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Antecedents of Brand Management Adaptation/Standardization and Its Influence on Firms' Performance

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In this paper we analyze the antecedents and consequences of brand adaptation/standardization (A/S) strategies in the case of a developing country. To explore this impact we base our research on Structure-Conduct-Performance paradigm (SCP) where structure (analyzed through domestic product acceptance and market structure) drives conduct (strategic choices regarding A/S of brand management elements), which in turn drives performance (viewed through market share and costs). Our results indicate that A/S is not equally applicable to all elements of brand management strategy. Rather, domestic products acceptance in a foreign market and market structure have different effects on the level of A/S of brand's product, pricing, distribution and promotion strategies. While market structure complexity increases the importance of adaptation of all elements, greater domestic product acceptance allows for product and promotion strategies to remain standardized. Subsequently, A/S of each element of the brand strategy differently influences brand market share in a foreign market and brand management costs. As a result, we learn that adaptation of pricing and promotion strategies will drive brand's market share. However, adaptation of promotion strategy will also increase brand management costs, while distribution strategy adaptation, although having no effect on brand's market share, will have an impact on the decrease of brand management costs.

Keywords: *Adaptation/Standardization, International Markets, Brand Strategy, SCP, Emerging Market.*

Introduction

Brand is one of the firm's most important and delicate assets (Francis, Lam & Walls, 2002) which is often the key source of competitive advantage in domestic and international markets (Raggio, Leone & Black, 2014). Therefore, as globalization increases, selecting an optimal brand strategy is one of the most important decisions (Erdogmus, Bodur & Yilmaz, 2010). Possible brand strategies in an international market encompass a continuum, from complete standardization as one extreme, to complete adaptation as the other, with most strategies falling somewhere in between (Medina & Duffy, 1998).

Although brand adaptation/standardization (A/S) has been researched for more than five decades (see Buzzell, 1968; Levitt, 1983), it is still recognized as an important topic (see Xie, 2012; Yu, Subramaniam & Cannella, 2013). The importance of understanding brand A/S arises from the (dis)advantages inherent in each strategy, specificities of consumer behavior in diverse markets, as well as the resources required for implementing the strategies (Medina & Duffy, 1998).

While certain contributions researched brand A/S decisions (Andrews & Kim, 2007; Barron & Hollingshead, 2004), there is no consensus among academics as to which strategy is optimal for given contexts. One reason for it lies in the fact that most papers on this topic are conceptual, with very few empirical studies (Viswanathan & Dickson, 2007).

Our paper aims to contribute to the existing literature in several ways. A common assumption has been that the difference between environments enhances the importance of brand adaptation (Lages, Abrantes & Lages, 2008). Thus, one of the contributions of our paper is the introduction of *domestic products acceptance in a foreign country* as a characteristic of foreign environment (i.e. structure) and analysis of its influence on brand A/S. While domestic product acceptance in a foreign country is relatively closely related to the concept of environmental dissimilarity, we focus on the former as it also encompasses additional important factors of international macromarketing, such as ethnocentrism (Cattin, Jolibert & Lohnes, 1982).

Furthermore, in contrast to the papers that focus on a single component of brand management (e.g. Alashban, Hayes, Zinkhan & Balazs, 2002; Sousa & Bradley, 2008), this paper is based on a holistic approach, exploring the direction and intensity of the influence of a particular environment (i.e. its structure) on the A/S of different brand elements (as seen through the prism of the 4P). Unlike the contributions that view the A/S at an abstract level (e.g. Viswanathan & Dickson, 2007), our paper provides an analytical approach independently viewing the possibilities of A/S of each individual brand element.

While, most models examining the brand A/S have been created for the markets of developed countries (Andrews & Kim, 2007), emerging economies have been unjustly neglected. Therefore, the context of the research (one European emerging market) is the final contribution of this paper.

Theoretical Background

A large number of studies (e.g. Akimiene & Kuvykaite, 2008; Erdogmus *et al.*, 2010; Ryans, Griffith & White, 2003; Virvilaite, Seinauskiene & Sestokiene, 2011) is devoted to analyzing the effects of standardization of marketing activities in an international market, emphasizing that standardization contributes to improved marketing performance and lower costs. The topic has also been examined by Levitt (1983) in his seminal contribution on standardization, in which he advocates a complete standardization of all activities on account of rapid globalization and technology development (primarily communication and transport technologies). However, the growing importance of economic trans-national organizations results in the increasing harmonization of legislation, trade and business practices (Okazaki, Taylor & Doh, 2007) and the development of global culture (Zhou, Teng & Poon, 2008) which favor standardization. Faced with such economic developments, firms can build economies of scale in manufacturing, distribution and marketing (Holt, Quelch & Taylor, 2004). However, numerous authors (Lages *et al.*, 2008; Sousa & Bradley, 2008) point to many differences of the environment, such as cultural and economic factors, as well as consumer perceptions, which render full standardization of marketing activities impossible. The advocates of standardization believe that the world has become homogeneous owing to the emergence of global consumers, economic and political integrations (Martinez & Qulech, 1996), global competition (Chung, 2003), unification of marketing infrastructure (Akaah, 1991), convergence of consumer behavior (Hill & Still, 1984) and firms' international experiences (Cavusgil, Zou & Naidu, 1993).

A number of scholars disagree with theory of market globalization and the assumption that the desires and needs of consumers worldwide are being harmonized and standardized (Boddewyn, Soehl & Picard, 1986; Douglas, Craig & Nijssen, 2001). They see this as a simplification of a more complex problem, result of marketing myopia and abandonment of the marketing concept. Such a view is also supported by cross-cultural studies that have identified substantial differences in consumer behavior, needs, desires and preferences around the world (Diamantopoulos, Schlegelmilch & Du Preez, 1995). Furthermore, standardization critics have questioned the importance of economies of scale, cost savings and lower prices. Technological and design developments enabling the manufacturing of customized products at no high cost, have led to an increase in manufacturing efficiency while reducing the benefits underlying the standardization theory (Walters & Toyne, 1989). In addition, there is no evidence that consumers around the world have become so price-sensitive that they would be willing to sacrifice certain product characteristics and personal preferences for a lower price.

The central paradox of standardization is the fact that firms are becoming global, while consumers are turning extremely local (Usunier & Lee, 2005). As the world has become increasingly networked and market participants more connected, the importance of local factors is increasing (Rugman & Moore, 2001). Differences in infrastructure and scarce information about customers, revenue and loans especially in emerging countries (Khanna, Palepu & Sinha, 2005) are forcing firms to adapt their brand strategies. Hill and Still (1984) pointed out that brand adaptation, whether resulting from legislative regulations or firm's independent decisions, may increase the market value of a brand in the local market, thereby achieving considerable competitive edge. Various environmental factors, such as language, level of economic development, literacy, GDP, cultural values, etc., favor adaptation of marketing programs (Vrontis, 2003) and that, precisely, was among the starting points in drafting our research.

For the purposes of this paper, standardization means the degree to which firms harmonize their marketing activities in various countries through a standardization of marketing mix elements, coordination in the execution of marketing activities and integration of competitive advantages in all markets (Johanson, 2006). Adaptation means the degree to which firms adjust their marketing activities to local specificities in different countries by adapting the elements of their marketing mix (Craig & Douglas, 2005).

Our paper is based on the assumptions of the Structure-Conduct-Performance Paradigm (SCP), i.e. Bain/Mason paradigm. It defines the interdependence of the environment (structure) in which the firm operates, the strategy (conduct) that managers define and the results (performance) achieved by the firm (Bain, 1968). In accordance with the SCP, the strategy is a response to characteristics of the market structure, while the role of managers involves recognizing and adapting to factors of the environment. Therefore, managers' decision regarding the choice of the environment in which the firm will compete is crucial (Panagiotou, 2006). In the context of our paper, managers first decide on the market their company will enter (which depends on a number of factors not addressed in this paper), and then they decide on the brand strategy to be implemented. In this sense, the environment has no moderating effect on the relationship between the brand strategy and business performance, but rather represents a key determinant in the selection of the strategy to employ in the foreign market. The context in which the firm operates is the key variable that explains different performance of firms while the strategy is only intended at achieving the optimal fit with the environment (Katsikeas, Samiee & Theodosiou, 2006; Porter, 1981). Therefore, while the firm chooses the market, the market influences the characteristics of the firm's strategy that are conducive to success. In addition, the contingency theory emphasizes that there is no optimal strategy and/or organizational structure (Yakhlef, 2010; Glazer & Weiss, 1993), nor will the same strategy/organizational structure be equally efficient in different contexts (Calantone, Garcia & Droge, 2003; Galbraith, 1973). Success is guaranteed only to those firms that implement strategies with potential synergistic effects in a given environment (Banalieva & Sarathy, 2011; Miller & Friesen, 1982). In the context of our paper, the firms with brands that will achieve success in foreign markets will be those managing to define their brand strategy by building on existing advantages of the brand while also adapting it to the particularities of the environment.

Hypothesis Development

Conceptual framework (Figure 1) analyzes the impact of domestic product acceptance in a foreign country and market structure complexity on the brand A/S decisions in international markets. Further, it analyzes the impact of those decisions on the firm's performance measured by the brand management costs and the brand's market share in a foreign market. The structural model is based on the SCP, adopted by many authors for research in the field of international marketing (see Okazaki et al., 2007; Wong & Merrilees, 2007).

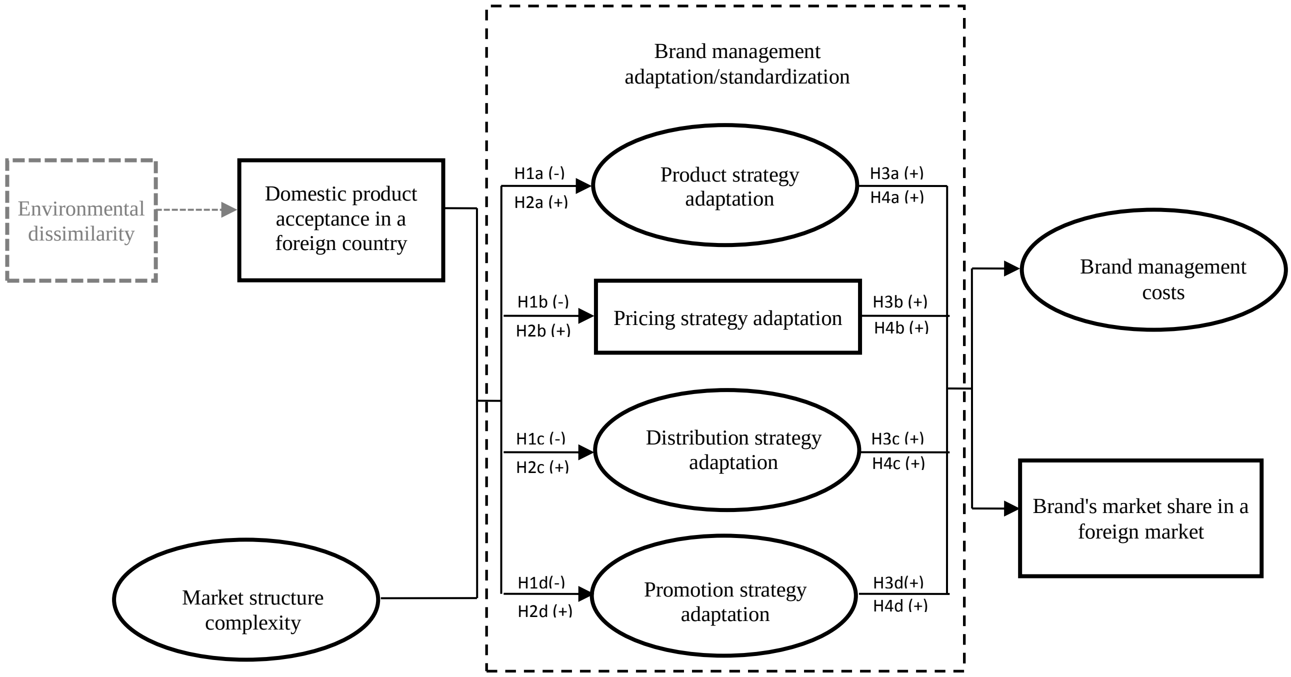


Figure 1. Conceptual Framework

In the model above, *structure* includes two variables: *domestic product acceptance in a foreign country* (defined as respondents' perceptions of brand's acceptance in a particular foreign market as compared to brands from other countries) and *market structure complexity* (defined as intensity of competition, buyers and distributors). *Conduct* focuses on the *brand management A/S*, measured as a continuum between complete adaptation and complete standardization, which is divided into four separate variables. For the purposes of this paper, the term brand management A/S is defined as level of adaptation of product strategy, prices strategy, distribution strategy and promotion strategy. The last component of the model, *performance*, is analyzed through two variables: *brand management costs* (defined as investment of resources in managing a certain brand) and the *brand's market share in a foreign market*.

Influence of Structure on Conduct

Influence of domestic product acceptance in a foreign country to the level of brand management A/S in an international market. While the majority of contributions focus on the environmental dissimilarity as an aspect of market structure, focusing on the domestic product acceptance in a foreign country is important for two reasons. First, it is generally assumed that adaptation strategy should be used in case of highly dissimilar markets, while standardization in case of markets that are highly similar (Cavusgil & Zou, 2002). However, the focus on domestic product acceptance in a foreign country allows for the possibility that, while two countries could be very similar in terms of environmental factors, consumers may exhibit animosity toward products from the other country. For example, although highly similar, the countries emerging from the dissolution of the USSR, Czechoslovakia, Yugoslavia etc., owing to political disputes, disagreements over territorial boundaries, assumption of debts of the former state etc., can exhibit a significant level of animosity (Mostafa, 2010; Richardson, 2012; Klein, Ettenson & Morris, 1998). Another example is that in some cases consumers can be highly ethnocentric. In such situation, although there might be considerable similarities between environments, companies will need to adapt their brand strategy to the local market specificities. On the other hand, there are instances where consumers in certain markets exhibit highly positive associations towards brands from certain countries. Similarly, in some countries consumers could have highly xenophilic tendencies thus favoring foreign brands. In such cases, despite differences of the environment, firms should use brand standardization (Batra, Ramaswamy, Alden, Steenkamp & Ramachander, 2000) and achieve cost savings. Also, it is important to stress that research has shown the product's country of origin (COO) to have a relatively homogeneous influence on the residents of the same country (Gurhan-Canli & Maheswaran, 2000). Therefore, the variable of domestic product acceptance in a foreign country does not only reflect differences of the environment, but numerous other aspects that affect the possibility of A/S as well. This variable is also managerially relevant, as it is more easily observed using either secondary or primary data sources. Following the above reasoning and contributions of Shimp, Samiee and Madden (1993), who analyzed the influence of COO on the market success of brands adapted to the local market, in this paper we assume a negative influence of domestic product acceptance in a foreign country on the level of brand adaptation to the foreign market. Based on this, we have formulated the following hypothesis:

Hypothesis 1: Domestic product acceptance in a foreign country has a negative influence on the (a) product, (b) pricing, (c) distribution and (d) promotion strategy adaptation in a foreign market.

Most studies take differences of the environments as the key variable affecting the A/S of brand. Although we included it in the model, we analyze its role in relation to a more parsimonious variable, that of domestic product acceptance in a foreign country. Additional reason is that environmental differences impact the firm's strategy only indirectly by making consumers less willing to buy/use products from certain countries (Batra et al., 2000).

Influence of market structure complexity on the level of brand management adaptation/standardization in a foreign market. Market structure has a strong influence on the firm's strategy. It encompasses competition intensity, buyer intensity and distributor intensity (Alashban *et al.*, 2002). In the markets where competition is intense, firms often adapt the strategy to market conditions in order to differentiate themselves and win the greatest possible market share (Schmid & Kotulla, 2011). Local competition represents an extremely significant factor in the formation of the brand strategy in a foreign market, especially in the B2C context which is the focus of our paper. To be more precise, B2C brands are most influenced by local environment factors (Keller, 1993), so if there is intense local competition, the firm will have to adapt its brand in a foreign market to a greater degree. Furthermore, greater buyer intensity (number) means a more complex market structure. Buyer intensity implies greater heterogeneity of preferences in the market which leads to the need to adapt the brand strategy (Roth, 1995). Distribution intensity varies across different product categories. FMCG distribution is intense and involves numerous intermediaries, while products such as cars will have selective distribution with a fairly small number of intermediaries. Greater distribution intensity means that products are intended for a large number of consumers and that they meet the needs and desires of various segments, implying a stronger need for adaptation of the brand strategy in foreign markets (Alashban *et al.*, 2002). Therefore, we propose the following hypothesis:

Hypothesis 2: Market structure complexity has a positive influence on the (a) product, (b) pricing, (c) distribution and (d) promotion strategy adaptation in a foreign market.

Influence of Conduct on Performance

Performance is analyzed through two variables, one of which reflects the influence of brand adaptation on revenues (*brand's market share in a foreign market*), and the other expenses (*brand management costs*). The impact of brand A/S on operating results has been examined by several authors (Samiee & Roth, 1992; Zou & Cavusgil, 2002), but there is no consensus on which strategy is better.

Brand management costs. The viability of the firm's performance in foreign markets depends on the amount of costs, with the general view being that the standardization strategy incurs lower costs (Levitt, 1983). A firm's costs may be observed as the costs of production and marketing costs (Griffith, Chandra & Ryans, 2003). Brand adaptation to a local market implies additional costs of product adaptation, investment in the development and implementation of adapted marketing strategies etc. Standardization enables cost reduction because fixed costs are distributed across multiple markets, thus reducing both production (Lee & Tang, 1997) and marketing costs (by applying a unique strategy that has already been improved in other markets). In line with the above, we have formulated the following hypotheses:

Hypothesis 3: The (a) product, (b) pricing, (c) distribution and (d) promotion strategy adaptation has a positive impact on brand management costs in a foreign market.

Brand's market share in a foreign market. In deciding on the level of brand A/S in an international market, one must consider the manner in which standardization, which has a positive impact on cost reduction, ultimately influences business performance. Unlike the influence of the adaptation level on costs, the influence of standardization on the brand's market share in a foreign market is much more difficult to explain. More specifically, there is no unanimity of opinion on which strategy contributes to winning a larger market share. Some authors (Clemons & Thatcher, 2008) support the view that it is standardization because the use of the same brand elements in all markets builds a unique image resulting in a greater sales volume, i.e. larger market share. On the other hand, there are other authors (Navarro, Losada, Ruzo & Diez, 2010; Szymanski, Bharadwaj & Varadarajan, 1993) who claim that the brands adapted to local conditions have a larger market share because they meet the needs and desires of the local population better. Adaptation to local markets takes into account consumer desires and requirements (in one or more aspects), consumers find exactly what they need more easily so they are more willing to buy that product. In this respect, we expect a positive impact of the adaptation of brand elements on the brand's market share in a foreign market, and hypothesize the following:

Hypothesis 4: The (a) product, (b) pricing, (c) distribution and (d) promotion strategy adaptation to a foreign market has a positive impact on the brand's market share in a foreign market.

Methodology and Results

Sample and Procedure

To test the hypotheses, a survey was conducted in an EU Member state (a relatively small emerging economy) on a sample of B2C companies that export at least one of their brands to at least one foreign market. Companies from this country tend to export primarily to neighboring countries with which there are historically intense relationships. The focus is on a small economy because, in order to survive, domestic firms are forced to internationalize their business. Also, most models examining the brand A/S have been created for the markets of developed countries (Andrews & Kim, 2007), while emerging economies have been unjustly neglected. Research focuses on B2C companies (food and beverage industry, clothing and footwear industry, pharmaceutical industry, tobacco industry, furniture industry, chemical industry) since they have a greater array of possibilities when deciding on brand strategy in foreign markets compared to B2B companies, which predominantly have standardized market offerings (Boddewyn *et al.*, 1986).

A self-administered questionnaire was used to collect data. The questionnaire and scales used in the questionnaire had been pre-tested. The final questionnaire was sent to a total of 620 firms; a total of 215 questionnaires returned, 32 of which were not filled out correctly, so the final sample consisted of 183 questionnaires. The list of firms that fit the criteria for inclusion in the sample was taken from official database of exporters. The questionnaires were filled out by individuals responsible for brand management (brand manager, marketing manager, export manager). These individuals present knowledgeable respondents since they are responsible for deciding on brand A/S in an international market (Nath & Mahajan, 2011). Unit of analysis was brand. The questionnaires were filled out in respect of the most important foreign market for each brand measured by the sales volume.

Out the total of 183 correctly completed questionnaires, 66 % were filled out by brand managers, 18 % by marketing managers and 16 % by export managers. An average respondent was in the same company for eight years, and held that position for an average of five years, which makes them relevant respondents. Furthermore, although the brands were exported to all the six global economic regions, the most important foreign markets for 71 % of the brands represent their neighboring markets. In addition to several developed economies (e.g. Germany, USA), target markets for most respondents were markets of emerging economies (e.g. Czech Republic, Poland, Slovakia, Slovenia, Russia, Serbia, Bosnia and Herzegovina).

Measures, Validity and Reliability

Domestic product acceptance in a foreign country was measured as respondents' perceptions of brand's acceptance in a particular foreign market as compared to brands from other countries (Likert scale ranging from 1 to 9). For control purposes this variable was measured by evaluating general acceptance of the products of the respective host country, which closely correlated with the above question. In addition, primary data collected in this survey were compared to secondary data regarding the trade exchange between the home country and the countries stated in questionnaires to be the most important foreign markets for selected brands, normed by the number of inhabitants of each foreign country. The results show a statistically significant correlation of the three. In accordance with the aforementioned notion that managers' decision-making is based on their perceptions and not only on specific data (although there seems to be a significant correlation among them), it was decided that the research would use data on managers' perceptions of domestic product acceptance in a foreign country, compared to the acceptance of products from other countries.

Although it is not in our focus, we also included the variable *environmental dissimilarity* in our model, and measured it using secondary data on five elements of the environment (Johansson, 2006; Usunier & Lee, 2005): GDP per capita, religion, literacy, Internet access, access to television. An index of differences of the environment was calculated as a weighted median of the values of individual components, with the relative influence of each component obtained using factor analysis.

The *complexity of the market structure* variable was measured by competition intensity, buyer intensity and distribution intensity (Alashban *et al.*, 2002; Wong & Merrilees, 2007) on a 9-point Likert scale. To measure this variable, we relied on the literature which stresses that managers base their decisions not only on concrete data, but rather on their own perceptions and interpretation of that data (Weick, 1979). The respondents stated the degree to which they agree with statements that a selected brand faces intense competition, a large number of customers and a well-developed distribution system in its most important foreign markets. For this variable Cronbach-α is 0.77, AVE is 0,54 and CR is 0,78.

In most research studies to date, the level of brand adaptation had been observed as a dummy variable (0-1) or analyzed through a single brand element, such as the brand name (Alashban *et al.*, 2002), quality (Hellofs & Jacobson, 1999) or advertising (Okazaki *et al.*, 2007). For the purpose of this paper, the level of adaptation was observed as a continuum between complete adaptation and complete standardization of various brand management aspects. The extremes at either side of the continuum of possible brand strategies were defined on the basis of the literature and interviews with relevant experts, selected among the theorists and practitioners in the brand management field. The goal was to determine precisely the aspects on which brand A/S is possible, as well as a relative importance of each individual aspect in defining a brand strategy. The result of that analysis was a list of key components of brand management. Moreover, we did not observe the brand as a name, logo and/or slogan only, but as an integrated entity of all the elements defining it, such as pricing, promotion, distribution, packaging, customer service, design etc. (de Chernatony, Halliburton & Nernath, 1995). Since brand is a firm's most important resource (Francis *et al.*, 2002), in this paper we took into account all the elements of the marketing mix that impact the brand management (Keller, 2003).

To measure the variable of the product strategy adaptation, we used 11 measures: brand name, brand logo, packing, packaging, product range width, depth, product quality, key product advantages being emphasized, product reliability, durability and design (Alashban *et al.*, 2002; Yoo, Donthu & Lee, 2000). In their answers, the respondents used a 9-point Likert scale. For this variable Cronbach-α is 0.92, AVE is 0,53 and CR is 0,92.

The pricing strategy adaptation variable was measured by measuring a deviation of the pricing policy in the most important foreign market from the pricing policy implemented with regard the same brand in the domestic market (Sousa & Bradley, 2008). The respondents were asked to state, using a 9-point Likert scale, the degree to which the pricing policy has (not) been adapted to the foreign market in comparison to the domestic market. The reason for using a single question related to the pricing strategy is twofold. First, adaptation of pricing strategy is easy to be evaluated by respondents. In addition, the use of a single direct question, instead of a number of related questions, allows for more precise measurement of the concepts which may be considered to be perceived similarly by the respondents in terms of the meaning of such concepts (Drolet & Morrison, 2001).

As to the distribution strategy adaptation variable, the respondents expressed their level of agreement on a 9-point Likert scale regarding the extent to which distribution activities are adapted for the most significant foreign market, compared to the domestic market regarding the following aspects: the structure of distribution channels, the intensity of use of indirect distribution channels and the intensity of use of direct distribution channels (Alashban *et al.*, 2002). For this variable Cronbach-α is 0.88, AVE is 0,71 and CR is 0,88.

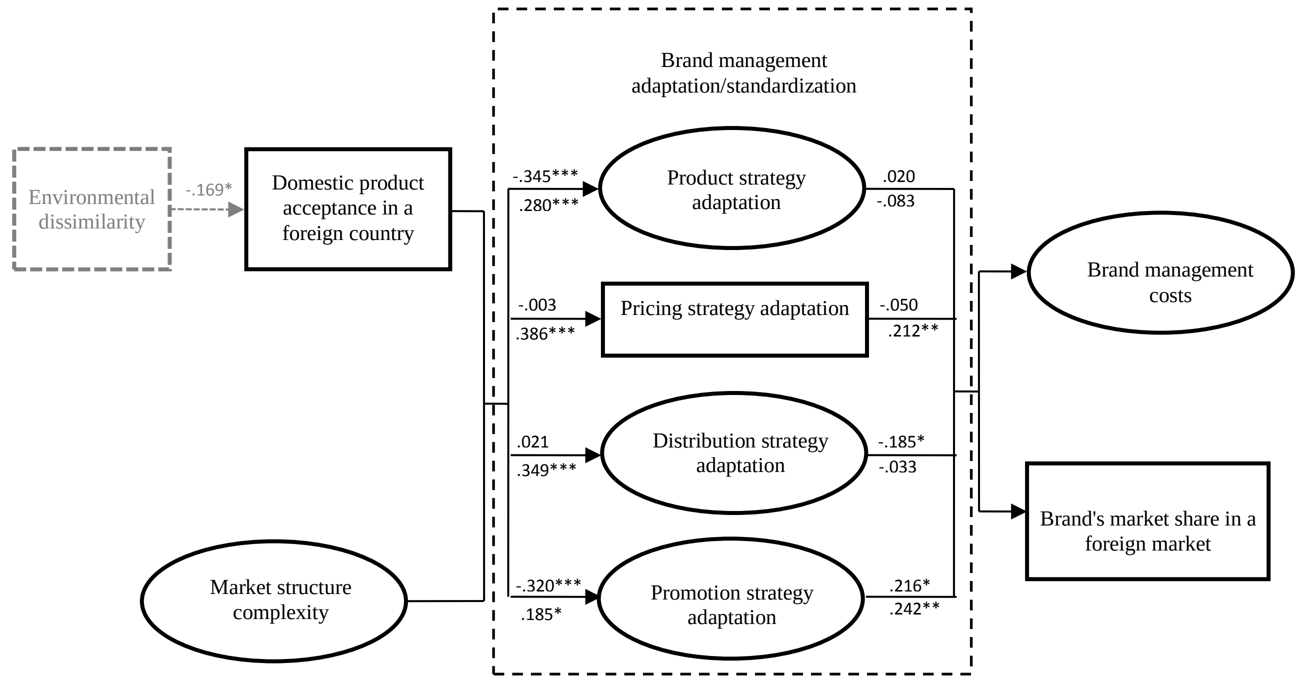
The final variable of the SCP paradigm’s central part is the promotion strategy adaptation. It was measured using eight measures evaluating the level of adaptation of the following aspects: investment in promotion per capita, the strategy of market communication, visual characteristics of TV spots, visual characteristics of newspaper ads, appeals, message meaning, sponsorship strategy and sales promotion (Craig & Douglas, 2005; Taylor & Okazaki, 2006). A 9-point Likert scale was used here as well. For this variable Cronbach-α is 0.8, AVE is 0,51 and CR is 0,89.

Performance was measured using the brand management costs and the brand's market share in a foreign market variables. Brand management costs were measured as costs of production, marketing, R&D, administration, services and materials in comparison to average industry costs in the foreign market using a 9-point Likert scale (1 = significantly lower, 9 = significantly higher) (Lee & Tang, 1997; Schiff, Schiff & Schiff, 1991). Measures for this variable were taken from Alashban *et al.* (2002) and modified to the research context. Cronbach-α for this variable is 0.86, AVE is 0,52 and CR is 0,86.

The last variable of the structural model is the brand's market share in a foreign market. The brand's market share was measured by asking managers about the brand's market share in a selected foreign market, compared to competitors (1 – highly below average; 9 – highly above average); which is consistent with the SCP literature (Lusch & Laczniak, 1989).

Testing Hypotheses

Figure 2 shows the model of the influence of structure on brand adaptation strategies in an international market (conduct) and subsequent brand performance based on SEM analysis following Alashban et al. (2002). For robustness reasons, additional analysis was done where each multi-item variable was first calculated using factor analysis and then used as an index in SEM analysis. Since analyses showed similar results, we present the results of analysis which was performed following Alashban *et al.* (2002).



Notes: *p<.05; **p<.01; *** p<.001. The tested model exhibits adequate model fit (CMIN/DF=2.84, GFI=0.95, CFI=0.96, NFI=0.9, RMSEA=0.08) (Hair, Black, Babin & Tatham, 2005).

Figure 2. Model of Brand Management A/S in an International Market

Hypothesis 1 states that domestic product acceptance in a foreign country has a negative influence on the a) product, b) price, c) distribution and d) promotion strategy adaptation in a foreign market. The results of our research suggest that increased acceptance of domestic products in a foreign country negatively influences the level of product adaptation (β=-.345, p<.001) and promotion adaptation (β=-.320, p<.001), so we can accept H1a and H1d. However, support was not found for H1b (β=-.003, n.s.) or for H1c (β=.021, n.s.). Above mentioned results indicate toward the idea that product strategy and promotion strategy are the only two elements that companies can willingly decide to adapt/standardize, while pricing and distributions strategies are not a matter of decision but the market reality which the brand is facing in the foreign market. Thus, while previous contributions have identified the impact on brand management adaptation (as an aggregate construct), focusing on its constituent elements identifies which brand management elements are "firm-decided" and which are "market-influenced" (e.g. due to the availability of distribution channels, market development, competition, purchasing power, etc).

We also analyzed the influence of the differences of the environment dissimilarity variable on domestic product acceptance in a foreign country, in accordance with the idea that differences in the environment influence consumer preferences (to which firms, ultimately, adapt their strategies). As expected, the results show that differences of the environment have a negative influence (γ=-.169, $p<0.05$) on domestic product acceptance in a foreign country. Thus, these two variables are closely related but we are focusing on variable domestic product acceptance in a foreign country, as it also reflects a number of other factors of consumer preferences associated with foreign brands.

Furthermore, according to Hypothesis 2, market structure complexity has a positive influence on the (a) product, (b) pricing, (c) distribution and (d) promotion strategy adaptation in a foreign market. It was found to have a significant positive influence on the product strategy adaptation (γ=.280, $p<.001$), pricing strategy adaptation (γ=.386, $p<.001$), distribution strategy adaptation (γ=.349, $p<.001$) and promotion strategy adaptation (γ=.185, $p<.05$). Therefore, Hypotheses H2a-H2d can be accepted.

Hypothesis 3 states that the (a) product, (b) pricing, (c) distribution and (d) promotion strategy adaptation has a positive impact on brand management costs in a foreign market. According to the results of our research, there is no significant impact of the product strategy adaptation (β=.020, n.s.) or pricing strategy adaptation (β=-.050, n.s.) on the brand management costs in foreign markets. H3a and H3b were thus not accepted. We could not accept H3c either because, although the adaptation of distribution strategy has a significant influence on the brand management costs in a foreign market, the direction of the influence is contrary to the expected (β=-.185, $p<.05$). Similarly, as in testing H1, the impact of brand management adaptation on brand management costs leads to different conclusions when analyzed as aggregate variable vs. brand management elements. Product strategy adaptation and pricing strategy adaptation have no influence on brand management costs as such changes do not imply substantial changes which could lead to significant cost increases. For example, product strategy adaptation generally revolves around adaptation of brand name, slogan, packaging etc., while pricing strategy adaptation generally implies only new calculations of prices for the foreign market. Distribution strategy adaptation implies lower costs as company uses the available distribution systems which lower its costs of developing one's own distribution system in the foreign market. Adaptation of promotion strategy has a significant positive influence on brand management costs in a foreign market (β=.216, $p<.05$), so H3d can be accepted. Therefore, the crucial cause of increased costs of brand management is the adaptation of promotion that incurs considerable costs of defining communication strategies and implementation of this strategy in the local market.

The last, Hypothesis 4 states that the (a) product, (b) pricing, (c) distribution and (d) promotion strategy adaptation to a foreign market has a positive impact on the brand's market share in that foreign market. The results suggest that the pricing strategy adaptation (β=.212, $p<.01$) and the promotion strategy adaptation (β=.242, $p<.01$) have a positive impact on the brand's market share in a foreign market. So, adapting pricing to the local market, as well as adapting communication results in a greater volume of product purchases in that market. On the other hand, the product strategy adaptation (β=-.083, n.s.) and the distribution strategy adaptation (β=-.033, n.s.) have no significant impact on the brand's market share in a foreign market. Again, as in H3 the impact of brand management adaptation on brand's market share in a foreign market leads to different conclusions when analyzed as aggregate variable vs. brand management elements. Finding that product strategy adaptation does not influence the brand's market share in the foreign market can be explained by the fact that product adaptation implies "superficial" changes which are not providing strong differentiated value thus not having a significant impact on consumer preference and subsequently on market share. On the other hand, distribution strategy adaptation is a "cost of competing in the market" (as discussed before) rather than differentiation factor and as such has no significant influence on brand's market share. Lastly, adaptation of product and distribution strategies loses significance in the presence of pricing and promotion adaptation which can result in strong differentiation and/or price advantage on the market thus having highly significant impact on market share in the foreign market. This means that consumers will buy a product provided that they get value for money and are well-informed about the product. Accordingly, H4b and H4d have been accepted, while H4a and H4c cannot be accepted.

Discussion

Primary motivation for this paper was a wish to better understand brand management strategy in international markets. We wanted to explore how the environment in which a firm operates, observed by focusing on a variable (*domestic product acceptance in a foreign country*) that has not been extensively researched to date, influences the level of brand A/S in a foreign market, and how a selected strategy influences the firm's performance. In addition, most research studies in the field of brand management in an international market so far have been conducted in developed markets, while emerging countries – which play an increasingly important role in the world economy – have been relatively neglected. Although certain fields of international marketing, such as internationalization strategies, the influence of labor costs and resources on productivity etc. (Bhaumik & Gelb, 2005) have been researched in the emerging economies, research related to the international brand management strategies is limited. But the examples of brands like Lenovo, Alibaba or Ülker indicate the need for inclusion of such countries in the studies. Therefore, the results of our research provide some useful and interesting implications for scholars and managers in the field of international marketing.

Theoretical Implications

Focusing on the variable of domestic product acceptance in a foreign country, instead of merely examining environment dissimilarities, is important for two reasons. Firstly, until now, it has been assumed that the more different the environments, the more adapted the brand strategy will have to be; or if the environments are more similar, standardization will be possible. However, the variable of domestic product acceptance in a foreign country reflects a number of other factors influencing consumer preferences, and encompasses possible existence of animosity, xenophilia, ethnocentrism etc. among consumers in considered markets. More precisely, consumers in two very similar countries (e.g. those emerging from the breakup of states such as the USSR) may exhibit significant animosity towards each other owing to various factors resulting from historical or political circumstances. In addition, consumers in target foreign markets, which might be highly similar, may simply be extremely ethnocentric, so the brand strategy will need to be adapted in such situations. On the other hand, if environments in the home and a foreign country are different, previous models would suggest adaptation of the brand strategy. However, when local residents in the target market have positive associations towards the country of the brand's origin or in case of strong xenophilia among local consumers, despite different environments, firms can use brand standardization and achieve cost savings. Accordingly, the use of the variable of domestic product acceptance in a foreign country provides greater consistency of results associated to a correlation of environmental characteristics and brand strategy decision-making. Hence, one of the key contributions of this paper lies in the inclusion of this variable in the research because, to the best of our knowledge, it has not been used in previous studies. Thus, we have contributed to deepening the understanding of its importance for the development of brand strategy and to the level of A/S in an international market.

Research studies to date have measured A/S as a binary variable and the aggregate value, or they examined influence of the environment and the market structure complexity on a single brand element (usually the brand name). Therefore, the analytical approach applied in the present research to understanding the problems of brand strategy A/S in an international market represents one of the main contributions of this paper. As shown in the structural model, the influence of domestic product acceptance in a foreign country and the market structure complexity were observed separately for each brand management element, so domestic product acceptance in a foreign country was found to have greater influence on the product strategy adaptation than on the promotion strategy adaptation. Such analytical approach was also applied to determine the influence that the level of strategy adaptation of individual brand management elements on performance. This approach gives a clearer picture of the antecedents and consequences of A/S strategies in a foreign markets, which have generally been represented a "black box" and was measured as the aggregate value. Neglecting the components assumes that everything is either adapted or standardized when a product is placed on foreign markets. The analytical approach enables a deeper understanding of the problem and provides a clearer picture of the optimization of decision-making.

It is important to highlight several unexpected results of the research. First, it indicates that domestic products acceptance in a foreign country has no influence on the pricing strategy adopted in foreign markets. The reason for it may be that the pricing strategy adaptation depends primarily on the market situation (e.g. competition), or that firms focus on cost-oriented pricing methods which are not influenced by market particularities.

Further, our paper points to an interesting conclusion that the product strategy adaptation does not significantly impact the brand management costs or on the brand's market share in a foreign market. According to previous studies (e.g. Vrontis, 2003), the adaptation of product elements leads to an increase in brand management costs. The reason our research yielded such results may lie in the fact that firms do not adapt their product or product elements to a sufficient extent for these changes to have a statistically significant impact on brand management costs. This is supported by the fact that the adaptation related to the product strategy is most apparent in the width and depth of the product range, which can be achieved at no great additional cost. Changing the product range width or depth has no significant impact on costs because, in most cases, the product range being placed on a foreign market is reduced/narrowed more often than expanded. The explanation for the absence of product adaptation impact on the brand's market share in foreign markets may be that concrete products have been present in respective markets, which are the most important for them, for many years. Consumers are familiar with them and their characteristics, so adaptation their packaging, design or brand name, for instance, would have no or might even have a negative impact on these brands’ market share.

Managerial Implications

This research provides the possibility for managers to very simply analyze the characteristics of the environment for the purposes of deciding on brand A/S by analyzing domestic products acceptance in the target foreign market. It not only allows them to make better-informed decisions, but also enables an easier assessment of the environment than conducting complex analysis of the differences between individual elements of the environment. Even in different environments, if domestic products are accepted in the foreign market, the application of the standardization strategy is advisable, particularly for products and promotion strategies.

Furthermore, in the markets with a large number of customers, competitors and distributors, it is better for managers to adapt the strategies of all brand elements. If a foreign market is characterized by a large number of customers, they will very likely have heterogeneous desires and needs, so it will be necessary to adapt the product strategy. In addition, the more complex the market structure, the more adapted the product needs to be not only because of heterogeneous and demanding consumers, but also because of strong competition. For the same reasons, the pricing strategy needs to be adapted; the more demanding the consumers and the more intense the competition, the more likely it is that the prices will need to be adapted to local conditions (most often they will be lower in a market that is close to perfect competition). Moreover, owing to intense competition and a large number of buyers, promotion strategies will also need to be adapted in order to differentiate the brand from the competition and adapt it to different buyer demands. It is important to note that the impact of market structure complexity on the promotion strategy was found to be the lowest; this can be explained by the fact that not only is the intensity of market participants important for its adaptations, but so are their characteristics (cultural etc.), which have been taken into account through the influence of different environments and domestic product acceptance in a foreign country.

As for the impact of the selected brand management strategy in a foreign market on business performance, managers need to pay particular attention to the following: firstly, the research results showed no impact of the product strategy adaptation on the brand management costs or the brand's market share in a foreign market. This is important because a product which is good for the domestic market, is generally good for the international markets, with possible minor changes. Even if firms adopt the product to the foreign markets, such changes are minimal and do not impact either the costs or the market share. On the contrary, if the firms with such brands tried to adapt the product strategy (e.g. design, packaging, quality), it would certainly increase the costs and may also bring about uncertainties with regard to acceptance among consumers of such an adapted product.

Findings concerning the impact of distribution strategy adaptation on the brand management costs, contrary to expectations, exhibit an interesting implication. Namely, the adaptation of the distribution strategy was found to have a negative impact on the brand management costs, which means adapting distribution in a foreign market leads to a reduction in brand management costs. This implies that the optimal distribution strategy for the firms is to adapt their distribution system to local conditions by utilizing local distribution channels. However, this information should be taken with caution because, as already mentioned, the majority of the sample consists of small and medium-sized enterprises.

As for the impact of the adaptation of the brand management strategy on the brand's market share in a foreign market, managers should be aware that pricing strategy and promotion strategy adaptations have the greatest impact. Although the former may seem a better and an easier choice (obviously a lot of managers apply it, considering the influence of domestic product acceptance in a foreign market on the pricing strategy adaptation), its impact on the market share increase is usually short-lived. In addition, if the domestic and the foreign market are geographically close and if the adaptation involves a price reduction, there is a risk of gray economy. The impact of promotion strategy adaptation on the brand's market share in the foreign market is likely to have a longer-term impact because it plays a role in building the brand image in that foreign market, thus creating loyal customers who increase the brand's market share. In addition, the adaptation of promotional activities helps sensitize the local community and local consumers to the brand, thus attracting customers and ensuring a larger market share. This is especially important for food manufacturers as their products are typically most influenced by factors of the local environment.

Conclusion

Back in the year 1850, Darwin argued that living organisms were able to survive in a world of constant change and potentially hostile environment only because they had the ability to adapt to new factors in the environment. Firms are not significantly different from living organisms. They, too, operate in an ever-changing environment and, to survive in a market with strong competition, they must be aware of the changes taking place and of the need for adaptation. Since change is inevitable, firms need to know which change will have an influence on them and which change to adapt to. However, there is no unique optimal strategy that might suit all firms. Each firm, based on its limited resources, must find a strategy that will be optimal for it in a given context. Thus, it can be concluded that the models generated in developed markets cannot be copied to the markets of emerging countries.

Our research results show that it is impossible to draw general conclusions on whether it is better to standardize or adapt one's brand strategy in a foreign market. To be more precise, when analyzed at an analytical level, there are several conflicting effects. In this regard, it is particularly interesting to find that changes of the product itself have no significant impact either on the brand's market share in a foreign market or on brand management costs. This is since product changes are generally not that radical, and a radically changed product actually is identified as a new product (brand) which is observed separately. The impact of the pricing strategy adaptation implies that prices should always be adapted to the local market because they have a positive effect on the market share, while not increasing costs at the same time. The same recommendation stands for the distribution strategy adaptation, owing to its negative impact on costs. Therefore, although it has no impact on the market share, the distribution strategy adaptation improves operations by reducing costs and making additional resources available for other investments. Thus, while prices should be adapted on account of their effect on the market share only (revenue side), distribution should be adapted because it affects solely the cost aspect (expenditure side). When it comes to promotion, it is not possible to make an unambiguous conclusion since promotion strategy adaptation increases both the firm's costs and its market share at the same time. So, we can conclude that promotion A/S decision should be made according to the principle of marginal values.

Brand managers must be aware that brand internationalization and development of the optimal brand strategy in an international market is a complicated and lengthy process. It needs to be approached analytically, taking time to implement the program. Prior to that, it is necessary to clearly define and differentiate the brand strategy because it will add to the brand value, as a crucial element of performance. However, brand managers also need to be aware that the brand strategy is the firm's response to the particularities of the environment; accordingly, performance depends on the extent to which that strategy can be channeled by exploiting the advantages provided by the environment, or to which it can mitigate adverse influences of the environment.

While giving a number of new insights on the topic of brand A/S in an international market, this paper has certain limitations. The first limitation is related to the fact that only one measure was used for measuring certain variables of the structural model. However, literature has used such approach, and precisely that literature (Bergkvist & Rossiter, 2007) was consulted in decision-making related to these issues. The fact that all products on the B2C market are observed together – irrespective of their product category – may also be considered a research limitation; but since that is not the direct focus of this paper, it may serve as a recommendation for future research as well.

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