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Level of Import Development and Transaction Cost Analysis

Implications for Industrial Exporters

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In their endeavor to compete successfully in foreign markets, exporters must appreciate import decision making, attitudes, and behavior of overseas customers. However, scant empirical attention has been paid in the global marketing field to the import behavior of the firm. Drawing on transaction cost theory, the present study contributes to extant knowledge by examining the factors influencing the level of import development with specific respect to distributor firms trading with exporting manufacturers of industrial products. The research findings reveal the presence of significant differences in fundamental dimensions of transaction cost analysis between different importer groups in terms of import development. The findings are discussed in light of current knowledge and attention is given toward pertinent implications for export management and public policy. The limitations of the study are also considered, along with avenues of future research.

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INTRODUCTION

During the last decade marketing practice has undergone a major directional change toward relationship marketing, a perspective that recognizes the importance of building

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Understanding firms' import involvement is vitally important to export managers and public policy makers

and managing buyer–seller relationships as strategic assets [1]. In an attempt to achieve greater positional advantage in today's dynamic and competitive market environment, buyers are moving away from traditional arm's length dealings with their suppliers to forging closer, more collaborative relationships with a small number of vendors [2]. Despite the growing trend toward developing and maintaining close relationships between trading firms, along with the tremendous growth of electronic commerce and the tendency toward globalization, limited empirical attention has been devoted to the study of cross-cultural buyer–seller business associations.

An examination of the international business literature reveals two important issues for present purposes. First, the firm's export behavior has attracted heightened research interest over the last 20 years, as a result of such factors as: the increasing globalization of markets; the intensifying worldwide competition in many industrial sectors; the severe trade deficit problems experienced by many national economies; and that exporting is viewed as a less resource-laden strategy as contrasted with other foreign market entry alternatives, such as joint venture arrangements or overseas manufacturing operations. Second, scant research attention has been given to the import side of the international exchange process. This gap is surprising for several reasons: (1) international purchasing decisions have become particularly important for the survival and growth of the firm due to the improvement of manufacturing technology in many parts of the world, along with the tendency toward the adoption of liberal trade policies by most countries [3]; (2) there is a consistent thread in the marketing literature which links the significance of the purchasing function with the effectiveness of the marketing process [4]; (3) much international exchange can be better conceptualized as buyer-coordinated importing rather than producer-initiated exporting [5]; and (4) increasing emphasis is placed upon developing market-oriented corporate cultures and pursuing customer-driven strategies [6].

The present study investigates the factors that play a potentially important role in influencing the level of import development within the framework of transaction cost analysis (TCA). Specifically, this empirical effort aims to examine the presence of significant differences in key elements of TCA between two distinct importer categories in terms of level of import development: regular and sporadic importers. The focus is on importing distributor firms trading with exporting manufacturers of industrial products. From an export marketing perspective, the use of overseas distributors is a common foreign market entry and expansion mode employed by manufacturers [7]. Overseas distributors represent low-cost access to foreign markets, by undertaking essential export marketing functions relating mainly to their ability to offer market information, customer contracts, technical support, geographical market coverage, and inventory-holding and order-processing facilities [8].

This empirical inquiry contributes to the global industrial marketing literature in two important ways. First, it focuses on the international exchange process, which is a critical but empirically neglected subject in the pertinent marketing field. Second, fundamental dimensions of TCA have been related to the degree of import development. This issue is of particular interest from the standpoints of export management practice and public policy, as well as theory development, due to the absence of re-

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