

Export Price Adaptation: an Agency Approach

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1 Introduction

Setting appropriate prices is crucial to a firm's economic performance in export markets, at the same time highly demanding due to the complexity and plethora of influencing factors. As these influences vary substantially across markets, "one strategy fits all markets" will not lead to superior performance (Forman & Hunt, 2005; Myers, Cavusgil, & Diamantopoulos, 2002). Thus, the discussion of export price standardization vs. differentiation has attracted particular attention. Residing in contingency theory (Zeithaml, Varadarajan, & Zeithaml, 1988), export pricing decisions are designed to respond effectively to the contingencies in the internal and external environment (e.g., Lages & Montgomery, 2005; Myers, et al., 2002; Solberg, Stöttinger, & Yaprak, 2006). Thus firms with an optimal match between environmental conditions and export pricing strategy will outperform those who do not reach the same level of alignment (Dow, 2006).

However, a closer look at empirical results on export price adaptation and its impact on export performance reveals mixed and inconsistent findings. Some studies indicate a positive link between export price adaptation and export performance (Das, 1994; Lee & Griffith, 2004; Shoham, 1996). Others (Albaum & Tse, 2001; Cavusgil & Zou, 1994) did not find any significant link, while some research showed a significant negative impact of price adaptation on performance (Lages & Montgomery, 2005; Shoham, 1999; Sousa & Bradley, 2008; Zou, Andrus, & Norvell, 1997).

In exploring the reasons for these inconsistencies and unveiling potential remedies, we take two directions within this paper: first, existing research captures the export price as a reaction to environmental idiosyncrasies in the export market which either call for adaptation or standardization. However, adjusting to the macro- and the market environment is only one aspect of adaptation (Brennan, Turnbull, & Wilson, 2003; Lye & Hamilton, 2001). Maintaining certain price levels as products travel through the distribution channel strongly depends on the importer's support in that matter (Myers, et al., 2002), as he may either pass through or adapt prices on his own behalf (Cavusgil, 1988, 1996). Including the importer's impact on export price adaptation may thus provide a more comprehensive picture of the international marketing reality and contribute to a better understanding of the phenomena.

To theoretically conceptualize the importer's impact on export price adaptation, we rely on agency theory. For that purpose, we frame the exporter's price adaptation as a principal (exporter) – agent (importer) contract. Through using a foreign distributor, the exporter passes on important tasks and thus transfers risk to the importer. The importer who is risk averse may shirk his responsibilities, and, if he feels inadequately compensated for his risk, revert to other manufacturers' products with higher supplemental revenues. For the exporter, export price adaptation may serve as an incentive for the importer (e.g., through higher margins, value transfer) and thus helps him win the internal competition against other manufacturers' brands. Provided that our contentions hold, our approach to conceptualize export price adaptation would be a novel perspective to the phenomenon – export price adaptation not only to the environment, but to the distributor - that allows for concrete managerial implications in how to be more effective in export price adaptation.

The second aspect how we aim to advance existing knowledge lies in answering a frequent call for more rigorous conceptualization and measurement (e.g., Ryans Jr, Griffith, & White, 2003; Theodosiou & Leonidou, 2003). Past research used rather simple operationalization approaches such as the degree of similarity between home and host market prices which may not necessarily reflect a deliberate adaptation process, but, for example, be more due to mere fluctuations over time. In this paper, export price adaptation is captured as a formative construct through MIMIC modeling (Winkelhofer & Diamantopoulos, 2002) based on various pricing tools that may strategically be adapted by the exporter to win the internal competition against other brands. Embedded in a structural model, we can further draw conclusions, whether and how the adaptation works and to what extent it successfully contributes to export performance.

2 Literature Review

2.1 Export price adaptation vs. standardization and export performance

As mentioned previously, the discussion of export price standardization vs. adaptation and its effect on export performance has attracted substantial interest with mixed results (e.g., Lages & Montgomery, 2005; Myers, et al., 2002; Solberg, et al., 2006). Some studies show no link (Albaum & Tse, 2001; Cavusgil & Zou, 1994) between export price adaptation and export performance, some a significant negative impact (Lages & Montgomery, 2005; Shoham, 1999; Sousa & Bradley, 2008; Zou, et al., 1997) and others a positive connection (Das, 1994; Lee & Griffith, 2004; Leonidou, Katsikeas, & Samiee, 2002; Shoham, 1996).

The explanations for the deviating findings are manifold. They range from the direction of ongoing price adaptation between home and host market (Lages & Montgomery, 2005; Shoham, 1999). So if domestic prices are lower, a price adaptation to the higher price in the export market will weaken the competitive advantage in the target market. Thus, price standardization (at the lower home country level) is more promising with regard to export performance (Zou, et al., 1997). Other times, standardized prices are said to portray a more consistent price image and thus lead to superior performance (Lages & Montgomery, 2005; Sousa & Bradley, 2008). Moreover, adaptation strategies are deemed more costly and thus have negative effects on export performance (Cavusgil & Zou, 1994; Samli & Jacobs, 1994).

Overall, Theodosiou and Leonidou (2003) and Ryans et al. (2003) deplore that standardization/adaptation, in general, is examined at a very generic level with suboptimal operationalizations and measurements, neglecting the finer dimensions of marketing instruments. In terms of export pricing, a closer look into conceptualizations and measurements seems to confirm these shortfalls. Some studies (e.g., Diller & Bukhari, 1994; Solberg, et al., 2006; Stöttinger, 2001) conceptualize export price adaptation as the alignment of prices across their various export markets. Cavusgil and Zou (1994) define it as the degree of price competitiveness achieved. Still others capture export price adaptation as the difference between home and foreign market prices (Lages & Montgomery, 2005; Shoham, 1999). Albaum and Tse (2001) adopt a similar view and complete this measure assessing the frequency of price adjustments.

However, a simple variation of export prices does not necessarily always reflect a purposeful adaptation process. For example, in the case of Albaum and Tse's (2001) study, respondents were Hong-Kong exporters which were created to export the vast majority of their production. So there is no particular reason to take Hong-Kong, a small market for them, as a price reference point. The same can be applied to Shoham's (1999) study as many of the Israeli industrial exporters surveyed may realize substantial sales abroad. Cavusgil and Zou (1994) see a main aim of many pricing policies in offering lower prices than the competition. Yet, many firms use non-price arguments to compete abroad. Thus, their pricing policy does not involve setting lower prices than the competition.

2.2 The importer's role on export price adaptation

Taken collectively, the current export price adaptation literature focuses mainly on adjusting to the macro- and the market environment. Yet, this is only one aspect of adaptation (Brennan, et al., 2003). The adaptation to the importer who is the relationship partner has not been considered to date, although the importer plays a substantial role in an exporter's performance in the foreign market(s). Foreign distributors possess strong local market knowledge, and are thus trusted with key marketing functions. They handle crucial issues such as the direct customer contact or the choice of products to be promoted (Bello & Gilliland, 1997; Bello & Lohtia, 1995; de Mortanges & Vossen, 1999; O'Cass & Julian, 2003). To keep the working relationship fruitful and lively, adaptation to the business partner is vital (e.g. Hallén, Johanson, & Seyed-Mohamed, 1991).

Unlike in the domestic marketing literature, the role of the importer/distributor in export pricing – at least in most empirical research – received little attention with few exceptions (e.g., Myers & Harvey, 2001). Export pricing research has looked at the role of the foreign intermediary from different perspectives. For instance, the distributor margins included may serve as motivational incentives for intermediaries, when distributing products and services abroad (Cavusgil, 1996; Samiee, 1987). More often, however, foreign distributors are perceived as a driver to price escalation. The number and type of intermediaries employed are seen as a crucial influence on export prices (Cavusgil, 1988; Forman & Hunt, 2005). Specifically, lengthy and dynamic distribution channels fuel export price escalation (Myers, et al., 2002). Within the adaptation discussion the distribution infrastructure is seen as crucial. Sousa and Bradley (2009), for example, found the similarity between home and host country distribution infrastructure to strongly influence export price adaptation.

Another angle to the distributor's role in export pricing is the locus of export price decision making and control. Myers and Cavusgil (1996) suggest that, as the product travels through distribution channels and prices increase, price control measures by the manufacturer are called for. Myers and Harvey (2001) look at organizational and environmental influences on export pricing control and how different control mechanisms impact an exporter's economic and strategic performance. They suggest that a higher degree of pricing responsibility on the foreign intermediary's side improves distributor relationships and the exporter's strategic position in the market.

Solberg et al. (2006) revealed that internationally well-experienced firms extended some flexibility to local partners, while overall retaining close control of export price adaptation. In their views, this reflects the foreign intermediary's critical role. Also, it guards against their distributor's opportunistic behavior that could benefit from information asymmetry tilting the power balance in his favor.

From that we draw two major conclusions: first, the importer has an impact on export price adaptation. As Liang and Parkhe (1997, p. 520) stress, the notion of the importer as someone who "at best, is thought to be silent partners, and at worst, passive recipients of exporters' offerings" is outdated. The foreign intermediary needs to be seen as a partner in "what is a quintessentially two-sided exchange designed [primarily] to satisfy importers' business needs". Conceptual and empirical findings support this contention. Second, despite the importer's importance in export pricing, existing research only tangentially reflects his impact.

3 Research Hypotheses

This research engages in a theoretically supported, more balanced conceptualization of export price adaptation which is matching the exporter's activities and the importer's interests. As outlined previously, the exporter/importer exchange is challenged by control issues (Myers & Harvey, 2001; Solberg, et al., 2006), information asymmetries (Lye & Hamilton, 2001) and a high degree of environmental uncertainty (Karunaratna & Johnson, 1997). To highlight the importer's role more prominently, several authors implicitly (e.g., Myers & Harvey, 2001; Solberg, et al., 2006) or explicitly (Lye & Hamilton, 2001) point towards agency theory.

In domestic research on channels and control (e.g., Lassar & Kerr, 1996) or sales force management (Bhardwaj, 2001; Frenzen, Hansen, Krafft, Mantrala, & Schmidt, 2010; Mishra & Prasad, 2005), agency theory has been used before in a principal (manufacturer) - agent (distributor, sales force) context. In export pricing, however, this approach is novel. Subsequently, the key tenets of agency theory are outlined and related to export price adaptation.

According to Bergen et al. (1992), an agency relationship is prevalent, whenever one party (principal) depends on another party (agent) to undertake some action on the principal's behalf. The exporter's relationship with an importer can be seen as such a principal-agent contract (Karunaratna & Johnson, 1997). By selecting a foreign distributor, the exporter delegates key marketing functions to the importer, and thus depends on his performance in the foreign market context (Bello & Gilliland, 1997; de Mortanges & Vossen, 1999). To efficiently manage the relationship, agency theory establishes the optimal form of contract between the two parties (Eisenhardt, 1989) that aligns the exporter's and the importer's interests. In this context, the importer's risk aversion plays a key role. In agency theory, the agent is said to be risk averse (in contrast to the principal, who is usually mapped as risk neutral). The importer's risk aversion may have different reasons, for example, the dependence on the exporter to supply attractive products at competitive prices (Lassar & Kerr, 1996) or the limited flexibility to diversify his engagements after committing himself to an exporter (Bergen, et al., 1992). Risk also arises, as the importer can only partly influence his economic performance in the market, as uncontrollable effects such as competitor actions, governmental policies or economic conditions similarly affect his business. Subsequently, these risks have to be absorbed (Eisenhardt, 1989; Lassar & Kerr, 1996).

To mitigate risk and to optimize his profit situation, the importer pursues own goals. For instance, he may price the product above or below the manufacturer's preferred range or promote it inadequately. Moreover, he may develop a portfolio of competing brands and thus escape margin pressure from one brand while benefitting from the support from other distributors' brands (Bergen, et al., 1992; Lassar & Kerr, 1996). For the exporter, this establishes a situation of internal competition. To avoid this competitive situation respectively to win the internal competition and thus get full importer support, the exporter needs to evaluate and reward the importer through incentives superior to those of competing brand manufacturers (Bergen, et al., 1992). Lassar and Kerr (1996) suggest incentives such as high margins and value transfers (product support payments, cooperative advertising, etc.). From an agency theory perspective, such incentives are supplemental revenues provided by the principal to the agent. Supplemental refers to revenues exceeding the agent's reservation utility, i.e., the usual margin he is getting from other suppliers. Within our approach, export price adaptation is actually the provision of exporter incentives to the importer.

3.1 Export price adaptation as a reflection of the exporter's attempt to win the internal competition

Based on our theoretical arguments around agency theory and export price adaptation, we contend the following: the exporter utilizes different pricing components and adapts them to provide an incentive, i.e., supplemental revenues. These price-oriented incentives to the importer help the exporter win the internal competition.

For relevant pricing components, we analyzed the export pricing literature: Lages and Montgomery (2005) used the determination of the pricing strategy (e.g., skimming vs. penetration pricing), credit concessions, price discount policy and margins, when investigating export price adaptation. Sousa and Bradley (2008, 2009) added payment security. Shoham (1999) selected price, currency used, credit length and payment conditions. Theodosiou and Leonidou (2003) synthesized previously researched pricing components along the following aspects: retail price, wholesale/trade price, profit margins to trade customers, profit margins to end-users, discounts, sales and credit terms, which other authors then used in their work too (e.g., Lages, Abrantes, & Lages, 2008).

However, incentives to the importer to promote an exporter's products may not only consist of directly price-related benefits (e.g., higher margins, rebates, discounts, favorable credit terms), but also take the form of subsidies to better perform the tasks expected (e.g., promotional support) (Lassar & Kerr, 1996; Piercy, Katsikeas, & Cravens, 1997). Along these lines, Cavusgil et al. (2003) point to the connection between new product launch, (external) competition and pricing issues. As an exporter primarily competes through his products in foreign markets, any new product launched within that market provides grounds for pricing actions to fend off external competition. In analogy, we contend that an exporter has to provide price incentives when launching new products to succeed against other products within the importer's brand portfolio.

Thus, we derived the following hypotheses:

In order to motivate the foreign distributor to promote their brand, exporters ...

- H1: provide rebates and discounts,
- H2: provide favorable credit terms,
- H3: offer currency variation mitigation schemes,
- H4: offer special conditions (price and credit) when they launch new products,
- H5: seek to provide superior margins,

to their overseas representatives.

3.2 The effect of export price adaptation on export performance

Our agency theory perspective suggests that export price adaptation is conceived as an incentive to win the internal competition. Thus, price adaptation measures can only be effective, IF the importer perceives them to be satisfactory compared to alternative exporters' offerings. If so, the importer will reward the exporter's efforts and perform accordingly to support the exporter's business in the foreign market (Kim & Frazier, 1997). Therefore, we propose a mediating role of the importer in the link between export price adaptation and export performance. On how to conceptualize the importer's response to the exporter's incentives, we see the importer's role performance as a key factor. While role performance was used mainly in relation to the exporter (e.g., Kumar & Bergstrom, 2008; Skarmas, Katsikeas, Spyropoulou, & Salehi-Sangari, 2008), we agree with Frazier (1983) that for a fruitful dyadic relationship role performance needs to work both ways. More specifically, he argues that "when actual exchanges of products, services, and information begin, the role performance of each firm (how well a channel role is actually carried out) will determine, in a large part the outcomes, both actual and perceived, achieved in the relationship (e.g., sales, profits)." (Frazier, 1983, p. 159).

Consequently, we propose that

- H6: Export price adaptation has a positive impact on importer role performance.

It is for the specific experience that the exporter chooses an importer, as he expects the importer's knowledge and capabilities to improve export performance. Past research supports the fact that shifting responsibility to those who have pricing decision-relevant knowledge increases performance (e.g., Frenzen, et al., 2010; Lal, 1986). These considerations lead to H7.

- H7: Importer role performance has a positive impact on export performance.

H6 and H7 describe the case where the importer behaves in line with the exporter's intentions and supports his pricing approach abroad. From this collaborative effort, a positive impact on export performance can be expected. The question arises what happens, if export price adaptation is done without any impact on the importer. In our model, this situation is captured through the direct effect of export price adaptation on export performance. We hypothesize that in this case...

- H8: Export price adaptation has a negative effect on export performance

for various reasons. In choosing a foreign distributor, the exporter hopes to benefit from the importer's local knowledge and market information. In export pricing, it has been shown that such information improves pricing decision effectiveness abroad (Benito, Solberg, & Welch, 1993; Cavusgil, et al., 2003; Tzokas, Hart, Argouslidis, & Saren, 2000). As the importer is not motivated by the exporter's incentives, he may not be willing to share this crucial information. Moreover, pricing has been ranked among the most significant and intensive points of disagreement between exporters and importers (Leonidou, 1989; Moore, 1990). Again, if the exporter takes his way in pricing and does not try to reconcile different viewpoints, this may

not only lead to suboptimal results, but substantially damage the business relationship. Finally, an adapted strategy will lead to improved performance, only if it is coaligned with the context (Theodosiou & Leonidou, 2003). In our case, if prices are adjusted to the environmental context but not to the distributor's needs as called for in a dyadic relationship (e.g. Lye & Hamilton, 2001), suboptimal coalignment and thus inferior performance will be the result. Taken collectively, export price adaptation without the importer's engagement leads to a suboptimal result, represents only costs without benefits and thus has a negative impact on export performance.

4 Method

Our hypotheses were tested on a sample of French exporters. First, a MIMIC procedure (Winklhofer & Diamantopoulos, 2002) allowed determining what type of price adaptation exporters were performing when they aimed at winning the internal competition. Second, we embedded the MIMIC model measuring price adaptation into a structural model in order to assess the impact of export price adaptation on export performance.

4.1 Sampling and sample characteristics

From a database by the French Chambers of Commerce containing 32,500 French exporters, a random sample of 1036 industrial firms, with more than 10 employees, that exported at least 10 per cent of their total revenues to more than three countries and used independent foreign distributors was selected. They were contacted by telephone and asked to complete the questionnaire either through fax or online. Respondents were asked to base their answers on a business relationship with one of their foreign distributors. To introduce adequate variation in the answers, the sample was divided into three groups. The first group was asked to focus on the relationship with one of their two largest overseas representatives, the second group with regard to their third- or fourth-largest foreign distributor and the third group related to one of their smallest export ventures.

The respondents' competence was checked in several ways. First, the database of French exporters is built by the local chambers of commerce export specialists who know the export staff of these companies personally. Second, information included in the database was verified through telephone calls with each potential respondent. Third, a respondent competency test, which included four questions with scores from 1 to 7, was included in the questionnaire. Any respondent who scored less than 4 on one question or had an average score to the four questions of fewer than 5 was eliminated from the survey. Three questionnaires were eliminated because of low competency scores. A total of 283 questionnaires (5 firms provided answers for two different business relationships) from 278 firms (sample size: 1036, response rate of 26.8 per cent) were included in the data set.

Following Mentzer et al.'s (2001) guidelines, non-response bias was assessed. A random sample of 50 non-respondents was contacted and asked to answer five questions corresponding to one item from each of the scales. The *t*-tests of group means revealed no differences between non-respondents and respondents. Thus, non-response bias was not considered a problem in the current study.

Firms belonged to 19 of the 21 industrial categories recorded in France. Eighty per cent of these firms were small or medium-sized enterprises with fewer than 250 employees (European, 2005), and exports generated an average of 34.4 per cent of their revenues. The sample structure adequately reflects the characteristics of French industrial exporting firms: 92.4 per cent of small and medium-sized enterprises and exports at 37.7 per cent of sales (SESSI, 2002). Eighty-nine per cent of the respondents belonged to the top management of their respective firm (43 per cent export managers, 24 per cent general managers, and 22 per cent marketing managers), and 11 per cent were export area managers. They had been personally responsible for the focal business relationship for an average of 6 years.

4.2 The MIMIC model: Export Price Adaptation

In the MIMIC model (Figure 1), export pricing adaptation is represented as a latent variable determined by a set of antecedent variables (PAdapt1-5) indicating the actual price manipulations performed by exporters. The intended outcome of this price adaptation is measured with two reflective indicators (IntComp1-2). The latter refer to the exporter's objectives when crafting the pricing policy: i.e., winning the internal competition by fostering importers' support of their product lines.

Insert Figure 1 here

This modeling technique has several advantages. First, it discriminates between the various price manipulations and the objectives of export price adaptation. Hence, it determines the specific price manipulations that exporters perform. Second, the relative importance of each price manipulation can be empirically established by estimating the respective path coefficients between each formative indicator (PAdapt1-5) and the latent variable. A third advantage is that the overall explanatory power of the price manipulations (PAdapt1-5) can be formally assessed by examining the amount of the latent variable's variance they explain (R²).

To generate the measurement items, we relied on our literature review and interviews with exporters (Table 1).

Insert Table 1 here

For the MIMIC model, we followed Diamantopoulos and Winklhofer's (2001) recommendations. The formative indicators collinearity was checked by examining their variance inflation factor and their shared variance (Kleinbaum, Kupper, Muller, & Nizam, 1997). All five items were retained for their initial inclusion in the index. Then, we estimated a MIMIC model with the formative and reflective indicators (Table 2).

Insert Table 2 here

In this procedure, each formative indicator's path coefficient is interpreted as the validity coefficient for this item. Three indicators (PAdapt1-3) displayed non-significant coefficients and were eliminated, one at a time, from the model. The two reflective indicators (IntComp1 and IntComp2) loaded adequately. The final model included the two formative indicators that displayed significant path coefficients: PAdapt4 (support to launch new products, $r = .34$, $t = 5.42$) and PAdapt5 (superior margins, $r = .16$, $t = 2.48$) and the two reflective indicators. The fit indices of the model indicated a good fit to the data: $\chi^2 = .8$, $df = 1$, $p = 0.79$; GFI = 1, NFI: 1, TLI = 1, CFI = 1, RMSEA = 0.00. Finally, the variance explained in the latent variable amounted to 17 %. This percentage has to be evaluated taking into account all the other actions that exporters can undertake in order to motivate their overseas agents.

The results reveal French exporters' price manipulations when they intend to improve the foreign distributors' selling and marketing efforts. Three of our hypotheses referring to price manipulations consisting in rebates and discounts, favorable credit terms, currency variations mitigation schemes were not supported. The remaining two hypotheses, i.e., support to launch new products and superior margins, were supported. We believe that an explanation for these results resides in the profile of French exporters which are mostly SMEs exporting value added products. As reflected by the R² of the MIMIC model (.17), price manipulations represent only a fraction of the actions these exporters take to influence their importers' behaviors. With their competitive advantage based on differentiation, it is likely that an important part of their policy is focused on product and services. Therefore, sustainable support to promote products and services in form of subsidies for new product launches or higher margins is more likely to be used than mere rebates or discounts. Moreover, the non-significance of the coefficients corresponding to credit terms and exchange rate variation may reflect the fact that these elements are determined at the initiation of the business relationship. Indeed, our study mainly focuses on the ongoing export price adaptation that take place during the life of the business relationship.

4.3 The structural model: The impact of export pricing adaptation on export performance

In order to test hypotheses 6, 7 and 8, we specified a structural model (Figure 2) assessing the impact of export pricing adaptation on importer role performance and export performance. Export pricing adaptation was measured using the MIMIC model developed earlier. To assess importer role performance, we adapted Kumar et al.'s (1992) global scale of reseller performance. To capture the exporter's economic performance, we used Bello and Gilliland's (1997) scale. The items were translated into French following Craig and Douglas' (2005) recommendations.

Insert Figure 2 here

As formative instruments cannot be included in a confirmatory factor analysis (CFA), the CFA was limited to the two reflective constructs: importer role performance and exporter economic performance. The fit statistics of the measurement model indicate a good fit to the data (Table 3). Moreover, for each scale, we calculated the standardized loading of each indicator; the composite reliability index, ρ ; and the variance extracted, vc . The two reflective constructs exhibit indices that are superior to the reference values ($\rho = 0.6$, $vc = 0.5$).

Insert Table 3 here

Next, we assessed the discriminant validity of each latent construct. Their correlation was constrained to equal one. Then, we compared this model with a second model that released this constraint. A chi-square difference superior to 3.84 ($d.f. = 1$) indicated discriminant validity. The scales passed this test, with a chi-square difference of 121.

We used a one-factor test to assess potential common method bias. This test verifies whether a single latent variable can account for all the manifest indicators in the analysis (Podsakoff & Organ, 1986). The single-factor model yielded degraded fit indices suggesting that common method bias is not a problem.

Finally, the structural model (Figure 2), where the relationship between export price adaptation and export performance was mediated by importer role performance, was tested. The fit statistics indicated a good fit to the data, and this mediated model explained 70% of the variance in export performance (Table 4).

The results support H6 and H7, indicating that export price adaptation enhances importer role performance, which in turn improves export performance, while the link corresponding to H8 is not significant. A formal test of the mediating effect of importer role performance was conducted following procedures recommended by Baron and Kenny (1986) as well as Shrout and Bolger (2002). It required the evaluation of both a direct model (H8) and a mediated model (H6/H7, Table 4).

The two models' fit statistics were compared first. With a degrees-of-freedom difference of 1, a chi-square difference of 3.82 would indicate a better fit for the mediated model. The large chi-square difference (120.9) shows that the mediated model is a better fit with the data. Furthermore, the non-significant link between export price adaptation and export performance

indicates that importer role performance fully mediates the relationship between the two aforementioned variables.

Insert Table 4 here

In substantive terms, the results suggest that the entire positive effect of export price adaptation on export performance occurs through importer role performance. These findings support our theoretical contentions of how important the importer is in export price adaptation. We found that price manipulations help the exporter win the internal competition and provide relevant incentives to the importer. For these incentives, the importer rewards the exporter's efforts by living up to expectations tied to his role, such as promoting the exporter's business, and thus contributes to the exporter's performance abroad. Our analysis shows a negative, but non-significant direct relationship between export pricing adaptation and export performance. This implies that an exporter's attempt to adapt export prices without considering the impact on the importer will most likely not be as successful.

5 Discussion and Conclusion

Within this paper, we attempted a fresh look at export price adaptation, which traditionally has been captured as an exporter's adaptation of prices to the foreign macro- and market environment – using rather simplistic approaches to operationalization and measurement. In our view, this falls short of the international marketing reality, where the importer, his specific know-how and information and his interests play a significant role in export pricing. Introducing agency theory and MIMIC modeling, we conceptualized export price adaptation as an exporter's attempt of using pricing components as incentives to win the internal competition within the importer's brand portfolio. If successful, the importer would comply with his role and fully support the exporter's business in the foreign market, leading to superior export performance.

Results strongly confirm our theoretical contentions: the importer has a crucial impact through his mediating role in the export price adaptation-export performance link. As a reward for the incentives the exporter offers through export price adaptation, the importer promotes the exporter's business, and thus contributes to export performance. In terms of the direct effect, i.e. the exporter attempting to adapt prices without considering the importer, export performance will most likely be negatively affected. When it comes to the most effective pricing components to win the internal competition, support for new product launches and higher margins turned out as superior.

While we believe that our novel approach has provided a substantially new perspective and intriguing insights into the phenomenon of export price adaptation, we acknowledge its limitations, which may be overcome in future research. As we pointed out, the exporters in our sample seem to compete mainly through differentiation in foreign markets rather than value for money strategies, which may be a reason why directly, cost related incentives such as rebates, discounts or exchange rate mitigation schemes turned out to be less effective. Applying our approach to firms competing with an approach other than differentiation may thus provide a more comprehensive picture. As mentioned previously, some of the price components (e.g., credit terms, exchange rate mitigation schemes) are issues dealt with at the beginning of an international business relationship. Therefore, investigating exporter-importer business relationships at different stages may help to elucidate the phenomenon of export price adaptation in more depth. Moreover, export price adaptation is but one incentive an exporter can take to motivate his overseas agent. To fully capture the exporter's incentive portfolio, it may, therefore, be useful to extend our approach (using agency theory and MIMIC modeling) beyond export pricing and include other marketing mix elements, such as product or promotion incentives. Finally, while we did take export pricing research a step further by incorporating the importer's impact, we have to acknowledge criticism - as with all dyadic research designs - for not fully capturing both sides equally.

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Appendix

Figure 1: MIMIC model of export price adaptation

Figure 2: Structural model capturing the influence of export price adaptation on export performance

Table 1: Operationalization of constructs

	Formative Indicators (Price Manipulations)
PAdapt1	We often propose rebates and discounts to this importer
PAdapt2	We offer this importer favorable credit terms
PAdapt3	We try to compensate exchange rates fluctuations for this importer
PAdapt4	We propose this importer special discounts and credit terms to help them launch our new products
PAdapt5	Our pricing policy aims at granting this importer higher margins than (what they get from) their other suppliers.
	Reflective Indicators (Intended Outcomes)
IntComp1	Our policies encourage this importer to increase their marketing efforts on our products
IntComp2	Our policies encourage this importer to sell more of our products

based on Leonidou et al. (2002), Piercy et al. (1997) and Rosenbloom (1990)

Table 2: Results of the MIMIC model

Hypothesis		Path Coefficient	t value
H1	PAdapt1	.04	.63
H2	PAdapt2	-.02	-.40
H3	PAdapt3	.03	.55
H4	PAdapt4	.33	4.61
H5	PAdapt5	.15	2.42
		Loading	
-	IntComp1	.79	7.8
-	IntComp2	.97	12.1

t: significant at p .05, if t 1.96.

Table 3: Results of the Confirmatory Factor Analysis

Reflective Scales Properties and Items (All items measured with seven-point Likert scales or semantic differential.) Importer Performance: vc = .75 f = .93 (Kumar et al., 1992)	Indicators Standardized Loadings
Our association with this importer has been a highly successful one.	.90
If I had to give this importer an appraisal for its performance these last years, it would be (1 = "poor," and 7 = "outstanding").	.82
This importer leaves a lot to be desired from an overall performance stand point.	-.69
Overall, how would characterize the results of your firm's business relationship with this importer? (1 = "It has fallen far short of expectations," and 7 = "It has greatly exceeded our expectations")	.87
Taking all the different factors into account the importer performance has been (1 = excellent...7 = bad)(1)	-
Export Performance: vc = 0.78 f = 0.91 (Bello and Gilliland, 1997)	
In the business relationship with this importer...	
Our sales goals were attained.	.89
Our profit goals were attained.	.86
Our market share goals were attained.	.90
Our growth goals were attained (1).	-
Fit Indices FRA: $\chi^2 = 40.3$, d.f. = 13, p = .00; GFI = .95; NFI = .97; TLI = .97; CFI = .98, RMSEA = .08	

(1) Item eliminated during the purification procedure

Table 4: Results of the Structural Models

Hypothesis			Standardized Path Coefficients	t-Value*	Results
Mediated Model					
H6	Export Pricing Adaptation	Importer's performance	.21	2.95	Supported
H7	Importer's performance	Export performance	.85	14.01	Supported

H8	Export Pricing Adaptation		Export performance	-.05	-1.12	Not Supported
Fit Indices						
$\chi^2 = 71$, d.f. = 40, $p = .00$; GFI = .95; NFI = .96; TLI = .97; CFI = .98, RMSEA = .056						
Direct Model						
-	Export Pricing Adaptation		Importer's performance	.21	3.06	-
-	Export Pricing Adaptation		Export performance	.13	1.97	-
Fit Indices						
$\chi^2 = 285$, d.f. = 41, $p = .00$; GFI = .87; NFI = .83; TLI = .80; CFI = .85, RMSEA = .15						

*Significant at $p < .05$ if $t > 1.96$