

# Marketing Communications Strategy in Advanced and Emerging Markets: An International Comparison

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Article abstract

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## **Marketing Communications Strategy in Advanced and Emerging Markets: An International Comparison**

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**Keywords:** International marketing, marketing communications, emerging markets, advanced economies, comparison

### **1. Introduction**

Marketing communications comprise business activities such as advertising, direct mail, trade show participation, and Internet-based selling, as means of communicating with consumers. In the international context, marketing communications (also known as ‘promotion’) comprise important international business activities (e.g., Cavusgil, Zou & Naidu, 1993; Leonidou & Katsikeas, 1996) and traditionally have been grounded in ways of communicating with foreign consumers in *advanced economies*. However, much of the world’s consumers live in lower income areas, including “emerging market” countries (Sharma et al, 2018; Cavusgil, 2021; World Bank, 2021). These include Brazil, China, India, Mexico, and Russia, as well as most countries in Africa, most of the Middle East, and most other countries in both Asia and Latin America (Cavusgil, 2021; Cavusgil, Ghauri & Liu, 2021; Sharma et al, 2018; World Bank, 2021). Emerging markets account for more than 4 billion people, with average per-capita income of less than US\$10,000 (World Bank, 2021). On the other hand, advanced economies (e.g., Australia, Canada, Japan, most of Europe, and the United States) comprise only about 1 billion people, with an average per-capita income of more than US\$40,000 (Cavusgil, Ghauri & Liu, 2021; World Bank, 2021). Although the latter group represents the bulk of world purchasing power, it clearly does not

represent the bulk of the world's population or the likely bulk of purchasing power in years to come. The importance of marketing communications activities in emerging markets has been relatively little addressed in extant literature and there has been relatively less empirical research in international marketing on emerging markets in general (e.g., Gnizy & Shoham, 2014; Leonidou et al, 2018).

International marketers need to focus more effectively on communicating with emerging markets. In this article, we examine the nature of emerging markets and the role of international marketing communications in conveying product and marketing information to them. We examine the role of marketing communications on the performance of firms operating in emerging markets versus advanced economy countries. In the process, we seek to address several research questions. To what extent does basic theory on marketing communications, that has been advanced primarily in an advanced economy context, apply to the case of emerging markets, and what is the nature of marketing communications in such markets? Accordingly, in this article, we undertake a two-stage process of exploratory and confirmatory research. First, we examine a collection of case studies conducted in a key Asian emerging market, Vietnam, in order to provide an overview on marketing conditions in emerging markets. In stage two, we develop some key hypotheses and then test them in an empirical study of U.S.-based firms that export to a collection of emerging markets and advanced economies. We then discuss these results and the normative implications for firms' international marketing activities.

## **2. Marketing communications and the nature of emerging markets**

Marketing communications is a key component of marketing activities and comprises business activities such as advertising and publicity (often referred to as “promotion” or the “promotion mix”), that reflect communication between the organization and its targeted consumers (e.g., Batra & Keller, 2016; Smith & Taylor, 2004). Marketing communications examines how firms convey key information and promote their offerings to target markets. Companies use marketing communications to provide information to and communicate with existing and potential customers, with the goal of stimulating demand. Firms leverage communications to promote and impart critical information about the firm's offerings, with the goal of maximizing performance (Griffin, 1993; Kotler & Armstrong, 2008; Smith & Taylor, 2004). Skillful communications can be a key factor in satisfying customer needs and supporting overall performance of the firm. The costs to buyers in time, effort, and money of identifying appropriate products can be considerable because information that buyers possess about desired products is imperfect. Marketing communications helps reduce such costs by providing buyers with useful signals and information (McKee et al 1992; Smith & Taylor, 2004).

Skillful communications is among the most performance-enhancing competencies in firms' marketing activities (Kotler and Pfoertsch 2006). Firms use communications to help buyers associate the product with a specific producer (Keller, Parameswaran, and Jacob 2008). Communications also drives the development of customer relationships and enhances perceptions of product quality, value, and performance, especially where knowledge of the firm and its products is lacking (Kotler & Armstrong, 2008). Firms frequently undertake *integrated* marketing communications, which reflects the strategic, coordinated use of promotion to create a consistent message across multiple channels to ensure maximum persuasive impact on current and potential customers (Batra & Keller, 2016; Smith & Taylor, 2004). Typical communications media for consumer goods sales include print media (e.g., newspapers, magazines), radio, television and movies, billboards and public transit, direct mail, and the internet. Typical communications media

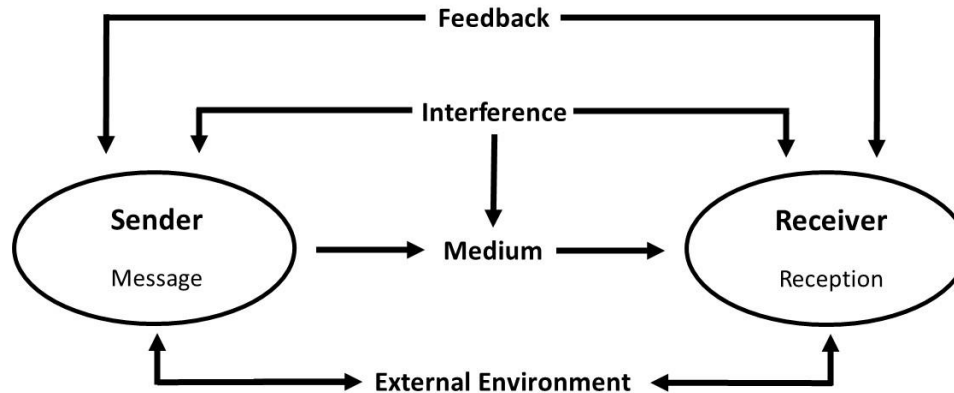
for business goods sales include business and trade publications, personal selling, direct mail, the internet, and trade shows (Kotler & Armstrong, 2008; Smith & Taylor, 2004).

Marketing communications typically aims to attract the attention and interest of current and potential buyers, engender desire and ultimate action in terms of motivating buyers to purchase the firm's products. Firms may undertake 'push' and 'pull' strategies. Push implies that the firm will emphasize personal selling to the marketing and distribution channel, and is especially useful for industrial sales. Pull emphasizes the use of large-scale communications (mainly advertising) to stimulate end-users to demand the product from end-distributors (e.g., retailers), and is more common in consumer goods sales (Brocato, 2010; Kotler & Armstrong, 2008). Advertising can be used to reach a mass audience or a precisely defined market segment. Advertising is cost-effective when used to reach a mass audience. Digital communication, via the internet and mobile telephones, is the fastest growing form of advertising. In advanced economies, personal selling is usually less focused on generating "sales" and more on developing long-term, personal relationships with buyers (Kotler & Armstrong, 2008; Smith & Taylor, 2004).

Firms undertake various strategies to advance their goals and performance in target markets. 'Differentiation' is one of the three key generic strategies distinguished by Porter (1980; 1991), the others being 'cost leadership' and 'focus'. Among the generic strategies (Porter, 1980), differentiation is most rooted in marketing and typically involves the use of marketing communications activities, such as advertising and selling approaches (Miles & Snow, 1978; Porter, 1980; Miller & Friesen, 1984). Differentiation reflects the creation and marketing of a product that is perceived industry-wide as relatively unique (Porter, 1980; White, 1986). As with generic strategies in general, differentiation is intended to enhance company performance (e.g., Porter, 1980; Knight, Moen, & Madsen, 2020; Miller & Friesen, 1984). Differentiation helps firms stand out and be salient in a crowded global marketplace (Cavusgil and Knight 2015; Leitner and Guldenberg 2010; Porter 1980; White 1986). Differentiation insulates the firm against competitor offensives by generating customer loyalty and avoiding the need to achieve a low-cost position (Porter 1980; White 1986). Differentiation strategy is especially relevant to internationalizing firms that target new foreign markets. Rivals in foreign markets may perceive little or no competitive threat from an entering firm that emphasizes differentiation strategy because the foreigner's approach and offerings are relatively unique and often do not constitute a direct competitive threat (Leitner and Guldenberg 2010). Accordingly, differentiation strategy is an especially important strategy for firms that internationalize into foreign markets.

Figure 1 illustrates the basic communication process between buyers and sellers (Griffin, 1993). Accordingly, sellers are *senders* who convey communications to buyers (*receivers*). Sending comprises the development of appropriate communications messages and the encoding of these messages into formats that can be received and responded to by receivers. Marketers take advantage particular *mediums* of communication, such as advertising media or the verbal explanations of sales staff, in order to convey their messages to receivers. Because marketing is like a conduit through which firms communicate with consumers, there is likely to be *feedback* generated between the sender and receiver. Such feedback helps alert management to adjust its marketing communications efforts as needed to cope with evolving factors in the firm's *external environment*. However, in any market, there are likely to be numerous competing organizations, whose numerous promotional messages give rise to *interference* and impact the effectiveness and efficiency of communications between the sender and intended receivers (Cavusgil, Zou & Naidu, 1993; Griffin, 1993).

**Figure 1. The communication process**



Source: Adapted from Griffin, 1993

Certain cultural factors strongly characterize emerging markets. Culture is a coordinating mechanism for regulating transactions by defining socially correct behavior (e.g., Brislin, Lonner & Thorndike, 1973; Hofstede, 2001; Trompenaars & Hampden-Turner, 1997). Social structure has a major impact on purchasing decisions because people in emerging markets often are not subject to global influences or even influences just outside their own communities. The works of Hofstede (2001) and Trompenaars and Hampden-Turner (1997) illustrate some major cultural differences between emerging and advanced markets. The four dimensions of Hofstede are ‘power distance’, ‘uncertainty avoidance’, ‘individualism vs. collectivism’ and ‘masculinity vs. femininity’. The four dimensions of Trompenaars and Hampden-Turner are ‘particularism vs. universalism’, ‘affective vs. neutral’, ‘specific vs. diffuse’ and ‘achievement vs. ascription’. Based on our analyses of 14 emerging markets, it can be seen that, within the Hofstede (2001) dimensions, these markets exhibit a much greater degree of power distance (i.e., an acceptance of hierarchy and inequality within social structures) and collectivism (i.e., the tendency of a people to operate as groups, rather than individuals). Within the Trompenaars (1997) dimensions, people in emerging markets tend to be particularist rather than universalist implying that obligations and particular circumstances tend to take precedence over other considerations.

In the institutional arena, emerging markets tend to be characterized by a greater degree of control over the freedom of their citizens (e.g., Cavusgil, Ghauri & Liu, 2021; Freedom House, 2022). Often these markets are characterized by unstable or dictatorial political regimes wherein communication may be employed for propaganda purposes and the forms of communication are the ones most in evidence (Paul, 2020; Sharma et al, 2018). In emerging markets, the legal framework may be underdeveloped, which suggests that regulations that govern communications may be enforced selectively or open to negotiation (Cavusgil, 2021; Sharma et al, 2018; Cavusgil, Ghauri & Liu, 2021). Regulations may relate to who can deliver the message, who can receive it, what it can contain, as well as how, when, where, and how often it can be communicated. This subjectivity also can relate to forms of marketing communications other than advertising such as premium offers, money-off promotions, coupons, and contests (e.g., Henisz, Mansfield, & Von Glinow, 2010; Kim & Stoel, 2010).

In addition, emerging markets are characterized by low rates of mobilizing savings that in turn impact the ability to acquire the infrastructure to receive communication messages (Akaah, Dadzie & Riordan, 1988; Sharma et al, 2018; World Bank, 2021). Therefore, for example, the use of the Internet and smartphones may be less prevalent in many of these markets. Emerging markets also may suffer from shortages of key resources such as housing and electricity. In such circumstances, consumers tend to be focused on satisfying short- rather than long-term needs (Arnold & Quelch, 1998; Cavusgil, 2021; World Bank, 2021; Cavusgil, Ghauri & Liu, 2021).

There is a strong correlation between educational levels and economic development (World Bank, 2021). Literacy rates in emerging markets can be less than 40 percent. Even in India where improving literacy has been a development objective for decades, some 20 percent are still illiterate (World Bank, 2021). The female illiteracy rate in numerous developing economies can be less than 50 percent (World Bank, 2021). In such circumstances, communications messages may need to be conveyed via aural or visual rather than print media. Where print media are used, the emphasis may need to be on the pictorial. Where demonstration is required, this is more likely to occur on a face-to-face basis rather than via media. Collectively, differences in culture, politics, law, economics, and education imply that the time gap between the creation and adoption of innovations is greater in emerging than in advanced economies (e.g., Paul, 2020; Sharma et al, 2018). All of these factors have implications for marketing communications.

### **3. Two-stage investigation**

To investigate these issues, we followed a two-stage research approach that seeks to address two key research questions. First, does the standard communications process model (Figure 1) that provides the rationale and explanation for firms' pursuit of marketing communications activities apply equally to emerging markets as to advanced economies? This question must be addressed because the model was devised primarily in a Western, advanced economy context. Second, if marketing communications activities do play a role in emerging markets, what is the nature of this role? That is, are marketing communications activities important in emerging markets and, if so, do they take the same form as in advanced economies? In the following sections, we seek to provide more detailed answers to these questions. To address the first question, we follow a case-study approach. To address the second question, we conduct a survey-based study among firms that export to a range of emerging and advanced economy countries.

Case studies are a key approach in exploratory research for uncovering salient constructs and relationships, and for formulating hypotheses (Eisenhardt, 1989; Knight, Chidlow, & Minbaeva, 2022). They are particularly appropriate in emerging markets where quantitative research may be impeded by literacy levels, social or economic status, cultural reluctance to respond to questionnaires, and reliability of the sampling frame (Craig & Douglas, 2000; Kumar, 2000). In order to explore the nature of communication in emerging markets, we undertook a case-based study in Vietnam. A representative emerging market, Vietnam has a population of about 100 million and a per-capita income (purchasing-power-parity based) of less than US\$10,000. The largest proportion of employed individuals are engaged in agriculture and related areas as their major economic activity (World Bank, 2021).

In total, we conducted eight interviews to ascertain the degree to which traditional marketing communications are relevant in this market. Informants were targeted who were knowledgeable about marketing, and included two Vietnamese managers who oversee marketing communications activities, two Vietnamese marketing managers for foreign corporations, one Vietnamese manager

from a local advertising agency, one Vietnamese professional marketing researcher, one foreign government commercial representative, and one representative of a non-government organization. The interviews emphasized concepts identified in the communications model in Figure 1 (Griffin, 1993) and employed a series of questions designed to ascertain the 'goodness of fit' between this model and circumstances in Vietnam. Accordingly, numerous questions were asked regarding each of the sender, the medium, the receiver, interference, and feedback, in this model. In addition, to provide a clearer picture of the situation regarding the majority of consumers in emerging markets, all of the Vietnam interviewees were queried with regard to how each element of this model applies to high/middle- and low- income consumers. The analysis that follows is based on findings from this study and organized according to the key elements of the communications model (Figure 1).

The *sender* is that entity that prepares and transmits the message to be communicated. The case study interviewees suggested that, in marketing communications in Vietnam, consumers prefer that the sender be a local entity, as opposed to a foreign or global one. The sender should strike a balance between messages that provide information and messages that persuade the buyer, with the more information-intensive messages typically targeted to low-income groups, as a means of educating buyers about product benefits and other attributes. There also tends to be a greater focus in Vietnam on sending utilitarian rather than aesthetic appeals. Appeals to group benefit and to long-term loyalty (versus short-term reaction) are preferred among low-income consumers. Some interviewees suggested that sender testimonials often are helpful in advertising, and most suggested that a high degree of power distance (Hofstede, 2001) should be reflected in both the sender and the message content. In all events, interviewees suggested that message content should be politically sensitive, in order to avoid offending key elements in the government and other public, or semi-public organizations.

The *medium* is the vehicle by which the sender's message is transmitted. Certain types of media, such as television, the Internet, and magazines, are relatively inaccessible to low-income Vietnamese consumers and this limits the type of media that can be used. Moreover, the Vietnamese government exercises considerable control over media, and this can influence which media are used as well as the nature of messages delivered. Consistent with these conditions, radio, television, and the Internet are not heavily employed for targeting low-income consumers. TV, the Internet, and magazines are a popular choice for communicating with high- and middle-income consumers. In contrast, radio is used very little for targeting this group. Internet usage is moderate among high/middle-income respondents, but growing every year and is therefore a largely useful medium for targeting such consumers. Trade fairs are used moderately in Vietnam, but tend to be targeted at industrial buyers. Public relations is employed moderately and direct marketing is employed primarily among the high/middle-income groups.

The *receiver* is that entity which receives and responds to the message. Results of our case studies indicate that among low-income people, marketing communications messages tend to be received in group settings (i.e., involving several people in a family gathered together at one location). Accordingly, people are influenced by the desire to conform to the group rather than individual needs and tastes. In the Hofstede (2001) framework, this implies that Vietnamese

consumers tend to be more collectivist than individualistic. Most receivers in Vietnam are low-income consumers and focus primarily on satisfying basic consumption needs. Thus, the marketing concept tends to be relatively little emphasized in Vietnam. Specifically, the 'marketing concept' suggests that firms should conduct market research in target markets to ascertain specific buyer

needs and wants and also to understand the nature of competing goods. Subsequently, the firm should develop offerings, based on such research, that simultaneously fit buyer needs and tastes, and which are sufficiently differentiated from those of competing firms. Stated differently, the 'marketing concept' proposes that the firm should conduct research to understand the preferences of buyers in target markets, and then develop products that simultaneously satisfy those preferences and are superior or otherwise differentiated from competing products in those markets (e.g., Kotler & Armstrong, 2008; Weeks & Marx, 1968). In addition, because a significant proportion of the population in Vietnam is illiterate, has a limited formal education, or both, about 50 percent do not possess a high school diploma or its equivalent (World Bank, 2021), by advanced economy standards, marketing communications messages tend to be relatively uncomplicated. Relatedly, emotional appeals are likely to be used more often, and with greater success, for targeting low-income consumers.

The cases revealed that, while less of an issue among the high/middle-income segment, group or ethnic affiliation tends to engender *interference* among low-income consumers. On the other hand, local or regional loyalties tend to override the individual reaction to messages to a much greater extent, especially among the high/middle-income group. Compared to their higher income counterparts, government influence tends to have a stronger effect on the buying patterns of low-income consumers. Regarding *feedback*, the case studies suggested that in general there was little reluctance to express an opinion to message senders, to the extent this is possibly within limited means. Correspondingly, market research can be effective in Vietnam because consumers are relatively responsive, for example, to survey-type research.

Overall, findings from case studies in Vietnam suggest that the communications model (Figure 1) appears to apply well there and is a useful framework within which to explain marketing communications. By the same token and as reflected earlier, some modifications undertaken primarily at the tactical level may be required to communications activities in order to account for the business environment and the behavior patterns that characterize consumers there. We now turn to the second stage of the research reported here.

#### 4. Hypotheses

In this section, we report on a second study that we connected to compare how marketing might differ between emerging markets and advanced economies. Initially, we developed a collection of hypotheses based on earlier findings of the case studies and on a review of relevant literature. We then tested the hypotheses using data from a large-scale survey of exporting firms. We focused on the firm's basic marketing orientation, its use of marketing communications activities, and the individual and conjoint effects of these constructs on its international performance. In this article, we emphasize the strategic and tactical levels of company activity (Webster, 1992). Strategy reflects planning, targeting, positioning, and how the firm will compete at the nexus of its products and markets (Slater and Olson, 2001; Morgan et al, 2019). In marketing, tactics are fulfilled through the elements of the marketing mix and related tools within management's grasp. Tactics must be advanced and activated in the context of strategy (Webster, 1992). In this study, *differentiation* (e.g., Porter, 1980) and *marketing communications* are framed as strategy and tactics, respectively.

Firms can differentiate their offerings on the basis of product design, brand image, technology, product features, and customer service (Leitner & Guldenberg 2010; Mosakowski,



1993; Porter, 1980; White, 1986). Differentiation helps to engender brand loyalty and lower sensitivity to price (Cavusgil & Knight, 2015; Leitner & Guldenberg, 2010; Mosakowski, 1993; Porter, 1980; White, 1986). Differentiation helps the firm distinguish itself from rivals, providing competitive advantages (Brenes, Montoya, & Ciravegna, 2014; Cavusgil & Knight, 2015; Chen, Chen, & Zhou, 2014; Knight, Moen, & Madsen, 2020; Leitner & Guldenberg, 2010; Porter, 1980). *International performance* reflects top management's expectations about the achievement of general business success and market share, as well as more specific goals such as sales growth, profitability, and return on investment. The expected linkage between differentiation and international performance is assessed in our first hypothesis.

H1: In the firm's international marketing activities, *differentiation* strategy significantly and positively influences *international performance*.

While the relationship suggested in H1 is largely established in the literature (e.g., Brenes, Montoya, & Ciravegna, 2014; Porter, 1980; Miller & Friesen, 1986), it is useful to assess it here, as a basis for subsequent hypotheses. This relationship is potentially complex (Brenes, Montoya, & Ciravegna, 2014; Chen, Chen & Zhou, 2014), and suggests a possible role for certain mediating or moderating variables. When viewed as a generic strategy, differentiation is incomplete if the tactical elements required for its implementation are not taken into account. Indeed, the actual mechanism for transforming differentiation strategy into superior corporate performance has received little research attention. Consistent with the Webster (1992) typology noted earlier, firms use marketing tactics in order to implement marketing strategies. Marketing mix variables such as marketing communications activities operate at the tactical level and are thus carried out to support marketing strategies (e.g., Batra & Keller, 2016; McKee et al., 1992; Webster, 1992).

*Marketing communications* was conceptualized above and is operationalized here in terms of communication-oriented tactics aimed at making the firm's product known to consumers in a given target market. It consists of activities such as advertising, direct mail campaigns, trade show participation, sales promotions, and incentive programs aimed at distributors. As one of the pillars of marketing, communications are critical to implementing effective marketing strategy. To the extent that strategy depends on tactics, and tactics are activated in the context of strategy (Webster, 1992), we anticipate that marketing communications will at least partially mediate the relationship between marketing strategy and performance. However, strategy is also likely to have a direct effect on international performance (e.g., Porter, 1980), as implied in hypothesis H1. Accordingly, we argue that market communications is a *partial* mediator of the proposed relationship between differentiation and international performance.

The central idea behind mediation is that effects of a particular antecedent on a given outcome are influenced by a transformation process internal to the firm (Asher, 1983; Baron & Kenny, 1986; Hayes, 2018). Theorists emphasize the role of processes that intervene between input and output (e.g., Baron & Kenny, 1986; Hayes, 2018). A given construct is said to function as a mediator to the extent it accounts for the relationship between the predictor and criterion variables, in this case differentiation and international performance, respectively. The implied relationship is reflected in the following equations:

$$Y_{it} = a_0 + a_1 X_{it} + a_2 Z_{it} + e_{it} \text{ and } X_{it} = b_0 + a_2 Z_{it} + e_{it}$$

where:  $Y_{it}$  = international performance of firm  $i$  in time period  $t$   
 $X_{it}$  = marketing communications of firm  $i$  in time period  $t$   
 $Z_{it}$  = differentiation strategy of firm  $i$  in time period  $t$

$a_0$  and  $b_0$  = some constants  
 $a_1$  and  $a_2$  = parameters to be estimated  
 $e_{it}$  = random error of firm  $i$  in time  $t$

Thus,  $X_{it}$  (*marketing communications*) should function as a partial mediator in the proposed relationship between  $Y_{it}$  (*international performance*) and  $Z_{it}$  (*differentiation*) when variations in levels of  $Z_{it}$  significantly account for variations in levels of  $X_{it}$ ; when variations in levels of  $X_{it}$  significantly account for variations in levels of  $Y_{it}$ ; and when the relationships between  $a_1X_{it}$  and  $a_2Z_{it}$  and between  $Y_{it}$  and  $a_1X_{it}$  are controlled, the strength of the expected relationship between  $Y_{it}$  and  $a_2Z_{it}$  is lessened (Baron & Kenny, 1986; Hayes, 2018). This leads to our next hypothesis.

H2: In the firm's international marketing activities, *marketing communications* partially mediate the relationship posited between *differentiation* and *international performance*.

We anticipate that the relationships proposed in H1 and H2 will be affected by the nature of the marketplace in which interactions occur. This is because managerial choice may be severely affected by the nature of the external business environment. That is, the linkages among business strategy, business tactics, and performance are likely to be contingent on the dynamics of the relevant marketplace (e.g., Snow & Hrebiniak, 1980; McKee et al., 1992; Slater and Olson, 2001). Managers must correctly ascertain the nature of the external environment and formulate strategies and tactics accordingly (Cavusgil & Zou, 1994; Morgan, Whitler, Feng, & Chari, 2019; Slater & Olson, 2001). Industrial organization theory implies that firms manage their relationship with the environment by developing and activating particular business approaches (Woodward, 1965; Porter, 1980; Venkatraman & Prescott, 1990). Performance outcomes hinge on the ability of management to align the strategic and tactical variables within its control with those environmental factors outside its control (Galbraith & Schendel, 1983).

One of the most important environmental factors regarding emerging markets is the extent of the country's economic, technological, and industrial development, or *national development* (Sharma et al, 2018; Cavusgil, Ghauri & Liu, 2021). We use this construct to distinguish the between two groups investigated in this study – advanced economies and emerging markets. Emerging markets, as described earlier, are characterized by relatively low per-capita income and less-advanced national infrastructure. From the producer's perspective, consumers in such nations are harder to access owing to underdevelopment or limited availability of communications media, transportation, and other systems fundamental to the marketing of goods and services (Root, 1984; Arnold & Quelch, 1998; World Bank, 2021; Cavusgil, Ghauri & Liu, 2021). Moreover, the literacy and educational levels of emerging market consumers also tend to be a factor in receiving marketing messages (e.g., Sharma et al, 2018). Accordingly, consumers in emerging markets generally have lower purchasing power and less means of learning about the product offerings of indigenous and foreign producers. This fact, combined with potential deficiencies in marketing infrastructure, educational levels, and related factors, implies that there may be a greater role in

emerging markets than in advanced markets for marketing communications efforts to market the producer's goods. Marketing communications tactics, when properly targeted and adapted to emerging markets, can play a key role in alerting buyers to specific product attributes and benefits, as well as educating them about how products are used. Given these considerations, the role of marketing communications as a partial mediator of the differentiation-international performance relationship is likely to be especially salient in emerging markets. This discussion leads to the final two hypotheses. In the firm's international marketing activities,

- H3: *Marketing communications* more significantly and positively influence *international performance* in emerging markets than in advanced economies; and
- H4: *Marketing communications* is a stronger partial mediator in emerging markets than in advanced economies of the relationship posited between *differentiation* strategy and *international performance*.

In the next section, we describe the approaches followed for testing these hypotheses.

## 5. Method

A questionnaire was developed following methods suggested by Fowler (1988), and refined according to procedures recommended in the appropriate literature (e.g., Nunnally & Bernstein, 2010; Churchill, 1979; Gerbing & Anderson, 1988; Bagozzi, Yi & Phillips, 1991). Suitable seven-point Likert-type measurement scales were advanced for the study and then purified using confirmatory factor analysis (CFA). The scale for *differentiation* strategy was developed based on the research of Miller (1988), Porter (1980), and Roth and Morrison (1992). The scale for *marketing communications* was devised in light of extant literature on that construct (e.g., Batra & Keller, 2016). The scale for *international performance* was adapted from Cavusgil and Zou (1994). Consistent with the suggestion of Katsikeas et al (1996), international performance was assessed with seven multifaceted items addressing strategic and managerial desires, as well as the financial indicators of market share, sales growth, profitability, and return on investment. All constructs were assessed at the level of the firm's most important export product to its main export market, to avoid the conflicting results that may arise when studying firms with numerous foreign ventures (Cavusgil & Zou, 1994; Katsikeas, Piercy & Ioannidis, 1996). The above scales were refined using confirmatory factor analysis (CFA). The above scales, individual measurement items, coefficient loadings from CFA, and Cronbach's alpha ratings are provided in the Appendix. *National development* was measured as a composite of per capita income, poverty level, educational attainment, and industrialization level, statistics obtained for each main export market from the World Bank (2021). It was possible in this way to distinguish between emerging and advanced markets.

Once the pre-final questionnaire was completed, it was circulated to four academicians familiar with exporting, international marketing, and marketing research, who suggested refinements. Firms were identified from a search of two databases: *Directory of United States Exporters* and *CorpTech Directory of Technology Companies*. The final questionnaire was targeted in three waves to a random sample of 750 United States manufacturing firms that export at least 25 percent of their total output. The CEO was targeted in each case and 184 usable questionnaires were returned, reflecting a response rate of approximately 25 percent. Because this rate was lower than ideal, respondent representativeness was assessed in two ways: by comparing key variables (e.g., total annual revenues, number of employees, founding year, product category, annual sales growth rate, etc.) from each of samples of the earliest and latest respondents (Armstrong & Overton, 1977) and from samples of respondents and non-respondents. Analyses revealed no significant differences ( $p < .01$ ) and thus, nonresponse bias is not expected to affect study results.

To purify study scales and confirm their validity, the data ( $n = 184$ ) were analyzed via CFA in LISREL8 (Anderson & Gerbing, 1988; Jöreskog & Sörbom, 1997; Jöreskog et al., 2000). To set up the CFA, a single measurement model was estimated comprising causal relations among differentiation, marketing communications, and international performance. In addition to standard fit criteria, model fit was assessed using the DELTA2 index and relative noncentrality index (RNI), which have been found to be the most stable fit indicants (Gerbing & Anderson, 1992). Fit of the model was satisfactory ( $\chi^2 = 147$ ,  $df = 238$ ,  $p = 0.00$ , CFI = .92, Delta2 = .92, RNI = .92). Discriminant validity was assessed by constraining and freeing the phi coefficient in the measurement model among all constructs. Where the change in model chi squared exceeds the critical value of 3.84 ( $p < .05$ ), discriminant validity is said to be achieved (Bagozzi & Phillips, 1982; Moorman & Miner, 1997). Finally, all measurement-model constructs achieved respectable Cronbach's alpha values in reliability testing; i.e.,  $\alpha = .78$ ,  $.73$ , and  $.84$  for differentiation, marketing communications, and international performance, respectively. These results indicate that all study construct measures are reliable and valid (Nunnally & Bernstein, 2010; Gerbing & Anderson, 1988; Bagozzi, Yi & Phillips, 1991). Levels for the moderator variable national development were determined from World Bank (2021) data and were not assessed for reliability or validity.

## **6. Findings and discussion**

Respondent firms had an average of 195 employees and US\$37 million in annual sales. The main export markets for these firms included a range of both advanced and emerging market economies. For the 184 respondent firms, descriptive statistics and the correlation matrix are provided in Table 1. The hypotheses were assessed using regression analysis, as reported in Table 2. As reflected in Table 2, support was found for all hypotheses. Specifically, differentiation strategy significantly and positively influences international performance, and marketing communications partially mediate the differentiation-international performance relationship. To test for the moderating effect of national development on the mediation model, the sample of firms was split on the median value of their national development scores. The resulting two subsamples reflect advanced economies, consisting of Japan ( $n=67$ ), Germany ( $n=29$ ), and Spain ( $n=2$ ), and emerging markets, comprising South Korea ( $n=21$ ), China ( $n=18$ ), Mexico ( $n=15$ ), Brazil ( $n=7$ ), and India ( $n=6$ ), as well as Argentina, Czech Republic, Egypt, Indonesia, Malaysia, Poland, Russia, and Venezuela ( $n = 5$  or less for each). As explained earlier, these are countries that each respondent firm indicated as its most important export market.

As reflected in Table 2, marketing communications significantly influence international performance in the emerging market subsample ( $p < .01$ ), but not in the advanced economy subsample. In addition, Table 2 implies that marketing communications mediate the differentiation-to-international performance relationship in emerging markets, but *not* in advanced economies. The difference is reflected primarily by the marketing communications-to-

international performance linkage, which is significant ( $p < .05$ ) for emerging markets, but not for advanced economies ( $t\text{-value} = 1.04$ ).

**Table 1. Descriptive statistics and correlation matrix**

Construct	Mean	Standard Deviation	1	2	3
1. Differentiation	4.76	0.95	1.000	0.370	0.684
2. Marketing Communications	3.81	1.03		1.000	0.394
3. International Performance	4.91	1.05			1.000

Notes: n = 184; all correlations are significant at  $p = 0.01$

These results have several implications. First, differentiation strategy (Porter, 1980) is a key antecedent of organizational performance in international markets. The finding provides empirical confirmation of this linkage in the international context. Second, marketing communications appear to mediate the relationship between marketing strategy (as represented by differentiation strategy) and international performance. Accordingly, in markets around the world, practitioners will be remiss if they fail to appreciate the critical role of marketing communications activities. Third, the role played by marketing communications is especially critical in emerging markets. Given that these markets comprise most of world population, this is an important outcome.

### **6.1. Managerial implications**

Generally, our findings highlight the importance of marketing communications in emerging markets. Given the size and growing importance of emerging markets, international marketers are well advised to proactively cater for the needs of consumers in such markets when crafting their marketing communications. As suggested by the case studies, marketing communications messages should be couched in terms of what the target audience both expects and can afford. For emerging markets, this is likely to mean that the utilitarian aspects of the offering should be stressed and the focus be on affordability rather than on luxury. The words used and situations depicted should reflect allegiance to group and ethnic affiliations and should focus on information rather than persuasion. The content of the message should conform to government wishes and be politically sensitive. Because emerging markets tend to be collectivist (Hofstede, 2001), messages should stress group rather than individual benefits. Because of low literacy levels, message encoding should emphasize non-verbal stimuli.

**Table 2. Results of regression analyses on study hypotheses**

Hypothesis: Proposed Relationship	Beta Coefficient	t-value	Assessment
H1: Differentiation positively influences International Performance	.41**	6.05	S
H2: Marketing Communications partially mediate the relationship between Differentiation and International Performance			S
Differentiation => Marketing Communications	.29**	4.10	
Marketing Communications => International Performance	.14*	2.06	
Differentiation => International Performance	.37**	5.25	
H3: Marketing Communications more significantly influence International Performance in emerging markets than in advanced economies			S
Emerging market subsample (n=98)	.31**	3.02	
Advanced economy subsample (n=86)	.20	1.93	
H4: Marketing Communications is a stronger partial mediator in emerging markets than in advanced economies of the relationship between Differentiation and International Performance			S
Emerging market subsample (n=98)			
Differentiation => Marketing Communications	.25*	2.35	
Marketing Communications => International Performance	.21*	2.19	
Differentiation => International Performance	.39**	3.98	
Advanced economy subsample (n=86)			
Differentiation => Marketing Communications	.26**	2.65	
Marketing Communications => International Performance	.10	1.04	
Differentiation => International Performance	.35**	3.56	

Notes: \*\* significant at .01 level; \* significant at .05 level; S = supported

Basic marketing infrastructure is often lacking in emerging markets and national infrastructure also can have an impact, as is the case when poor telecommunications impedes use of the Internet. Media are relatively restricted in emerging markets, usually due either to lack of availability or government interference. Government regulations also impact on content and usage of media by foreign firms. Among advertising media, radio and newspaper appear to be appropriate for reaching lower income audiences.

Message receiving is affected by the general acceptance of marketing and extent of previous exposure to it, especially among lower income buyers. In addition, marketing conventions that are taken for granted in advanced economies are often absent in emerging markets (Aiyeku & Nwankwo, 1997). Message response is affected by the level of education that, compared to advanced economies, tends to be lower. This may require a change in the content of the message and the media used. A further factor is who should receive the message. This will be influenced by differences in literacy rates between men and women as well as by religious restrictions on

women and their market-place behavior, as in most Islamic countries. In many emerging markets, literacy rates are significantly lower for women than for men, and in some markets (Sharma et al, 2018; World Bank, 2021). There is also a need to target groups in emerging markets that can influence by word-of-mouth others in the community who cannot be reached as easily via conventional media and marketing activities.

Interference has the ability to disrupt communication to a greater extent in international than in domestic marketing because of the complexity of the international environment. This particularly applies in emerging markets characterized by socio-cultural factors such as tribalism and allegiance to ethnic affiliations. Effective marketing communications need to take into account these powerful influences. The communal environment in which messages are often received may result in the message being influenced by the opinions of others. Government is another potential source of interference here.

Willingness to provide feedback and the form of the feedback will be influenced by culture and is likely to differ when communicating in emerging markets. It will be influenced by the greater degree of both collectivism and power distance in such markets. Collectivism is likely to result in feedback more reflective of the group opinion than that of the individual and greater power distance in a reluctance by the individual to provide evaluative comment. Given the above, in emerging markets, it is more likely that feedback will be reflected in purchasing activity than in evaluative comment.

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## Appendix: Results of CFA measurement model and reliability analyses

### Construct (Cronbach's alpha)

Item (standardized coefficient loading from CFA analyses)

(Key or contributing references)

### Differentiation ( $\alpha = .78$ ) (Not at all 1 2 3 4 5 6 7 To an extreme extent)

Our primary export product represents a new,

innovative approach to addressing the customer's basic need (.71)

In marketing this product, we emphasize innovative marketing techniques (.43)

Compared to main competitors' offerings, our primary export product is unique in design (.66)

Compared to main competitors' offerings, our primary export product is unique in technology (.77)

Compared to main competitors' offerings, our primary export product is unique in performance (.54)

Compared to main competitors' offerings, our primary export product is unique in overall quality (.49)

(Miller, 1988, Porter, 1980, Roth & Morrison, 1992)

### Marketing Communications ( $\alpha = .73$ )

Regarding promotion of this product in its main export market, how important is each of the following methods? (no importance 1 2 3 4 5 6 7 very important)

Advertising (.70)

Direct Mail (.45)

Sales Promotions (short-term discounts, incentives, etc.) (.53)

The Internet (.56)

Participation in trade shows (.69)

Distributor support (training, incentives, etc.) (.78)

(e.g., Anderson & Cunningham, 1972, Kotler & Armstrong, 1996)

### International Performance ( $\alpha = .84$ )

Relative to *prior expectations*, how satisfied have you been *over the past 3 years* with this product's performance regarding...

Market share in this market (.76) very unsatisfied 1 2 3 4 5 6 7 very satisfied

Sales growth in this market (.74) "

Pre-tax profitability in this market (.57) "

Compared to your *domestic business*, since first starting to export this product,

the *total return on your investment* (ROI) of this product in its main export-market has been. . .  
substantially lower 1 2 3 4 5 6 7 substantially higher (.40)

Compared to your *main competitor(s)*, since first starting to export this product, *sales growth* of this product in its main export-market has been... substantially lower 1 2 3 4 5 6 7 substantially higher (.58)

Overall, we have fully capitalized on the potential our main export market affords for this product  
strongly disagree 1 2 3 4 5 6 7 strongly agree (.64)

On a scale from 1 to 10, rate the success of this product in its

main export-market over the past 3 years unsuccessful 1 2 3 4 5 6 7 8 9 10 successful (.82)

(Cavusgil & Zou, 1994)

Notes: All standardized coefficient loadings are significant at .01;  $\chi^2 = 147$ , df = 238,  $p = 0.00$ , CFI = .92, Delta<sup>2</sup> = .92, RNI = .92

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