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# International marketing strategies in industrial clusters: Insights from the Southern Hemisphere

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ABSTRACT

This paper examines co-operative marketing strategies among clustered-based firms in the most important wine producing and exporting countries in the 'new world'. The research examines the development of active inter-firm marketing co-operation undertaken by firms to achieve competitive positioning in international markets. The results of a survey of managers located in Argentina, Australia, Chile and New Zealand are presented. The empirical contribution comes from the unique comparative data from regional clusters in four countries which are seen internationally as innovative producers and marketers, all strongly export-oriented, but at different stages of economic development and positioning in the global marketplace. In addition, this study makes a significant contribution to agglomeration theory by confirming the importance of sharing marketing knowledge to build sustainable competitive advantage in international markets. The theoretical contribution builds understanding of international marketing strategies within the Southern Hemisphere group of emerging countries and offers new insights on international marketing practices for emerging firms from both the developed economies in the Pacific Ocean region and Latin American emerging economies.



## 1. Introduction

The role of industrial clusters and networks in the growth of entrepreneurial firms, industries and economies is an important area of research (Blundel, 2006; Johanson & Mattsson, 1988; Piore & Sabel, 1984; Vasilchenko & Morrish, 2011). While much prior research focuses either on economic development policies to induce or stimulate co-operation in clusters, or on the benefits or critical success factors of clusters, less attention has been paid to analyzing relations among actors within and across clusters (Sugden, Wei, & Wilson, 2006). Therefore, research on how firms within regions develop (or not) co-operative relationships with firms in their regions and the nature of those activities is warranted. This study explores co-operative marketing strategies among cluster-based firms in some of the most important wine producing and exporting countries in the Southern Hemisphere: Argentina, Australia, Chile and New Zealand. In particular, the paper examines the development of inter-firm marketing co-operation, a specific type of active marketing externality (Brown, McNaughton, & Bell, 2010), by firms aiming to achieve competitive positioning in international markets.

This paper brings new theoretical perspectives from a global industry into the under-researched Southern Hemisphere Pacific Ocean region, and advances knowledge about the role of inter-firm relations in international marketing and competitive advantage. The four countries in the study operate at different stages of economic and cluster development. In light of a lack of strong international comparative evidence between developed and emerging economies relating to the benefits of inter-firm co-operation in marketing and co-location (Felzensztein, Gimmon, & Aqueveque, 2012), further research is needed. There have been calls for more comparative studies including the under-researched geographical area of Latin America (Fastoso & Whitelock, 2011; Fastoso & Whitelock, 2012). This region demonstrates increasing strategic connections with other emerging markets and the developed world as a whole, underlining the research importance of further comparative understanding of Latin American firm strategies.

The study addresses these gaps in the literature and aims to better understand the marketing practices of clustered firms from the Southern Hemisphere Pacific Ocean region. Two key research questions inform the study: firstly, how and to what extent does geographical co-location (close proximity of firms) influences inter-firm marketing co-operation to achieve better competitive advantage in international markets? Secondly, what are the differences, if any, in marketing practices among clustered firms in emerging versus developed economies to achieve their international marketing strategies? To answer these research questions, the results of a 2010 survey of general and marketing

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managers of wine firms in some of the most important wine producing economies of the Southern Hemisphere Pacific Ocean are presented. The empirical contribution comes from the uniqueness of the comparative data from regional clusters in four countries which are seen internationally as innovative producers and marketers, strongly export-oriented but at different stages of economic development and positioning in the global marketplace. The paper's theoretical contribution builds understanding of international marketing strategies within emerging countries and offers new insights on international marketing practice for emerging firms in both developed and emerging economies.

This study provides a substantial contribution to agglomeration theory by confirming the importance of sharing marketing knowledge to build sustainable competitive advantage in international markets. The paper is structured as follows. Section 2 identifies concepts relating to regional clusters and inter-firm co-operation in marketing and develops the hypotheses which informed the data analysis. Section 3 is a brief overview of the industry context in each of the four Southern Hemisphere economies under study. Section 4 describes the methodology. Section 5's discussion sets out the key findings and conclusions on whether and how inter-firm co-operation within regional clusters can enhance a firm's international marketing competitiveness.

## 2. Theoretical background

### 2.1. Benefits of industrial clusters

Many business scholars have built on Marshall's (1920) early theories of agglomeration economies (Parr, Hewings, Sohn, & Nazaral, 2002). The concepts of co-partnerships, social elements of proximity, marketing and co-operation among industries are highly inter-related, as external economies or externalities – the economies of scale benefits derived from industrial location (Marshall, 1920) – are not internal to the firm. These are beyond the firm's control but strongly influence its internal production or performance (Brown & McNaughton, 2002, chap. 1). Marshall's (1920) ideas about marketing in industrial clusters1center on "mutual discovery" as a key advantage of co-location but it remains unclear how and why the process of industrial localization starts in certain places and not in others, or exactly what "local" means (Martin & Sunley, 2002).

Researchers have no single definition of a cluster. Porter's (1998) explanation involves horizontally and vertically-related industries with multiple interaction types leading to higher productivity levels. Although clusters form at any geographical scale (Porter, 1990, 1998), they are primarily localized related organizations (Perry, 2007). The initial catalyst for a cluster may be an "accident of history" (Brown & McNaughton, 2002) or the result of intentional initiatives (Sugden et al., 2006). Once established, new firms join the initial cluster to benefit from the increasing returns and positive externalities, possibly following a "lead firm", and the network develops (Martin, 1999). Transaction cost views of industry clusters largely overlook technology, information and social aspects of inter-dependence, which can enable market-based externalities (Brown et al., 2010) which are the external economies accruing from the firms' decisions which bring down the average costs of industries and enable firms to compete (Krugman, 1991). Consistent with the literature on clusters, this study defines a regional cluster as a group of firms related to the same industry that shares geographic proximity within an administratively-defined region in a country, which exhibits commonalities and complementarities. Thus, clusters transcend the national and take on regional or sub-local identities. A distinguishing feature of geographically clustered firms is that they simultaneously co-operate while competing (Lundberg & Johanson, 2011; Mesquita, 2007). Examining the internal dynamics of co-located groups of firms and focusing on inter-firm interaction can build understanding of the distinctive features of clusters, especially the benefits of co-operative strategies among firms (Häkansson, Ford, & Snehota, 2006; Welch & Wilkinson, 2005).

### 2.2. Marketing externalities

Few available studies investigate active marketing externalities and their influence on the international competitive strategy of firms (Brown et al., 2010; Guercini & Runfola, 2011), to show how firms use marketing externalities in clusters to achieve local and international competitiveness. Geographical clustering is a potential source of competitive advantage for networked firms, particularly small and medium-sized enterprises (SMEs) since local firms can provide access to important networks and resources for co-located firms. Co-location fosters passive and active externalities (Brown et al., 2010). Passive externalities emerge from firms being co-located near similar firms, requiring little or no effort on the part of the firm. For example, firms may locate in close proximity to other firms to access skilled labor or to exchange intermediate products with other firms or to access better specialized suppliers. Active externalities arise from a firm's actions and willingness to "make something happen" (Brown et al., 2010, p. 174) as opposed to passive benefits that accrue simply from co-location. Active externalities emerge when firms work together to identify benefits, and such co-operation occurs as a result of trust that develops through passive externalities. Firms can pursue joint sales to foreign markets, joint distribution strategies, trade activities, marketing delegations for foreign markets, and share market information and co-branding, among others.

Clusters provide general benefits to firms, relating to value chain inputs or aspects of production processes, such as collective learning and resource leverage (Malmberg, Solvell, & Zander, 1996). While natural resource endowments are critical for regional development, the ability to add value within clusters in ways that produce superior results in international markets is even more so (Perez-Aleman, 2005).

Consequently natural resource-based industries increasingly seek constructed advantage over comparative advantage, so that advantage is created using knowledge and innovation rather than via resource endowments (Cooke & Leydesdorff, 2006).

**H1.** Co-located firms increase competitiveness through co-operative marketing activities.

### 2.3. Clusters and networks

In addition to resource endowments, social interactions and networks are important within clusters since local knowledge transfer may be embedded in co-located social interactions (Lundberg & Johanson, 2011). The communication preferences of individual firms (increasingly using email) and business relationship atmosphere strongly influence interactions and communication in regional clusters (Andresen, Bergman, & Hallén, 2011, chap. 6). Newer marketing approaches within clusters include co-operative retail strategies and branding (especially relevant for fast moving consumer goods).

More complex processes, including specialization in marketing roles (Guercini & Runfola, 2011), and internet use in international business-to-business marketing, positively impact the accumulation of new market knowledge and the international performance of SMEs (Moen, Madsen, & Aspelund, 2008). Local clustering can provide particular benefits for firms in emerging economies to overcome growth constraints, intensify learning and innovation, and gain access to distant markets (Nadvi, 1999), and "create positive externalities which help managerial and technical learning" (Altenburg & Meyer-Stamer, 1999, p. 1693).

In emerging economies like Argentina and Chile (compared with developed economies such as Australia and New Zealand), face-to face communication, for example, remains important in marketing practices (Pels, Brodie, & Johnston, 2004). In globalized markets, entry