



Building generalizable SME international marketing models using case studies

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Abstract *Builds a relevant model(s) of SME international marketing given the lack of well-accepted theories to date. Twelve case study firms were analysed using a semi-structured survey protocol. Five of the cases are described in depth in the text and summaries are given of the other seven. Four features including niche market power and control over client and agent selection are used to define the two models that emerged from our study: a sales-driven model and a relationship-driven model. Four firms were attributed to the sales-driven model, including firms that have been exporting for a long time. The paper breaks new ground by attempting to develop holistic models of SME international marketing, but importantly in a way that is firmly grounded in the operations, decisions and behaviour of real-world SMEs.*

Introduction

Many articles written about small and medium enterprise (SME) exporting over the past 20 years have confirmed the stages theory as an accurate portrayal of SME internationalization for the majority of SMEs. The main qualification to this picture is that a small number of SMEs may leapfrog over a stage in an accelerated rush to a more committed style of exporting. More commonly, some small firm exporters can spend a considerable time in one stage. However the evidence is clear that for the overwhelming majority of SMEs, the direction is clearly one-way, towards greater commitment over time (Ganema *et al.*, 1997).

In contrast to the stages of internationalization theory, very little has been written about the positing and testing of marketing theories relevant to SME internationalization. There are some notable exceptions to this pattern if one includes generic theories of globalization and broader theories about standardization and localization. Given the lack of well-accepted theories of SME international marketing, we decided to use the case study method to build relevant theories. Case study research is especially useful for building theory. The probing, qualitative nature of case study research is a particularly rich

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way of understanding marketing behaviour in a situation that has not previously been well articulated or generalized.

Although our focus is on building a generalizable theory of international marketing, it was felt that it was best to build up the theory from an intensive analysis of SME exporting from one country, Canada. We begin by reviewing the relevant literature and then introduce the case study research design. After previewing the 12 case study firms, we outline the two SME international marketing models that emerged from our case analysis. We then elaborate how five of the case study firms related to the template of one or the other of the two international marketing models. Our findings are summarized and conclusions drawn, closing with endorsement of two SME international marketing models, which we have labelled as sales-driven and relationship-driven.

Literature review

Our literature review is a review of the conceptual development of and empirical testing of SME international marketing models. Many of the published studies examine marketing strategies as part of a larger study of international activity. Rarely do studies have a primary goal of building and testing generalizable international marketing models. At the simplest level of taxonomy, a distinction is made between passive, indirect marketing, including commission agents, piggyback companies and export management companies on one hand, and active, direct marketing, including joint ventures, branch offices, subsidiaries, licensing agreements and contract manufacturing on the other hand. This distinction seems better suited for large multinationals rather than SMEs. Most SMEs would be labelled as indirect marketing by this schema which is unhelpful for distinguishing different marketing approaches within the SME sector.

The most widely accepted international marketing models are those based on globalization and broader theories about standardization and localization (Cavusgil, 1984; Cavusgil and Kipalani, 1993; Cavusgil *et al.*, 1994; Graber, 1996; Harris, 1996; Klein and Roth, 1993; Kreutzer, 1988; Jain, 1989; Levitt, 1983; Rennie, 1993; Walters, 1997; Wills *et al.*, 1991; Yavas and Green, 1992). These broader frameworks and theories have been important for guiding a considerable amount of research on particular aspects of international marketing theory, such as the extent of local adaptation of say promotion policies. Thus the main scope of the published research has been an analysis of components of international marketing strategy, rather than of the total marketing strategy *per se*. Some international studies refer to marketing strategies in terms of the standard 4P marketing model: segmentation, product, price, distribution and promotion. Another element, the potential role of personal relationships and networks in international marketing, has been alluded to by Johanson and Valhne (1990).

In sum, the development of international marketing models has generally proceeded in very broad terms, either in similar ways to the 4P analysis of domestic marketing theories, or in very broad terms like Levitt's theory of

globalization. There have been limited attempts to deliberately build a generalizable model of international marketing which is tailored to and relevant to small and medium sized enterprises.

Research questions and research design

We have closely adhered to the Eisenhardt (1989) methodological framework for using case studies to build new SME international marketing theories. That framework requires clear research questions, a method of selecting cases in a purposeful way, using semi-structured protocols, developing a Gestalt model in the first instance and then a four-point criteria template, analysing cases against this template both on a within case and across case basis, comparing with the literature and closing with the formulation of the new theories.

Our central research question is to articulate one or more models of SME international marketing, both in holistic terms, but also in a reasonably well specified way to facilitate future empirical research. We decided to use a single market, Japan, from the point of view of Canadian SME exporters to that market. Our central technique was process mapping, specifically to trace in detail the steps and critical factors which preceded and followed the entry of the Canadian exporter to Japan. Our approach to process mapping emphasised the exporter's search processes for customers and agents, as well as communication and other interactions in the exporter-importer relationship. A detailed semi-structured protocol was developed to ensure a consistent method of interviewing each case study, but each case allowed for flexibility to explore any special issues that applied to that case.

A single country of export and of import was chosen so that we could control inter-country macro-economic factors and concentrate on the specific, detailed steps that precede entry to a specific market. Other approaches are possible, but not preferred. For example, a case study could be made of a single company exporting to say 15-20 countries and to study the different approaches to each market. While this alternative approach would be interesting in its own right, it is unlikely to contain a sufficient variety of experiences to build a generalizable theory. Instead we chose to use 12 firms exporting to a single market, Japan. Japan was chosen as the export market for two reasons. First, firms selling to that market are true exporters. This label could be disputable when applied to companies selling in the USA market which has been effectively integrated through the past ten years of Free Trade Agreements. Second, Japan is Canada's second largest export market overall so it is salient to many SMEs.

Twelve case studies were chosen as offering the right balance between breadth and depth of experience. The number is small enough for us to probe into sufficient depth the detailed processes of international activity. The number is large enough for us to span a variety of industry types and firms of different ages and marketing approaches. Cases were added one at a time, with the main qualification that the Canadian SME firms (less than 500 employees) have at some stage exported to Japan and that they were in a different industry or segment to those already interviewed.

After a number of cases were completed, skeleton forms of two models emerged, which were shaped more carefully as successive cases were undertaken. By the time seven or eight cases were completed the models were close to their final shape. After the two Gestalt models were articulated, a more detailed, four-point outline of the models were specified, checked and agreed upon within the research team. Then each case was analysed against the template for each of the two international marketing models. We were then in a position to comment on our research findings and draw conclusions. Note that this process may seem to be self-fulfilling in that the cases are used to develop the theory and the same cases are then used to test the theory. This point is noted by Eisenhardt (1989) who sees this as the great strength of case studies. However we acknowledge that the “testing” aspect of case studies is confined to the cases studied. Further quantitative testing is still required with larger non-case samples. Our aim has been to focus on building the international marketing models, validate the theories within and across cases, but to invite other researchers to participate in larger scale testing of the theories.

Preview of the case studies

The 12 Canadian cases are summarized in Table I. The cases represented a range of industries and provinces in Canada, though by their nature 12 cases can not be statistically representative of all industries and provinces. Five cases are detailed in greater depth, especially in relation to the processes of internalization. The cases are used as evidence in support of the two models, as well as descriptions of the two models. This is the nature of the case research method.

Building the SME international marketing models

Partly based on the literature, but also, in the spirit of Eisenhardt (1989) from the cases themselves, two international marketing models emerged as meaningful ways of synthesizing the way international marketing is done by SME firms. These models are referred to as sales-driven international marketing and relationship-driven international marketing. They are models in the sense that they abstract from a number of more detailed aspects of reality and focus on what are deemed to be the salient and robust aspects of marketing.

Note that firms operating in a way consistent with either model have broadly similar pre-export stages. That is, a common feature across all firms is that they undertake some sort of export preparation activity. These activities include advertising, getting on either industry or embassy lists of potential exporters, attending trade shows, networking, word of mouth or simply being responsive to fortuitous orders from foreign customers. A more detailed analysis of this pre-export activity is given in Wiedersheim-Paul *et al.* (1978).

Sales-driven SME international marketing model

As the name suggests these firms are very preoccupied with making international sales. These firms do not have much niche market power and are therefore at the whim of the state of the market more than other firms. Some of

Firm	1st feature	2nd feature	3rd feature	4th feature	Model
Fashion	Low power	Customer initiates sales	Transactional relationships	Minimal mix adaptation	Sales-driven
Sign	Low power	Customer initiates sales	Transactional relationships	Product adaptation	Sales-driven (piggyback)
Seafoods	Low power	Customer initiation	Transactional relationships	Packaging adaptation	Sales-driven
Homes	Low power	Partial country targeting	Transactional relationships	Product adaptation	Sales-driven
Security	High power	Tight targeting	Close relationships	Adapt training and education	Relationship-driven
Sport-equip	High power	Tight targeting	Close relationships	New products	Relationship-driven
Chemicals	Med. Power	Tight targeting	Close relationships	Product quality	Relationship-driven
Sport	High power	Tight targeting	Close relationships	Packaging adaptation	Relationship-driven
Electronics	Med. power	Tight selection	Close relationships	Product and service adaptation	Relationship-driven
Software	Med. power	Tight selection	Close relationships	Application and service adaptation	Relationship-driven
Leisure	High power	Tight selection	Close relationships	Design and service adaptation	Relationship-driven
Bearings	Med. Power	Tight selection	Close relationships	Product quality	Relationship-driven

Table I.
Summary of each case study in terms of the four feature model to allocate firms into either of two SME international marketing models

the firms operate in open or spot markets, where the market determines the fate of exporters. More generally, their international marketing is more transactional-orientated rather than relationship-orientated. By transactional-orientation we mean that there is a fairly routine process of receiving orders, checking requirements and shipping items. It is a relatively short-term emphasis, but still consistent with ongoing dealings with the same clients or agents as they re-order. Relationships are present and they may be cordial and friendly. However the primary purpose of the relationship is to ensure a smoothly running transactional process. Limited effort is spent building the relationship. Nor are benefits sought from the relationship beyond next period sales. Most of the initiation comes from the international customer rather than the SME exporter. The sales-driven SME international marketing model has four main features, namely:

- (1) Lack of niche market power.
- (2) Lack of control over client and agent selection.

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- (3) Low-key relationships with foreign customers and agents.
 - (4) Minor adaptations of the marketing mix to meet foreign customer needs.

1. Lack of niche market power. The first feature of the model is the lack of niche market power. We should note that there is now considerable evidence that most if not all SMEs operating internationally do so with differentiated, possibly unique products in a specific market segment. How else could they compete against large domestic firms and MNEs? Therefore most SMEs seem to practice differentiated, market segmentation. Nonetheless, it is useful to make a distinction between segmentation marketing and niche marketing, where the latter is defined as a more tightly focused form of the former and where just one or two firms control the niche segment. Thus there are many SMEs who practice differentiated, market segmentation, but who lack market power within the segment. It is these SMEs whom we have classified as sales-driven.

2. Lack of control over client and agent selection. The second feature of the sales-driven model often begins with the international customer initiating the contact with the exporter and making an inquiry and possibly placing an order. A special case of this situation is the piggybacking arrangement where the exporter goes into exporting under the auspices of another firm, often in a sub-contracting or joint venture mode (Terpstra and Yu, 1990). In either case, this is not to say that the exporter is entirely passive as the appropriate groundwork is a prerequisite. However this groundwork does not guarantee that any particular potential client will contact the would-be exporter. Nor is there any guarantee from which country the potential client might come. This means that the textbook problem of international market selection is actually turned on its head. The somewhat random process of the potential client contacting the exporter means that the country (of the client) selects the exporter, not the other way around. Sometimes it is an agent rather than a foreign customer who contacts the potential exporter. The same pattern applies; in this model it is the foreign agent who makes the initial move and is notionally in control.

3. Low-key relationships with foreign customers and agents. The third feature of the sales-driven model relates to the way the relationships with foreign customers or agents are managed. The exporter has to go to considerable lengths to continuously satisfy foreign customers and agents and to ensure that there is a cordial relationship with them. However the exporter falls short of taking a strongly proactive role and investing in the relationship or developing the relationship to a higher plane.

4. Adapting the marketing mix to meet foreign customer needs. The fourth feature of the sales-driven model relates to the extent to which the marketing mix is adapted to meet the needs of foreign customers or agents. It is very rare for an exporter to make no adjustment to their marketing mix for foreign orders. In the case of the sales-driven model, exporters make only low to moderate effort in modifying the marketing mix to suit the foreign market. The range between low to moderate recognises that it is easier in some cases than

others to vary the product in particular. There could be a reasonably high degree of effort to meet foreign customers' needs, but not in a way which is radically different from meeting the needs of domestic customers.

In summary, the sales-driven model of SME international marketing has four features. A special case of the model is the piggybacking model.

The relationship-driven model of SME international marketing

As per the sales-driven model, our second model of international marketing, the relationship-driven model, uses the same four point framework, though with different requirements for each feature.

1. Niche market power

As noted above, nearly all SMEs use a differentiated, market segmentation approach in their international dealings. However only a minority have real power in a well-defined niche. This structural characteristic is especially critical in our marketing classification of SMEs and carries over as an influence on the other three features.

2. Control over the selection of foreign customers and agents

The second feature of the relationship-led model usually entails the exporter targeting particular clients in particular countries. This would represent more control over the international market selection process than is the case with the sales-driven model. If an agent is used, the initial selection of the agent or distributor is tightly controlled by the exporter. In the extreme case, all aspects of the search and selection are controlled by the exporter. This might include attending a trade show to develop a short-list of potential agents and then using a rigorous selection process to pick the preferred agent. However in less extreme cases, the model is still relevant where the agent initially approaches the exporter, but is then put through a rigorous selection process. A special case of this relationship-driven model is referred to as the serendipity model, where unusual and near-chance circumstances result in a particular agent being selected. This special case may be linked to networking contacts and is driven by a combination of chance and a strong feeling by the exporter that the particular agent has the right chemistry to make the relationship work (Merrilees *et al.*, 1998).

3. Importance of relationships with foreign customers and agents

This feature of the model requires that the exporter gives a high priority to the relationship issues between themselves and the agent. The exporter needs to invest in the relationship and take it to a higher plane. This feature is more subjective, but includes activities by the exporter to go to greater depths in ascertaining customer needs and working hard on all aspects of the communication between the parties. In some cases it may include additional trips to the foreign country. There were a number of firms in our case studies which worked hard at developing relationships with both agents and end-

users. This attests to the importance of relationships for relationship-driven SME marketers.

4. Controlling the marketing mix

This feature is difficult to discern in practice and therefore less robust as a discriminator between sales-driven and relationship-driven marketers. Superficially both types of firms might make similar adaptations of the marketing mix and therefore one would not want to rely on this feature to allocate firms across models. The sales-driven firm appropriately makes some adjustment of the marketing mix for good marketing reasons, to get a sale. If the appropriate minor changes to product or packaging or price are not made then the needs of the foreign buyer are not met and no sale takes place. The situation is one of the foreign buyer being in a slightly more powerful position, with plenty of other suppliers to choose from if this deal does not go through. In the case of the relationship-driven firm the exporter also listens to customers' needs and may adapt the marketing mix accordingly. Indeed because of the close relationship between the exporter and the foreign customer, the exporter may take more effort in understanding and meeting foreign customer needs. However the exporter modifies the marketing mix in a way that suits their own needs as well as those of the foreign buyer. New products or packaging may be developed for a buyer, but always with an eye on other markets which might want the new product or new packaging. New products for exclusive agents do not preclude supplying slightly modified products to other agents in the same country under private labels. Needless to say, a relationship-driven SME is able to use their niche market power to set differential price margins across different foreign markets.

In summary, the relationship-driven international marketing model has four features, with the first feature of particular importance. A special case of the model is the serendipity model. Note that three of the four features operate clearly to place a firm into one model or the other. However the fourth feature was less discriminating than the others, which reflects the fact that most exporters have made some effort to modify their marketing mix to suit foreign needs. We found that relationship-driven firms may not necessarily make greater adaptations to their marketing mix to meet foreign customer needs, but will exercise more control over the process.

Canadian cases corresponding to each SME international marketing model

We will now indicate how each selected SME case firms corresponded to one or the other international marketing model. Four of the 12 case studies in Table I corresponded to the sales-driven model and eight corresponded to the relationship-driven model. The case studies have been used to develop the two models. We now document the evidence in a way to validate these models. This is done in terms of how well each of the cases corresponds to each of the four-feature models. In the first instance we examine in detail two firms which we

have coded as being in the sales-driven framework. The two cases are presented as detailed evidence of the applicability of the sales-driven model. The two cases are further supported by an additional two cases in Table I.

Note that we do not make a value judgement that one type of model is better than another. Each model is simply a generalized framework to describe how international marketing is conducted. Additional effort or resources is usually needed in the case of the relationship-led model, but the additional effort may not be needed nor justified in benefit-cost terms.

SIGN case study

1. Lack of niche market power

The first firm we examine is SIGN whose entry to Japan was through a piggybacking arrangement with a larger Toronto design firm, who in turn was contracted through a UK broking firm. The piggybacking arrangement is tightly consistent with the sales-driven model. To a minor extent SIGN practices market segmentation but is a very small player in both national and international markets. SIGN lacks substantial niche market power.

2. Control over client and agent selection

The piggybacking nature of this case makes it very clear that the contractor, broker and client determined matters and therefore were in control of the situation. That is, the contractor and broker selected the exporter (SIGN) and not vice versa.

3. Relationships with foreign customers and agents

SIGN responded in an efficient way to the needs of the client in the process of finalising the design specifications. The company's President also survived an arduous 12-hour bidding negotiation in Japan with an interchangeable parade of numerous representatives from the Japanese client company. However throughout these communications and negotiations the Japanese client was in a more powerful and dominant position and clearly led the relationship between itself and the Canadian exporter. Separately, there were some further negotiations for additional contracts with the UK Broker, but there was no agreement on the size of the commission. Although SIGN probably made the right decision not to proceed at the high 40 percent level of commission, their method of counter bidding seemed to kill off the negotiations. One might conjecture that a more sensitive bidding process with the broker might have led to a mutually satisfactory commission rate and therefore additional contracts in Japan. All aspects of SIGN's negotiations and communications with overseas clients and brokers are consistent with the sales-driven model.

4. Adapting the marketing mix to meet foreign customer needs

The design nature of the product that SIGN offers means that there must be some adaptations of the product to every client, including foreign clients. There was no additional adaptations of the marketing mix package offered by SIGN

than would have been offered to a domestic client. In one respect, servicing of the contract, SIGN is constrained by distance in matching the package available to local clients. As it turned out, SIGN was able to offer replacement parts reasonably quickly. However if the need for labour servicing of the contract had been required, this would have been a great difficulty. This situation is consistent with the sales-driven model.

Overall, we conclude that based on the evidence that SIGN is a classic representative of the sales-driven SME international marketing model. To a certain extent this is a foregone conclusion because of the piggybacking arrangement which propelled SIGN into Japan. However as a means of verifying the robustness of the model we have also demonstrated that all four features of the sales-driven model apply to SIGN.

FASHION case study

1. Niche power

Although FASHION does specialize in activewear children's clothing, they lack substantial power in the market.

2. Selection of clients

The trigger to FASHION's entry to Japan was the Fall 1994 Children's Products Exhibition at the Canadian Embassy in Tokyo. The preparatory groundwork by FASHION to attend the Tokyo Exhibition greatly increased the probability of a Japanese sale. Other routes to Japan were possible, but are unlikely to have been as successful. Note also that FASHION's controller, who attended the Tokyo Exhibition made good use of the excellent advice from Embassy staff at an Exhibition briefing, which was part of the preparation. Unexpectedly a small scale (just two outlets) Japanese children's clothing boutique placed a small order at the exhibition. The prior expectation of the controller was "that it took a long time before any sales would come from dealings with the Japanese". The instant sale was therefore a pleasant surprise. Within a month of the Exhibition a further positive surprise came when a larger Japanese chain of children's wear made a serious inquiry. Some quick iterations of picking items and sampling followed, leading to a major order which was filled on time by February 1995. We have a clear case of both Japanese clients initiating the order as one would expect with the sales-driven model. However note the preparation groundwork by FASHION. Good use was made of extra time in Tokyo to gain a first-hand assessment of children's clothing retailing in Japan. The controller found that in contrast to Canada, the Japanese department stores carried mainly formal wear styles and little activewear children's clothing. In Japan the discount stores were more dominant in activewear, which did not suit FASHION's (Canadian) market positioning of middle to upper price lines.

3. Managing relationships with foreign customers

Both Japanese clients did place repeat orders with FASHION. This reflected the fact that both the clients "liked the quality and the design" of the FASHION

products. For the larger client the same process of scanning the brochure, picking items, receiving samples and placing orders was used as per the initial order. The re-order process was clearly in the hands of the Japanese clients, consistent with the sales-driven model. It is clear that the relationship between FASHION and the Japanese clients was essentially transactional. Inquiries were made, brochures sent, items picked, samples sent, orders made and shipments were sent and received. A transactional relationship, without ongoing face to face contact, or major product variation, is consistent with the sales-driven model. This is not to deny that there was a cordial, business-like relationship between FASHION and their Japanese clients, which there was. These clients were treated in a similar way to Canadian clients, with the controller using her preferred style of a one to one relationship with each major client. The researchers were privy to correspondence which indicated some very positive feedback from the Japanese clients to FASHION. However the nature of the contact meant that the relationships between FASHION and their Japanese clients were not as fully developed as they could be. The acid test came after two years of business when the Japanese client requested a 20 percent discount because of the recession in Japan. After some deliberation between the controller and the president within FASHION in Canada, the request was denied with reasons given.

As in the SIGN case above, there is no perfect answer as how to play these negotiations. Some outcomes are clearly uneconomic to the Canadian exporter and hindsight is easier than contemporary sight. Nonetheless, during the interview the controller indicated that perhaps these pricing negotiations could have been handled more sensitively. Again one can conjecture that more sensitive price negotiations might have led to a mutually satisfactory discount arrangement and therefore additional re-orders with the Japanese client.

All aspects of FASHION's transactions and negotiations with Japanese clients are consistent with the sales-driven model.

4. Adapting the marketing mix to meet foreign customer needs

FASHION made a point of treating their foreign clients in exactly the same way as their domestic clients. Foreign clients were listened to, but at the end of the day had to adhere to the purchasing policies as set by FASHION. There was not a lot of give and take as to what size of firm received a brochure or what assortment of items could be ordered per order lot. Some different colour and size combinations were available. But there was no major variation in the product, although no requests were made to change the product. These policies represent a low adaptations of the marketing mix and are consistent with the sales-driven model.

Overall, the four features of the sales-driven model clearly apply to FASHION.

Canadian cases which correspond to the relationship-led SME

International marketing model

We will now indicate how certain of our SME case firms closely corresponded to the relationship-led model. This is done in terms of how well each of the cases corresponded to the four-feature model. In this instance we examine three firms which we have coded as being in the relationship-driven framework. The three cases are presented as evidence of the applicability of the relationship-driven model, further supported by an additional five cases in Table I.

SPORT-EQUIP case study

1. Niche power

SPORT-EQUIP specializes in a narrow range of sporting and outdoor equipment and has a strong position in both national and international markets. It can be said to have high niche power and deals with customers with a degree of authority.

2. The search and selection of foreign customers and agents

The way SPORT-EQUIP entered the Japanese market was deliberate and controlled, perhaps in the spirit of the “serendipity model” (Merrilees *et al.*, 1998). A European agent of SPORT-EQUIP had suggested to them that they should meet a particular Japanese distributor. This networking was linked by a trip to Japan and the distributor was signed on as the Japanese agent for SPORT-EQUIP.

3. Relationships with foreign customers and agents

SPORT-EQUIP has a good working relationship with its agent. The marketing manager demonstrated a high awareness of cultural issues, down to the detailed level of how an envelope should be stamped. Awareness of the “role of silence” in communication with the Japanese helped SPORT-EQUIP gain a better understanding of the agent’s position and real needs. There were also clear internal procedures of how to handle messages from the Japanese. The company also sensitively handled inquiries from other agents trying to dislodge the incumbent agent. Generally they were rebuffed unless they sought a slightly different product, perhaps via a private label.

4. Adapting the marketing mix to meet foreign customer needs

SPORT-EQUIP does vary the sizes and styles to suit different foreign markets. More importantly it does have an R&D capability to develop new product lines. In developing new lines for the Japanese market SPORT-EQUIP has shown patience in going through many iterations of changing specification, developing and sending samples, making further changes in specifications, etc. Moreover each sample at each iteration must be at finished product standard (that is, without flaws) in contrast to North American in-progress new product developments that only require sample standard samples. Clearly SPORT-EQUIP has achieved a high rate of adaptation of the marketing mix to meet

foreign customer needs. Note also that this company is closely focused on a niche market.

Overall, SPORT-EQUIP was unequivocally in the relationship-driven category.

SECURITY case study

1. Niche power

SECURITY is in a very tightly specialized protective clothing area and is one of the two world leaders in this market niche.

2. Selection of clients and agents

The groundwork preceding the entry of SECURITY to Japan was highly directed and targeted. The usual procedure was used, namely to use the embassy to get a short-list of possible agents with relevant industry contacts and also to identify the major clients. This process is fairly straightforward because the major clients are few in number, namely the police and the armed forces, and the number of agents with links into these clients also tends to be few in number. Identifying the first potential client, the Japanese Police Service, was clear-cut. However securing the first sale was a lengthy affair and took 13 trips over six years starting in 1984. It took all this time to establish a rapport and to present the applications and uses of the product. Another factor contributing to the long time of negotiations was the implicit concern by the Japanese officials that if they placed an order this would be tantamount to admitting that they had a social unrest problem. The agent worked closely with SECURITY during these negotiations. The case is a classic one of the exporter explicitly targeting a specific client in a specific country and accords with the relationship-driven model. The re-order of the product was very tightly linked to the original order. Indeed a situation occurred which led the Japanese to re-order a product which was exactly the same specifications as the original order. The situation was some civil protests against the Japanese emperor in which a policeman was blown up wearing one of the Canadian exporter's suits. The policeman was not seriously hurt, sustaining just bruising. The policeman had followed the instructions as given by SECURITY and the effects of the blast on the wearer were as predicted by SECURITY. These outcomes gave immediate credibility to the Canadian exporter and they received a rush order for ten more units urgently. The initial agent was selected from the outset of negotiations in 1984. The agent was a small trading company, an importer, who in turn used a specialized distributor. The Canadian exporter is able to control the selection process because of the limited nature of the short list. This feature also accords with the relationship-driven model. There has been no change of agent since the initial appointment, despite various attempts of other importers to gain some of the business.

3. Managing relationships with foreign customers and agents

There is a good working relationship between SECURITY and its Japanese agent. This has been facilitated by the use of the same people on both sides.

This is also true for the relationship between SECURITY and its clients. SECURITY has gone out of its way to communicate well with its clients and agents, including things like using the right voice tone. It has also provided good support in the form of education, training and demonstration of the product. In all respects, including the initial six year negotiations and the on-going communication and product support, SECURITY has heavily invested in the quality of its relationships with the clients and agent. This accords clearly with the relationship-driven model.

4. Adapting the marketing mix to meet foreign customer needs

The fourth feature of the model is dealt with in a careful and methodical manner. With all potential clients from all countries, SECURITY applies a systematic method of patiently building up a relationship with their foreign clients, building trust and educating and training the client in all risk-management aspects of the product. It is a sophisticated, well-calculated and well-tried way of doing business, both in Canada and abroad. The same business process is used for domestic and foreign markets, but in each case it is well-calibrated to the detailed needs of each individual client. The approach is consistent with a better performing firm using the relationship-driven model of marketing. Note that this company is closely focused on a niche market.

Overall, all four features endorse the relationship-driven international marketing attribution for the SECURITY case study.

SPORT case study

1. Niche market

SPORT is a relatively new division of an SME which spent a considerable amount on technological research as part of their groundwork. Where could they find a market? This issue was solved by using contacts in the sport and an opportunity of referees getting together at a major basketball championships in the Fall of 1987. The first sales were to the USA. SPORT has considerable niche international power in its specialized area, and is one of the two world market leaders in this niche market.

2. The search and selection of foreign customers and agents

Relatedly to USA entry, the Japanese market was opened in a similar way at the 1988 World Basketball championships, with a deal between SPORT and its Japanese agent, a relatively large Japanese manufacturer of sporting equipment. The use of contacts and friendships and special events like sporting championships means that the relationship-driven model is applicable, either in general or as the special case of serendipity model. SPORT used an ingenious method of getting re-orders. The Canadian company initiated efforts to have its product specified as the official product for NBA games. The successful adoption of this policy multiplied to each of the country affiliates of the NBA. Again the proactive role of SPORT in this respect accords with the relationship-driven model of international marketing. The company has used

similar methods when adding new product lines. The Canadian exporter has used the same Japanese agent since 1988. However in 1997 it added another Japanese distributor in a smaller, different product line, with the consent of the major distributor.

3. Managing relationships with foreign customers and agents

The Japanese agent relationships have been well handled. Three of SPORT's senior executives have made trips to Japan in the past ten years. There is also annual face to face contact at trade shows. Day to day communication is handled efficiently through the company's international sales manager. Routine orders are handled very easily in English, with just a bit more effort needed when special requests, such as for new price lists, are made. Moreover SPORT has met a number of packaging and labelling special requests made by the Japanese agent. All of these activities are consistent with the relationship-driven model.

4. Adapting the marketing mix to meet foreign customer needs

The fourth feature of the model, adapting the marketing mix, usually works through the agent system. That is to say, any special distribution needs are essentially delegated to the agent to handle. There is little scope to vary the product by country, with the main difference in inter-country needs being requests for different colours, which are met. Recently, there was a major change in packaging which resulted from the Japanese agent wanting a more environmentally friendly packaging seal. The change from heat seal to stud seal facilitates recycling of the packaging after use. New sealing equipment was required. This responsiveness to client needs rates as moderate and is consistent with the relationship-driven model. Note that this company is closely focused on a niche market.

Overall, all features discussed strongly point to a relationship-driven model attribution. To some extent, one might argue this case study also accords with the special case of the relationship-driven model, namely the serendipity model. Certainly SPORT makes use of contacts, friendships and special situations to secure some of its agents. Both the Japanese agents were selected in this way, as were a number of other country distributors.

ELECTRONICS case study

1. Niche power

ELECTRONICS has a medium power position in a specialized area, namely robotics in a small number of targeted industries.

2. Selection of foreign customers and agents

The Japanese distributor had seen ELECTRONICS at a US trade show in the late 1980s and after returning to Japan then applied to be a distributor. This agent was essentially a manufacturer, but met the criteria ELECTRONICS had used in other countries. The initial selection of the agent did not work out as well as hoped and another agent was appointed. This second agent was also a

manufacturer, but with more broadly based engineering skills which could encompass more complex products which the original manufacturer, of instrumentation, could not handle. This suggests useful learning for ELECTRONICS in identifying the right agent.

3. Managing client and agent relationships

ELECTRONICS has also gone through some valuable learning in terms of how to manage the relationship. They pay attention to culture, “work at their level” and deliberately build personal relationships. Some of these lessons have been learnt the hard way, but mostly they have been deliberately cultivated. This company impressed the researchers with its cultural sensitivity.

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4. Adapting the marketing mix to meet foreign customer needs

Some adaptations of the product were required, including a different voltage which forced the Canadian company to develop a more robust design. Similarly the insistence on quality was a positive force which led the Canadian company to get ISO certification. The Japanese experience also contributed to learning about what the desirable characteristics should be of foreign distributors. The Japanese experience also contributed to learning about the appropriate way to service foreign customers. The company rates as moderate on the level of adaptations of the marketing mix. Note that this company is closely focused on niche markets.

The company was only eight years old when it first entered Japan, but ten years later it has grown into a very sophisticated firm which is clearly in the relationship-driven pattern.

Summary of evidence

After comparing each case to the template for each of the two prototypes of international marketing models, we have coded four of the SMEs in Table I as being in the sales-driven mode of international marketing. Another eight firms were coded as being in the relationship-driven mode of international marketing. There was no way of knowing in advance as to what the composition of firms in the two modes would be, especially given that a full specification of the two models was not made a priori at the start of the project. However our research method of focusing on Canadian companies exporting to an allegedly difficult market, namely Japan, increased the likelihood that our cases would include a certain number of committed exporters. In turn, choice of foreign market increased the likelihood of including a relatively high number of relationship-driven exporters.

The question of whether a particular case matches a particular model template has been determined by the researchers using the two sets of four criteria specified above. Each case should be examined separately in detail by the reader to gage their own response of the validity of the attribution process. Visible moments of truth, that is, critical incidents, were used to signal an international marketing mode.

Conclusions

The internationalization process for SMEs has received a considerable amount of attention in the literature. The literature shows that small firms move through recognizable stages of evolution, with gradually increasing commitment to international markets. In contrast there is very little literature which synthesises the international marketing frameworks used by SMEs. The literature does distinguish between different modes of international entry, but the marketing models are usually portrayed in piecemeal, concrete terms, such as direct distribution or passive distribution. The current paper therefore breaks new ground in using case study research to build two models of SME international marketing.

We have closely adhered to the Eisenhardt methodological framework for using case studies to build new SME international marketing theories. That framework includes clear research questions, a method of selecting 12 cases in a purposeful way, using semi-structured protocols, developing a Gestalt model in the first instance and then a four-point criteria template, analysing cases against this template both on a within case and across case basis, comparing with the literature and closing with the formulation of the new theories.

Our case study research led to the formulation of two models of SME international marketing: the sales-driven international marketing model and the relationship-driven international marketing model. Each model is based on four features. Neither of these models has previously been articulated as holistic models.

However writers have of course discussed the possibility of passive responses to customer orders as an initial trigger to exporting. This should not be confused with our sales-driven model which reflects an ongoing power relationship dominated by foreign buyers and which may persist for ten to 20 years in some cases. Moreover there need not be anything irrational about the use of such a model of marketing by firms in practice. Nor should the model be associated only with firms with a low level of commitment to international marketing. Indeed, based on the Cavusgil stages of internationalization framework, most of the sales-driven international marketing firms in our case studies are in either the active involvement stage (fourth stage) or the committed involvement stage (fifth and final stage). The piggybacking method of international marketing has been well documented (see Terpstra and Yu, 1990) and fits in well as a special and limited case of our sales-driven international marketing model.

Similarly other writers have discussed the potential role of relationships and networks as catalysts to international business (Johanson and Vahlne, 1990), without articulating these aspects as the core of an international marketing theory. In contrast, the desire and ability of the exporter to influence and control the relationship between them and the foreign agent, distributor or customer is the integral basis of our relationship-driven international marketing model. While one might see this as a power relationship it can alternatively be seen as a recognition of the need to invest in exporter-agent

relationships for mutual benefits. A special case of this model is the serendipity model, which is a more unusual way in which agents are found and chosen (Merrilees *et al.*, 1998).

We would endorse the important attribute of deliberately targeting countries, agents and clients. On the other hand we would de-emphasize reliance on the ability of the 4P framework to unambiguously discriminate the level of international marketing sophistication. And we would add the need to evaluate the behaviour and effectiveness of exporter-importer relationships as a critical determinant of attributing marketing approach.

Our main objective has been to use longitudinal case studies to develop appropriate theories of SME international marketing, which have been done. For the period under analysis, namely the period the firms have been exporting to Japan, it has been fairly easy to classify the 12 firms into one or the other model. Collectively the 12 case studies provide strong evidence in support of the concept and validity of the two models of SME international marketing. However at this point we cannot extrapolate the validity of the theories beyond the 12 case studies. Larger sample conventional (non-case study) research studies are needed for that purpose. Additional case study research in other countries would also strengthen the standing of the two models.

A secondary objective to developing theories of international marketing has been to provide a framework which can better guide SMEs into either initial international market entry or to more effective international marketing. In both respects it helps if SMEs make a clear and decisive choice as to which mode of international marketing they are able and wish to adopt. They need to be aware of the benefits and costs of both modes. This choice will assist them in the way they select new international markets and the way they select and manage relationships with key customers, agents and distributors.

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