
If geographic origin imparts a quality differentiation, the producer possesses an attribute that cannot be easily duplicated, if at all.

This suggests a competitive advantage for some food exporters based on their (product’s) country of origin.

**Summary of the Product C/S Considerations**

The rapid proliferation of options in many product markets throughout the world and the potential for information overload has created an important role for product customisation (Dhar, Valenzuela and Zettlemeyer, 2004). A customised product must be designed to customer specifications (Duray, et al., 2000). A product’s appropriate customisations for a foreign market are determined by a number of marketing and non-marketing factors such as, local government regulations, industry standards, market competition, cost considerations, societal values, cultural beliefs, and the unique human factors surrounding the consumption of a product. The role of government influence in the product customisation decision is considered a crucial factor in an international marketer’s strategy (Cavusgil, Zou and Naidu, 1993; Jain, 1989). In general, it is agreed that the customisation of an organisation’s product for export markets enhances that organisation’s performance (Shoham, 1995, 1996). However, existing research suggests that the standardisation of process is also likely related to an organisation’s performance in export markets (Kotabe, 1990). An export manager could realistically be expected to take at least some of these contributions into account during the packaged food product customisation/standardisation decision. In light of this, this study investigates how international product development and branding strategy decisions are made for packaged food products exported to the People’s Republic of China.

**Product Customisation or Standardisation: Some Theoretical Foundations**

The theoretical foundations of the C/S debate centre on the perception of consumer homogeneity or the movement to homogeneity (Levitt, 1983; Samiee and Roth, 1992;
Walters and Toyne, 1989). Studies in this area have tended to look at the various aspects of
the marketing mix in isolation, focusing mainly on one element (Jain, 1989). However, as
Cavusgil and Zou (1994) posit, a much richer understanding of the product customisation
versus standardisation decision may be obtained by considering the extent to which the
domestic marketing product strategies may be transferred to a particular export market. This
is important in light of the fact that previous studies condemned the assumption that ‘a
product that is successful in the domestic market will be successful in any other
(international) market’ (Cateora and Hess, 1975, p. 171).

Medina and Duffy (1998) propose distinctions between the terms ‘globalisation’,
‘standardisation’, ‘customisation’ and ‘customisation.’ For the purposes of clarity, this thesis
the terms product standardisation will be used instead of product globalisation.

**The Importance of the Product Customisation or Standardisation
Managerial Decision for Exporters**

The issue of product standardisation versus customisation may be of little concern to
international marketers of commodities. However, organisations that market non-commodity
consumer or industrial goods or services may need to consider the product customisation
issue more carefully. This study considers the merits of, and influences on, international
product customisation whilst acknowledging the view that some organisations can
successfully market a standardised product (essentially their domestic product) in foreign
markets. Although most companies’ new (export) product development strategies lie
somewhere between the extremes of total customisation (customisation) and total
standardisation (Quelch and Hoff, 1986), export decision makers often have little empirical
evidence indicating when they should customise their product and how their strategy
selection will affect brand performance (Brown and Eisenhardt, 1995; Jain, 1989; Sakaraya,
Eckman, and Hyllegard, 2007). As Quelch and Hoff (1986) posit, the basic question in global
marketing is not whether or not to ‘go global’, but rather to what degree, and how. The focus
of this study is the managerial customisation/standardisation decision, in the context of
exporting packaged foods products to China. This study explores the factors managers
actually take into account in this crucial decision. The study does not venture to question of
what factors they should take into account. Instead, the study is concerned with the managerial actuality. Such knowledge may unleash a range of further questions concerning linkages between influential factors on manager’s decisions and organisational export outcomes, profitability and the like. However, these are not the focus of the current study. The contribution of this study lies in understanding the context and dynamics of packaged food product C/S decision making, specifically with regard to China. In the course of the research a secondary focus developed on the gaining of an enhanced understanding of the role of intermediaries in this decision making.

A significant literature exists on the topic of product standardisation versus customisation. However, despite this research effort, there is little agreement on the specific conditions under which either standardisation or customisation is appropriate in foreign markets. Despite repeated calls for studies on the performance implications of standardisation or customisation (Cooper and Kleinschmidt, 1987; Brown and Eisenhardt, 1995; Jain, 1989) there are only a limited number of such studies (Katsikeas, Samiee, and Theodosiou, 2006). The current study does not however address these questions. Rather, it seeks to extend knowledge by modelling the decision influences which currently are salient upon managers at the product (customisation or standardisation) level. How do export managers actually make crucial C/S decisions?

Frameworks for the Product Customisation or Standardisation Decision

Cavusgil, Zou, and Naidu (1993, p. 483) observed:

In a limited number of empirical studies that have been conducted on the topic, only the bi-variate relationships have been assessed, leaving the relative significance of individual explanatory factors unknown.

Cavusgil, Zou, and Naidu’s (1993) research proposed and then empirically tested a conceptual framework for the correlation of product and promotional customisation decisions for export markets. While Cavusgil, Zou, and Naidu’s study provides managerial decision
makers with insight into the product C/S versus standardisation for export markets, their work includes the marketing mix variable of promotion which is not included in this study. Further, their work is not specific to either packaged food products or China as an export destination.

The Cavusgil, Zou and Naidu (1993) study examined export venture cases. The degree of product customisation upon and after international market entry, was measured on a 5 point bipolar scale where 1 = no customisation, 5 = substantial customisation. Nine independent variables were also established and measured on 5 point bipolar scales:

One limitation of Cavusgil, Zou, and Naidu’s (1993) research is that they focused on organisations that undertook international marketing via export. This ignores organisations that pursue international markets via foreign market entry methods that offer greater risk, commitment, reward and control over the international marketing activity. Such international entry modes include licensing, joint ventures, strategic alliances, foreign direct investment, green-field operations or manufacturing and assembly. This may imply that an organisation’s choice of international market entry mode affects their product customisation decisions for international markets. This study similarly focuses on export decisions, rather than market participation via other entry modes.

A second limitation of Cavusgil, Zou, and Naidu’s research is that they bundled consumer goods and industrial goods into one research study.Whilst they tried to balance the number of industrial goods cases (47.3 per cent of the total sample) with the number of consumer goods cases (52.7 per cent), this study ignored the possibility that one product classification (for example, consumer goods) may require a greater degree of customisation than the other. Essentially the current study continues the work of Cavusgil, Zou, and Naidu, restricting itself to a highly specific export context- that of product customisation (only i.e. only this area of the marketing mix) of packaged food for export to China, attempting to model the actual decision making such managers undertake.

Delene, Meloche, and Hodskins (1997) present a decision framework for determining strategic international product strategy alternatives. Their research provides a framework based on three factors: company heritage, market and product factors, and selected target markets. Delene, Meloche, and Hodskins propose that international product strategy
decisions should be made on the basis of the competitive advantage that they provide in the export market. Competitive advantage is gained from increases in customer delivered value derived from product strategy decisions (Frambach, Prabhu, and Verhallen, 2003; Landwehr, Wentzel, and Herrman, 2012).

Within the Delene, Meloche, and Hodskins framework of company heritage, defined as, the company’s culture and values including the prevalence of innovation and change patterns; historic traditions of a market orientation or an operations and production orientation, and the organisation’s concentration on quality. Delene, Meloche, and Hodskins cite as an example the experience of Caterpillar Inc. When re-entering the Vietnam market Caterpillar Inc. had to establish their own dealerships rather than continue an historic pattern of local dealer partnerships.

Further, in Delene, Meloche, and Hodskins’s framework market and product characteristics are explained as the nature of the market itself and whether the products involved are perceived as a commodity, service or manufactured goods by the market. The third element in the Delene, Meloche, and Hodskins framework involves characteristics of the target market as reflected in the target market profiles. This profile should include: segment or market size, knowledge of consumers’ buying processes and purchase criteria, along with market intelligence about related economic, legal and cultural issues. These three factors are integrated into a framework to help organise and design suitable international product strategy. The implications for product modification or product standardisation can be evaluated as follows:
Delene, Meloche, and Hodskins’s (1997) matrix enables useful analysis for international marketers faced with product C/S decisions. For example, in Figure 1.1 an organisation that finds itself in cell one would best follow an aggressive product modification strategy driven by continuous monitoring of changing target market needs. Still in Figure 1.1, an organisation in cell two will also aggressively modify their product offering, but will have to be more aggressive in its market seeking behaviour since current markets are not appealing.

The Delene, Meloche, and Hodskins decision chart underscores the complexity of international product decisions. It provides general guidelines only, and of course is not specific to any one market. This study seeks to provide a detailed understanding of how

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1. The product modification costs are most influenced by the company heritage, especially the type of orientation, environmental awareness, and technology environment.
2. The market variability is most influenced by market and product characteristics, especially the market value of modification, product, and market types.
3. The target market appeal is most influenced by target market factors, especially revenue potential, target market size, and competition.
4. Above the dashed line is the recommended current strategy for a company occupying that cell. The future strategic direction is indicated below the dashed line.
product C/S decisions are actually made, within one very specific context- that of packaged food product export to China.

**Branding and the Product Customisation or Standardisation Decision**

Scholarly interest in consumer perceptions of brand image and how it is affected by cross-border shifts in product C/S or on country of origin effect has attracted a lot of attention. Because of these cross border differences in brand image, Keller and Moorthi (2003) suggest it is advisable for international marketers to make a product’s brand image more demonstrably functional in developing economies such as that of China. Nebenzahl and Jaffe (1996) argue that consumer evaluation of international products is influenced by the country’s stage of economic development. That is, consumers hold more negative perceptions of products made in developing countries (Wang and Lamb 1983) and that the sourcing country (Han and Terpstra, 1988) and country of origin (Tse and Gorn 1992) have greater effects on consumer evaluations of product quality than do brand names. The research undertaken by Nebenzahl and Jaffe (1996) provides evidence that product value generated by global brand names may not outweigh the effect of country image when production is sourced to lesser-developed countries. However, regardless of the relative importance, these two variables are highlighted as highly relevant to the product customisation decisions. Image variables affect beliefs through inferences made by consumers (Laroche et al., 2005). Further, scholars (Gottelard and Boule, 2006) argue that the degree of customisation versus standardisation is a function of organisational, product, market, and environmental characteristics.

De Chernatony, Halliburton, and Bernath (1995) studied the effects of branding decisions of products for international markets. They argue that while the core essence of the brand should remain unchanged, its execution should be adapted for international markets. By ‘core essence’, De Chernatony, Halliburton, and Bernath refer to the basis on which the brand will be differentiated in world markets such that consumers perceive unique values in the brand. The core essence of the brand is what the brand stands for in terms of its value added positioning, gained by the satisfaction of consumers’ rational, functional, emotional, and psycho social needs (De Chernatony 1993).
From the De Chernatony, Halliburton, and Bernath (1995) study, it emerges that to appreciate the extent to which the brand’s execution can be standardised, marketers are faced with balancing demand side factors against supply side factors. Demand side factors include: the degree of customer convergence internationally and product/market standardisation. Customer convergence refers to whether customer demand for a brand/product is truly converging internationally, or whether significant national requirements persist. To this end, De Chernatony, Halliburton, and Bernath, (1995) argue that customer convergence may be independently driven by common customer trends, or proactively led by companies’ international marketing strategies. Hence, international new product activity and marketing intelligence for known and potential competitors must be carefully monitored (Keller and Moorthi, 2003).

The supply side of the De Chernatony, Halliburton, and Bernath (1995) study considers such things as: a centralised structure, that is, the extent to which international branding decisions are made from a centralised location or whether they are decentralised to the individual nations where the product is marketed. Another issue in the supply side is whether economies (or diseconomies) of scale in marketing and manufacturing exist. Should exporters put more marketing weight behind international brands, compared with fragmented national budgets? De Chernatony, Halliburton, and Bernath (1995) conclude that developing brands on an international basis offers opportunities for capitalising on economies of scale, provided there is sufficient customer convergence. De Chernatony, Halliburton, and Bernath are essentially arguing for the strength of branding as a factor in the product customisation/standardisation decision.

Schuh (2000) divides the C/S decision into two discrete parts, namely program C/S and process C/S. Program standardisation (or customisation) relates to the marketing mix for international markets. Process standardisation (or customisation) refers to the degree to which organisations either adapt or customise such things as decision making, data collection, planning and controlling, reporting processes, and organisational structures to maximise opportunities in international markets. Hence, while Schuh raises the issue of process in a general way, it is the decision process aspect of product C/S which is the key focus of the current study.
Product Customisation or Standardisation Decision Models

The strategic importance to marketers of the C/S debate has led to a great deal of interest from scholars (Hvan, Mortensen, and Reis, 2008). There are a number of models that have been proposed which attempt to provide normative guidelines for managers making product C/S decisions. Most relate to the product C/S decision but also take in other areas of the marketing mix- pricing, promotion etc. Such models include those of Loyka and Powers (2003) and Viswanathan and Dickson (2007).

Instead of implying that multinational companies should aim at product standardisation, Loyka and Powers (2003) offer a framework that helps identify specific problem areas that can aid in providing a base for further empirical research. Their model considers the relationships and factors associated with global product standardisation and the dimensions of global product standardisation are illustrated below.
Figure 1.2: A Model of Global Product Standardisation

The Loyka and Powers (2003) model depicted in Figure 1.2 demonstrates the relationship between the market, industry, and company factors, and the dimensions of global product standardisation based on an extensive review of the product customisation versus standardisation literature. The model’s rationale is that global product standardisation is a
multidimensional construct that is dependent upon variables that can be grouped into market, industry, and company categories.

In contrast to the Loyka and Powers (2003) model, in Figure 1.3, Viswanathan and Dickson (2007) offer a normative model on the degree of marketing strategy formulation. Their model is illustrated below.

**Figure 1.3 Degree of Marketing Strategy Formulation**

Common to these modelling approaches is an acknowledgement of the importance of a range of factors in the C/S decision, with commonly held variables likely to be aspects of local market culture and economy, as well as factors located within the exporting organisation. In
light of this, some organisations take a proactive stance by imbedding the customisation issue in their product development strategy. Others focus on commonalities across multiple markets (Appiah-Adu, 1999). A deeper investigation into the product C/S decision was conducted by Johnson and Aruthanes (1995) into market related determinants of product customisation that impact on the performance of United States exporting firms. Their research distinguishes between actual product customisation and ideal product customisation. The actual can be defined as the similarity between exported and domestic product on measurement units, size, brand packaging, contents and quality (Douglas and Wind, 1987). The ideal is defined as the marketing manager’s opinion of the extent to which the product should be adapted on the same factors. This study will measure the actual rather than the ideal amount of food product customisation undertaken.

The study undertaken by Johnson and Aruthanes concludes that determinants such as government regulation, infrastructure differences, cultural differences, competitive intensity and end-user differences determine the extent to which ideal or actual product customisation takes place. This in turn affects organisational performance (market share, sales growth, profit).

The Johnson and Aruthanes (1995) research addressed one weakness in Cavusgil, Zhou and Naidu’s (1993) research, namely, the distinction between consumer goods and industrial goods when it comes to making international product customisation decisions. Interestingly, Johnson and Aruthanes’ ninth hypothesis, that the level of actual product customisation positively affects the firm’s performance was supported. Their tenth hypothesis, that the level of actual product customisation positively affects market share did not receive support. This seems to constitute support for the value of standardisation.

Supporters of the customisation philosophy suggest that due to the inherent complexities and dissimilarities involved in operating in the international marketplace, particularly as regards macro-environmental forces, consumer behaviour, usage patterns, and competitive situations, it is more viable to have a marketing program tailored to the individual needs of each foreign market (Leonidou, 1996). In support of this view, Li and Atuahene-Gima (2001) found that organisations marketing high technology ventures into China were forced to adapt their offerings because of the inherent risk to resources.
Van Mesdag (2000) offers a hypothesis regarding the reason for the huge differences in the internationalisation of products, labelled the ‘duration of usage syndrome.’ He too seeks to identify the dimensions that are relevant in the shaping of strategies for international marketing and considers the extent to which the marketing mix can be standardised in various different configurations of international marketing. Van Mesdag concludes that some products internationalise more easily than others, with cultural factors being the key determinants of any product customisation decision. Van Mesdag’s postulations seem both general in terms of product categories/markets and also untested. In general, Van Mesdag is pro customisation. However, Van Mesdag (2000, p. 77) offers a clue to a middle path with the statement:

There is no such thing as a global marketing mix. A global marketing mix can only be realistic if there is room for adaptability.

Van Mesdag (2000) further posits that while there is significant convergence of consumption patterns between different countries, the rate of such convergence varies enormously between product categories. Generalisation is therefore misleading; the only generalization one may make is that convergence rates, on average, are increasing. This is a key reason why the current study focuses specifically on one product – that of packaged food products – within a specific international market.

**Convergence of Food Consumption: Some Trends**

Convergence in the consumption of food has previously been investigated empirically (Connor, 1994; Herrmann and Roder 1995; Gil, Gracia and Perez 1995; Traill 1997). For example, Connor (1994) argued that Europe would follow the US way of food consumption (with a lag of 5 to 10 years), as a result of a catch-up process in incomes, prices and demographic factors. Using broad product categories of food, Traill (1997) showed that the coefficients of variation in consumption across 29 European countries in 1990 were all smaller than in 1961, thus providing evidence that within European nations convergence in food consumption has been occurring, too, due to the increasingly similar economic
conditions within the area. Herrmann and Roder (1995) and Gil, Gracia and Perez (1995), in using OECD and EU consumption data respectively - and in applying more sophisticated methodologies of measurement - were able to confirm this finding. However, their results show that the degree of convergence was different across the analysed food nutrients (and also depended on the used measurement criteria) (Herrmann and Roder, 1995), or the tendency developed differently across individual countries (Gil, Gracia and Perez 1995). In addition, Gil, Gracia, and Perez (1995) demonstrated that the speed of convergence diminished, i.e. convergence, to a large extent, took place in the 1970s and was less intensive during the 1980s.

Finally, Herrmann (1994), in analysing consumption of 15 food products in OECD countries between 1968 and 1988, found that convergence tendencies were considerably different for individual food products. For example, consumption in foods such as poultry meat was found to actually have diverged over time, and for others such as fruit and vegetable oil no significant trend could be revealed. In summary, some convergence in food consumption across industrialised nations was found and it seems that once people are freed from income and product availability constraints, their food consumption patterns move towards an internationally similar diet. This has implications for packaged food export C/S decisions. Further, this convergence in food consumption can even occur when a national diet is believed to be more beneficial than the ‘international’ one, as Laajimi, Garcia and Albisu (1997) show for the case of Spain by the shift of Spanish consumers away from the traditional Mediterranean diet. However, it has also been shown that there are still considerable regional or national differences in food consumption.

Middle Ground?

The researcher supports Van Mesdag’s (2000) viewpoint concerning the need to adapt products to some extent, in preparation for sale into international markets. The direction of the current research is to determine how managerial decision-making occurs and to what extent specifically within the context of exporting packaged food products to China. Correspondingly, ‘middle ground’ refers to the extent to which a standardised domestic product is adapted for export sales to China.
Jain (1989) and Walters (1986) support the view that neither total standardisation nor customisation of any component of an organisation’s marketing mix is conceivable. Few organisations, if any, implement a completely standardised or adaptive approach, as extreme homogeneity or heterogeneity does not exist across markets, so the decision is not an ‘either-or’ one but rather a matter of degree (Vrontis, Thrassou, and Lamprianou 2009). In other words, the marketing reality is not as polarized as the debate might suggest, and it is typical for firms to implement aspects of both approaches such that standardizing and adapting strategies coexist within the organization. Indeed, one unifying theme from this debate is how the decision to standardize or adapt is always affected by situation-specific factors such as product and industry characteristics, as well as macro- and micro-environmental factors in the target countries. This is why the current study attempts to understand the extent to which an exporting organisation customises or standardises its product for an international market. Finding the middle ground can prove difficult for managerial decision makers. If they do not customise/adapt their export offering, they run the risk of missing out on sales, profit, and market share opportunities. If on the other hand, they offer too many customised products to the foreign markets, the large assortments may be perceived negatively by consumers who may resort to simplistic decision rules to make a decision quickly. In fact, as Kahn (1998) suggests, it has been found that in some cases, very large assortments and choices make consumers more promotion sensitive than they might be when faced with smaller choice sets. In light of this, customisation costs money which must be recouped by the incremental sales achieved in the new market.

A consensus exists in the literature regarding the need to consider the type of industry and product category in the context of marketing standardisation versus customisation. For example, Walters (1986) and Walters and Toyne (1989) conclude that standardisation is situation specific and is not appropriate in all settings; they assert that the extent to which consumers’ needs are homogeneous for a given product will determine the degree of product C/S. Similar customer needs and market structures may also make it possible to standardise other elements of the marketing mix rather than go through the time consuming and expensive process of designing and testing new approaches and designs for each export market. Further, Boddewyn, Soehl, and Piccard, (1986) argue that the extent of standardisation will vary depending on the type of product with consumer non-durables being
the hardest to standardise due to host nation consumer tastes and habits. Finally, Shoham, et al., (2008) suggest that organisations have to partly standardise and partly customise their marketing mix across nations to become relevant in their home country and their host countries. Following the Shoham, et al., (2008) logic, there is no ‘one-size-fits-all’ solution to the export product C/S debate (Hultman, Robson, and Katsikeas, 2009).

The aim of this study therefore is to find how export decision makers make such product C/S decisions with regard to marketing packaged food products to China. Decades of research has not succeeded in the distillation of any convincing normative model or guaranteed managerial guidelines for the making of product C/S decisions. Hence this study has chosen to focus, against the background of this research, on the area which has not been examined namely, the actual process of decision making used by export managers.

**Research Question and Proposed Methodology**

Although great importance has been attached to new product development for international markets (De Brentani and Kleinschmidt, 2004; Subramaniam and Venkatraman, 2001) little attention has focused on how important products such as packaged foods are developed for export to China. This study seeks to extend our broad knowledge of new product development by answering the following research question: What are the antecedent factors affecting the product C/S decision for packaged food exports products to China? Given the importance of food as one identifier of China’s culture and China’s growing demand for imported foods, this current study seeks to understand not only the cultural implications for why Chinese consumers select foreign made food products, but also the managerial decision associated with how food product development decisions are made for China. These decisions may impact a firm’s export performance in China.

To answer the research question, and to be epistemologically consistent with the research question, this study proposes a mixed methods approach to data collection using in-depth interviews with key informants who are currently exporting packaged food products to China, as well as a structured questionnaire to capture quantitative data. NVivo software will be used for analysis the depth interviews and SPSS is proposed for analysing questionnaire data. The
purpose of the depth interviews is to gain a deep insight into the types of product and market-related factors that export decision makers and packaged food product developers consider when making export product decisions. These factors will then be further considered through a structured questionnaire and subsequent data analysis. A full explanation of the research methodology is provided in chapters six and seven.

**Internationalisation and the Export Imperative**

Exporting activity is of extreme importance from both the viewpoint of nations and individual export marketers. From the point of view of national governments, exporting activity is crucial because it contributes to the economic development of nations. It influences the amount of foreign exchange reserves a nation has, and the level of imports a country can afford, while shaping public perceptions of national competitiveness (Lages and Montgomery, 2004). Further, exports enhance societal prosperity and assist national industries to develop, improve productivity and create jobs, improve competitiveness, productivity and economic integration (Gertner, Gertner, and Guthery, 2006). Internationally, exports enlarge consumers’ accessibility to a diverse range of goods and services, and improve the standard of living and quality of life. With increased internationalisation, the economic growth potential afforded by small business exporting may be quite significant (Pedersen and Petersen, 2004; Sakaraya, Eckman, and Hyllegard, 2007). Further, with falling international trade barriers and improved international communication and information networks, many small and medium sized organisations are able to compete in international markets (Pedersen and Petersen, 2004; Wolff and Pett, 2000). As Hultman, Robson, and Katsikeas (2009) posit, exporting is an ideal market entry method for small and medium sized enterprises.

The extant literature on exporting ventures of previously domestically based organisations is extensive. For instance, a study of 328 exporters from Nordic nations, Lindmark, et al., (1994) concludes that Nordic organisations’ domestic markets no longer seem to be as important a ‘learning place.’ They delve into export markets not long after their inception. Similarly, Preece, Miles and Baetz (1999) report a tendency toward an increasing number of ‘instant internationals’. A longitudinal study of 948 newly established businesses undertaken
in Denmark by Christensen and Jacobsen (1996) found that these organisations began exporting within the first years of their existence.

From the viewpoint of organisations, exporting provides an opportunity to become less dependent on the domestic market. Expanding into foreign markets creates economies of scale allowing the organisation to compete more effectively. Further, by competing in export markets, the marketing organisation learns from international competition to eventually explore further new export markets. To that end, Johansson and Vahlne (1990, p. 11) define internationalisation as:

A process in which the enterprise gradually increases its international involvement.

Andersen (1997) and Moen and Servais (2002) argue that country selection and entry mode choice are the key strategic decisions in relation to an organisation’s internationalisation. Andersen (1997) suggests that what differentiates internationalisation from other growth processes is the transference of goods, services, or resources across international borders.

The unit of analysis in this study is the individual export case, which Madsen (1989, p. 42) defines as being:

The marketing of one product in one foreign country.

For example, using Madsen’s position, it could involve the marketing of packaged breakfast cereal by company X to mainland China. As researchers move in the direction of developing a better understanding of export behaviour, an important organisation variable is the new product development process and its creation of a standardised or customised product for international markets (Song and Parry, 1997).

In conclusion, this study endeavours to explore the factors affecting managerial decision making related to the need to adapt or standardise packaged food products for exporting to China. In the foreign marketing context, adapting products and ensuring that products are managed properly on their way to end-users are daunting challenges for many exporters (Bush, et al., 2001). Whilst much has been previously written about product
customisation/customisation for foreign markets, previous research has failed to explain the actual decision making processes that are used by export marketing managers. A concern in this study is with how managerial decision making actually occurs. Having carefully examined the export performance literature, this study posits the simple assertion that product strategy functions as one key area of managerial decision making that is likely to impact on export performance.

**Structure of this Dissertation**

This dissertation is presented in nine chapters.

The introductory chapter provides an overview of the debate around customisation and standardisation (C/S) in international marketing, explaining the background to, and particular focus of, the current study, and the structure of the dissertation.

This is followed by a further detailed review of relevant literature that is divided into three chapters. Chapter two provides a detailed context to managerial export product decisions in terms of characteristics of the Chinese economy, culture and regulatory environment. Chapter three organisational and export performance concepts and metrics in relation to the C/S decision making.

In chapter four consumer ethnocentrism and the effects of country of origin in the food product C/S decision is considered.

In chapter five, the study examines the important role managers play in the export food product C/S decision by looking at the types of managerial decisions made, who makes them and where they are made.

Chapter six presents findings from an original qualitative study, providing further input to the development of a conceptual model of managerial decision making concerning customisation/standardisation of food products for export to China. Research methodology for this empirical study designed to test this model is then presented.
Chapter seven focuses on the methodology used in the empirical study. Due to the complex nature of new product development, export marketing, and managerial decision making, the current study proposes a mixed methods methodological approach to demonstrate the relationship between these variables.

In chapter eight the study reports on findings of the empirical study. In do so, the managerial implications for the empirical finds with a view of assisting export decision makers and product development executive develop an optimum food product for export to China are addressed.

Chapter nine offers a discussion of the findings, and draws conclusions both theoretical and managerial. In Chapter nine, the study reflects on the limitations of this research, and makes recommendations for further research.

Summary

Consumers select products they believe best satisfy their needs. Research has shown that the decisive factor in consumers’ food and beverage product choice is taste (Raghunathan, Naylor, and Hoyer, 2006). In turn, marketers, through their new product development process attempt to develop offers that best match their consumers’ taste requirements. The development of such offers is impacted by cultural differences in consumer needs, tastes, and demands. To that end, new product development across international borders becomes a more complex proposition for international marketing organisations.

One of the key managerial decisions facing organisations engaging in new product development is knowing how much to adapt, or whether to adapt a product sold in their domestic market, for one or more export markets. This managerial decision has export performance implications. Many factors will impact such a managerial decision. This study proposes to examine some of these factors as they apply to the export food product C/S and proposes a model for further consideration.
Chapter 2

LITERATURE REVIEW: CHINA: THE ECONOMIC, CULTURAL AND REGULATORY CONTEXT

In this chapter an exploration of what is known about China as an export destination, with particular emphasis and the economic and cultural context is examined. The study considers characteristics and phenomena within the Chinese market, including ‘guanxi’, Chinese negotiation patterns, consumer market segmentation, knowledge concerning Chinese food consumption, dietary and nutritional issues, as well as the regulatory context of Chinese food marketing, food safety and product customisation (Swanson, 1996).

This study concerns decision making on the degree to which food export products are adapted for conditions found in the People’s Republic of China. An appropriate level of market customisation is a key determinant of market performance. At the same time, the degree of customisation is conditioned by the degree of difference between countries (Cavusgil, Zou and Naidu., 1993). These differences could be structural (e.g. different channels of distribution), consumer based (e.g. different responses to product offerings), or cost based (e.g. different communications and transportation costs).

China, with nearly one-fifth of the world’s population, an economy in transition from planned to capitalist, and one of the fastest rates of economic growth, represents a market Western business can no longer ignore (Fang, Worm and Tung, 2008; Meng, 2004; Zhang 1996). Armed with increasing disposable income and developing tastes, Chinese consumers are having their say in shaping the directions of this huge and growing market (Zhou, et al. 2010). Since 1978, when Premier Deng Xiaoping first set China forth on a path of economic reform (Dunne, 1995; Kotler, 2010), her GDP has grown an average of 9.5 per cent per annum, three times that of the United States, and faster than any other economy (Wan, 2004; Woodall, 2004). In 2003-2004, the world’s economy grew by almost 5 per cent whilst China’s grew by 10 per cent in the same time (Woodall, 2004). In the second quarter of 2010, China’s economy was valued at US$1.33 trillion, ahead of Japan’s US$1.28 trillion economy (Kotler, 2010). Today’s global economy is strongly influenced by China’s economy (Kotler, 2010). In 2012 alone, China’s economy grew by 7.7 per cent (Anonymous, 2012). As a result
of this dynamic growth, more than 200 million Chinese have been brought out of poverty (Yifu, 2007).

If internationalisation is defined as ‘the crossing of national boundaries in the process of growth’ (Buckley and Ghauri, 1999, p. 9), then China is currently the most active internationalising economy among the developing nations. Investment from both domestic and international sources has been increasing over the years (Chadee, Qiu, and Rose, 2003). China is the second largest recipient of foreign direct investment in the world with more than 330,000 foreign investment projects operating in the country in 2007 (Luo, 2007). Much of this investment centres on 14 special economic zones formed in 1984 (Wei and Leung, 2005). Moreover, rapid commercialisation of consumption did more than simply increase consumer choice and raises the material standard of living. It also broke the monopolies that had previously cast urban consumers in the role of supplicants to the state (Davis, 2000).

China is approximately three times the size of the European Union in population, and more than one language is spoken (Ambler, Styles, and Wang, 1999). Some provinces in China are separated by large physical distances (e.g. Beijing to Guangzhou is 2,300 kilometres) as well as by substantial psychic distance (e.g. different languages and cultural histories). However, most Chinese reside in the eastern provinces, making it a highly geographically concentrated market (Zhou and Hui, 2003). With a birth rate higher than most Western nations, China has a relatively young population. A common language, despite regional dialects, and cultural heritage, reinforced by decades of communist rule, give China the appearance of a homogeneous market (Davis, et al., 2007).

As Kumar and Nagpal (2001) suggest, the greatest challenge facing international marketers is the choice of appropriate variables for segmentation. China is still largely a developing country and consists of multiple markets which can be segmented by regional economic development and local culture (Eves and Cheng, 2007; Keller and Moorthi, 2003; Wei and Leung, 2005). Therefore, despite the noted Eastern geographic population concentration, China cannot, for export marketing purposes, be considered ‘one market’. Indeed, packaged food manufacturers recognise that regional consumption are important for developing marketing strategies, such as test marketing new products (Bond, Thimany, and Bond, 2008). Variables such as ethnic origin, household size and education level serve as proxies for
preferences and may help explain distinctive food consumption patterns in some regions. As Hofstede (1983) suggests, nations may be inappropriate cultural units if a nation includes many cultures (as is the case in China), or if one culture spans several nations.

One key element in Chinese liberalisation policies has been the promotion of consumption (Jussaume, 2001; Li, et al., 2009). Consumption is now being viewed by the Chinese political leadership as beneficial for a variety of reasons. These include:

- Improved well-being for general populace;
- The strengthening of demand as an element in promoting further growth; and
- The appeasement of citizens

Hooper (2000) however, warns that resistance to global products (and more broadly to global culture) on nationalistic and ethnic/cultural grounds has been a basic feature of the Chinese response to global consumerism. Similarly, Davies (1994) reported that a significant number of multinational companies overestimated the demand for their products in China and these ventures have not been profitable. Regardless, with an increasingly abundant supply of goods and more disposable income, Chinese consumer aspirations will be heightened. This may include the aspiration to buy foreign made packaged foods.

To realise the untapped market potential among various consumer segments in China, Cui and Liu (2001) suggest that international marketers and export decision makers need to:

1. assess their similarity to the developed economies in terms of market environment, especially market structure and consumer characteristics, and
2. determine to what extent they can apply standardised global marketing (e.g. products) or need to adapt to the local market conditions.

Understanding how export managers approach Cui and Liu’s (2001) second suggestion is the essence of the focal decision within this research study.
Chinese Cultural Values

Despite the growing importance of China as an economic superpower Doran, (1994) and Swierczek (1991) lamented that there was insufficient research on Chinese consumer behaviour. Export decision makers should undertake cultural analysis of their international target market(s) to better understand how that specific culture influences the buying decision. Cultural values have been previously recognised as powerful motivations in shaping consumers’ product preferences (Clark, 1998; Lowe, and Corkindale, 1998; Yau, 1988). Further, differences in consumers’ culture bound value systems influence consumers’ shopping behaviour (Zhou and Hui, 2003). In the context of this study, China is a large and ethnically diverse nation and the culture specific nature of food underscores the importance of conducting cultural analysis.

Prior research has suggested that ‘face’ (Leung and Chan, 2003), social hierarchy (Buttery and Leung, 1998), negotiation styles (Hiltrop and Udall, 1995; Fisher and Ury, 1986; Maddux, 1988; Swierczek, 1991), ‘guanxi’ (Buttery and Leung, 1998), and cultural heritage (Garrott, 1995) impact heavily on an international marketer’s ability to successfully compete in China. If cultural or sub-cultural groups are found initially to be dissimilar in their basic value orientations, the export decision maker might then consider following up with more complex, costly techniques such as AIO (Activities, Interest and Opinions) or benefit segmentation (Lenartowicz, Johnson, and White, 2003).

Given the salience of Chinese cultural values to export decision makers, Yau (1988) classified Chinese cultural values into five orientations:

- Man-to-Nature Orientation
- Man-to-Himself Orientation
- Relational Orientation
- Time Orientation
- Personal Activity Orientation

Yau’s (1988) orientations have managerial implications for the export food product C/S decision. For example, in the man-to-nature orientation, where the Chinese regard man as part of nature and man should adapt to their nature in order to achieve harmony (Chan, 1999),
one possible manifestation is having a lower expectation of product quality. Product quality is a customisable or standardisable product attribute. If the product’s performance does not meet expectations, a Chinese consumer may feel less dissatisfied because they think they have to conform to harmony. To exemplify this view, Thorelli (1982) posits that the Chinese have a tendency to attribute product failure to fate rather than to the product’s manufacturer. Further, in considering the value of time orientation (where the Chinese have a strong preference past time orientation), a possible manifestation is implications that the Chinese tend to be brand loyal. Branding as a standardised or customised aspect of a product is given greater attention later in this dissertation.

**China’s Stage of Economic Development: The World Trade Organisation (WTO)**

In October of 2001, China entered the WTO. The vote for allowing China, still a developing country, to become a member of this influential trade organisation indicated that China’s economic development had been recognised and that and its economic influence could not be ignored (Hung, 2004; Zhou and Hui, 2003). The hope for export decision makers was that WTO membership would constrain, if not neutralise, an independent and possibly obstructionist China, while at the same time pry open China’s doors for global business (Lichtenstein, 2000).

China’s foreign trade has been one of the nation’s largest and most important engines for economic growth. Foreign trade has played an increasing role in the national economy since reforms began in 1978 (Huang and Rozelle, 1998; Huang, Rozelle, and Rosengrant, 2003). These economic reforms have made possible opportunities for exporters to embrace China with their standardised or customised products, specifically food products. Against this backdrop, many exporters are evaluating the scope of the relaxation of trading rights restrictions, which are among the most important WTO induced changes they will face (Zeng, 2002). Export decision makers must decide how they will take full advantage of substantial policy and regulatory changes to ensure that their market in China is viable.
The effect and importance of China’s WTO entry has been the subject of much research. Various authors, notably Ianchovichina and Martin (2004), have estimated the impacts of key economic variables of China’s accession to the WTO as a guide to policy, and as a subsequent analysis at the household level. It is particularly at this household consumer goods purchase decision level that export decision makers are interested. As Zhang (2001) observes, although foreign direct investment is located in every corner of China, it tends to be highly concentrated in the coastal regions. This fact may be one basis for geographic segmentation in China for export decision makers, including packaged food manufacturers.

**Guanxi**

In China, guanxi is the foundation of business negotiations. It expresses the central importance of social relationships within Chinese society (Song, Cadsby, and Bi, 2007). Accumulating social capital through guanxi is a means of maintaining legitimacy and survival in a large and culturally complex market (Carlisle and Flynn, 2005).

China is a market whose cultural traditions suggest that relationships between customers and suppliers may be more important than in the West (Pye, 1986; McGuiness, Campbell, and Leontiades, 1991). Central to the concept of guanxi is that business commitments are based on personal relationships rather than formal contracts (Fang, Worm, and Tung, 2008; Leung and Wong, 1993). China is often portrayed as a ‘relational society’, where concepts such as guanxi are the major influence on both social and business behaviour (Styles and Ambler, 2003).

The word guanxi is made up of two Chinese characters meaning ‘gate/pass’ and ‘connect’. It generally refers to the establishment of a connection between two independent individuals to enable a bilateral flow of personal and social interactions (Yeung and Tung, 1996). Guanxi is a special type of relationship, but ‘relationship’ does not necessarily mean guanxi (Wang, 2007). It converts business partners, who are otherwise strangers, to insiders within a business network. While Western business organisations often judge potential alliance partners on brand or corporate image, Chinese business to business relations are often based on contacts or bonds with specific individuals, not among organisations (Davies, et al., 1995).
Guanxi involves a flexible, but relatively permanent set of exchange relationships based on reputation and trust, that provides access to resources and information, over an indefinite period of time (Lovett, Simmons, and Kali, 1999). Participants in guanxi cement their ties through exchanges not only of material objects or special favours but also of respect and affection (Khatri, Tsang, and Begley, 2006). Guanxi is seen as a potential solution for most problems of entering and operating in China (Fan, 2002). Of importance to food exporters targeting China’s markets is the fact that guanxi is not automatic. It takes years of close friendship to develop. In addition, it is harder for foreigners to develop guanxi because guanxi is steeped in China’s cultural and historical heritage.

The concept of guanxi is enormously rich, complex, and dynamic (Yang, 1986; Yang 2001). In English as well as in Chinese, guanxi evokes different meanings and images. These meanings and image may influence an export decision maker’s marketing mix for a nation that exhibits a high guanxi culture. The growing knowledge about guanxi in the West makes all the more important understanding of the construct in its conceptual specificity (Chen and Chen, 2004). For instance, guanxi has been:

1. identified as one of the most important key success factors in doing business in China (Guo and Giacobbe-Miller. 2010; Li, et al, 2007; Song, Cadsby, and Bi, 2007; Yeung and Tung, 1996)
2. regarded as a source of sustainable competitive advantage (Tsang, 1998)
3. acclaimed as marketing’s third paradigm (Ambler, 1994), thus linking the concept with relationship marketing (Simmons and Munch, 1996), and
4. extolled as the future direction for western business practices (Lovett, Simmons and Kali, 1999)
5. seen as a critical role in Chinese organisational behaviour when task uncertainty is high (Song, Cadsby and Bi, 2011; Tsui and Fahr, 2007), for example, when dealing with foreign based exporters

Western social psychological theories of interpersonal relationships tend to adopt a universalistic ‘culture free’ perspective (e.g. the effects of physical proximity and attitude similarity in buyer-seller relationship development). According to Chen and Chen (2004) however, these theories fall short on capturing the unique characteristics of guanxi
development e.g. the role of pre-determined guanxi heritage in guanxi initiation. Different guanxi bases tend to define different types of relationships and to trigger different principles of interaction, which in turn bring different outcomes. This is important for the export decision maker because they must determine and seek the appropriate level of interaction with their China counterparts. Their export success is contingent upon it.

Guanxi represents a system that was essential to the survival and prosperity of groups of people within Chinese society who did not expect anything or did not get anything from the political system (Buttery and Leung, 1998). Wong (1999) suggests that international marketers can use guanxi as a means by which to segment a market in China, whilst Oliver and Coulter (2004) suggest that guanxi is important for the conduct of accurate and timely market research in China.

The right guanxi can bring cheap and reliable supplies, tax concessions, and approval to sell goods domestically or for export (Osland, 1990; Pye 1986; Tai 1988). They may influence decision making as to which foreign product is purchased (Grow, 1986) and provide for assistance when business problems arise. Guanxi helps maintain harmony in the Chinese system of doing things and this is where it ties in closely with Confucian thought (Buttery and Leung, 1998). The whole system of guanxi can be seen as a complex web of mutual obligations, assurances, and understanding, a long-term perspective, and cooperative behaviour (Ambler, Styles, and Wang, 1999; Arias, 1998; Luo, 1997). From an exporter’s viewpoint, guanxi provides a set of implicit rules that have a greater meaning than any legal framework. This being the case, guanxi principles could possibly override any legal obligation to customise or standardise products for export to China.

Guanxi can be described in several contexts. For example guanxi operates in different life spheres such as family, friendship, political and business guanxi. It is expected that guanxi plays a role in developing buyer-seller relationships (especially those involving the recruitment and training of distribution channel intermediaries) in China. Once guanxi is established between two people, each can ask a favour of the other with the expectation the debt incurred will be repaid sometime in the future (Yang, 1994).
Several scholars have concluded that guanxi is a major determinant of successful marketing of goods to China (Xin and Pearce, 1996). These personal connections seem particularly important to executives in nations that do not have a stable legal and regulatory environment that allows for impersonal business dealings (Zucker, 1986). China is one such nation (Xin and Pearce, 1996). A weak rule of law is problematic for all who do business in China, but such unreliability would prove burdensome for newer exporters to China, or smaller exporters with limited resources (Xin and Pearce, 1996).

Whilst much has been written about the effect guanxi has on business and trade negotiations in China, few authors have attempted to operationalise this important business concept. Given that guanxi is complex in definition and critical to many China trade transactions, it is surprising that more research has not been directed to defining the factor attributes of guanxi and establishing a scale that operationalises the measure of this complex form of relationship.

For international marketers conducting business in China, guanxi is an important consideration mainly at the initial stage: introduction, negotiation and set up of operation. As soon as the business is operating in China, other factors will take on a greater importance (Fan, 2002).

**Chinese Negotiations**

Research reveals that there are specific, context and cultural based negotiation styles (Graham and Lin, 1987; Ken, 1985; Picken, 1987; Shane, 1988; Tung, 1984). With this in mind, Rubin and Carter (1990, p. 21) define negotiation as:

> The process of reviewing, planning and analysing used by two parties to reach acceptable agreement or compromise.

Scholarly interest in international (trade) negotiations reveals that cross border negotiations is a multi-faceted construct. For example, for international business negotiations to go smoothly, Zhao (1991) recommended that foreign negotiators spend time getting to know their counterparts. In China, foreign negotiators should know what social standing they have
and what authority they have to make decisions (Fang, Worm, and Tung, 2008). Western business people must realise that a Chinese business partner may place Western priorities, such as efficiency and profit, beneath socialist values and goals. Jacobs, Gao, and Herbig (1996) suggest that trade negotiations with China can be difficult for two reasons:

1. the country’s impervious bureaucracy, which controls management and procurement (buying) systems, and
2. the Chinese are masters at stalling, a cultural tradition dating back to ancient times.

Adler, Brahm, and Graham (1992) conducted negotiation simulations between American and Chinese business people and found that negotiators in both cultures are more successful when taking a cooperative approach. Further, they found that Chinese negotiators tend to ask many more questions and interrupt negotiations more frequently than their American counterparts. When the Chinese do not reciprocate with cooperative behaviour, their counterparts’ economic returns are diminished. This position is supported by Zhao (2000) who explored the Chinese approach to international business negotiations by examining the negotiation textbooks used in China’s training programs.

The Zhao (2000) study revealed that Chinese negotiators are taught a variety of communication techniques for negotiation arrayed along a continuum from the relationship-based win-win strategy to the pure competition-based win-lose approach. The findings of the Zhao (2000) assist in the development of appropriate negotiation strategies when dealing with the Chinese.

Negotiations between Western business people and Chinese counterparts often stall (or never begin) because of language barriers. Osland (1990) asserts that language is critical to successful business transactions, whilst Murad (2004) suggests that the need to learn a foreign language is not mandatory for successful marketing in China, but ‘thinking locally’ (p. 61) is. In a study undertaken by Brunner, et al., (1990), a sample of international traders indicated that the Chinese are becoming more flexible in their negotiations and are sincerely interested in expanding their trade with the West. However, export decision makers must not see this as a reason not to employ the assistance of translators and business negotiators when discussing the possibility of exporting to China.
Another significant difference between Chinese and Western negotiations is the initial approach taken by the negotiator. The hard line method involves negotiators taking up an initial position and then making concessions until a compromise is reached (Fisher and Ury, 1986). Negotiators from the West mainly favour this approach. Under the soft line approach, ‘relationship maintenance’ is important. With the soft line approach, negotiators from both sides can focus on mutual interests but not on pre-determined positions and achieve joint profits based on some objective standard. This is the preferred stance in a negotiation taken by Eastern negotiators. For Western export decision makers, understanding the different approaches and then finding ‘middle ground’ between the two methods, influences heavily their ability to successfully negotiate with the East.

In an effort to provide export decision makers with a framework for negotiating with the Chinese, Stewart (1989) identified factors for successful negotiation and categorised these factors as being of high importance (e.g. uniqueness of the export product, China’s need for the product), moderate importance (e.g. good personal relationships, patience, the exporter’s technical expertise), and low importance (e.g. having a good interpreter, willingness to arrange counter-trade, willingness to offer good financing). The first factor in Stewart’s (1989) framework suggests product ‘uniqueness’ as a key factor in the export product customisation/standardisation decision. Does the high importance that the Chinese place on uniqueness of foreign made products (Dickson, et al., 2004) necessitate customisation/customisation of the export product? Decision makers will need to consider whether a standardised food export product will be seen as ‘unique’ by Chinese importers or consumers.

In a broader context the literature on negotiation describes two approaches: cooperative and instrumental (Swierczek, 1991). Cooperative negotiators are those who employ representational communication (transmission of information), whereas instrumental negotiators use influencing behaviour (Graham and Lin, 1987). The Chinese prefer an instrumental approach to negotiations (Swierczek, 1991), consisting of individualistic influencing behaviour.

A dominant logic in marketing literature suggests that negotiation is a stage-wise, goal directed resolution process (Fisher and Ury, 1986). Maddux (1988) posits that negotiations
are an exchange process for one party to obtain resources or benefits from another party when these resources are under the control of the ‘seller’.

The literature demonstrates that there is much more to doing business in China than simply being skilful at negotiations. The most important marketing task for any exporter to China is to familiarise potential customers with the export product (McGuiness, Campbell, and Leontiades, 1991), whether customised or standardised. To what extent do these cultural differences impact managerial product customisation/standardisation decisions?

**Segmenting China’s Consumer Markets**

Segmentation at the macro levels, that is, ‘country segmentation’, falls short of offering marketing managers with a marketing decision tool that will aid them to formulate strategic plans (Souiden, 2002, p. 615).

Market segmentation is an essential component of international market development, particularly for value added agricultural products (Krause, Wilson, and Dooley, 1995; Riefler, Diamantopoulos, and Sigauw, 2012). Careful segment identification can assist managerial decision makers in selecting markets to target in an effort to enhance export success. Further, knowledge of segment characteristics can guide decisions related to product for (that is, product C/S) and distribution (Dickson and Ginter, 1987; Green and Kreiger, 1991; Grover and Srinivasan, 1987; Krause, Wilson, and Dooley, 1995).

A study by Adler (1984) reports that comparative management studies assume, inappropriately, that domestic populations are culturally homogeneous. Just as cultures differ, so too there may be regional cultural variation within a particular area, especially if that culture is large and complex (Goodman, 1992). Nonetheless, simply because national boundaries are easy to identify does not make them an appropriate variable for segmenting behaviour (Lenartowicz, Johnson, and White, 2003; Lenartowicz and Roth, 1999; 2001). Furthermore, few large countries are culturally homogeneous, and many, such as Canada, Belgium and India are visibly or even legally multicultural, a fact that Calantone, Morris and Johar, (1985) suggests may cause systematic within-country measurement difference. Indeed,
Hofstede (1997) proposes that the same dimensions that were found to differentiate among national cultures may also apply to sub cultures within a country. As Lenartowicz and Roth (2001) argue, while a variety of dimensions have been used to reflect culture, the cultural grouping or unit of analysis typically is identified by national geopolitical boundaries. Thus, both single culture and cross culture studies on country of origin effects have implicitly assumed that homogeneous consumer groups exist within nations studied. As the current study has previously suggested, this may be a fallacy (Padmanabhan 1988).

The idea that China is not one market, but rather several, perhaps many disparate markets, is supported by several authors (e.g. Bates 1998; Laroche, Bergeron, and Barbaro-Forleo 2001; Zhou and Hui, 2003). The Bates study also found a shift in consumer preference towards Western brands, and product origin as an important criterion in many purchases. However, the study found that the ‘best is not always the best’. That is, products that may have a greater perceived value or quality are not always desired. The Batra (1997) study prompts questions such as: Do more discerning Chinese consumers prefer Western products? What is the implication of this for product customisation or standardisation decisions? Presumably export managers have a view on this issue, which impacts their decisions.

As their disposable income has grown, Chinese consumers have been unhappy with the quality of the products available through state run stores. They seem to prefer to buy foreign made brands, including those manufactured in China by foreign-local joint ventures (Davis, 1994; Keller and Moorthi, 2003).

Empirical studies have tended to support the idea that as exporters are attracted to the size and growth of consumer markets in emerging economies like China’s, they have largely overlooked the diversity among indigenous consumers (Cui and Liu, 2000). Although many consumers in China desire international brands and associate them with superior quality, rosy forecasts of macroeconomic statistics and higher consumer expectations have not translated easily into soaring demand and actionable strategies for multinational companies (Cui and Liu, 2001). The incongruity between macroeconomic forecasts and latent demand for international branded consumers good among mainland Chinese consumers often results in organisations seeking access to emerging economies assuming a huge market with
homogeneous consumers. This often leads to difficulties in assessing demand for consumer goods and services, and difficulties in devising effective marketing strategies.

One such marketing strategy is the decision to market standardised (domestic) products into China or to adapt/customise the domestic product for export. To compete effectively, organisations need to define and understand the consumers within emerging markets. Export decision makers will then need to develop an approach to serving their needs (Prahalad and Liberthal, 1998). Regional disparities in consumer purchasing power in countries like China often pose significant barriers for exporting organisations to adopt uniform strategies in this market (Batra, 1997).

Another important assertion made by Batra (1997) is that in their rush to expand and grow their business in economies that are in transition, export decision makers marketing consumer goods have thus far aimed at the higher end segment of consumers. However, to truly take advantage of demand for consumer goods in economies such as China’s international marketers need to also compete in the mid-range segment, if not the low end. This call for product development that removes products features that are not highly valued by these lower-mid range segments, and adapting to better meet the basic needs of the consumers. Batra’s (1997) assertion implies the need for product customisation not just for China, but also for segments within China. The challenge facing international marketers is still to determine the necessary extent of product customisation.

**Taxonomy of Food Product Research**

The understanding of food product development and consumption is so important it has been studied from a range of different perspectives. A synthesis of prior research on food consumption reveals that food consumption is a multi-dimensional construct. Researchers have studied food product development and consumption from a variety of different perspectives which is summarised in Table 2.1.
Table 2.1 Taxonomy of Food Product Research

<table>
<thead>
<tr>
<th>Sensory influences on food choice and food intake</th>
<th>De Graaf (2007); Gibson (2006)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The impact of context and environment on consumer food choice</td>
<td>Meiselman (2007)</td>
</tr>
<tr>
<td>Perception of risk, benefit and trust associated with consumer food choice</td>
<td>De Jong et al. (2007); Frewer et al, (1998)</td>
</tr>
<tr>
<td>Branding and labelling of food products</td>
<td>Bernues, Olaizola, and Corcoran, (2003); Van Dam and van Trijp (2007)</td>
</tr>
<tr>
<td>Consumer perceptions of food quality</td>
<td>Grunert (2007); Grunert et al., (2001)</td>
</tr>
<tr>
<td>Consumer attitudes to food innovation and technology</td>
<td>Ronteltap, et al. (2007); Siegrist (2007)</td>
</tr>
<tr>
<td>Cross-cultural dimensions in food choice</td>
<td>Prescott, et al., (2002); Risvik, Rùdbotten and Olsen (2007)</td>
</tr>
<tr>
<td>Consumer attitudes towards functional foods</td>
<td>LaÈhteenmaÈki, Lyly and Urala (2007); Verbeke (2006)</td>
</tr>
<tr>
<td>Changing unhealthy food choices</td>
<td>Anderson (2007); Lobstein and Davies (2008)</td>
</tr>
<tr>
<td>Social factors and food choice</td>
<td>Booth, et al., (2001); Kjaernes and Holm (2007)</td>
</tr>
<tr>
<td>The ethics of food production and consumption</td>
<td>Brom (2000); Korthals (2007)</td>
</tr>
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</table>

Whilst Table 2.1 provides a broad perspective of food product development and consumption, of greater importance in this study are the antecedents and practices of food consumption in China.
Food Consumption in China

The consumption of food has often been analysed from the perspective that food choices are dictated and moulded largely by societal expectations (Escalas and Bettman, 2003; Herrmann and Roder, 1995). From a specific China perspective, Denton and Kaixun (1995, p. 60) posit:

Food consumption is influenced by historical, medical, social and cosmological factors. Food is also a primary component of Chinese festivals. In combination, these independent considerations produce a complex system of food preference and consumption that is unlike any experienced in the West.

Taking Denton and Kaixuan’s comment into consideration, packaged food export decision makers must consider food preference and consumption patterns as an important variable in determining whether or not exported packaged foods to China require customisation, in what ways, and to what extent. Given the central importance of food in Chinese culture (Veeck and Burns, 2005) and the historic vulnerability of the Chinese population to food insecurity (Gale and Huang, 2007), export food product C/S decisions become a key managerial decision for food exporters targeting mainland China. With an abundance of new consumption options and increased spending in an era of economic reform, Chinese consumers have begun indulging in hedonic consumption in many consumer goods categories (Davis, 2000; Keller and Moorthi, 2003; Landwehr, Wentzel, and Herrman, 2012). Specific to this study, the rise in ownership of refrigerators and the growth in China’s finished consumer goods imports, has contributed to the growth of the food industry in China (Veeck, 2000). Once rare, processed foods, including chilled, dry, semi-prepared and canned became rapidly available in China’s urban areas in the 1990s (Veeck and Burns, 2005).

China is the largest producer and consumer of food in the world in total, as well as for many individual products such as grains, fruits, and vegetables (Hu, et al., 2004). With one-fifth of the world’s consumers, one of the world’s fastest growing economies, and a limited endowment of arable land, many see China as a potential source of increased demand in world food markets (Gale, 2002a; Gale 2003). The range of predictions about China’s food economy in the 21st century varies greatly. For example, some Chinese economists predict
that China will be a major food exporter (Paarlberg, 1997), whilst other researchers project
that China’s food imports will soar in the future, and that China will become the largest food
importer in the world (Carter and Zhong, 1991). In 2008, China achieved the status of the
world’s second largest food importer (source: http://www.flex-news-
food.com/pages/18635/China/Food/Import/china-became-net-food-importer-1st-half.html).
As China develops economically, there is general consensus that there will be an associated

A major issue facing China’s government is to provide enough food for its ever expanding
population, either through increased domestic product or imports (Roth, et al., 2008). The
geographic and demographic distribution of China’s population suggests varying nutritional
needs. Cities such as Beijing, Shanghai and Guangzhou are some of the largest in the world,
yet approximately 80 per cent of China’s population lives in rural areas. Whilst the majority
of China’s food consumption is produced domestically, there is a growing importance on
food importing. This has paved the way for packaged food exporters to consider China as an
export destination.

China’s accession into the World Trade Organisation (WTO) increased the role of market
forces, which in turn has increased food imports. However, at the end of the twentieth
century, China was largely self-sufficient in food and was a major exporter of corn, rice, fruit,
and vegetables. According to Smil (1981), a typical working family class family of five, with
both spouses employed and earning about 1.7 times the national average wage, spent about
60 percent of their income on food. For lower income families, the share was as much as 75
percent.

At a product level, Pingali (2007) and Meade and Rosen (1996) found global consumption
patterns to indicate that as income increases, the consumption of animal protein (dairy, meat
and fish) also increases, whilst Dong (2005) found that Asian demand for dairy products
appears to be responsive to income rather than prices. Beghin (2006) observed that many
Asian countries are also experiencing westernisation of their diet. This refers to an additional
change in consumption patterns not explained by income growth, but rather by urbanisation
and associated exposure and availability of new food items. Contrary to this view Meade and
Rosen (1996) posit that the share of private consumption expenditure spent on food at home
in any country mostly reflects the prosperity or poverty of that country’s citizens. People with low income levels are forced to spend most of their income on foods products merely to survive. As markets like China become more modern and affluent with increased exposure to other cultures, consumers may desire the products consumed in other cultures (Kim, et al., 2002). Consumer values appear to shape motivations to purchase particular brands and products by prioritizing consumer needs and influencing consumers’ product evaluation and decisions (Guo, Hao, and Shang, 2011). For example, Western imported brands may be used to convey social status in non Western consumer markets (Muller, 1987). A key issue facing food export decision makers is the extent to which the notion of consumption culture influences a Chinese consumer’s choice of (imported) packaged food product, and the elements of individual consumer behaviour and national culture salient in that choice.

**Dietary and Nutrition Issues**

**Nutrition and Labelling**

Research has shown that various national cultures have different food availabilities and preferences, dietary patterns, and cultural definitions of foods (Herrmann and Roder, 1995; Macpherson-Sanchez, 1998; Orbeta, 1998; Painter, Rah and Lee, 2002; Van der Merwe et al., 2010). Cronin (1998) states that different food guidance systems may be appropriate for vegetarians, ethnic groups, and others with distinct and varying food preferences and dietary needs, while Simopoulos (1995) found that universal dietary recommendations are not applicable, and that to be effective food guides must incorporate the unique dietary components of specific populations. The results of a Nayga (2000) study suggest that nutrition knowledge does not have an effect on product label use, confirming the hypothesis of a weak link between nutritional knowledge and purchase behaviour, and contradicting the findings of Jacoby, Chestnut and Silverman (1977). They reported that most consumers were aware of and intended to use nutritional information on food labels. An additional study by Nayga (1997) suggests that males are less likely to perceive nutrition as important when food shopping than females. Nayga (1996) also found than males are less likely to use food labels when selecting packaged food goods than females, giving rise to Mazis and Raymond’s (1997) assertion that consumers’ responses to food labels are largely affected by the degree to which they rely on health claims and on nutritional information. In addition, Nayga,
Lipinski, and Savur (1998) found that a consumers’ level of education has a positive impact on the likelihood of using labels, thus possibly assisting export decision makers with their target market segmentation. Other researchers (Wang, Fletcher and Carley 1995) suggest that economic, socio-demographic and consumer health awareness variables are determinants of food label usage.

These findings are relevant to packaged food exporters who may believe they need to use nutritional guides on their product packaging (Lai, 2004; van der Merwe et al., 2010). Nayga, Lipinski, and Savur (1998) suggest that export decision makers must answer the following questions:

1. Do (Chinese) consumers want nutrition information?
2. Will they acquire nutritional information when making food purchase decisions?
3. Will they adequately understand and use the information?

Bender and Derby (1992) and Jacoby, Chestnut and Silberman (1977) go further, suggesting that consumers may even pay extra for additional nutritional information. The western trend towards healthier eating in recent times has increased consumer demand for more detailed, accurate and accessible information on food package labels covering nutritional content, ingredients and claims, as well as aspects relating to food safety, such as expiry dates, storage and cooking instructions (Abbott, 1997; Bass, 1991; Calvin et al., 2006; Moorman, 1990; Veeck and Burns, 2005; Zhou, Lu, and Geng, 2003). The Abbott (1997) study reveals that more than 50 per cent of respondents wanted more information on food labels, with less than 15 per cent satisfied with the current labelling information. This consumer led desire for increased nutrition information on food labels provides food exporters with an opportunity to customise this aspect of their offering - but only if found to be relevant to Chinese consumers.

Nutrition and China

Research interest in the nutritional and dietary habits of Chinese consumers is hardly surprising given Fu’s (2002) claim that the Chinese government was forecasting a 10 per cent annual increase in the domestic market capacity for ‘health food’. As their incomes rise, Chinese consumers are changing their diets and demanding greater quality, nutrition,
convenience and safety in their food (Gale, 2003; Gale and Huang, 2007; Guo, Mroz, Popkin, and Zhai, 2000; Gould, 2002; Hsu, Chern and Gale, 2002). Whilst low income urban consumers purchase fresh food produce, an increasing number of middle income earners are turning to packaged foods for their daily food intake (Gale, 2003; Gale and Huang, 2007; Hu et al., 2004).

Against the backdrop of an increase in capacity and food consumption in China, comes the issue for packaged food export decision makers of diet-related chronic diseases such as diabetes, cancer, and heart disease (Henson, Cranfield and Herath, 2010). Ma (1998) reports these on the increase in China (Ma 1998). Chinese people are becoming increasingly concerned about their diet and health. They have some knowledge of nutrition and some are aware of the relationship between diet, nutrition and health (Veeck, 2003). This creates opportunities for export decision makers to ensure that the labelling of their products not only conforms to Chinese food import laws, but also provides sufficient information about the health and nutritional value of their product.

Food consumption has always played a prominent role in defining Chinese culture (Houston and Eckhardt, 2000/2001; McCraken, 1986; Moustakerski, 2002). Not only is Chinese cuisine highly advanced, but also beliefs in the interconnection between medical and nutritional use of food have a long history, and are widely held in Chinese society. The important role that food plays in maintaining human health was already recognised by people in ancient times, when food was considered as medicine (Ma, 1998). Dai and Luo (1996) estimate that there are 3,000 ‘healthy’ foods (also known as ‘functional foods’) sold in China. Lappalainen, Kearny, and Gibney (1998) define ‘healthy’ eating as eating that helps one stay healthy (p. 470). This knowledge is useful for food export decision makers, as it provides not only insight into one of the roles that food consumption plays in China, but suggests another dimension on which may need to be adapted for successful marketing in China.

Liking, or the affective response to the sensory properties of food, is believed to play a major role in the choice of food or food intake (Rozin, 1990). According to Gedrich (2003) nutritional behaviour is framed by biological, economic, anthropological, psychological, socio-cultural, and home economics related determinants and it is shaped by the individual consumers’ situation.
Although a few studies exist on China’s food consumption, most focus on demand modelling or elasticity estimations. Wan (1995) proposes an econometric model for studying food consumption convergence in rural China. Wan (2005) suggests that examining food consumption convergence can aid long-term planning by government and non-government agencies, as well as the planning of marketing strategies. If food consumption is found to be converging in a country (or as may be the case in China, a region within a country), demand for food is expected to rise faster in some areas than others. This may have implications for the location of food processing and storage facilities, for the design of market entry (e.g. exporting) or expansion plans for both domestic and foreign traders.

Across Asia, food consumption behaviour changes dramatically as countries urbanise. As noted, one of the most significant trends accompanying economic growth has been a rapidly occurring dietary transition resulting in changes in food demand, food supply, and nutritional outcomes such as alterations in body size and composition (Popkin, 1994; Popkin, et al., 2001; Satia, Galanko, and Neuhouser, 2000). Similarly, many changes in diet and physical activity are occurring simultaneously in the developing world (Popkin and Du, 2003). This dietary transition is directly linked to the socio-economic environment, specifically to increases in household income, food availability, and food variety in the market place, as well as to the effects of cultural diffusion, assimilation (Bhandari and Smith, 2000) and past experiences (Eertmans, Baeyens, and van den Bergh, 2001). Urban consumers buy less rice and demand higher levels of meats, milk products, and fish than do their rural counterparts, even after accounting for differences in income and prices (Huang and Rozelle, 1998; Huang, Rozelle, and Rosengrant, 1999). Consumption of processed convenience wheat-based products such as breads, biscuits, and instant noodles is increasing (Gale, 2003; Tanzer, 1995). All of these products are adaptable to Chinese cultural and dietary needs at manufacturing level. Marketers will probably want to consider the extent to which these processed foods require customisation to suit the Chinese consumers’ needs?

Jussaume (2001) undertook research to investigate the patterns of dissemination of modern food consumption in contemporary China, assessing factors associated with more ‘modern’ dietary patterns in a typical Chinese urban setting. Jussaume’s (2001) paper suggests that consumer interest in branded and imported food products is not associated with the more
frequent consumption of daily foods like chicken and fresh fruits. This does not mean that Chinese food consumption practices are not becoming more ‘modern’ or influenced by globalisation. It does suggest that these processes will evolve along a different trajectory in the area of food consumption.

In a study of adolescent Chinese immigrants, Hrboticky and Krondl (1985) observed increased use of processed foods, theorising that these foods were adapted to subjects’ diets because of the high prestige and pleasure values associated with them. Similarly, information collected on dietary patterns among Asian students before and after immigration to the United States found significant increases in consumption of sweets/fats, dairy products and fruits, and significant decreases in the consumption of meat and vegetables after immigration (Pan, et al., 1999). Wang and Olsen, (2002) used longitudinal data collected in China from 984 children initially aged 6-13 years to examine dietary intake patterns over a 6 year period. They found that approximately half of those children who initially consumed high fat, high carbohydrate, high vegetable and fruit, and high meat diets continued such diets 6 years later. Further, family income, urban-rural residence, mother’s education and baseline dietary intake were all important predictors of children’s dietary intake patterns. These findings suggest that food exporters to China need to use appropriate marketing communications and media strategy to target consumers (i.e. mothers of young children). Secondly, and more importantly to this study, is the apparent impact that a food exporters’ product content has on the well being of consumers. This second point not only implies thought be given to the content of the food product exported to China (that is, customised for dietary habits), but also for the broader issue of societal marketing of food products to economically lesser developed nations. Essentially this is an ethical issue, and it does not figure prominently in literature concerning packaged food export. Hence the current study does not pursue this matter in its modelling. The qualitative work (reported in chapter 6) confirmed that this ethical issue did not figure prominently in managerial thinking.

As noted, the way Chinese people live and behave as food consumers is steeped in thousands of years of tradition. This history affects the way the Chinese consume food and their notion of healthy eating. Chinese notions hold that the universe is composed of ch’i, which literally means strength or energy. Ch’i is believed to pervade a person’s body and enable them to maintain sound health. According to traditional Chinese beliefs, different foods can provide
different amounts and forms of energy to the body (Wu, 1995). Thus in Chinese culture, proper diet is a means for the body to maintain harmony with the universe.

Food is not only a means to satisfy hunger, but a way to acquire good health (Kearney, Kearney and Gibney, 1997). Culturally, some foods occupy a place between nourishment and medicine (Wu, 1995), whilst Chaney (1996) suggests that particular lifestyle attributes, as regards food consumption, are an indicator of socio-cultural status. To emphasize the important food consumption-cultural dyad, Fieldhouse (1995) and Rozin (1996) found that individual food consumption preferences are not independent of culture. Rather, food and beverages are experienced in a socio-cultural context (Allen, Gupta, and Monnier (2008).

The desire for longevity has acted as an impulse to investigate healthy diet since ancient times in China (Cottrell, 1986). Wu (1995) notes that balance is seen as a golden rule to account for the importance of food in China. A balanced diet is estimated from the coordination of the foods of nature and one’s body base. Foods are taken to compensate for ones weakness. Integral to this notion are the nutrients contained in foods. The nutrients in foods include: protein, fats, carbohydrates, vitamins, minerals, and dietary fibre. In packaged consumer goods, the amount of each or any of these nutrients contained in a given food product can be determined by the food manufacturer and exporter. They may form the basis by which exporters decide how and to what degree they customise their export food products to China. Moustakersi (2002, p.7) suggests that food exporters to China consider several strategies when planning their export marketing strategy, including:

To adapt your product to the individual market labels, flavours, package size and price.

Colour carries important symbolic and associative information about the product category and specific brands, making it a powerful visual cue for conferring meaning, for example, association of the colour red with chillies (Garber, Hyatt and Starr 2000; Hoegg and Alba, 2007). Product decision makers manipulate colour to signal freshness and taste which has been shown to be effective in influencing perceptions of flavour intensity (Delwiche, 2004). International marketers should be sensitive to the vital role that colour plays not only in the promotion of a product in a foreign market, including the role that colour plays in that
product’s packaging. Colour is an important component of many corporate and brand building cues such as logos, packaging, and displays (McCracken, 1986; Schmitt and Pan, 1994). If the meaning associated with a colour or combination of colours is different across cultures, export decision makers may benefit from pursuing a customised (adapted) strategy with regards to the colour associated with the brand, packaging and labelling. In contrast, when colour meanings are similar across export markets, a standardised product strategy is more viable (Madden, Hewett and Roth, 2000).

Although reactions to colour are considered highly individualised, universal colour preferences are sought (Grieve, 1991). It is important for export decision makers to understand which colours are preferred by their target consumers in each export market. More importantly, if export decision makers are going to use colour in their product’s packaging and labelling to create, maintain, or modify brand images, they must understand what meanings are associated with different colour combinations. For example, black on red signifies happiness to Chinese people. A combination of red on white represents celebration and signifies life force to the Japanese.

Globalisation of tastes has already introduced numerous fast food empires into China. As in other rapidly modernising and urbanising countries the breakdown of traditional families, high rates of female employment, and reduced willingness to cook are fuelling increased purchases of fast foods high in saturated fat and refined sugar (Smil, 2003). Hence, food exporters do need to consider how willing Chinese consumers are to break away from their traditional diet and adopt a Western one? What will be the impact of that willingness on the decision to standardise or adapt packaged food exports to China?

What we eat, how it is prepared, and the rules and meanings that permeate every aspect of food consumption practices are all socio-cultural matters, irrespective of their biological, psychological, or economic dimensions (Alden, Steenkamp, and Batra, 1999). Because of the deep connections to local culture, food generally is regarded as the product category that is most often consumed in traditional and locally idiosyncratic ways. The Alden, Steenkamp, and Batra study and the Fischler studies suggest a strong motivation for export food marketers to China to consider at least some form of product customisation.
Bhandari and Smith (2000) studied the relationship between the level of education among adult Chinese consumers and their food consumption patterns. The underlying assumption in the Bhandari and Smith research is that in China, as in other developing nations, education will lead to alternations in people’s eating habits and in their demand for food. They found that the educational level of the male and female heads of the household had a differential impact on food consumption patterns. Female education had an effect on the consumption of nutritious and preferred foods that was independent of the effect of income. Male education, by contrast, had an effect on the consumption of these foods only when it interacted with income. For food exporters to define strategy for healthy eating, it is important to know what sources of information are sought by different population groups in the target foreign market, as well as to ascertain which are the most trusted ones (de Almeida et al., 1997).

Packaged Food Product Labelling

The potential effect of visual sensations should not be underestimated, even for food products. Perceptions of quality are influenced by visual image (Hetherington and MacDougall, 1992). At least pre trial, this is likely to be true even for packaged food products. Food labelling is a prime marketing tool for domestic and international marketers. Food labels are a key source of information for the consumer (Allen, Gupta, and Monnier, 2008). Consumers’ taste evaluations are influenced by cultural symbols ascribed, consciously or unconsciously, to a food or beverage often depicted in a product’s labelling. As previously discussed, food labels also serve as a regulatory control vehicle in respect of consumer protection and fair trading (Allen, Gupta, and Monnier, 2008; Verbeke and Viaene, 1999). Thus, food labels may need to be adapted to conform to each country’s food labelling regulations.

Kotler (1997) provides export decision makers with a practical guide to the aims of labelling. He states that food products labelling has four functions: To identify, grade, describe and promote the product. These functions enhance the ability to differentiate products, enlarge product attractiveness and assure the customer of a certain level of product quality (Northern, 2000). Such is the importance of labelling, that in an experiment conducted by Nevid (1981), participants preferred the taste of Perrier mineral water over rival Old Fashioned Seltzer
when the two products were labelled; when the products were offered without labels, participants did not show a preference. When considering the symbolic aspect of food consumption and the foods’ labelling, the labelling need not be restricted to packaged food and beverages. For instance, Wansik, van Ittersum, and Painter (2005) found that when a food item on a restaurant menu was described using evocative terms (e.g. succulent), restaurant customers reported that the food tasted better than when evocative terms were not used. This has important implications for the words used (and in the context of this study, translated into Chinese language) for food export decision makers.

Food products appear to embody strong associations with place, as they have by their very nature a land based geographic origin (Tedone, et al., 2007). Although there are not such clear indications on exact linkages between consumer perceptions and places where the food is produced, origin relates to the delivery of quality and authenticity (Tregear, Kuznesof, and Moxey 1998). The Scottish Food Strategy Group (1993, p. 3) provide a useful definition of quality food products as: ‘a quality food and drink product is one which is differentiated in a positive manner… from the standard product, is recognised as such by the consumer, and can therefore command a market benefit if it is effectively marketed.’ This definition is accepted in light of no previous definition of food product quality linked to a product’s country of origin.

Quality in food products can be adapted for the market that the product is trying to serve. Food export decision makers make food quality decisions (and hence product customisation/standardisation decisions) for their various international markets. Food producers will supply quality food if it is profitable for them or if they are required to do so (Caswell and Mojdzuska 1996).

Kim, Nyaga, and Capps (2001) state that labels of quality are strongly needed for food products. This is due to the possibility that consumers know less about how food products are produced and controlled than they may about other products and that there are fewer consensuses on what is good and bad to eat. The absence of quality food product labelling tends to increase consumer uncertainty in the food product. Dimara and Skuras (2005) suggest that consumers use product labels as cues for product quality. They found that informational labelling linking product to place ranks top among a wide set of information
sought on labels. Maggat and Viscusi (1992) argue that too much information, or information delivered in a complex format, will not be used by consumers. Korthals (2001) argue that labels, besides their direct shopping aid impact, play a very important third party role in the sense that they are related to a manufacturer’s strategic choices and to the operation of regulatory and information policies. Hence another challenge for export food decision makers is to decide how much information is required: 1) by law to ensure that a food product’s packaging and labelling conform to a nation’s food labelling regulations and 2) by consumers. These product-related decisions are customisable on a product by product, nation by nation basis and must be made to ensure that an export product is optimised for an international market.

A field experiment (Taylor and Bower 2004) indicated that consumers’ intentions to comply with product instructions is enhanced when consumers are told how compliance with the instructions will lead to the desired outcomes in terms of product consumption. The central tenet of the Taylor and Bower study is the consideration of methods of improving consumer product instruction compliance when non-compliance with a product instruction does not necessarily lead to a hazardous situation, probably a fair description of the kind of result which could occur if packaged food is poorly cooked. If customers fail to use products in a manner consistent with the product instructions (often contained on the product’s packaging), marketer efforts to provide customers with high quality products may come to nothing. Consumers’ misuse of product because of failure to correctly follow product instructions may induce dissatisfactory product performance or product failure. Further, if a consumer fails to use a product properly, the consumer may blame the marketer (and/or manufacturer) for the product’s failure (Laufer, et al., 2005). An implication for packaged food exporters is that not only must they consider customising their labelling in different languages. These exporters will also face cross cultural differences in terms of labelling their products with culturally linked cooking and/or food preparation instructions. Failure to provide accurate, effective cooking and consumption instructions could lessen the marketability of the product in export markets.

Studies suggest that consumers who reported using nutrition label information consumed less dietary fat than those who reported not using information (Kim, Nayga, and Capps, 2000). Lin and Lee (2004) make a link between food label information and dietary behaviour.
Individuals, who consume a higher percentage of calories from fat, are less likely to report searching for fat information on food labels. Satia, Galanko, and Neuhouser (2005) also reported that label users had lower intake of dietary fat than non-users. These findings are important for food exporters. Since fat is a food content and often used to enhance the taste and flavour of food, the level of fat used in foods is determined by the manufacturer. This in turn may impact export marketing since taste and flavour (derived partially from fat content) may be culture, nation or segment specific and thus adaptable to the needs of individual markets.

**New Product Development for International Markets**

The prevailing view of products in marketing is that products are a bundle of attributes and that customer utility is a function of those product attributes (Ailawadi, Neslin, and Gedenk, 2001; Krishnan and Ulrich, 2001). This being the case, managerial decision makers are charged with the responsibility of developing the product attributes that are sought by the relevant export markets, and these product attributes are adaptable during the product design and development process (Landwehr, Wentzel, and Herrman, 2012). Not surprisingly then, few areas of international marketing have received as much attention from researchers as new product development for foreign markets. Scholars have considered the strategic decision of new product development for international markets from various perspectives. These include process performance and product attractiveness (Brown and Eisenhardt, 1995; Landwehr, Wentzel, and Herrman, 2012), market conditions (Cooper and Kleinschmidt, 1994), research and development execution (Maidique and Zirger, 1984), competitive advantage (Frambach, Prahbu, and Verhallen, 2003), information sharing among new product development team members (Song and Parry, 1994; 1997), resource commitment (Lages and Montgomery, 2004; Maidique and Zirger, 1984), research and development (Atuahene-Gima and Evangelista, 2000), decision making (Krishnan and Ulrich, 2001), and timeliness of international product rollout (Chryssochoidis and Wong, 1998). To that end, Krishnan and Ulrich (2001, p1) define product development as ‘transformation of a market opportunity into a product available for sale.’
New products are important contributors to a company’s growth, profitability and its ability to compete in the (international) marketplace (Crawford, 2003; Landwehr, Wentzel, and Herrman, 2012; Maldonado and Tansuhaj, 1998; Song, Kawakami, and Stingellow, 2010). A lack of product innovativeness has often been cited as a consistent and dominant factor in explaining why new products fail (Nantachai, Petty and Scriven, 1992; Sethi, Smith, and Park, 2001; Szymanski, Kroff, and Troy, 2002). Innovativeness presumes a degree of creativity in the new product design process (Landwehr, Wentzel, and Herrman, 2012; Zirger and Hartley, 1994).

Extant research on international new product development considers the strategic decision of various different perspectives. For instance Lim, Sharkey and Heinrichs (2006), Slotegraaf and Atuahene-Gima (2011) and Xie, Song, and Stringfellow (2003) suggest organisations take an integrated or cross functional approach when pursuing new product development strategies to increase the chances of success, while several studies suggest export decision makers and new product development managers are bringing together experts from different countries within and outside their organisations to develop products (De Clerq, Thongpapanl, and Dimov, 2011; McDonough 2000; Norton, Parry, and Song, 1994; Song and Parry, 1996; Swik, 2002). McDonough (2000) found a positive impact of cross functional team use on NPD performance. In light of this, Durmusoglu, Calantone, and McNally (2011) define cross functional team use as:

…implementing a core team with members from different functions, where this core team actively participates from a new product’s inception through to its launch (p. 716)

To expand our understanding of cross functional NPD team theory, the degree of cross functionality in new product development teams refers to the extent of different functional representations, whose members are involved in attending team meetings, evaluating opportunities, and determining the most efficient manner for developing new products (Brown and Esenhardt, 1995).

A product’s design (standardised or customised) can contribute to that product’s success. For instance, Nussbaum (1993) posits a product’s appearance (e.g. its packaging and labelling) is a means of communication information (e.g. a product’s attributes) to consumers. In doing
so, a product’s appearance (design) has the potential to develop a brand identity. Similarly, several scholars (Crilly et al., 2004; Ottman et al., 2006) suggest that a product’s design is a means by which, in a cluttered market, a product gains consumer notice. Lau and Ngo (2005) report that an organisation’s culture, structure, and practices can aid or hamper new product development and subsequent success, whilst the need for extensive market(ing) research and subsequent analysis is recognised by several scholars as being critical to new product development for international markets (Radnor and Noke, 2006).

Following the prevailing literature on new product development, Frambach, Prahbu, and Verhallen (2003) offer export decision makers a different view of the new product development-competitive advantage relationship. Using Porter’s (1980) generic strategies typology, namely cost leadership, differentiation and focus, Frambach, Prahbu, and Verhallen developed a framework linking firm’s relative emphasis on cost leadership, product differentiation, and focus on firm’s customer and competitor orientation, as well as their new product development and introduction activity. The Frambach, Prahbu, and Verhallen (2003) study focused on how firms’ relative emphasis on different strategies influences the degree to which they engage in new product development and introduction. The Frambach, Prahbu, and Verhallen (2003) framework proposes that firms engage in new product activity to a greater extent depending on the strategic choices they make and on the degree to which their strategy influences the nature and extent of their market orientation. Hence, a key premise in the Frambach, Prahbu, and Verhallen (2003) model is that market orientation has a mediating role to play in the relationship between business strategy and new product development. This framework provides export decision makers who engage in new product activity with a range of options to consider.

Some scholars have recognized the existence between market orientation and new product development and an organisation’s market orientation. The role of market orientation as an antecedent of organisational performance has been extensively studied in various contexts (Deshpande and Farley, 2004; Narver and Slater, 1990; Voss and Voss, 2000), however, studies concerning market orientation and its effect on new product performance are less common (Atuahene-Gima, 2003; Atuahene-Gima, and Evangelista, 2000; Gotteland and Boule, 2006). Previous new product performance-market orientation research has yielded mixed results. For example, Langerak, Hultink, and Robben (2004) found no significant link
between the two variables, whereas Subramanian and Gopalakrishna (2001) found a significant impact on new product performance, as a result of an organisation’s market orientation.

There is causal evidence linking new product development and international product rollout. For instance, Chryssochoidis and Wong (1998) found a positive link between new product development process proficiency, and timeliness in international new product rollout. Their study supports the positive and significant associations between new product outcome and proficient execution of the new product development process found in earlier literature (e.g. Song and Parry, 1996). The Chryssochoidis and Wong study also found that delays in international product rollout are more likely for new products that lacked a competitive advantage. They define competitive advantage of products to include such things as: uniqueness of the product features and benefits, as well as higher product qualities relative to competing offerings. These features and benefits are customisable to specific target segments in export markets (Dickson and Ginter, 1987).

Another stream of new product development research explores the factors that lead to success (or failure) of new products in export markets. Notably, Brown and Eisenhardt (1995) developed a model that highlights the distinction between process performance and product effectiveness and the importance of agents, including team members, project leaders, senior management, customers and suppliers, whose behaviour affects the successful (or otherwise) outcomes of new product development. They found that new product development is a critical means by which members of organisations diversify, adapt, and re-invent their firms to match the evolving market conditions. Thus, they conclude, product development is among the essential processes of success, survival and renewal of organisations, particularly for firms in either fast paced or competitive markets. That is, successful products are more likely when the product has marketplace advantages, is targeted at an attractive market, and is well executed through excellent internal organisation (Sheremata, 2000).

The underlying rationale of the Brown and Eisenhardt model appears to be that although technical and market changes can never be fully controlled, proactive product development can influence the competitive success, customisation, and renewal of organisations. Of interest in this research study is the link between new product development and the need to
adapt or standardise products for successful marketing in China. In other words, what is the role of product customisation or standardisation in the new product development process for internationally marketed products?

One of the important issues to come from the Brown and Eisenhardt (1995) study is that successful new product development for domestic or international markets is the result of:

- Careful planning of a superior product for an attractive market;
- The execution of that plan by competent and well-coordinated cross-functional teams (Durmusoglu, Calantone, and McNally, 2013) that operate with
- The blessings of senior management.

Brown and Eisenhardt further observe that the most important determinant of new product success was product advantage. They define product advantage as the intrinsic value of the product, including unique benefits to customers, high quality, attractive cost, and innovative features. This they claim is a critical success factor. Of particular interest to this research study, is the assumption that product quality and unique benefits to customers (from the Brown and Eisenhardt definition) is likely to differ from the perceptions of consumers in one country to consumers in another. Hence, product advantage as defined by Brown and Eisenhardt might be a function of product C/S.

Of interest in this research study is the link between new product development and the need to adapt or standardise products for successful marketing in China. In other words, what is the role of product customisation or standardisation in the new product development process for internationally marketed products?

**Legal Constraints on Chinese Food Marketing**

Importing and selling foreign made food products is growing increasingly complicated. China’s legal system and infrastructure are underdeveloped, and enforcement is erratic and often biased (Moustakerski, 2002). New laws and standards were introduced to prepare China for WTO membership. Labelling requirements can be cumbersome. Food products must meet the latest regulations, which usually mean developing new labels and packaging in Chinese.
These regulations create a potential non-tariff trade barrier which may necessitate customisation of a food product for export into China (Matthews, 1994).

Kan (1996) refers to the term ‘functional’ foods as a surrogate for ‘healthy foods’. In China, healthy foods are usually divided into three categories: fortified foods, special nutritional foods, and foods for special health use. Kan notes that China, like most countries, has national laws on the manufacturing, importation, processing, and marketing of healthy foods. It is unclear whether the marketing aspect of these laws is aimed at demonstrating environmental friendliness regarding disposal of the foods’ packaging post consumption. These laws are governed by the Provisional Law of the People’s Republic of China on Food Hygiene, overseen by the Ministry of Health.

Article 43 of the Provisional Law of Food Hygiene defines nutritional fortified foods as

\[\text{Natural or synthetic food additives, belonging to the category of natural nutrients, that are put into foods in order to enhance the nutritional value (in Kan, 1996).}\]

Article 43 also defines special nutritional food as:

\[\text{Those foods in which ingredients and proportions of natural nutrients have been changed to suit the needs of some special population groups (in Kan, 1996).}\]

Central to these definitions, is the idea that additives are put into these foods by the food manufacturers. The type and amount of nutrients may be governed by law, but may also be at the discretion of the food manufacturer. This dictates that food exported to China will need to conform to certain food hygiene standards. These standards may differ from that of the domestic market, thus necessitating the need for some product customisation (Zunft, et al., 1997). The definition of special nutritional foods may even suggest a basis for segmenting markets in China (Gale and Huang, 2007). Laroche, Bergeron and Barbaro-Forleo (2001) found that marketers, who segmented their markets carefully, were able to charge higher prices for products that were deemed by the market to be environmentally friendly. Food
manufacturers and exporters need to determine the degree (or amount) of customisation that is required to ensure their food export product conforms to Chinese law in these respects.

In terms of impact on consumer behaviour, a review of the literature reveals significant variation in the outcomes of empirical food safety studies. For instance, Byrne, Gempeshaw, and Toensmeyer (1991) found that males expressed less concern over pesticide residues than females, while Eon (1992) discovered that low income consumers were more willing to pay premiums to ensure that produce had lower pesticide residue levels. Jussaume and Judson (1992) found that high income consumers were more inclined to trust government and business to guarantee food safety supply. Tse (1999) posited that perceived product safety is an underlying dimension of perceived product quality.

Awareness of food safety issues in China has been heightened by both the rejection of exports in foreign markets and a series of food safety incidents in the domestic market (Calvin, et al., 2006). The government has responded by raising domestic and imported food safety standards and implementing an inspection and testing systems for consumer products and agricultural commodities (Qui, 2010).

A product can be need satisfying, hence fulfilling part of the notion of product quality, and yet have a relatively low standard of product safety (Tse, 1999). For example, a food product may be very delicious (generally accepted as constituting quality), but may be thought to contain artificial additives that are harmful to consumers. This notion gives credence to the argument that consumers will be the ultimate judges of food products and will determine their merits, successes and failures (Stenholm and Waggoner 1992). This makes it imperative for export decision makers to gain a complete understanding of how the general public and target market consumers form judgements about safety, not just how they can conform to government regulations.

Xu, et al, (2006) warn international marketers selling goods to China to beware of emerging ‘green’ issues pertaining to food imports. While attempting to increase sales volume internationally, export decision makers should recognize that proper labelling not only reduces legal compliance costs, it minimises the risk of product recall, and provides international consumers with confidence in the product (Lai, 2004).
Conclusion

It is the commonness of food as essential to life that makes it at once a global opportunity and a localised phenomenon. Consequently, food behaviour seems to be idiosyncratic to different societies. Specifically, food plays a central role in the life of the Chinese (Eves and Cheng, 2007). Our understanding of China’s food culture must include the types of food products Chinese consumers prefer, as well as an understanding of the context in which these products are consumed.
Chapter 3

ORGANISATIONAL AND EXPORT ‘PERFORMANCE’: CONCEPTS, METRICS, AND THE ROLE OF INTERMEDIARIES

Introduction

Export decision makers may choose to base their packaged food product C/S decision on, amongst other things, predetermined corporate metrics which attempt to reveal corporate performance. Such metrics are explored in this chapter. The notion that crucial decisions concerning whether it is more profitable to market a standardised packed food product to China, or to market an adapted offering, can be facilitated by off-the-shelf or customised ‘performance’ metrics is surely an alluring one. However, what is the most appropriate manner to define, examine and measure organisational and export performance? What evidence is there, that such measures can be convincingly linked to the many variables at play within a marketing mix – including our focal product decisions? It is useful at this stage to understand export performance, which from a definitional point of view, refers to the extent to which an organisation’s objectives, both financial and strategic, are achieved by exporting products in accordance with the organisation’s export marketing strategy (Cavusgil and Zou, 1994). Such is the importance of export performance that Lages, Jap, and Griffith (2008) suggest that export decision makers consider export performance across three dimensions:

- Export intensity or the proportion of production output to exports as measured by the percentage of exports to the organisation’s total sales and profits.
- Export achievement or the extent to which the organisation achieves its export objectives in terms of sales, profitability, and market share.
- Export satisfaction or the assessment of the effectiveness of a marketing program in terms of its sales, profitability, and market share

The success of a food product in international markets depends on many factors. Getting access to distribution channels and having the product placed on supermarket shelves is
crucial to export success. Even more important is to know what consumers seek from packaged food products when they make food product selection choices. Therefore, understanding the consumer choice and the determinants of modern food consumption is important for product developers as well as for export marketers. It determines export performance (Styles, 1998).

In this chapter, organisational and export performance and measures of these constructs is examined. First, the study examines ‘organisational performance’ from a macro-economic viewpoint by looking at some of the various measures organisations may consider when measuring corporate performance. Then the more specific concept of ‘export performance’ and its measurement is considered.

Organisational Performance

Managerial decision making at a corporate level seems very likely to influence ‘organisational performance’ (Eriksen and Knudsen, 2003). Decision makers are charged with the responsibility of identifying and implementing resources that will create sustained, profitable differences between the focal organisation and its competitors (Lages and Montgomery, 2004). Such decisions are crucial to the well-being of the organisation.

A review of the literature reveals a wide range of factors that have been linked to organisational performance. Whether or not these factors are seen as contributing to a narrow financial concept of ‘performance’, or as integral elements of a more broadly conceived set of measures of ‘organisational performance’ is an open question. Indeed, studies in organisational performance have combined organisational theory with marketing theory and suggest that there are three important factors that determine an organisation’s ability to successfully compete: These are:

- Product marketing strategy decisions that assist the organisation to achieve its goals by matching organisational resources and capabilities in a manner that allows the organisation’s strategic goals to be met (Day and Wensley, 1988; Hughes and Morgan, 2007)
• The fit between organisational culture and product market strategy decisions that enable the effective implementation of planned product strategies (Danneels, 2002)

• Organisational culture. This shapes the way decision makers sense and behave in a given market environment (Bock, et al., 2005; Gong, 2009).

One recent approach to understanding organisational performance considers employee productivity as a focal metric (Black and Lynch, 1996; Chen and Chang, 2010). In the knowledge economy, human capital is a form of intangible asset that organisations use to create a competitive advantage. This in turn assists organisations to meet their organisational performance targets. Human capital in the form of professional skills, creative abilities, and managerial expertise differentiates organisations and has been found to have a positive relationship to organisational performance. Thus organisational performance refers to a broader set of metrics that go beyond profitability (Dakhli and De Clercq, 2004; Darroch, 2005).

Organisations that empowered their employees to make important market based managerial decisions (Mittal, Ross and Tsiros, 2002), such as goal setting, including targeted sales performance (Schillewaert, et al., 2005) were found to outperform their industry rivals in various metrics (De Jong, De Ruyter, and Wetzels, 2006). As Darroch (2005) argues, although knowledge among employees is a resource, the management of that knowledge enables an organisation to compete effectively in its chosen markets. Managers do so by turning knowledge into specific capabilities, which in turn provides a framework for improving the organisation’s competitive behaviour (Argote, 2012).

Employee knowledge management and productivity has been given considerable attention in the literature. For example, Teece (1998) and Wiig (1997) found a direct positive correlation between an organisation’s knowledge management and its financial performance, while Ndlela and Du Toit, (2001) posit that employee knowledge management improves an organisation’s competitive advantage. This suggests the following question: is the attainment of competitive advantage a precursor of organisational performance (perhaps viewing performance narrowly as ‘financial performance’), or an integral part of it?
Carneiro (2000) noted that employee knowledge management in an organisation improves that organisation’s ability to innovate. Organisational innovations help the organisation to compete in its chosen markets (Hauser, Tellis, and Griffiths, 2006; Kester, et al., 2011; Song, Kawakami, and Stringfellow, 2010). Moorman and Miner (1997) were able to demonstrate that higher levels of specialised knowledge and skills had a positive impact on new product innovation levels. New products and the ability to market them properly across all chosen markets is the lifeblood of an organisation. Long term success depends on having effective decision making processes in place to embrace market opportunities (Chao and Kavadias, 2008; Kester, et al., 2001). Again, should such ability in innovation be viewed as an element of organisational performance, or merely as a precursor to a narrow measure of ‘financial’ performance?

The relative power of the organisation has been linked to organisation performance and profitability (Claver, Molina, and Tari, 2002; Porter, 1980). This approach to organisational performance suggests that larger organisations that compete in a given market or industry can yield economic power over smaller less experienced rivals, thus effectively creating an entry barrier to the market for prospective entrants. The underlying assumption is that any industry profits are shared among fewer competitors.

Research and development (R&D) is another variable that has been found to affect organisational performance, specifically in terms of profit generation. Academics and practitioners agree that research and development investments will benefit an organisation with positive operating performance (Chan, Lakonishok, and Sougiannis, 2001; Eberhart, Maxwell and Siddique, 2004; Karjalainen, 2008). Grossman and Helpman (1991) demonstrated that research and development expenditures have an influential relationship on profitability. While R&D investment may at first appear to be a mere input to a narrowly conceptualised ‘organisational performance’, it can also be seen as akin to innovative ability (discussed above), and capable of interpretation as an integral component of ‘performance’ (Morgan, 2012; Porter, 1980; Slade, 2004). The central hypothesis in these studies is that market structure (e.g. oligopoly, monopolistic competition) plays an important role in determining business conduct, and in turn business conduct determines industrial performance (Pelham and Wilson, 1995). For instance, highly concentrated industries are said
to enjoy higher profits due to individual organisations having higher market share (Scherer and Ross, 1990).

In an era of globalisation, there is an emerging interest in understanding the role that strategic alliances (either domestic or international) play on profitability and on other organisational performance outcomes (DeSarbo and Grewald, 2008). Scholars in the area of strategic alliances and their influence on performance measures posit that corporate mutual dependence enables organisations to access markets and resources that help them improve their competitive situation (Morgan, 2012; Porter, 1976, 1979). Prior research has considered the effects of strategic alliance on various dimensions of performance such as cost reduction (Maskell, et al., 2007), market share (Afuah, 2000), new product development, (Gomes and Ramaswamy, 1999; Rothaermel and Deeds, 2004), productivity (Oum, et al., 2004), and market entry (Mintzberg, et al., 2003). The central idea behind the benefits of strategic alliances on domestic or international organisational performance is that strategic alliances enable organisations to achieve economies of scale through joint operations, asset specialisation, knowledge acquisition, and access to resources (Mintzberg, et al., 2003). The wide range of dimensions of performance linked to strategic alliances also underlines the flexibility and breadth of the concept ‘corporate performance’.

The Role of Products in Organisational Performance

Moving now closer to the heart of the current research concern, the product or service offering - organisational performance link has been given considerable attention in the literature (Qian, 2002). For example, Ulrich (1995) argues that a product’s ‘architecture’, defined as the scheme by which the function of a product is allocated physical components, can be a key driver of the performance of an organisation. The functionality of a product is the basic purpose it serves (Guo, Hao, and Shang, 2011; Keller and Moorthi, 2003). Ulrich (1995) posits that an organisation has substantial latitude in choosing a product’s architecture and that the architecture of the product is important to managerial decision making, since a product’s function is often linked with the country in which it is made, or the country to which it is being sold (Keller and Moorthi, 2003). Product development then, should offer the greatest opportunities for an organisation to generate sufficient revenue to meet its profit
objectives (Qian, 2002). From a new product development perspective, Prahalad (1990) posits that the long term performance of organisations operating in international markets is based on their ability to develop product and process innovations.

An organisation’s tangible or intangible offering is its most visible source of profit. Not surprisingly then, the innovation of such offering is a key managerial decision that directly affects organisational performance (Audretsch, 1995). An ‘innovation’ is defined as the commercial introduction of a new product, process or service, and organisations have used technology as a means by which to develop their innovative product or service offering (Scherer, 1990).

Extending the notion of ‘product as a profit generator’, having appropriate product diversity among an organisation’s offerings was found to have a positive effect on organisational performance (Gruca and Rego, 2005). Product diversity refers to the degree of relatedness among various product segments (Abernathy, et al., 2005). International marketing and product diversification are two important directions for corporate expansion (Qian, 2002). To better understand the effect that product diversity can have on an organisation’s profit, Rumelt (1982) suggests that there are two types of product diversity. Related product diversification refers to a situation organisations diversify within industries, while unrelated diversification occurs when organisations diversify across industries. The relative costs and profits of such product diversification are likely to depend on the interrelationships between the different business activities of the organisation (Qian, 1997). Organisations with related businesses can avoid duplicate facilities and individual business units can provide for themselves and related businesses. This should result in lower fixed costs and a decrease in average costs, assisting the organisation to become profitable (Qian, 2002).

Whilst product diversity takes a macro view of product management, product variety is its micro equivalent. Product variety refers to the number of different products offered by an organisation at a single point in time (Randall and Ulrich, 2001). Generally, the greater the variety of product offering, the greater the inventory and production costs an organisation incurs. Product variety costs usually have a flow on effect to the cost of employing intermediaries who carry the organisation’s products to the chosen markets. These costs need to be covered to achieve organisational profit. Similarly, on the basis of a cross sectoral
empirical analysis of the data on foreign-invested enterprises operating in China, Luo (1997) found that among the business strategy variables, product quality, sales force marketing, and liberal credit terms had significant performance influences on foreign invested enterprises operating in China.

Environmental Factors Affecting Organisational Performance

Most of the extant literature examining organisational performance measures focuses on the organisation’s domestic markets. In an effort to understand organisational performance from a global market perspective, Amato and Wilder (2004) developed and tested a model that relates profit rates of multinational organisations to market share where markets are defined at a global level. Their work addressed issues in the effectiveness of global competition for multinational firms, which in turn assists international marketers to establish their global marketing mix. Lu and Beamish (2001) found that high geographical diversification, measured as the ratio of sales by foreign subsidiaries to total sales, can be a significant predictor of organisational performance. Similarly, Kim, Hwang, and Burgers (1993) argued that the more multinational an organisation is, the greater its opportunities to leverage strategic resources while simultaneously diversifying market risks thus raising its performance, while Kim, Hwang and Burgers (1989) found that the impact of product diversification categories, defined as expansion into product markets new to the organisation (Hitt, Hoskisson, and Kim, 1997), on organisational performance was contingent on the degree of multinational expansion.

Li and Atuahene-Gima (2001) provide a conceptual framework which stresses the effects on the environment and other external forces on how firms organise and compete in the (international) marketplace. Their framework is based on two tenets:

1. organizations attempt to manage uncertainty and mitigate the effects of external forces to enhance their organisational performance, and
2. organisations are constrained by and dependent upon other organisations that control critical resources (e.g. access to raw materials) for them.
Central to the research conducted by Li and Atuahene-Gima (2001, p. 1124) is the product innovation strategy that they define as

‘a reflection of a firm’s commitment to developing and marketing products that are new to the firm and/or new to the (international) market.’

Much of the current interest in the profitability of multinational organisation stems from the seminal work of Caves (1971, 1982) who argued that multinational organisations possess one or more types of intangible knowledge assets, such as the ability to promote goods in foreign markets, which makes it easier for international consumers to distinguish one organisation’s product from competing offers. Such assets have revenue raising capabilities for the multinational enterprise, thus enhancing its profit generating capabilities. Building on the work of Caves (1971, 1982), Gomes and Ramaswamy (1999) demonstrate that increasing levels of multi-nationality of an organisation provides that organisation with significant performance benefits (conceived essentially as profit) up to a certain optimum level beyond which benefits of multi-nationality decline while costs increase. The position in the Gomes and Ramaswamy (1999) study is that initial investment in multinational business activity will incur costs (losses) until a critical customer mass is achieved at which profits (and other performance measures such as market share) will peak before levelling off or declining.

There is a growing appreciation that a multinational organisation’s ability to generate profits from its offshore operations is contingent on the environment found in each foreign market (Doh, 2005). Some authors use the term country effects to describe this situation. Country effects may rise due to differences between countries and their endowments, their financial and technological infrastructures, their institutional and regulatory frameworks, and their openness to international trade and access to markets (Caves, 1982; Goddard, Tavakoli, and Wilson, 2009; Rugman and Verbeke, 2004; Wan and Hoskisson, 2003). Country effects on organisational profitability may even reflect variations in accounting practice and disclosure between countries (Leuz, Nanda, and Wysocki, 2003). For instance, under a common law system profits and losses are often reported faster than they are under a civil law system and managerial decision makers may be placed under pressure to attend to the sources of losses more rapidly (Hung, 2001).
Hawawini, Subramanian, and Verdin (2004) assert that the impact of country effects on organisational profitability is neglected in much of the extant literature. In one way this study can be seen as examining managerial beliefs concerning a single country effect – that of China - on their organisations ability to generate profits, or to ‘perform’ however defined. This study is interested in whether our focal nation’s (i.e. China’s) endowments will affect exporters seeking choice of market, that is, whether China has specific endowments that make her a destination choice for food exporters.

Measuring Organisational Performance

Organisational performance, in terms of the acquisition and management of economic profit for the benefit of the organisation and its investors, has attracted much scholarly interest. This is hardly surprising given the dynamic nature of the markets many organisations compete in, and the wide variety of ways that organisational performance can be measured (Oum et al., 2004).

Researchers have considered organisational performance and its relative measures from various perspectives. From the preceding discussion the researcher concludes that not only are there a very wide range of factors which have been linked to organisational performance other than product or other marketing factors, but that the very concept of ‘organisational performance’ is subject to interpretation. ‘Performance’ can refer not just to financial performance or more narrowly, profitability, but to a range of factors which, if adequately measured, contribute to such narrow measures of performance, while at the same time being capable of interpretation as actually comprising key parts of broader conceptualisations of ‘corporate performance’.

Performance measurement plays an important role in achieving organisational objectives (Cedergren, Wall, and Norstrom, 2010). Two well-known statements that have entered the corporate lexicon that reflect this, namely Peter’s (2002) assertion that ‘what gets measured gets done’, and Hauser and Katz’s (1998) ‘you are what you measure’ are testaments to the importance of establishing both good corporate and good product related metrics. Every metric, whether used explicitly to influence behaviour, to evaluate future strategies, or simply take stock will affect decisions and subsequently actions (Hauser and Katz, 1998).
In the organisational performance metrics literature, organisational size and age have previously been studied as factors contributing to organisational performance (Dobrev and Carroll, 2003). Organisational size and age are important attributes because they shape the internal ability and behaviour of the organisation while simultaneously interacting with the external environment to shape the behaviour and performance (Haveman, 1993). Having considered some of the many factors implicated in organisational performance, the current study turns its attention to the way the construct ‘organisational performance’ may be measured. A common organisational performance metric is market share (Chang and Singh, 2000; Kurtz and Rhoades, 1992). The notion of a ‘market’ is itself highly flexible, at times referring to a national (or domestic) market, a market segment, or to a product or product line. Kurtz and Rhoades (1992) suggest that when considering market share as an organisational performance metric, organisations should determine whether there is a critical level of market share above which the influence of market share on organisational performance becomes notably stronger. This knowledge enables organisations to deploy the necessary resources to enable the achievement of that market share.

Marketers would argue that organisational performance is complex, and warrants considerations that go beyond financial ratio analysis to consider appropriate assessments of market dimensions (Morgan, 2012). Even while focussing on financial measures alone, such dimensions can include risk and instability as a function of opportunity cost calculations (Skrepnek, 2004). To focus on commonly reported measures of accounting based rates of return may result in misleading conclusions, especially in the assessment of industries that have significantly different levels of risk or levels of intangible assets. As Clarkson (1977) stated in his criticism of accounting based measures of profit, ‘any serious study of industrial organisation and resource allocation must be concerned with real measures of economic activity’.

The triple bottom line agenda focuses organisations not just on their economic performance in terms of the value they add to their shareholders, but also on the environmental and social value they add. This phrase was first coined by John Elkington in the mid 1990s as a means to capture this notion. Organisations should report not only their financial performance, but
also their social and environmental performance (Norman and MacDonald, 2004). Ethical leadership, employee wellbeing, sustainability, and social responsibility are the main components of the triple bottom line (Fry and Slocum Jnr., 2008; Milne, Tregidga, and Walton, 2003). Each component of the triple bottom line, simplified as ‘planet (the environment), ‘people’ (employees), and ‘profit’ (financial performance) is assessed independently. The organisation is not ‘in credit’ (i.e. achieving the triple bottom line) unless all three bottom lines are positive (Buckley, 2003). Essentially, each element must be measured, calculated, audited, and reported just as the financial performance of public entities is (Norman and MacDonald, 2004). The ‘triple bottom line’ then, is a metaphor to remind us that corporate performance is a multi-dimensional construct that goes beyond simple profit and loss reporting (Pava, 2007).

Much discussion of corporate performance relative to marketing decision making relies on traditional accounting measures of organisational performance. One criticism of such measures is that whilst they were valid during an industrial age, they are no longer uniquely capable of measuring performance in a post industrial era (Kaplan and Norton, 1992). Further, such accounting metrics fail to reflect the intangible assets held by the firm (Sawhney and Zabin, 2002). Finally, standard accounting metrics whilst acknowledging the effect of depreciation in a capital investment such as research and development tend to take a short term view of investments. They typically limit the effect of the investment to an annual balance sheet or profit and loss statement. Most marketing investments however, take longer than a year to reach critical mass, and thus generate a return on investment. Hence a long term view is required in marketing metrics, especially if organisations are going to move away from thinking of marketing as a cost rather than as an investment (Seggie, Cavusgil, and Phelan, 2007). Clark (1999) championed the cause for a link between accounting and non-accounting measures of organisational performance, demonstrating how traditional accounting measures such as sales, profit, and cash flow can be expanded to include non accounting performance measures such as customer satisfaction and brand equity. Customer satisfaction and loyalty were in turn found to have a positive effect on organisational profit (Oliver, 2010). This leads us to consider specific marketing metrics and their effect on organisational performance.
This study will now focus on the measurement of overall corporate performance to the measurement of ‘marketing performance’, a matter of interest to both academics and practitioners (Schultz, 2000). Marketing managers, as organisational decision makers, have attracted criticism for their inability to identify and measure the value which marketing delivers to the organisation (Seggie, Cavusgil, and Phelan, 2007). Much of this criticism stems from the fact that marketing is seen as a cost rather than an investment to the organisation. Marketing is often criticised as an organisational function that is isolated from other functions, and in terms of its performance measurement. For instance, researchers have found the need for marketers to closely coordinate their efforts with co-workers in product development, supply chain management, and customer service, to improve overall shareholder value and bottom line profit (Payne and Frow, 2005).

At a time when the role of marketing in an organisation was being questioned, a metric was proposed by Kaplan and Norton (1992) that took a holistic approach to measuring performance. The Balanced Score Card enables a manager to consider a broad look at the whole organisation from four different, yet interconnected organisational perspectives. These perspectives are: the customer perspective, the internal business perspective, the innovation and learning perspective, and finally the financial perspective. Notice how these include aspects discussed earlier in this chapter – for example, capacity for innovation. The main benefit of the Balanced Score Card approach is that it requires managers from different organisational units to work together to achieve organisational performance. It is also a forward thinking, long-term approach to achieving organisational goals. Finally, the Balanced Score Card considers both quantitative (e.g. financial) and non-quantitative (e.g. learning and innovation) measures together, rather than in isolation.

The central theme connecting the marketing function and overall organisation performance is that it is essential for all organisational functions to be financially accountable (Rust, Moorman, and Dickson, 2002). At the centre of this theme is the notion the marketing function’s key contribution is to serve as a link between the customer and the various processes of the organisation (Day, 1994). Often when organisations are cutting costs to improve bottom line performance, marketing is one of the first functions affected by the
cutbacks. This necessitates the need for marketing measurement, for without measurement it is impossible to be accountable (Seggie, Cavusgil, and Phelan, 2007). This further necessitates the causal linkages between the marketing and financial outcomes.

In the past, marketing managers have often relied heavily on subjective measures of performance. This has given rise to the call for marketers to provide the organisation with more measureable approaches to marketing productivity (Webster, Malter, and Ganesan, 2003). One such approach to have arisen is the Economic Value Added (EVA). First proposed by Stewart (1993), EVA (Economic Value Added) is defined as the difference between an organisation’s net operating income after taxes and its cost of capital of equity and of debt. Supporters of EVA suggest that focusing on EVA as a performance measurement leads to improved stock performance compared to focusing on the traditional accounting measures. EVA provides a perspective that goes beyond simple accounting measures and considers expenditures (e.g. advertising and promotion) as investments that should be evaluated in line with the return on investment.

Another marketing metric commonly used by organisations to measure marketing performance is brand equity. Organisations invest heavily in developing brand names for the organisation itself and its market offerings (Hoeffler and Keller, 2002). As such, a brand becomes a source of competitive advantage for the organisation (Keller, Parameswaran, and Jacob, 2011). Srivasta and Shocker (1991, p. 5) define brand equity as ‘a set of associations and behaviours on the part of the brand’s customers, channel members and parent corporation that permits the brand to earn greater volume or greater margins than it could without the brand name that gives it a strong, sustainable and differential advantage.’ From a measureable performance viewpoint, Ambler (2000) describes brand equity as the reservoir of cash flow that has been earned by good marketing but has yet to materialise in sales or profits. Further, Simon and Sullivan (1993) link brand equity to incremental cash flows.

In summary, most scholars agree that there is no single performance measure that is superior to all others for use at either organisational or marketing function level. Most decision makers continually monitor their environment for signs of changes, for example, in consumer demand, technology substitution, changes in the social and political environments, and access to the future inherent profitability and growth in the organisation’s historical markets. As
Fraser and Hite (1988, p. 97) state that metrics selection is essentially a rational process by which ‘marketing managers can learn to improve performance by altering utility levels associated with control variables.’ The set of marketing metrics selected by an organisation is likely to reflect aspects of intended performance which reflect a degree of subjectivity in terms of their importance, rather than universal measures used by all organisations (Ambler, Kokkinaki, and Puntoni, 2004).

Conclusions on Organisational Performance, Marketing Performance, and Measurement

This study has discovered a set of possible conceptualisations of organisational performance, and also of marketing performance, which are enormously disparate. They range from sets of strictly financial measures, to a range of measures which reflect highly inclusive conceptualisations of what it means for an organisation to ‘perform’ well. Even within the domain of the marketing function, the range of possible measures of marketing performance is very broad.

What is Export Marketing Performance?

Zou, Taylor and Osland (1998, p. 38) assert, export performance has ‘been measured by a myriad of indicators in different studies.’ Export performance has been defined as having elements of effectiveness, efficiency and continuity of export activities (Shoham and Kropp, 1998). Traditionally, scholars have relied on single, and in recent times, multiple measures of export performance (Baldauf, Cravens and Wagner, 2000). From an export product C/S perspective, a good fit between product strategy and the international context in which that strategy is being executed is generally found to have significant positive effects for performance (Venkatraman, 1989; Venkatraman and Prescott, 1990). Specific to product customisation, Lages, Jap, and Griffiths (2008) found that product customisation is closely related to export performance. Nevertheless, Kirplani and Macintosh (1980) related several marketing variables to export performance and found that pricing and promotion were most significant, whilst Cavusgil and Kaynak (1982) found that the marketing mix elements that
required the most modification to be suitable for international markets were promotion and distribution. Packaging, physical product, and pricing required the least modification in their study. These findings are in direct contrast to those of Burton and Schlegelmilch (1987) who empirically confirmed a significant relationship between the uniqueness of a physical product (as measured by its differentiation from competing products in the same export market) and that product’s export performance. A later study by Thirkell and Dau (1998) supported these findings.

Export performance according to Louter, Ouwerkerk, and Bakker, (1991), is a subjective term, because what one export decision maker considers being an excellent performance, another may condemn as rather poor. Export performance has been measured principally in terms of 1) economic indicators – e.g. profit, sales, market share; 2) strategic outcomes – gaining a foothold, or increasing awareness of the product/organisation or; 3) perceptual or attitudinal – e.g. perceived satisfaction (O’Cass and Julian, 2003). As well as what to measure, a key research issue has been how to measure export performance. For example, a distinction has been made between ‘hard’ and ‘soft’ measures (Dolton, et al., 1980). Hard measures include sales and gross profit, whereas self perception is regarded as a soft measure.

A review of the export performance literature identified a variety of variables associated with an organisation’s exporting success (Racela, Chaikittisilpa and Thoumrungroje, 2007). These included organisational characteristics (years of export experience, size, and management expertise), managerial expectations from exporting (risk, cost, profit), and managerial characteristics (age, education) (Moini, 1995). As discussed, some studies indicate that performance is enhanced by standardising marketing strategies across nations (O’Donnell and Jeong, 2000), while other studies reveal no association between standardisation and performance (Albaum and Tse, 2001). Katsikeas, Piercy and Ioannidis (1996) suggest that small companies are less able than larger ones to respond effectively to the needs of customers in export markets. The most often cited organisational characteristics linked to export outcomes have tended to be the size of the organisation (Cavusgil, 1984; Katsikeas, Piercy and Ioannidis, 1996), experience in export marketing activity (Gemunden, 2012), and market orientation (Racela, Chaikittisilpa and Thoumrungroje, 2007).
Influences on Export Marketing Performance

The current study will now examine literature concerning ‘export marketing performance’ and its measurement. This literature is of value in several ways. Firstly, it addresses, although less than conclusively, the notion that managerial decision making concerning export product matters actually does impact on ‘export marketing performance’. Secondly, this literature suggests contexts or contingencies where customisation or standardisation may be recommended. Thirdly, impact on export performance will certainly be a factor in managerial thinking as the C/S decision is made. Hence, it is important to have an understanding of how this may be perceived or measured. Finally, in attempting to define and measure export performance, this literature highlights a range of possible influences on performance. In some cases these are new to this discussion, although often they have already emerged and are simply underscored.

The fact that the empirical evidence on product C/S – performance relationships, reviewed here and already discussed in chapter one - is equivocal does not alter the fact that such decisions are made regularly by export managers. Such managers appear to operate under the belief that these decisions matter, and they absorb significant time and resources. The matching of product to consumer needs and wants, in the most efficient and profitable way is basic to the marketing concept within which most marketers are trained. This literature emphasises the significant difficulty inherent in measuring ‘export performance’. The direct relationship of any element of the marketing mix – not just of product - is difficult to establish conclusively when the notion of ‘export performance’ is itself subject to wide interpretation. Partly for this reason, but primarily because the key concern is with how actual managerial decision making occurs, regardless of outcomes, this study will not be attempting to measure performance in this study. It remains a construct subsequent to implementation of export product C/S strategies decided upon, and beyond the scope of the study.
Organisational Performance and the Stage Approach to Internationalization

One of the most developed streams of research examining exporting is the stage theory of internationalisation (Wolff and Pett, 2000). This view holds that internationalisation is accomplished by establishing an export capability through a developmental and sequential process (Rugman and Verbeke, 2004). For many exporters it has become a blueprint for managing the new product development (NPD) process to improve effectiveness and efficiency (Cooper, 2008). Leonidou and Katsikeas (1996) conclude that a sequence of activities in the export development process can be divided into three broad phases:

1. Pre-engagement phase – organisations not yet engaging in export activity;
2. Initial phase – Organisations that are sporadic or experimental exporters; and
3. Advanced phase – Organisations that are actively and consistently in export activity.

The premise of the stage approach is that organisations progress from a less involved export position to a more involved export position. It consists of a series of stages where the project team undertakes the work, obtains the needed information, and does the subsequent data integration and analysis followed by gates – where Go/Stop decisions are made to continue to invest in the project (Cooper, 2008). However, recent research has used a resource based theory (Barney, 1991) to propose that organisations need not always progress through stages. The resource based view suggests that the principal determinants of an organisation’s strategic direction and subsequent performance measurement, are the unique bundle of tangible and intangible assets, capabilities, and knowledge that exists within those organisations (Morgan, Kaleka, and Katsikeas, 2004). For instance, Oviatt and McDougall (2005) present arguments and evidence that some organisations are ‘born global’. Oviatt and McDougall (2005) attributed being international-at-foundation in part to advances in communications, information flow, transportation, and the growing trend by entrepreneurs to view markets internationally rather than domestically.

A body of literature suggests that how organisations learn about the export markets in which they operate determines their performance in those markets (Barney, 1991; Conner and Prahalad, 1996; Luo and Peng, 1999; Spender and Grant, 1996). Host country specific
knowledge is a driving force behind international expansion performance because such knowledge cannot be easily acquired (Inkpen and Beamish, 1997; Luo and Park, 2001). Expansion into foreign markets is always challenging, calling for organisational learning to overcome the liability of foreignness (Johanson and Vahlne, 2009).

The Role of Strategy, Contingency, Competitive Advantage in Organisational Performance

Lages and Montgomery (2000; 2001; 2004) posit that marketing strategy customisation to the foreign market environment is particularly noted in organisations exporting to the most developed markets, rather than in organisations exporting to the most competitive environments.

The Lages and Montgomery (2000; 2001) research is based on a contingency view of international marketing, that is, it asserts that customisation or standardisation of export products is a matter of degree because marketing strategies are contingent upon internal and external forces.

The impact of contingencies, and the variability of product C/S strategies which various contingencies demand, underscores the importance of export product C/S decision making, and it’s complexity.

Researchers have concluded that the ideal standardised global strategy should include at least minimal local adjustments with consideration for local factors such as consumer characteristics, culture, distribution, and regulation (Douglas and Wind, 1987; Simmonds, 1985). Further, as Jain (1989) suggests, little research has been conducted on the effects of customisation and standardisation on relative export product performance measures such as market share. However, Samiee and Roth (1992) found that across a variety of global industries, performance did not differ between companies using global standardisation and companies using customisation as their dominant marketing strategies. Katsikeas, Leonidou and Morgan (2000) suggest that the relevance and importance of various performance dimensions vary across stakeholder groups (e.g. employees, investors, customers), and
Robertson and Chetty (2000) found evidence of a strong correlation between contingency planning and successful exporting. The resources of any organisation constitute its source of competitive advantage (Day and Wensley, 1988). In export marketing these resources include: international experience (Douglas and Craig, 1989); available resources for exporting (Navarro, et al., 2010); channel support (Styles, Patterson, and Ahmed, 2008), and social networks (Zhou, Wu and Luo, 2007). Of interest to us in this study is the relationship between an organisation’s commitment to resources and the expenditure of those resources to develop and adapt products that meet the needs of one or more international markets. An organisation’s commitment to exporting is offered as a construct that incorporates the amount of planning, financial, and human resources that the organisation allocates to the exporting activity (Cavusgil and Zou, 1994).

Previous research in the area of export performance suggests that an important link exists between the product manufacturer and international intermediary(s) (for instance, an import distributor) and the exporting organisation’s performance. For example, Styles, Patterson, and Ahmed (2008) assert that the nature of the exporter (manufacturer)-international distributor relationship is associated with certain characteristics of the participating organisations, namely their stake in the relationship, their experience, and their uncertainty surrounding the relationship. This study considers the influence that an international based distributor has on the overall packaged food product customisation decision. Specifically, it examines the product standardisation or customisation decisions that such an intermediary partakes in an effort to understand why they might be influential in such a decision.

Within the vast literature on product decisions for international markets, there are essentially two schools of thought. These include authors who support the need to customise goods on the grounds that product customisation is crucial for international expansion and those who claim that this need is unnecessary, time consuming, and expensive. It is this author’s belief that the key question facing international marketing managers is not whether or not to adapt their domestic product for international expansion. Rather, the key questions are: ‘when should customisation occur’ and ‘how much customisation should occur”? In addition, under what specific conditions should customisation occur? These questions support Lemak and
Aruthanes (1997) view that higher levels of performance in global markets depend on the organisation’s selection of a global strategy that is appropriate for its unique set of circumstances.

A study by Brown and Perry (1998/1999) found that organisations develop marketing strategies based on a broader model that emphasises the need for development of strong business relationships rather than relying solely on the four elements of the marketing mix. The central question that Brown and Perry ask is: how are international marketing strategies developed by Australian small and medium sized enterprises (SMEs)? The study found that international product policy (e.g. the need to customise or market standardised products in international markets) was important in the literature. Perhaps this finding can be attributed to the small sample size (N = 8), the chosen research methodology (case study based research), and/or the fact that the respondents served international niche markets.

Lages and Montgomery (2001) offer a different approach to considering export performance. They suggest that previous literature in the area has treated export performance as a dependent variable. They argue that the customisation of marketing strategy (and thus, product strategy) to the internationals markets is directly affected by the organisation’s prior performance, its commitment to exporting and two external forces, namely competition in the industry, and the degree of market development. Further, they suggest that marketing strategy customisation is indirectly affected by preceding export performance and the same two external forces, through their influence on the organisation’s commitment to exporting. On a related topic, several authors posit that product strength in terms of attribute uniqueness and product quality are strongly related to export success (Gemunden, 2012). However, as Styles and Ambler (1994) suggest, the relationship between product customisation and export success is less clear.

The Role of Marketing Research in Organisational Performance

Belief in the value of information for enhancing commercial decisions through the reduction of uncertainty has increasingly led to consensus that the growth and survival of organisations depends on their strategies for accessing, handling, and processing relevant information.
gathered from the marketplace (Julien and Ramagalahy, 2003). However, there have been surprisingly few empirical studies that specifically examine the link between marketing research and organisational performance in the international domain (Hart and Tzokas, 1999). It has been argued that the increased uncertainty posed by extending business to an unfamiliar market with unfamiliar environmental conditions intensifies the need for marketing research (Douglas and Craig, 2005). Remarkably, Koh and Robincheaux (1988) found that approximately two-thirds of exporters did not undertake any international marketing research activities at all, or did so, on an ad hoc basis.

Whilst studies support the link between the conduct of marketing research and organisational export success (Hooley and Lynch, 1985), there is evidence suggesting that marketing decision makers hold a cynical view of the potential contribution to performance of investing in marketing research (Mansfield, Wheeler and Young, 1987; Piercy 1983, 1985). Julien and Ramagalahy (2003) argue that the use of market information and its role in organisational performance is confounded by organisational factors that include: organisational structure and interactions, power and politics, and senior management factors. Diamantopoulos, Schlegelmilch and Allpress (1990) found no difference between users and non-users of marketing research for export markets, whilst Baker and Abou-Zeid (1982) found a positive relationship between export performance and the use of marketing research information. This is indeed a mixed set of research findings.

A review of the literature on the relationship between export performance and marketing research shows two distinct themes: 1) The nature and the type of marketing research carried out by exporters; and 2) studies of factors influencing the collection of export market information.

Cavusgil (1985) found that export marketing research tended to be less precise and more subjective than domestic marketing research. Cavusgil (1984a) also found that the incidence of export marketing research varied with the stage of an organisation’s position in the internationalisation process. Cavusgil (1984b) provides us with variables that will be examined in this study, such as how much research export decision makers do, and who conducts that research (the organisation or external market research specialists) and who is involved in the marketing research decision process (e.g. export intermediaries). Hart and
Tzokas (1999) developed a conceptual framework illustrated in Figure 3.1 incorporating a broad array of information relevant to an organisation’s exporting activities. This framework assists export decision makers by considering the types of variables that could be considered in any export marketing research study (e.g. how best to collect the information, from whom to collect the information, how best to use the collected information).

**Modelling Export Performance**

Scholars in the field international business have developed a number of frameworks to model export performance. One such model is Hart and Tzokas’s (1999) model (Figure 3.1) depicting the relationship between export performance and the need for market driven information. Their model is founded in the belief in the value of information for enhancing decisions by reducing uncertainty.

**Figure 3.1: A conceptual framework into the relationship between export performance and export marketing research**

Export performance literature has explored factors including: organisational size, export marketing strategy, standardisation or customisation of goods and service, managers’ motivations to internationalise and managements’ commitment to export (Gertner, Gertner and Guthery, 2006). Recently, the conceptualisation and operationalisation (Katsikeas, Leonidou and Morgan, 2000) and psychometric measures (Lages and Montgomery, 2004) of export performance have been considered in the export performance literature.

To assist export decision makers with their export performance measurement, Smith (2006) summarises these determinants into two categories: background determinants (environmental, organisational, and managerial) and intervening determinants (strategic and functional). It is the intervening determinants that are of most interest in this study, as they closely relate to the marketing mix, of which product is one element. In the next section consideration is given to how export decision makers attempt to model export performance. The debate on particular factors effecting export performance continues unabated. For example, despite the persistent debate on marketing standardisation versus customisation, empirical research on the performance outcomes of a particular strategy is limited (Katsikeas, Samiee, and Theodosiou, 2006).

Empirical studies of organisational export performance rely on objectively determinable factors such as business ratios, marketing activities, export incentive systems and market situations, and on manager related conditions such as socio-demographic characteristics and, the decision makers’ psycho-structural features (Leonidou, Katsikeas, and Samiee, 2002). Indeed, the past 25 years have seen a considerable number of studies that deal with the identification of variables influencing an organisation’s export success (Stottinger and Holzmuller, 2001). Rogers, Ghauri, and Pawar (2005) linked the idea of export performance with new product development (NPD).

If Belliveau, Griffin, and Somermeyer’s (2002) definition of a new product is accepted, then any organisation that adapts or customises its products for an international market undergoes a process of NPD. Belliveau, Griffin, and Somermeyer’s (2002, p. 187) defined a new product as:

A product, either a good or service, that is new to the firm marketing it.
The Rogers, Ghauri, and Pawar model (illustrated in Figure 3.2) provides export decision makers with a useful framework for measuring NPD performance for international markets. Their model addresses the managerial processes (such as the organization’s new product development process, their NPD performance evaluation process, and their approach to project management of the NPD) and the organisational mechanisms through which NPD is performed and its link to organisational performance and success.

Figure: 3.2: Factors Influencing NPD Process Evaluation

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<tr>
<th>ENABLERS</th>
<th>PROCESS</th>
<th>OUTPUT</th>
<th>SUCCESS</th>
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<tr>
<td>International resourcing</td>
<td>Product development</td>
<td>Project output</td>
<td>Firm success</td>
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<td>Systems and tools</td>
<td>Evaluation strategy</td>
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<td>Global integration</td>
<td>Project management</td>
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Empirical research undertaken to identify factors responsible for successful exporting (for example, Aaby and Slater, 1989) has focused on five major groups of variables (Leonidou, Katsiakes, and Samiee (2002));

1. Organisational – elements related to the characteristics of operations, objectives and resources

2. Managerial – personal, experiential, attitudinal, behavioural and related to the organisation’s decision-making processes
3. Environmental – factors shaping the task and macro environments within which exporters operate in both domestic and international markets
4. Targeting – the identification, selection, and segmentation of international markets, and
5. Marketing Mix Variables – the organisations export product, price, promotion, and distribution strategies

Leonidou, Katsikeas and Samiee (2002) synthesised the above elements into a conceptual model useful for conceptualising export decisions, illustrated and discussed below.

**Figure 3.3: A Synthesis of Export Performance Models**

This synthesis of export performance models is important to international marketers as it not only provides a framework to guide export marketing decisions, but it also assists such decisions specifically within a marketing context. Finally, it links exporting to organisational performance, defined broadly, in both economic and non-economic terms. In a similar vein, Cooper and Kleinschmidt (1985) and Katsikeas and Morgan (1994) found that the export strategy an organisation selects is closely related to the export performance results it achieves. They found a negative association between export performance (sales) and an organisation’s size. Similarly, Kirpalani and Macintosh (1980) found no significant relationship between organisational size and export performance.

The impact of the choice of foreign country entry mode on the success of the foreign operations is great, leading Wind and Perlmutter (1977) to identify entry modes as a ‘frontier issue.’ Usually, organisations selecting a mode of entry into international markets face trade off decisions, that is, a trade off between control and risk (Anderson and Gatignon, 1986; Li and Ogonmokun, 2003). Export requires a comparatively low risk/low resource method for entering foreign countries with a marketing program (Hassler, 2003; Brouthers and Nakos, 2004). However, exporters have relatively little control over how their products will be represented (marketed) in the international markets (Knudsen and Madsen, 2002). Control (the ability to influence systems, methods, and decisions), is the focus of the foreign market entry mode literature because it is the single most important determinant of both risk and return (Anderson and Gatignon, 1986). Further, Lu and Beamish (2001) found that entry mode selection and small and medium enterprises (SMEs) performance are significantly related, indicating the critical importance of making the right foreign market entry mode choice.

In contrast to the Cooper and Kleinschmidt (1985) conceptual model discussed earlier, Katsikeas, Leonidou, and Morgan (2000) offer export decision makers a more simplified export performance model, illustrated below.
In the Katsikeas, Leonidou, and Morgan (2000) model, managerial factors refer to those demographic, experiential, behavioural, attitudinal and other characteristics of the decision maker within the exporting organisation who is potentially, or actually involved in the export marketing process. Environmental factors are forces shaping both the domestic and foreign task environment and macro environment within which marketers operate. These factors are beyond the control of the exporting organisation (Aaby and Slater, 1989). Organisational factors comprise demographic aspects, operating elements, resource characteristics, and the goals and objectives of the exporting organisation (Leonidou, 1998). Targeting Factors refer to the critical processes of identifying, selecting, and segmenting international markets. Finally, marketing strategy factors relate to the organisation’s marketing mix (that is, their product, price, placement and promotion activities). These assertions support Tesar’s (1975) view that export marketing difficulties perceived by organisations vary with both market and company characteristics.

The Katsikeas, Leonidou, and Morgan (2000) model has several benefits to the export decision maker. First, it conforms to basic marketing theory in that it asks export decision makers to conceptualise their marketing mix in an international context. Second, it asks export decision makers to take a strategic focus on the export performance measurement
imperative. Finally, it asks export decision makers to consider factors that are beyond their control, yet important to the export process.

In a similar vein, Calantone and Knight (2000) developed a structural model based on a series of case studies, and then tested the model for validity using data from a survey based study of organisations that are active in international markets.

A model with a strong theoretical foundation is presented by Zou and Cavusgil (1996) who present a framework where global business performance is largely determined by global strategy and some internal organisational factors, while most internal and external factors affect performance only indirectly through export strategy.

Most export performance studies have the limitation of focusing on a single nation (usually the United States). This potentially may result in cultural or economic biases. Thus, findings derived in one national setting need to be carefully scrutinised for their transferability to other countries (Stottinger and Holzmuller, 2001). Smith and Reynolds (2002) posit that the reason for the lack of relevant cross-national studies may be found in the extremely high demands that such work imposes on the researchers involved. As a rule, financial expenses and methodological problems are fundamentally more complex than in an intra-national context.

Moini (1995) suggests that export performance and success is a three stage model of export development using ‘export success’ as the dependent variable. Moini (1995) was able to classify organisations into one of three categories based on the following criteria:

1. The ‘partially interested’ exporting organisation shows an export to sales ratio of 10 per cent or less and a decline or no growth in the organisation’s export activity in the past five years;
2. The ‘growing’ organisation also has an export to sales ration of less than 10 per cent, however, this volume is higher than export volume five years ago;
3. The ‘successful’ organisation has current export sales ratio of more than 10 per cent and has increased its export sales over the past five years.
The Moini (1995) model is useful in that it assists the decision maker to plan their export expansion by giving them two quantitative measures (time to market and export sales) by which to gauge their performance.

In an effort to reduce some of the economic and cultural biases in export performance research, Calantone, et al., (2006) developed and empirically tested a model of the antecedents of product customisation strategy and export performance using data collected from 239 export managers in the United States, 205 export managers from Korea, and 143 export managers from Japan. Their model is illustrated below.

Figure 3.5: A conceptual framework for international product customisation: strategy and export performance

The Calantone, et al., (2006) model posits that an organisation’s internal and external characteristics influence product customisation strategy and therefore export performance. Internal factors include organisational structure, marketing strategy, managerial experience, and/or resource capability (Barney, 1991). External factors include such variables as the business environment and/or industry competitiveness (Cavusgil and Zou, 1994). A particular feature of the model is the idea that an organisation’s product customisation strategies act as a mediator between its internal and external environments and its export performance. The Calantone, et al, (2006) study found that product customisation strategy is positively associated with export performance in the three countries studied. In addition, the authors found that export dependence is an important antecedent of product customisation strategy.

Holzmuller and Kasper (1990; 1991) argue that research on export performance can no longer ignore the aspect of organisational culture. Holzmuller and Kasper (1991) included individual aspects of organisational culture as well as export decision-makers’ attitudes towards formal organisational processes in their export performance determinants model depicted below.

Figure 3.6: Determinants of Export Performance

The variables included in the Holzmuller and Kasper (1991) model, as well as their hypothesised relationships to export performance are based on past research. The importance of the model to export decision makers centres around the notion that the product C/S decision for international markets is influenced by internal organisational factors (that is corporate culture) that may be beyond the export decision makers’ direct control. Not only does this notion have implications for how product related decisions for export markets are made, but also for how an organisation’s senior management recruit export decision makers who are usually required to fit into an existing organisational culture.

A study undertaken by O’Cass and Julian (2003) examines the potential influences of marketing strategy and export performance and the individual product-market level. Their model is illustrated below.

**Figure 3.7: Antecedents of Marketing Mix Strategy and Export Performance**

![Diagram](image)


The O’Cass and Julian model depicts the direct and indirect effects of both internal organisational characteristics and external forces hypothesized to affect marketing strategy
and marketing performance. The results of the O’Cass and Julian (2003) research indicate that marketing mix strategy has a significant influence on export marketing performance, defined broadly to include aspects of satisfaction, as well as financial profitability. This study has important implications for this work. Interest in the product customisation decision and its effect on export performance closely reflects that of the O’Cass and Julian model. However this study is distinctive in that it is product and nation specific.

Baldauf, Cravens and Wagner (2000) proposed several predictors of export performance, this time conceptualised to include aspects of effectiveness, intensity and sales. Their study aimed to empirically investigate the effects of environmental factors, organisational characteristics, and business strategies on export performance. Their model is illustrated below.

**Figure 3.8: Proposed Predictors of Export Performance**


Bauldauf, Cravens and Wagner (2000) findings suggest that in addition to the size of the exporting organisation, predictors of export performance include management’s motives to
internationalize, and the use of a differentiation strategy. The latter two constructs are management decision variables, and thus relevant to this study.

**Discussion on Export Performance**

This survey of research and theory concerning factors influencing ‘export performance’ supports the view that no single ‘magic bullet’ is responsible for export success. It suggests a number of factors, including managerial decision making itself, which managers are likely to be taking into account in the C/S decision making. Again, like the research reviewed on general organisational performance however, it illustrates a wide range of conceptualisation and measurement possibilities regarding ‘performance’ – this time the narrower concept of ‘export performance’ – as a dependent variable.

**The Role of the Intermediary in Export Performance**

International marketing organisations normally service foreign markets through local, intermediaries, such as sales agents, merchant distributors, licensees and franchisees (Benito, Pedersen, and Petersen, 2005). By ‘externalising’ their foreign market operations, international marketers may avoid the appearance of foreignness, the penalty costs due to investments in under-utilised local marketing or manufacturing capacity, and the deployment of scare resources.

Research suggests that choice of a local partner is an important variable influencing export performance (Bello, Chelariu, and Zhang, 2003). For example, exports are an important ingredient in the growth of small business (Andersson, Gabrielsson, and Wictor, 2004), yet aspects relating to the choice of international intermediaries by small business exporters have not received much research attention (Bello, Chelariu, and Zhang, 2003; Li, 2010).

Matear, Gray and Irving’s (2000) study found that foreign intermediary involvement in formulating marketing plans generally leads to better profit for both the intermediary and the exporting manufacturing organisation. After making the decision to export, finding a suitable intermediary is the next critical decision (Bhargava and Choudhary, 2004). When an
international firm enters an foreign market, international distribution channel structure is very important. Das and Teng (2000) note that certain resource characteristics, such as imperfect mobility, imitability, and substitutability, promise value-creation, and thus facilitate alliance formation. Distribution channel structures decisions are made by assessing the company’s degree of commitment and risk (Pennings and Wansink, 2004).

As Park (2001) posits, the chief problem for many potential exporters may not be so much to select an intermediary, but rather to be selected by an intermediary. Once an international intermediary has been appointed, they are often difficult to change (Belenky, 2002; Lv and Wang, 2011). Several studies, (Bello, Lohtia, and Sangtani, 2004; Luo, 2002) argue that export decision makers may select the correct intermediary in an international market, but establish the wrong channel structure. They posit that export decision makers have channel structure options along a forward integration continuum.

At one extreme, the exporting organisation can provide all the marketing functions itself through vertical integration. This is an unlikely option for smaller organisations entering an international market for the first time. At the other extreme the exporting organisation may perform none of the exporting tasks itself, relying instead on an intermediary to conduct the marketing and distribution in the export market. In the middle of this continuum is a situation where the exporting organisation performs some of the exporting functions itself, and contracts the rest of the tasks to an intermediary.

Therein exists one of the challenges facing export decision makers. Which, if any of the exporting activities, will the exporting organisation conduct itself, and which if any of the activities it will outsource to the export intermediary organisation? This decision has implications for how the export decision maker determines, develops, and implements its export strategy in an international market. Specifically, the intermediary channel structure decision may affect the degree to which an export product is customised (adapted) for a particular international market, since the export channel intermediary may influence this product related decision (Angelmar and Pras, 1984).

An intermediary can play various roles in the export product destination market (Dong and Glaister, 2006). A local intermediary may reduce the marketing risk faced by the exporting
organisation, as well as the exporting organisation’s level of committed resources. Such partnerships offer an advantage when the country risk is high and the familiarity with the host country is low (Hill, Hwand and Kim, 1990). Further, they can assist with promotional activities, market research, product design decisions, and product distribution (Angelmar and Pras, 1984). Brouthers, Brouthers, and Wilkinson (1995) propose a ‘4Cs’ framework for assessing success in the selection of international intermediaries: They posit that the intermediary selected should offer complimentary skills, cooperative cultures, compatible goals, and commensurate levels of risk. Thus, organisations enter such international alliances to leverage their and their partners’ resource endowments.

Mothe and Quelin (1998) suggest that international partner alliances serve three functions:

1. to combine partners’ competencies
2. to acquire resources and information and
3. to facilitate an organisation’s customisation to its environment

It is the third of these suggestions that is most relevant within this study. Specifically, how may a China based intermediary assist with correct customisation (if necessary) of specific packaged food products exported to China?

The general intent of selecting an intermediary in a foreign country is to establish and maintain a long term cooperative relationship to compete more effectively with organisations outside the relationship (Matear, Gray, and Irving, 2000). Hitt, et al., (2000) suggest that partner selection criteria may be grouped into task-related and partner-related criteria. While task related criteria refers to the complementary capabilities the local partner may offer, partner-related criteria are closer to the notion of ability to work with the local (that is, foreign) partner. Bello and Williamson (1985) propose that the importance of channel choice and structure in developing an international marketing strategy directly affects an exporter’s success overseas. This strategy may affect the decision of whether or not to adapt a product for the export market. In addition, scholars have proposed that profit expectations from export markets are contingent upon the selection of the appropriate channel intermediary (Cavusgil and Zou, 1994; Li, 2010; Matear, Gray, Irving, 2000). Li, et al., (2008) suggest that cultural differences may create a barrier to the selection of international intermediaries because goals and channel motivations differ across different cultures. Commitment to
maintaining an ongoing intermediary relationship affects the relative profit that an exporter will receive (Leonidou, Katsikeas, and Samiee, 2002). Commitment is important where products are modified for exporting and when foreign market information is considered critical.

This study explores managerial beliefs concerning product modification in export markets. The role that a channel intermediary in the foreign market may play in making product customisation or customisation decisions is also explored. In line with Munro and Beamish’s (1987) suggestion, the current study examines whether an export intermediary provides information about an international market to the exporting organisation, or whether that exporting organisation obtains market related information from other sources (e.g. a marketing research consultancy). Organisations do cite insufficient foreign market knowledge as a major exporting problem area (Ling-Yee, 2004).

Parkhe (1991, p. 581) defines international alliances (of which intermediaries in the international market may be examples) as:

Cooperative agreements, involving cross border flows and linkages that utilise resources and/or government structures from autonomous organisations headquartered in two or more nations.

Research on international partner selection has inadequately dealt with selecting partners in emerging markets (Hitt, et al., 2000). Hitt, et al., (2000) address this issue in their study of international partner selection from both emerging and developed markets. They argue that organisations from emerging and developed markets often differ in terms of their resources, capabilities needed and absorptive capacities. They find that organisations from economically developed markets try to leverage their resources through partner selection, whereas organisations from economically emerging markets emphasized financial assets, technical capabilities, intangible assets (such as brand equity) and willingness to share expertise in selection of partners. Thus, to select the appropriate intermediary, export decision makers are likely to search for complementary resources and knowledge that can be learned. The general goal is to strengthen existing or to create new competitive advantages (Brass, et al., 2004). In fact, Mitchell, Shaver and Yeung (1994) suggest that learning from international experience
is a pre-requisite to the success of entering the international market. In support of this, Matear, Gray and Irving (2000) argue that strategic alliances that combine partners’ complementary resources may be necessary for survival and growth. Specifically, they suggest that collaborative efforts may be an effective way to continue use of resources that are vulnerable to knowledge-based market failure.

This study is concerned with the role that managers believe export intermediaries perform on behalf of the exporting organisation. There is little understanding of how Chinese organisations perceive the strategic and organisational attributes of foreign companies Luo (2002). The underlying assumption here is that foreign organisations and local (that is, Chinese) organisations have different selection criteria in choosing international alliance partners. Luo (2002) suggests that Chinese organisations look for productive resources and capabilities from foreign partners that can satisfy their strategic needs. Chinese managers thus view international collaborations as a means by which they acquire foreign technologies and partner knowledge to stimulate their expansion.

An established principle of strategic management is that for an organisation to compete successfully, it must possess a special proprietary advantage (Coeurderoy and Durand, 2004). What is less understood is the relative benefit of possessing one proprietary advantage over another and which of an organisation’s proprietary advantages it uses in its international markets. Do these advantages assist with intermediary recruitment and selection? Further, the literature suggests that an organisation’s experience in exporting can affect channel selection. For instance, Brouthers (2002) found that as multinational corporations gain experience in international markets, they tend to opt for market entry modes providing greater control and requiring more commitment. The present study quantifies the length of time that the respondent organising has been in business both as a domestic entity and one operating in export markets.

Scholars have argued that the primary proprietary advantage an exporting organisation has that appeals to foreign intermediaries is the exporting organisation’s product and its attributes, such as its branding (Angelmar and Pras, 1984). Therefore, the nature of the export product is crucial to the selection of an export intermediary. Previous studies have found that product quality is important in gaining export intermediary acceptance (Angelmar and Pras,
Product quality can be adapted to suit export market conditions. The packaged food product manufacturer’s reputation is important for gaining export intermediary acceptance (Nevins and Money, 2008), while price (Leonidou, 2004), personal selling (Lee and Griffith, 2004), and method of export (e.g. direct compared to indirect exporting) (Hessels and Terjesen, 2010), have also been found to be important factors in gaining the acceptance of intermediaries overseas.

Export performance has been measured in three different ways. These three means of measuring export performance are associated with different conceptualisations of the construct. The most common way of conceptualising and measuring export performance focuses on the financial outcomes of exporting (Greenaway, Guariglia, and Kneller, 2007). Another method of conceptualising export performance is based on capturing the strategic outcomes of exporting. The emphasis here is that organisations often have a set of strategic objectives, as well as financial objectives in exporting (Westhead and Howorth, 2006). The third conceptualisation of export performance advocates the use of perceptual and attitudinal measures of performance. The logic behind this conceptualisation is that being positively disposed toward exporting and/or satisfied with exporting operations is a strong indication of success in exporting (Greenaway, Guariglia, and Kneller, 2007). The approach in this study is to follow the strategic fit paradigm which suggests that performance in international markets will only be enhanced if there is congruency between levels of product C/S, and the environmental context in which this strategy is being executed.

Further, this study proposes that the selection of an international intermediary influences export success in China. Channel satisfaction is thought to facilitate improved morale and cooperation among channel members (Razzaque and Boon, 2003) and to lower channel conflict (Webb and Hogan, 2002). This study considers factors that export decision makers look for when selecting a China based intermediary and the role (if any) that channel intermediaries in the export market play in the packaged food product customisation decision.
Conclusions

While this study acknowledges the extensive conceptual and measurement work which has done on organisational performance and specifically in the area of export performance, this study does not attempt to decide on the most appropriate measure(s) of corporate and export performance, and does not attempt to directly measure these. The literature reviewed in this chapter – whether on organisational performance in general or on export performance specifically - illustrates the complexity of that task- one which has been chosen to place beyond the purpose of this dissertation. The current study explores how such managerial decisions are made. The concepts of organisational and export performance are subject to multiple competing conceptualisations and competing measurement metrics. Like this study’s research subjects, it is assumed that managerial decision making does impact a firm’s performance. However measurement of that performance is not the focus of this study. Rather this study seeks to model how such decision making occurs.

In summary, export performance measures must be aligned with the organisation’s overall performance measures. In this chapter, a number of metrics were suggested for measuring export performance, as were the factors influencing an organisation’s export performance. In addition, the role intermediaries perform in the delivering export goals was also considered.

In the next chapter consideration is given to the important role that consumer ethnocentrism and country of origin effects play on the product C/S decision for export packaged food products.
Chapter 4

Consumer Ethnocentrism, Country of Origin and the Customisation/Standardisation Decision

Introduction

The relaxation of trade policies, specifically the reduction of import tariffs under the influence of globalisation, has provided consumers with more foreign product choices than ever before. Chinese consumers are subject to this increased choice. China’s rapid development of an American style consumer culture, defined by Arnould and Thompson (2005) as “a family of theoretical perspectives that address the dynamic relationships between consumer actions, the marketplace, and cultural meanings”, is revolutionising the lives of hundreds of millions of Chinese (Kotler, 2010). Consequently, their attitudes towards products originating from foreign countries are of interest to international business and consumer behaviour researchers (Wang and Chen, 2004). Products may be linked to a country by virtue of its location, weather, and natural resources or because of traditional manufacturing expertise (Usunier and Cestre, 2007). In addition, products may be linked to countries because the particular country is known for its product innovation and development.

Previous research has supported the idea that consumers hold stereotypes of countries other than their own (Herz and Diamantopoulos, 2013). These stereotypes affect the way consumers perceive products made in other countries (Liu and Johnson, 2005). Extant research into country of origin has revealed that country stereotypes are universally held (Cuddy, et al, 2009), whilst other scholars found that country stereotypes are used as a heuristic to simplify product choice (Chattalas, Kramer, and Takada, 2008), although these stereotypes could result in erroneous perceptions of foreign made products (Yoo and Donthu, 2005).

Because of globalisation, COO has now become a managerial decision variable (Brodowsky, Tan and Meilich, 2004; Hoffman, 2000). An international marketing organisation may choose
to design products in one country and manufacture and assemble them in another using raw materials or components from a variety of locations around the globe, for the purpose of marketing those products in different countries again.

Consumers’ intentions to purchase domestic compared to foreign products are influenced by perceived quality (Wang and Chen, 2004). In the literature, quality perception is treated as a multi-dimensional construct including appearance, colour and design, fashion, durability, function, reliability, texture, prestige, value for money, technical advancement, and workmanship (Insch and McBride, 2004). The effect of visual sensations should not be underestimated. Human perception of quality is dependent on visual image (Wang, et al., 2004). At least at pre-trial, this is possibly true even for packaged food products.

Previous studies in this area have suggested a positive correlation between the evaluations of domestic products and a nation’s level of economic development (Verlegh, 2007). Consumers tend to purchase products made in a technologically advanced nation if they judge that product’s quality as better than that of a good produced in a less developed country. Moreover, a product’s COO often serves as a cue activating a consumer’s ethnocentric tendency (Huddleston, Good and Stoel, 2001). As such, willingness to buy domestic or foreign made products is influenced by both ethnocentrism and quality judgement (Wang and Chen, 2004). These influences may of course, be contrary to each other.

Definitions of Ethnocentrism

Sinkovics and Holzmuller (1994) define ethnocentrism [cf. Sumner (1906, p.13)] as

‘The view of things in which one’s group is the centre of everything, and others are scaled and rated with reference to it. Each group nourishes its own pride and vanity, boasts itself superior, exalts its own divinities, and looks with contempt on outsiders’.

Klein and Ettenson (1999, p. 6) simplify the definition as:
The belief among consumers that it is inappropriate, or even immoral, to purchase foreign products because to do so is damaging to the domestic economy, costs domestic jobs, and is unpatriotic.

Pecotich and Rosenthal (2001, p. 34) offer:

… ethnocentric consumers believe that the purchase of imported goods is wrong because it results in damage to the domestic economy and is unpatriotic.

‘Consumer ethnocentrism’ suggests that nationalistic emotions affect attitudes about products and purchase intentions (Usunier and Cestre, 2007). This concept assumes that if a consumer holds feelings of ethnocentrism, he or she will believe that it is wrong to purchase foreign goods on economic and moral grounds (Parker, Haytko, and Hermans, 2011). Highly ethnocentric consumers are probably most prone to biased judgement by being more inclined to adopt the positive aspects of domestic products and to discount the virtues of foreign made products (Watson and Wright, 2000).

Whilst the definitions above are useful in understanding the possible effects of ethnocentrism, each of the definitions is socially based, that is, based on people in a society, rather than a view of people specifically as consumers. To this end, Shimp and Sharma (1987, p. 280) define consumer ethnocentrism as:

The beliefs held by consumers regarding the appropriateness and morality of purchasing foreign made products.

Implicit in the Shimp and Sharma (1987) definition is likelihood that the export managers will investigate and consider the extent to which Chinese consumers exhibit ethnocentric tendencies towards foreign food products when selecting foreign markets or discrete consumer segments within those nations to enter. COO and consumer ethnocentrism is therefore likely to figure in marketers C/S decision making.
The Influence of Ethnocentrism

To investigate the consequences of ethnocentrism, researchers have hypothesized that certain variables have an effect on the relationship between ethnocentrism and attitude, and in turn, attitude and purchase intention (Usunier and Cestre, 2007). These variables include product necessity, product serviceability, and COO and consumer animosity. In a similar vein, Klein and Ettenson (1999) suggest that international marketers make the distinction between consumer ethnocentrism and consumer animosity. Conceptually, it is likely that some consumers may find it perfectly acceptable to buy foreign products from a variety of countries, but refuse to buy a product from a specific country toward which they feel enmity. To that end, they distinguish between general consumer ethnocentrism, which assesses beliefs about the purchase of foreign products generally, while animosity is thought to be comprised of (negative) consumer attitudes toward purchase from a specific country.

Perspectives of Ethnocentrism

Scholars have used diverse approaches to understand the effects of ethnocentrism on international marketing. Table 4.1 summarises these views.

Table 4.1 Perspectives of Ethnocentrism

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<tr>
<td>Cultural</td>
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<td>Strategic Marketing Approach</td>
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More recently, a growing Chinese middle class is resulting in demand for well known locally produced brands ahead of those manufactured overseas or carrying a foreign brand name (Parker, Haytko, and Hermans, 2011). Further, as Ewing, et al. (2002) suggest, Chinese brands are beginning to emerge at the expense of better known foreign brands. In turn, these domestic brands are increasing their domestic market share. This change in thinking among Chinese consumers towards local vis-a-vis foreign made goods provides managerial decision makers with an important challenge to their China export marketing strategy.

Some research supports the notion of a hierarchy of foreign countries which may exist in terms of consumer response. Developed countries such as the United States, Germany and Japan are associated with high quality products whereas newly developing countries such as China, Korea, and Taiwan are associated with poorer quality products (Han, 1989). The notion of a hierarchy of foreign countries impacts on export decision makers to the extent that consumers are influenced by the import nation’s perceived status as a producer of quality products (Kaynak and Kara, 2002).

**CETSCALE**

First developed by Shimp and Sharma, CETSCALE (Consumers’ Ethnocentric Tendencies Scale) represents an accepted means of measuring consumer ethnocentric tendencies across cultures/nations (Kaynak and Kara, 2002). This scale is comprised of 17 items. Consumer ethnocentrism involves the tendency of consumers to exhibit a positive or favourable predisposition towards products originating from their own country while rejecting imported products (Kaynak and Kara, 2002).

CETSCALE was designed to measure consumer ethnocentrism to better understand, explain and predict consumers’ behavioural tendencies towards foreign made products compared to domestically produced products (Hult and Keillor, 1994). So far, the CETSCALE has been validated through applications in multiple countries, using multiple products, and was found to possess a high degree of validity and reliability (Good and Huddleston, 1995; Huddleston, Good and Stoel, 20005). Further, scholars have established uni-dimensionality,
factor structure invariance, and discriminant validity (Netemeyer, Durvasala and Lichtenstein, 1991)

Country of Origin (COO)

Country of origin (COO) is one of the most studied phenomena in international marketing (Jossiasen and Harzing, 2008; Saimee, 2010, 2011; Samiee and Lenoidou, 2011; Usunier, 2006; Usunier and Cestre 2008). Such is the importance of COO, that Felzensztein, Hibbert, and Vong (2004) question whether COO is now the fifth element of the marketing mix. The central premise of COO is that to compete successfully in foreign markets, export decision makers should consider attitudes towards products made in different countries. The decision maker is usually concerned with whether the identification of a product with a particular COO enhances or detracts from consumer attitudes towards that product and its brand. In addition, major global events such as the opening of communist China to trade with the rest of the world, the formation of the European Economic Union, and the re-unification of Germany, have contributed to the increased awareness of an interest in the effects of (COO) as an information cue used by consumers to make product evaluations (Pecotich and Ward, 2007; Webb and Po, 2000; Zhang, 1996). In an extensive review of the COO effects, Al-Sulaiti and Baker (1998) suggest that COO should constitute the fifth elements of an exporting organisation’s marketing mix.

Scholarly interest in the COO effect has resulted in a diverse range of studies in this phenomenon. For instance Paswan and Sharma (2004) argue that consumer knowledge of a brand’s country is crucial for the transfer of the COO image to the brand image, whilst Grunert (2005) posits that the effects of a new product’s COO on consumers’ perceptions of its quality is important to product strategy. In addition, scholars (Laroche, et al., 2005) suggest that through familiarity with products from different countries, consumers develop country images that have considerable impact on their evaluation of those products. Against this backdrop, Martin, et al., (2011) suggest that COO effects among consumer occur naturally and automatically. Thus, consumer may be unaware of any country association they make.
Defining COO

In simple terms country of origin is defined as the country with which a particular product or service is associated (Nakra, 2006). COO effect refers to the extent to which the place of manufacture influences product evaluations (Gurhan-Canli and Maheswaran, 2000b). In contrast to these explanations, Lampert and Jaffe (1998) define COO as ‘the impact which generalisations and perceptions about a country have on a person’s evaluations of the country’s products and/or brands.’

Several authors suggest definitions of COO including ‘the positive or negative influence that a product’s country of manufacture may have on consumers’ decision process or subsequent behaviour.’ (Watson and Wright, 2000, cf. Elliott and Cameron, 1994), whilst Samiee (1994, p. 2) offers a simple definition of COO. He posits that COO denotes the country with which a firm is associated. Typically, this is the home country for a company.’

How does COO operate? Several researchers have attempted to conceptualise and model COO. In his ‘halo model’ Han (1989) posited that consumers might use country image as an information cue to infer the quality of a brand when consumers are not familiar with products of the source country, while Lascu and Giese (1995) looked at retailers’ COO (rather than product COO) as a cue for determining product quality perceptions. Conceptually, researchers have attempted to distinguish between quality as ‘physical superiority, excellence, conformance to requirements or level of product performance’ and perceived quality ‘defined as the consumers’ judgement about a product’s overall excellence or superiority’ (Zeithaml, 1988, p.3). In contrast to Han’s (1989) ‘halo model’, the ‘construct model’ states that consumers infer product information directly from country image instead of indirectly through product attribute ratings (Skaggs, et al., 1996). These models suggest a useful framework for export decision makers because they provide insight into how consumers in an export market behave towards foreign made goods. For instance, country image may behave like a ‘halo’ when consumers are totally unfamiliar with a particular country’s foods. As they become acquainted with that country’s products, country image may become a ‘construct’ that summarizes consumers’ beliefs about product attributes and directly affects their attitudes towards the product (Chryssochidis, Krystallis, and Perreras, 2007).
Consumer attitudes towards foreign made goods are important strategic considerations in reaching managerial decisions (Kotler and Gertner, 2002). There is ample evidence to suggest that consumers pay significant attention to country related product information (Kim, 1995; Bilkey and Nes, 1982; Hong and Wyer, 1990). Consumers evaluate products on the basis of information cues available (Wang and Lamb, 1983). Research findings suggest that COO is a multidimensional construct (Almonte, et al., 1995; Pisharodi and Parameswaran 1992; Parameswaran and Pisharodi, 1994). Studies on COO effects should not only incorporate product specific evaluation but also general attitudes towards a particular country (Pecotich and Ward, 2007). Since the product itself consists of complex physical and symbolic attributes, researchers have long studied consumer attitudes towards different aspects of products originating from different countries (Allen, Gupta and Monnier, 2008; Kotler and Gertner, 2002). However, as Churchill and Gilbert (1979) suggest, varying definitions and conceptualisations of the same phenomenon is considered as one of the main problems impairing progress in this research field. Further, the research has failed to clearly distinguish between various conceptualisations and interactions with other cues such as brand and quality (Pecotich and Rosenthal, 2001), or brand and COO (Pecotich and Ward, 2007). Results from multi-cue evaluations of COO may be of interest to packaged food exporters because of the multi-sensory impacts of food products (Almonte, et al., 1995).

Despite numerous studies of research concerning COO effects, examinations of country image effects as they pertain to food products are limited in number and scope (Almonte, et al., 1995). With increasing trade of food products across international borders, country images related to health, nutrition and safety become potential variables in the decision to customise or standardise food exports.

A great amount of research has demonstrated that COO has influence on consumers’ product evaluations (Liu and Johnson, 2005). There have been two main streams of COO research. One stream is trying to clarify what antecedents affect COO effects, which includes COO determinants such as processing motivation, goals, and type of information (Gurhan-Canli
and Maheswaran, 2000a) or other antecedents of the COO effect (Roth and Romeo, 1992). The other stream is dedicated to understanding how consumers use COO in product evaluations (Bloemer, Blijs, and Kasper, 2009). In addition, the measurement of consumers’ attitudes towards foreign made or branded products has attracted considerable scholarly interest from the perspective of C/S of goods to suit COO perceptions (Kaynak, Kucukemiroglu, and Hyder, 2000; Liu and Johnson, 2005; Martin, et al., 2011).

Many researchers have focused their attention on the relative influence of COO information compared to other products cues for instance, brand name, price, and store location (Tse and Gorn, 1993; Han and Terpstra, 1988). These scholars posit that certain products are considered more ethnic, more typical of some countries than others, and manufacturers of these goods attempt to benefit from these linkages by referring to their national origin in the marketing of their products (Niss, 1996). Niss (1996) provides export decision makers with a conceptual framework for considering COO. This framework is illustrated in Figure 4.1.

**Figure 4.1: Country of Origin over the Product Life Cycle**

![Diagram of Country of Origin over the Product Life Cycle]

Tse and Gorn (1993) observed that COO effects weaken as the COO construct is decomposed into multiple facets. ‘Country of assembly’ (COA) and ‘component COO’ also affects quality evaluations. Further, a well-known brand name can override negative COA effects and that product experience can reduce the effects of component COO.

An experimental study conducted by Hui and Zhou (2002) found that COO information had a direct effect on overall product evaluation and an indirect effect (through product evaluation) on perceived product value. This in turn determined purchase intention. Hui and Zhou (2002) addressed conceptual relationships among three variables – consumer evaluations of product quality, perceived product value, and purchase intention in the context of COO effects. Hui and Zhou (2002) found that purchase intention was directly affected by brand name and price factors, but not COO.

Supporting Hui and Zhou’s (2002) view of the effects of COO of consumer product choice is Ettenson, Wagner and Gaeth (1988). Their analysis assessed consumer decision making before and after the introduction of a ‘Made in the USA’ campaign. Their study revealed that the impact of COO is rather small and concludes that retailers should be cautious in using patriotic themes in promotions since their effectiveness has yet to be proven.

A framework that matches the importance of product category dimensions with the perceived image of the COO along with the same dimensions is offered by Roth and Romeo (1992). They conclude that such matches can be favourable or unfavourable. They suggest international marketers can use product-country match information to assess consumers’ purchase intentions, and assist them in managing their product’s COO. Similarly, favourable or unfavourable experience with products or brands from a specific country may colour evaluations of other products or brands from that country (Teas and Argawal, 2000). Finally, as Thakor and Kohli (1996) suggest, causal inspection reveals that the ‘made in’ label is nowhere near as salient as brand, or price, or feature information. In contrast, academic studies allow this cue a weight equal to other cues. Despite this, brand name and price are still found to have considerable impact on consumer perceptions (Brucks, Zeithaml, and Naylor, 2000).
The fact that a product’s origin matters to consumers has significant strategic implications for organisations engaged in both domestic and international businesses.

There is substantial empirical and conceptual evidence that COO is a multidimensional construct. Concepts of COO are summarised in Figure 4.2.

**Figure 4.2 – Constructs of Country of Origin**

<table>
<thead>
<tr>
<th>Concepts of COO</th>
<th>Author</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cultural Perspective</td>
<td>Balabanis, Mueller, and Melewar (2002); Kaynak and Cavusgil (1983); Upadhyay and Singh (2006)</td>
</tr>
<tr>
<td>Product Attributes and Product Quality</td>
<td>Dzever and Quester (1999); Hong and Wyer (1990); Huber and McCann (1982); Lin and Sternquist (1994); Landwehr, Wentzel, and Herrman, 2012; Thode and Maskulka (1998); Zeithaml (1988)</td>
</tr>
<tr>
<td>Purchase Intentions</td>
<td>Parker, Haytko, and Hermans, (2011); Verlegh and Steenkamp (1999)</td>
</tr>
<tr>
<td>Purchase Risk</td>
<td>Tan and Leung (1999)</td>
</tr>
<tr>
<td>Industrialised versus Non-Industrialised countries</td>
<td>Bhuian (1997); Johansson and Nebenzahl, (1986); Nguyen, Nguyen, and Barrett, (2008)</td>
</tr>
<tr>
<td>Purchase Intent versus Actual Purchase</td>
<td>Peterson and Jolibert (1995); Zeithaml (1988)</td>
</tr>
<tr>
<td>Country Image</td>
<td>D’ Astous and Ahmed (1999); Hoffman (2000); Knight and Calantone (2000); Mossberg and Kлепpe, (2005); Papadopoulos (1993); Papadopoulos and Heslop (1993); Roth and Romeo (1992)</td>
</tr>
<tr>
<td>Conspicuous Consumption</td>
<td>Piron (2000)</td>
</tr>
</tbody>
</table>
In an effort to provide some generalisable knowledge of COO research, Peterson and Jolibert (1995) undertook a meta-analysis of the COO effect literature to quantitatively assess the COO effect, and found that COO effects are only somewhat generalisable from one country to another.

Oberneff and Spangenberg (1989) developed a framework useful for analysing the various ways in which COO influences product evaluations. Their study attempted to account for
much of the diversity found in COO literature using an information processing perspective based on the Extended Fishbein model (Fishbein and Ajzen, 1975). The framework distinguishes between cognitive, affective, and normative processing of the COO cue. This framework is illustrated in Figure 4.3.

**Figure 4.3: A Framework for Evaluating COO Influences in Product Evaluations**

<table>
<thead>
<tr>
<th>Mechanism</th>
<th>Description</th>
<th>Major Findings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cognitive</td>
<td>COO is a cue for product quality</td>
<td>COO is used as a ‘signal’ for overall product quality and quality attributes such as reliability and durability</td>
</tr>
<tr>
<td>Affective</td>
<td>COO has symbolic and emotional value to consumers</td>
<td>COO is an image attribute that links the product to symbolic and emotional benefits, including social status and national pride</td>
</tr>
<tr>
<td>Normative</td>
<td>Consumers hold social and personal norms related to COO</td>
<td>Purchasing domestic may be regarded as a ‘right way of conduct’, because it supports the domestic economy. By the same token, consumers may refrain from buying goods from countries with objectionable activities or regimes</td>
</tr>
</tbody>
</table>


Perhaps surprisingly, in one of the few studies to examine cognitive processes that mediate the effects of COO on product evaluations, Hong and Wyer (1989) found little evidence that a product’s COO influenced the way the other product information was interpreted. The ability to evaluate product information is dependent on the ability to infer personally relevant meanings about the product information (Del Rio, Vazquez, and Inglesias, 2001). Consumers evaluate product information based on given information as well as inferred beliefs. The managers in this study can be expected to have an interest in knowing what information to provide China’s consumers regarding export food products, and in what manner to present that information so that it creates a positive image of the product.

**Country of Design (COD) and Country of Assembly (COA)**

Assessing the real impact of COO on purchasing behaviour is an important issue facing international marketers. However, when asked directly about the importance of COO in their
purchase decisions, buyers tend to minimise its impact (Yoo and Donthu, 2005). One explanation for this apparent inconsistency is that it is difficult for consumers to judge by themselves how important COO is in the context of a purchase decision (Ahmed and D’ Astous 1995). Specifically, Ahmed and D’ Astous (1995) found that, although country of design (COD) and country of assembly (COA) affect the product evaluations of both consumer and industrial purchasers, industrial buyers tend to place more importance on COD than their household counterparts. Similarly, Chao (1993) showed that COD and price level significantly affect the design and overall quality perceptions of United States consumers of colour televisions, whereas COA influences the overall product evaluations only.

To illustrate the relationship between COO and COA, Al-Sulaiti and Baker (1998) provide a basic framework for export decision makers to use when considering these interdependent concepts.

Distinguishing COO from COA may be important for export decision makers who may use the distinction to emphasize or de-emphasize an aspect of the foreign product’s marketing. In the case of food products, the ingredients may have been produced in New Zealand, assembled and formed into a branded product in Australia, and then exported to China for retail sale. Export decision makers can determine whether they emphasize the New Zealand produce, the Australian manufacturing and branding, neither or both. In addition, the packaged food export decision maker can determine the extent to which they emphasize COO or COA elements.

In their study into country of assembly and country of design cues, Acharya and Elliott (2001) found that country of assembly is the most important factor in evaluating of product quality and choice. The effects of country of design, brand, and price while significant, are secondary consumer consideration in product evaluation.

Ronen and Shenkar (1985) reviewed eight empirical studies using attitudinal data to cluster countries. Their findings suggest that export decision makers should cluster nations according to similarities on certain cultural dimensions. These dimensions typically measure values, norms, and needs. These dimensions influence whether a product needs to be customised for successful export into the (clusters of) nations, and the extent to which a product might need
to be customised. Alba and Hutchison (1987, p. 413) suggest that consumer product knowledge has two components: familiarity and expertise. Familiarity is defined as: the number of product related experiences accumulated by a consumer. Similarly, Alba and Hutchison (1987, p. 413) define expertise as: the ability to perform product related tasks successfully.

Familiarity has proven to facilitate the acquisition of new information as well as the use of existing information (Money and Crotts, 2003). Money and Crotts (2003) proposed consumers from national cultures characterized by higher levels of uncertainty avoidance use information sources that are related to the channels. However, subjects in the high familiarity category considered brand information only one of the attributes to generate complex brand evaluations (Van Rompay, Pryun, and Tieke, 2009).

Much of the product customisation/standardisation literature as it relates to COO assumes that COO can act as a cue of product quality. Exporters must determine what constitutes product quality within their chosen international market(s). Firms in globalising environments may be more inclined to benchmark their quality standards against those of a wider range of competitors (Calantone and Knight, 2000).

Research on the effects of COO on consumer purchase choice has used self-reports (e.g. ‘When you buy a product, how important is it for you to know where the product was made?’). Such self–reports are subject to various biases and inaccuracies (D’ Astous and Ahmed, 1999). This may explain why so much empirical research to date devalues the effect of COO on consumers’ product choice. Furthermore, while COO effects have been studied for the three decades, research has yet to advance beyond uni-national products that involve a single COO, that is, purely domestic and purely foreign products (Han and Terpstra, 1988). In particular, studies have not presented direct empirical indication with respect to the effects of international branding and sourcing strategies such as local versus international branding and local versus foreign product sourcing product evaluations (Han and Terpstra, 1988). Likewise, single cue studies, that is, those that focused on one sensory cue to determine COO, produced larger COO effects than did multiple cue studies.
Teas and Agrawal (2000) developed a conceptual model that suggests that quality and sacrifice perceptions mediate linkages between (a) antecedents of consumers’ quality and sacrifice perceptions (e.g. brand, store, and price) and (b) consumers’ perceptions of value. COO is specified as an extrinsic quality cue and as a moderator variable thus as indicated in Figure 4.4.

**Figure 4.4: The Effects of Extrinsic Product Cues**

[Diagram of the effects of extrinsic product cues on perceived quality, value, and sacrifice]

This study indicates that COO cue was found to have a significant effect on the perceived quality for the two products examined (wristwatches and calculators). However, the findings do not support the hypothesis of COO as a moderating variable.

A similar study on product cues as a decision-making factor among international consumers was conducted by Forsythe, Kim and Petee (1999). The study was a simultaneous examination of three product cues frequently used in the decision process for the purchase of female apparel products in Shanghai and Seoul. It sought, firstly, to examine how Chinese and Korea use extrinsic and intrinsic product cues in apparel evaluations and purchase decisions. Secondly, it sought to compare the impact of selected product cues on consumers’
evaluations of an apparel product and their purchase intentions toward the product across the two countries. The study resulted in the development of a conceptual model illustrated in Figure 4.5.

**Figure 4.5: A Conceptual Model for Cue Usage in Product Evaluation and Purchase Intention**

The findings of the Forsythe, Kim, and Petee (1995) reveal that design is a product attribute that impacts on consumer evaluations and purchase intentions for both Chinese and Korean consumers. Brand name was not a strong cue in product evaluations for consumers in either country, although it was significant predictor of value perceptions among Chinese consumers. The study is of importance to this research for several reasons. Firstly, design is a product attribute that export decision makers can adapt or customise to suit the local conditions in an international market. Secondly, there have been numerous examples where multinational companies have adapted the brand name of one or more of their offerings to suit the conditions of the international market. Finally, the study suggests that Chinese consumers
may perceive foreign labelled brand names in certain product categories as superior or inferior to the domestically produced equivalent products.

Previous research on image variables has generally involved their influence on perceived product quality or another evaluation.

**Country of Origin Effects in China’s Markets**

Little COO research has focused on Chinese consumers. Zhang’s (1996) study investigated how Chinese consumers evaluate foreign made products. Zhang’s experiment examined the influence of culture, product type, and presentation format on the COO effect in China, finding that COO information influences Chinese consumers’ reactions to foreign products. Chinese consumers are particularly sensitive to COO. The results of this study support suggestions that consumers in an emerging market such as China are likely to rely on COO information in their product evaluation and purchasing decision making. The challenge facing export decision makers is how best to develop an offering for China that positively influences the Chinese consumers’ reaction to that foreign offering.

**COO and Branding**

The globalisation of business enterprises has reached a point where it is sometimes difficult to determine with certainty the COO of a brand and thus consumers’ ability to evaluate it. For instance, a brand would be positively evaluated if its attributes certify pre-existing evaluative criteria, and negatively evaluated if the attributes fail to meet the criteria. Brands therefore, are judged as good or bad if a positive or negative country stereotype is activated (Liu and Johnson, 2005). Further, brands can also serve a social purpose by reflecting social ties such as one’s family, peer group, or community (Escalas and Bettman, 2003).

Despite this reality, most previous research into COO effects primarily addressed consumers’ reactions to brands that are foreign made and foreign branded compared to those that are domestically produced and domestically branded. Branding could perhaps be treated as a surrogate for COO where the brand is foreign, although the detailed nature of the branding -
COO relationship is still open to conjecture. Pecotich and Rosenthal (2001) assert that the brand is the most visible extrinsic cue that provides identification and continuity in the market place, whilst Ahmed, d’Astous and Zoutien (1993) found that the brand name explained the largest proportion of variance in product quality rating among consumers. This it enables product developers an opportunity to differentiate themselves through brand names (Michell, King and Reast, 2001). From a psychological standpoint, Escalas and Bettman (2003) assert that consumers value psychological brand benefits because these benefits can assist consumers construct their self-identity and/or present themselves to others. In this study, the customisation or standardisation for packaged food products exported to China may well prove to be influenced by managerial perceptions of branding and COO effects in focal markets.

Most previous research has assessed of COO effects by providing respondents with only a single cue, the country in which the brand is produced, despite the knowledge that consumers evaluate products using multiple cues. To address this, Okechuku (1994) conducted conjoint analysis to investigate the relative importance of the COO of a product to the consumers in the United States, Canada, Germany, and Netherlands. He found that in the four countries and for the two product categories studied, the COO effect of a product is one of the two or three most important attributes in product evaluations. COO was as important, or more so, than the brand name and the price. Thakor and Lavack (2003) found that COO had a greater effect when it was believed by consumers to be a strong indicator of brand quality.

In addressing the relationship between country image and brand evaluation, Leclerc, Schmitt, and Dube (1994) conducted three experiments that examined the notion that foreign branding triggers cultural stereotypes and influences product perceptions and attitudes. They define foreign branding as ‘the strategy for spelling or pronouncing a brand name in a foreign language’, and suggest that foreign branding seems to be targeted primarily toward influencing the brand image dimension of brand equity. Building on Aaker’s (1991), definition of brand equity, namely, the differential effect – the added value – that brand knowledge has on consumers’ responses to the marketing of a brand, brand equity is considered important in an international marketing context, where branding decisions are more complex (Onkvisit and Shaw, 1989), and where consumers’ familiarity with global brands if often not well understood (Merillees, Getz, and O’ Brien, 2005).
Similar research has been conducted by Hoeffler and Keller (2002). Hoeffler and Keller (2002) posit that brand knowledge consists of two dimensions, namely, brand awareness (that is, brand recall and recognition) and brand image (that is, perceptions of a brand that is reflected by a network of brand associations and consumer memory). It is the latter of these two concepts that Leclerc, Schmitt, and Dube (1994) focus their experiments on. Taking Keller’s interpretation of brand image one step further Biel (1993) defines brand image as ‘that cluster of attributes and associations that consumers connect with a brand name’ and suggests that brand image is a key determinant of brand equity.

A study by Yasin, Noor and Mohamad, (2007) found that a brand’s COO image positively influenced dimensions of brand equity and that a brand’s COO influenced brand equity either directly or indirectly through the mediating effects of brand distinctiveness, brand loyalty and brand awareness. In a similar vein, the contributions to brand equity that flow from associating a brand with a global consumer culture have been previously recognised (Guo, Hao, and Shang, 2011; Kapferer, 1992; Yasin, Noor and Mohamad, 2007). Shocker, Srivastava and Ruekert (1994) hypothesize that building a global image gives a brand more power and value. In addition, globally positioned brands are likely to have a special credibility and authority (Kapferer, 1992).

Pan and Schmitt (1995) hypothesised that the way a brand name is written should be a more important predictor of brand name attitudes in Chinese than English. Since the ideographic nature of Chinese characters (i.e. the Chinese alphabet), Pan and Schmitt also correctly predicted that a Chinese word is more likely than an English word to be associated with mental imagery. Further, Schmitt and Zhang (2012) found that managerial decision makers intuitively use linguistic sound and meaning characteristics, that is, which sounds and meanings best fit for the Chinese translation of the English names, given that English is a letters based phonographic language, and Chinese which is a visual, character based language.

The implications for the current research are that exporters looking to adapt their product for China may find the brand name chosen for that product in China influences the likelihood of
that product being accepted by Chinese consumers. This is particularly important given the time, resources, and effort that organisations spend when creating brand names (Helm, 2009).

Several authors have found that a product’s brand name and image may be a proxy for COO cues. For example, brands like Ford, Nestle, and Samsung may automatically activate origin cues among consumer segments, even though the name of the COO does not appear in the brand name (Harris, et al., 1994). Other authors (e.g. Erickson, Johansson and Chao, 1984) found the effect of image variables on attitude towards a foreign made product is indirect, apparently a secondary influence operating through personal beliefs. Hennessey, Bell and Kwortnik (2005) on the other hand, posit that a product’s brand name has implications for word recognition and practical implications for strategic marketing. Pan and Schmitt (1995) support this view. Hennessey, Bell, and Kwortnik’s (2005) research is supported by another study that showed the phonetic properties of a brand name could influence consumer judgement (Yorkston and Menon, 2004). Of importance to this study, is whether there it is necessary to adapt a local brand name to an international market, or whether it is better to give an existing or new product a new brand name for one or more international export markets.

The few marketing studies that have been conducted on brand naming suggest that a brand name should be short, distinctive, memorable, and indicative of the product’s functions, and pronounceable in several languages (Francis, Lam, and Walls, 2002). Furthermore, despite its theoretical and practical importance, the issue of cross-cultural difference in brand name perceptions, and what constitutes a good (or bad) brand name in China has been largely ignored (Pan and Schmitt, 1995). However, as noted by Dawar and Parker (1994), few studies have considered whether product cues are used to the same degree by consumers in all cultures. Dawar and Parker (1994) examined consumers’ use of cues in product evaluations in an international setting and found that brand name, price, and physical appearance of the product were the most important cues in judging product quality among the international consumers sampled. These findings are congruent with those of Phillips, Chang, and Buzzell (1983) who have empirically shown that product quality has a significant impact on an organisation’s performance. Some studies found that Chinese consumers use high profile brand names to provide security because of their limited experience with a modern free market system, most notably Nisbett, et al., (2001). From a marketing mix perspective,
Teas and Argawal (2000) found that the greater the number of product cues that consumers were exposed to, the less they rely on the product’s price as an indicator of product quality.

Against this backdrop, the challenge facing export marketers is to understand how word recognition theory might influence their choice of band name in one or more international markets, and how this decision in turn might influence the brand’s packaging and marketing communication.

**Globalisation and COO**

A study by Tse and Gorn (1992) was designed to assess the salience of COO in the context of global brands. The relative impact of, and possible interaction between, COO and brand name in consumer product evaluation has managerial implications for international product planning and decision-making. They found COO to be a more enduring factor in consumer product evaluation than a global brand name. They suggest that evaluations after product experience tend to be more valid and stable in predicting consumer response because effects of both pre-experience treatments and product experiences were captured. Perhaps, the use of COO as a proxy or surrogate for other information suggests that prior experience or familiarity with a particular product class or brand may influence the impact of COO on evaluations (Teas and Argawal, 2000).

Tse and Lee (1993) followed Tse and Gorn’s (1992) two part study into the ways in which negative country images can be removed, with a view to enhancement of managerial product decision-making, Tse and Lee (1993) found that subjects do not seem to differ either in psychological mechanism they use or in their confidence in evaluating a product that is ‘made in’ a country compared to a product that has its ‘components from’ and ‘is assembled in’ the same country. This raises a paradox. Products from low production cost countries, that often have unfavourable country images, have been well accepted by consumers. A possible reason for this discrepancy is that developments in the marketplace seemed to have outpaced country image studies. Products with multiple countries of origin are increasingly common (Tse and Lee, 1993).
In summary, previous research on the effects of COO on foreign made and exported products has examined:

- how country images influence beliefs about product attributes (Cordell, 1991); how beliefs affect evaluative attributes, (Ericksen, Johnson, Chao, 1984);
- how information processing influences COO cues (Hong and Wyer, 1989); how attitudes influence product choice (Wall and Heslop, 1986);
- how COO interacts with environmental and others factors such as store image and warranty (Wang and Lamb, 1983);
- how experts versus novices use COO cues differently (Maheswaran, 1994), and
- how demographics such as gender and education influence consumers’ preference (Bilkey and Nes, 1982).

Some researchers have adopted a geocentric approach to the effects of COO on international marketing (Ettenson, 1993), whilst others have focused on specific countries (Han and Terpstra, 1988). The hypothesized relationships are generally consistent, but researchers have not always been able to demonstrate statistical significance (Javagli, et al., 2005). Further, previous studies have emphasised three types of explanatory variables.

1. Image of and preference for country of manufacture (Samiee, 1994) or branding;
2. Attributes of certain products of interest (e.g. quality, reliability, durability, price, workmanship, brand name); and
3. Individual characteristics of the actual or simulated buyers, primarily demographics, but also certain individual-oriented psychological constructs (e.g. cognition) (Jensen and Hansen, 2007).

From a managerial perspective, if COO were a positive cognitive or affective cue, exporters would benefit from emphasising this attribute to potential customers. Similarly, de-emphasising a negatively associated COO cue would also be of value to manufacturers and exporters of goods (Obermiller and Spangenberg, 1989). Of interest to this study is the question of role these explanatory variables have in the decision to, and the extent to which, exporters customise or standardise the products they market to foreign countries. Specifically, this study is interested in how these variables affect the product customisation or standardisation decision for packaged food export products to China.
The research on COO has resulted in the following conclusions (Pecotich and Ward, 2007):

- an overall preference for domestic made goods and services exists;
- foreign countries may be ordered by consumers in terms of their overall expected competence in producing goods and services, and
- the images of countries are multidimensional

**Country of Origin, Food Products, and Food Labelling**

Food labelling is a prime marketing tool for domestic and international marketers. Food labels are a key source of information for the consumer. In addition, food labels serve as a regulatory control vehicle in respect of consumer protection and fair trading (Senarath and Karunagoda, 2012). Thus, food labels may need to be adapted to conform to each country’s food labelling regulations. In this section, the current study considers the relationship between food labelling and COO.

Studies have indicated that, in general, consumers establish connotations between certain products and their origin (Skuras and Vakrou, 2002). Food products appear to embody strong associations with place as they have, by their very nature, a land based geographic origin (Tedone, et al, 2007). Another study (Tregear, Kuznezof, and Moxey, 1998), making use of focus groups, identified that although there are not such clear indications on exact linkages between consumer perceptions and places where the food is produced, origin relates to the delivery of quality and authenticity. In a broad context, Grunert (2005) suggests that quality has an objective and a subjective dimension. Objective quality refers to the physical characteristics built into the product and is typically dealt with by engineers and food technologists. Subjective quality is the quality as perceived by consumers. The relationship between the two is at the core of the economic importance of quality: only when producers can translate consumer wishes into physical product characteristics. To date, there is no definition of food product quality that is linked to the product’s country of origin. Despite the lack of a universal operational definition, the Galvez and Resurreccion (1992) provide a useful definition of quality food products as:
The acceptance of the perceived characteristics of a product by consumers who are the regular users of the product category or those who comprise the target market.

Implicit to this definition is the implication that quality in food products can be adapted for the market that the product is trying to serve. Food export decision makers make food quality decisions (and hence product customisation/standardisation decisions) for their various international markets. Food producers will supply quality food if it profitable for them or if they are required to do so (Caswell and Mojduszka 1996). Contributions to profitability may stem from increased product differentiation, sales, or from avoidance of costly events such as food poisoning.

Verbeke and Ward (2006) state that labels of quality are strongly needed for food products. This is due to the possibility that consumers know less about how food products are produced and controlled and that there is less consensus on what is good and bad to eat. This tends to increase consumer uncertainty in the food product. Dimara and Skuras (2005) argue that consumers use product labels as cues for product quality. They found that informational labelling linking product to place ranks top among a wide set of information sought on labels. Wansink, Sonka, and Hasler (2004) argue that too much information, or information delivered in a complex format, will not be used by consumers. Korthals (2001) argues that labels, besides their direct shopping aid impact, play a very important third party role in the sense that they are related to a manufacturer’s strategic choices and to the operation of regulatory and information policies. Therein lies another challenge for export food decision makers. How much information is required by law to ensure that a food product’s packaging and labelling conform to a nation’s food labelling regulations? Similarly, how much information on a product’s packaging is expected by consumers, and presented in a manner that is not too complex, yet conforms to a nation’s laws? These product related decisions are customisable on a product by product, nation by nation basis and must be made by export decision makers to ensure that an export product is suitable to an international market.

A field experiment (Taylor and Bower 2004) indicated that consumers’ intentions to comply with product instructions is enhanced when consumers are told how compliance with the instructions will lead to the desired outcomes in terms of product consumption. Prior research investigating methods of inspiring accurate consumer use of product instructions has largely
been limited to heightening the effectiveness of product warnings, rather than simple instructions (Roosen, Lusk, and Fox, 2003). The central tenet of the Taylor and Bower (2004) research is the consideration of methods of improving consumer product instruction compliance when non-compliance with a product instruction does not necessarily lead to a hazardous situation. If customers fail to use products in a manner consistent with the product instructions (often contained on the product’s packaging), marketer efforts to provide customers with high quality products may come to nothing. Consumers’ misuse of products because of failure to correctly follow product instructions may induce dissatisfactory product performance or product failure, resulting in critical and possibly expensive task of instituting a service recovery. Further, if a consumer fails to use a product properly, the consumer may blame the marketer (and/or manufacturer) for the product’s failure (Laufer, et al., 2005).

An implication for packaged food exporters is that not only must they consider labelling their packaging in different languages they may have to cross cultural borders in terms of labelling their products with culturally linked cooking and/or food preparation instructions. Failure to provide accurate (and adequate) cooking and consumption instructions could lessen the marketability of the product in export markets. Kotler (1997) provides export decision makers with a practical guide to the aims of labelling. He states that food products labelling has four functions: To identify, grade, describe and promote the product. These functions enhance the ability to differentiate products, enlarge product attractiveness and assure the customer of a certain level of product quality (Northen, 2000).

As shopping aids, food packaging labels add to consumers’ information base and help guide decisions. The label becomes an instrument of consumer sovereignty (Korthals, 2001). However, food labels’ impact on purchase decisions is also circumscribed because labels are only one element, and not the most prominent or easy to use one, in a broader set of consumer product information (ibid).

Previous studies found that consumers who reported using nutrition label information consumed less dietary fat than those who reported not using information (Kim, Nayga, and Capps, 2001). Lin and Lee (2004) make a link between food label information and dietary behaviour. They suggest that individuals who consume a higher percentage of calories from fat, are less likely to report searching for fat information on food labels. Satia, Galanko, and
Neuhouser (2005) also reported that label users had lower intake of dietary fat than non-users. These findings are important for food exporters. Since fat is a food content and often used to enhance the taste and flavour of food, the level of fat used in foods is determined by the manufacturer. This in turn has potentially important export marketing implications since taste and flavour (derived partially from fat content) may be culture, nation, or segment specific and thus adaptable to the needs of individual markets. Further, if consumers use labelling as dietary information cues as Lin and Lee (2004) suggest that the negative influence of fat intake on information search has important implications for the effectiveness of food labels on consumer dietary behaviour and health status. Individuals who have less healthy dietary habits may tend to ignore food label information that is objectively helpful to improve their dietary quality but is subjectively considered irrelevant, unimportant, or undesirable given consumption behaviour.

Region of Origin

One particular strategy to distinguish products and realise added value (Van Ittersum, Candel, and Meulenberg, 2003) is to develop regional variants of products. Together with specific product qualities, regional image factors create unique identity for the product and in this way bring about added value (van Ittersum, Candel and Meulenberg, 2003).

A wide variety of sources can contribute to the construction of regional images. These may include such things as television, popular music, magazines, and newspaper articles. Burgess (1982, p. 3) defines place images as comprising:

An individual’s beliefs, impressions, ideas and evaluations of different parts of a country.

Of specific interest to this study is the role that export products may play in defining the region from which they originated. Specifically, the present study is interested in consumers’ perceptions (if any) of quality products, their perceptions of links between regional imagery and quality, and factors that influence consumer behaviour in relation to the purchase of regional food products. A particular difficulty in the case of small to medium sized food
exporters is that the development of effective images involves costs that are frequently beyond the resources of these organisations (Henchion and McIntyre, 2000).

Studies (e.g. Skuras and Dimara, 2004; Skuras and Vakrou, 2002) have recorded great value placed by consumers on products that are associated with particular places or geographic regions, while other studies suggest that consumers do not value the quality signal provided by designations of origin (Bonnet and Simioni, 2001). Schooler (1971) found that products identical in every respect, except for their COO were evaluated differently by consumers. Territorial linkages may be particularly appropriate for regions with already strongly developed and unique images (e.g. Hunter Valley wines from New South Wales).

Van der Lans, et al., (2001) also posit that the region of origin cue has a direct effect on regional product preference for some consumer segments. Region of origin refers to a region within a nation (Van Ittersum, Candel, Muelenberg, 2003). For example, the wine growing region of the Barossa Valley, in South Australia rather than a region of the world (e.g. South East Asia). This is an important distinction since many regions within countries are noted for their produce (e.g. Napa Valley wines, South Gippsland cheeses, Bordeaux wines, etc.). The French philosophy is that wine (for example) is an expression of the geographic individuality of places and that place name and production are therefore inseparable (Henchion and McIntyre, 2000).

Such is the importance of region of origin to international marketing, that Van Ittersum, Candel, and Meulenberg, (2003) developed a model that states that differences in product preferences for regional products can be explained from variations in product attribute perception as well as variations in consumer’s attitude towards the product’s region of origin. The underlying premise in the model is that product preference is a function of product attribute perception. Product perception in turn is significantly influenced by the perceived product specific regional image.

Further, previous research has emphasised three types of explanatory variables:

1. country of manufacture or branding,
2. product attributes such as price, quality, durability and reliability (Ailawadi, Neslin and Gedenk, 2001), and
3. individual characteristics of the buyer such as their cognitive state or their demographic profile (Pullman and Gross, 2004).

In addition, a summary of the COO findings suggest several guidelines when attempting to construct a national image strategy for exported products:

- The symbolic attributes that are linked to brands and national images often form consistent patterns in which attribute validates another (Hsieh, Pan and Setiono, 2004)
- The influence of COO stereotypes on product evaluations tends to be stronger when the target consumer is unfamiliar with the product or manufacturing company (Hsieh, Pan and Setiono, 2004)
- Consumers do not use COO in isolation. They evaluate the product and its extrinsic and intrinsic attributes within an overall purchasing context (Hsieh, Pan and Setiono, 2004)
- Consumers from developed nations have a general preference for domestic products. However; foreign products that are sold through prestigious retailers may be able to alter consumers’ preferences in favour of the imported product (Hsieh, Pan and Setiono, 2004).

Conclusions on Ethnocentrism and Country of Origin

Both COO and consumer ethnocentrism has an effect of consumer choice of foreign made and foreign branded goods. As such, these constructs become important variables in this study. COO and consumer ethnocentrism are influenced by the type of product under purchase, the competitive environment, and the location/nationality of the consumer. An organisation’s strategic performance in food export markets may well hinge on how well they’ve understood the level of consumer ethnocentricity found in specific markets and the extent to which this plays a role in food product choice.

Single item attitudinal responses have been used in several studies on the COO effect. In reality, the COO effect is too complex to understand using a single item response (Srinivasan, Jain and Sikand, 2004). Since country of origin is a multidimensional construct that includes
constructs such as country of assembly, and country of design, this study uses a multiple scale item to test the effects of country of origin on the decision of whether or not to customise a packaged food product.

In the next chapter consideration is given to the role of managerial decision making in the context of the packaged food products for export marketing and distribution in China. The packaged food C/S product decision is an important one, since it affects departmental, division and/or corporate performance. The way in which managers approach this decision and the antecedent factors involved are of particular importance to this study as this study tries to understand the particular variables that managers consider when making such a decision.
Chapter 5

MANAGERIAL DECISION MAKING

Introduction

In the previous chapters this study has explored literature which proposes a number of possible precedents and dynamics relating to export food product customisation/standardisation (C/S) – the Chinese economic, cultural and regulatory context, and the potential roles of phenomena such as ethnocentrism and COO related effects in consumer decision making. Concern in the current research is to understand and attempt to model actual decision influences operating as managers consider product C/S decisions regarding exports of packaged foods to China. Previous chapters have provided an evidence based set of potential influences, factors which export decision makers are likely to take into account.

This chapter examines the antecedents and processes of managerial decision making, individual and in group contexts, moving toward empirical work that attempts to model aspects of this process. The chapter also explores two additional variables in export decision making, these being the roles of market research and the role of intermediaries on the product C/S decision. This last factor emerged both from the literature reviewed and from the qualitative work undertaken and reported in chapter six. The literature suggested that export decision makers based their product C/S decision on market research (Andersen, 2006; Cavusgil, 1995; Styles and Ambler, 1994). This research considers who undertakes such market research and where (home country or export destination country) the research is undertaken.

Typical complex managerial decisions regarding product C/S include:

- choice of export markets - Which ones? How many? (Leonidou, et al., 2007)
- packaging and labelling (Ampuero, 2007; Ampuero and Vila, 2006)
• product line extensions (Hamilton and Chernev, 2010) and branding (Theodosou and Leonidou, 2003)
• a huge range of product variation possibilities, which have been discussed in previous chapters.

How managers reach strategic decisions related to the development and marketing of products into export markets, including crucial product C/S decisions, is little understood, while seemingly endlessly speculated upon (Smith, Collins, and Clark, 2005). As this study has previously suggested, research has focussed on establishing normative guidance regarding various factors which are proposed as being relevant or even important in export marketing success. The research has been seen to be at times contradictory or inconclusive (Bisbe and Otley, 2004). In addition, actual decision makers may or may not even be aware of such research, although it is expected they would be aware of many of the factors explored. They may or may not have any kind of formalised model guiding them in their work (Krantz and Kunreuther, 2007). This study seeks to uncover a ‘model (or models) in use’, to move beyond speculation to an understanding of the extent to which different factors actually influence these key product decisions, whether such models are followed in any conscious way by practitioners or not.

Managerial Decision Making: An Introduction

Strategic decision making is argued to enhance performance because it allows decision makers to develop greater insights into their environment and become more realistic and effective in their assessments of the environment’s potential impact on the organisation. Some scholars (Atuahene-Gima and Li, 2004) proposed the following broad categorisation of factors influencing strategic managerial decision making: Managers’ individual characteristics and group dynamics; internal organisational context, and environment factors.

This section addresses theories of managerial decision-making, framed within two contexts, those of theories on individual decision-making, and on group decision-making processes. Decision making should be considered within a cultural context. Some or all of the export food C/S decision makers may be in a different country from the target market. Social and
cultural factors, including incentive systems binding individuals to work groups, authoritarian management systems and employment policies, and high valuation on trust, cooperation, reciprocity, and harmony are embedded in Chinese work culture (Buchan, Croson and Dawes, 2002). Such dynamics may be very different in the context of non-Chinese export decision makers.

**Theory on General (Individual) Decision Making Behaviour**

Ward Edwards is considered by many to be the father of behavioural decision-making, his 1954 paper marking the birth of research in this area. Edwards’ underlying assumption is the existence of a rational agent, termed ‘economic man’. Underlying this normative view of decision-making is an assumption that decisions ought to be made on rational grounds (Cox, 2002). Non-cognitive factors such as emotions, motivations, or moral considerations should have no impact on the decision process unless they can be justified by rational means. Since Edwards’ (1954) work was published, descriptive theories of behavioural decision-making have emerged. These theories place greater emphasis on the emotional elements influencing the decisions being made.

According to Keren (1996) a ‘reasonable’ decision is one that (i) can be justified and supported by arguments, and (ii) will supposedly be endorsed by most people after sufficient deliberations. This raises questions concerning what types of argument would provide adequate ‘justification’. Numerous potential sources of such justification, such as exporter organisational factors, target market structural and cultural factors, COO, and branding effects are suggested in previous chapters.

**Decision Quality and Choice**

Vroom (2000) posits that the starting point for any decision-making is the ‘quality’ of the decision. Well-reasoned, analytically sound decisions are consistent with organisational goals and with potentially available information about the consequences of alternative means of achieving them. In the same vein, Dutton (1993) and Cameron, Dutton and Quinn (2003)
argue that the way managers categorise a decision in the early stages of the decision making process strongly influences the organisation’s subsequent response.

Vroom (2000) also suggests that decision implementation is second in importance to sound decision-making, as many high quality decisions have been ineffective due to ineffective implementation. Successful implementation depends on the extent to which people involved in the decision are committed to its success. Vroom also believes that the costs of making a decision may influence the quality of the decision made. For instance, increasing the amount of participation will increase the time elapsed in making the decision, increasing the number of hours consumed by the process. International marketers may be under time pressure to embrace market opportunities in foreign countries, especially if making a quick decision and acting on that decision gives the international marketer a competitive advantage in the foreign market(s). Vroom’s logic suggests that such pressure may reduce the time taken to make the decision, but also its quality. Nevertheless, it seems unlikely that simply spending more time and resources on a decision guarantees its quality.

Managerial decision-making is often perceived as involving a choice between alternative options. When making decisions, managers must weigh the potential losses and gains from the decision being made. Accordingly, Turillo, et al., (2002) investigated the ways in which concern for ‘fairness’ to group members influences decision-making. They found that decision makers make self-sacrificing allocations, despite the absence of short or long-term benefits for doing so. They also found circumstances under which the desire for virtuous fairness, (e.g. achievement of group harmony) produces decisions that are not self-sacrificial and do reward someone whose motives seemingly include a willingness to exploit others.

Honekopp (2003) also stated that most theories seeking to describe decision-making under uncertainty assume the attractiveness of each option is closely related to the subjectively expected utility. Possible outcomes and their subjective probabilities are combined multiplicatively. Honekopp asked: 1) Does ambiguity indeed enhance the prominence of options’ outcomes; and 2) If so, is the relationship between the degree of imprecision and the strength of outcome prominence effect linear? Honekopp concluded that ambiguity was not only the cornerstone of his simulation; it also proved to be the force with the strongest impact on decision-making. Specifically, Honekopp posits that the more ambiguous a decision, the
more opinions are required to make that help make that decision. This is clearly a concern and a danger for the those making export product C/S decisions, Given the multitude of factors impacting on marketing success, ‘paralysis by analysis’ is an ever present possibility.

**Cost-Benefit Trade Offs**

A central tenet in decision-making theory is the implicit cost-benefit trade-off, that is, something forsaken for something gained (Chu and Spires, 2003). In selecting among decision strategies, a manager balances a strategy’s accuracy of the decision (benefits) against its demand for mental effort (cost of execution). The strategy that maximises the net gain of benefits over costs is selected. Chu and Spires (2003) found evidence of individuals’ perceptions of decision strategy accuracy and effort in order to test a basic underpinning of the cost–benefit theories, that individuals are able to assess both accuracy and effort of decision strategies.

Chu and Spires also found that decision strategies are frequently dichotomised into compensatory strategies (those that require the decision maker to trade off values) and non-compensatory strategies (those that require no trade off). This assisted the decision maker to assess the potential net gains/losses of the decision being considered. This work suggests that product C/S decisions may be categorised into those that require a trade-off between the cost of product customisation for additional profit, and those that do not. Since virtually all strategic decision initiatives require some form of resource commitment, a resource perspective should be included on the determinants of export decisions (Bourgeois, 1981; Lages and Montgomery, 2004). This is obviously so in the product C/S decision, as customisation costs money, but may result in competitive advantage via the generation of differentiation.

**Decision Making Outcomes and Processes**

Since all decisions managers make are among options or courses of action with some degree of outcome uncertainty or ignorance, it has been claimed that the essence of all decision-making is estimating the likelihood of each possible outcome, determining the personal value
of that outcome, and choosing the course of action that maximises the subjective expected utility (Hastie, 2001). In that regard, Svenson (1996) proposed that decision-making is a kind of conflict resolution in which contradictory goals have to be negotiated and reconciled. In a commercial context, this goes beyond deciding whether or not to enter a foreign market. It involves decisions on choice of markets, the timing of the foreign market entry, and product, the focal element of the marketing mix in this research.

Most decision-making studies focus on pre-decision information gathering and processing patterns – not unlike the gathering and processing of marketing research. Svenson (1992) advocates that decision-making research should also cover post-decision processes as an important phase for understanding human decision-making, echoing the comments of Vroom (2000) on the importance of implementation. Svenson posits that the goal of a decision process is not just to fulfil one or several decision rules, but to create an alternative that is sufficiently superior in comparison to its competitors. To this end, Svenson proposes the differentiation and consolidation theory.

Conflict Resolution and the Managerial Decision – China Meets West

In light of the importance of managing conflict resolution resulting from and subsequent to managerial decisions, it is important for exporters of product to China, how conflict is resolved among the Chinese and more importantly between the Chinese and western decision makers. Such understanding enhances mutual understanding and minimises the risk of misunderstanding about the goals and purpose of the decisions being made (Bond, 1986).

Chinese culture is strongly influenced by traditional values that have endured over time and which continue to affect the collective psychology of Chinese people (Bond and Hwang, 1986). These values influence the way the Chinese resolve conflict (Kirkbride, Tang, and Westwood, 1991). There are a number of factors that influence the way in which the Chinese prefer to handle conflict. One such factor is a preference for compromise rather than a zero sum game approach often favoured by western business people (Graham and Herberger, 1983). Another element of the preferred Chinese conflict resolution approach is that the Chinese appear less assertive than their foreign counterparts (Kirkbride, Tang and Westwood, 1991). This lower assertiveness results in preferring to engage in less aggressive posturing during negotiations and decision making. Finally, Pye (1986) posits that in their decision
making, the Chinese fluctuate between obstinacy and flexibility, depending on the importance and implications of the decision make. A rudimentary and understanding on the manner in which managerial decisions are made by Chinese business people and the antecedent factors associated with the decision making approaches among the Chinese, is a critical factor for foreign decision makers when dealing with the Chinese.

Differentiation and the Managerial Decision

Where the purpose of a decision process is to select one of two or more decision alternatives, the differentiation and consolidation theory emphasizes that this is achieved in a differentiation process that over time separates the alternatives until one alternative reaches a ‘sufficient’ degree of differentiation from other. ‘Sufficient’ differentiation (which may be highly subjective) protects the decision maker from external and internal threats to the preference of a chosen alternative. In conceptualising decision-making for this research study, the alternative differentiation process proposed can be seen as analogous to the process of product differentiation within a marketer’s overall marketing mix. Decision alternatives in the context of this study are the various possible product variations and combinations thereof, whether regarding flavour, packaging, labelling or other element(s), in various combinations.

Organizational Size Effects on Managerial Decision Making

Organisational size is considered to be of importance in the context of strategic decision making (Baldauf, Cravens and Wagner, 2000; Sousa, 2004). Size has been measured as the size of foreign operations, total company size (Ford and Gioia, 2002), and management’s strategy motivations (Baldauf, Cravens and Wagner, 2000). However, the evidence is far from generalisable (Papadakis, Lioukas, and Chambers, 1998). For instance, Khatri and Ng (2000) suggest that organisational size affects the framework of organisational decision making. Similarly, Hendry (2000) found that larger sized organisations are associated with comprehensiveness in strategic decision making, whilst Miller (2008) linked decision comprehensiveness to organisational performance. Decision making comprehensiveness describes the degree to which the decision making team is exhaustive as it considers multiple approaches, courses of action, and decision criteria in its decision making (Simons, Pelled,
and Smith, 1999). Despite the positive links between decision comprehensiveness and organisational size, Hickson, et al., (1986) found no difference in strategic decision making process that could be attributed to organisational size. The direct link between product strategy (customisation or standardisation) and organisational size has not been previously adequately researched (Zou and Cavusgil, 1996). Several scholars (Moen, 2000; Moen and Servais, 2002) reported that organisational size had an impact on export performance. These effects have been shown to be inconsistent, with contradictory findings in different studies (Diamantopoulos and Kakkos, 2007).

The current study measures both size of foreign operations and total company size using measures of profit, sales turnover and number of employees to determine whether there is any correlation between organisational size and the degree to which international marketing organisations customised or standardised packaged foods to China.

Humphrey, et al., (2004) argue that managerial priorities are fluid, and that this explains how progress related decision-making leads people and organisations to systematically change allocation preferences at different points in time. Their two longitudinal studies were devoted to the examination and testing of temporal decision-making in organisations. They measured how people and organisations systematically change their emphasis on completion of a project, profitability and on safety in the project as a function of the stage of completion. Specifically, they tested whether other goals (e.g. economic goals) change in importance in response to change in the project completion goal. They found that attention to completion increases in importance and attention to profitability decreases in importance as a project nears completion. The implication is that goal weightings may vary as marketers make product standardisation/customisation decisions for export markets, especially inexperienced exporters who are making international product decisions for the first time.

**Routine Managerial Decision Making**

Managers appear to possess a large repertoire of decision routines. The strategy a decision maker uses is highly contingent on task and context factors, such as the number of alternatives available, information format, response mode, and correlations among attributes.
(Payne, Bettman, and Johnson, 1993). Routines are behavioural solutions to reoccurring decision problems or opportunities. Betsch, et al., (2004) examined the effects of non-automatic routines on choice in decision making. Past behaviour has a powerful impact on decision-making choice. For example, they demonstrate that under time pressure, decision implementation intentions failed to guide behaviour. The implication for decisions on entry into foreign markets is seen in the way first time exporters do not have previous experience to draw upon. Exporters contemplating entering foreign markets that are economically or culturally dissimilar to those that have previously been accessed do not have previous experience to draw upon.

**Time Related Factors in Managerial Decision Making**

Time related factors in decision making have been of interest to scholars. For instance Payne, Bettman, and Luce (1996) posit that decision making errors may result from deciding too soon, or from delaying decisions too long. Delays can result in lost market opportunities or reductions in payoffs from the most accurate decision. The study subjects were generally adaptive to opportunity cost time pressure. However failures in customisation were identified when choice environment properties with conflicting implications for customisation were present simultaneously. In particular, the Payne, Bettman, and Luce (1996) study found that under opportunity cost time pressure, subjects received a lower expected payoff when the goal was to emphasize choice accuracy than when the goal was to emphasize savings in costs. Payne, Bettman and Luce (1996) posit that the longer the delays in making the decision, the lower the expected return (value) from even the most accurate decision. An implication for export decision makers may be that if a packaged food exporter delays the introduction of a product into a foreign market to conduct test marketing, competitors may become aware of the test marketing, develop their own offer for the same market, and introduce their offer before the test marketing has been completed. This matter is discussed further in the context of group decision making below.

Research suggests three major ways in which people respond to decision problems under time pressure:
1. Processing tends to be more selective under time pressure, focusing more on the important and/or negative information (Maule, Hockey, and Bdzola, 2000)

2. Decision strategies may shift as a function of increased time pressure (Kocher and Sutter, 2006) and

3. People accelerate their processing, that is, they spend less time processing each item of information, under time pressure (Maule, Hockey, and Bdzola, 2000).

These findings alert export decision makers to the possible compromises associated with their decision making process. They suggest executives need to plan decisions such as which international markets to sell product into, or how best to customise an export product for an international market, in such a way as to reduce the amount of time pressure.

As noted, decision makers tend to speed up the execution of their decision strategies or switch to simpler decisions under time pressure (Lin, at al., 2008). When faced with high levels of time constraint, decision makers tend to rely most heavily on negative information (Greitmeyer, et al., 2006). Under time constraint, decision makers either filter information that is used, or omit certain information from consideration altogether (Farhoomand and Drury, 2002). Export decision makers are often charged with making timely decisions so as to embrace a particular marketing opportunity overseas, and such opportunities are usually time bound.

**Conceptualization of Time: A China Context**

In a China business context, time is a concept that takes on different dimensions than in other, especially western, cultures. In broad business terms, there are two significant differences of the conceptualisation of time in China, namely *time to build trust* and *time to make managerial decisions*.

**Time to Build Trust**

Building trust with Chinese buyers is of vital importance to the conduct of business (Lee and Dawes, 2005). Given that China’s markets were closed to international trade for centuries, the Chinese have an inherent distrust of foreigner business people, and the Chinese will not
conduct business they distrust. “How can I do business with you, if I don’t know you” is a common expression in China. Even though trust is an element of guanxi (Tong and Kee, 1998), time in developing trust with Chinese business (from a non-Chinese perspective) has seen as an important construct in understanding how the Chinese conceive the effects of time to develop trust in business building (Mavondo and Rodrigo, 2001).

Trust has its foundations in Confucian thinking, and this thinking influences the Chinese at home and in many Asian countries. Trust is regarded as a norm in interpersonal relations, and has been identified as one of the key foundations on which relationships in China are based (Osland, 1990). Thorelli (1990) recognized that trust in Asian cultures often negated the need for formalized contracts. He also acknowledged that development of trust was a time-consuming activity many Western managers were unwilling to invest in.

The Role of Ethics in Managerial Decision Making

Another consideration is the ability of managers to make commercial decisions within an ethical framework. This poses potential difficulties for international marketers who make marketing decisions that are executed in foreign countries where ethical considerations and boundaries differ from those in the home market. To assist decision makers consider ethics as part of their decisions, Street, et al., (2001) developed the Cognitive Elaboration Model of Ethical Decision-making. This model indicates that both ability and motivational factors are expected to influence the manager’s level of ‘cognitive expenditure’. When group decision-making is involved, different motivations and cognitive expenditures among group members complicate the decision-making process, a matter addressed in the next section.

Most managerial decisions carry with them a certain degree of outcome uncertainty. Uncertainty might stem from the fact that many product related decisions are made for a foreign market and therefore for a foreign culture context (Abele, Bless, and Ehrhart, 2004; Nakata and Sivakumar, 2001). When making decisions under uncertainty, a manager has to consider both the desirability of potential outcomes and their probability (Abele, Bless and Ehrhart (2004). There is no reason to suspect that export product customisation or
standardisation decisions would not often exhibit uncertainly. They will require a manager to consider both outcome desirability and probability.

**Uncertainty and the Managerial Decision**

Lafferty and Higbee (1974) found differences between subjects with regard to the minimum acceptable probability of a gambling win, as a function of whether or not real money was at stake. Respondents to the research project who were provided with an opportunity to win money were more conservative in their probability preferences than those who were not. Exporting can certainly present as a ‘gamble’ (risk) that involves some expenditure of the organisation’s financial resources. How these financial resources are expended is determined by the level of risk-reward associated with the decision, but the Lafferty and Higbee (1974) study suggests export managers will tend towards the ‘conservative’ decision, whatever that may perceived to be.

Many of the empirical findings in the managerial decision-making literature were reached with laboratory experimentation (Kuhberger, Schulte, and Perner, 2002). Basing the current study on actual, real world decisions by practitioners makes a contribution towards overcoming this potential weakness in the decision making literature.

Uncertainty in decision-making was also the central theme of a study undertaken by Lipshitz and Strauss (1997), who asked: 1) How do decision makers conceptualise uncertainty? 2) How do decision makers cope with uncertainty? 3) Are there any systematic relationships between different conceptualisations of uncertainty and different methods of coping? The results showed that decision makers distinguished three types of uncertainty: inadequate understanding, incomplete information and undifferentiated alternatives. Inadequate understanding was primarily managed by reduction of uncertainty, incomplete information was primarily managed by assumption-based reasoning, and undifferentiated alternatives were primarily managed by weighing pros and cons. Reducing uncertainty by collecting additional information may be problematic in an international context where primary research data collection is by ‘remote control’. Nevertheless the present study has found no evidence to suggest that this framework would not apply within international product decisions.
Several scholars, most notably Sieck and Yates (1997) and Sieck and Arkes (2005), in experimental studies, found that decision makers who committed their decisions to writing felt more deeply about them, and were more likely to take ownership in the decision to ensure that it led to a successful outcome. While export managers would be expected to routinely do this, the finding does raise the notion of a manager championing or advocating for the decision. This phenomenon is however beyond the scope of this study, occurring after the focal decision(s) have been made.

The research into individual managerial decision-making poses questions such as: how do different decision specific characteristics such as level of knowledge about consumers’ preferences or national culture, lead to different treatment of the product customisation/standardisation decision? Does past performance play any role, as suggested by Albaum and Tse (2001)?

Summarising then, product C/S decision making may vary in terms of:

- Assumptions made by different areas of theory brought to bear e.g. re the importance of rational or other elements in decision making
- Who makes the decision (e.g. individual or group)
- What product related decision(s) is/are being made
- Where the decision is being made (including inside or outside of a target market)
- A presence of trade-offs, including between accuracy and costliness
- The overall level of uncertainty in the decision
- The relative risks and rewards
- Relative time pressures for decisions, which may alter the relative weightings of different decision goals over time
- The different types of uncertainty which maybe present
- Subject to a repertoire of decision routines, related to the types of uncertainty.

**Theory on Group Decision-Making**

The literature on managerial decision-making discussed above either focuses on decision characteristics and their influence on aspects of the decision-making process in either an
individual or unspecified context. In the context of product decisions for international markets, individual decision making will often not be the way a decision is made. Export decision makers must decide which of their products to market to international markets, to which specific countries, and in what form (that is, standardised or customised) in terms of a large number of characteristics, such as flavour, branding, packaging and the like. Given the complexity of such a decision / set of decisions, and its possible effect on organisational performance, these decisions in many organisations are reached by groups.

Organisations increasingly rely on various types of groups to make decisions that are critical to their viability and effectiveness. How such groups’ members interact during the decision making process is expected to have an important effect not only on the quality of their decisions, but also on how well and how quickly those decisions are implemented (Dooley, Fryxell, and Judge, 2000). When work groups are encouraged to think in new ways, previously undetected patterns among market phenomena are recognised and perceived market opportunities increase (Senge, 1990). Groups are expected to produce decisions of higher quality with greater acceptance by their members (Vroom, 1969) while finding resolution to the differences of opinions that occur among their members. Literature on group decision-making in a commercial setting is extensive and varied.

As noted, most decision tasks are not discrete choice tasks. Choices and decisions made are also likely to depend heavily on the decision maker’s background (Karlsson, 1988, cf. Teigan, 1996). Building on Hofstede’s (1984, 1993) work on cultural dimensions, Ng and van Dyne (2000) hypothesise that individualism and collectivism influence (a) responses to minority influence on decisions being made; and (b) effectiveness of minority influence on the decision maker and the decision being made. Triandis (1995, p. 81) offers a definition of individualism as:

One who views the self as independent of others, focuses on personal goals, acts upon beliefs and values, emphasises task outcomes.

He defines a collectivist (p. 81) as someone who:
Construes the self as an independent entity, adopts group goals, acts according to social norms, and stresses good interpersonal relationships.

**Individualism, Collectivism, and Cultural Differences in Group Decision Making**

Ng and van Dyne (2001) believe that individualists and collectivists will differ in their decision-making approach. International marketers see the workforce becoming more culturally diverse due to globalisation and changing demographics in many world markets. At the same time organisations are acknowledging the potential benefits of divergent perspectives for improving decision quality and enhancing competitive advantage. Further, many international marketing decisions are made away from the home market, where the decision makers exhibit different values, attitudes, norms, and beliefs upon which they rely to make their decisions.

Ng and van Dyne (2001, p. 217) define a minority influence agent as:

A person who publicly advocates beliefs, attitudes and ideas that challenge the perspective assumed by the majority.

Ng and van Dyne (2001) proposed that improvement in decision quality would be influenced by both individual level and group level variables. They found that individuals (both targets and agents) differ in their responses to minority influence based on their individualism and collectivist values. Overall, Ng and van Dyne demonstrate that the individualist-collectivist orientation of the target manager influenced their responses to the presence of a minority influence agent, even though the minority influence agent proposed a superior alternative. International marketers will often make decisions influenced and also executed by people from foreign national cultures.

A study conducted by Poon, Evangelista and Albaum (2005) into the differences in the management style of marketing in Australia and the People’s Republic of China (PRC) found that an understanding of how cultural differences affected decision making is important to an
organisation’s international operation. It can be used to predict strategic moves and responses of competitors and therefore to develop effective competitive strategies. Similarly, Tse, et al., (1988) compared PRC, Hong Kong and Canadian managers in terms of choice decisiveness and risk adjustment in simulated international marketing situations. They found that differences in decision making styles were more pronounced between Canadian managers adopting a western orientation (individual initiative and utilitarian values), and the group from the PRC that was influenced by the Confucian perspective of societal wellbeing and committee submission to leaders.

Chinese people, with their collectivist values, are thought to be particularly sensitive to how conflict is dealt with in interpersonal and team settings (Tjosvold, Law and Sun, 2006), and indeed to avoid conflict because it disrupts relationship harmony (Leung, Koch, and Lu 2002). The performance value of ‘positive’ conflict as portrayed in management literature, cannot be assumed to apply to a collectivist nation like China (Hofstede, 1993; Liu, Friedman and Chi, 2005; Tjosvold, Law and Sun, 2006). A competitive approach favoured in Western cultures may be communicating aggressiveness and disrespect in Chinese culture.

To assist the export decision maker manage cross cultural team conflict Triandis (1995) notes that attitudes are sound predictors of team behaviour in individualist cultures while social norms are better predictors of behaviour in collectivist cultures. Similarly, American managers have been found to focus on the task, while Chinese managers focus on the social and relational aspects of the conflict (Tjosvold and Sun, 2000). A comparative study conducted by Poon, Evangelista and Albaum (2005) found that group decision making is practiced more often by managers in China than in Australia, and that Chinese managers have a higher degree of risk acceptance than their Australian counterparts. All this research suggests that in risky customised/adapted product decisions, both who makes the decision, and where it is made (geographically) may influence decisions which emerge.

**Cognitive Consensus and Team in Group Decision Making**

Larson and LaFasto (1989) developed an instrument to measure teamwork, based on in-depth interviews with nationally recognised leaders from varying organisation types and industries.
The items are clustered into a set of factors which could be expected as characteristics of high performing teams making export product decisions. Clear export goals, from which clear product goals can be derived is an expectation that most team members would have of an export decision making group and its leaders. Having a result driven structure implies that exporting organisations would be expected to establish an organisational structure that supports the manufacture and marketing of products internationally. If the export product requires customisation, this may require significant changes to an organisation’s manufacturing processes. Unified commitment and collaborative climate suggest that export practitioners will require commitment not only from the organisation’s senior management, but also commitment from other business units within the corporation. For instance the marketing department may require the research and development department to assist in appropriately customising the product for foreign markets. Clear and appropriate standards of excellence and competent team members are crucial, as is a carefully considered composition of the decision making group. Finally, external support and recognition and principled leadership suggest the key roles of leadership in the export decision making team.

Groups are frequently employed to provide different types of expertise and to ensure cognitive quality (having properly thought the issue through) and also the acceptability of decisions within the organisation. The quality of strategic decisions by top management influences organisational performance (Miles, et al., 1978). The cognitive quality of the decisions reached has long been of interest to researchers for example, Mohammed and Ringseis (2001) investigated antecedents and correlates of cognitive consensus, finding that unanimity decision rule groups achieved more cognitive consensus than majority rule groups. The notion of cognitive consensus is also central to a study by Mohammed and Ringseis (2001). Further, they define cognitive consensus as the similarity among group members regarding how key decision issues are defined and conceptualised. Therefore, cognitive consensus assists the group in operating as a unified structure. Mohammed and Ringseis sought an understanding of factors that facilitate groups in achieving consensus, processes related to shared assumptions, and consequences of arriving at more of a group representation of the issues.

The findings suggested that cognitive consensus was positively influenced by expectations regarding decision implementation and satisfaction. Achieving greater cognitive consensus
may be necessary for the medium and long-term productivity of the group. There is no reason to expect that international marketers making product related decisions would not reap these benefits from the use of consensus based team approaches. The findings may have implications for consideration of where (home country or foreign market) export product decisions are made. For instance, O’Donnell and Jeong (2000) suggest that a marketing program that emphasizes customisation to the local markets should give local (that is, host nation) decision makers a great deal of autonomy in decision making authority. At minimum, they should be involved through an effective team process.

Because consensus among team members facilitates the implementation of those decisions, consensus influences organisational performance (Austin, 2003). Bantel and Jackson (1989, p. 109) for instance, argue that ‘when solving complex, non-routine problems’ (such as those relating to whether an organisation should export adapted or standardised packaged food products to China), ‘groups are more effective when composed of individuals having a variety of skills, knowledge, abilities and perspectives’ To that end, Xie, Song and Stringfellow (2003) posit that cross functional integration of team members is a key factor in implementing decisions for new product success.

Van Kippenberg and Schippers (2007) support the view that top management teams with diverse capabilities made more innovative, higher quality decisions than teams with less diverse capabilities. Does the size and resource base of an export organisation influence the quality of the export decisions? That is, this study assumes smaller organisations that do not have (or need) diverse management teams will make lesser quality decisions? What, if anything, do smaller sized exporters use as a surrogate for diversity?

The effective implementation of a strategic decision requires the active cooperation of the group members (West, 2002) and of top management (Chen, Liu, and Tjosvold, 2005). Such active cooperation is important because strategic decisions are rarely articulated in full detail (Love, Priem, and Lumpkin, 2002). Group members need confidence in the group’s procedures and decisions, rather mere grudging acceptance. Group members who merely comply with decisions may begin to distance themselves from the group during the decision implementation phase (Verzberger, 1994).

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Compromise and Group Decision Making

A key ingredient in in-group decision-making is the degree of compromise associated with the decision being made. Differences have already been noted in the context of individual decision making between decisions involving variations, rather than discrete choices. Hinsz (1999) proposes that group decision processes related to quantities involve compromise, and are characteristically different from the consensus processes that occur for discrete choices. The decision process associated with group outcomes varies as a function of the context in which the decision is made. Hinsz also demonstrated that decision processes for qualitative responses differ from those of discrete responses. Essentially, discrete responses involve choices, whereas quantitative responses involve judgements.

Hinsz (1999) posits that the consensus processes that have been used to describe group decision processes with categorical responses may be inadequate or inappropriate for predicting group decision processes of a quantitative nature – such as is often the case in deciding degrees of customisation/standardisation. Since quantitative judgements will rarely have more than one member favouring a single value, majority and plurality decision process are not as likely to exist for quantities as they are for nominal decision categories.

Expertise and Familiarity

The expertise of the group members is obviously a major resource available to the group. ‘Expertise’ in a group decision-making context means to ‘demonstrable ability’. Simply put, the expert is the group member who had the highest performance on the task during previous performances (Bonner, Baumann and Dalal 2002). Experimentally, these researchers found that, (1) groups gave more weight to the input of their highest performing members and (2) groups performed at the level of the best of an equivalent number of individuals. Hence the identification of expertise within the group is the first step in utilising that resource within the group. However, some scholars argue that too much sharing of information can be dysfunctional, due to information overload (Carver and Turoff, 2002). This suggests that organisations that make group decisions for the international product strategies must locate expertise in the group, whether this person or persons be an export manager, product research
and development technician, marketing manager, or simply a member of the group who controls the resources for the international marketing activities.

Familiarity may affect group decision process under different information distribution conditions (Gruenfeld, et al., 1996). These researchers found that groups whose members are familiar may be more effective at pooling information and integrating alternate perspectives than groups whose members are unfamiliar with each other. This implies that international marketers should not just carefully consider the composition of the groups they establish to make product decisions, but should facilitate the group to become fully acquainted.

A study conducted by Phillips (1999) focused on hierarchical decision-making teams with ‘distributed expertise’. Distributed expertise refers to the characteristic that team members differ in the amount of knowledge and information each brings to the decision problem (Hollenbeck, et al., 1995). In such hierarchical teams, the decision problem becomes divided into a number of sub-problems, and each sub-problem is the responsibility of an expert within the team.

The findings reveal that in an environment in which differentially weighting staff judgements leads to greater decision accuracy, the provision of cumulative staff member past judgement accuracy to leaders is related to greater weighting variability and weighting accuracy than when this information is not available.

**Group Efficacy and Managerial Decision Making**

Groups are embedded within organisations and societies. Group processes are likely to be influenced by perceptions, values, and codes of conduct that are predominant in these larger cultural contexts (Postmes, Spears, and Cihangir, 2001). Similarly, the cultural background of team members has been suggested as a further factor influencing group decision making outcomes (Kirkman, Gibson, and Shapiro, 2001).

A relationship exists between group efficacy and the level of uncertainty associated with the decision making task (Gibson, 1999). Lindsley, Brass and Thomas (1995, p. 649) define
group efficacy as: a group’s belief in its ability to perform effectively. Group efficacy is often related to how much effort the group expends, and it has been found to be a determinant of group decision making effectiveness (Dooley and Fryxell, 1999). There is evidence that task characteristics have potential to moderate efficacy beliefs, as can the relevant knowledge that group members possess and the degree to which members are able to combine and integrate their knowledge (Kozlowski and Bell, 2003).

**Uncertainty, Motivation and the Group Decision**

Gibson (1999) found that when task uncertainty was high, team members worked independently and collectivism was low. In contrast, when task uncertainty was low, team members worked interdependently, and collectivism was high. Hence, export decision makers must decide and communicate to the decision making teams the nature of the decision being made. For instance, does the product C/S decision for packaged food targeted to China come with high or low uncertainty? Much may depend on whether the decision maker is making this decision for the first time in relation to China. What is the formation of the decision making group? Are they made up of people from collectivist or individualist cultures? Will such cultural values encourage or discourage risk taking, which could mean either low customisation (with low investment implications) or high customisation (with increased investment implications). Research has not provided convincing answers to these questions.

Evidence exists however, that work teams that are highly motivated and productive are likely to make better (more accurate) decisions, and that in general, Chinese work groups formed through voluntary mutual selection procedures have been found to be more productive and motivated than those teams selected by supervisors or managers (Kelly, 2008) The new product development (NPD) team, whether temporary or permanent, based in the home or foreign market, is the epicentre of product innovation work (Sethi, Smith and Park, 2001). Hence, export product C/S decisions are impacted by the abilities of the group that is responsible for conceptualisation, formulation, development, and market orientation (Carlile, 2002; Sethi, Smith and Park, 2001). The success of a new product is at least partly contingent upon the formation of the decision team (Spanjol, et al., 2011).
The Role of Communication in Group Decision Making

A change in the way organisations structure themselves and their communication technologies provides us with an alternate approach to looking at group decision-making. A study undertaken by Hedlund, Ilgen and Hollenbeck (1998) compared face to face with computer mediated roles of decision-making in hierarchical teams. The study was based on their belief that decisions are increasingly made by teams that have a hierarchical structure and whose members have different areas of expertise. More importantly, they believe that many decisions are no longer made via strictly face to face interaction.

Hedlund, Ilgen and Hollenbeck, (1998) found that communication mode was positively related to team uniformity and negatively correlated to hierarchical sensitivity. Specifically, face to face teams had higher levels of uniformity, while computer moderated teams had higher hierarchical sensitivity. A significant positive correlation between the communication mode and decision accuracy was also found. Hierarchical structures are typically found and preferred in nations with Confucian values and culture, such as China and Japan. Product customisation/customisation decisions made in nations with hierarchical decision structures may reach different conclusions than decisions made outside these nations. This may in turn influence the quality of the product decision being made.

Face to Face versus Computer Aided Decisions

Comparisons between computer moderated and face-to-face group decision-making is also of interest to Straus and McGrath (1994). They posit that group decision-making involved three discrete tasks irrespective of the decision medium used. These tasks are idea generation, judgement tasks, and intellective tasks. For idea generation tasks, the outcome is a number of unique ideas produced (to make a decision or solve a problem). In judgement tasks, the outcome is consensus. In intellective tasks, the goal was selection of the ‘correct’ solution from several alternatives. The results showed few differences between computer-mediated and face-to-face groups in the quality of the work completed but large differences in
productivity favouring face-to-face groups. Further, Straus and McGrath found that face to face groups were more productive than computer moderated groups on all three tasks, but the quality of the group’s outcome via face to face means was only better on the judgement task.

**Groupthink and the Managerial Decision**

Building on some of the research in group decision-making is the work of Moorhead, Neck and West (1998) who examined the variables that will impact the occurrence of groupthink within self-managing teams. They define groupthink (cf. Janis, 1972, p. 9) as

‘a mode of thinking that people engage in when they are deeply involved in a cohesive in-group, when members’ strivings for unanimity override their motivation to realistically appraise alternative courses of action… a deterioration of mental efficiency, reality testing and moral judgement that results from in-group pressure.’

The purpose of the Moorhead, Neck, and West’s (1998) research is to demonstrate the relationships among characteristics of self-managing teams and the antecedents of groupthink. They argued that self-managing teams as decision-making groups are highly susceptible to groupthink. They found that while self-managing teams possess characteristics that are conducive to groupthink, this relationship is not predetermined. It is conceivable that an organisation involved in international marketing may have a self-managed decision-making team spread across two or more countries, and may comprise members from different nations. Not only does this influence the possibility of groupthink, it influences the degree to which the team members are interdependent. This in turn influences the type and quality of decision being made.

**Risk and Information**

As noted, most international marketing decisions carry a degree of risk. When a commercial decision carries a high degree of risk (as one assumes international product decisions do), group leadership in the decision is important to the decision outcome. Van Knippenberg, Van Knippenberg and Van Dijk (2000) conducted experimental studies to address the important question of which group members are more likely to take the lead in decision-making
involving a large degree of risk. The results suggest that group members that hold relatively high risk seeking positions in the organisation are more likely to take the lead in decision-making than group members with less risk seeking positions. This is because risk seeking is (at least in Western society) valued positively.

Schulz-Hardt, Jochims and Frey (2002) researched the extent to which information search is biased in the direction of the alternative preferred within the group, that is, the extent to which the group requests more information supporting their preferred alternative than information conflicting with their preference. Their results found that heterogeneity within group membership was more effective in preventing confirmatory information seeking bias than was use of ‘Devil’s advocacy’ – the floating of deliberately counter views during discussion.

Living in the information age has made information about markets, competitors, customers, and products easier and faster to obtain for decision makers. Evidence exists that the amount of such information made available to group decision teams before the making of group decisions can impact the decisions made. Moon, et al., (2003) tested the assertion that decisions made by groups whose members had given prior individual consideration to a problem are more susceptible to decision biases, that is, having a pre-conceived idea of what the decision outcome should be, than are groups whose members had not considered the problem prior to meeting as a group. Ongoing decision-making is referred to as progress decision making. Adoption decision-making is referred to in the study as resource utilisation decision making. Moon, et al., (2003) found that groups who make decisions after each individual group member has staked an initial position tended to continue failing projects, whereas groups who consider project information only as a group tended to abandon the same projects.

‘Prior consideration’ groups tended to change their risk allocation level due to performance information, whereas groups without prior individual consideration are unaffected by performance information when viewing risk allocation levels. Product customisation or standardisation decisions may be incremental, that is, starting with a totally standardised product for an international market and then gradually customizing it for segments within the
market. According to the Moon study, such incremental strategies are more likely to occur in the group decision-making process when members engage in prior individual consideration.

Hollingshead (1995) posits that influences on group decision-making may include the ability and proclivity of each individual to share their unique information in-group decision-making discussions, the use of different decision approaches, and the means of ‘meeting’ (face to face and computer mediated) which is brought to bear. Using an experimental research design Hollingshead found that use of a rank order decision procedure improved decision quality for groups that interacted face to face - but not for groups that interacted via computer. Differences in the content of discussion can account for the improved performance of the groups in the face-to-face rank order conditions. That is, aspects of group discussion mediated the effects of communication technology and decision procedure. In an era where the use of telecommunication (e.g. teleconferencing) to have business discussions and make business decisions with foreign strategic alliance partners is widespread, perhaps the important international marketing decisions (for example, product decisions) need to be made in face-to-face meetings?

**The Role of Gender in Group Decision Making**

Another potential factor influencing export product decision making in teams is that of gender. The role and status of women in society and in the workforce differs from one nation to the next. LePine, et al., (2002) studied the relationship between gender composition and group performance in a traditionally male task, under varying levels of relative importance of the decision being made. Previous research in this area suggested that male dominated teams are superior on tasks that favour males’ interests and abilities (Gardiner and Tiggeman, 1999).

Controversially, the Le Pine, et al., (2002) study found that male dominated teams, in some contexts, constitute the worst gender composition. In a series of experiments, the study found that decision accuracy was generally high for teams that were composed of all women, composed of a female majority, or balanced in gender composition. Interestingly, teams
where men constituted the majority performed poorly and teams composed of all men performed worse than any other configuration.

The LePine (2002) study is not without its limitations. For example, using a convenience sample of undergraduate students makes it difficult to replicate the results in a commercial/workplace setting. Secondly, the laboratory nature of the study may limit its generalisability not only in an international context, but also in a ‘real world’ context. These limitations notwithstanding, we know that in some nations women are excluded from executive/decision-making roles in the workplace. How does this impact on export product related decisions made in that nation?

**Virtual Decision Making Teams**

Virtual teams, in which members use technology to interact with one another across geographic, organisational, and other boundaries, are becoming common in organisations (Gibson and Cohen, 2003). Contrasted with face to face teams, members of virtual teams are not constrained to one physical location and can be located throughout the world (Montoya-Weiss, Massey and Song, 2001). These teams are conceptualised as having a more fluid membership such that specific expertise can be added or removed as tasks change (Alge, Wiethoff and Klein, 2003). Additionally, researchers have noted the tendency for virtual teams to possess a shorter lifecycle as compared to face-to-face teams (Jarvenpaa and Leidner, 1999). A proposed benefit of virtual teams is that they can bring together individuals with the needed key success factors regardless of their location (Blackburn, Furst, and Rosen, 2003).

To date, the foundation for the majority of definitions of virtual teams centres around the idea that virtual teams are functioning teams that rely on technology-mediated communication while crossing several different boundaries (Lipnick and Stamps, 1999, p. 808). Martins, Gilson, and Maynard (2004) offer the following definition of virtual teams: teams whose members use technology to varying degrees in working across locational, temporal, and relational boundaries to accomplish an interdependent task.
The locational boundary refers to any physical dispersion of team members, such as different geographic locations or different workplaces at the same geographic location. The temporal boundary encompasses lifestyle and synchronicity, whilst relational boundary refers to the differences in relational networks of virtual team members, that is, their affiliations with other teams, departments, organisations, and cultural sub-groups.

A key aspect of the Martins, Gilson and Maynard (2004) definition focuses on ‘teamness’ in conjunction with ‘virtualness’ and moves away from simply describing input factors. As exporters increase the number of international markets they access, virtual teams may assist the export decision maker to improve the quality of the decisions they make by drawing on knowledge and experience from team members located in the nations in which the export products are manufactured, and the nations in which they are sold.

On the basis of this brief overview of the notion of virtual teams, it is expected that many of the product decisions which are important to this study will be made within contexts which are virtual.

**Summary**

In summary, aspects of group based decision making theory suggest the following is likely to apply to this focal product C/S decisions at these relates to package food exports to China:

- While decision makers intuitively know the decision making variables in the export product C/S decision, these decision variables have yet to be empirically modelled.
- Early decision making theory was based on normative grounds and was rationally based. Later descriptive theories on behavioural decision making emerged.
- Managerial decision-making is often considered in the literature as a trade-off between perceived benefits and potential (or actual) cost. Hence, the greater the perceived benefit and cost, the greater the likelihood of multiple decision makers.
- Greater amounts of information are sought in aiding the managerial decision as the perceived risk in the decision increases.
• There are mixed findings in the literature on organisational size as a factor in decision making.

• Managerial decision-making was found in the literature to be influenced by:
  o Outcome (un)certainty
  o Ethical considerations (which in an export context are culture specific)
  o Time (constraints)

• Group decision-making is culture specific, i.e. collectivist decision-making teams make managerial decisions (i.e. reach consensus) in a manner that differs from individualistic cultures.

• The degree of consensus among decision group members influences the outcome of the decision. Similarly, the degree of compromise within the decision making group influences the decision making outcome.

• Gender composition of group decision-making teams may influence the decision outcome.

• The use of various communication technologies influences the decision outcome.

Managerial Decision Making and New Product Development

The high failure rate of new products has resulted in decisions related to the conceptualisation, design, development, and marketing of new products posing a significant organisational challenge (Yahaya and Abu-Bakar, 2007). The failure rates of new products vary from 33 per cent to 60 per cent (Cooper, 2005) and even up to 90 per cent (Balanchandra and Friar, 1997). Such risk creates uncertainty in the new product development process. Managerial decision makers may be less willing to commit research and development funds to product ideas that may never reach the commercialisation (launch) stage, and if they do, there is a relatively high risk of failure (Martin and Scott, 2000).

Considering the level of organisational resource commitment required to develop new products and new product failure rates especially in export markets (Lages and Montgomery, 2004), it is imperative that managerial decision making for new product development be given additional attention and frameworks be developed to assist in such decision making.
Specifically, the factors affecting the decision to commit to full scale product development for export markets are of interest in this study.

**Traditional Product Development Decision Making**

Traditional product decision making focused on stage-gate models (Krishnan and Ulrich, 2001; Steffens, Martinsuo, and Artto, 2007). These product development decisions focus on various criteria associated with new product development projects, such as project selection and start decisions (Bhattacharya, Krishnan, and Mahajan, 2003), product launch decisions (Calantone, Di Benedetto, and Song, 2011; Gultinan, 1999) and product termination decisions (Calantone, Garcia, and Droge, 2003; Schmidt, Montoya-Weiss, and Massey, 2001). These studies identify criteria to address different product development issues such as organisational performance factors, technology potential, long term market based opportunities and resource allocation (Steffens, Matinsuo, and Artto, 2007).

**Knowledge Based Decision Systems for New Product Development**

Since the invention of computers, managerial decision makers have relied on knowledge based systems to assist them with their new product development decisions (Marin and Scott, 2000). Typically, this involves the use of artificial intelligence in decision making processes. Knowledge based systems incorporate a database of expert knowledge, often gained through market based research, and are designed to facilitate its retrieval in response to specific queries.

Given the importance of making accurate new product managerial decisions, research on such decisions has attracted much scholarly interest. For instance, Wilkinson (1991) suggested a three stage system for new product evaluation. The first stage relates to normal or probable time of completion. This notion is linked to the marketing idea of having a new product ready for timely entry into a chosen export product market. Second, corporate urgency to have the project completed relates to having initial and ongoing corporate commitment to the new product develop. Finally, Wilkinson (1991) suggests the ongoing
need for technological innovation (such as knowledge based decision systems) to assist with the managerial decision making.

In contrast to Wilkinson’s (1991) approach, Balachandra (2000) proposes an inductive approach to new product decision making. This requires collecting a set of market based example cases, with a view of adopting similar case situations when developing an organisation’s own specific product. Finally, Ram and Ram, (1988, 1989) developed a product screening approach called INNOVATOR which recommends a ‘go/re-evaluate/no go’ decision based on market based inputs selected by the managerial decision maker.

The Role of Strategic Alliances in the New Product Development Decision

Research in managerial decision making related to new product development highlights the need for decision makers to develop alliances with important stakeholders when making new product development decisions (Gerwin and Ferris, 2004). Specifically, research has focused on the role each strategic alliance partner plays in the new product development decision (Doz and Hamel, 1998) and how alliances organise themselves for the purpose of making new product development decisions (Rothaermel and Deeds, 2004). For example, Doz and Hamel (1998) suggest that a new product development alliance is either contractual or institutional. A contractual alliance involves a non-equity relationship among otherwise independent alliance members, whereas an institutional alliance involves an operating entity such as a joint venture. From an export marketing viewpoint, such alliances may be located in different countries. The key benefit of an alliance approach to decision making affecting new product development is that alliance partners can learn from each other as opposed to simply gaining decision making skills (Doz, 1996).

Contribution of Marketing Research to the Export Product C/S Decision

Belief in the value of information for enhancing commercial decisions by reducing uncertainty has increasingly led to growing consensus that the health of organisations depends substantially on their strategies for accessing, handing, and processing relevant.
information gathered from the marketplace (Hart and Tzokas, 1999; Julian and Ramagalahy, 2003).

Despite the argument that marketing research is central to business success in both domestic and international markets, there have been surprisingly few empirical studies that specifically examine the link between marketing research and organisational performance in the international domain (Hart and Tzokas, 1999). However, it has been argued that the increased uncertainty posed by marketing into a less or un-familiar market intensifies the need for marketing research (Douglas and Craig, 1983).

Whilst studies support the link between the conduct of marketing research and organisational export success (e.g. Hooley and Lynch, 1985), there is evidence suggesting that marketing decision makers at least in the past held a cynical view of the potential contribution to performance of investing in marketing research (Francis and Collins-Dodd, 2007; Mansfield, Wheeler and Young, 1987; Piercy 1983, 1985). Julien and Ramagalahy (1993) argued that the use of market information and its role in organisational performance is confounded by organisational factors. Diamantopoulos, Schlegelmilch and Allpress (1990) found no difference between users and non-users of marketing research for export markets, whilst Toften and Olsen (2003) found a positive relationship between export performance and the use of marketing research information.

A review of the sparse literature on the specific relationship between marketing research and product decision making suggests the emergence of two themes: 1) The nature and the type of marketing research carried out by exporters; and 2) studies of factors influencing the collection of export market information. The incidence of export marketing research also varied with the stage of an organisation’s position in the internationalisation process (Andersen and Buvik, 2002).

The selection of appropriate research strategies in international marketing research is usually determined by the level of existing information and knowledge in the field (Churchill, 1995). As businesses expand further in international markets, the role of timely and accurate marketing research to guide decision making becomes increasingly critical (Craig and Douglas, 2001). As a result, there is a growing need for international marketers to conduct
research spanning country boundaries, to identify regional or global market segments, or to examine opportunities for integrating and better coordinating strategies across national boundaries.

**Summary**

This chapter has examined research evidence concerning how managerial decision making relevant to this focal product decisions, both individual and group based, occurs. The focus of the current study is a particular area of managerial decision making. This study has attempted to delineate factors in both individual and group decision making which seem likely to impact export product C/S decisions. Further, it has examined literature concerning two issues which emerged during the qualitative work with exporters, as reported in chapter 5: the possible roles of market research, and of intermediaries/local partners in product C/S decision making.

As stated at the outset, managerial product C/S decisions are complex and dynamic. Given the cost of developing new products and the relatively high risk of new product failure in export markets, group decision making is the norm in the product C/S decision. Product C/S decision makers may all be in the same country, or they may be in different countries (e.g. some in the home country and some in one or more of the export markets). The literature suggests that the use of groups in the product C/S decision is preferred, essentially because each of the decision group members brings their own expertise to the decision, thus reducing the risk of product failure.

In chapter six, a conceptual framework embracing the findings of the review of the literature concerning the Chinese marketing context (chapter two), the phenomena of COO effects and ethnocentrism (in chapter three), and the likely impact for both individual and group cognitive and social processes in commercial decision making is proposed. Specific hypotheses are also derived for testing.
Chapter 6

QUALITATIVE STUDY AND CONCEPTUALISATION

Introduction

In previous chapters discussion of evidence for a range of factors proposed for managerial consideration in C/S decision making, concerning packaged food products targeting the emerging Chinese mega market(s) was considered. This study also considered the nature of managerial decision making, possible contextual variations, and additional factors which may be influential on how product C/S decisions occur. In this chapter, an integration of all the previous conceptualisations are modelled for empirical testing. In so doing, managers will be empowered to better understand how they currently do, or may in future choose to do, their jobs, taking into account the peer based benchmark which the model provides. Testing of this decision influence model is also a prerequisite for subsequent research linking decision making antecedents with consequent export performance assessments.

First, this study reports on the conduct and findings of a substantial qualitative study, the objective of which was to ‘reality test’ the literature based conclusions reported in chapters two, three, four, and five on various possible influences on the focal managerial decision making process. All data collected was in accordance with the ethics standards of Swinburne University of Technology for which appropriate approval was sought and granted. The ethics approval is listed in the appendix of this thesis. The task at the conclusion of this chapter will be to further distil the constructs and dynamics suggested by both the literature and the qualitative work into an integrated conceptual model, and to deduce a set of hypotheses for testing.

Export Food Product Customisation/Standardisation Decision Making: A Qualitative Study

This section reports the conduct and findings of an interview based study conducted early in the research to test the face validity of a set of literature derived influences on export food
product C/S decision making. The study was undertaken with Australian export managers who targeted China as an export market.

Qualitative research involves the use of unstructured or semi-structured exploratory techniques such as group discussions and in-depth interviews (Sinkovics, Penz, and Ghauri, 2005; Witz et al., 2001). A qualitative study usually aims to explore a central research question rather than prove or disprove a preconceived idea (Broom, 2005). The interview based study sought to establish an in-depth understanding of the experiences of the respondents in their handling of a recent product C/S decision regarding packaged food export to China.

While each of these are relevant, the qualitative phase of the research was structured specifically to gain insights into the context, actions, and processes that non China based export decision makers experience when making product customisation or standardisation decisions, as only Australian exporters were interviewed in the study. The purpose of the qualitative study was to attempt a validation of the relevance of each of the independent variables in the model. The end result is specification of a proposed model of influences within managerial product C/S decision making, for subsequent empirical testing.

**Design and Methodology**

Qualitative research methods usually involve the systematic collection, organisation and interpretation of textual material derived from interview or observation, in this case, from interview (Malterud, 2001). Interviewing is one of the most common methods for collecting data in qualitative research (Byrne, 2001). Minichello, et al., (1990, p. 19) defines in-depth interviews as:

… face to face encounters between the researcher and informants directed toward understanding informants’ perspectives on their lives, experiences, or situations as expressed in their own words.
The ‘key informant’ technique was used. This is a method for collecting information on organisations and their behaviour (Marshall, 1996). Informants are chosen on the basis of particular specialised knowledge and/or position in an organisation (Bagozzi, Yi, and Phillips, 1991). The respondents consisted of export marketing executives or managing directors of Australian based food and beverage exporters, recruited from a database purchased from list broker Dunn and Bradstreet. Respondents’ titles ranged from ‘managing director’ to ‘export manager’. However, each was a key decision maker concerning the extent to which the food product(s) of their respective organisation would be customised or standardised. Grbich (1999) discusses the substantial complexities associated with gaining access to people in elite positions, such as senior export managers. This study conformed to the Murphy, Cockburn, and Murphy (1992) approach to overcoming these problems by sending individual letters, followed by telephone calls to prompt and confirm participation.

‘Purposive’ sampling was used in this study. This offered researchers a degree of control, rather than being at the mercy of any selection bias inherent in pre-existing groups (Barbour, 1999). The selection of respondents is made by human choice rather than at random. Purposive sampling of this type is neither random, nor on a convenience basis.

In accordance with an approach developed by Byrne (2001), the interviews incorporated three stages. The words of an interview constitute raw data, somewhat like the numbers resulting from a test, and must be interpreted.

Interview transcripts were coded such that the respondents could not be identified. Each interview was then transcribed verbatim. Using Griffée’s (2005) approach, themes were identified by a short word or phrase. These words or phrases were then matched against similar words or phrases used across all interviews.

The process of analysing ‘as you go’ (i.e. following each interview) invariably shapes the ongoing data collection. This is actually a crucial element of the production of high quality qualitative data (Ezzy, 2002). This approach, known as sequential analysis, involves analysis of data as it is collected, and allows the researcher to go back and refine questions, and pursue emerging avenues of inquiry in further depth (Broom, 2005). In this regard, Fielding’s (1993, p. 163) four-step approach to ethnographic data analysis was adopted. This is not to
suggest that this study conforms to true full ethnographic method. The approach is illustrated here:

Field notes → Search for categories → Dissect the data → Construct questions (re-sequence)

Transcripts

**Qualitative Study: Findings**

This study reviews the profile of respondents and their organisations, before considering support for each of the variables suggested in the literature in turn. Regarding the respondents, they clearly are experienced, active export managers. Their organisations vary in the level and longevity of export involvement. Profiles of the 14 respondents and their level of export experience, defined by Cavusgil and Zou (1994) as ‘the number of export markets in which the exporting organisation has regular exporting activities’, are summarized in Table 6.1 whilst the respondents’ organisational size is summarised in Table 6.2.
| Respondent 1 | Export sales manager | 5 | 11 | Condiments | Yes |
| Respondent 2 | Export manager | 3 | 15 | Snacks & beverages | Yes |
| Respondent 3 | International marketing manager | 11 | 12+ | Snacks | Yes |
| Respondent 4 | Sales Manager | 7 | 12 | Confectionary | Yes |
| Respondent 5 | Export Manager | 2 | 20 | Snack | Yes |
| Respondent 6 | International Sales Manager | 2.5 | 17 | Beverages | Yes |
| Respondent 7 | Owner | 6 | 15 | Additives | Yes |
| Respondent 8 | Owner | 3 | 14 | Beverages | Yes |
| Respondent 9 | Owner | 3.5 | 10 approx | Condiments | Yes |
| Respondent 10 | Sales Manager | 4 | 12 | Additives | Yes |
| Respondent 11 | Owner | 5 | 6 | Condiments and Snacks | Yes |
| Respondent 12 | Sales Director | 5 | 8 | Confectionary | Yes |
Table 6.2: Qualitative Study: The Respondents and Their Organisations

<table>
<thead>
<tr>
<th>Respondent (R)</th>
<th>Product Type</th>
<th>Company Size</th>
<th>Gender</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Confectionary &amp; beverages</td>
<td>Large***</td>
<td>Male</td>
</tr>
<tr>
<td>B</td>
<td>Biscuits and snack foods</td>
<td>Small*</td>
<td>Female</td>
</tr>
<tr>
<td>C</td>
<td>Food additives</td>
<td>Large</td>
<td>Male</td>
</tr>
<tr>
<td>D</td>
<td>Condiments</td>
<td>Large</td>
<td>Male</td>
</tr>
<tr>
<td>E</td>
<td>Condiments and food additives</td>
<td>Medium**</td>
<td>Male</td>
</tr>
<tr>
<td>F</td>
<td>Snack foods</td>
<td>Large</td>
<td>Female</td>
</tr>
<tr>
<td>G</td>
<td>Fruit juices</td>
<td>Large</td>
<td>Male</td>
</tr>
<tr>
<td>H</td>
<td>Jams and conserves</td>
<td>Small</td>
<td>Male</td>
</tr>
<tr>
<td>I</td>
<td>Dairy products</td>
<td>Large</td>
<td>Male</td>
</tr>
<tr>
<td>J</td>
<td>Chocolates and general sweets</td>
<td>Medium</td>
<td>Male</td>
</tr>
<tr>
<td>K</td>
<td>Snack foods</td>
<td>Small</td>
<td>Male</td>
</tr>
<tr>
<td>L</td>
<td>Condiments</td>
<td>Medium</td>
<td>Male</td>
</tr>
</tbody>
</table>

* - organisations with a sales turnover of less than $AUD 9.99 million
** - organisations with a sales turnover of between AUD $10 million and $49.99 million
*** - organisations with a sales turnover of more than $AUD 50 million

Of the independent variables explored, cultural differences between the exporter’s nation and the export destination appeared to be the most significant to respondents. All respondents reported that an understanding of the cultural differences of the export destination were critical to the success of the export venture. Specifically, an understanding of foreign consumers’ diets, consumption patterns, and differences in their palate were found to be of the greatest significance. For example, one respondent mentioned the term bitter in terms of customising products for the Japanese and Chinese palate. Another respondent mentioned added sweetness for the same foreign markets, while a further respondent mentioned the addition of citrus to exemplify how food products were customised for Asian palettes:

I think particularly in Asia, people have been using botanicals for thousands of years and are very aware of the different properties of different botanicals. (R A)

It is very minor flavour changes and it is really down to when you go to Singapore and they say that it’s salty for the Singapore palates. (R B)

In instances where respondents mentioned consumer behaviour, it sometimes necessitated a change in product, such as pack size or change in ingredients (for cultural/dietary reasons).
This is consistent with the view of Keller and Moorthi (2003). Consumption patterns were mentioned as being an important consumer behaviour variable, as was demand for a certain imported food product. The perception of quality was cited by several respondents as being a consumer behaviour related issue. This suggests that Chinese consumers perceive western food products as being of a superior quality to local or other imported food product (Curtis, McCluskey, and Wahl, 2007).

To some countries it (product customisation) depends on the customer. For example in Japan we send premium products, but in China, in Malaysia or Vietnam we send a mix, half premium, half concentrate. (R G)

So to get to the price point, we often have to downsize the offer and … consumption patterns in Asia are lower (than) that of typical westernised nations. (R H)

People in Asia and China in general see Australian foods as being of a superior standard due to the advanced manufacturing systems and rigid quality control. They (the Chinese consumer) know they are buying a quality product. (R A)

Several respondents found that exporting food products specifically from Australia had benefits, a fact they take into account in their decision making. The primary reasons cited was Australia’s ‘green’ reputation, as well as the quality of the ingredients used, noted above. Those respondents who conducted basic research into their foreign (international) markets said that Australia had a reputation abroad for growing naturally and for manufacturing quality foodstuffs. ‘Freshness’ of foods was also cited as being important for the image of Australian food exports. Those respondents who referred to country of origin (COO) stated that COO influence for Australian food exporters was positive, i.e. Australia had a positive image.

… (being from Australia) opens new doors. (R C)

I think Australia has got a superb reputation with regards to being a clean environment and perceptually, if not actually, our food and produce is generally at the highest quality or highest perceived quality. (R A)
The use of technology in either accessing international markets or preparing customised food and beverage products for those markets were not found to be significant. Only one respondent reported that technology was important in the product customisation decision for international markets.

Several respondents reported understanding of a foreign country’s national laws as being significant. Specifically, laws related to food packaging and labelling were seen as critical to successful export by most respondents. Similarly, a thorough understanding of a foreign nation’s food safety/food handling laws was also seen as important because food and beverage products may have to be customised to adhere to the national standards:

That would … be an example where you would have to comply with legal aspects of the national laws of a particular foreign market in Asia. (R G)

A nation’s economic conditions were found to be significant in terms of selection as a target for export marketing. Specifically, a nation’s economic growth rate was found to be a key selection criterion for export destination. Several respondents reported that industry growth rate was of major importance. That is, the growth rate of the industry (e.g. packaged foods) was as important as the national economic growth rate (e.g. China’s gross domestic product).

If the size of the market were large enough then we would do that (i.e. customise products for that market). Market metrics in terms of sales volume and profit are particularly important in our market choice selection. (R H)

Respondents reported the rationale for going international with their food products as either to increase dollar and unit sales, and/or to increase overall profit or profit margin. These were seen as organisation performance measures and determinants. Only one respondent suggested desired market share as an influence on decision making. Profit margins were mentioned by several respondents as being critical. In all cases where margin was mentioned, the degree of customisation was seen as dependent on the margin available on the sale of a product to an international buyer. One respondent cited increased production capacity as mandatory for exporting product abroad. This means resources had to be allocated to manufacturing to
increase productive output. Two respondents alluded to greater production capacity utilisation also being the organisational intent.

We did really run into a lot of markets … with(out) a great understanding of what they were really looking for. Our first offerings were really what we developed here for our local market. We simply tried to sell any excess capacity from our Australian market overseas as cheaply as possible. (R F)

Is it economical for us to look at it (product customisation) or do we walk away? So we try to export as much product in a standardised way because it’s cheaper. We therefore look to markets such as New Zealand where we can sell our products with little if any change. (R G)

Several respondents cited the international competition as a reason for targeting selected nations. Essentially, exporter decision makers who cited competition in foreign markets reported that they either selected markets where no product customisation was required (that is, they marketed standardised products), or selected nations where the degree of product customisation (and the investment required to do this) was minimal.

Two respondents mentioned that Australian organisations had a competitive advantage in international markets because of the timing of their market entry or the lack of existing competition in these markets. However three respondents referred to competition as being important.

Of course we want some sort of growth opportunities in those areas and I guess we should go back one step and ask why we should decide to export in the first place. Our domestic market is mature and there are known growth opportunities in offshore markets. (R B)

Legal constraints were cited as a reason for some product customisation. For example:

That would … be an example were you would have to comply with legal aspects of the national laws of a particular (Asian) market. (R G)
A target nation’s growth rates were found to be significant in terms of selection as a target for export marketing. Specifically, a nation’s economic growth rate was found to be key selection criteria for export destination. Several respondents reported that industry growth rate was of major importance. That is, the growth rate of the industry (e.g. packaged foods) was as important as the national economic growth rate (e.g. China’s gross domestic product). Opportunities for growth were also cited as being important. China in particular was seen as being a growing market (opportunity), for further export expansion.

If the size of the market were large enough then we would do that (i.e. customise products for that market. (R H)

In terms of who makes the export product customisation or standardisation decision, there was a significant variation, depending upon the size of the organisation. Smaller to medium sized food exporters relied on the Managing Director (MD) or Chief Executive (CE) to make the final product decision. In larger organisations, teams made the decision. Teams typically consisted of marketing, research and development, export and administration staff depending on the organisational structure.

An unanticipated finding in the interviews was significant belief amongst respondents in the importance of the role of intermediaries in product customisation or standardisation decisions for international markets. Respondents reported that intermediaries were located locally, that is, within Australia. However, in some cases the intermediaries also had foreign-based operations. Further, respondents reported that intermediaries assisted the decision in three main ways:

1. Selecting appropriate nations for the product (based on the intermediaries’ knowledge of those countries)
2. Selecting appropriate products within a given product line for export, and
3. Providing valuable market data on how best to customise a product (if applicable) for one or more international markets.

For example, the respondents indicated:
We’ve actually appointed agencies and have agency agreements with some big companies in each market. (R F)

We use trade agents such as Austrade. (R G)

Without agents, we would have no market in China. Our import agent helps us to compete successfully in a growing market with much competition. (R B)

We could access the China market without an importers and wholesaler. That would be time consuming and dangerous because our wholesaler knows the market needs and our product. (R A)

Those exporters who relied on intermediaries (mainly small to medium sized organisations) defined the role of an international trade (import or export) agent, as the facilitation of matching between buyer (such as a wholesaler) and seller (the exporter). Intermediaries of this type are usually based in the country of origin (that is, Australia) but have an understanding of and connections in the export destination.

**Qualitative Study: Discussion and Conclusions**

The product customisation or standardisation debate has tended to imply that these constructs are dichotomous and mutually exclusive. Kragh (2002) suggests that exporters should not look at these strategic alternatives as dichotomous, but rather as a number of different, inter-related scenarios. This is the position which seems to best fit the views of the practitioner respondents. Managers will undertake some product customisation, but this will vary widely depending on the product, country and other variables.

Further, the literature reviewed in earlier chapters on international product customisation/standardisation decisions yielded evidence for a number of relevant independent variables (IVs) impacting the dependent variable (DV) of ‘degree of export packaged food product C/S’. The present study concludes that the practitioners interviewed have bolstered the face validity of all the literature based variables.
The relevant variables are summarised in Figure 6.1.

Respondents also suggested that export intermediaries moderate the relationship between the dependent and independent variables. Those exporter decision makers who relied on intermediaries defined the role of an international trade (import or export) agent as the facilitation of matching between buyer (such as a wholesaler) and seller (the exporter). Intermediaries of this type are usually based in the country of origin (that is, Australia) but have an understanding of and connections in, the export destination. This is somewhat analogous to the role of financial intermediaries who match financial instruments (of varying structures and duration, for example) to customer financial needs.

Exporters who espoused this kind of important role for international trade agents were mainly small to medium sized organisations, although no firm conclusion is possible on this from the small sample accessed for this qualitative research. Smaller to medium sized food exporters relied on the Managing Director (MD) or Chief Executive (CE) to make the final product decision seemingly independently. In larger organisations, teams appeared to make the decision. Such teams consisted of marketing, research and development, export and administration staff depending on the organisational structure.

We have a weekly meeting to decide our international marketing issues, especially sales. (R G)

Generally, the management team. We have basically three (decisions makers). There is the Managing Director, myself (as) the General Manager, and our Export Manager. (R F)

Key questions springing from these findings are 1) ‘does the context of decision making (group or individual) influence the extent of the food C/S decision made?’, ‘does the involvement of intermediaries influence the extent of the food product C/S decision made?’ and finally, does the composition of the decision making team influence the outcome of the product c/S decision made? By including variables capturing group or individual context for decision making, and any role played by intermediaries, it is hoped to establish through
quantitative research whether these factors lead to any definite difference in the extent of product C/S decided upon.

The qualitative study also suggested that smaller organisations tended to have one single decision maker responsible for the product decisions in international markets. Larger exporters appeared to make the same decision in groups.

This study finds the strongest support was evident for the influence of consumer behaviour and cultural difference. Nine out the eleven practitioners interviewed reported that cultural differences and consumers’ behaviour towards imported products influenced their (the managers’) product customisation/standardisation decisions. In short, as noted, the qualitative work undertaken enhances the face validity of the literature derived variables in this decision, but additionally suggests a significant role for international trade agents - an unanticipated outcome.

The respondents have provided support for each of the variables to the model now proposed for testing. The model of decision making developed here assumes that export decision makers have some knowledge of the characteristics of their export markets and the issues likely to influence product standardisation or customisation. However, the current study does not assume that they are familiar with any or all of the literature and theory the researcher has reviewed concerning these matters. Rather, it believes it is reasonable to expect that export managers will take at least some of the following variables into account in their standardisation/customisation decisions.

On the basis of both the literature reviewed in earlier chapters and of practitioner confirmation of this evidence in the qualitative study reported in this chapter, this study suggests that each of the independent variables (IVs) described in Figure 6.1 may influence a manager’s decision on the degree of product standardisation required for export to world markets. This study proposes the following modified model of influences on managerial decision making concerning levels of export product C/S.
Based on the data collected from the depth interviews with Australian based food and beverage exporters, the conceptual model illustrated in Figure 6.1 is proposed for further empirical testing.

In the following chapter the current study further develops this proposed model of influences on export managerial decision making, derive specific hypotheses for testing, and outline methodology for the empirical study designed to test these hypotheses.
Chapter 7

QUANITATIVE METHODOLOGY FOR EMPIRICAL STUDY

Introduction

This study has now accessed a range of concepts for which research evidence exists in support of their having a likely role in the optimisation of commercial export product C/S decision making. Further, it has obtained face validity for a tentative model of the structure of influences in export manager decision making in these matters by asking practitioners from based in Australia whether in fact, they take such concepts into account. In this chapter, the study derives a set of key hypotheses for testing of this proposed model, and set out methodology for a major study, this time using quantitative methods.

Research methodologies directly impact the validity and generalisability of a study and play a vital role in knowledge development of international business (Kogut, 2001). Business research is characterised by a number of different theoretical perspectives and philosophies (Stiles, 2003) and can vary significantly in substantive interest (Knorr-Cetina, 1981). Overall, the current research study used a mixed method approach, embodying both qualitative and quantitative approaches. An initial qualitative study using depth interviews with Australian based export decision makers was reported in the previous chapter. A self-administered questionnaire survey was then employed to empirically test the model generated. In accordance with the recommendations of Frohlich (2002), the survey was pre-tested in Australia among ten food and beverage exporters prior to its international deployment. Respondents to the questionnaire were practitioners predominantly from North America, Asia, and Europe.

Cross Cultural Research

This study concerns the analysis of product C/S decision making by export managers in countries other than the target market country (i.e. China), and is therefore cross cultural in
terms of the decision making location and the target country location. The conceptualization is illustrated in Figure 7.1.

Figure 7.1: Managerial Differences Across Cultures: Export Decision Makers and Chinese Markets

Further, the study explores such decision making by managers from various regions of the world. The study allows examination of similarities and differences between product C/S decisions making across these regions, which is conceptualized in Figure 7.2. Figure 7.2 divides the world into distinct regions suggesting that managerial decision makers from a given region make similar packaged food product C/S decisions for China.
Figure 7.2: Managerial Differences Across Cultures: Export Decision Makers in Different Countries

North America

United Kingdom

Continental Europe

Asia

Other regions

China

* Cultural boundaries are indicated by broken line ( ..........................)
Figure 7.3 summarizes the cross cultural perspectives within this research.

**Figure 7.3: Cross Cultural Differences: Export Decision Making Between Individual Regions and China**

The rise of cultural diversity in society has had an impact on many aspects of our life (Gitner, 1998). In the scientific world, one impact has been the need at times to translate research instruments for use with people speaking different languages. As Caro and Stiles (1997, p. 233) suggest:

Translating is not a simple mechanical matter of changing words from one language to another, but a subtle and personal task, an act of recreation, of reconstruction.
To be considered valid, cross cultural translation of instruments must establish the relevance of the instrument in the new culture by taking into consideration the emic (e.g. ideas, behaviours, and concepts that are culture specific) and etic (e.g. ideas, behaviours, and concepts that are general and universal) (Banville, Desrosiers, and Genet-Volet, 2000). This study sought to minimise such difficulties by purposively accessing only active, experienced export practitioners, who were all proficient in English language, although based in different parts of the world. In fact, the respondents came largely from developed economies sharing much in terms of dominant modes of approaches to business. The surveys were conducted at food and beverage trade exhibitions in Beijing, Hong Kong and Kualar Lumpur, which are international cities where English is widely spoken. Further, the trade exposition in which the respondents attended was globally promoted (via the Internet and pamphlets) in English.

The purposive sampling method used ensured that respondents met all the criteria: active exporters, fluent in English etc. However, analysis is possible for any differences which exhibit in the relevant decision making across the US, UK, continental Europe, Asia and ‘other regions.’ As direct data gathering from Chinese consumers was not part of the study, the issue of translation of questions between English and Chinese languages was avoided. This matter could arise however in the context of the role of intermediaries, who may well be based in China. As Pye (1986, p. 20) posits:

> Unquestionably, the largest and possibly the most intractable problems in Sino-America business negotiations can be traced to cultural differences between the two countries.

Sinkovics, Penz, and Ghauri, (2005) posit that in international marketing research and particularly research at the marketing and entrepreneurship interface, the use of an open and flexible research design is required. To ensure validity, Mays and Pope (2000) suggest procedures and principles such as triangulation and respondent validation. Triangulation refers to the use of multiple research methods to reduce the incidence of bias. This study uses triangulation between literature based conceptualisation, and both qualitative (see previous chapter) and quantitative (this and subsequent chapters) data gathering methods. Respondent validation refers (in the case of this study) to ensuring that the respondent who participates in the study is actually involved in the export decision-making process related to product
standardisation or customisation decisions for international markets. The current study allows for strong respondent validation in this empirical study via the capture of information on nationality, age, experience and gender, and of considerable information on respondents’ organisations.

**Empirical Study: Methodology**

The steps in this study were first, to develop and test measures of the constructs suggested by the literature and the qualitative study within the proposed model, and then to empirically test the proposed overall model and the relationships between the constituent variables. The aim was to refine the model, reflective of real world practitioner views, using structural equation modelling techniques. Data was gathered by way of a largely self-administered questionnaire. Manion (1994, p. 743) defines survey research as the

> Systematic data collection in a natural setting for the purpose of answering questions about a specific population.

The respondents consisted of executives from packaged food manufacturing organisations. The organisations were predominantly but not exclusively from North America, Europe and Asia. The executives were present at three separate and unaligned food and beverage exhibitions based in Asia. The purpose for their attendance was to discuss potential export trade with wholesalers, retailers, agents and distributors from other nations. Their age, gender, and experience in exporting packaged food and beverage products varied greatly. Each potential respondent was asked a filter question to ascertain whether they were involved in the export decision making process for their organisation, specifically the decision related to the choice of products that were exported. The respondents were informed that their participation was voluntary and would take approximately 30 minutes.

**Empirical Study: Operationalization of Constructs**

Operationalisation specifies the transition from theory into measurement (Bhalla and Lin, 1987). According to Churchill and Gilbert, (1979, p. 65), the process of measurement
involves ‘rules for assigning numbers to objects to represent quantities of attributes.’ The Churchill and Gilbert (1979) definition involves two key notions. First, it is the attributes of objects that are measured and not the objects themselves. Second, the definition does not specify the rules by which the numbers are assigned. However, the rigor with which the rules are specified and the skills with which they are applied determine whether the construct has been captured by the measure. The present study now offers concise summaries of the variables in the proposed model. Detailed reviews of the literature evidence basis for these variables and their relevance were provided in chapters two, three and four. The variables also form the basis of the survey instrument found in Appendix 2. Abbreviations used are noted in brackets.

**Cultural Issues/Buyer Behaviour (CBB)**

Exporters will need to understand the international consumers to whom a particular product is targeted. Consumer perceptions of quality and value in a product (and hence the need to customise that product to meet the consumers’ expectations) appear to be functions of extrinsic cues such as brand name and perceptions of product country of origin (Bredahl, 2004; Magunsson, Westjohn, and Zdravkovic, 2011; Teas and Agarwal 2000). Stronger COO effects may exist for products from a country with a dissimilar belief system and socio-cultural climate from products of a similar country (Zhang, 1996).

Cultural differences between domestic target market consumers and export target market consumers, defined broadly to include shared values, beliefs, attitudes, and language, influence the product customisation or standardisation decision. For example, cultural dimensions of power-distance and uncertainty avoidance may hinder acceptance of new products (Yeniyurt and Townsend 2003). Characteristics of products such as labelling, packaging, and a product’s contents all carry cultural connotations and must fulfil local (host nation) requirements (Hill and Still 1984).

Consumers may exhibit significantly different perceptions of product attributes for products that came from countries of different levels of socio-economic and technological development (Kaynak and Kara, 2002).
Use of a standardised global brand name in all foreign markets assists in brand recognition, quicker adoption of the product and a means of gaining global competitive advantage (Bardacki and Whitelock 2000). Ethnocentric tendencies may affect consumer behaviour, a factor to be figured into the overall challenge of product origin bias (Herche 1994). Hence, a managerial perception of target market attitudes to ethnocentrism and ‘country of origin’ becomes an input into the product standardisation/customisation issue.

**Organisational Strategic Intent (OSI)**

Export marketing strategy, the firm’s international competence (experience), and managerial commitment (for example, to adapt or standardise) were all relevant as determinants of export performance (Cavusgil and Zou 1994).

Research suggests that market coverage and capacity utilisation are important considerations for companies emphasising global standardisation (Samiee and Roth 1992), Kleinschmidt and Cooper (1988) found the corporate success, future growth and prosperity of many manufacturing firms depended on their ability to first select the appropriate international target market, and secondly on the extent of the product design and development effort for domestic compared to international consumers. This study posits that managers can be expected to hold some belief on these matters, perhaps exhibiting as a specific strategy.

The construct organisation strategic intent captures the notions of ‘management stance’, ‘export marketing strategy’, and ‘extent of the product development and design effort’ as per the above authors. The suggested factors of ‘experience’, ‘market coverage’, ‘capacity utilisation’ and ‘ability to select appropriate international target markets’ also referred to above, appear to be related to organisational strategic intent. The literature suggests that for export decision makers, there is likely to be an important link between an organisation’s strategic intent and international product C/S decisions.
**Competitive Factors (CF)**

Competition in foreign markets may influence the degree to which exporters adapt products to those markets. Johnson and Aruthanes (1995) posited that each country has different levels of competitive intensity based on, inter alia, different levels of economic development and end-user differences. These competitive differences affect the extent to which product customisation takes place.

International product strategy decisions will be influenced heavily by the competitive advantage that they provide in the foreign nation. Delene, Meloche, and Hodskins (1997) argue that competitive advantage is gained from increases in customer delivered value. Export decision makers are faced with the challenge of developing an international product that not only meets the needs of specific international markets, but also provides a competitive advantage in those markets to the exporting organisation.

**Target Market Economic Conditions and Stage of Development (ECSD)**

Macro-environmental issues found in each country, such as economic conditions and overall stage of economic development influence international product strategy in a variety of ways. Nebenzahl and Jaffe (1996) argue that consumer evaluation of international products is influenced by the (producing) country’s stage of economic development. That is, consumers hold more negative perceptions of products made in developing countries (Wang and Lamb 1983).

**National Legal & Regulatory Context (NLRC)**

Understanding of laws related to food packaging, labelling, nutritional content, safety and handling may be critical to successful export. Food and beverage products may have to be customised to adhere to national standards.

**Organisational Function/Position of the Decision Maker**

213
Managerial decisions within an organisational context are often dependent on organisational structure (Zheng, Yang, and McLean, 2010). Indeed, Fredrickson (1986) posits that an organisation’s decision process is a function of that organisation’s structure. Within any well-defined organisational structure, there are clearly defined job roles (positions) (Morrison, 1994). Some of those positions come with a delegated authority to make certain managerial decisions (Baker, Gibbons, and Murphy, 1999). Positions with delegated authority in organisations are varied (Carpenter, Geletkanycz, and Sanders, 2004) and include Chief Executive Officer, Sales Manager, Marketing Manager, and Export (Sales/Marketing) Manager.

**Operationalized Model: Group and Individual Influences on Managerial Export Food Product C/S Decision Making**

From the review of the literature and the reported qualitative study undertaken with active export practitioners, the current study proposes the following operationalized model for testing. In particular, the moderating role of export channel intermediaries is highlighted. The relationship between the exporter and their channel intermediaries can significantly impact performance in export markets (Matear, Gray, and Irving, 2000). Indeed channel members can moderate the relationship between the manufacturer/exporter and the international buyer by assisting in the building of trust (Shin and Ma, 2008) which was found to be in an important transaction relationship (Morgan and Hunt, 2004). Further, by providing strategic advice such as product information, promotional advice, and educational programs about new products in international markets, channel intermediaries influence the relationship between the manufacturer/exporter and the international buyer (Teas and Sibley, 1980), often by actively commercialising knowledge (Lichtenthaler, and Ernst, 2008). As with other models, the purpose of this framework is to propose a logical structure and likely dynamics amongst the important variables described above, from which testable hypotheses may be derived.
Figure 7.4: Proposed Model: Group and Individual Influences on Managerial Export Food Product C/S Decision Making

- Culture/Buyer Behaviour (CBB)
- Organisational Strategic Intent (OSI)
- Country of Origin (COO)
- Competitive Factors (CF)
- Target Market Economic Conditions & Stage of Development (ECSD)
- National Legal & Regulatory Context (NLRC)

**Dependent variable**
- Extent of export product customisation /standardisation for China market(s) (C/S)

**Moderating variable**
- The role of import/export intermediaries in the product C/S decision

**Independent variables**
<table>
<thead>
<tr>
<th>Construct</th>
<th>Items Used</th>
<th>Abbreviation</th>
<th>Variable Type</th>
<th>Questions in Survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture/Buyer behaviour</td>
<td>Diet</td>
<td>C/BB</td>
<td>Independent</td>
<td>23, 28-31, 33, 34, 42-46</td>
</tr>
<tr>
<td></td>
<td>Consumption patterns</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Demand for imported goods Pack size</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal &amp; Economic Environment</td>
<td>Packaging and labelling laws</td>
<td>LEE</td>
<td>Independent</td>
<td>13, 14, 17, 25, 26, 32, 33, 62</td>
</tr>
<tr>
<td></td>
<td>National economic growth</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Product quality laws</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Regional economic growth</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Food Safety Standards</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitive Assessment</td>
<td>Number of competitors</td>
<td>COMPASS</td>
<td>Independent</td>
<td>47-52</td>
</tr>
<tr>
<td></td>
<td>Size and strength of competitors</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organisational Strategic Intent</td>
<td>Profit margins</td>
<td>OSI</td>
<td>Independent</td>
<td>17-19, 35-40, 76</td>
</tr>
<tr>
<td></td>
<td>Sales growth</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Market share</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Brand name and brand management</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country of Origin Effects</td>
<td>A nation’s reputation for fresh clean food</td>
<td>COE</td>
<td>Independent</td>
<td>20-22, 41</td>
</tr>
<tr>
<td>Organisational Decision Making Context</td>
<td>Individual decision making</td>
<td>ODMC</td>
<td>Independent</td>
<td>6-9, 15, 16, 63-74, 77-87</td>
</tr>
<tr>
<td></td>
<td>Group decision making</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Use of Export Intermediary</td>
<td>The role intermediaries play in the product customisation/standardisation</td>
<td>UEI</td>
<td>Moderating or Intervening</td>
<td>10-12</td>
</tr>
<tr>
<td></td>
<td>decision</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Extent of product C/S for packaged food</td>
<td></td>
<td>EP</td>
<td>Dependent Variable</td>
<td>24, 27, 75</td>
</tr>
<tr>
<td>products for export to China</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Empirical Study: Hypotheses for Testing

The following hypotheses were derived for empirical testing.

H1: Level of congruity between home and target market consumer behaviour and culture is positively related to degree of product standardisation. In line with the findings of Cavusgil and Zou (1994), we expect a positive correlation between product customisation and level of cultural difference between the exporting market and China.

H2: The greater perceived reliance on export markets for organisational performance results the greater will be the need to customise products for export. We expect a positive correlation between customisation and dependence on exports for organisational performance in line with the findings of Johnson and Arutahnes (1995).

H3: A high regard within an export market for the country of origin of an imported product as perceived by the decision-maker is positively related to degree of product standardisation. In other words, we expect a higher degree of product customisation with a more favourable consumer perception of the country of origin of the imported product, in line with the findings of Kaynak and Kara (2002).

H4: The level of competition perceived by an export decision maker within the export target market is positively related to degree of product customisation. We expect a positive correlation between customisation and the level of competition in China in line with Bernhardt, Liu, and Serfes (2007) assertion that higher levels of product customisation can ward off competitors.

H5: Favourable economic conditions such as a high level of economic development within the target country are positively related to degree of product customisation. This is in line with Nebenzahl and Jaffè’s (1996) assertion that consumer evaluation of international products is influenced by the country’s stage of economic development, where the higher the level of economic development, the greater the level of product C/S.

H6: Export decision makers who make product customisation/standardisation decisions in groups are likely to make greater changes to export products than those who make the same decision individually, i.e. we expect a positive correlation between product customisation and the number of decision makers in the decision making team. This is consistent with the decision making approach proposed by Michaelsen, Watson, and Black (1989).
H7: We expect a positive correlation between product customisation and intermediary involvement in the product C/S decision. Export decision makers who make product customisation/standardisation decisions are likely to be strongly influenced by the advice that import/export intermediaries provide the export decision maker (Angelmar and Pras 1984). Therefore, we expect that the greater the intermediary involvement in the export product C/S decision, the higher the level of export product customisation.

The empirical testing of these hypotheses will have important managerial implications for export decision makers. The findings should assist exporters who are charged with the responsibility of ensuring their product meets the needs of the international target market(s) while balancing the attainment of the improvement of organisational performance. This is because export decision makers can reflect upon their habitual decision processes and that of their peers. Such meta-cognition may suggest factors to be given greater or lesser emphasis in the attainment of the decision and ultimately of export outcomes.

The measures this study has developed are in each case multi item. Table 6.5 (above) lists the names of constructs, summarizes the items used in the measurement, designates an abbreviation and variable type (independent, dependant, moderating or intervening), and lists the relevant question numbers in the questionnaire.

**Questionnaire Design**

As noted, the survey instrument in this study was administered in English. Scholars have supported the use of alternative questionnaire formats in international marketing research (Douglas and Craig, 2005). Their reasons for doing so centre on the notion that, different cultures respond differently to different scale measures in quantitative based questionnaires, such that the same scales may have different reliabilities in different cultures. In this study the one English language questionnaire was administered to all respondents, the only practical solution when respondents originated from numerous countries across several continents, but all speaking English.

In designing the scale or response format, respondents’ educational or literacy levels should be taken into account (Malhotra, Argawal, and Peterson, 1996). One approach is to develop scales that are pan-cultural, or free from cultural biases. Of the scaling techniques commonly
used, the semantic differential scale is said to be pan-cultural and is used widely in survey instrument in this study. When using Likert scales or semantic differential scales, international marketing researchers need to test the significance and appropriateness of anchors (Malhotra, Agarwal, and Peterson, 1996).

The end points of the scale are particularly prone to different interpretations (Malhotra, Agarwal, and Peterson, 1996). In some cultures ‘1’ may be interpreted as best, while in others it may be interpreted as worst, regardless of how it is scaled. This study conforms to the notion that the lower the number, the lower the effect, preference or ranking of the variable. All variables are measured on a horizontal 7 point semantic differential scales, Likert scales or Staples scales in accordance with the recommendations provided by Dawes (2008) and Miller (1956). Whilst some authors argue that there is no one best scale (Gleason, Devlin and Brown, 1994), this number of response alternatives has been suggested by Cox (1980), after a thorough literature review, and by Peter (1979). Alternative scale types were chosen in this study to reduce monotony and any resulting response bias. This study adopts Cox’s (1980) suggestion and used 7 point scales where necessary throughout the questionnaire.

**Sampling**

A purposive sample of 210 respondents was selected among export decision makers who were present at the Hong Kong Food Expo in 2005, and at similar events in Kuala Lumpur and Beijing in 2005 and 2006. Respondents were asked to complete a questionnaire, and were informed that doing so would take approximately thirty minutes. Participation was voluntary. Respondents were primarily from Europe, South East Asia, and North America (including Canada).

The respondents were approached by the researcher during the trade exhibitions, each of which lasted for several days, and asked if they were interested in participating in a voluntary questionnaire based survey. The researcher explained the purpose of the study, the approximate time it would take to complete, and the confidentiality of the data collected.
Summary

1. The design of this study combines mixed mode methods of qualitative and quantitative approaches in a way appropriate to the international research context.
2. The qualitative study suggests support and face validity for the proposed literature based model.
3. The quantitative elements of the design allow testing of the influence of salient variables and theorised dynamics between them.

In the following chapter, discussion of the key findings of the empirical study is considered.
Chapter 8

FINDINGS: EMPIRICAL STUDY

Introduction

Findings from this empirical study are reported in the following manner. First, the nature of the respondent sample is examined in terms of both the individual respondents and their organisations. This study uses exploratory and confirmatory factor analyses to develop measurement scales, assessing the reliability of these scales using Cronbach’s Alpha statistic. Discriminant validity is checked, and the relationships between the scales are examined using correlation analysis. Following examination of the data in descriptive terms, a test of the hypotheses developed in chapter six will be conducted. Finally, this study uses structural equation modelling (SEM), to revise and refine a model of influences on managerial decision making regarding export product C/S within the focal Chinese context.

The Respondents

210 respondents completed the questionnaire over the three separate food and beverage expositions held in Hong Kong (August 2005), Kuala Lumpur (September 2005) and Beijing (June 2006), as noted previously. These major industry events attracted participants with a commercial interest in food export from around the world.

The respondents can be characterised as middle level to senior level export managers. All are in decision making roles. Table 8.1 shows the characteristics of the respondents’ organisations in terms of size, measured using the number of employees. The sample has captured the views of these key informants within a wide size range of exporting organisations. About a third of respondents represented organisations employing in excess of 250 people.
Table 8.1: Number of Staff Employed Worldwide

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
<th>Cumulative Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-250 employees</td>
<td>143</td>
<td>68.1</td>
<td>68.1</td>
</tr>
<tr>
<td>251-500 employees</td>
<td>55</td>
<td>26.2</td>
<td>94.3</td>
</tr>
<tr>
<td>501-1,000 employees</td>
<td>10</td>
<td>4.8</td>
<td>99.0</td>
</tr>
<tr>
<td>&gt;1,001 employees</td>
<td>1</td>
<td>.5</td>
<td></td>
</tr>
<tr>
<td>Total Missing value</td>
<td>1</td>
<td>.5</td>
<td>99.5</td>
</tr>
<tr>
<td>Total</td>
<td>210</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

The majority of respondents (84 per cent) were male (Table 8.2). There may be several reasons for this uneven gender distribution. It is known that buyers from Confucian cultures (for example, some Asian cultures) prefer to have business dealings with males (Kang, 2004). This could be a factor in the gender of the respondents from non-western nations. An interviewer effect artefact, e.g. ‘shyness’ of females towards a male interviewer, is an alternate interpretation. The gender breakdown may also simply reflect gender distribution in the event attendances. Gender is not central to the hypotheses this study is testing, but does provide an additional basis for analysis.
Table 8.2: Gender of Respondents

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>177</td>
<td>84.3</td>
</tr>
<tr>
<td>Female</td>
<td>33</td>
<td>15.7</td>
</tr>
<tr>
<td>Total</td>
<td>210</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Typically, the export decision makers interviewed have a significant level of experience making the type of decisions focal to this study. 78 per cent of respondents were between the ages of 26-55 years (Table 8.3), with around 40 per cent aged between 36-45 years. This is not surprising given the level of responsibility and risk associated with making export product related decisions (Cavusgil, Zhou, and Naidu, 1993).

Table 8.3: Age of Respondents

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Percent</th>
<th>Cumulative Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-25 years</td>
<td>4</td>
<td>1.9</td>
</tr>
<tr>
<td>26-35 years</td>
<td>34</td>
<td>18.1</td>
</tr>
<tr>
<td>36-45 years</td>
<td>81</td>
<td>56.9</td>
</tr>
<tr>
<td>46-55 years</td>
<td>49</td>
<td>80</td>
</tr>
<tr>
<td>&gt;55 years</td>
<td>42</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>210</td>
<td>100</td>
</tr>
</tbody>
</table>

Over a third of respondents have been making export related product decisions (either with their current or previous employer) for many years - around 36 per cent for between six and 10 years, and a further 35 per cent for more than 10 years (see Table 8.4). This represents significant, long-term experience.
Table 8.4: Years of Respondent Export Product Related Decision Experience

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
<th>Cumulative Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5 years</td>
<td>60</td>
<td>28.8</td>
<td>28.8</td>
</tr>
<tr>
<td>6-10 years</td>
<td>75</td>
<td>35.6</td>
<td>64.4</td>
</tr>
<tr>
<td>11-15 years</td>
<td>38</td>
<td>18.1</td>
<td>82.5</td>
</tr>
<tr>
<td>16-20 years</td>
<td>33</td>
<td>15.6</td>
<td>98.1</td>
</tr>
<tr>
<td>&gt;20 years</td>
<td>4</td>
<td>1.9</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>210</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

79 per cent of respondents are employed by organisations that have a sales turnover of one million dollars or more, and about 53 per cent by organisations with turnovers of 5 million dollars or more (Table 8.5). Exporting, as a foreign market entry mode, tends to be the preference of small to medium sized enterprises. There is evidence that larger, better-resourced organisations prefer higher risk/higher reward market entry modes such as joint ventures, (Muller and Schnitzer, 2005), ‘greenfield’ operations, Elango (2005), and contract manufacturing (Elango and Sambharya, 2004). This is consistent with the small number of respondents (around 16 per cent) who represent the largest food manufacturing companies.
Table 8.5: Gross Annual Sales Turnover of Respondents’ Organisations

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Cumulative Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;US$0.25m</td>
<td>1</td>
<td>0.6</td>
<td>0.6</td>
</tr>
<tr>
<td>US$0.250k-$.5m</td>
<td>16</td>
<td>7.5</td>
<td>8.2</td>
</tr>
<tr>
<td>US$0.5m-1m</td>
<td>25</td>
<td>11.9</td>
<td>20.3</td>
</tr>
<tr>
<td>US$1m-$5m</td>
<td>56</td>
<td>26.9</td>
<td>47.5</td>
</tr>
<tr>
<td>US$5m-$10m</td>
<td>76</td>
<td>36.3</td>
<td>84.2</td>
</tr>
<tr>
<td>&gt;US$10m</td>
<td>33</td>
<td>15.6</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>207</td>
<td>98.8</td>
<td></td>
</tr>
<tr>
<td>Missing value</td>
<td>3</td>
<td>1.3</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>210</strong></td>
<td><strong>100</strong></td>
<td></td>
</tr>
</tbody>
</table>

Table 8.6 shows a range of responses concerning the percentage contribution of export income to total organisational gross annual sales income, from around 10 to 60 per cent. About a third of respondents reported that the export income of their company was less than 10 per cent of their total organisational revenue. These respondents may represent organisations that were relatively new to exporting. Around 36 per cent of respondents gave the export percentage contribution to income of between 30 and 60 per cent.
Table 8.6: Export Revenue Contribution to Gross Annual Sales Turnover

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
<th>Cumulative Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;10 per cent</td>
<td>65</td>
<td>31.3</td>
</tr>
<tr>
<td>10-20 per cent</td>
<td>38</td>
<td>18.1</td>
</tr>
<tr>
<td>20-30 per cent</td>
<td>29</td>
<td>13.8</td>
</tr>
<tr>
<td>30-40 per cent</td>
<td>45</td>
<td>21.3</td>
</tr>
<tr>
<td>40-50 per cent</td>
<td>22</td>
<td>10.6</td>
</tr>
<tr>
<td>50-60 per cent</td>
<td>8</td>
<td>3.8</td>
</tr>
<tr>
<td>Total</td>
<td>207</td>
<td>98.8</td>
</tr>
<tr>
<td>Missing values</td>
<td>3</td>
<td>1.3</td>
</tr>
<tr>
<td>Total</td>
<td>210</td>
<td>100</td>
</tr>
</tbody>
</table>

In terms of the geographic operational base of the exporters, 20 per cent of respondents nominated this as being within continental Europe. Combined with respondents from the United Kingdom (17 per cent); ‘greater Europe’ represents around 37 per cent of respondents’ organisations (Table 8.7a). The regions of South America and Africa had the least number of respondents, while there were significant minorities of Asian and Oceanic based exporters represented.
Table 8.7a - Geographic Operational Bases of Respondent Exporters

<table>
<thead>
<tr>
<th>Region</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Continental Europe</td>
<td>32</td>
<td>15.2</td>
</tr>
<tr>
<td>North America</td>
<td>24</td>
<td>11.4</td>
</tr>
<tr>
<td>South (Latin) America</td>
<td>5</td>
<td>2.4</td>
</tr>
<tr>
<td>Oceania</td>
<td>26</td>
<td>12.4</td>
</tr>
<tr>
<td>UK/Great Britain</td>
<td>28</td>
<td>13.3</td>
</tr>
<tr>
<td>North Asia</td>
<td>24</td>
<td>11.4</td>
</tr>
<tr>
<td>South East Asia</td>
<td>24</td>
<td>11.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>210</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

In summary, the data collected has been provided by experienced senior managers in significant export enterprises. These enterprises are located outside of China in a variety of geographic locations covering most of the globe (Table 8.7a). In addition, around 81 per cent of decisions regarding product related factors for China are reportedly made in head offices within the home country of the export decision maker’s organisation (Table 8.7b). This may suggest a centralised approach to decision making.

Table 8.7b – Location Where Respondents’ Organisations Make Their Export Decisions

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
<th>Cumulative Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>33</td>
<td>15.7</td>
</tr>
<tr>
<td>Company HQ</td>
<td>170</td>
<td>81.0</td>
</tr>
<tr>
<td>Other</td>
<td>7</td>
<td>3.3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>210</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
Findings on the ‘Buying Centre’ and Research Input Context to Export Decision Making

The decision to export has considerable associated risk (Bonaccorsi, 1992). The respondents suggested that while they, as key export decision makers, held senior positions in the exporting organisation, other executives were often involved as well. The organisation’s chief executive officer (CEO) was often involved in the export decision (35 per cent of cases). Others often involved included the export manager (25 per cent), general manager (20 per cent), sales manager (28 per cent), and marketing manager (24 per cent).

As noted, this study found that the organisations’ export decision makers made their decisions within their home country in 81 per cent of cases. Only 14 per cent of respondents reported that export decisions were made in the target destination country.

Marketing research has often been considered the cornerstone of marketing decision making (McMurray, Pace, and Scott, 2004). In this study, 95 per cent of respondents reported that their organisation conducted some Chinese market research prior to making their key export decisions. 34 per cent of respondents conducted their own research on China, 16 per cent used a marketing research consultant/specialist in China to conduct the research, while 30 per cent of respondents reported that they used a marketing research specialist/consultancy based in the company’s home country (refer to Table 8.8).
The export product C/S decision overwhelmingly occurs within the context of at least some market research. Almost all respondents (97 per cent) considered product related matters such as labelling, packaging and package size in their research, while 73 per cent included research on segmentation. Nearly 60 per cent of respondents reported that they researched Chinese consumers’ dietary habits, while over 50 per cent included research on food consumption patterns (Tables 8.9a and 8.9b).
Table 8.9a: Consumption Patterns Selected for Initial Market/ing Research

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percentage</th>
<th>Cumulative Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>108</td>
<td>51.3</td>
<td>51.3</td>
</tr>
<tr>
<td>No</td>
<td>45</td>
<td>21.3</td>
<td>72.6</td>
</tr>
<tr>
<td>Not applicable</td>
<td>57</td>
<td>27.5</td>
<td>100.0</td>
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Table 8.9 b – Dietary Habits Selected for Initial Market/ing Research

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<th></th>
<th>Frequency</th>
<th>Percentage</th>
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An important factor in successful exporting suggested by this qualitative study was having a buyer (importer) in the destination country that was able to assist the exporter to achieve their strategic foreign market goals (Aulakh and Kotabe, 1997; Klein, Frazier and Roth, 1990). The empirical finding was that nearly 52 per cent of respondents sold packaged food and beverages to an *import wholesaler*, the rest (represented by ‘No’ in Table 8.10) chose other means by which to distribute the packaged food export product to China. The Chinese government has a relatively high level of involvement in business (Boisot and Child 1996). Nearly 36 per cent of respondents said they sold products to a *government authority* (e.g. state owned enterprise, national government authority, provincial government authority- see Table 8.10). However, a further 27 per cent reportedly sold product to private enterprise in China. This finding is consistent with private enterprise playing a more important role in China’s economy than at earlier times (Rask, Chu, and Gottschang, 1998).
Table 8.10: Primary Buyer/Distributor of Packaged Food

<table>
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<tr>
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<th>Private</th>
<th>State</th>
<th>Local</th>
<th>State</th>
<th>National</th>
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<tr>
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<td>%</td>
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In nearly 64 per cent of cases, the primary buyer (importer) was involved in the development of the product being purchased (Table 8.11), suggesting that export decision makers usually consult their primary buyer prior to export product C/S decisions and manufacture, and that there is sufficient salience in this segment to believe that buyers were part of the product C/S decision.

Table 8.11: Primary Buyer/Distributor Involved in New Product Development

<table>
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<th>Cumulative Percent</th>
</tr>
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<td>Total</td>
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The emerging picture is of significant research input into export C/S product decisions. Such research is likely to at least include investigation into labelling, packaging and segmentation.
More often than not such research will occur within China, rather than from a desk back in the exporter’s home country. This substantial research commitment reflects the high risk involved in a market development strategy.

**Scale Development**

In order to test the hypotheses presented in chapter 7 it was necessary that aggregate measures for the research constructs be developed. In particular, importance measures were developed for all the factors that influence the product C/S decision.

Factor analysis is an exploratory process used to examine multiple solutions in a search for meaningful conceptual structure(s) (Briggs and Cheek, 1986). Different solutions may imply different interpretations of the nature of the factors, and their pattern of influences on the measured variables (MacCallum, et al., 1993). Exploratory factor analysis (EFA) is to arrive at a parsimonious conceptual understanding of a set of measured variables, by determining the number and nature of common factors needed to account for the pattern of correlations among those measured variables (Fabrigar, et al, 1999). Factor analytical procedures were used to refine and test the latent (underlying) variables in the data. In so doing, redundant variables were reduced, enabling us to identify what the set of remaining variables had in common.

EFA procedures provide more accurate results when each common factor is represented by multiple measured variables (Velicer and Fava, 1998). The present study uses multiple regressions to test the strength of the relationships between the dependent variable (DV) and independent variables (IVs). AMOS software was then used to develop a structural equation model (SEM) representing the interplay of relationships among the variables. This enables us to understand which latent variables are the most influential in the managerial export product C/S decision.

EFA of the 45 questionnaire items relating to export product C/S decision making was conducted using the Statistical Package for the Social Science (SPSS) software. When the Kaiser Criterion was used to determine the number of factors, twelve factors were found. However, when these factors were extracted using principal axis factoring and rotated with an
obliminal rotation, the pattern matrix showed that some items loaded weakly (below 0.3) on all factors, while other items loaded strongly on more than one factor. The removal of five items solved these problems, as shown below in Table 8.12, resulting in ten factors representing the underlying constructs influencing product C/S decision making, and explaining 69 per cent of the variation in the responses. The obliminal rotation resulted in correlations between the factors ranging for zero to 0.444.
### Table 8.12(a) – Exploratory Factor Analysis (EFA)

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*Extraction Method: Principal Axis Factoring.*

*Rotation Method: Oblimin with Kaiser Normalization.*

*a Rotation converged in 16 iterations.*
Table 8.12(b) – Exploratory Factor Analysis (EFA)

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<th>Question</th>
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<td></td>
<td>Profit intent</td>
</tr>
<tr>
<td>Organisational goals – return on investment</td>
<td></td>
<td>0.767</td>
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<td>Perception - No. of competitors in China</td>
<td></td>
<td>-0.94</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<td>Competition</td>
</tr>
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<td>Perception - size of competitors in China</td>
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<td>-0.737</td>
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<tr>
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<tr>
<td>Chinese consumers - nutrition patterns</td>
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<td>0.787</td>
<td></td>
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<td>Chinese buyer behaviour /Culture</td>
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<td>Chinese consumers - consumption patterns</td>
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<tr>
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<td>-0.766</td>
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<tr>
<td>Chinese economic conditions - global integration</td>
<td></td>
<td>0.308</td>
<td></td>
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<td>Chinese economic conditions - regional integration</td>
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</tr>
<tr>
<td>Reputations for product safety</td>
<td></td>
<td>-0.765</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Country of origin</td>
</tr>
<tr>
<td>Reputations for product quality-freshness</td>
<td></td>
<td>-0.738</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Reputation for innovative food</td>
<td></td>
<td>-0.726</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Reputation for manufacturing expertise</td>
<td></td>
<td>-0.424</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Competitive factors in China</td>
<td></td>
<td>-0.327</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consumer perception brand's COO</td>
<td></td>
<td>-0.327</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Time pressure in C/S decision</td>
<td></td>
<td>-0.931</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Decision constraints</td>
</tr>
<tr>
<td>Availability of complete info in C/S decision</td>
<td></td>
<td>-0.51</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Organisational goals - market share</td>
<td></td>
<td>1.006</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Organisational strategic intent</td>
</tr>
<tr>
<td>Organisational goals - unit sales</td>
<td></td>
<td>0.474</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The following names were assigned to the factors which emerged.

**Table 8.13 - Factor Names and of Constructs**

<table>
<thead>
<tr>
<th>Factor Number</th>
<th>No. of Items</th>
<th>Encompassing Constructs</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>10</td>
<td>Mangt. Decision Process</td>
<td>Managerial Decision Process Target Market</td>
</tr>
<tr>
<td>2</td>
<td>2</td>
<td>Economic Prosperity</td>
<td>Legal &amp; Economic Environment</td>
</tr>
<tr>
<td>3</td>
<td>4</td>
<td>Customisation</td>
<td>Extent of Product Customisation (DV) Organisational</td>
</tr>
<tr>
<td>4</td>
<td>2</td>
<td>Profit Intent</td>
<td>Strategic Intent Competitive Assessment</td>
</tr>
<tr>
<td>5</td>
<td>3</td>
<td>Competition</td>
<td>Consumer Culture &amp; Cultural Differences</td>
</tr>
<tr>
<td>6</td>
<td>4</td>
<td>Buyer Behaviour</td>
<td>Economic Development</td>
</tr>
<tr>
<td>7</td>
<td>5</td>
<td>Economic Development</td>
<td>Target Market Legal &amp; Economic Environment</td>
</tr>
<tr>
<td>8</td>
<td>6</td>
<td>Country of Origin</td>
<td>Country of Origin Perception Organisational</td>
</tr>
<tr>
<td>9</td>
<td>2</td>
<td>Sales Intent</td>
<td>Decision Constraints</td>
</tr>
<tr>
<td>10</td>
<td>2</td>
<td></td>
<td>decision constraints</td>
</tr>
</tbody>
</table>

Each of the factors with four or more items was validated using confirmatory factor analysis (CFA). Implied correlations for all the factors were checked for discriminant validity. After removal of several items, all these models had reasonable goodness of fit: CMIN/DF<3, GFI>.90, RMSEA<.10 (Byrne (2001). (RMSEA refers to the root mean square error approximation, GFI to the goodness of fit index, while CMIN/DF refers to the minimum sample discrepancy divided by the degrees of freedom).
Table 8.14(a) - Confirmatory Factor Analysis (CFA) Goodness of Fit Statistics

<table>
<thead>
<tr>
<th>Factor Number</th>
<th>Questions</th>
<th>No. of Items</th>
<th>Factor</th>
<th>RMSEA</th>
<th>CMIN/DF</th>
<th>GFI</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number Items Removed</td>
<td></td>
<td>Decision Context</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Q63</td>
<td>9</td>
<td>0.098</td>
<td>2.99</td>
<td>.921</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>2</td>
<td>Economic Prosperity</td>
<td>0.00</td>
<td>0.00</td>
<td>1.000</td>
</tr>
<tr>
<td>3</td>
<td>Q55</td>
<td>3</td>
<td>Customisation</td>
<td>0.00</td>
<td>0.00</td>
<td>1.000</td>
</tr>
<tr>
<td>4</td>
<td></td>
<td>2</td>
<td>Profit Intent</td>
<td>0.00</td>
<td>0.00</td>
<td>1.000</td>
</tr>
<tr>
<td>5</td>
<td></td>
<td>3</td>
<td>Competition</td>
<td>0.00</td>
<td>0.00</td>
<td>1.000</td>
</tr>
<tr>
<td>6</td>
<td></td>
<td>3</td>
<td>Buyer Behaviour</td>
<td>0.00</td>
<td>0.00</td>
<td>1.000</td>
</tr>
<tr>
<td>7</td>
<td>Q56&amp;Q57</td>
<td>3</td>
<td>Economic Development</td>
<td>0.00</td>
<td>0.00</td>
<td>1.000</td>
</tr>
<tr>
<td>8</td>
<td></td>
<td>6</td>
<td>Country of Origin</td>
<td>0.098</td>
<td>3.00</td>
<td>.959</td>
</tr>
<tr>
<td>9</td>
<td></td>
<td>2</td>
<td>Sales Intent</td>
<td>0.00</td>
<td>0.00</td>
<td>1.000</td>
</tr>
<tr>
<td>10</td>
<td></td>
<td>2</td>
<td>Decision Constraints</td>
<td>0.00</td>
<td>0.00</td>
<td>1.000</td>
</tr>
</tbody>
</table>

Factor 1 measures the influence of *managerial decision process*. It contains nine items:

- The overall decision making process
- The level of uncertainty in the decision making process
- The quality of information in the decision making process
- The ability to resolve conflict between different organisational goals
- The level of compromise experienced within organisational decision making
- The level of confidence to make a decision
- The ability to differentiate between alternatives within organisational decision making
- The cost-benefit trade-offs in the organisational decision making process
- The degree to which decisions are made to face to face or by computer
Factor 2 measures the influence of economic prosperity for customisation decision making. A nation’s economic prosperity (‘economic prosperity’) was found to have an effect on a decision maker’s choice of markets to target with their food product. A nation’s economic prosperity manifests itself down at the consumer level in terms of levels of (un)employment and personal income levels. Thus the two items relating to a nation’s economic prosperity were employment and income levels. These two factors determine the extent to which China’s consumers were able to afford an imported packaged food product.

Factor 3 relates to the dependent variable, *amount of product customisation*. It contains four items:

- The amount (if any) of the total product customisation required for China
- The amount of packaging/labelling customisation required for China
- The amount of package size customisation required for China
- The amount of product content customisation required for China

Factor 4 captures the influence of *profit intent* within the level of customisation decision makers to support the organisation’s export initiatives. The relevant items were *profit goals* or objectives, and the organisation’s *return on investment* goals regarding potential exports.

Factor 5 concerns the influence of the *level of competition* (‘competition’) an exporting organisation faces when considering new international markets in determining whether and to what degree they customise their product or sell a standardised product in those international markets. This variable has three elements: the number of competitors in China both domestic and from foreign markets; the size of the competitors in China; and the *economic conditions* in China, in terms of the size and growth rate of the economy.

Factor 6 captures the influence of Chinese food *buying behaviour*, capturing three elements: consumption patterns, dietary habits, and nutrition habits. In any country, consumers exhibit consumption patterns regarding a certain food item or food group. Certain foods may be a staple part of a country’s diet (e.g. rice in China) whereas the same product is served as a side dish in other countries. Further, different consumers have different views of which foods constitute nutritional value. These consumer views are often influenced by a government’s
promotion of the consumption of certain food groups, often to specific target groups (e.g. school aged children) in an effort to promote healthier eating.

Factor 7 captures the influence of level of economic development in China. The three relevant elements from the literature were the rates of regional and national economic growth, and China’s overall stage of economic development and global and regional integration. China’s economy is not only becoming more integrated within the Asian region, but also within the rest of the global economy. This influences not only China’s ability to grow her economy but also her ability to create wealth for the population. This in turn will influence the types and amount of (e.g. foreign made) goods that consumers purchase.

Factor 8 captures the influence of country of origin. This is comprised of customer perceptions of six elements. These are end user consumer perception of: a product/brand’s country of origin; that country of origin’s reputation for product/quality/freshness; its reputation for innovation in food product offerings; its reputation for product safety; and its reputation for food manufacturing expertise.

As her economy industrialises and consumers are becoming confident in the use of information technology, China’s consumers are increasingly aware of product quality standards relative to their (country of) origin. Hence exporters from countries for whom consumers have a favourable perception in food product quality standards have a temporary competitive advantage in China, whilst those exporters from countries with a less favourable perception have to work to overcome such perceptions through their marketing communications and other marketing efforts.

Factor 9 captures the influence of sales intentions, comprised of unit sales goals and market share goals as set by exporters for each product or product line. These objectives form the basis on which exporters assess their product (customisation/standardisation) performance in the market.

Factor 10 captures the influence of decision constraints. Exporters are faced with various constraints when making export product decisions. Two significant constraints exporters face in the product customisation/standardisation decision are time pressure and completeness of (market) information.
These decision constraints represent a series of possible decision making dilemmas. For instance, the product decision can be time consuming. However the opportunity to enter a foreign market is usually time-bound. A decision that is too hasty may result in costly (product related) mistakes. A decision that is too thorough but has taken too long to reach may have resulted in competitors getting a foothold in the market and establishing a strong(er) market presence. Here, we again defer to the comments of Moini (1995) regarding the role of time in implementing managerial decisions in export marketing.

A summary of the factors and their related questions in the survey instrument is provided below.

Table 8.14 (b) – Summary of Factor Items

<table>
<thead>
<tr>
<th>Factor Number</th>
<th>Factor Item Description</th>
<th>Question(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Managerial Decision Process</td>
<td>Q2-5</td>
</tr>
<tr>
<td>2</td>
<td>Economic Prosperity</td>
<td>Q13, Q14</td>
</tr>
<tr>
<td>3</td>
<td>Amount of Product Customisation</td>
<td>Q24-74</td>
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<tr>
<td>4</td>
<td>Profit Intent</td>
<td>Q38</td>
</tr>
<tr>
<td>5</td>
<td>Level of Competition</td>
<td>Q6, Q19, Q47-52</td>
</tr>
<tr>
<td>6</td>
<td>Food Buying Behaviour</td>
<td>Q23, Q29-31</td>
</tr>
<tr>
<td>7</td>
<td>Level of Economic Development</td>
<td>Q13, Q14, Q53-62</td>
</tr>
<tr>
<td>8</td>
<td>Country of Origin</td>
<td>Q20-22, Q41-46</td>
</tr>
<tr>
<td>9</td>
<td>Sales Intentions</td>
<td>Q36, Q37</td>
</tr>
<tr>
<td>10</td>
<td>Decision Constraints</td>
<td>Q73, Q74</td>
</tr>
</tbody>
</table>
Validity

Face Validity

Face validity examines whether the items on measurement scales measure what they are supposed to measure (Nevo, 1985). In this study, face validity is provided for all scales developed by the reported qualitative studies reported in chapter five. The 11 in-depth interviews conducted with packaged food and beverage export decision makers enabled us to refine the variables in the conceptual model presented in chapters five and six.

Discriminant Validity

Discriminant validity is established when two variables are theorised to be uncorrelated, and the scores obtained by measuring them are empirically found to be so (Cavana, Delahaye, and Sekaran, 2001). Checks of the implied correlations in this study showed that the correlations for each item were stronger within the factor to which it was assigned than to any other factor. This means that there is discriminant validity in that the factors do not overlap.

Reliability

According to Pallant (2005, p. 90) the Cronbach’s alpha coefficient of a scale should be greater than 0.7. Eight of the aggregate measures achieved an alpha score higher than 0.7. (Table 8.15), with product C/S decision constraints marginally below this at $\alpha = .68$, and sales intent also slightly below this at $\alpha = .66$.

With the validity and reliability of these scales assured it was appropriate for scales to be constructed by averaging the responses to all the items represented in each scale. The resulting descriptive statistics for these summated scales are also shown in Table 8.15.
Table 8.15 - Summary of Independent and Moderating Variables: Descriptive Statistics and Reliability (Cronbach’s Alpha) for Summated Scales

<table>
<thead>
<tr>
<th>Variable</th>
<th>N</th>
<th>Minimum</th>
<th>Maximum</th>
<th>Mean</th>
<th>Std. Dev</th>
<th>Cronbach’s Alpha</th>
<th>Number items</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level of customization/standardisation</td>
<td>210</td>
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<td>5.436</td>
<td>0.63541</td>
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</tr>
<tr>
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<td>5.045</td>
<td>0.80808</td>
<td>0.92</td>
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<tr>
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<td>5.137</td>
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<td>5.354</td>
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</tr>
<tr>
<td>Level of competition in China</td>
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<td>1.67</td>
<td>7</td>
<td>4.439</td>
<td>1.00829</td>
<td>0.8</td>
<td>3</td>
</tr>
<tr>
<td>Product C/S Decision Constraints</td>
<td>210</td>
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<td>6.5</td>
<td>4.595</td>
<td>1.11449</td>
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<td>2</td>
</tr>
<tr>
<td>Profit Intent</td>
<td>210</td>
<td>2.5</td>
<td>7</td>
<td>5.748</td>
<td>0.8821</td>
<td>0.75</td>
<td>2</td>
</tr>
<tr>
<td>Economic prosperity in Chinese economy</td>
<td>210</td>
<td>1</td>
<td>6</td>
<td>2.474</td>
<td>1.122</td>
<td>0.79</td>
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</tr>
<tr>
<td>Sales Intent</td>
<td>210</td>
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<td>6.5</td>
<td>4.236</td>
<td>1.2151</td>
<td>0.66</td>
<td>2</td>
</tr>
<tr>
<td>Country of origin effect (COO)</td>
<td>210</td>
<td>1.33</td>
<td>6.83</td>
<td>5.208</td>
<td>0.77723</td>
<td>0.82</td>
<td>6</td>
</tr>
<tr>
<td>Valid N (listwise)</td>
<td>208</td>
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</tr>
</tbody>
</table>

In the next section these scales are used to consider the C/S decision-making process relative to different characteristics of respondents and of their companies.

The Impact of Respondent and Company Characteristics

In this section, determination is given to whether the aggregate measures constructed above have an association with the following:
Company characteristics:
Q76: Exporting duration
Q77: Exporting duration to China
Q78: Location of headquarters
Q79: Conduct of export activity from home country/head office?
Q81: Gross annual turnover
Q82: Contribution to revenue from export sales
Q83: Number of employees

Respondent characteristics:
Q84: Gender
Q85: Age
Q86: Years of experience in export decision making

The distributions of the above scales are characterized by some skewness, indicating that it is not appropriate to make an assumption of normality. As a result, a nonparametric Kruskal-Wallis test was used to test hypothesized associations. Table 8.16 shows the p-values associated with each chi-square test. In view of the large number of tests performed only p-values of below .01 are regarded as significant.
Table 8.16: P-Values for Krukal-Wallis Tests (Chi-Square Statistics)

<table>
<thead>
<tr>
<th>Question Number</th>
<th>Influence on product C/S decision: Factors as per Table 8.13</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Degr ee of Custo m</td>
</tr>
<tr>
<td>76. Export duration df=3</td>
<td>.440</td>
</tr>
<tr>
<td>77. China export duration df=4</td>
<td>.986</td>
</tr>
<tr>
<td>78.Location of co. HQ df=6</td>
<td>.742</td>
</tr>
<tr>
<td>79. China export from HQ? df=1</td>
<td>.018</td>
</tr>
<tr>
<td>80. Where else is export conducted from? df=4</td>
<td>.376</td>
</tr>
<tr>
<td>81.Co. gross annual T/O df=4</td>
<td>.088</td>
</tr>
<tr>
<td>82. Co. revenue contribution from export: % df=4</td>
<td>.971</td>
</tr>
<tr>
<td>83.Co. no. of employees df=2</td>
<td>.927</td>
</tr>
<tr>
<td>84. Respondent gender df=1</td>
<td>.151</td>
</tr>
<tr>
<td>85. Respondent age df=2</td>
<td>.183</td>
</tr>
<tr>
<td>86. Respondent experience df=3</td>
<td>.568</td>
</tr>
</tbody>
</table>

Only five significant relationships were found between the scales and company characteristics. These are: profitability intent, buyer behaviour, level of experience exporting to China, China’s level of economic development, and company size.
Table 8.17: The Relationship Between Age and the Importance of Profitability Intent (PI) (on scale of 1 = ‘ ’ and 7 = ‘ ‘)

<table>
<thead>
<tr>
<th>Age</th>
<th>Mean</th>
<th>N</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-35 years</td>
<td>5.8676</td>
<td>34</td>
<td>.83764</td>
</tr>
<tr>
<td>36-45 years</td>
<td>5.5361</td>
<td>83</td>
<td>.88270</td>
</tr>
<tr>
<td>46-55 years</td>
<td>5.8925</td>
<td>93</td>
<td>.86869</td>
</tr>
<tr>
<td>Total</td>
<td>5.7476</td>
<td>210</td>
<td>.88210</td>
</tr>
</tbody>
</table>

Table 8.17 (above) suggests that profitability intent is more important for younger and older people in the customisation decision, less important for middle aged people. Specifically, the current study finds that the importance of an exporting organisation’s profitability is dependent on the respondent’s age. In particular, people in the 36-45 age range seem to regard profitability less important than other strategic intent factors. A review of the literature failed to provide a plausible reason for this finding.

Table 8.18: The Relationship between Company Size and the Importance of Buyer Behaviour

<table>
<thead>
<tr>
<th>(Q95)staff</th>
<th>Mean</th>
<th>N</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-250 employees</td>
<td>5.3592</td>
<td>142</td>
<td>.83847</td>
</tr>
<tr>
<td>251-500 employees</td>
<td>5.2121</td>
<td>55</td>
<td>.94578</td>
</tr>
<tr>
<td>501+ employees</td>
<td>5.9697</td>
<td>11</td>
<td>.54680</td>
</tr>
<tr>
<td>Total</td>
<td>5.3526</td>
<td>208</td>
<td>.86728</td>
</tr>
</tbody>
</table>

Table 8.18 suggests that buyer behaviour is most important in the product C/S decision for very large companies – those with more than 500 employees. Larger export organisations regard food related buyer behaviour as more important than smaller organisations (chi-square = 9.95, df = 2, p = .007, see Table 7.15 above). These organisations have larger product research and development budgets that they allocate to better understanding of end user consumers. Smaller organisations with limited resources seem likely to focus their research
further back within the international distribution channel, that is, to research retailers, wholesalers, agents or food brokers. Smaller export marketers would appear to rely on their intermediaries to conduct research into end use buying behaviour on their behalf (Hart and Tzokas, 1999).

This study also measured for the age of the decision maker. Table 8.19 suggests that the majority (83.8 per cent) of export food product C/S decision makers are aged between 36 and 55 years of age.

Table 8.19: Age of the Decision Maker

<table>
<thead>
<tr>
<th>(Q85)Age</th>
<th>Mean</th>
<th>N</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-35</td>
<td>5.8676</td>
<td>34</td>
<td>.83764</td>
</tr>
<tr>
<td>36-45</td>
<td>5.5361</td>
<td>83</td>
<td>.99270</td>
</tr>
<tr>
<td>46-55</td>
<td>5.8925</td>
<td>93</td>
<td>.86869</td>
</tr>
<tr>
<td>Total</td>
<td>5.7476</td>
<td>210</td>
<td>.88210</td>
</tr>
</tbody>
</table>

In addition it seems that the importance of decision constraints is low for companies that have just started exporting to China and for companies that have been exporting to China for more than 15 years. It seems from Table 8.16 above, that China’s current level of economic development (chi-square = 13.904, df = 4, p = .008) is more influential for organisations that have been exporting packaged food longer. However, decision consequence (chi-square = 13.880, df = 4, p = .008) is more influential for organisations that have been exporting packaged food for between 5 and 15 years.
Table 8.20: Experience with Export to China, influence of China’s Economic Development, and Decision Constraints

<table>
<thead>
<tr>
<th>(Q86) Duration of export experience to China</th>
<th>Economic Development</th>
<th>Decision Constraints</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 2 years Mean</td>
<td>4.8276</td>
<td>4.1379</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>1.4299</td>
<td>1.05133</td>
</tr>
<tr>
<td>N</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>3-5 years Mean</td>
<td>4.9716</td>
<td>4.3617</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>0.96517</td>
<td>1.20552</td>
</tr>
<tr>
<td>N</td>
<td>47</td>
<td>47</td>
</tr>
<tr>
<td>6-10 years Mean</td>
<td>5.1013</td>
<td>4.8418</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>1.102164</td>
<td>0.91828</td>
</tr>
<tr>
<td>N</td>
<td>79</td>
<td>79</td>
</tr>
<tr>
<td>11-15 years Mean</td>
<td>5.375</td>
<td>4.8125</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>1.27475</td>
<td>1.13616</td>
</tr>
<tr>
<td>N</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>15 + years Mean</td>
<td>5.9231</td>
<td>4.2692</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>0.75955</td>
<td>1.46651</td>
</tr>
<tr>
<td>N</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Total Mean</td>
<td>5.1378</td>
<td>4.5938</td>
</tr>
<tr>
<td>Std. Deviation</td>
<td>1.13417</td>
<td>1.11299</td>
</tr>
<tr>
<td>N</td>
<td>208</td>
<td>208</td>
</tr>
</tbody>
</table>

A possible conclusion from these results is that as organisations gain experience in China markets, they shift their attention from simply recovering their economic costs to building sustainable long-term profits in their foreign markets. A nation’s rate of economic growth provides impetus for this shift in organisational intent. This finding is consistent with the work of Humphrey, et al., (2004) and Betsch, et al., (2004).

Table 8.20 suggests that constraints will be most important for companies that have just started exporting and for those who have been exporting for a long time (e.g. more than 15 years). It is easily seen that newly exporting countries may operate under significant constraint due to lack of previous experience, cash flow and capitalisation problems, and
other constraints. Why such constraints should apply for long time exporters is less easy to understand, and may require further research.

Another important finding of this study is the number of years of product C/S decision making among the sample of export decision makers. The results presented in Table 8.21 reveal the majority of export decision makers had between 11-15 years’ experience.

**Table 8.21: Decision Constraints and Years of Export Product C/S Decision Making Experience**

<table>
<thead>
<tr>
<th>Decision making experience</th>
<th>Decision constraints</th>
<th>N</th>
<th>Std. Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-5 years</td>
<td>4.9231</td>
<td>13</td>
<td>0.99697</td>
</tr>
<tr>
<td>6-10 years</td>
<td>4.1250</td>
<td>52</td>
<td>1.26752</td>
</tr>
<tr>
<td>11-15 years</td>
<td>4.6098</td>
<td>82</td>
<td>1.01539</td>
</tr>
<tr>
<td>15+ years</td>
<td>4.8917</td>
<td>60</td>
<td>1.00882</td>
</tr>
<tr>
<td>Total</td>
<td>4.5894</td>
<td>207</td>
<td>1.11389</td>
</tr>
</tbody>
</table>

**Hypothesis Testing**

In chapter six, following an extensive review of the literature and the conduct of a qualitative study, this study delineated independent variables thought to be related to the dependent variable of *level of product customisation*, and proposed an initial explanatory model. A test of the hypotheses H1 – H7 (listed again here) derived from that model is conducted, and present the findings in Table 7.22 and 7.23 below. Two of these hypotheses (H2 and H4) relate to Strategic Intent (sales and profit) and Assessments (e.g. competition and constraints), while three hypotheses (H1, H3 and H6) relate to contextual variables such as the decision context, country of origin effects and buying behaviour. The fifth hypothesis relates to the underlying prosperity and development of the Chinese economy, while the seventh relates to the impacts of primary buyers/distributors.
H1: Level of congruity between home and target market consumer behaviour and culture is positively related to degree of product standardisation. (We expect a positive correlation between product customisation and level of cultural difference between the exporting market and China)

H2: The greater perceived reliance on export markets for organisational performance results the greater will be the need to customise products for export. We expect a positive correlation between customisation and dependence on exports for organisational performance

H3: A high regard within an export market for the country of origin of an imported product as perceived by the manager is positively related to degree of product standardisation. In other words, we expect a positive correlation between customisation and the manager’s perception of the export market’s regard for country of origin

H4: The level of competition perceived by an export decision maker within the export target market (i.e. China) is positively related to degree of product customisation.

H5: Favourable economic conditions such as a high level of economic development within the target country are positively related to degree of product customisation

H6: Export decision makers who make product customisation/standardisation decisions in groups are likely to make greater changes to export products than those who make the same decision individually i.e. we expect a positive correlation between product customisation and the number of decision makers in the decision making team

H7: We expect a positive correlation between product customisation and intermediary involvement in the product C/S decision. Export decision makers who make product customisation/standardisation decisions are likely to be strongly influenced by the advice that import/export intermediaries provide the export decision maker. We also expect that intermediaries will favour customisation strategies.
The Pearson Correlations shown in Table 8.21 can be used to provide an initial test of the above hypotheses. There is in fact weak to moderate support for all these hypotheses in that all the scales have a significant positive correlation with level of customisation.

When regression analysis was conducted it was found that 43.5 per cent of the variation in product C/S can be explained by the nine variables. However, when two outliers were deleted the R-Square dropped to 37.8%. A residual analysis suggested that the regression assumptions were reasonably valid after the deletion of these two outliers. As shown in Table 8.22, some of the scales do not have a significant relationship with product C/S when the other scales are included in the model. This means that these variables do not have a direct influence on export product C/S decisions.
Table 8.23: Regression Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Correlations</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Std. Error</td>
<td>Beta</td>
<td>t</td>
<td>Sig.</td>
</tr>
<tr>
<td>1 (Constant)</td>
<td>.225</td>
<td>.320</td>
<td>7.034</td>
<td>.000</td>
</tr>
<tr>
<td>Decision Context</td>
<td>.006</td>
<td>.059</td>
<td>.007</td>
<td>.094</td>
</tr>
<tr>
<td>Food related buyer behaviour</td>
<td>.110</td>
<td>.046</td>
<td>.156</td>
<td>2.399</td>
</tr>
<tr>
<td>Economic competition</td>
<td>.051</td>
<td>.039</td>
<td>.084</td>
<td>1.303</td>
</tr>
<tr>
<td>Decision Constraints</td>
<td>.111</td>
<td>.034</td>
<td>.206</td>
<td>3.305</td>
</tr>
<tr>
<td>Profitability Intent</td>
<td>.054</td>
<td>.042</td>
<td>.080</td>
<td>1.284</td>
</tr>
<tr>
<td>Economic prosperity of Chinese economy</td>
<td>.040</td>
<td>.032</td>
<td>.076</td>
<td>1.276</td>
</tr>
<tr>
<td>Sales Intent</td>
<td>.049</td>
<td>.032</td>
<td>.098</td>
<td>1.547</td>
</tr>
<tr>
<td>Country of origin effect</td>
<td>.229</td>
<td>.064</td>
<td>.272</td>
<td>3.583</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Level of customisation/standardisation

Table 8.22 reports regression of the nine IVs against the DV, level of product customisation. The regressions show that Country of Origin has the strongest impact on product customisation in that it has the highest beta value. Buyer Behaviour and Decision Constraints also have a significant but smaller impact on product customisation. All the other scales are correlated with one or more of these three factors, explaining why they have a significant correlation with customisation. However there is no direct relationship between these six scales and customisation.
The above regression was then rerun as a hierarchical regression with the scales relating to the Chinese economy (H5) entered at stage 1, the scales relating to strategic assessment and intent (H2 and H4) entered at stage 2 and the variables relating to decision context, buyer behaviour and country of origin (H1, H3 and H6) entered at stage 3. The two scales relating to the Chinese economy explained 13% of the variation in the degree of product customisation, the four scales relating to strategic assessment and intent explained an additional 17.5% of the variation in the degree of product customisation and the remaining three scales explained an additional 13% of the variation in the degree of product customisation. Although the Chinese economy variables were significant at stage 1 they were no longer significant at stage 2, and, although the strategic assessment and intent variables were significant at stage 2 they were no longer significant at stage 3.

The structural model presented in Figure 8.1 clarifies these relationships further.

**Interpretation of Findings**
The correlation analysis in Table 8.21 and the regression analyses in Table 8.22 show significant relationships between product customisation and the other variables, supporting the first six hypotheses. However, for several of the variables there were mediation effects. This is confirmed in the regression analysis shown in Table 8.22 above. The multi-collinearity statistics in this table suggest that no predictor variables are redundant, although some do not have a direct relationship with Customisation. In fact a hierarchical regression analysis suggested that the effect of the Chinese economy variables were mediated by the strategic assessment and intent variables, which in turn were mediated by the country of origin, buying behaviour and decision context scales.

*Country of Origin* had the strongest impact on the degree of product customisation in Table 8.22. That country of origin (COO) is the strongest predictive variable is not surprising given the vast amount of attention given by scholars to this variable in the literature. Whilst Chinese economic conditions and buying behaviour and organisational intent do not have as high a beta value, they too are important predictors of export product customisation.

The following structural model extends the view of how all the variables relate to each other.

**Structural Equation Model (SEM)**

Based on the above regression analysis, a SEM was constructed for the data as illustrated in Figure 8.1 below. This model describes the data well (CMIN/DF = 1.966, CFI = .939, RMSEA = .068), providing considerable refinement of the model postulated in Chapters 6 and 7. This SEM also explains 32 per cent of the variation in the dependent variable (the degree of product customisation). The current study illustrates the more important links (with standardised weights of above 0.3) using thicker lines. This model depicts the influences on actual product customisation decisions for the export of packaged food products to China.

**Figure 8.1: Influences on the Export Product Customisation/Standardisation Decision for Packaged Food Products to China.**
Table 8.24 quantifies the effect of each variable on every other variable. Of particular importance is the bottom line which quantifies the effects on Customisation.

Table 8.24: Total Standardised Effects for Structural Model

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit Intent</td>
<td>.300</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Competition</td>
<td>.310</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Decision Context</td>
<td>.416</td>
<td>.212</td>
<td>.249</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Economic Prosperity</td>
<td>.197</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Buying Behaviour</td>
<td>.177</td>
<td>.066</td>
<td>.231</td>
<td>.311</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Sales Intent</td>
<td>.289</td>
<td>.000</td>
<td>.191</td>
<td>.000</td>
<td>.179</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Country Of Origin</td>
<td>.267</td>
<td>.102</td>
<td>.333</td>
<td>.484</td>
<td>.000</td>
<td>.279</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Decision Constraints</td>
<td>.170</td>
<td>.069</td>
<td>.104</td>
<td>.325</td>
<td>.021</td>
<td>.000</td>
<td>.120</td>
<td>.000</td>
<td>.000</td>
</tr>
<tr>
<td>Degree Product</td>
<td>.166</td>
<td>.064</td>
<td>.182</td>
<td>.304</td>
<td>.005</td>
<td>.277</td>
<td>.030</td>
<td>.343</td>
<td>.251</td>
</tr>
<tr>
<td>Customisation</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The above table suggests that the effect of Country of Origin on Customization decisions is indeed very large. However, when indirect effects are taken into account, Decision Context is also very important, followed by Food Buyer Behaviour, Decision Constraints, Level of Competition and Chinese Economic Development. The least important factors are the Level of Economic Prosperity in China, Profit Intent and Sales Intent.

Viewed from left to right, the headings at the bottom of Figure 8.1 appear to reflect an ascending order of importance of the respective variables in terms of their evident influence upon the amount of product customisation undertaken (the DV on the right of the figure). From left to right, the two variables relating to perception of the Chinese economy are less influential than variables pictured to the right. Similarly, the various company strategic assessments and intent related variables (with the exception of ‘decision difficulty’) are of less importance than variables further to the right.

Two of these three most influential variables (in order of importance: COO effects, and consumer culture) are essentially what marketers would understand as elements of ‘consumer behaviour’- essentially product related beliefs and behaviours – which relate to packaged food consumption in China. It would be no surprise to find that customers - not the (often distant) perceptions or strategic assessments and intent of marketing ‘suits’ in their offices - which exert the strongest influence on how much these export products are actually customised.

In conceptual terms this merely underscores an ongoing relevance of the ‘marketing concept’, which suggests that customers and the satisfaction of their needs are central to success in the marketing enterprise. It is also conceptually reasonable that the ‘decision constraint’ variable would exert its strongest influence on the COO effects variable, while also contributing to decision making process and consumer culture, the second and third most influential variables on customisation. This is entirely consistent with the decision making literature reviewed, in that in the context of high decision difficulty, decision makers are likely to fall back on ‘safe’ knowledge they may rely upon (such as well-established COO related effects), probably erring on the side of conservatism.
Further research may establish whether ‘conservatism’ in this context translates into greater or lesser amounts of customisation, but with the evident strength of COO effects (and with consumer culture also being a direct influence), it is suggested that a conservative instinct may be to customise more, rather than less.

**Test of Invariance Based on Nature of Primary Buyer or Distributor (Hypothesis 7)**

This study tested whether the presence or absence of intermediaries in the buying process was important in determining the amount of product customisation. This was the seventh hypothesis. The qualitative work had suggested that the presence or absence of these intermediaries could be salient in the CSD decision, in the direction of greater intermediary involvement encouraging greater customisation. Given the high involvement of the Chinese government in food importation, it appears that the intermediary most likely to be involved is some form of government agent. Hence this analysis uses Chinese government presence as primary buyer or distributor as a cue to significant intermediary involvement.

Based on Question 10 in our questionnaire, the variable ‘nature of primary buyer or distributor’ has been constructed, where a value of one means that there is some sort of government involvement in the product customisation decision. For example:

- Primary buyer/distributor of packaged food - Federal/National government authority
- Primary buyer/distributor of packaged food - State/Provincial government authority
- Primary buyer/distributor of packaged food - Local government authority
- Primary buyer/distributor of packaged food - State owned enterprise

Using scales, an attempt to test whether the relationships shown in Figure 8.1 are moderated by this variable A Model Invariance test using Q16a (Participation of buyer//distributor in development) shows a significant difference in the model weights when the primary Buyer/Distributor is involved in the development (Chi-square = 33.1, df = 19, p = .0234). This means that Intermediary Advice moderates the model shown above.
### Table 8.23: A Model of Invariance Using Standardised Coefficients

<table>
<thead>
<tr>
<th></th>
<th>Primary Buyer/ Distributor Involved in Development</th>
<th>Primary Buyer/ Distributor Not Involved in Development</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Estimate</td>
<td>p-value</td>
</tr>
<tr>
<td>(** p&lt;.001)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit Intent</td>
<td>Economic Development China</td>
<td>.273</td>
</tr>
<tr>
<td>Competition</td>
<td>Economic Development China</td>
<td>.197</td>
</tr>
<tr>
<td>Economic Prosperity in China</td>
<td>Economic Development China</td>
<td>.267</td>
</tr>
<tr>
<td>Decision Context</td>
<td>Economic Development China</td>
<td>.209</td>
</tr>
<tr>
<td>Decision Context</td>
<td>Competition</td>
<td>(d).313</td>
</tr>
<tr>
<td>Decision Context</td>
<td>Profit Intent</td>
<td>.156</td>
</tr>
<tr>
<td>Sales Intent</td>
<td>Economic Prosperity in China</td>
<td>.203</td>
</tr>
<tr>
<td>Buyer Behaviour</td>
<td>Decision Context</td>
<td>.282</td>
</tr>
<tr>
<td>Buyer Behaviour</td>
<td>Competition</td>
<td>.175</td>
</tr>
<tr>
<td>Sales Intent</td>
<td>Economic Development China</td>
<td>.194</td>
</tr>
<tr>
<td>Sales Intent</td>
<td>Competition</td>
<td>.142</td>
</tr>
<tr>
<td>Decision Constraints</td>
<td>Sales Intent</td>
<td>.180</td>
</tr>
<tr>
<td>CountryOrigin</td>
<td>Decision Context</td>
<td>.366</td>
</tr>
<tr>
<td>CountryOrigin</td>
<td>Buyer Behaviour</td>
<td>.264</td>
</tr>
<tr>
<td>DecConstraints</td>
<td>Decision Context</td>
<td>.249</td>
</tr>
<tr>
<td>CountryOrigin</td>
<td>Competition</td>
<td>.187</td>
</tr>
<tr>
<td>customisation</td>
<td>Decision Constraints</td>
<td>.241</td>
</tr>
<tr>
<td>customisation</td>
<td>CountryOrigin</td>
<td>.252</td>
</tr>
<tr>
<td>customisation</td>
<td>Buyer Behaviour</td>
<td>.208</td>
</tr>
</tbody>
</table>

Of particular note, are the following observations:

a) The link from economic development to competition is stronger when the Primary Buyer/ Distributor is not involved in the development.

b) The link from economic development to decision context is stronger when the Primary Buyer/ Distributor is not involved in the development.

c) The link from country of origin to customisation is stronger when the Primary Buyer/ Distributor is involved in the development.
d) The link from competition to decision context is stronger when the Primary Buyer/Distributor is involved in the development.

Collectively, our findings can be summarised in Table 8.24.

**Table 8.24 – Summary of Findings**

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Finding</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: Level of congruity between home and target market consumer behaviour</td>
<td>Supported</td>
</tr>
<tr>
<td>and culture is positively related to degree of product standardisation.</td>
<td></td>
</tr>
<tr>
<td>H2: The greater perceived reliance on export markets for organisational</td>
<td>Supported</td>
</tr>
<tr>
<td>performance results the greater will be the need to customise products for</td>
<td></td>
</tr>
<tr>
<td>export.</td>
<td></td>
</tr>
<tr>
<td>H3: A high regard within an export market for the country of origin of an</td>
<td>Supported</td>
</tr>
<tr>
<td>imported product as perceived by the manager is positively related to</td>
<td></td>
</tr>
<tr>
<td>degree of product standardisation.</td>
<td></td>
</tr>
<tr>
<td>H4: The level of competition perceived by an export decision maker within</td>
<td>Supported</td>
</tr>
<tr>
<td>the export target market (i.e. China) is positively related to degree of</td>
<td></td>
</tr>
<tr>
<td>product customisation.</td>
<td></td>
</tr>
<tr>
<td>H5: Favourable economic conditions such as a high level of economic</td>
<td>Supported</td>
</tr>
<tr>
<td>development within the target country are positively related to degree of</td>
<td></td>
</tr>
<tr>
<td>product customisation.</td>
<td></td>
</tr>
<tr>
<td>H6: Export decision makers who make product customisation/standardisation</td>
<td>Supported</td>
</tr>
<tr>
<td>decisions in groups are likely to make greater changes to export products</td>
<td></td>
</tr>
<tr>
<td>than those who make the same decision individually i.e. we expect a</td>
<td></td>
</tr>
<tr>
<td>positive correlation between product customisation and the number of</td>
<td></td>
</tr>
<tr>
<td>decision makers in the decision making team</td>
<td></td>
</tr>
<tr>
<td>H7: We expect a positive correlation between product customisation and</td>
<td>Supported</td>
</tr>
<tr>
<td>intermediary involvement in the product C/S decision.</td>
<td></td>
</tr>
</tbody>
</table>

While these findings suggest further directions for research – for example, exploring the nature and dynamics of the relationships evident between intermediary involvement, stage of economic development, decision context, COO and extent of customisation, this study asserts the results confirm the seventh hypothesis.
Conclusion

In this chapter the present study conducted analysis of the primary data collected. It began by profiling the respondents to this study. It provided simple descriptive statistics of the key variables before conducting a two stage factor analysis to validate and measure the variables. The regression analysis showed the strength of the relationships between variables, and a hierarchical regression showed that the Chinese economy scales were mediated by the strategic assessment and intent scale, which were in turn mediated by country of origin effects, buying behaviour and decision context. It also found a moderating role for intermediaries. This led to the development of a structural equation model.

The analysis had one major limitation. The size of the sample did not allow the exploratory and confirmatory factor analyses to be performed on separate data sets. This means that future research is required in order to further validate the scales used in the analysis.

In chapter nine the effect of the findings of this study in both conceptual and managerial terms, as well as limitations of the study, and recommendations for future research are discussed.
Chapter 9

DISCUSSION AND FUTURE RESEARCH DIRECTIONS

Introduction

In this final chapter a review of the research in terms of its aims, and the contribution to knowledge achieved through the attainment of those aims. Further discussion of the empirical findings, with particular attention to their limitations, and consideration of methodological, theoretical and managerial implications of these findings is considered. The study offers theoretical implications and action oriented implications for managers, as well as recommendations for further research.

The aim of this research has been to model and understand the managerial product customisation/standardisation (C/S) decision for packaged food products exported to China. The study has attempted to gain understanding of such decision making, the relevant influences upon managers in making such decisions, and the relative impact of, and dynamics amongst, these influences.

In chapter one, this study looked at the export imperative and the importance of exporting to many organizations of varying sizes. It defined product customisation and standardisation and settled on a definition that the researcher felt was appropriate. In addition, the study explained why such managerial decision making is important, namely because such decision making led to a refined product offering, that was suitable for export to China. In chapter two, the researcher introduced China, her markets, segmentation, consumers, cultural values and the importance of these factors in the context of food product marketing to China. This study examined the distinctive meaning that food consumption and nutrition plays as a cultural factor in Chinese society, as well as the role of the Chinese regulatory context. The key variables for consideration which emerged from this review of evidence termed ‘culture and buyer behaviour’.
Contribution

Following close examination of relevant literature, a qualitative study was undertaken which began a process of engagement with export practitioners. The evidence from the literature, with findings from the qualitative work, allowed us to propose of an initial simple model of influences upon managerial product C/S decision making. Then through a major empirical study an SEM was developed. This is essentially an integrated portrayal of the various independent variables isolated during earlier stages of analysis, relative to the dependent variable - the degree of export product customisation actually undertaken - and to each other, as perceived by practitioners focussed on recent, specific such decisions.

Hence, the primary contribution of this thesis has been to provide export decision makers with an integrated, evidence based modelling which not only identifies the relevant variables that their peers say affect export packaged food product C/S decisions (insofar as they are targeted towards China markets), but also the relative strength of these variables on decision making. Critically, the model represents a benchmark which can facilitate reflection, not just upon how an individual manager currently makes such decisions relative to peers, but how managers may choose to make them in the future. A conceptual model has been proposed, refined, extended and empirically tested, describing how export managers report they actually make product C/S decisions, during the development of packaged food products for export to China.

An additional contribution of this study is that it is the first study of its kind to use structural equation modelling for adapting packaged foods for export into China. In addition, the use of exploratory factor analysis revealed that the combination of variables that was used to develop the questionnaire have not been previously grouped this way before. A further contribution is the questionnaire itself. The questionnaire used to collect data for this research study can easily be adapted for either a different product in the same export markets, or the same products in a different export market.

At a time when the research and development costs for newly developed consumer goods are increasing (DiMasi, Hansen and Grabowski, 2003), and given a high rate of new product failure (Dunphy and Herbig, 1995; Motameni and Shahrokhi, 1998), consumer goods
manufacturers are looking for avenues to increase the likelihood of new export product success. When those products are manufactured to serve both domestic and/or international markets, the pressure on decision makers to develop and market a product or product line that meets the markets’ needs intensifies (Leonidou, Katsikeas, and Samiee, 2002).

Evidence concerning consumer ethnocentrism and the country of origin effects (COO) on consumers’ choice of foreign made or foreign branded goods was reviewed in chapter three, while research into managerial decision making was considered in chapter four. Specifically, distinctive aspects of both individual and group decision-making were considered. Chapter four also focused on the possible role that export intermediaries may play in the food product C/S decision.

In chapter five a report was presented on the findings from a preliminary qualitative study with practitioners, a critical step in establishing face validity for the ideas generated from the review of literature the researcher had undertaken. This study’s initial, very simple conceptual model was then based on evidence from the literature reviewed, as well as on findings from the qualitative work. Chapter six presented the research design and methodologies for the major empirical study undertaken. Chapter seven presented an analysis of the empirical findings.

It should be noted that strength of the study is its specificity. By limiting the focus to that of packaged food products targeted at Chinese markets, a range of variables concerning types of products and characteristics of target markets have been effectively controlled for.

**Methodological and Theoretical Implications**

The study provides a methodological step forward in research in the area of export new product development decision making. To move such theory forward it is essential that research moves past speculation on how such decisions are made, to actual measurement of relevant decision variables and the dynamics between them. This study has attempted such work, basing rigorous empirical modelling on rich qualitative data obtained from practicing professional managers. Therefore, the main theoretical contribution of this study is the development and empirical validation of a framework upon which to understand the
important role that product C/S plays in NPD. The framework combines commercial and cultural related activities with conventional NPD activities to understand the relative impact that the product C/S decision has on export marketing performance. This is significant because there are only a few empirically based studies that investigate product C/S and its performance. Thus, this study contributes to a better understanding of the underlying dimensions of product C/S in NPD decisions and export performance.

The present study acknowledges that there are limitations (see below) and that much more needs to be done. It does provide a methodological precedent for major mixed mode research work in the area. Of particular significance is the capacity of SEM modelling as demonstrated here to integrate proposed variables together into a comprehensive empirical model, allowing consideration of relationships and dynamics between the variables.

Overall, the results of this study supported the first six of the hypotheses developed, while leaving a puzzle for subsequent research to address concerning the seventh hypothesis.

A major implication of this study is its confirmation of the influence of the key theorised variables within the very specific context of packaged food product customisation for China. The mixed findings concerning the role of (government) intermediaries – strongly advocated by practitioners in qualitative research, but not supported in the empirical study - remains for resolution by further research. The study found that use of intermediaries is indeed common, but not that this influences levels of customisation.

Close examination of the SEM developed suggests further theoretical implications. Key amongst these is the mediating role of COO on other variables such as Buyer Behaviour, Decision Difficulty and Competitive Assessment. The literature suggests Buyer Behaviour, for example, would likely have a significant direct effect on the degree of customisation, yet in the model this effect is completely moderated by COO. Although the directionality of the effect can be debated, the literature would also indicate a likely direct effect of Decision Difficulty on degree of customisation/standardisation, this being related to conservatism in decision making. Yet this factor is completely moderated by COO as well. It is not at present apparent how COO functions in this moderating role, but the research clearly indicates that it does moderate these factors in decision making, in this specific context. Similar theoretical
issues emerge in considering the moderating role of Decision Context on any effect of Sales Effect.

Future theory of export NPD needs to come to terms with the absence of any direct or even moderated influence, from variables which figure quite prominently in the literature of export NPD/CS, such as variables relating to managerial perceptions of the target (Chinese) economy - perceived Economic Prosperity and perceived Level of Economic Development. These have no direct influence on decision making in our model, but are often cited in the literature as factors for managers to take into account in deciding on appropriate levels of customisation.

**Managerial Implications**

There is some agreement between recommendations in the literature concerning factors which should influence export product C/S decision making, and the empirically supported picture of actual practitioner usage of various inputs to their decision making.

The data suggests that while packaged food exporters targeting China face particular challenges regarding Chinese culture, buying and consuming behaviour, COO related and ethnocentrism type effects, distribution channels, and government regulation, these are not necessarily different broad categories factors faced by exporters targeting other markets, even with very different product categories. An alternative view prior to this study would have been that a different set of factors operated in China than elsewhere in the world where most of the extant literature base has been developed. The current study has not found support for this notion. However, the question (addressed below under ‘Recommendations for Further Research’) still remains concerning the relative weightings and dynamics of the influential factors on decision making, even if the factors themselves do appear to be similar across many different international markets.

The study steps towards bridging of the gap between academic theory and actual practices in export packaged food product decision making, by seeking out and modelling the ‘model in practise’ actually used by practitioners. The bridging of this gap is seen as important in other
areas of business research, including within: the theory of the firm (Bartlett and Ghoshal, 1993); marketing strategy implementation (Noble and Mokwa, 1999); management practices (Sturdy, 2004); international marketing and foreign direct investment (Rosenzweig, 1994); leadership (Espedal, 2004); offshore outsourcing (Doh, 2005); and total quality management (TQM) (Gill and Whittle, 1992).

In general, the above studies suggest that theories developed by business scholars and actual business practices are often incongruent with each other. What the theory in a given local area suggests and what business practitioners do, are not always aligned. Correspondingly, studies have emerged exploring why ideas (theories) and practices are adopted by businesses and the effect these adoptions have on business performance. Specifically, in management studies considerable attention has been paid to whether specific theoretical notions are implemented or whether organisations are simply engaging in ‘rhetoric’ (Applebaum and Gatt, 1994). Conspicuously absent from the literature however, is an attempt to reconcile theory related to product development with actual product development management practice (Zirger and Hartley, 1994). This study contributes a substantial evidence base for such discussion in the area of packaged food product development for export to China.

The study can also assist decision makers to be deliberate in considering both the extent to which they customise or standardise their export food products for China, and in weighting the various factors that influence the decision. This assists export decision makers to allocate organisational their resources to the aspects of product C/S that need the most attention. The study should encourage marketers exporting to China to consider the method of decision making of their peers, as has been benchmarked here. It should also allow consideration of alternatives in the way these factors are weighted.

**Managerial Implications of COO**

Given the significant effect that our findings reveal regarding the effect of COO on the packaged food product C/S decision, and the vast literature on the COO effects in international consumer goods marketing, the managerial implications of COO on the packaged foods product C/S warrants further consideration. One possible implication of COO on product C/S for managerial consideration is the effect that COO has on a product’s brand
equity in overseas markets. Brand equity is considered a key indicator of the state of health of a brand, and its monitoring is believed to be an essential step in effective brand management (Aaker, 1991). In light of this, Pappu, Quester, and Cooksey (2006) found that the impact of COO on brand equity occurred where consumers perceived substantive differences between countries in terms of their product category-country associations. Thus, different brand equity challenges face managerial decision makers depending on the COO effect of their product in each foreign country. Similarly, Ahmed, et al, (2004) found that COO matters when consumers evaluate low-involvement products but, in the presence of other extrinsic cues (price and brand), the impact of COO is weak and brand becomes the determinant factor. The challenge here for managerial decision makers stems from the issue of consumers’ level of involvement in a product purchase. A product that is considered a low involvement purchase in a (let’s assume) economically developed country, may be a high involvement purchase in a lesser developed country. What, if any, are the implications of this on a product’s C/S?

Yasin, Noor, and Mohamad (2007) studied the effects of brand's country-of-origin image on the formation of brand equity. Their findings show that brand's country-of-origin image influences brand equity, either directly or indirectly, through the mediating effects of brand distinctiveness, brand loyalty and brand awareness/associations. In doing so, the findings of the Yasin, Noor, and Mohamad (2007) study have implications for the COO effect on an export manager’s ability to develop brand loyalty in a foreign country. Without brand loyalty, there is no brand equity.

Research by Huddleston, Good, and Stoel (2001), found that perceived quality of products differs with respect to country of origin, product necessity, and consumer ethnocentric tendency. These findings pose another challenge for export managers regarding their product C/S decision. In some countries, certain food products are a considered by consumers as a necessity (e.g. rice in China), whereas different food products in the same country (e.g. biscuits in China) are considered non-essential. How do managerial decision makers reconcile the effect of COO and ethnocentrism on the necessity of a product in a given foreign market? How does this affect their choice of marketing communication strategy?

Because of the growing competition from international firms, consumers’ sensitivity to COO has become a relevant issue for export product decision makers (Agrawal and Kamakura, 1999). Integrative reviews of previous studies on consumers’ reactions to COO of brands
show that consumers tend to infer brand quality from COO as a cue (Peterson and Jolibert, 1995; Verlegh and Steenkamp, 1999). The one question facing managerial decision makers regarding their product C/S still remains: is COO a valid indicator of objective quality? If so, in what circumstances and under what conditions?

**Limitations of this Research**

This empirical study has several limitations. Firstly, the strength of being highly specific in terms of product category and target market has the obvious downside that findings cannot automatically be generalised to other target markets or product categories.

Little attention was given within the analysis to a possible cross-cultural dimension in the local decision making, even though data was collected from respondents covering all continents. Respondents from South America and Africa were under-represented, making cross-cultural analysis difficult. Subsequent analysis and research may pursue this matter.

Another limitation concerns the chosen market entry mode, namely export. Whilst the study explained adoption of this choice of foreign market entry in chapter one, in some cases packaged food products sold into China arrive there through other entry modes, such as manufacturing. Would the managerial decision regarding product C/S be different if the international marketer made the products, say, under licence in China, rather than exporting them to China from the home country? Given the greater level of organisational resources required in manufacturing a product in a foreign country compared to exporting it from the home country base, would this fact influence the managerial decision regarding product C/S, and if so, how?

The present study used data collected from a convenience sample of food and beverage exporters attending trade exhibitions at three different locations on three separate occasions. It is nevertheless possible that the sample may not be representative of the population of food exporters internationally (Tong and Taylor, 2004). The representativeness aspect of the study is only as strong as that of the attendance at these exhibitions. These were very large
however, and the data suggests diverse, in terms of the originating country of the attendee/respondents.

As noted, the analysis undertaken had one major limitation. The size of the sample did not allow the exploratory and confirmatory factor analyses to be performed on separate data sets. This means that future research is required in order to further validate the scales used in the analysis.

Despite these limitations, this study asserts that the key findings concerning the factors influencing the degree of packaged food C/S for export to China provide important insights into contemporary managerial decision making. This study’s empirical model assists managers to consider more consciously their managerial decision making behaviour. It is hoped that the study will enable the development of new packaged food products for export to China which better reflect the specific needs of the market(s).

**Recommendations for Further Research**

This research can usefully be extended in terms of the dimensions of location, product category differences/similarities, including services and industrial products, and in terms of re-integrating product C/S related decision making into overall export marketing planning decision making. The present study now considers each of these recommendations in turn.

**Location**

Future studies could expand the current work by testing the empirical decision model relative to export planning targeting nations other than China. On a ‘purchasing power of parity’ (PPP) basis, emerging markets such as China now total 44 per cent of the world’s economy. Indeed, the five largest emerging economies (China, India, Brazil, Indonesia, and Mexico) already have a combined purchasing power half that of the Group of Eight nations (Kwok, 2007; Samuelson, 2008). Hence, this study asks: would the findings be replicated if the beliefs of packaged food export managers targeting other emerging economies were studied? For instance, do the same conditions for customising packaged food for export to China apply
for Brazil, India or Turkey? There would be variation in terms, for example, of culture. For example, none are predominantly Confucian in outlook. But are the same variables taken into account by these managers, and with the same relative levels of impact? Is there something about China which makes product customisation either more or less likely than would occur for export to other emerging economies?

Another reasonable question to ask is ‘does the decision making of exporters in these matters vary in terms of the factors taken into account, or weightings of influence of these factors, where export is planned for markets which are more or less developed than China?’ For example, does the decision making made differ when targeting a highly developed Islamic economy such as the UAE, or poorer African countries? In the latter case, the answer may seem obvious (e.g. economic conditions would prohibit cost recovery of expensively customised offerings in the example of a poor African country. However, the model presented in this study allows such a ‘hunch’ to be empirically tested, exploring the actual influences and dynamics at play in the decision. This study can move from speculation to real measurement to seek answers to questions such as these.

**Product Categories**

Scholars may consider decision making regarding product categories other than packaged food in future studies. Packaged food was chosen as the focal product in this study because of its significance to Chinese culture. Whilst the review of the literature revealed extant studies in some food product categories, many remain unexplored, both in China and in other economies around the globe. Replication studies can focus on C/S decision regarding packaged foods, including beverages (e.g. alcohol - level of alcohol content), or soft drinks - amount of sugar, syrup, variety of flavours in export market vis-a-vis the domestic market), or condiments (e.g. flavours, intensity of spiciness).

Other extensions could consider C/S decision making regarding consumer goods such as clothing, personal health care products, and fashion accessories, all of which appear to lend themselves to product customisation, and which appear to be influenced by many of the independent variables relevant to this study (e.g. culture, economics).
Services

Whilst this study focussed on the customisation or standardisation of tangible food goods, future studies may consider the extent to which intangible services may be customised. Many first world economies such as Australia increasingly rely, or need to rely, on services for a major contribution towards their Gross Domestic Product (GDP). Much Australian manufacturing has moved offshore, where labour costs, capital and raw materials are cheaper. Questions for future research then include: what service elements within particular (service) industries lend themselves to customisation, and which service elements should be standardised? Do the views of export service managers on these matters, and the processes they use for resolving them, concur with the findings of this packaged food products study, within its very specific and different context?

These questions do of course have both domestic marketing and export marketing relevance. Research on decision making regarding the customisation of services offerings in say, the banking or airline industries could prove worthwhile, as evidenced by interest on specifically Islamic banking services (Ahmad and Haron, 2002; Naser, Jamal, and Al-Khatib, 1999). Scholars may consider the changing face of customer service standards with a view to customising elements of service such as to levels of customer involvement, or how service C/S decision making differs between ‘high touch’ and ‘low touch’ service offerings. Decision making concerning the customisation or standardisation of on-line services, are also entirely relevant to international services marketers.

In conceptualising a model for export service C/S in an international context, it is expected similarities and differences to the model the current study has developed. For instance, some of the laws governing labelling and packaging for a tangible product may not apply to services. Country of origin effects on consumers’ perceptions of service offerings has been little explored (Ferguson, Dadzie, and Johnston, 2008). Since services are usually marketed with fewer intermediaries (Kotler and Keller, 2012) a conceptual model in the international service C/S decision seems less likely to include any moderating influence.

Industrial Goods
A similar rationale can apply to decision making regarding industrial goods. Whilst industrial goods tend to be more standardised (Crawford, 2003), for instance, customisation or standardisation of raw materials, installations, or component (spare) parts are all possible areas for study. Many industrial products are complex in nature, already relatively highly customised, engineering intensive and overall, high cost to develop (Hobday, 1998). When further customisation is necessary it may be very expensive indeed – a spur to the extension of the research into this sector (Spring and Dalrymple, 2000).

**Application of Model to Multiple Marketing Mix Elements**

In general, research on export C/S and C/S decision making has dealt with each marketing mix element independently. Managerial decision makers probably consider export marketing mix strategies in a more integrated manner, each element (pricing, distribution etc.) being somewhat dependent on each other. Again, this needs to be established by research, but future work could attempt to model product and price C/S, or product and promotion C/S decision making, or indeed all aspects of the mix, for a given export consumer or industrial product or service, in a more unified way. Such work could take the current conceptual model and give it a more multidimensional face by application to additional marketing mix factors, in an integrated way. This is however, a significant research challenge.

**NPD Sustainability**

Our study has not addressed the issue of NPD sustainability, nor the sustainability of the product C/S decisions within NPD. Sustainable NPD has recently become an emerging paradigm in the marketing literature (Pujari, 2006). In light of this, Albino, Balice, and Dangelico (2009) propose a taxonomy of environmental NPD strategies and define measurable proxies for sustainable NPD. Indeed, Dangelico and Pujari (2010) show evidence that environmentally sustainable NPD is an important factor driving organisational growth. Future research in this area could consider environmentally sustainable NPD and/or product C/S from the theoretical lens of energy minimisation, materials reduction, and pollution prevention as identified in the life cycle phases of products.
Policy Implications for Governments

As noted in chapter 1, national governments support organisations’ export ventures in a number of different ways, such as government export subsidies, export marketing consultation services, and international business matching services. The role of marketing assistance is three-fold. First, it aims to inform exporters of the risk associated with export marketing and to put that risk into as commercial perspective. Second, it seeks to stimulate and maintain an organisation’s interest in exporting. Finally, it acts as an external resource to build knowledge and experience vital for successful export market involvement.

Politicians see government export promotion policy as having a major impact on an organisation competitive position abroad. Thus, export promotion services should be considered a resource to an exporting organisation. Further, as many nations face large and increasing external trade deficits, their governments are looking towards private enterprise to become more actively involved in export marketing. State, provincial, and national governments are the largest producers of external information, and therefore these governments have an important role to perform in providing local organisations with relevant information necessary to enhance an organisation’s export competitiveness. Where the present research study becomes relevant beyond its importance to export decision makers, is that the findings may form the basis of specific consulting advice that governments provide to export decision makers to increase their likelihood of export success. Government export marketing assistance is mostly provided in the form of information, and such information can (ironically) either be standardized or customized. Standardised information is general in nature, and widely available for secondary sources, whereas customised information is more specialized, and refers to information gathered through direct customer/market contact, such as through primary research. This study falls in the latter category.
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Appendix 1: Qualitative Interviews: Question Guide

Q1. What products or categories of products do you export?
Q2. What countries do you export to?
Q3. Why those countries as export destinations?
Q4. How long have you been exporting to Asia or throughout Asia from the time you first started?
Q5. How different are the products that you sell domestically in any facet, to the ones that you export? What are some of the differences that you make, if any at all, to the products that find their ways into Asian markets?
Q6. Are there products that you manufacture here or in any of your offshore manufacturing facilities that are unique to offshore markets? In other words, products that you might make here for export only and that aren’t sold into any Australian market?
Q7. Do you undertake research into factors that are beyond product and industry? For example, in deciding to export to China, did you look at a nation’s economy and people’s ability to afford your product as part of your research?
Q8. Who buys your product? Do you sell direct to retailers? Or is there an export buyer who then wholesales to the retail train. How does your product end up into the hands of whoever the final consumer is, in your offshore markets?
Q9. Do you look at national culture as an influence in modifying your product for specific Asian markets? Does China’s culture in a broad sense, or even in a narrower dietary sense, influence the type of product that you export or the way you modify the product you export?
Q10. Is there an investment in technology in this organisation to adapt product(s) for export? Do you have to change manufacturing processes? Do you have to change packaging and labelling, to make the product in all its parts, the core product, the packaging, the labelling, suitable to say national laws in the overseas market? Is there a lot of investment that you have to make to do this?
Q11. In thinking about the decision to export, what company related factors influenced the decision to source export markets, irrespective of where they are in the world?
Q12. In your export marketing, do you find that the fact that Australia is perceived internationally as a very clean and green reputation for food manufacturer or food additives exporter?, If so, does this assist your export marketing, in terms of attracting overseas buyers to your products?
Q13. In terms of decision making for export markets and specifically product related export decisions, who makes the decision in this organization?
Q14. What proportion (per centage) of the total turnover of your business, is export(to all parts of the world)?
Q15. Can you see further export expansion, into other parts of Asia, in the not too distant future? What about additional expansion to or within China?
Q16. Do you pre-test your products before launching them overseas? If so, how and where? What is the duration of time of the pre-launch?
Q17. What role, if any, do intermediaries play in the export decision making process?
Q18. What role, if any, do intermediaries play in the export product development process?
Q19. If you use them, where are the intermediaries located (Locally? Overseas?)
Q20. Are intermediaries involved in market(ing) research in the export market?
Appendix 2: Questionnaire

A STUDY OF THE EXPORT FOOD PRODUCT CUSTOMISATION OR STANDARDISATION DECISION FOR THE PEOPLE’S REPUBLIC OF CHINA

HOW TO COMPLETE THIS QUESTIONNAIRE

The purpose of this survey is to explore customisation/customisation decisions regarding their food products in preparation for sale in the People’s Republic of China. This is part of an academic study for a Ph.D. at Swinburne University, Australia) and has no commercial purpose whatsoever.

Most questions refer to decisions that exporters make regarding food products they export to the People’s Republic of China. A small number of questions relate to the organisation making these decisions.

In most cases I would like you to circle a number or tick a box which best reflects your opinion. In a small number of instances, you are asked to supply a short written answer. There are no right or wrong answers.

Thank you for agreeing to participate in this survey.
Background

In this section, I am interested in some background information regarding your organisation’s exporting of packaged food products to the People’s Republic of China.

Q1. Does your organisation currently export packaged food products to the People’s Republic of China?

1 [ ] Yes  2 [ ] No (please tick √ one response only)

If you ticked no, thank you for participating in this research study.

Decision Making

In this section, we are interested in knowing how decisions are made regarding the packaged food products exported to the People’s Republic of China.

Q2. Are you responsible for export product decisions for China in your organisation?

1 [ ] Yes  2 [ ] No (please tick √ one response only)

Q3. Does anyone else contribute significantly to the export packaged food product decisions for China in your organisation?

1 [ ] Yes  2 [ ] No (please tick √ one response only)

If yes, please go to next question

Q4. (a) Please identify who else contributes to the export food product decisions for China in your organisation? (tick √ as many responses as appropriate)

1 [ ] Export Manager  2 [ ] R&D Manager  3 [ ] Administration Manager
4 [ ] CEO  5 [ ] Sales Manager  6 [ ] Finance Manager
Q4. (b) If you ticked √ other as a response for the previous question, please specify the title of the export decision maker(s). ________________________________________________

Q5. In your company, where are decisions made regarding the type, size, and amount of packaged food product to be exported to the People’s Republic of China made?

1. China
2. Home country/Organisational headquarters
3. Other (please specify) ________________________________________________

The People’s Republic of China

In this section, I explore your interest in the People’s Republic of China as an export destination for your packaged food products.

Q6. What factors contributed to your organisation selecting the People’s Republic of China as an export destination for packaged food products? (Please number your responses from 1 to 10, where 1 is the most important reason and 10 is the least important reason).

1. Size of the China market
2. Level of competition in China
3. Similarities to the home market
4. Minimal product change requirements for China
5. Dietary needs of the China market
China’s entry into the WTO

Advice from domestic (your home country) government trade agency

Advice from Chinese government trade agency

Advice from import/export intermediary (middleman)

Other (please specify) ____________________________________________

Q7. (a) Market/ing research was conducted on the competitive environment for packaged foods in the People’s Republic of China prior to entering the market

1 Yes
2 No

If your answered Yes to the previous question go to Q7 (b). If you answered No, go to Q8.

Q7. (b) Who conducted the initial market/ing research to assess the competitive environment for packaged food products in the People’s Republic of China?

1 Your organisation
2 Market/ing research specialist based in China
3 Market/ing research specialist based in your home country
4 International market/ing research specialist with many offices worldwide (i.e. not based in either your home country nor in China)
5 Don’t know
6 Other (please specify) ____________________________________________
Q8. Did your organisation consider product related factors (e.g. flavours, package size, labelling) as part of the initial market/ing research to assess the competitive environment for packaged food products to the People’s Republic of China?

1  Yes  2  No  3  Don’t know

Q9 (a). Did your organisation segment within People’s Republic of China as part of the initial market/ing research to assess the competitive environment for packaged food products? (i.e. did you choose particular market segments within china to research)

1  Yes  2  No  3  Don’t know

If you answered Yes to this question, please go to Q9 (b). If you answered No, please go to Q10.

Q9 (b) Which of the following factors, if any, did your organisation consider when segmenting the People’s Republic of China for the export of packaged food products to that nation? (Please tick as many responses as appropriate)

1  Consumption patterns
2  Geography
3  Topography
4  Linguistic diversity
5  Dietary habits
6  Availability of suitable ‘middlemen’ or distribution channel intermediaries
7  Available infrastructure
8  Psychographic factors (e.g. life style)
9  Other (please specify) ____________________
Your Customer(s) in China

In this section, I explore the type of organisation(s) in the People’s Republic of China that you export your packaged food products through.

Q10. Which type of organisation is the primary buyer/distributor of your packaged food product in the People’s Republic of China? (you may tick √ more than one response)

1. Subsidiary of your company
2. Import retailer
3. Import wholesaler
4. Federal/National government authority
5. State/Provincial government authority
6. Local government authority
7. Private enterprise
8. State owned enterprise
9. Other (please specify) ____________________________
Q11. What factors influenced your choice of distributor (from the previous question) in the People’s Republic of China? (Please rank your responses 1 = ‘most important’ to 5 = ‘least important’)

The distributors’:

1. Knowledge of Chinese industry/market
2. Knowledge/expertise of packaged food products
3. Knowledge/expertise concerning end user/consumers
4. Sales and marketing knowledge
5. Knowledge of China import/export procedures
6. Other (please describe) _____________________________________

Q12. When negotiating a trade deal to market packaged food within the People’s Republic of China, how important was guanxi (personal connections/relationships) to the trade negotiation? (Please circle one response only).

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**China’s Economy**

In this section, I am interested in the role that economic conditions played in product related decisions concerning packaged food goods exported to the People’s Republic of China.

Q13. To what extent did the performance and/or size of China’s economy influence your decision to market packaged food products there? (Please circle one response only).

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Q14. To what extent was China’s stage of economic development a factor in selecting this market as an export destination for your organisation’s packaged food products? (Please circle one response only).

Not important           1     2     3     4     5     6     7            Critical

**New Product Development for China**

In this section, I am interested in your organisation’s decision-making processes concerning the export of packaged food products to the People’s Republic of China.

Q15. Where does your organisation conduct its new product development for packaged food products exported to the People’s Republic of China?

1  Home country   2  China  3  Both

Q16 (a). Is your primary buyer/distributor in the People’s Republic of China (from the previous section) involved in your development of new packaged food product?

1  Yes  2  No

If you ticked Yes, go to Q16 (b), if No go to Q17.

Q16 (b). What specific type of involvement does the primary buyer/distributor of packaged food products have in the new product development process? (tick √ as many responses as appropriate)

1  Idea generation

2  Market(ing) research

3  Business analysis (determining financial objectives for the product)

4  Sourcing of raw materials
Pilot testing of product prototype

Product launch

Determining product technical specifications (e.g., content)

Packaging and labelling decisions

Branding decisions

Determining pack size(s)

Determining product/brand extensions

Branding

Q17 (a). Does your organisation use the same brand name of packaged food product in the People’s Republic of China as it does in its domestic (home country) market?

1. Yes  2. No

If you answered Yes to this question, please go to Q18. If you answered No, please go to Q17(b).

Q17 (b). Provide reasons why your organisation changed the brand name of the food products it exports to the People’s Republic of China?

1. Competitive reasons

2. Legal reasons

3. Organisation strategic reasons

4. Other (please specify) ____________________________________________
Q18 (a). Does your organisation use the same corporate logo (i.e. corporate identification) of packaged food product in the People’s Republic of China as it does in its domestic (home country) market?

1 [ ] Yes  2 [ ] No

If you answered Yes to this question go to Q19. If you answered No, go to Q18(b).

Q18 (b). Provide reasons why your organisation changed the corporate logo of the food products it exports to the People’s Republic of China?

1 [ ] Competitive reasons

2 [ ] Legal reasons

3 [ ] Organisation strategic reasons

4 [ ] Other (please specify) ________________________________

Q19 (a). Does your organisation try to maintain the same brand image of packaged food product in the People’s Republic of China as it does in its domestic (home country) market?

1 [ ] Yes  2 [ ] No

If you answered Yes to this question, go to Q20. If you answered No, go to 19(b).
Q19 (b) Provide reasons why your organisation changed the *brand image* of the food products it exports to the People’s Republic of China?

1. [ ] Competitive reasons (i.e. current or future levels of competition)
2. [ ] Legal reasons
3. [ ] Organisational strategic reasons (i.e. to create a different corporate image in China)
4. [ ] Other (please specify) ____________________________________________

**Country of Origin**

In this section, I am interested in learning about the effect, if any, that the home (exporting) country’s image has on the marketing of packaged food products to the People’s Republic of China.

Q20. I believe that the image of the country in which my packaged food products are manufactured either positively or negatively influences the *primary buyer’s/distributor’s* decision in the People’s Republic of China.

1  2  3  4  5  6  7  

disagree  agree

Q21. Do you believe that the *region of origin* (i.e. the region where my packaged food products are made, e.g. South America) is an important factor in your primary buyer’s choice of selecting your product to purchase?

1. [ ] Yes  2. [ ] No

Q22. To what extent do you believe that Chinese end user/consumers perceive foreign made brands of packaged food products as being of superior quality than locally produced brands?
Chinese Culture/End User-Consumer Behaviour

Q23. What aspects of culture/end user consumer behaviour in the People’s Republic of China influenced your organisation’s product related decisions for packaged food products exported to China? (Please number your responses from 1 to 6, where 1 is the most important reason and 6 is the least important reason).

1. Chinese consumption patterns (e.g. frequency of consumption)
2. Chinese dietary habits (e.g. flavour preferences)
3. Chinese nutrition patterns (e.g. a preference for low fat foods)
4. Chinese food safety standards (e.g. specified minimum shelf life)
5. Other (specify)_________________________________

Packaged Food Product Customisation/Standardisation Decisions for the People’s Republic of China

Reflect on a recent product customisation/standardisation decision regarding a package food product you now export to the People’s Republic of China.
Q24. In my recent packaged food product customisation/standardisation decision regarding export to China, the amount of product customisation (if any) decided upon was: (Please circle one response only).

1 2 3 4 5 6 7
nil total customisation

Q25. In my recent packaged food product customisation/standardisation decision regarding export to China, the amount of packaging and labelling customisation is: (Please circle one response only).

1 2 3 4 5 6 7
nil total customisation

Q26. In my recent packaged food product customisation/standardisation decision regarding export to China, the amount of pack size customisation is: (Please circle one response only).

1 2 3 4 5 6 7
nil total customisation

Q27. In my recent packaged food product customisation/standardisation decision regarding export to China, the amount of product content customisation is: (Please circle one response only).

1 2 3 4 5 6 7
nil total customisation

Considering the same recent customisation/standardisation decision, please rate the importance of the following factors as possible influences in the export packaged food product customisation/standardisation decision. (Please circle one response per question only).
Q28. Chinese end user/consumer behaviour and cultural issues were:

1  2  3  4  5  6  7
not critically important

Q29. Chinese end user/consumer consumption patterns (e.g. frequency of consumption of food category) were

1  2  3  4  5  6  7
critically not important

Q30. Chinese end user/consumer dietary habits (e.g. flavour preferences) were

1  2  3  4  5  6  7
critically not important

Q31. Chinese end user/consumer nutrition patterns (e.g. preference for low fat foods) were

1  2  3  4  5  6  7
critically not important

Q32. Chinese end user/consumer food safety standards (e.g. specified minimum shelf life) were

1  2  3  4  5  6  7
critically not important
Q33. Is there an important consumer behaviour/cultural issue that has not been mentioned above? (If you ticked Yes to this question, go to question 34. If you ticked No, go to question 35).

- [ ] Yes
- [ ] No

Q34. Chinese end user/consumer other end user/consumer behaviour and cultural issues were

1 2 3 4 5 6 7
not important critically

(Please specify which consumer behaviour or cultural issue you are referring to)

____________________________________________________________________

Considering the same recent customisation/standardisation decision, please rate the importance of the following factors as possible influences in the export packaged food product customisation/standardisation decision. (Please circle one response per question only).

Q35. Our organisation’s overall strategic intent was

1 2 3 4 5 6 7
not important critically important

Q36. Our organisation’s goals regarding market share for packaged food product sales in China was

1 2 3 4 5 6 7
not important critically important
Q37. Our organisation’s goals regarding *unit sales* for packaged food product sales in China was

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Q38. Our organisation’s goals regarding *profit* for packaged food product sales in China was

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Q39. Our organisation’s goals regarding *return on investment* for packaged food product sales in China was

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Considering the *same* recent customisation/standardisation decision, please rate the importance of the following factors as possible influences in the export packaged food product customisation/standardisation decision. *(Please circle one response *per question* only).*

(If you believe an important *organisational strategic intent factor* has not been mentioned above, please complete this question.)
Q40. Our organisation’s goal regarding ________________ for packaged food product sales in China was (please insert the goal you believe is missing)

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Q41. The Chinese end user consumers’ perception of my product/brand’s country of origin was

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Q42. The Chinese end user/consumer’s perception of country of origin’s reputation for product/quality/freshness was

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Q43. The Chinese end user/consumer’s perception of country of origin’s reputation for offering innovative food products was

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Q44. The Chinese end user/consumer’s perception of country of origin’s reputation for product safety was

1 2 3 4 5 6 7
not critically important

Q45. The Chinese end user/consumer’s perception of country of origin’s reputation for food manufacturing expertise (e.g. ISO 9001 accreditation) was

1 2 3 4 5 6 7
not critically important

Considering the same recent customisation/standardisation decision, please rate the importance of the following factors as possible influences in the export packaged food product customisation/standardisation decision. (Please circle one response per question only).

Q46. The Chinese end user/consumer’s perception of country of origin’s reputation for customising packaged food product to suit the needs of the China market was

1 2 3 4 5 6 7
not critically important

Q47. The competitive factors (e.g. size of competitors, number of competitors, basis of competition) in China was

1 2 3 4 5 6 7
not critically important

394
Q48. My organisation’s perception of the number of the competitors in the China market was

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Q49. My organisation’s perception of the size of the competitors in the China market was

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Q50. My organisation’s perception of the basis of competition (e.g. price, product quality) in the China market was

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Q51. My organisation’s perception of competitors’ brand strength in the China market was

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Considering the same recent customisation/standardisation decision, please rate the importance of the following factors as possible influences in the export packaged food product customisation/standardisation decision. (Please circle one response per question only).

Q52. (If you believe an important competitive strength factor has not been mentioned above, please complete this question.)
My organisation’s perception of other *competitor strengths* in the China market was

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(please nominate the *competitor strength* I have missed __________________________)

Q53. The *economic conditions* in then People’s Republic of China (e.g. stage of China’s economic development, China’s level of regional/global economic integration) were:

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Q54. Chinese economic conditions concerning *employment levels* were

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Q55. Chinese economic conditions concerning *income levels* were

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Q56. Chinese economic conditions concerning *regional economic integration* were

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Q57. Chinese economic conditions concerning *global economic integration* were

1  2  3  4  5  6  7

not                       critically
important                      important

Q58. Chinese economic conditions concerning *regional economic integration* were

1  2  3  4  5  6  7

not                       critically
important                      important

Q59. Chinese economic conditions concerning *economic growth rates* were

1  2  3  4  5  6  7

not                       critically
important                      important

Considering the *same* recent customisation/standardisation decision, please rate the importance of the following factors as possible influences in the export packaged food product customisation/standardisation decision. (Please circle one response *per question* only).

Q60. Chinese economic conditions concerning *stage of economic growth* (i.e. moving from an agricultural economy to an industrial economy) were

1  2  3  4  5  6  7

not                       critically
important                      important
Q61. Is there an important economic factor that has not been mentioned above?
(If you ticked Yes to this question, go to question 62. If you ticked No, go to question 63).

1 [ ] Yes  2 [ ] No

Q62. Chinese economic condition concerning ____________________________________________
(please specify) was

1 2 3 4 5 6 7
not important critically important

Q63. The organisational decision making process regarding packaged food products for export to China (i.e. how product related decisions are made by individuals and/or groups) was

1 2 3 4 5 6 7
not important critically important

Q64. Cost/benefit trade offs within the organisational decision making process regarding packaged food product to China were

1 2 3 4 5 6 7
not important critically important
Q65. The *ability to resolve conflict between different goals* within the organisational decision making process regarding packaged food product to China was

1 2 3 4 5 6 7
not critically important
important

Q66. The *quality of information* within the organisational decision making process regarding packaged food product to China was

1 2 3 4 5 6 7
not critically important
important

Considering the *same* recent customisation/standardisation decision, please rate the importance of the following factors as possible influences in the export packaged food product customisation/standardisation decision. (Please circle one response per question only).

Q67. The *level of uncertainty* within the organisational decision making process regarding packaged food product to China was

1 2 3 4 5 6 7
not critically important
important

Q68. The *ability to differentiate between alternatives* within the organisational decision making process regarding packaged food product to China was

1 2 3 4 5 6 7
not critically important
important
Q69. The *confidence to make a decision* experienced within the organisational decision making process regarding packaged food product to China was

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Q70. The *level of compromise* experienced within the organisational decision making process regarding packaged food product to China was

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Q71. The *degree to which decisions are made either face to face or by computer* within the organisational decision making process regarding packaged food product to China was

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Q72. The *composition of the decision making group* within the organisational decision making process regarding packaged food product to China was

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Q73. The *time pressure* within the organisational decision making process regarding packaged food product to China was

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Q74. The *availability of complete information* within the organisational decision making process regarding packaged food product to China was

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Q75. Rank the importance of the following factors as possible influences in your product standardisation/customisation decision for exporting package foods to the People’s Republic of China. (Please place a number from 1 to 6 in each of the boxes below to reflect your ranking preference, where 1 = the most important factor and 6 = the least important factor.)

1. **Consumer behaviour** *(e.g. buying habits) & cultural issues* *(e.g. dietary habits)*
2. My organisation’s strategic intent
3. **Country of origin effect**
4. **Competitive factors in China**
5. **China’s economic conditions & stage of economic development**
6. The way in which my organisation make export product related decisions
About your organisation

Q76. How long has your organisation been exporting packaged food products?  
(please tick √ one response only)

1  < 2 years  3  6-10 years  5  more than 15 years

2  3-5 years  4  11-15 years

Q77. How long has your organisation been exporting packaged food products to the People’s Republic of China?  
(please tick √ one response only)

1  < 2 years  3  6-10 years  5  more than 15 years

2  3-5 years  4  11-15 years

Q78. Where are your organisation’s headquarters located?

1  Continental Europe  5  Oceania (Australia, New Zealand)

2  North America  4  UK/Great Brittain

3  South (Latin) America  7  North Asia (Japan/Korea)

4  Africa  8  South East Asia (Indonesia, Singapore)

Q79. Does your organisation export packaged food product to the People’s Republic of China from its national headquarter base?

1  Yes  2  No
Q80. If you ticked No for the previous question, please nominate the region from which your organisation exports packaged food product to the People’s Republic of China. We export to China from:

1. Continental Europe
2. North America (including Canada)
3. South (Latin) America
4. Africa
5. Oceania (Australia, New Zealand)
6. UK/Great Britain (including Canada)
7. North Asia (Japan/Korea)
8. South East Asia (Indonesia, Singapore)

Q81. What is the gross annual sales turnover of your organisation?

1. < US$250,000
2. US $250,001 to $500,000
3. US$500,001 to $1,000,000
4. over US$10,000,000
5. US$1,000,001 to $5,000,000

Q82. What percentage does export revenue (not just to China) contribute to the organisation’s gross annual sales turnover (from the question previous question)?

1. <10%
2. 11%-20%
3. 21%-30%
4. 31%-40%
5. 41%-50%
6. 51%-60%
7. 61%-70%
8. 71%-80%
9. over 80%
Q83. How many staff does your organisation employ world wide?

1. □ 1-250 employee(s)
2. □ 251-500 employees
3. □ 501-1000 employees
4. □ 1001 or more employees

Q84. What is your gender?

1. □ Male          2. □ Female

Q85. What is your age?

1. □ 18-25 years  2. □ 26-35 years  3. □ 36-45 years
4. □ 46-55 years  5. □ 56 years or older

Q86. How many years of experience have you had in making export product related decisions (either with your current or previous employer)?

1. □ 1-5 years  2. □ 6-10 years  3. □ 11-15 years
4. □ 16-20 years  5. □ 21 years or more

Thank you for your participation.
Appendix 3: Ethics Approval

Ethics Approval

19 December 2004

Dr Railton Hill
Faculty of Business and Enterprise
Swinburne University of Technology

Dear Railton

The Faculty of Business and Enterprise Ethics Sub-Committee has now approved your amended Ethics Application 2004/045.

We wish you well with your research project.

Yours sincerely

[Signature]

Dr Michela Betta
Chair
Faculty of Business and Enterprise
Ethics Sub-Committee

The completed Application for Ethics Approval of a Research Protocol was considered by the Faculty of Business and Enterprise Ethics Sub-Committee at the 13 December 2004 meeting.
The approval for:
Degree: PhD
RHD Candidate: Nick Grigoriou
Co-ordinating Supervisor: Railton Hill

Sighted by:
Dr Toby Harfield, MLIS
Faculty of Business and Enterprise
Ethics Advisor and Research Facilitator
1 July 2009
TRIM: CIN/016282 #6: original application and meeting minutes