Multiple roles for branding in international marketing

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Abstract

Purpose – The purpose of this study is to empirically examine the inter-related relationships among various branding issues such as brand orientation, brand re-positioning, brand performance and international marketing issues in terms of international marketing strategy, financial performance, control of international marketing activities, international commitment and macro-marketing environment.

Design/methodology/approach – A mail survey with 315 useful samples drawn from the Austrade database was conducted. The steps suggested by Churchill, Cheng and Andersen and Gerbing were rigorously followed to purify the constructs and measurement models. Finally, structural equation modelling using partial disaggregation method was performed to test the whole structured model.

Findings – The results from structural equation modelling method confirm significant relationships between the constructs in the model. All major fit indices from structural equation modelling analysis show satisfactory results for both the measurement models and the structural model.

Research limitations/implications – The findings provide insight to international marketers with regard to deploying resources, establishing strategy and adapting the strategy to the culture within overseas markets. Judicious investments in finance and personnel are required for overseas expansion. International branding strategy can be used to enhance a firm's brand and financial performances abroad.

Originality/value – The major values of this study are the establishment of the role of branding in international business. Both brand orientation and brand repositioning have significant impacts on international marketing strategy, which in turn positively affects a firm's performance. Developments of new constructs such as brand orientation, brand repositioning, brand performance and cultural aspects are statistically validated.

Keywords Brands, Brand management, International marketing, Australia

Paper type Research paper

Introduction

Branding has tremendous potential for international marketing. However, this potential has not been fulfilled for a number of reasons. In part, much of the commentary is at a normative level, with primarily a theoretical debate about the relative merits of a global versus local approach to international branding. Additionally, the relatively few empirical studies on global branding often take a narrow approach to branding, as narrow as just the brand name. These limitations represent the point of departure for the current study that takes a more comprehensive and strategic approach to the role of branding in international marketing. The pivotal role of international marketing

strategy is acknowledged as a driving force in internationalisation. Using such a pivot, another performance measure is included that recognises the role of branding in assessing international performance. Further, a new perspective is developed in terms of how branding contributes to more effective marketing strategy. Specifically, two mechanisms are added beyond what the existing global branding literature has considered. Firstly, emphasis is given to branding-related managerial cognition, which we code as brand orientation. Secondly, international brand repositioning is also added as a contributor to performance.

To test whether this broader conceptualisation of global branding is a valid way of understanding the role of international branding, a sample of over 300 internationally active Australian firms has been analysed.

Literature review

There is a wide recognition of branding strategy as a source of competitive advantage in domestic markets (Biel, 1992; Calderon *et al.*, 1997; Chaudhuri and Holbrook, 2001; de Chernatony, 2001; Farquhar, 1994; Moore *et al.*, 2000; Mosmans, 1996; Mosmans and van der Vorst, 1998; Rubinstein, 1996). A brand in a holistic sense represents the synergistic effect of all marketing efforts that instil and perpetuate an image in customers' minds, and contribute to the success of a firm by creating stronger cash flows and higher values for shareholders as demonstrated by Yovovich (1988). In addition to this holistic view of branding, a brand can be used as a corporate strategic tool to enhance a firm's performance (Mosmans, 1996; Mosmans and van der Vorst, 1998). Some argue that a brand can be placed as the focal point of a firm so that brand issues can be coordinated and given higher priority (Capon *et al.*, 2001; Urde, 1994, 1999). This approach of brand orientation extends the resource-based theory of marketing strategy, in terms of how brands are created, developed, maintained, and protected, and can result in enhanced performance of firms. Broadening the brand spectrum means that branding goes beyond marketing communications and should be regarded as an integrated business approach (Rubinstein, 1996). Firms must manage the various aspects of a brand and tie it to the total business strategy (Rooney, 1995).

The brand as an important resource of a firm can serve as a strategic reference point. It can shape business development by realising an alignment between the capabilities of the firm and the external environment. The emphasis of brand strategy is shifted to brand-based strategy (Mosmans and van der Vorst, 1998). In parallel with their argument, Urde (1994, 1999) also advocates the use of a brand as a starting point in the formulation of firm strategy. He coined the concept "brand orientation" which uses customers and brands as central points in the formulation of company strategy (Urde, 1994). Brand orientation is thus a choice of strategy that would determine a firm's competitive edge with favourable consequences for their future survival. Wong and Merrilees (2005) found that brand orientation can positively impact on firm performance. While the extant literature has covered a range of topics from management of a brand to the strategic use of a brand, the major limitation of the literature is the lack of attention to the international context.

International branding

While the importance and management of a brand have been well addressed by the literature from the perspective of domestic marketing, studies examining a brand from

an international perspective are limited. Moore *et al.* (2000) argue that the role of branding receives only limited comment from the existing literature on the international growth strategies of companies. As noted by Shocker *et al.* (1994), in order for research on brand management to remain significant to the practice of marketing, areas such as the global management of brands should be embraced.

From the point of view of marketing strategy, Varadarajan and Jayachandran (1999) criticised the extant literature for lack of an international orientation, as most studies were in the context of the US businesses. This fact casts doubt on the generalisation of strategy-performance relationships to the larger international context. Varadarajan and Jayachandran (1999) further argued that the cultural aspect in the strategy formulation process in international contexts is not well researched, even though this issue is critical within increasing globalised markets. There is a need to fill a research gap on the understanding of the strategic role a brand plays in benefiting the firm financially at both the domestic and international levels (Malhotra *et al.*, 1999). In other words, the relationship between brand performance and financial performance needs to be further studied in order to measure and understand the brand's strategic importance.

In line with the branding concept for domestic markets, the development of brands on an international basis offers opportunities for capitalising on economies of scale, developing global markets and pursuing multiple market segments (Barwise and Robertson, 1992; de Chernatony *et al.*, 1995). The literature of international branding in general is rooted in international marketing strategy, especially in the standardisation/adaptation approach. It has been studied as a part of product decisions, if not totally ignored. Nevertheless, some works with regard to international branding have been undertaken. Perhaps, the most widely investigated aspect of international branding is brand name standardisation versus adaptation. Contradictory empirical results have been found with regard to this issue. Some studies supported brand name standardisation (Rosen *et al.*, 1989; Sandler and Shani, 1992; Still and Hill, 1984), whereas some empirical works have suggested that cultural factors such as collectivism, cultural symbols and more positive connotations are the causes of the need for brand name adaptation (Dong and Marilyn, 2001; Erdem *et al.*, 2006; Francis *et al.*, 2002) and that market structure factors in terms of competitive, buyer and distribution intensity forces international marketers to adapt their brand names (Alashban *et al.*, 2002).

Whether or not marketing and branding activities should be globalised has been debated in the international marketing literature (Agrawal, 1995; Kotler, 1986; Levitt, 1983; O'Donnell and Jeong, 2000; Rugman, 2001a, b; Zou and Cavusgil, 1996). While there is no consensus on the issue, "think global act local" seems to be the preferred and advantageous approach for international marketers (Rugman, 2001a; Sandler and Shani, 1992; Will and Jacobs, 1991). The major implication of these emerging global markets is that international marketers need to deploy their marketing strategies to match the characteristics of diverse external environments. Another international branding issue closely related to adaptation strategy is brand repositioning. Brand repositioning refers to the adaptation of the market position of a domestic brand to one that is relevant to the minds of its foreign customers (Wong and Merrilees, 2006). It is the response to the differences of the overseas markets, in terms of competitive situation, customer needs and different channel structures. International marketers

may need to consider the degree of difference of consumer characteristics and behaviour in making a positioning decision (Ganesh and Oakenfull, 1999). Brand repositioning is different to marketing mix adaptation. While the latter is concerned with the change of physical aspects, such as packaging, colours and brand name; brand repositioning goes one step further to include the change of psychological aspects (Wong and Merrilees, 2006). Brand repositioning is a broader term that includes the creation and placement of a desired brand in the target customers' minds (Czinkota *et al.*, 2001).

From a different point of view, an empirical study examined the brand image on attitude and behaviour in a cross cultural setting (Hsieh and Lindridge, 2005). Their study found that multiple brand image dimensions, namely consumer's sensory, utilitarian, symbolic and economic needs differed across nations. These differences might reflect a nation's culture and its level of economic development. From a broader view of international branding, a stage model of international brand development of manufacturers has been developed using a case study approach (Cheng *et al.*, 2005). They found that Taiwanese and Korean manufacturers' brands went through four successive and progressive stages, namely pre-international, lead market carrying capacity, international branding and market succession, and local climax. However, how the brand image can affect brand and financial performance was not examined.

Model and construct development
Theoretical background
This study is rooted in the structure-conduct-performance theory and resource- and capability-base theory. According to structure-conduct-performance paradigm, the external environment primarily determines a firm's performance (Caves, 1972; Lusch and Laczniak, 1989; Miles and Snow, 1978). The environment of a firm comprises of a combination of physical, social, cultural and technological factors to which the firm may adapt (Preble *et al.*, 1988; Subramanian *et al.*, 1993). Figure 1 shows that cultural aspect is a structural influence on conduct factors such as brand repositioning, brand orientation, marketing strategy and control of marketing activities. In turn, the conduct factors influence brand and financial performance.

Additional development of the model comes from the resource-based perspective, which focuses on the internal resources and capabilities of the firm as the fundamental source of competitive advantage. The firm in the resource-based view of the firm is considered to be a bundle of resources that include physical and intangible assets. A firm can create competitive advantage by deploying its resources (Grant, 1991; Peteraf, 1993). According to this perspective, strategy is viewed as a mean of exploiting a firm's resources and developing or acquiring new resources for the firm to generate economic success (Mahoney and Pandian, 1992). Wernerfelt (1984) makes it explicit that brand name as an intangible asset can be an important resource leading to high returns. The firm's resources and capabilities alone may not be able to fully explain firm performance. Whether the value created by a firm's resources and capabilities would enhance competitive advantage depends on their fit with the external environment (Black and Boal, 1994). Following Morgan *et al.* (2004), the two competing perspectives, resource-base and structure-conduct-performance, can be integrated to understand international firms' behaviours. Thus, international commitment is added in the conceptual model.
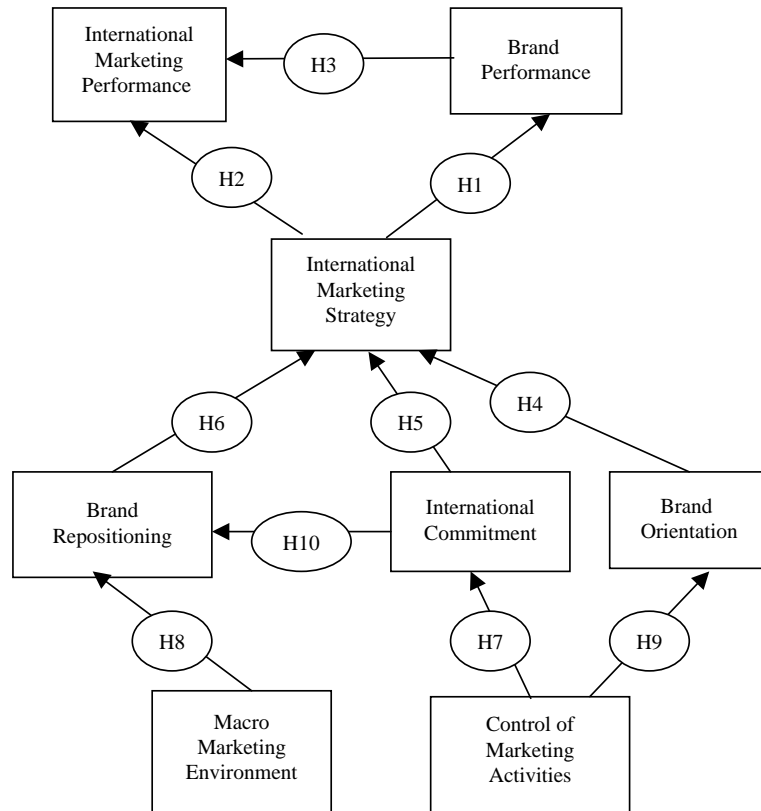
Figure 1.
Conceptual framework of
the international branding
strategy

Construct development

International marketing strategy (Strat)

It refers to the deployment of the marketing mix to create a sustainable advantage within the international marketplace. It is a comprehensive marketing effort that international marketers make to launch their product/service in overseas markets. The international marketing strategy construct combines the measures developed by Appiah-Adu (1997) consisting of the four Ps of the marketing mix (product, price, promotion, and place), which reflects the fundamentals of the marketing concept and the variables related to branding strategy. There are four items for product, two items for price and four for distribution strategies and three items for promotion strategy. All the variables are shown in the Appendix.

Brand orientation (BO)

It is a mindset that ensures that the brand will be recognised, featured and favoured in the marketing strategy. It is very much a "state of mind" process to establish a foundation for the deployment of a firm's international marketing activities (Urde, 1994, 1999). This construct is operationalised by six items developed by from the tri-method

approach (literature review, in-depth qualitative interviews, and quantitative analysis; see Wong and Merrilees, 2005), six items were developed to make up the construct.

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Overall international marketing performance

The firm's overall international marketing performance indicates the extent to which a firm's economic and strategic objectives with respect to marketing a product/service to a foreign market are achieved through planning and execution of its international marketing strategy. Given the overwhelming support for a multidimensional approach to international marketing performance (Cavusgil and Zou, 1994; Styles, 1998), two dimensions will be used, financial and brand. In this study, the firm's overall international marketing performance will be measured based on the studies of Calantone and Knight (2000) and Shoham (1999). Brand performance represents the success of a brand within the market. It has been measured in a variety of ways and from different viewpoints. The items used in this study capture the essential ideas of measuring brand performance in terms of awareness, satisfaction and loyalty from studies of Chaudhuri and Holbrook (2001) and Reid (2002). The four items from these studies together with a new item that measure the success of the brand in general are included in the construct.

International commitment (Comm)

It describes the extent to which resources are made available for marketers in international marketing activities. These resources consist of both financial and human resources. This construct is operationalised by five items from the studies of Cavusgil and Zou (1994) and Mavondo and Rodrigo (2001).

Brand repositioning (Repos)

It refers to the adaptation of domestic brand's market position in the overseas customers' minds, to suit the overseas market situation. The concept of brand repositioning has moved from marketing mix adaptation to a broader notion of brand repositioning. Six items were developed by Wong and Merrilees (2006). The variables capture both physical aspects such as product features, and psychological aspects like target markets.

Congruence of marketing environment (Cul)

It denotes the similarities between domestic and international markets in which an international marketer operates. These can be generally grouped into four environmental aspects: economic, sociocultural and technological (Preble *et al.*, 1988; Subramanian *et al.*, 1993). Each represents a set of overseas market characteristics that international marketers need to take into consideration when deploying an international marketing strategy. From the work of Wong and Merrilees (2006), 11 items and a series of in-depth interviews was used to establish the items for the construct.

Control of international branding activities (Control)

It activities within the overseas markets refers to the use of controls as authority over operational and strategic decision-making employed by international marketers to guide inter- and intra-firms activities. This study draws upon the items developed by Driscoll and Paliwoda (1997), and modifications have been made to suit the purpose of this research. In total, there are three items representing the construct, each of which covers both the operational and strategic decisions.

Hypothesis development

Relationship between international marketing strategy and performances

International marketing strategy could enhance the overall international marketing performance by a number of means. Marketing decisions and actions have a potential impact on changing consumer knowledge regarding the brand (Ewing *et al.*, 2001). International marketing strategy could enhance a firm's reputation and build strong brand awareness. It can also foster brand loyalty that leads to certain marketing advantages, such as lower marketing costs, new customers, and greater trade leverage (Calderon *et al.*, 1997; Ewing *et al.*, 2001). International marketing strategy can create brand loyalty and awareness that can reduce marketing costs and generate a price premium. Keller (2000) advocates that consistent marketing support is necessary in order for brands to be successful. All these studies suggest that international marketing strategy can influence directly a firm's performance.

Brand awareness and perceived quality of a brand can attract new customers. Brand reputation is argued to be one of the important factors influencing firm performance (Herbig and Milewicz, 1997). Other benefits that brand loyalty can bring to a firm include favourable word of mouth and greater resistance among loyal consumers to competitors' strategies (Calderon *et al.*, 1997; Dick and Basu, 1994). An empirical study in a domestic context by Yoo *et al.* (2000) found that distribution intensity had a positive impact on brand loyalty. Advertising spending was found to have a positive influence on brand loyalty and brand associations/awareness. Strategically, branding can provide a firm with competitive advantage and an opportunity for brand extension (Calderon *et al.*, 1997). All of these factors combined can enhance brand performance within a foreign market. Firms with recognisable brands outperform those firms without (Appiah-Adu, 1997, 1999; Okoroafo, 1996).

The manipulation of ingredients of the marketing mix can cause a firm to gain competitive advantage over other competitors, which in turn can potentially result in financial benefits. The effective execution of these marketing mix decisions is expected to result in better performance. Thus:

H1. International marketing strategy is a positive determinant of brand performance.

H2. International marketing strategy is a positive determinant of financial performance.

Relationship between brand performance and financial performance

Brand performance such as awareness, reputation and loyalty can affect a firm's financial performance. When customers are aware of the products/services available to them, the firm has opportunities to convince target customers to try its products/services. Positive reputation and loyalty to a brand can maintain a customers' patronage. Consequently, the firm's financial performance can improve not only by achieving more sales, but also by investing less to acquire new customers. With stable and loyal customers, the long-term benefits of building up a strong brand can outweigh immediate costs (Ewing *et al.*, 2001). In other words, good brand performance, such as customer loyalty, can affect a firm's financial performance. Positive relationships between brand loyalty and market share and brand performance

were found in an empirical study (Chaudhuri and Holbrook, 2001). In a subsequent empirical study, Chaudhuri (2002) discovered the relationship between brand reputation and brand sales and market share. Even though the studies were conducted in a domestic context, they suggest that financial performance could also be enhanced with the increase of brand performance such as brand awareness, brand reputation and brand loyalty in international context. Thus:

H3. Brand performance is a positive determinant of financial performance.

Relationship between brand orientation and international marketing strategies
Brand orientation as a strategic planning approach affects the efforts and extent of international marketing strategies. Brand orientation influences international marketing strategy effort, which is the fundamental tool for supporting a brand. For example, product features need to be consistent with the projected brand image to the target customers within the foreign market. Promotional efforts addressed to target customers need to project the brand image that matches the psychographics of the target customers. Distribution strategy should also reflect the brand offerings in the sense that it does not damage the brand; for instance, selling a premium brand at a discount store. All of these marketing mix decisions and efforts should reflect the brand. A number of studies have proposed that the whole business should endeavour to develop a brand (Mosmans, 1996; Mosmans and van der Vorst, 1998; Urde, 1994, 1999). This mindset of brand orientation will affect every aspect of international marketing strategies in the sense of whether a brand is adequately and properly supported within an international market. Thus:

H4. Brand orientation is a positive determinant of international marketing strategy.

Relationship between international commitment and international marketing strategies
Deploying marketing strategy within an overseas market needs resources as support. In order to succeed in the deployment of the international marketing strategy, firms need to employ more sophisticated marketing practices compared with those of their counterparts and those within the domestic market (Appiah-Adu, 1999; Katsikeas *et al.*, 1996). Empirical research suggests international marketing commitment has a positive impact on the internationalisation of firms (Kwon and Hu, 2001). It can be seen that firms' commitment to the international venture plays an important role in marketing strategy, as the resources available for and willingness to be involved in an international venture are crucial to the support of the strategy.

A number of studies have found the positive relationship between commitment and the marketing channel strategy (Anderson and Narus, 1990; Cavusgil and Zou, 1994; Kumar *et al.*, 1995; Noordewier *et al.*, 1990). The extant literature supports a strong role of international commitment in international marketing. When more resources are inputted to the international venture, international marketing activities such as promotional efforts, pricing strategy, product strategy and distribution channel support within overseas markets will be more likely to be conducted successfully. International commitment can ensure the necessary resources are made available for international marketing exercise. Thus:

H5. International commitment is a positive determinant of international marketing strategy.

Relationship between brand repositioning and international marketing strategies
International marketing strategies need to be changed as a result of the repositioning of a brand within a foreign market. These changes reflect the new and unique position an international brand holds. For instance, when an international brand is targeting a lower income market, the international marketing communications need to be modified to suit that target market. On the other hand, if a brand is repositioned to target the higher end market, brand value in terms of customer service may have to be enhanced to satisfy the wants of that target segment. Each brand must have a well-developed position that optimises its appeal by being recognised to the user segment to which it has unique leverage. Positioning is an essential element of the international marketing strategy, as it underlies all strategic branding decisions, both short- and long-terms. It also defines the platform a brand will complete within an international market. Thus:

H6. Brand repositioning is a positive determinant of international marketing strategy.

Relationship between control of international marketing activities and international commitment
International commitment as an input of various resources could be dependent on the desired level of control of marketing activities within the overseas market. Successful international firms are willing and able to invest in improving the product related to the brand and creating new products to strengthen brand portfolio (Wilke and Zaichkowsky, 1999). Gillette and Procter & Gamble have spent considerable time, money and effort to support their brands and marketing activities (Wilke and Zaichkowsky, 1999). If a high-level of control is needed as a strategic point, the firm needs to allocate necessary resources. An international manager who wants a high-level of control requires more resources to make the control function work. For example, own office staff are located in the overseas market to operate marketing activities to ensure the conformity of international marketing strategy. As a result, the extent of international commitment will be higher. Thus:

H7. Control is a positive determinant of international commitment.

Relationship between the congruency of marketing environment and brand repositioning
A brand might be repositioned to respond to the uniqueness and special characteristics of the overseas market. The positioning issue becomes critical in the international context. In line with domestic marketing, international marketers need to consider the extent of homogeneity in consumer characteristics and behaviour when making a position decision. International marketers also need to be aware of the similarities and differences of the foreign markets on a number of aspects that may not be an issue in relation to domestic marketing decisions. Ganesh and Oakenfull (1999) suggest international marketers needed to consider the macro-marketing environment – political, socio-economic and cultural environments in each foreign market entered.

Brand repositioning takes the forms of changing product/service offerings, marketing activities, and psychological image of a brand in the minds of the customers

within the overseas markets. The adaptation of these aspects can bring benefits of better serving the overseas target customers who have a different cultural background, economic situation, and technological characteristics (Cavusgil *et al.*, 1993; Eckhardt and Houston, 2002; Francis *et al.*, 2002; Theodosiou and Leonidou, 2003; Wong and Merrilees, 2006; Zou and Cavusgil, 1996). These factors necessitate repositioning within the overseas markets. Thus:

H8. The lack of congruency between marketing environments is a positive determinant of brand repositioning.

Relationship between control of foreign marketing activities and brand orientation
If the firm chooses to exercise a high-level of control over marketing activities, the firm has more power over all branding issues. For example, if a firm is concerned about the image of a brand within a foreign market, an ability to have a higher control of branding activities within the foreign market is necessary to ensure the brand image is projected as expected by the international marketer. The impact of control of foreign marketing activities on brand orientation is critical because the nature of branding activities carried out depends on how much authoritative power the firm has over other partners. If the marketer has lower control over the branding activities within the foreign market, it is more difficult for the brand to reflect the orientation of the firm. Control on international ventures has been investigated by a number of studies (Anderson, 1993; Driscoll and Paliwoda, 1997; Dunning, 1988; Erramilli and Rao, 1993; Kim and Hwang, 1992; Li and Ogunmokun, 2000). Control of marketing activities in a focused way helps to ensure the brand is understood and implemented consistently across different branches of a firm. That is, control of foreign marketing activities helps achieve a higher level of brand orientation. Thus:

H9. Control of foreign branding activities is a positive determinant of brand orientation.

Relationship between international commitment and brand repositioning
Repositioning is an expensive and time-consuming exercise. When a firm repositions its brand within an overseas market, it needs various resources to support this activity. These resources could be in the form of human resources, money, and information technology. When Eaton's repositioned its retail business, the financial commitment was immense (Silcoff, 2000). Without the financial commitment from top management, the repositioning strategy of Eaton's could not have been carried out. While the high-level of commitment to international business could be from detailed analysis and careful planning, and firms' executives travelling frequently to overseas markets (Evangelista, 1994). When firms consider international business as a high-priority activity, marketing activities such as repositioning within the overseas markets will be more likely to be conducted thoroughly. International commitment could ensure the necessary resources are available for repositioning. Thus:

H10. International commitment is a positive determinant of brand repositioning.

Research methodology
The sample was drawn randomly by selecting systematically every fifth firm from the Austrade directory. A total of 2,882 questionnaires were mailed to Australian firms to the attention of top management in the sampling frame in the survey. A total of 315

usable questionnaires were received, giving a response rate of 13 per cent. The response rate is comparable to figures obtained in other industrial mail surveys, viz 10 per cent Hart (1987). Firm characteristics of the respondents are detailed in Table I.

To assess the potential effects of non-response bias, early and late respondents was compared to examine whether there is any difference between these two groups of respondents (Armstrong and Overton, 1977). No significant differences were found.

Table II presents the results of the Bartlett's test of sphericity and KMO measure of sampling adequacy. All constructs achieved a significant p-value, less than 0.001. The results of Bartlett's test of sphericity suggest that the items of the construct are sufficiently correlated, indicating that the data are suitable for factor analysis.

Reliability of the items was tested by Cronbach α test. Items with low item-total correction were taken out of the analysis. All αs are above 0.7 which indicates satisfactory internal consistency reliability (Francis, 2001; Robinson *et al.*, 1991). Table III shows the results of all the constructs.

Convergent validity
Convergent validity exists when statistically-significant loadings for all items hypothesised to measure a latent variable are found (Anderson and Gerbing, 1988; Dunn *et al.*, 1994; Hair *et al.*, 1998). The critical ratios (cr) of all the items were found

	N	Percentage of firms
A. number of staff		
1-10	103	33
11-50	130	41
51-100	28	9
101-200	18	6
201 and more	32	10
Missing	4	1
Total	315	100
B. foreign sales as percentage of total sales		
1-10	90	29
11-30	93	29
31-50	45	14
51-70	17	5
71-90	37	12
91-100	33	11
Total	315	100

Table I.
Firm characteristics

Constructs	KMO measure of sampling adequacy	Bartlett's test of sphericity
Control	0.72	$\chi^2 = 377.7$, df $= 3$, sig. < 0.001
Comm	0.85	$\chi^2 = 983.8$, df $= 10$, sig. < 0.001
Cul	0.78	$\chi^2 = 628.3$, df $= 45$, sig. < 0.001
BO	0.89	$\chi^2 = 1{,}774.2$, df $= 15$, sig. < 0.001
Fin	0.86	$\chi^2 = 1{,}826.0$, df $= 28$, sig. < 0.001
Brand	0.86	$\chi^2 = 795.7$, df $= 10$, sig. < 0.001
Repos	0.81	$\chi^2 = 620.6$, df $= 15$, sig. < 0.001
Strat	0.79	$\chi^2 = 1{,}169.4$, df $= 78$, sig. < 0.001

Table II.
Test of sphericity and measure of sampling adequacy

Dimension	Initial number of items	Initial α	Items deleted	Revised number of items	Revised α
Strat	13	0.79	7 (IMS1,IMS2,IMS3,IMS4,IMS5,IMS6, and IMS9)	5	0.82
Comm	5	0.90	1 (COMM4 after CFA)	4	0.88
Repos	6	0.81	2 (BR1 and BR6)	4	0.81
Control	3	0.83	Na	3	0.83
BO	6	0.94	2 (BO2 and BO6 after CFA)	4	0.94
Cul	10	0.70	6 (CUL1,CUL3,CUL4,CUL6,CUL7 and CUL8 after CFA)	4	0.73
Brand	5	0.88	Na	5	0.88
Fin	9	0.90	5 (FP1,FP5,FP7,FP8 and FP9 after CFA)	4	0.87

Table III.
Results of a Cronbach's α's reliability test

significant at the 0.05 level (cr $> 1.96 = p < 0.05$), which demonstrates strong convergent validity of the measurement model.

Discriminant analysis
Three methods were used to test discriminant validity. The first method was to test discriminant validity in structural equation modelling. A significant χ^2 difference test suggests the existence of discriminant validity between the constructs. Anderson and Gerbing (1988) propose that the χ^2 difference test to examine discriminant validity should be run on pairs of scales at a time. A total of 26 χ^2 tests were run for discriminant validity checks. Out of these 26, 25 discriminant validity checks achieved significant results, at the 0.01 level, and one at the 0.05 level (financial performance and international commitment). Thus, by this test, discriminant validity of all constructs has been established. The second method to study discriminant validity was to measure the average variance extracted (AVE) in exploratory factor analysis in pairs of all the constructs. Discriminant validity exists when AVE is greater than the squared correlation between pairs of factors (Fornell and Larcker, 1981). Results of the tests of AVE were found satisfactory. The upper diagonal of Table IV shows the results of the tests. All paired AVEs showed higher values than the squared correlations, which are at the lower diagonal. The results suggested that discriminant validity was supported.

Constructs	Comm	Repos	Control	BO	Cul	Brand	Fin	Strat
Comm.	–	68[a]	75[a]	80[a]	64[a]	74[a]	74[a]	73[a]
Repos	0.19	–	68[a]	74[a]	58[a]	68[a]	67[a]	68[a]
Control	0.47	0.11	–	81[a]	63[a]	75[a]	74[a]	73[a]
BO	0.22	0.19	0.34	–	70[a]	80[a]	79[a]	78[a]
Cul	0.15	0.39	0.07	0.24	–	63[a]	63[a]	65[a]
Brand	0.40	0.24	0.23	0.26	0.15	–	73[a]	73[a]
Fin	0.40	0.16	0.20	0.19	0.15	0.44	–	73[a]
Strat	0.43	0.31	0.23	0.32	0.31	0.47	0.33	–

Note: [a]Values in percentage

Table IV.
Discriminant valid test using AVE and correlation methods

The last method used to test discriminant validity is the examination of all pairwise constructs to study the number of components extracted. Discriminant validity requires two components (per two construct), in contrast to the case of no discriminant validity that is associated with just one component being extracted (Anderson and Gerbing, 1988). Exploratory factor analysis using principal components with varimax rotation was performed. For all of the 28 pairs in this study, there were always two components extracted for each pair of concepts, indicating discriminant validity. All findings from exploratory factor analysis were further supported by acceptable confirmatory factor analysis results.

Structural model estimation analysis

In order to retain control over the complexity of the model, partial disaggregation technique was adopted for both measurement and structural analyses. This technique combines items into composites to reduce higher levels of random error, yet it retains the advantages of structural equations and is capable of dealing with data problems (Bagozzi and Heatherton, 1994; Bandalos and Finney, 2001; Dabholkar *et al.*, 1996; Little *et al.*, 2002). In essence, a partial disaggregation approach in which constructs are represented by subsets of test items has been found to lead to more interpretable and meaningful results.

Measurement model analysis

Before a full structural model is performed, a measurement model analysis should be conducted (Anderson and Gerbing, 1988; Cheng, 2001). It is argued that the measurement model must hold before the test of the hypothesised relationships among constructs should be performed (Anderson and Gerbing, 1988; Cheng, 2001; Kline, 1998). The measurement model analysis phase basically tests three blocks of data; namely, strategy (treated as the core and pivotal variable), its antecedents and its consequences. It is used to test the fit between data and model from the measurement prospective.

Results

The three blocks of measurement models

Table V depicts the results of the first, second and third blocks of measurement models. The first block of measurement model examines only the international marketing strategy construct. The second block of measurement model studies the antecedents of international marketing strategy. Five constructs including brand repositioning, international commitment, brand orientation, macro marketing environment and control of marketing activities, which are jointly engaged in the second block of

Fit indices	Statistics for the first block of measurement model	Statistics for the second block of measurement model	Statistics for the third block of measurement model
χ^2	11.96 (7 df, $p = 0.10$)	32.98 (25 df, $p = 0.13$)	0.89 (1 df, $p = 0.36$)
AGFI	0.96	0.96	0.99
RMSEA	0.05	0.03	0.01
IFI	0.99	0.99	0.99
NFI	0.99	0.99	0.99

Table V.
Fit measures for the second and third blocks of measurement models

measurement model, were correlated with one another. Constructs of consequences of international marketing strategy were involved in the third block of measurement model, namely financial performance and brand performance. All four overall absolute fit indices and incremental fit measures performed very well for the three measurement models. Thus, the items were found to measure their proposed latent constructs.

Evaluation of the full structure model

Based on the protocol suggested by Cheng (2001) and Anderson and Gerbing (1988), evaluation of the full model starts with assessment of the model fit. The full conceptual model was analysed by structural equation modelling method based on the indices of AGFI, RMSEA, IFI, NFI, Hoelter's critical N, normed χ^2 and standardised root mean square residual SRMR. The results of all these indices are satisfactory, indicating an acceptance of the full model.

The significant χ^2 test result ($\chi^2 = 169.17$, df $= 93$, $p = <0.001$) is not desirable, but it can occur due to large samples (Anderson and Gerbing, 1988; Bacon, 1997; Cheng, 2001; Hair *et al.*, 1998, p. 655; Hoyle, 1995; Purdie and Hattie, 2002). In response to the limitation of the χ^2 index, three other alternative measures; Hoelter's critical N, normed χ^2 (χ^2/df) and the SRMR with cutoffs of greater than 200 (Hoelter, 1983; Hu and Bentler, 1995), 3 or less (Carmines and McIver, 1981; Kline, 1998) and 0.08 or less (Asmundson *et al.*, 2002; Hu and Bentler, 1999; Kline, 2005; Lindwall, 2004), respectively, were used to test the impact of large sample size on the p-value. The results of all these three measures are satisfactory, signifying that the p-value of χ^2 being less than 0.05 may be due to the effect of higher sample size. The satisfactory results of various fit indices evidence that the full model can be accepted. Table VI below summarises the values for all fit indices.

A graphical representation of the fitted international marketing strategy model with correlations, the regression coefficients, and the R^2 values is shown in Figure 2.

All ten hypotheses achieved significant results statistically; all with p-values associated with the parameter coefficients less than 0.01. The paths demonstrate positive relationships between the constructs, meaning that when a specified construct moves positively or negatively, another specified construct will move positively and negatively correspondingly. The standardised coefficients of the ten paths range from 0.17 to 0.65.

Fit indices	Statistics	Bench mark	Acceptable or not
Absolute fit measure			
χ^2	169.17 (93 df, $p < 0.01$)	$p > 0.05$	N/A
AGFI	0.91	>0.90	Yes
RMSEA	0.05	<0.08	Yes
Incremental fit measures			
IFI	0.97	>0.90	Yes
NFI	0.94	>0.90	Yes
Measures taking into consideration of sample size			
Hoelter's critical N	217 at 0.05 level, 237 at 0.01 level	>200	Yes
Normed χ^2	1.82	<3	Yes
SRMR	0.06	<0.08	Yes

Note: All ten paths in the model achieved significant results statistically; all with p-values associated with the parameter coefficients less than 0.01

Table VI.
Fit measures for the full structural model
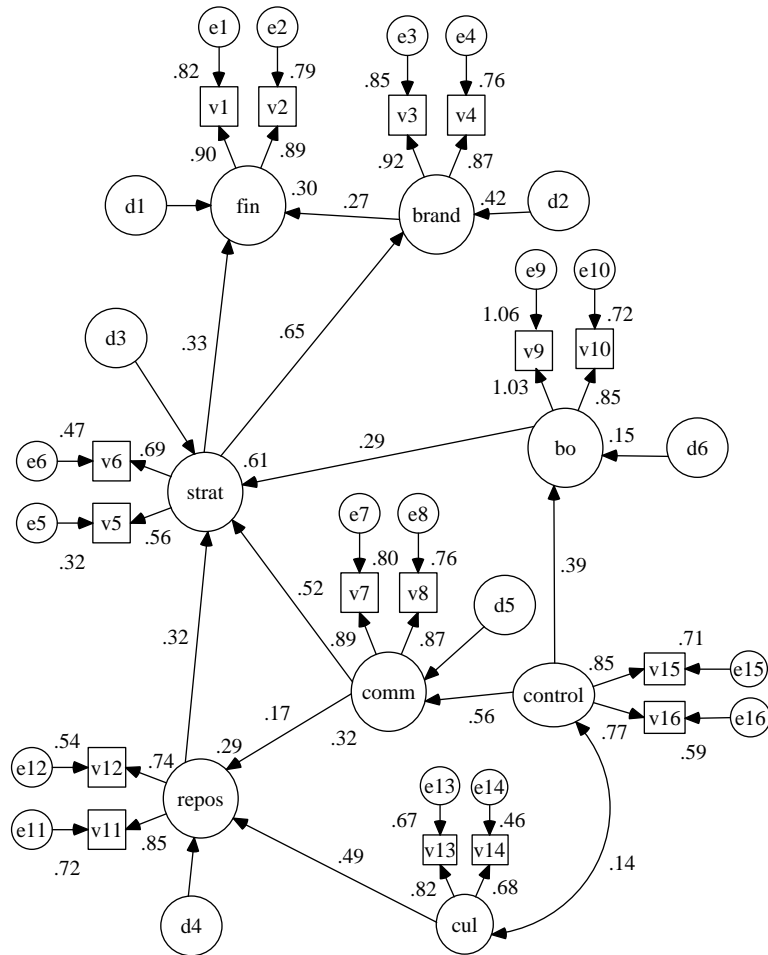
Figure 2.
Fitted international
marketing strategy model

The three most significant paths are *H1* (international marketing strategy determining brand performance); *H7* (control of marketing activities determining international commitment); and *H5* (international commitment determining international marketing strategy); with standardised coefficients of 0.65, 0.56 and 0.52, respectively. These results firstly indicate the importance of international marketing strategy, which can enhance a firm's brand performance by 0.65 standardised points for every standardised point increase in international marketing strategy. Secondly, control of marketing activities is an important determinant of international commitment such that an increase of one standardised point of extent of control of marketing activities will lead to 0.56 standardised points of international commitment. Finally, international commitment is a critical input to international marketing strategy. Every single standardised point of increase in international commitment can lead to an increase of international marketing strategy by 0.52 standardised points.

The results of hypothesis testing in terms of the standardised coefficients, t-statistics and significant level (p-value) for the relationships between the three tiers of constructs are summarised in Table VII.

Discussion

The results confirm the important role that branding plays in international marketing. Firstly, one of the performance measures is brand performance, which indicates the role of a branding perspective in evaluating the overall performance of an international firm. Related, brand performance has a statistically significant influence on a firm's financial performance. Secondly, brand repositioning and brand orientation help shape effective international marketing strategies. Commitment was the most important influence on effective international marketing strategy the other two influences are overtly brand related. These two branding influences on strategy thus represent two different roles for branding in contributing to international marketing performance, which can be re-expressed as two alternative mechanisms that branding follows in its lead up to a performance impact.

Model hypotheses		Results
H1: International marketing strategy is a positive determinant of brand performance	Coefficient	0.65
	t-statistic	7.43 ($p < 0.001$)
	Significant?	*Significant*
H2: International marketing strategy is a positive determinant of financial performance	Coefficient	0.33
	t-statistic	3.32 ($p < 0.002$)
	Significant?	*Significant*
H3: Brand performance is a positive determinant of financial performance	Coefficient	0.27
	t-statistic	3.16 ($p < 0.003$)
	Significant?	*Significant*
H4: Brand orientation is a positive determinant of international marketing strategy	Coefficient	0.29
	t-statistic	4.54 ($p < 0.001$)
	Significant?	*Significant*
H5: International commitment is a positive determinant of international marketing strategy	Coefficient	0.52
	t-statistic	6.61 ($p < 0.001$)
	Significant?	*Significant*
H6: Brand repositioning is a positive determinant of international marketing strategies	Coefficient	0.29
	t-statistic	4.54 ($p < 0.001$)
	Significant?	*Significant*
H7: Control of marketing activities is a positive determinant of international commitment	Coefficient	0.56
	t-statistic	8.03 ($p < 0.001$)
	Significant?	*Significant*
H8: Culture aspect is a positive determinant of brand repositioning	Coefficient	0.49
	t-statistic	5.58 ($p < 0.001$)
	Significant?	*Significant*
H9: Control of marketing activities is a positive determinant of brand orientation	Coefficient	0.39
	t-statistic	6.32 ($p < 0.001$)
	Significant?	*Significant*
H10: international commitment is a positive determinant of brand repositioning	Coefficient	0.17
	t-statistic	2.73 ($p < 0.007$)
	Significant?	*Significant*

Table VII.
Path hypothesis confirmation using total population data

The insight provided by the model into global branding is considerable. The literature had appropriately flagged the power of global brands as a means of international entry and also the need to adapt brands to suit cultural and other environmental conditions. However, few previous studies had demonstrated a link between branding and superior international performance. Additional insight arises from a greater understanding of how branding makes a difference. The relevant mechanisms include the role of branding-related managerial cognitions, which we code as brand orientation. Brand orientation refers to the extent that branding plays a central role in all of the marketing and operational activities of the company (Urde, 1994, 1999; Wong and Merrilees, 2003). The paper has demonstrated that companies with higher branding orientation expansion. Using the path estimate calculations, assuming average levels of commitment and brand repositioning, then if a company moved from a first quartile score of brand orientation to a third quartile score, it would improve its brand performance by about 20 per cent. In practical terms, brand orientation is associated with the use of the brand to integrate all aspects of marketing and operations, instilling a greater consistency that achieves synergies across components of marketing and management.

Brand repositioning also contributes to greater performance. It refers to the modification of the domestic brand to suit a foreign market and refers not just to adapting the marketing mix but the total and holistic representation of the brand. The results suggest that culture is the main determinant or reason why domestic brands are modified to suit a foreign market, reinforcing recent studies (Erdem *et al.*, 2006).

Overall, the study suggests a complex configuration of the different roles and mechanisms of branding in an international context. The configuration gives us both theoretical and practical insight into the way branding can be operationalised internationally. The study helps to place branding on the centre stage of international marketing.

Limitations of the study

Although this study makes several significant and important contributions, its limitations should be noted. Firstly, even though an adequate sample was obtained for testing the hypothesised structural model, the response rate, although on par with some previous studies, was modest. Non trading companies, which did not response, listed in the Austrade web site could haul the response rate. This low response rate may cause non-response error, which has potential impact on biasing estimation of parameters. Secondly, the research design, like most academic marketing research, is cross-sectional; so it is not possible to make absolutely definitive cause and effect conclusions without using longitudinal research. However, researchers have recently suggested this limitation could be neutralised by evidence that supports a priori theory-based inferences (Spector *et al.*, 2000). Their findings indicate that common method variance was less of a problem than previously predicted, and that cross-sectional surveys in general may have been unnecessarily criticised (Spector *et al.*, 2000).

Conclusion

Branding occupies a central place in domestic marketing research, but has been somewhat neglected in the international context. The current study has formulated a conceptual model that places international marketing strategy as the pivot of a model of international performance. Branding is allowed to play several roles in such a model. The model has been tested using structural equation modelling on a sample of more than 300 Australian

firms active in international marketing. The results reveal that the conceptual model has overall validity and that all of the key paths in the model are statistically significant. The model provides a good explanation of both international brand performance and international financial performance. Of special significance it was found that branding plays a very important role in the overall model. Brand performance was found to be a suitable measure of end performance. Additionally, two key roles were found for branding as an influence in shaping international marketing strategy. The two roles or aspects of branding were brand orientation and international brand repositioning. Companies undertaking international marketing are encouraged to especially consider their approach to these two branding activities if they seek higher international performance.

Future research could apply this model to other countries as the home country to see how generalisable the model is. Note however that a diverse range of host countries were included in the current study, so that feature should be repeated in future work. It would also be useful to compare the model with alternative explanations of international performance.

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Appendix. Variables used to assess the eight constructs

International marketing strategies (Strat)
1. Our firm modifies existing products to a great extent (IMS1)
2. Our firm emphasises product quality and warranties (IMS2)
3. Our firm engages in development, testing and introduction of new products to a great extent (IMS3)
4. Our firm eliminates products that do not satisfy customer needs to a great extent (IMS4)
5. Our firm engages in analysis of competitors' prices to a great extent (IMS5)
6. Our firm frequently offers discounts (IMS6)
7. Our firm sets strategic promotional objectives (IMS7)
8. Our firm carefully develops advertising/promotion messages (IMS8)
9. Our firm provides after sales services (IMS9)
10. Our firm builds strong relationship with distributors (IMS10)
11. Our firm provides a lot of channel support (IMS11)
12. Our firm carefully evaluates alternative channels of distribution (IMS12)
13. Our firm engages in designing and implementing effective dealer relations programs (IMS13)

Brand orientation (BO)
1. Branding flows through all our marketing activities (BO1)
2. Branding is essential to our strategy (BO2)
3. Branding is essential in running this firm (BO3)
4. Long term brand planning is critical to our future success (BO4)
5. The brand is an important asset for us (BO5)
6. Everyone in this firm understands that branding our product/service is a top priority for our business (BO6)

Financial performance (Fin)
1. Growth rate of sales in the overseas markets in the last 12 months (FP1)
2. Your market share in the overseas markets in the last 12 months (FP2)
3. Profitability of your firm in the overseas markets in the last 12 months (FP3)
4. Overall financial performance in the overseas markets in the last 12 months (FP4)
5. We are very satisfied with our sales performance in the overseas markets (FP5)
6. The total return on your investment (ROI) of the overseas market (FP6)
7. Overall, our firm has fully capitalised on the potential that overseas markets afford for our firm (FP7)
8. We are satisfied with the ratio of overseas to domestic sales (FP8)
9. We are satisfied with the sales profitability ratio from the overseas market (FP9)

Brand performance (Brand)
1. Our overall marketing strategy is working well (BP1)
2. Our firm has built a strong brand awareness in the target market (BP2)
3. Our firm has built a solid brand reputation (BP3)
4. We are very satisfied with our brand marketing (BP4)
5. Our firm has built strong customer brand loyalty (BP5)

International commitment (Comm)
1. We have promised resources (e.g. information technology and human resources) to the international ventures (COM1)
2. The extent of management commitment to the international marketing venture is substantial (COM2)
3. Our firm sets aside adequate funds to develop overseas markets (COM3)
4. Our firm's executives travel frequently to foreign markets (COM4)
5. International business is a high priority activity in our company (COM5)

(*continued*)

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Brand repositioning (Repo)
1. Compared to the domestic market, the quality of the product in the foreign market was increased (BR1)
2. Compared to the domestic market, the target market of the brand in the foreign market was moved upmarket (BR2)
3. Compared to the domestic market, the approach of promotion/advertising in the foreign market was different (BR3)
4. Compared to the domestic market, the product features in the foreign market were different (BR4)
5. Compared to the domestic market, the distinctive identity of the brand in the foreign market was different (BR5)
6. Compared to the domestic market, the distribution of the brand in the foreign market requires a different method of distribution/outlet (BR6)

Congruence of marketing environment (Cul)
1. In relation to the domestic market, the foreign market is more unstable (CUL1)
2. In relation to the domestic market, customers in this foreign market behave differently (CUL2)
3. In relation to the domestic market, disposable income of this foreign market is lower (CUL3)
4. In relation to the domestic market, customers in this foreign market are wealthier (CUL4)
5. In relation to the domestic market, the motivation of customers in the foreign market is harder to understand (CUL5)
6. In relation to the domestic market, people in this foreign market tend to value individual time more (CUL6)
7. In relation to the domestic market, interpersonal relationships in this foreign market are more important (CUL7)
8. In relation to the domestic market, the technological knowledge of customers in this foreign market is more sophisticated (CUL8)
9. In relation to the domestic market, visual aspects such as packaging and colours are more important in this foreign market (CUL9)
10. In relation to the domestic market, the distribution system in this foreign market is more complex (CUL10)
11. In relation to the domestic market, the culture in this foreign market is totally different (CUL11)

Control of international branding activities (Control)
1. Our firm wanted to have a considerable influence over the marketing of the products/services (CON1)
2. Our firm wanted to control major decision-making of the foreign operation (CON2)
3. Our firm wanted to make the decisions relating to the integrity of the brand (CON3)

Table A1.

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