ELSEVIER

Journal of Business Research 57 (2004) 591–600

JOURNAL OF BUSINESS RESEARCH

Implications of pricing strategy–venture strategy congruence: an application using optimal models in an international context

Matthew B. Myers*

Department of Marketing, Logistics and Transportation, College of Business Administration, 310 Stokely Management Center, University of Tennessee, Knoxville, TN 37996, USA

Received 3 April 2001; accepted 5 July 2002

Abstract

The value of any pricing strategy is questionable if it is not congruent with the overall strategy of the firm. Pricing strategies, which do no reflect organizational goals, can detrimentally affect performance outcomes. Determining the benefit of specific strategies calls for models adapted to effectively measure the congruence between pricing strategies and venture strategies, and the influence of that congruence on the appropriate measure of venture performance. In this article, the author uses a methodological alternative to traditional linear, analogue and distance models for determining the value of pricing strategies in international operations. Using data from a survey of international marketing managers, this article investigates the value of specific pricing strategies relative to achieving stated international venture objectives, this using optimal models with polynomial regression equations augmented by response surface methodology (RSM). The results indicate that specific pricing strategies differ significantly in their ability to enhance venture performance.

Keywords: Global strategy; Global pricing; Optimal models

1. Introduction

Within the marketing literature, the greater proportion of strategy research has focused on the relationships among certain environmental or organizational attributes, strategy characteristics and performance outcomes (see Sullivan, 1998). This is an unfortunate trend, since the value of any marketing strategy, whether distribution, pricing or promotion-related, is questionable if it is not congruent with the overall strategic objectives of the firm (Keil et al., 2001). Hypothetically, an organization may (a) establish strategies which achieve specific end-goals, yet these outcomes may not benefit the firm's desired market position or (b) the established strategy may accurately reflect the firm's stated objectives, yet not assist in attaining these goals. Determining the benefit of specific marketing strategies calls for models adapted to measure the fit, or *congruence*, between marketing and organizational or venture strategies and the effect of that congruence on the *appropriate* measure of venture performance.

Determination of this fit is particularly timely in the area of export pricing. There are several reasons for this, all of which point to the need for this research:

1. *To date, no linkage between export pricing strategy and venture performance has been identified within the literature, despite repeated attempts to do so.*

A significant gap within the international marketing literature exists in that a key marketing decision variable has not been found to significantly influence performance in export markets, although major studies (e.g., Cavusgil and Zou, 1994; Szymanski et al., 1993) have investigated this relationship.

2. *The failure to identify export-pricing strategy–performance linkages may be due to the inappropriate manner in which strategy and performance relationships have been traditionally measured.*

Strategy → performance studies have come under increasing criticism due to the traditional method of examining direct linkages of particular strategies with performance without considering the overall strategic focus of the firm or SBU. More recent efforts have argued for the need to consider the fit between specific marketing and management strategies and the firm's strategic position within the market.

* Tel.: +1-865-974-3193; fax: +1-865-974-1932.
E-mail address: mmyers8@utk.edu (M.B. Myers).

0148-2963/$ – see front matter © 2002 Elsevier Inc. All rights reserved.
doi:10.1016/S0148-2963(02)00410-1

Furthermore, export-pricing research has consistently failed to evaluate pricing strategies relative to the appropriate performance measure, for example, the ability of a market share strategy to enhance market share, as opposed to a more generic economic outcome. Given the failure to link pricing strategies with export performance, it is clear that a study, which measures the fit of venture–pricing strategies and the influence of that fit on the appropriate outcome measure, is needed.

3. *By understanding the value of fitting pricing strategies with venture strategies, international managers may more effectively allocate resources and set venture goals.*

Numerous studies (e.g., Myers, 1997; Cavusgil, 1996) have found that the setting of export prices is often ad hoc in nature and rarely aligned with the overall venture strategies of the firm. The setting and monitoring of prices often absorbs considerable resources via information accumulation of markets, competitors and regulatory constraints, and these resources may be better applied elsewhere if specific pricing approaches fail to render desired results.

The purpose of this article is to effectively determine the value of pricing strategy/venture strategy congruence relative to achieving stated venture goals in a cross-national setting. Congruence is formally defined as "the degree to which the needs, demands, goals, objectives and/or structures of one component are consistent with the needs, demands, goals, objectives and/or structures of another component" (see Nadler and Tushman, 1980, p. 281). While the underlying question for previous congruence, or fit, research has been that, for any firm, specific strategic resource deployments needed to maximize performance can be identified *relative to environmental conditions* (Venkatraman and Prescott, 1990), our study proposes that appropriate evaluation of strategic fit should incorporate measures of pricing strategy congruence with the firm's stated strategic objectives for the market or venture. Furthermore, this congruence should be evaluated by its ability to achieve the stated performance goals. To provide insight into strategic congruence → performance relationships, we develop a baseline model, which hypothesizes that congruence between pricing strategies and venture strategies lead to enhanced performance outcomes. We test this hypothesis with optimal models using polynomial regression equations. The methodology of Edwards (1996) is adopted which allows response surface methodology (RSM) to visually represent the strategic congruence–performance relationship in its curvilinear form.

2. Literature review: strategic fit in an international pricing context

Whether domestically or internationally, effective pricing is a critical aspect of the marketing actions of the firm and is key to the profitability of any venture (Myers, 1997). While pricing is a major marketing decision problem faced by the firm, relatively little research is available that addresses the value of one pricing strategy over another (Smith et al., 1999). Despite our understanding that pricing strategies have major strategic and operational implications, firms often base their pricing methods on factors of convenience and fail to assimilate the impact of a full range of pricing factors (Shipley and Jobber, 2001). Within the international trade literature, studies suggest that identification of effective pricing strategies is becoming evermore critical due to shifting currency values, ownership patterns within channels and governmental regulations (e.g., Knox, 1999; Nicolaides, 1990). Overseas buyers are seeking to simplify their global sourcing functions via more stable pricing patterns from vendors (Samiee and Anckar, 1998), necessitating strategies that meet organizational goals yet are consistent over time. In a global environment, the organizational characteristics within the firm will come under increased pressure, demanding the knowledge integration of manufacturing costs and corporate goals with local market experience and customer familiarity (Myers, 1997). The "multiproduct, multidivisional firm must rely on a systematic procedure for their pricing decisions; and pricing policies and objectives, both explicit and implicit, are very much a part of the operation of these firms" (Samiee, 1987, p. 19).

Since a significant resource commitment (e.g., human resources, information accumulation, etc.) is necessary to implement pricing strategies (Myers, 1997), and these resources are finite (Eisenhardt and Martin, 2000), pricing strategy decisions aimed at maximizing performance cannot be made without considering the value of these strategies in achieving venture objectives. Costs, in the form of applied resources, are incurred when implementing pricing strategies, and these costs could be avoided if a particular pricing strategy was not shown to be effective in enhancing the corresponding goal of the firm's overall effort. Despite the evidence suggesting the importance of pricing strategies in overseas operations, few studies address appropriate strategy formulation relative to achieving stated performance objectives. In fact, those that do often fail to document significant pricing strategy → performance relationships altogether (e.g., Cavusgil and Zou, 1994; Szymanski et al., 1993).

The above problems with pricing strategy research may be associated with our approach to testing strategic models in general. The "escalating preference" of international marketing research to express models, conceptualizations or frameworks as linear schemas of static givens, exclusive ends and testable means (Sullivan, 1998) has resulted in the application of "domestic" models in international scenarios where more sophisticated methods are needed. As a consequence, significant linear relationships between pricing strategy and performance have often been found lacking (e.g., Cavusgil and Zou, 1994; Szymanski et al., 1993). Our understanding of the value of *strategic fit* between pricing strategies and venture strategies and that fit's influence on the venture performance measure, which appropriately represents those strategies, is relatively sparse. Strategic fit represents the overlap, or degree of congruence, between