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Examining the influence of uncertainty on marketing mix strategy elements in emerging business to business export-markets

Roland Helm [a,1], Stephanie Gritsch [b,*]

[a] Chair of Strategic Industrial Marketing, University of Regensburg, Germany
[b] Research assistant, Chair of Strategic Industrial Marketing, University of Regensburg, Germany

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ABSTRACT

The degree of adaptation or standardization of the marketing program is critical in international business ventures. However, findings within this important research field and, consequently, implications for practice remain contradictory and confusing. The purpose of this paper is to examine determinants of an international marketing-mix strategy within a specific business-to-business context that includes the effects of uncertainty. Is the degree to which the marketing program is adapted or standardized dependent on the managerial perception of uncertainty? Does a firm's international entrepreneurial ability or the use of networks positively influence the degree of positive assessment of the environment? Data were collected from German companies working in different international business-to-business markets. The results indicate that international entrepreneurship has a greater impact on uncertainty reduction than the use of networks. After having reduced uncertainty, a firm tends to adapt their communication and pricing strategy, whereas the adaptation of the product and distribution strategy in general is not significant.

1. Introduction

Industrial market players feel a particularly high pressure to go abroad in order to secure and enlarge a company's sales volume. Since international activity is vital to their performance, business-to-business companies are facing the challenge of designing and implementing market-specific export strategies that take into account the uncertain environment within the fast changing target markets (Katsikeas, 2006). The fundamental proposition of international marketing is that the mere existence of a firm's global marketing strategy will have a positive effect on its global market performance (Cavusgil & Zou, 1994; Leonidou, Katsikeas, & Saimee, 2002; O'Cass & Julian, 2003; Shoham, 1999; Theodosiou & Leonidou, 2003; Zou & Cavusgil, 2002). But what is considered to be a good global marketing strategy? International market success is always linked to an efficient and effective implementation of a well planned marketing-mix strategy (Sousa, Martínez-López, & Coelho, 2008) for a specific market. So, it is necessary to rethink established domestic strategies when entering a new market (McDougall & Oviatt, 1996) because of different international market settings. When entering a new market, firms have to design and implement an appropriate marketing mix approach. They have to weigh up between a cost and complexity saving strategy of international standardization and a customer and market-tailored adaptation strategy of the marketing-mix. For industrial marketing in particular, there is a growing need for guidance when navigating through a fast changing international business environment (Madhavaram, Badrinarayanan, & Granot, 2011). Sheth and Sharma (2006) identified a lack of theory-based empirical studies examining the international and cross-cultural effects on business-to-business marketing.

The importance of research on the marketing mix strategy is undoubted. However, the debate on the marketing mix strategy is unfortunately characterized by non-significant, contradictory and confusing, and highly aggregated findings (Theodosiou & Leonidou, 2003; Zou & Cavusgil, 2002) and, in many cases, is concentrated on b2c-settings (Sheth & Sharma, 2006). The transfer of these findings to industrial goods seems problematic due to the complexity of the goods and the different customer problems encountered (Backhaus, Lügger, & Koch, 2011). In addition, it is necessary to shed light on the heterogeneity of the various business types in international industrial markets because designing a "one-fits-all" marketing strategy seems to be problematic and ineffective (Backhaus & Muehlfeld, 2005). Many authors claim that industrial products are more likely to be standardized (Jain, 1989; Samiee & Roth, 1992; Schilke, Reinmann, & Thomas, 2009); however, a marketing mix

* Corresponding author. Tel.: +49 941 943 5624; fax: +49 941 943 5622.
E-mail addresses: sigm@wiwi.uni-regensburg.de (R. Helm), stephanie.gritsch@wiwi.uni-regensburg.de (S. Gritsch).
[1] Tel.: +49 941 943 5620; fax: +49 941 943 5622.

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does not result in a single product strategy. Up until now, most research has focused on a single analysis of the influence of one marketing mix element on a company's performance. But there is a need to examine the interplay of all four mix elements at the same time (Kustin, 2004). Schmid and Kotulla (2011) showed that hitherto researchers have not been able to clearly derive performance-enhancing strategies to answer the question of marketing standardization or adaptation in a given context. They call for more industry-segment and country-specific studies (Schmid & Kotulla, 2011).

Next to industry-specific reflection on the marketing mix strategy, another critical variable in the whole decision context is the construct of uncertainty. Moving to different foreign markets always increases the environmental complexity (Ghemawat, 2001). If a company wants to expand into new markets that seem different from the home market, uncertainty about strategy arises (Erramilli & Rao, 1993). Uncertainty plays a central role in a firm's internationalization strategy due, above all, to the shift to the unfamiliar and fast changing environment of emerging markets (Hoskisson, Eden, Lau, & Wright, 2000). Schmid and Kotulla (2011) criticized the fact that potentially false perceptions managers have about the environment and its influence on strategy have, up until now, not been included enough in international studies. Hence, the objective of this study is to include perceptual uncertainties in the international marketing strategy research.

Uncertainty in decision making has to be reduced (Schmid & Kotulla, 2011) to an individually appropriate level. Well established concepts within the contingency literature are based on the constructs of international entrepreneurship and the networking capabilities of a company. Firms providing entrepreneurial orientation are expected to be better able to deal with uncertain environments because these companies possess the abilities needed to react to unknown and fast changing environmental circumstances (Kraus, Rigtering, Hughes, & Hosman, 2012). Furthermore, Jones, Coviello, and Tang (2011) state that network capabilities in combination with entrepreneurial opportunity-seeking behavior are crucial for a rapid and successful internationalization process. Therefore, we want to link these important skills to the firm's ability to reduce uncertainty about the appropriate marketing mix strategy for a foreign market.

Our research will contribute to a deeper understanding of contingency factors influencing international marketing-mix strategies in a b2b-context. Determinants of strategic decisions concerning the question of standardization versus adaptation within the business-to-business context will be examined. We make an important theoretical contribution to the idiosyncrasies of business-to-business markets and concentrate on the project business, which has an essential influence on the marketing mix strategy. Moreover, we extend the research on the four marketing mix elements. Furthermore, our study is one of the first empirical studies to link the construct of uncertainty to the strategic options of the marketing mix. In addition, we believe that business-to-business firms have to stress more and more their international networking and international entrepreneurial capabilities to cope with the possible uncertainties of foreign markets. We postulate that these positively influence the decisions made in association with the marketing-mix strategy.

The structure of our paper is as follows: First, we discuss previous research findings on the topic and develop a theoretical framework, from which we design a set of hypotheses. These focus on the marketing mix strategy of a business-to-business firm that takes into account possible uncertainty about the strategy and influencing factors such as international entrepreneurship and network capabilities. Second, we test our hypotheses using structural equation modeling. Finally, we present and argue our findings, followed by a discussion on the wider implications of our results and a conclusion that includes implications for future research.

2. Literature review and theoretical foundation

2.1. Marketing mix in export markets

In light of the international surroundings, a fundamental issue facing international business is the question of how to coordinate the different generic marketing mix elements (i.e., product, place, price, and promotion) across national boundaries (Douglas, 2000). Literature on international marketing strategy provides a magnitude of arguments for both the standardization and the adaptation of the marketing mix elements. The standardization of the marketing mix elements across countries is favored by many authors due, above all, to the realization of economies of scale (Levitt, 1983). Furthermore, standardization is one answer to the increasing homogenization of world markets, where differentiation in marketing becomes less and less important (Sheth, 2001). Supporters of the adaptation approach highlight instead the need to react to cultural differences, another competition set, and foreign market regulations (Diamantopoulos, Schlegelmilch, & DuPreez, 1995; Douglas & Wind, 1987). Studies within the contingency research stream argue that the ultimate strategy depends on various situational factors and is a degree rather than an absolute position (Cavusgil & Zou, 1994; Cavusgil, Zou, & Naidu, 1993; Jain, 1989; Zeithaml, Varadarajan, & Zeithaml, 1988). Building on this, Katsikeas (2006) emphasizes the importance of the so-called fit between the strategy chosen by a company and the situation in which the strategy is pursued.

But what is the appropriate marketing mix strategy for business-to-business companies acting in emerging export markets? International studies seem to lack a systematic approach toward settings other than environmental fit that determine a firm's marketing mix strategy (Schilke et al., 2009). Schmid and Kotulla (2011) call for more integrated research combining a normative developed theory and the concept of fit. They propose a framework of four situational fit variables, integrating the two moderation effects of perceptual errors of managers and the quality of execution of a pursued strategy. In line with this recent research, this paper proposes a detailed analysis of the generic elements of the marketing mix strategy in the specific context of emerging business-to-business export markets.

2.2. Project business markets

There has already been a great increase in business-to-business studies; however, the growth and diversification of the discipline needs to be examined more deeply and considerable research still needs to be undertaken (Backhaus et al., 2011). The spectrum of industrial products and services sold is very wide-ranging. Backhaus and Muehlfeld (2005) presented a comprehensive systematization of the heterogeneous products and services within the business-to-business context, following the transaction cost theory and using asset specificity as the basic criterion for categorization. They distinguish the product business, the project business, and the relational business. This paper focuses on the project business, the most complex and the most representative type within business-to-business marketing. In Germany, project marketing deserves particular attention due to the existence of powerful industrial companies specializing in the selling of heavy equipment and the strong tradition of the mechanical engineering and construction industries (Cova & Salle, 2007; Günter, 1986). The project business is characterized by an idiosyncratic investment of both seller and buyer. Premature termination, for example during the phase of construction of a customized product results in a