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The purpose of this study is to elucidate U.S. apparel retailers' internationalization by proposing a theoretical framework that incorporates the antecedents of U.S. apparel retail firms' international market involvement and investigating the effects of international activities on firm performance.

Data were collected via a self-administered questionnaire completed by U.S. apparel retailers nationwide. A total of 81 usable questionnaires were collected based on Dillman, Smyth, and Christian (2009)'s Mixed-mode Survey technique. The respondents were predominantly small firms ( $n = 76, 93.8\%$ ) that had fewer than 500 employees. Of these 81 firms, 30 firms currently sell their products or services outside the U.S. market. The first international market for half of the firms was Canada and more than half the firms had attained their first international sales via online ( $n = 16, 53.3\%$ ). Measures were assessed using a 7-point Likert-type scale, a dichotomous variable, and continuous variables. A series of regression models were performed to test all hypotheses.

The results indicated that apparel retailers who have more foreign networking are likely to have market knowledge about foreign markets. Firm age and market knowledge (i.e., firm-specific factors) were found as significant factors in categorizing companies as being either involved or not involved in the international market of the apparel retail environment. The results further revealed that market knowledge mediates the relationship between foreign networking and international market involvement. The findings also indicated that although the effect is weak, apparel retailers that expanded

internationally at younger ages are likely to demonstrate better firm performance in foreign markets compared to their counterparts. Firms who have had longer experience in foreign markets reveal better firm performance than firms who have had shorter experience in foreign markets.

This study contributes to the growing knowledge base about retailers' international expansion in the apparel industry and fills a gap in the literature about the U.S. apparel retailers' international expansion. The findings can provide information related to the specific status of U.S. apparel firms' current internationalization process and serve as useful references to U.S. apparel companies that consider their growth opportunities to include internationalization. The findings and limitations of this study suggest some interesting directions for future research.

U.S. APPAREL RETAILERS' INTERNATIONAL EXPANSION:  
AN APPLICATION OF THE UPPSALA MODEL

by

Hyeon Jeong Cho

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APPROVAL PAGE

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## CHAPTER I

### INTRODUCTION

This chapter comprises the following sections: (1) Background; (2) Statement of the Research Gap; (3) Research Objectives and Purpose; (4) Contributions of the Study; (5) Limitations of the Study; (6) Definition of Key Terms; and (7) Outline of the Dissertation.

#### **Background**

##### **Why Internationalization in the Textile and Apparel Industry**

The textile and apparel (T&A) industry, historically important to the global economy, deserves our attention for two reasons. First, the fashion business is now one of the most fruitful and active sectors in international retailing (Moore & Burt, 2007; Wigley & Moore, 2007). Market growth in global textiles, apparel, and luxury goods between 2010 and 2015 is projected at 22.4%, compared to 13.2% for home improvement items and 19.3% for household products (e.g., dishwashing products, bleach, furniture polish) (Datamonitor, 2011). Furthermore, many fashion firms, such as Inditex (2011), Nike Inc. (2011), Levis (2011), and Uniqlo Inc. (2011), have reported that over 50% of their total sales is generated outside their domestic markets, highlighting the significance of apparel companies' international expansion. Fashion retailers are easier to internationalize than food retailers and home improvement retailers (e.g., Home Depot) because little financial investment is required, small-scale retail space is feasible, and

economies of scale can be maximized in the international market (Dawson, 1993).

Though the international apparel market is becoming profitable, the internationalization of apparel firms has not been systematically examined. Thus, focusing on the apparel-specific retailing industry is essential.

Second, the development of the T&A industry has paralleled the growth of the global economy (Dickerson, 1999). For example, apparel production has shifted from developed countries (e.g., the U.S. in the 1950s), to newly industrialized Asian countries (e.g., Korea in the 1960s), and subsequently to developing countries in Southeast and South Asia (e.g., China and Bangladesh in the 1980s and 1990s) (Dicken, 2003; Dickerson, 1999; Jin, 2004). Thus, the apparel retail industry has developed from a cottage industry (e.g., unorganized merchandise assortment) into a modern retail system. Market opportunities in an apparel retailer's home market decline as the industry matures. Therefore, internationalization is seen as an important growth opportunity, and the decision to pursue international market expansion is critical, particularly for a mature industry, such as that in the U.S.

To understand the internationalization of apparel firms, identifying the characteristics of apparel products that are distinct from those of other product sectors (e.g., computers, cars) is essential (as cited in Jin, 2004). First, brand/store images are significant competitive assets for apparel goods. While computers are largely evaluated by their functional capabilities (e.g., speed of Internet access), the appraisal of fashion apparel goods depends significantly on image. Thus, apparel companies' advertising and promotional campaigns focus on creating and sustaining their brand/store images.

Second, the lifecycle of apparel products is shorter than that of cars and computers (Fisher, 2000). Fashions change rapidly, and apparel retailers must sell their goods within the season or a specific trend period. Finally, apparel products require a sophisticated inventory management system to control the abundant merchandise developed within a season. To meet consumer demand, apparel companies develop numerous stock keeping units (SKUs) each season by combining components (i.e., color, fabric, style, size) (as cited in Jin, 2004). Thus, brand/store image, short product life cycles, and sophisticated inventory management are key issues for the apparel industry.

The distinct aspects of apparel goods may motivate international activities different from those of other sectors, such as high-tech, posing a major challenge to researchers studying the behavior of apparel firms using conceptual frameworks developed for different sectors. Therefore, this study investigates the internationalization of apparel firms through a framework that incorporates apparel goods' unique characteristics.

### **The U.S. Textile and Apparel Industry**

The U.S. T&A sector has faced fierce competition and saturated markets (Dickerson, 1999; Toyne, Arpan, Barnett, Ricks, & Shimp, 1984). According to Toyne et al.'s (1984) classification of textile and apparel industry development, the U.S. T&A industry is in a stage of significant decline, characterized by trade deficits and lower employment rates. In the final stage of Toyne et al.'s (1984) classification, the U.S. textile and apparel trade deficits continue their steep downturn. Both textiles and apparel have experienced increasing trade deficits since the mid-1990s (Gelb, 2007, January 5).

According to the U.S. Census Bureau (2011), the trade deficits of U.S. textile yarn and fabric products and clothing and accessories in 2010 were nearly 6.6 and 3.3 times their 1990 levels, respectively. Approximately 97% of the apparel products sold in the U.S. in 2008 were imported (American Apparel & Footwear Association, 2009, August). The higher labor costs of the U.S. T&A industry have been significant in triggering the movement of production sites overseas, which has in turn increased the trade deficit. In 2008, the hourly wage of U.S. textile industry workers was \$17.41, compared to \$0.57 in Vietnam and \$0.31 in Bangladesh, nearly 30 and 56 times higher, respectively (Textiles Intelligence Limited, 2010). Due to these high labor costs, apparel companies are increasingly sourcing their goods for domestic consumption from lower-wage countries. Table 1 shows how the U.S. trade deficit in the textiles and apparel sector increased between 1990 and 2010.

Table 1. U.S. Trade in Textiles and Apparel Sector between 1990 and 2010

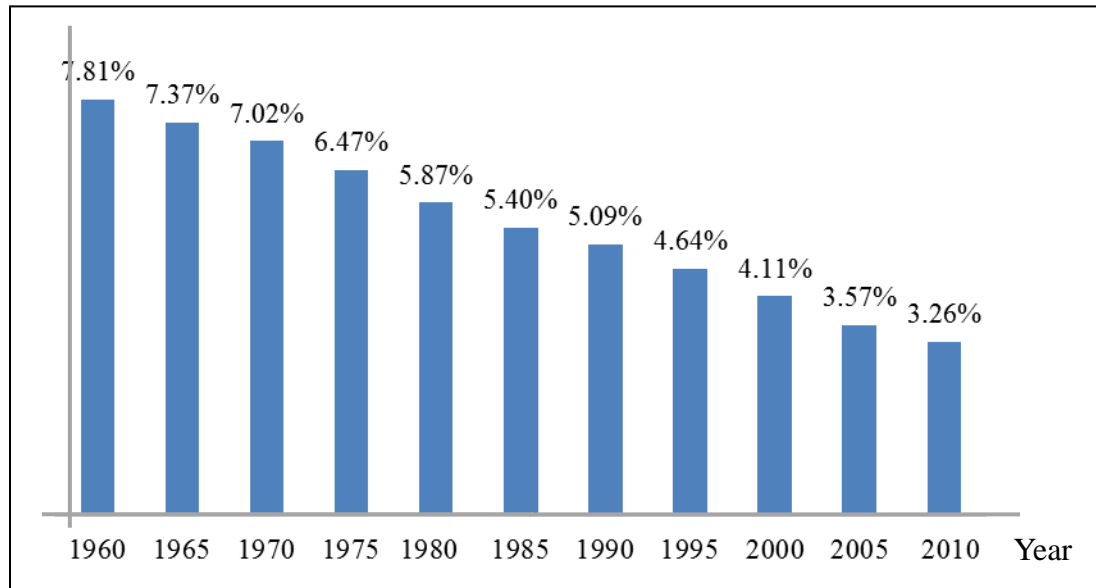
Year	Textile Yarn, Fabric Products (\$ Billion)			Clothing and Accessories (\$ Billion)		
	Exports	Imports	Balance	Exports	Imports	Balance
1990	\$5	\$6.7	-\$1.7	\$2.6	\$26	-\$23.4
1995	\$7.4	\$10.4	-\$3.0	\$6.7	\$41.4	-\$34.7
2000	\$11	\$16	-\$5.0	\$8.6	\$67	-\$58.4
2005	\$12.4	\$22.5	-\$10.1	\$5	\$80	-\$75.0
2010	\$12.2	\$23.4	-\$11.2	\$4.7	\$82	-\$77.3

Source: United States Census Bureau

Given the severe trade deficits, employment in the U.S. T&A industry has steadily declined. Industry job losses between 1994 and 2007 have been estimated at around 638,200 (American Manufacturing Trade Action Coalition, 2007), and the shrinkage of job opportunities in this industry seems to be continue. According to the U.S. Bureau of Labor Statistics (2011), employment across the textile product and apparel manufacturing sector is projected to decline a significant 47.9% between 2008 and 2018.

Along with the trade deficit and unemployment, spending on apparel goods has decreased in the U.S. retail market. This phenomenon is consistent with the notion that the consumption of textile-related products has declined in developed countries (Dickerson, 1999). The U.S. Bureau of Economic Analysis (2011) reports that the share of personal consumption expenditures on clothing and footwear in the U.S. market gradually declined between 1960 and 2010. Figure 1 presents the personal consumption expenditures (PCE) on clothing and shoes as a percentage (%) of total PCE between 1960 and 2010. By contrast, the share of expenditures in such areas as health care increased substantially, from 4.82 % in 1960 to 16.27% in 2010.

Figure 1. Personal Consumption Expenditures (PCE) on Clothing and Shoes as a Percentage (%) of Total PCE between 1960 and 2010



Source: U.S. Bureau of Economic Analysis

The shrinking expenditures on clothing and footwear in the U.S. retail market have forced apparel retailer stores to close, and many apparel retail companies have struggled to maintain their businesses. In 2010, 28 underperforming American Eagle Outfitters retail stores, 48 BeBe stores, and 60 Abercrombie & Fitch stores were closed (Cardona, 2010, August 20). Abercrombie & Fitch planned to close approximately 50 additional stores in 2011 (Cardona, 2010, August 20), and Gap is projected to close 189 U.S. stores by the end of 2013 (Mattioli & Hudson, 2011, October 14). These closures are not limited to brick and mortar businesses. American Eagle Outfitters recently decided to discontinue their online business due to weak performance (Cardona, 2010, August 20). Thus, the U.S. T&A industry has experienced a severe decline in consumption and production. It is therefore necessary to discover potential directions for extending the

lifespan of the mature and declining U.S. apparel retailing industry and international expansion is a vital option.

### **Internationalization of U.S. Apparel Retailers**

Degrees of internationalization vary among apparel industries in advanced countries (e.g., U.S., Italy, France, Japan) though all have been faced with high labor costs and fierce competition in their home markets (Dicken, 2003; Dickerson, 1999; Toyne et al., 1984). Numerous studies of retail internationalization conducted in Europe have shown the importance of internationalization for apparel retailers in Italy (Guercini & Runfola, 2010; Moore, Doherty, & Doyle, 2010), the U.K. (Treadgold, 1991; Wigley & Moore, 2007; Wigley, Moore, & Birtwistle, 2005), and Spain (Lopez & Fan, 2009).

In contrast, research on the internationalization of the U.S. apparel industry is very limited (Sakarya, Eckman, & Hyllegard, 2007), even though more than 283,016 firms were operating in the U.S. apparel manufacturing (NAICS 315) and clothing retailing (NAICS 448) industries (U.S. Census Bureau, 2011) in 2008. While some U.S. apparel companies, such as Levi's and Polo Ralph Lauren, have pursued internationalization, not all major U.S. apparel companies are vigorously seeking business opportunities in the global market. For instance, Limited Brands Inc. (established in 1963) and J. Crew (begun in 1983) entered Canada, their first foreign market, only in 2007 and 2011 respectively ("J.Crew launches," 2011; Limited Brands, 2011). Slow internationalization characterizes other large U.S. companies as well. Established in 1969, Gap, Inc. is the largest U.S. clothing specialist retailer, but it focused on the home market; its internationalization was not active (Lopez & Fan, 2009). It

opened its first international store in the U.K. in 1987 after 20 years of operating in the U.S. (Gap Inc., 2011). China is the world's fastest growing market. European and Japanese brands, such as H&M, Zara, and Uniqlo, entered the Chinese market in 2007 (H & M), 2006 (Zara), and 2002 (Uniqlo) ("International," n.d.; Sage, 2010), while Gap, Inc. joined the rush into China's fast-growing consumer market only in 2010, after most leading global apparel retailers had already arrived (Gap Inc., 2011). Moreover, many U.S. apparel companies, such as BeBe, J.Crew, Victoria's Secret, Abercrombie & Fitch, and American Eagle Outfitters, have yet to expand to China.

Given that so many U.S. apparel firms are declining and that internationalization is an alternative growth opportunity at this stage (Singleton, 1997), it is essential to examine the internationalization status of U.S. apparel companies and the factors related to their decision making concerning international market involvement.

### **Overview of Internationalization Studies**

The term "internationalization" denotes firm expansion across national borders into different global regions or markets (Johanson & Wiedersheim-Paul, 1975). Traditional internationalization theories have been developed by observing the historical experience of exporting firms (e.g., Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977). Early empirical internationalization research focused on manufacturing and exporting firms' internationalization (e.g., Gatignon & Anderson, 1988; Goodnow & Hansz, 1972; Hook & Czinkota, 1988; Karafakioglu, 1986; Kim & Hwang, 1992; Makino & Delios, 1996).

These early internationalization studies investigated the internationalization of a variety of industries (e.g., Barkema, Bell, & Pennings, 1996). More recently, this line of inquiry has been extended to the technology sector (Autio, Sapienza, & Almeida, 2000; Zhou, 2007), the apparel sector (e.g., Lopez & Fan, 2009), and the services sector (e.g., Eriksson, Johanson, Majkgard, & Sharma, 1997; Erramilli & Rao, 1993).

A body of literature on international retail activities has developed, from the early retailer internationalization studies of Hollander (1970), through studies by Alexander (1990) and Sternquist (1997), to the more recent research of Vida, Reardon, and Fairhurst (2000). The typical objects of study include motives for and inhibitors of internationalization (e.g., Alexander, 1990; Evans, Bridson, Byrom, & Medway, 2008a; Hutchinson, Alexander, Quinn, & Doherty, 2007; Vida et al., 2000; Williams, 1992), the success or failure of international expansion (e.g., Bianchi & Arnold, 2004; Pioch, Gerhard, Fernie, & Arnold, 2009; Wigley & Moore, 2007), cases of geographical expansion across multiple or single markets (e.g., Johnson & Allen, 1994; Laulajainen, 1991; Lopez & Fan, 2009; Sternquist, 1997; Treadgold, 1991), and the transfer of retail stores and images (e.g., Burt & Carralero-Encinas, 2000). These studies have taken perspectives ranging from studies of individual retail sectors (e.g., food, apparel) to specific store formats (e.g., department store, specialty store) to individual retail firms (e.g., Wal-Mart, Marks & Spencer, Tesco, Zara).

### **Internationalization Theory: Uppsala Model**

A traditional internationalization theory, the Uppsala model conceptualizes internationalization activities as occurring sequentially and influenced by increased

market knowledge and market commitment (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977, 1990). Lack of experiential learning and knowledge between a home country and a host country is a major obstacle to international operations. A firm learns by operating its business in a domestic market and gradually increases its level of involvement in foreign markets (Johanson & Vahlne, 1977). The Uppsala model proposes that the levels of knowledge about and commitment to foreign markets influence commitment decisions on internationalization and business activities (Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977). The notion of sequential expansion has been widely accepted across a range of countries and industries (e.g., Chang & Rosenzweig, 2001; Hook & Czinkota, 1988; Johanson & Vahlne, 1990). Prior studies based on the Uppsala model have examined firms' entry modes (e.g., Hook & Czinkota, 1988) and firms' foreign market selections (e.g., Chang & Rosenzweig, 2001; Hadjikhani, 1997; Lopez & Fan, 2009).

The Uppsala model has been criticized for being too deterministic and simplistic (Forsgren, 2002). Its major weaknesses have been argued to include its notion of sequential expansion, its exclusive acceptance of first-hand learning, and its simple explanation factors (Andersen, 1993). Since a firm's internationalization involves multi-dimensional activities, such as the interplay of a firm's resources and market conditions, more variables are required to explain firm internationalization (Dunning, 1977). In addition, a firm's market knowledge can be obtained in ways other than experiential learning, such as observing other firms' activities or interacting with business partners. However, despite its limitations, the Uppsala model is widely used to understand firm

internationalization because of its theoretical conceptualization, generalizability, and emphasis on learning behavior (Andersen, 1993; Forsgren, 2002).

### **International Activities-Performance**

A review of the extant literature on internationalization shows that international business scholars have sought to understand the relationship between international activities and performance (e.g., Assaf, Josiassen, Ratchford, & Barros, 2012; Autio et al., 2000; Molla-Descals, Frasquet-Deltoro, & Ruiz-Molina, 2011; Zahra, Matherne, & Carleton, 2003). A firm's international expansion can be influenced by scope (i.e., how many countries the firm is entering (Erramilli, 1991; Pedersen & Petersen, 1998), speed (i.e., how quickly the firm is entering) (Aspelund & Moen, 2005; Autio et al., 2000; Jones & Coviello, 2005; Musteen, Francis, & Datta, 2010; Zucchella, Palamara, & Denicolai, 2007), and duration (i.e., how long the firm has had experience in international markets) (Kalantaridis, 2004; Lin, 2012; Lord & Ranft, 2000; Luo, 1999).

International expansion is challenging because of its high costs and market uncertainty; understanding the relationships among the scope, speed, and duration of a firm's international activities and performance can lead to better internationalization decisions.

### **Statement of the Research Gap**

A review of the literature on the internationalization of apparel retail firms reveals several research gaps. First, although the U.S. apparel industry has a long history and comprises many apparel firms, an understanding of its international activities is lacking (e.g., Moore, Fernie, & Burt, 2000; Sakarya et al., 2007). Due to the saturation of the

U.S. domestic market, internationalization has been proposed as a growth strategy (Sternquist, 1997), but few efforts have been made. Moreover, since most internationalization studies on apparel firms have been based on case analyses and have taken descriptive and exploratory approaches (e.g., Guercini & Runfola, 2010; Laulajainen, 1991; Lopez & Fan, 2009; Lu et al., 2011; Moore et al., 2000), empirical testing is essential to support the generalizability of their findings.

Second, a body of the case analyses and exploratory studies has failed to measure firm performance in international activities. The exploratory studies on apparel firms' failures and successes in international expansion (e.g., Wigley & Moore, 2007) are limited to examining the significance of the firm growth and profitability resulting from specific internationalization decisions (e.g., scope, speed, duration).

Third, the Uppsala model uses only two explanatory factors (i.e., market knowledge and market commitment) for international expansion, which may be insufficient to understand international market involvement, the product of the interplay among multiple firm-, retail-, and market-level factors (Johanson & Vahlne, 1977, 1990). There is a compelling need for a more in-depth investigation of the antecedents that may influence the international market involvements of apparel retailers. This study posits that the Uppsala model can better explain current international market involvements by incorporating the constructs (i.e., antecedents) related to apparel retail firms and current domestic apparel markets. Among them, this study selects firm size, firm age, product uniqueness, store atmosphere, brand identity, and domestic growth opportunity as key influences on apparel firms' current international market involvement. Firm size and age

can influence the accumulation of resources, which may influence international market involvement. Unlike for manufacturing firms, apparel retailers' differentiation occur largely through intangible assets (e.g., product uniqueness, brand identity, store atmosphere); thus, apparel retailers' international market involvement may depend on the sufficiency of a product's uniqueness, brand identity, and store atmosphere. Another antecedent, firms' perceived domestic growth opportunity, can influence their international market involvement because firms that perceive limited domestic growth are more likely to expand into international markets.

Fourth, the Uppsala model deals only with experiential learning, "learning by doing," but a firm can obtain its foreign market knowledge by interacting with others. While the weakness of emphasizing direct learning has been discussed (Forsgren, 2002; Oviatt & McDougall, 1994), few studies have examined whether possible indirect sources of knowledge influence market knowledge. A precise understanding requires that apparel retailers' knowledge sources be incorporated into the model. In addition to examining the two sources of market knowledge, we should inquire whether foreign sourcing experience and networking drive international market involvement through their impacts on foreign market knowledge.

### **Research Objectives and Purpose**

To address the research gaps concerning apparel retailers' internationalization, four research objectives have been set: 1) to explore the antecedents of international market involvement of the U.S. apparel retail sector; 2) to examine the effects of market knowledge sources; 3) to assess the mediating effect of market knowledge on the

relationship between sources of market knowledge and international market involvement; and 4) to investigate the relationship between the three dimensions of internationalization—scope, speed, and duration—and firm performance in foreign markets.

The purpose of this study is to elucidate U.S. apparel retailers' internationalization by proposing a theoretical framework that incorporates the antecedents of U.S. apparel retail firms' international market involvement and investigating the effects of international activities on firm performance. The international market involvement antecedents selected for analysis include firm size, firm age, market knowledge, market commitment, product uniqueness, brand identity, store atmosphere, and domestic growth opportunity. The model also uses foreign sourcing experience and foreign networking as determinants of market knowledge. This research also examines how the scope, speed, and duration of internationalization influence firm performance in foreign markets. The proposed framework was empirically tested with data collected from U.S. apparel retail firms.

### **Contributions of the Study**

This study will offer a substantial contribution to its field by enriching our understanding of the links among the sources of market knowledge, antecedents, and current international market involvement. By investigating the driving forces behind international market involvement, moreover, this study extends our knowledge about the decision-making on internationalization.

The study will also provide a stronger theoretical framework for explaining firm internationalization. The application of the Uppsala model to international market involvement contributes to the theoretical conceptualization of whether market knowledge and market commitment are important internationalization factors. In addition, this study's proposed model addresses the weaknesses of the Uppsala model (i.e., its sole use of firm-specific factors) by incorporating a wider diversity of factors. By integrating new firm-specific (i.e., firm size, firm age), retail-specific (i.e., product uniqueness, brand identity, store atmosphere), and market-specific (i.e., domestic growth opportunity) components into the two dimensions of the Uppsala model (i.e., market knowledge, market commitment), the proposed model provides additional explanatory factors.

Third, the study provides a richer understanding of how both direct experiential and indirect learning activities can be sources of learning in apparel retail firms' internationalization. This supplements the Uppsala model's emphasis on experiential learning and provides a way to extend the robustness of the experiential market knowledge concept of the Uppsala model. In addition, the study's examination of market knowledge as a mediating factor is an additional contribution to the literature. This study provides important insights into how indirect and direct sources of market knowledge (i.e., foreign sourcing experience and foreign networking) influence international market involvement in the apparel retail environment.

Fourth, the results of this study, obtained from an empirical analysis of a sample of U.S. apparel retailers, will provide generalizability and a way to predict the

internationalization of apparel retailers in developed countries. Most studies on apparel retailers' internationalization have examined internationalization via cases and observation analysis (e.g., Laulajainen, 1991; Lopez & Fan, 2009; Wigley et al., 2005; Wigley & Moore, 2007) and thus cannot be applied to general U.S. apparel firm behavior but are limited to understanding firm performance as a result of internationalization. The findings of this empirical testing will help us understand apparel firms' internationalization activities.

Fifth, this research presents a unique approach by examining the effect of the dimensions of international activities on retail firm performance in foreign markets. By investigating the dimensions of international activities, this study extends our knowledge of the performance of internationalizing retailers.

In addition to its scholarly contributions, this study also provides information on the status of U.S. apparel firms' current internationalization, including how they obtain foreign market knowledge and how firm-, retail-, and market-specific factors influence apparel firms' international involvement. Examining the relationship between the dimensions of international activities and performance provides information on whether U.S. apparel firms should expand their businesses across diverse countries, whether they should expand early or late, or whether they should continue operations. On these questions, the findings of this study will serve as useful references for U.S. apparel companies considering internationalization as a growth opportunity.

### **Limitations of the Study**

This study has limitations. First, while the Uppsala model conceptualizes the entire internationalization process from inception, this study focuses on the initial stage of internationalization. The Uppsala model explains internationalization in terms of constant feedback between the state aspect (market knowledge/market commitment) and the change aspect (commitment decisions/current activities). However, this study focuses on a unilateral direction, from the state aspects to the change aspects, because its primary purpose is to understand the impact of antecedents on international market involvement. Second, the study focuses on a single industry, the apparel retail sector, thus its results might vary for a different industry. Third, data collection was confined to the U.S. market, the largest developed economy, and results might vary for different economic levels and market sizes.

### **Definition of Key Terms**

- Brand identity: A set of brand associations that firms aim to create or maintain (Keller, 2003).
- Domestic growth opportunity: The perception of domestic market conditions for future growth (Williams, 1992; Vida et al., 2000).
- Firm age: The number of years a firm has been in existence (Rothaermel, Kotha, & Steensma, 2006).
- Firm performance: The outcome of a firm's strategies, planning, and other business activities (Aspelund & Moen, 2005).

- Firm size: The indicator of managerial and financial resource availability (Dhanaraj & Beamish, 2003). To operationalize firm size, the number of full-time employees or sales volume is often used (Dhanaraj & Beamish, 2003). This study uses the number of full-time employees to measure firm size.
- Foreign networking: The interlinked relationships at the individual and organizational levels (Axelsson & Easton, 1992). These are the formal (e.g., customers, suppliers, competitors, employment) and informal/social (e.g., relatives, friends) relationships in foreign countries that influence knowledge exchange among its members.
- Foreign-sourcing experience: The business activity for manufacture a product in foreign countries (Fariñas, & Martín-Marcos, 2010).
- International activities: The various decisions for involvement of firms in international markets (Johanson & Vahlne, 1977).
- International market involvement: The international business activities that generate sales from foreign markets (Vida et al., 2000).
- Market commitment: A firm's dedication to commit resources and be involved in internationalization for the long term (Solberg & Durrieu, 2006).
- Market knowledge: A firm's knowledge of foreign institutions and business, including cultural norms, language, regulations, and clients (Zhou, 2007).
- Product uniqueness: The unique or distinctive product concepts or ideas within its category (Aspelund & Moen, 2005; Moore et al., 2010).
- Store atmosphere: The value-added store attributes of the delivery of products and services to customers (Grewal, Baker, Levy, & Voss, 2003).

## **Outline of the Dissertation**

Chapter I outlines the research study: it presents an introduction and background, acknowledges research gaps by examining the extant literature, states the purpose of the study and research questions, discusses the potential contributions of the findings, and defines the terms used in the study. Chapter II provides a review of the prior literature on the Uppsala model and constructs the proposed model. This chapter also presents the study's proposed model and the hypotheses to be tested. Chapter III describes the methodology used for research by discussing data collection, survey instrument development, and statistical methods. Chapter IV presents the sample description and hypotheses testing based on a series of regression models. Finally, Chapter V discusses the results of the data analyses and hypotheses, their implications, the study's limitations, and directions for future research.

## CHAPTER II

### LITERATURE REVIEW

This chapter reviews the literature pertinent to our study and includes the following sections: (1) Internationalization Theories; (2) Literature Review on Major Constructs; (3) Proposed Conceptual Model; (4) Hypotheses Development; and (5) Summary.

#### **Internationalization Theories**

Internationalization theories can be broadly classified into two approaches: a behavior-based learning approach (Johanson & Vahlne, 1977; Penrose, 1959) and an economic approach (Dunning, 1977; Williamson, 1975). Drawing primarily on Penrose's (1959) behavioral theory of the firm and firm growth, behavior-based learning theories emerged from the historical experience of manufacturing firms' internationalization (e.g., Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977). These models posit that internationalization is the product of a series of learning and knowledge accumulations and incremental decisions on international expansion. Among learning-based internationalization theories, the Uppsala model (Johanson & Vahlne, 1977) has been considered the dominant behavioral learning theory.

The two foremost economic theory-based approaches to internationalization research include Dunning's eclectic paradigm (Dunning, 1977, 1988) and the transaction cost approach (Williamson, 1975). These are static theories in which each decision is

isolated from previous decisions and activities, assuming that a firm's choice of a particular entry mode is independent of previous entry mode choices (Chang & Rosenzweig, 2001).

### **Dunning's Eclectic Paradigm**

Dunning's eclectic paradigm reflects the view of internationalization that dominated the 1970s and 1980s (Andersen, 1993). The basic assumption of this eclectic paradigm is that foreign direct investment occurs when a set of advantages from ownership, location, and internalization is being satisfied. Dunning's eclectic paradigm proposes that the differences in firm performance after internationalization result from advantages attributable to ownership (O), location (L), and internalization (I), pointing to the OLI model (Dunning, 1977). The factors integral to the OLI model are briefly described below:

- **Ownership Advantages (O):** specific advantages that accrue to the firm through asset-based advantages (e.g., international experience, patents, private label, unique product) or transaction-based advantages (e.g., centralized buying, customer service, economies of scale, favored access to international markets).
- **Location Advantages (L):** specific advantages in the choice of a firm location in the host country. To evaluate the location advantages of a host market, cultural and geographical proximity, market size, competitors' moves, and low-cost land and labor are considered. If a host country advantage is not significant, exporting is preferred as an internationalization entry mode.

- **Internalization Advantages (I):** the determination of whether foreign production advantages will be internalized or externalized. The greater a firm's ownership assets, the more important it is to keep these assets secret. A firm thus prefers foreign direct investment when it has secured assets and know-how.

Although Dunning's eclectic paradigm incorporates the influence of strategic decision-making and rich explanatory variables, it was criticized, particularly for being too holistic and static: the OLI model provides little guidance concerning the dynamics of firms' internationalization (Andersen, 1993). Dunning has suggested that the OLI model can most fruitfully be used to understand the major factors in the internationalization of large firms (i.e., multi-national enterprises) (Dunning, 1988).

### **Transactional Cost Analysis**

Transactional Cost Analysis (TCA) employs a micro-economic view (Williamson, 1975). According to TCA, internationalization results when a firm perceives a benefit in rationally considering all the possible transaction costs associated with the global exchange of goods between a domestic and foreign location. The basic assumptions of TCA are bounded rationality and opportunism (Erramilli & Rao, 1993): decision makers' bounded rationality and cognitive capabilities limit their behavior and thought, and firms may immorally seek to serve their self-interests in a hierarchical relationship. Thus, a firm needs to consider costs in searching for better partner firms, negotiating contracts, or monitoring partners' performance (Erramilli & Rao, 1993). Depending on the quality of a firm's assets, transaction costs may increase when a firm desires to secure and maintain its specialized assets to avoid opportunistic behaviors (e.g.,

lying, cheating). When a firm's transaction costs are low, a firm is likely to allow foreign partner governance using contractual modes (e.g., licensing, franchising); when transaction costs exceed the benefits, a firm will prefer to internalize its management and control over the international activities using vertical integration modes (e.g., wholly owned), illustrating the importance of entry mode choice (Erramilli & Rao, 1993). The benefit of utilizing TCA is its explanation of vertical integration decisions. However, transaction costs are difficult to measure and cannot be accurately calculated before the international operation has been established, while entry modes, including the transaction costs, should be estimated before entry occurs (Andersen, 1997).

### **Uppsala Model**

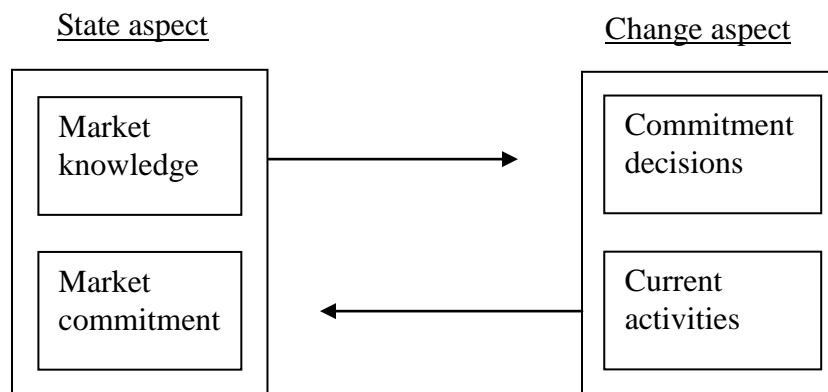
The Uppsala model, interchangeably called the U-model or the internationalization process model, emerged from a group of studies published by researchers at Sweden's University of Uppsala (e.g., Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977). The Uppsala model focuses on firms' increasing commitment to foreign markets through gradual acquisition and cumulative knowledge through the internationalization process. The Uppsala model assumes that 1) a lack of knowledge and resources is a major hindrance to firm internationalization and that 2) a firm first expands its business across the domestic market and internationalization occurs as a series of incremental decisions based on experiential learning (Johanson & Wiedersheim-Paul, 1975).

According to Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977), the Uppsala model conceptualizes the internationalization process based on the

circular relationships between state aspects (i.e., market knowledge and market commitment) and change aspects (i.e., commitment decisions and current activities). Market knowledge includes both general and market-specific knowledge. General knowledge concerns the business environment, marketing strategy, and consumer characteristics across global markets. Market-specific knowledge is knowledge of the characteristics of the specific foreign market. Market commitment includes the amount of resources committed and the degree of commitment. The amount of resources could be operationalized as the size of the financial investment in the market, while the degree of commitment is reflected by the integration of other firm components into internationalization and commitment values. The change aspects include commitment decisions on resources and the performance of current business activities, which in turn influence a firm's market knowledge and commitment (Johanson & Vahlne, 1977).

Figure 2 shows the basic mechanism of internationalization, consisting of four hypothetical constructs—market knowledge, market commitment, commitment decisions, and current activities.

Figure 2. The Basic Mechanism of Internationalization



Source: Johanson & Vahlne (1977). p. 26.

The Uppsala model explains that firms overcome their lack of knowledge and high uncertainty by gradually increasing their level of commitment—including their involvement, control, and investment—as their experiential learning within the foreign country increases (Johanson & Vahlne, 1977). For instance, a firm begins international expansion with the lowest level of resource commitment (i.e., export for manufacturers; licensing/franchising for retailers) and then progressively increases its commitment to a joint venture and then finally to direct investment (i.e., wholly owned subsidiary) as its experiential learning increases. To explain internationalization across countries, it is hypothesized that markets are selected with successively greater psychic distance (Johanson & Wiedersheim-Paul, 1975), the sum of factors (e.g., language, culture, education, industrial development) that increase cultural and geographic gaps between the firm and a host market. A large psychic distance leads to knowledge and information deficiencies (Johanson & Wiedersheim-Paul, 1975). Thus, companies usually select foreign markets with similar economies, cultures, and political systems and that are geographically close (i.e., a small psychic distance); they expand their businesses a geographically further distance (i.e., a large psychic distance) only after gaining experiential learning.

Limitations to the Uppsala model have been identified. The major drawback is that it is too deterministic about successive internationalization (Forsgren, 2002) and thus cannot explain the risk firms take at the outset of their international expansion (e.g., Andersen, 1997; Oviatt & McDougall, 1994). Studies on the recent rapid internationalization of firms view the world as having become much more homogeneous,

resulting in direct entry into geographically distant markets (Oviatt & McDougall, 1994). Another challenge of the Uppsala model is that it puts too much emphasis on experiential knowledge or “learning by doing.” It is argued that knowledge is usually associated with particular conditions in the market and is thus obtained only through ongoing activities. However, knowledge and learning can be gained from firms’ business relationships or observation of other firms’ behaviors (Forsgren, 2002). Imitative learning or hiring people with the necessary knowledge also contributes to firm knowledge. Finally, the Uppsala model is too simplistic in its use of only two major concepts (experiential knowledge and market commitment) to explain commitment decisions and current activities (Johanson & Vahlne, 1990). After considering the debates among international scholars, Johanson and Vahlne (1990) have agreed that the Uppsala model does not acknowledge the following: 1) a firm with many resources and much experience to draw on will be able to take larger steps; 2) under stable market conditions, market knowledge can be gained in ways other than first-hand experience; and 3) a firm’s experience in certain markets can be partly generalized to others.

### **Advantages of Utilizing the Uppsala Model**

Although the Uppsala model has been criticized for being simplistic and deterministic, it has made significant contributions to internationalization research. The major benefit of the Uppsala model is its theoretical conceptualization in the field of firm internationalization, which provides an understanding of the internationalization process. The model is also widely applicable to many different industries and countries because of its generalizability (Andersen, 1993; Pedersen & Petersen, 1998). Following the initial

case studies of Swedish export firms, substantial effort has been made to test its validity using many firms and situations. For instance, studies using Hawaiian manufacturing firms (Hook & Czinkota, 1988), Spanish apparel firms (Lopez & Fan, 2009), and small Israeli high-tech firms (Hashai & Almor, 2004) have found that firms with little or no experience in international markets will initially expand their business into psychically close markets.

In addition, the fact that a lack of market knowledge leads to a selection of the entry mode with the least resource involvement was confirmed in studies using U.S. firms, small Israeli high-tech firms, Turkish manufacturing firms, Japanese firms, and Danish non-financial firms (Barkema et al., 1996; Davidson, 1980; Denis & Depelteau, 1985; Hashai & Almor, 2004; Johanson & Nonaka, 1983; Johanson & Vahlne, 1990; Karafakioglu, 1986). The possibility of its broader applicability has contributed to the Uppsala model's popularity. Finally, the Uppsala model is still popular because learning is critical in assisting both traditional and born-global firms in order to avoid excessive risks and investments when entering foreign markets (e.g., Autio et al., 2000; Hashai & Almor, 2004; Zahra, Ireland, & Hitt, 2000; Zucchella et al., 2007). Although the internationalization of born-global firms is not a sequential expansion, they still desire to attain prior knowledge and experience by operating their businesses in the domestic market during the pre-internationalization stage. Thus, the Uppsala model is very applicable to the initial stages of internationalization across firms with different characteristics (e.g., born-global and large firms) (Hashai & Almor, 2004; Oviatt & McDougall, 1994; Zucchella et al., 2007).

## **Literature Review on Major Constructs**

This section presents the concepts in and a brief overview of the previous research using the major constructs of this study: international market involvement, the antecedents of international market involvement (firm size, firm age, market knowledge, market commitment, product uniqueness, brand identity, store atmosphere, and domestic growth opportunity), the antecedents of market knowledge (foreign-sourcing experience and foreign networking), firm performance, and the dimensions of international activities (scope, speed, and duration).

### **International Market Involvement**

International market involvement is defined as the various international business activities that generate sales from foreign markets (Alexander, 1990; Burt, 1993; Vida et al., 2000). Based on this definition, this study uses foreign sales as evidence of international market involvement (e.g., Alexander, 1990; Burt, 1993; Etgar & Rachman-Moore, 2008a; Hutchinson et al., 2007).

To understand the reasons for apparel retail firms' involvement in foreign markets, the factors that may influence international expansion have been explored (Eren-erdogmus, Cobanoglu, Yalcin, & Ghauri, 2010; Lopez & Fan, 2009; Wigley et al., 2005; Wigley & Moore, 2007). These factors have been given various names by different researchers, such as "driving forces" (Eren-Erdogmus et al., 2010), "motives" (Lopez & Fan, 2009; Wigley et al., 2005; Wigley & Moore, 2007) "facilitating factors" (Hutchinson et al., 2007), and "antecedents" (Vida et al., 2000).

The factors that may motivate international market involvement have been broadly grouped into “push” and “pull” categories. Push factors are the home country characteristics, such as small economies, consumption changes, and restrictive trade regulations, which make the home country unattractive and push the firm to international markets. For instance, Lopez and Fan (2009) focus on market entry issues using Spanish fashion retailer Zara as a case study. Spanish consumers tend to spend their spare time travelling and learning, and their spending on clothes has decreased. This consumption change was a motivation for Zara’s internationalization. Pull factors, by contrast, are the attractive host country characteristics, such as market growth potential, that pull firms towards international markets. For instance, Sakarya et al. (2007) has assessed Turkey’s emerging market as an opportunity for the international expansion of U.S. apparel retailers. In this study, Turkish consumers exhibited a preference toward U.S. apparel brands, and Turkey’s apparel market showed long-term market potential, thanks to the country’s growth in population and GDP. Thus, favorable external market factors (e.g., global consumption and regulation) can *pull* apparel retail firms into foreign markets. In addition to push and pull factors based on market characteristics, the impact of firm characteristics has been mentioned as a facilitator of retail internationalization (Hutchinson et al., 2007).

However, studies have thoroughly examined the antecedents of international market involvement *within* internationalized retail firms (e.g., Alexander, 1990; Hutchinson et al., 2007; Sakarya et al., 2007) yet cannot identify the differences between domestic and international retailers. In addition, the results are scattered and fragmented

because a large volume of retail internationalization research has been based on the explorative approach (Alexander, 1990; Evans et al., 2008a). Therefore, an understanding of the factors that may influence international market involvement at the firm, retail, and market levels and that may distinguish international from domestic retailers is required (e.g., Etgar & Rachman-Moore, 2008; Hutchinson et al., 2006; Vida et al., 2000).

To comprehend the antecedents leading to firms' international market involvement, this study incorporates firm-, retail-, and market-level factors into the two factors of the Uppsala model (i.e., market knowledge, market commitment). According to the Uppsala model, retailers start with their home markets and then gradually start to internationalize as they grow in size and age. Therefore, in the following section, firm size and firm age are reviewed as antecedents of retailers' international market involvement.

### **Antecedents of International Market Involvement**

#### *Firm Size and Firm Age*

Both firm size and firm age have long been used to predict a firm's international activities (Andersson, Gabrielsson, & Wictor, 2004; Aspelund & Moen, 2001; Bonaccorsi, 1992; Zahra et al., 2003; Vida et al., 2000). The Uppsala model, based on learning behavior, suggests that a firm progresses from domestic to international markets in a sequential manner and that substantial growth in firm size and age must occur before internationalization (e.g., Johanson & Vahlne, 1977; Johanson & Vahlne, 2003). The rationale for the positive relationship among firm size, firm age, and internationalization

is that small and young firms must grow sufficiently in the domestic market first and avoid undertaking risky international activity (Bonaccorsi, 1992).

In the international context, the most common argument is that larger companies have a size-related advantage that enables them to gain ample resources and thus internationalize their operations quickly and broadly (e.g., Andersson et al., 2004; Vida et al., 2000; Zahra et al., 2003). As evidence, the positive relationship between export activity and firm size has been found across the international marketing and exporting literature (e.g., Bonaccorsi, 1992; Reuber & Fischer, 1997).

Like firm size, firm age is assumed to positively affect firms' international activities. As firms become established and operate longer, they gather more information about foreign markets and other resources and thus expand their businesses internationally (Johanson & Vahlne, 1977). The empirical results on the relationship between firm age and international activity are mixed, however, with most studies indicating no relationship (e.g., Andersson et al., 2004) and quicker internationalization for younger firms than older firms in the high-tech industry (e.g., Autio et al., 2000); this was seen to explain the emergence of born-global firms. Through technological advancements and globalization, firms tend to expand their businesses internationally when young (Aspelund & Moen, 2001). While the effect of firm age has been studied in the high-tech sector, it has not been studied as a variable in understanding retail internationalization.

In spite of the importance of this topic, there has been little empirical investigation of the role of firm size and age on retailers' foreign market involvement

(Vida et al., 2000). Therefore, the investigation of the relationships among firm size, firm age, and international market involvement is needed to understand the determinants of apparel retailers' internationalization.

The Uppsala model proposes the conditions that promote internationalization decisions, suggesting that they are made in response to accumulated knowledge and increased commitment to foreign markets (Johanson & Vahlne, 1977). Therefore, this study includes the degrees of market knowledge and market commitment as antecedents of international market involvement. Studies on the influence of market knowledge and market commitment on firms' internationalization decision are reviewed below.

#### *Market Knowledge and Market Commitment*

Market knowledge and market commitment are major concepts in the Uppsala model of international expansion (Cavusgil & Nevin, 1981; Johanson & Wiedersheim-Paul, 1975; Johanson & Vahlne, 1977). In exporting firms' international expansion, market knowledge and market commitment have received much consideration. Market knowledge has been particularly viewed as having diverse aspects and construct labels, including knowledge intensity, absorptive capacity, knowledge accumulation, internal knowledge, and international knowledge (e.g., Lord & Randft, 2000). Overall, market knowledge is described as a factor influencing decision changes in the internationalization process or as an antecedent of internationalization decisions. Several studies have found that market knowledge plays a role in internationalization decisions, such as a firm's choice of entry mode, market selection, and pace of internationalization (e.g., Erramilli & Rao, 1993; Hsu & Pereira, 2008; Makino & Delios, 1996).

Along with market knowledge, market commitment is a crucial factor in the Uppsala model for understanding internationalization decisions (Cavusgil & Nevin, 1981; Johanson & Wiedersheim-Paul, 1975). In this model, market commitment indicates the amount and degree of resource commitment. However, studies have heavily operationalized market commitment as the extent of resource commitment as measured by the choice of entry modes (e.g., Johanson & Wiedersheim-Paul, 1975; Lopez & Fan, 2009; Wigley & Moore, 2007). For example, a less-control mode (e.g., license agreement) has been operationalized as a low level of commitment. Such a narrowly defined market commitment may limit an understanding of other aspects of commitment.

Attitudinal market commitment includes a firm's willingness to integrate all types of commitments, including financial resources, information search, tolerance, and interest in international markets (Hadjikhani, 1997; Solberg & Durrieu, 2006, Lim, Sharkey, & Kim, 1993). Although a firm cannot invest extensive financial resources in transition economies (e.g., East European countries) because of their unstable market environments, a firm's attitudinal future commitment to such markets can be high (Hadjikhani, 1997). Therefore, attitudinal commitment provides the benefit of assessing a firm's overall degree of market commitment relative to internationalization. This study adopts a market commitment that indicates resources as well as the attitudinal aspects of commitment.

Retailer differentiation has been drawn from intangible assets, such as product uniqueness, brand identity, or store atmosphere, rather than products' basic attributes such as quality and price (Burt, 1993; Moore & Burt, 2007). Therefore, this study suggests that the importance of retail-specific factors may influence apparel retailers'

international market involvement. The following reviews the three retail-level factors—product uniqueness, brand identity, and store atmosphere—that the study includes as antecedents of international market involvement.

#### *Product Uniqueness, Brand Identity, and Store Atmosphere*

Product uniqueness allows an apparel retailer to build a point of differentiation from other retailers (Moore & Burt, 2007; Williams, 1992). The importance of product uniqueness in retail internationalization has been observed among smaller firms (Gomes-Casseres, 1997; Larnet, Molloy, & Goodrum, 2007), grocery retailers (Alexander, 1990), and luxury fashion brands (Moore et al., 2010). For instance, in examining the European Community's foreign expansion, Alexander (1990) found that expansion opportunities across borders were based primarily on product lines and product distinctiveness in designs and features. Product uniqueness has been often particularly emphasized as a driver of small- and medium-sized retailers because it enables smaller firms to expand into foreign markets despite resource limitations (Larnet et al., 2007). Additionally, a unique product line contributes to the focus on a target market, which leads in turn to retailer confidence and differentiation (e.g., Nike, L'Occitane, Swatch) (L'Occitane, n.d.; Nike Inc., 2011; Swatch, 2012).

The American Marketing Association defines a brand as a “name, term, design, symbol, or any other feature that identifies one seller's good or service as distinct from those of others” (n.d.). Aaker (1996), Aaker and Keller (1990), and Keller (2003) identify two main sources of consumer preference for a particular brand—brand identity and brand image. Brand identity is defined as the set of brand associations firms aim to create

or maintain, whereas brand image refers to consumer perceptions of a brand (Keller, 2003). Brand is a critical factor in differentiating retailers from their market competitors; thus, brand identity is important for operating businesses not only in domestic but also in foreign markets.

Case studies on retail internationalization have found that international retailers display distinctive brand identities (Bridson & Evans 2004; Fernie, Moore, Lawrie, & Hallsworth, 1997; Laulajainen, 1991; Moore et al., 2000; Wigley et al., 2005). For instance, Moore et al. (2000) indicate that one retailer's success factor in international market operation was a distinguishable and clearly positioned product: a strong brand identity has been closely associated with the successful international expansion of fashion specialty retailers (Moore et al., 2000; Bridson & Evans 2004; Wigley et al., 2005) and luxury retailers (Fernie et al., 1997; Laulajainen, 1991).

Compared to product uniqueness and brand identity, the relationship between retail store atmosphere and internationalization has received little attention. The major relevant studies are Burt and Carralero-Encinas (2000), Burt and Sparks (2002), and Goldman (2001), which examine the cases of Marks & Spencer and Tesco's international expansion. Their main lesson is that a retail store's atmosphere can be the key success factor in generating retail differentiation because employees, location, and atmosphere are value-added attributes of the delivery of products and services to customers. This is why a number of chains are increasingly stressing customer service and the provision of a pleasant shopping experience rather than price promotions.

### *Domestic Growth Opportunity*

This study incorporates firms' perception of domestic growth opportunities as an antecedent of international market involvement. Saturated domestic markets is one of the major push factors in international marketing activities (Laulajainen, 1991; Wigley & Moore, 2007). As supporting evidence, studies have identified firms' limited domestic market growth opportunities, high domestic market saturation, and the small size of the home market as critical reasons to seek international expansion (Denis & Depelteau, 1985; Williams, 1992).

The international retailing literature has characterized adverse domestic market conditions as representing "push factors" in or reactive responses to retail growth and internationalization (Hollander, 1970; Treadgold, 1991). Based on an observation of retailers in the 1960s and 1970s, Alexander (1995) discusses the impact of domestic market saturation on retail internationalization and concludes that retailers who reached national coverage and perceived a threat of domestic market saturation were likely to consider international expansion. In particular, the issues of domestic market saturation (e.g., economic conditions, domestic competition, adverse demographics, maturity of formats) were identified as the major push factors in retailers' internationalization in the U.S. and Western Europe (Lopez & Fan, 2009; Sternquist, 1997; Wigley & Moore, 2007).

To redress the weakness of considering only experiential learning in the Uppsala model, this study incorporates the possible indirect and direct learning sources into its research model. Specifically, this study assumes that foreign sourcing is apparel retailers' major method of obtaining direct international experience and that foreign networking

can be a way to indirectly learn about foreign markets.

## **Antecedents of Market Knowledge**

### *Foreign-sourcing Experience*

While the effects of market knowledge on internationalization decisions are widely known, the sources of knowledge about foreign markets have not been explicitly incorporated in the Uppsala model since it believes knowledge is gained only by doing (i.e., experiential learning) (e.g., Johanson & Wiedersheim-Paul, 1975).

For retailers, the international or global sourcing of products is an important activity for building international experience. Foreign direct sourcing is an opportunity to learn about the local economy, culture, distribution channels, infrastructure, politics, local demands, and tastes (Coe & Wrigley, 2007). Global sourcing as the basis of international learning is found in the expansion of supermarket retailers (Palmer & Quinn, 2005) and a mix of industries (e.g., consumer products, high technology, services, retailing) (Trent & Monczka, 2005). Foreign sourcing is particularly prevalent in the U.S. apparel field. In 2008, about 97% of apparel products sold in the U.S. were produced overseas (American Apparel & Footwear Association, 2009, August). Because apparel goods require significant labor to produce, apparel firms in developed countries have turned to overseas sourcing for products sold in domestic markets, which has become their primary method of learning about international markets. Thus, foreign sourcing activities usually precede apparel firms' retail expansion, implying that foreign sourcing activities provide the local knowledge, such as consumer trends, needs, labor issues, distribution systems, and laws,

enabling systematic and strategic preparation for an eventual entry into the sales market (Fariñas & Martín-Marcos, 2010).

Despite being a vital activity for apparel retailers, foreign direct sourcing has not been the focus of studies attempting to understand apparel retailers' internationalization. This study thus acknowledges the importance of foreign sourcing experience as the source of apparel retail firms' market knowledge during internationalization. Along with foreign sourcing experiences, this study views foreign networking as another source of international market knowledge for apparel firms.

#### *Foreign Networking*

International business studies see networking as a source of extended market knowledge (e.g., Hutchinson, Quinn, & Alexander, 2006; Prashantham, 2006; Rutashobya & Jaensson, 2004). As young firms have become increasingly prevalent in international business markets, networking has received more attention in international business research because it yields access to the knowledge and experience absent within the firms (Rutashobya & Jaensson, 2004).

The evidence suggests that a firm's market knowledge can be taught (Penrose, 1959) through interactions with and observations of another firm's network (e.g., Johanson & Vahlne, 2003; Yli-Renko, Autio, & Tontti, 2002). By interacting through personal and collaborative relationships, a firm can acquire information about foreign customer needs and market trends and select the highest-potential foreign markets. In support of this view, personal relationship networks (e.g., family, friendships) and living abroad have been found to be important factors in choosing a foreign market

(Apfelthaler, 2000), the process of market development (Rundh, 2001), and the entry mode strategy employed in the target market (Holmund & Kock, 1998). However, these studies do not clearly explain how these relationships influence the development of market knowledge and lead to decisions while doing business in foreign markets. Therefore, this study considers a firm's foreign networking as an indirect source of market knowledge that influences an apparel retailer's decision to enter international markets.

### **Firm Performance**

Internationalization has gained attention primarily because of its effects on firm performance (Capar & Kotabe, 2003). In the internationalization process, firms exploit resources and expect international expansion to reap economic rewards. Thus, researchers have focused on how international business decisions (e.g., about entry modes and market selection) influence the scope and deployment of internationalization and thereby differentiate among firm performances (Autio et al., 2000; Hsu & Pereira, 2008; Isobe et al., 2000; Luo, 1999; Solberg & Durrieu, 2006; Zhou, 2007). For instance, firm performance is better when firms adopt an entry mode with higher control and enter markets that are culturally and economically similar to the home market (Johnson & Tellis, 2008; Zahra et al., 2000). Thus, understanding the relationship between internationalization and firm performance is important, as it addresses the implications of pursuing foreign markets.

Many studies have emphatically posited that, as a function of the effectiveness of international business strategies, firm performance is the ultimate dependent variable

(Hsu & Pereira, 2008). Elaborating on this construct, studies on firm internationalization use multiple measures to constitute performance, including financial and strategic dimensions (e.g., Autio et al., 2000; Hsu & Pereira, 2008; Solberg & Durrieu, 2006; Zhou, 2007). Strategic performance refers to a firm's competitive position in the international marketplace (Zou & Cavusgil, 1996). Global market share and growth (sales growth) are accepted as indicators of strategic performance. Thus, strategic performance is evaluated on a long-term basis, while financial performance is more concerned with the past and the short run (Kaplan & Norton, 1992). Financial performance refers to the rate of global sales increase, the profits from global operations, return on investment, return on sales, and return on equity (Hsu & Pereira, 2008).

The scope of analyses of performance has been expanded by including not only objective indicators but also subjective ones (Aspelund & Moen, 2005; Solberg & Durrieu, 2006; Nummela, Saarenketo, & Puumalainen, 2004). Subjective performance refers to the perceived ability to produce positive outcomes through internationalization. Using subjective performance allows deeper access to firm performance, especially for micro-firms and when financial information is unreliable (Aspelund & Moen, 2005).

### **International Activities: Scope, Speed, and Duration**

Firms' international activities encompass a wide range of decisions and events. Scholars, increasingly recognizing that internationalization is a multidimensional activity, have distinguished among three dimensions: scope (Erramilli, 1991; Pedersen & Petersen, 1998), speed (Autio et al., 2000; Delios & Makino, 2003; Gielens & Dekimpe,

2007; Isobe et al., 2000; Lee, Smith, Grimm, & Schomburg, 2000), and duration (Kalantaridis, 2004). Each is described below.

The scope of international activities, measured as the number of countries or regions that a firm enters (Capar & Kotabe, 2003; Erramilli, 1991; Pedersen & Petersen, 1998), has been considered an important dimension of international activities (e.g., Capar & Kotabe, 2003). International diversification (Capar & Kotabe, 2003; Hitt, Hoskisson, & Kim, 1997) and geographic diversity (Musteen et al., 2010; Tallman & Li, 1996) are often used interchangeably with scope of international activities in the literature. Scope's importance is in its potential impact on firm performance. Studies on the scope-performance relationship have been based largely on samples of manufacturing firms (e.g., Hitt et al., 1997; Musteen et al., 2010) and service firms (e.g., Capar & Kotabe, 2003; Erramilli, 1991; Pedersen & Petersen, 1998).

The speed of international activities, measured as the time between a firm's founding and its first international sales, has recently received attention as a vital dimension of international activities because it influences firms' market growth, profitability, and survival (e.g., Aspelund & Moen, 2005; Autio et al., 2000; Jones & Coviello, 2005; Musteen et al., 2010; Zahra et al., 2003; Zucchella et al., 2007). These studies all assume that early-internationalizing firms may be able to adapt and innovate more rapidly in new and dynamic foreign environments than late-internationalizing firms. Firms that internationalize more rapidly are likely to benefit from their flexible organizational structures, allowing them to quickly internalize new knowledge from the international environment (Aspelund & Moen, 2005). In contrast, it has been observed

that the longer firms spend operating solely in domestic markets, the more difficult it becomes for them to learn foreign business practices and assimilate this learning into their established knowledge structures (Autio et al., 2000).

The duration of international activities, measured as the number of years the firm has experienced in international markets, has been regarded as international experience in international studies (e.g., Kalantaridis, 2004; Lin, 2012; Lord & Ranft, 2000; Luo & Peng, 1999; Zahra et al., 2000), their premise being that longer involvement in international markets enhances firms' accumulated experience (Kalantaridis, 2004; Lin, 2012; Lord & Ranft, 2000; Zahra et al., 2000) or experiential learning (Luo & Peng 1999); thus, longer involvement in international markets increases opportunities for repeating successful business activities learned from international operation and enlarges sales volumes. The duration of international activities has often been used as a control variable in investigations of the influence of the major constructs on firm performance (Lord & Ranft, 2000; Zahra et al., 2000).

### **Proposed Conceptual Model**

This study consists of two parts. The primary objectives of Part I are to 1) explain retail internationalization decision making in the T&A industry, taking into account the characteristics of apparel retailing firms as a mature industry, and 2) examine market knowledge's mediating effect on the relationship between sources of market knowledge and firm performance. In Part I, the model conceptualizes whether 1) apparel retailers' market knowledge is influenced by their foreign sourcing experiences and foreign networking and whether 2) firm-, retail-, and market-specific factors relate to apparel

retailers' decisions to internationalize. Drawing on the literature, the study uses firm-specific factors such as firm size, firm age, market knowledge, and market commitment; retail-specific factors include product uniqueness, brand identity, and store atmosphere; the market-specific factor is domestic growth opportunity. Incorporating all these factors, this study proposes the conceptualized model shown in Figure 3. The primary aim of Part II is to investigate how the three dimensions of international activities (scope, speed, and duration) lead to firm performance in foreign markets. Figure 4 presents the proposed model for the relationship between international activities and firm performance.

Figure 3. Proposed Conceptual Model in Part I

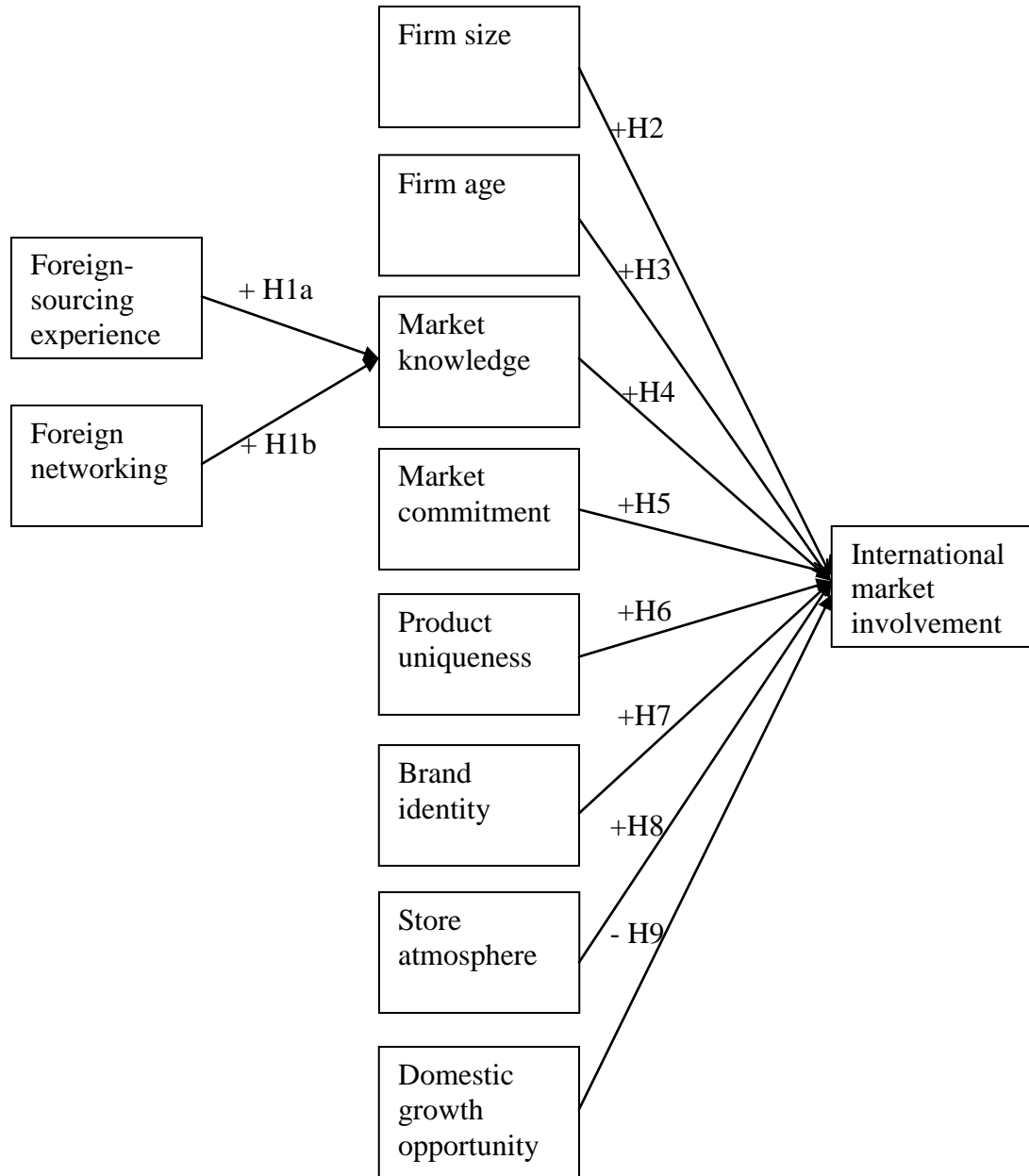
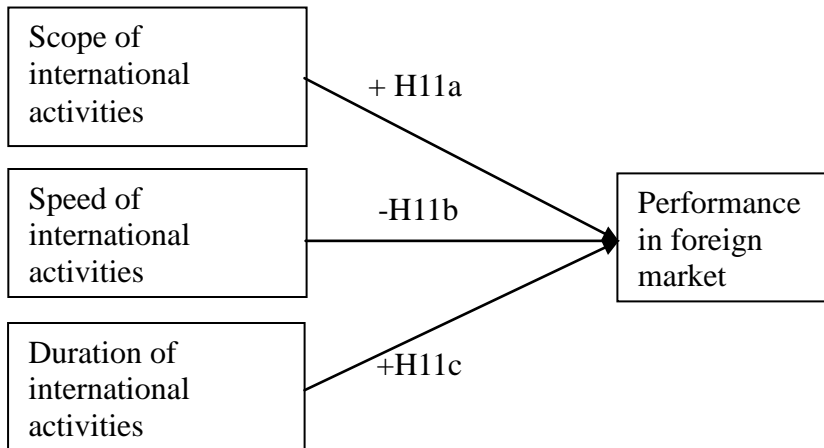


Figure 4. Proposed Model for the Relationship between International Activities and Firm Performance in Part II



## **Hypotheses Development**

### **Relationships among Foreign Sourcing Experience, Foreign Networking, and Market Knowledge**

Foreign sourcing provides the opportunity to gain detailed local knowledge at the retail level (Fariñas & Martín-Marcos, 2010; Palmer & Quinn, 2005; Vida et al., 2000). For instance, through initial sourcing activities in Poland, the Swedish furniture retailer IKEA was able to learn the features of local products. This knowledge contributed to the IKEA retail stores' merchandise assortment in Poland (Ghauri, Tarnovskaya, & Elg, 2008). Furthermore, retailers have often entered a new market through their sourcing offices, testing market conditions and learning gaining local knowledge (A.T. Kearney, 2006). For example, the British retailer Marks & Spencer began its retail expansion into Asian markets by developing foreign sourcing activities in Asian countries (Alexander, 1990), implying that market knowledge obtained from overseas sourcing in Asian countries contributed to Mark & Spencer's decision to open retail stores in Asian markets.

Learning from foreign sourcing is more prevalent in the fashion sector because most fashion goods are produced in cheap labor countries due to the sector's intensive labor requirement. In a case study by Guercini and Runfola (2010), an Italian apparel retailer entered the Chinese market for sourcing and later opened retail stores based on its newly acquired Chinese market knowledge (e.g., local consumer behavior). During the sourcing stage, Italian apparel firms learned business skills in an emerging market and the importance of social bonds, such as "guanxi," in doing business with Chinese suppliers,

later applying this knowledge in their retail operations. Foreign sourcing can also provide an opportunity to access new market research (Alguire, Frear, & Metcalf, 1994). For instance, business travel is essential for establishing and maintaining sourcing relationships. Thus, frequent business trips can provide exposure to local trends, aesthetic preferences, market systems, competitor activities, and negotiation strategies. Therefore, experiencing foreign sourcing over a long period of time in multiple countries helps apparel retailers gain information on international markets concerning issues such as consumer needs, cultural norms, languages, regulations, negotiation skills, and distribution channels. This study thus hypothesizes the following:

**H1a:** The greater a firm's foreign sourcing experience, the greater their market knowledge.

The findings of many case analyses suggest that personal relationships, both formal (e.g., clients and former employees) and informal (e.g., friends and relatives), serve as instrumental tools for obtaining foreign market information (e.g., Ellis & Pecotich, 2001; Ellis, 2011; Johnsen & Johnsen, 1999; Prashantham, 2006). From their personal relationships with suppliers and foreign agents, four knitwear manufacturers studied by Johnsen and Johnsen (1999) obtained informal information on foreign local customers and an awareness of foreign market opportunities. In Ellis and Pecotich's (2001) study, an Australian exporter's social ties with a former New Zealand employee became a direct source of contact and enhanced his ability to identify foreign business partners and target markets when expanding into New Zealand. Similarly, informal personal relationships contribute to foreign market knowledge. By comparing the use of

relatives and formal marketing searches as information sources, Ellis (2011) found that personal social relationships with relatives led to more valuable information in market situations constrained by geographic, cultural, and linguistic distance. In Prashantham (2006), an Indian CEO revealed that his former Korean colleague provided Korean market information that was likely unavailable from public information sources in India.

Foreign networking is also important for building market knowledge in apparel retailers' internationalization. Although the Middle East market has high market uncertainty, Victoria's Secret entered Kuwait before any other country in the region as one of their interns was the nephew of the owner of a major retail company in Kuwait (Jannarone, 2011, October 20). In Hutchinson et al.'s (2006) study, the cases of three U.K. clothing and accessory retailers show that the firms' founders or senior managers created strong social bonds with people they met while travelling in different foreign countries, resulting in their becoming the first local distributors in two foreign markets. Internationalizing the apparel business requires understanding local consumer cultures and aesthetic tastes; thus, apparel retailers need specific market research on local consumers and trends. In the case of the Turkish textile and apparel firms studied by Eren-erdogmus et al. (2010), international distributors in target countries were asked to select the pieces that suited their cultures. Through this process, Turkish firms were able to learn the preferred colors, designs, and forms in selected foreign markets. The companies obtained further local knowledge from suppliers, distributors, store managers, and employees from the foreign countries.

From the above, this study posits that foreign networking (e.g., relatives, friends, existing clients, former classmates, former employers/employees) is an informal source of market knowledge (e.g., consumer needs, tastes, cultures) and that increased personal relationships in foreign markets expand apparel retailers' opportunities to develop market knowledge. Therefore, this study hypothesizes the following:

**H1b:** The greater a firm's foreign networking, the greater their market knowledge.

### **Relationships among Firm size, Firm Age, and International Market Involvement**

The Uppsala model posits that firms are adequately established in their domestic market before moving into international markets because firms have reduced market risks and uncertainty based on their experience (Johanson & Vahlne, 1977). Many empirical findings confirm the positive relationship between firm size and international activities (e.g., Bonaccorsi, 1992; Cavusgil & Nevin, 1981; Reuber & Fischer, 1997; Vida et al., 2000). Bonaccorsi (1992) examined the relationship between Italian manufacturers' firm size and exporting behavior using the largest national database ever employed for a study on size and export behavior (8,810 Italian companies) and found that firm size was positively associated with a propensity to export. Moreover, larger firms were observed to have more management teams with international experience than smaller firms (Reuber & Fischer, 1997). The positive relationship between firm size and international expansion is not limited to exporting firms. Chen and Sternquist (1995) found that Japanese international retailers tended to have higher sales volumes and more employees than their domestic counterparts. A comparison study between U.S. domestic and international

retailers by Vida et al. (2000) revealed that larger retailers were more likely to involve international markets than smaller retailers (though the relationship was weak). Growing firms are able to commit more resources to international expansion. Therefore, larger firms can access more of the resources needed to develop their international market involvement. Based on these arguments, we postulate the following hypothesis:

**H2:** The larger a firm, the higher the probability of international market involvement.

Traditional explanations of gradual internationalization may not apply to all sectors because they clash with contradictory findings, such as the emerging born-global firms of the high-tech industry (Oviatt & McDougall, 1994). High-tech firms tend to expand their businesses when young (Aspelund & Moen, 2001; Autio et al., 2000). For instance, Autio et al.'s (2000) study of international European electronics firms revealed the negative relationship between firm age and international expansion.

In contrast to high-tech firms, retail firms need sufficient time to grasp the know-how, business cultures, local aesthetics, and commercial laws of their host markets in order to overcome their newness and cultural differences. For example, comparing domestic and international retail stores, Chen and Sternquist (1995) found that international retail stores had longer histories of establishment. As retailers' competitiveness is derived from their store name, service, or product assortment, apparel retailers may follow a traditionally gradual process. Hence, the age of the firm may be important in explaining international apparel retailers. We therefore propose the following hypothesis:

**H3:** The older a firm, the higher the probability of international market involvement.

### **Relationship between Market Knowledge and International Market Involvement**

The logic of the Uppsala model asserts that developing market knowledge (e.g., about regulations, norms, distribution channels, business cultures) can reduce uncertainty and perceived risks (c.f. Johanson & Wiedersheim-Paul, 1975) and thus lead to a decision to engage in international markets. For example, a lack of market knowledge about competitors, clients, language, and norms increased managers' perception of internationalization costs in a study of Swedish service firms (Eriksson et al., 1997). Wal-Mart's highly publicized failure in South Korea and Germany illustrates the significance of local market knowledge (Christopherson, 2007; Kim, 2008): American marketing methods did not translate well to the German and Korean markets. Lacking an understanding of local shopping habits, Wal-Mart's everyday-low-price strategy was not perceived as valuable by Korean and German consumers. Moreover, the leader of Wal-Mart Germany was an American who could not speak German, leading to the use of U.S.-style marketing strategies in Germany (Christopherson, 2007). Research has confirmed the strong relationship between market knowledge and international market involvement. Senior managers' knowledge of foreign languages and their international experiences gleaned from former jobs were found to influence the early phase of Italian small- and medium-sized firms' international activities (Zucchella et al., 2007). Cultural knowledge of neighboring countries and regions and global experience influenced European retailers' early entry into Eastern European countries when they opened their

economies (Gielens & Dekimpe, 2007).

For apparel retail firms, local history, language, religion, consumer needs, cultural aesthetic tastes, and merchandise distribution are all essential aspects in operating their businesses in foreign markets for the following reasons: 1) the color and design of apparel goods can deliver social meanings (Roach-Higgins & Eicher, 1992), 2) local consumer needs and aesthetic tastes vary widely (Jin, 2004), 3) local religions and regional climates influence dress lengths (Michelman, 1999), and 4) apparel items include a wide range of inventory stock (Jin, 2004). Therefore, apparel firms with a high degree of market knowledge about the cultural norms, languages, business regulations, and supply chain systems of their host markets are in a better position to overcome risks and uncertainties, which in turn increases the potential for a decision to internationalize. In sum, this study postulates that market knowledge will lead to international market involvement among apparel retailers. We accordingly hypothesize the following:

**H4:** The greater a firm's market knowledge, the greater the probability of international market involvement.

### **Relationship between Market Commitment and International Market Involvement**

Since internationalization can require high entry costs and transaction risks, internationalization decision making is necessarily affected by proactive managerial attitudes and a willingness to commit resources with a long-term view. Thus, an earlier entry might be prompted by high market commitments to tangible (e.g., financial investments) and intangible (e.g., time, information search, patience) resources (Isobe et al., 2000; Navarro, Losada, Ruzo, & Diez, 2010). Firms' market commitments in their

international activities in the turbulent market are well documented. For instance, despite an internal crisis and war between Iran and Iraq (1982-1988), Swedish firms such as Volvo did not withdraw their businesses but maintained their market commitments due to the post-war market potential (Hadjikhani, 1997). In this case, firms integrated all of their tangible and intangible commitments, such as resources, information searches, tolerances, and beliefs, for their focal markets. High-tech firm managers' positive attitude to and perception of exporting and export environments have had a positive impact on the early initiation of international operations because they have encouraged managers to adopt more proactive export strategies (Knight & Cavusgil, 1996). Thus, studies have found that market commitment motivates proactive internationalization strategies (e.g., Hadjikhani, 1997; Solberg & Durrieu, 2006).

As in the high-tech and car industries, foreign market commitment is essential to the internationalization of apparel retail (Moore & Burt, 2007). Since apparel items are easily imitated and fashions change quickly, retailers need to widen their markets to sell more products rapidly (Jin, 2004), leading to expansion into foreign markets. Proactive and ambitious firm attitudes to internationalization may assist firms in overcoming foreign market uncertainty, which may in turn lead to their internationalization. In a case study of a U.S. and U.K. early-internationalized apparel firm, internationalization was often identified as part of the company's original business plan (Wigley et al., 2005). For instance, as one apparel firm founder's ambition was to bring his firm's style and vibrancy to global consumers, he sought foreign market opportunities. Apparel firms that prioritize international opportunities and use considerable resources to internationalize

will engage in international market involvement more readily than their counterparts.

Based on this assumption, this study postulates that a firm's strong market commitment to internationalization will lead to international market involvement:

**H5:** The greater a firm's market commitment, the higher the probability of international market involvement.

### **Relationships among Product Uniqueness, Brand Identity, Store Atmosphere and International Market Involvement**

Product uniqueness contributes to retail differentiation and has been identified as a key driver of the retail industry's international expansion (Alexander, 1990; Evans et al., 2008; Williams, 1992). Alexander (1990), Evans et al. (2008), and Williams (1992), in investigating the motives for retail internationalization, have highlighted the importance of the uniqueness of the retail offering. Similarly, Treadgold (1991) found that a unique product offer makes entry into a foreign market much easier. Unique product lines can stimulate an internationalizing retailer's targeting of specific segments (Foscht et al., 2006; Michmann & Mazze 2001); one plausible explanation is that unique and creative designs and features can satisfy various aesthetic preferences and local consumer needs in foreign markets.

Facing fierce competition in global markets, retailers must carry products with a strong brand identity (Ailawadi & Keller, 2004). For instance, according to a former IKEA CEO (Dahlvig, Kling, & Goteman, 2003), the company aims to create designs connected to "Swedishness" because being a Swede is typically seen as good, healthy, and solid, which appeals to foreign consumers. The effect of a distinctive brand identity

is also important to smaller retailers' international expansion. In Hutchinson et al.'s (2007) examination of small British retailers' international expansion, retailers reported that distinct brand identity (British/English, luxury, and inspirational images) was a key determinant of their early international expansion. The strong brand identity created in the domestic market not only triggered foreign expansion for these small specialty retailers but also served as the driving force for continuous international expansion. Hence, brand identity can be important in explaining internationalization of apparel retailers.

For apparel retailers, store space is another significant factor in generating a differentiation from competitors, which in turn facilitates the decision-making on internationalization. Since apparel items' features (e.g., pattern, texture, color, design) are easily copied and their basic attributes (e.g., price, quality) do not strongly differentiate them, the store atmosphere can provide value-added traits to retailers. For instance, Fernie et al. (1997) investigated the internationalization of global high fashion brands in London. Through visual merchandising and innovative store design and atmosphere, many fashion retailers were able to generate distinctiveness in foreign markets. Known for their classically designed cotton goods, American Apparel employs fashionable retail store designs, viewing this as one differentiation between themselves and similar apparel retailers (American Apparel, 2011). Thus, strong product uniqueness, brand identity, and store atmosphere will motivate apparel retailers' international expansion. Therefore, this study hypothesizes the following:

**H6:** The stronger a firm's product uniqueness, the greater the probability of international market involvement.

**H7:** The stronger a firm's brand identity, the greater the probability of international market involvement.

**H8:** The stronger a firm's store atmosphere, the greater the probability of international market involvement.

### **Relationship between Domestic Growth Opportunity and International Market Involvement**

Domestic growth opportunity can be a major internationalization determinant but not for all sectors (e.g., Bell, 1995). For instance, studies of high-tech firms demonstrate that being firmly established in a domestic market is not necessarily a precondition for internationalization. Bell (1995) found that approximately 10% of the software firms studied began exporting before having obtained any domestic sales. These high-tech firms began internationalizing through their advanced R&D on product functionalities (Oviatt & McDougall, 1994).

In contrast, domestic growth opportunity may be a crucial determinant of apparel retailers' internationalization. Many studies have shown that apparel retail firms are encouraged to expand their businesses into foreign markets because of the maturity of their domestic markets (Lopez & Fan, 2009; Laulajainen, 1991; Sternquist, 1997; Wigley et al., 2005). Many cases support this finding. Gap's struggles in the U.S. market have accelerated its fast expansion across the Chinese market since its 2010 entry (Lee, 2010, November 11). The entry of British children's wear retailer, Adams, in Spain in the mid-

1990s was attributed to imminent market saturation and increased domestic competition (Johnson & Allen, 1994). Similarly, Scandinavian home market saturation encouraged the expansion of Swedish youth fashion retailer Hennes & Mauritz into the U.K. market (Laulajainen, 1991), and limited domestic market growth opportunities led Zara to expand internationally (Lopez & Fan, 2009). It has been found that slacking domestic demand in developed countries has prompted a rapid internationalization (Evans et al., 2008a; Wigley et al., 2005). Given the weight of the empirical findings, this study posits that apparel retailers who perceive less domestic market growth opportunities are more likely to expand their businesses to international markets. We therefore hypothesize as follows:

**H9:** The smaller a firm's perceived domestic growth opportunity, the greater the probability of international market involvement.

### **Mediating Effect of Market knowledge on the Relationship between Foreign Sourcing Experience, Foreign Networking, and International Market Involvement**

We argue that foreign sourcing experience and networking drive international market involvement through their impact on market knowledge. Foreign sourcing experience, as experiential learning, and foreign networking, as indirect learning, can be sources of market knowledge for apparel retailers, heightening their chances of international market involvement.

The sequence from foreign sourcing experience to market knowledge to international market involvement occurs because foreign sourcing is prevalent in the fashion industry (Guercini & Runfola, 2010). Therefore, apparel retailers' sourcing

experience is a viable source of stock market knowledge, such as information on foreign cultures, consumer behavior, commerce, and distribution systems, providing a greater opportunity to expand their businesses internationally (Alexander, 1990; Alguire et al., 1994; Guercini & Runfola, 2010). Similarly, foreign networking can influence international market involvement via its impact on market knowledge. For example, Ellis and Pecotich (2001) found that social networks with former employees became tools for finding foreign business partners and building local market knowledge when expanding internationally.

Thus, instead of the direct influence of foreign sourcing experience and networking on international market involvement, two variables (i.e., foreign sourcing experience and foreign networking) must precede and directly affect the market knowledge directly affecting international market involvement. Thus, market knowledge is expected to mediate the relationship between foreign sourcing experience and networking and international market involvement. This link between foreign sourcing experience and networking and international market involvement via the mediating role of market knowledge is captured in the hypotheses below:

**H10a:** Market knowledge will mediate the relationship between foreign sourcing experience and international market involvement.

**H10b:** Market knowledge will mediate the relationship between foreign networking and international market involvement.

## **Relationship between International Activities and Firm Performance**

The scope of international activities has often been used to understand the degree of a firm's international activities (e.g., Lin, 2012). Studies have found that geographic scope is positively related to performance (e.g., Kim, Hwang, & Burgers, 1993; Tallman & Li, 1996; Hitt et al., 1997). For instance, while studying large American industrial multinational enterprises (MNEs), Tallman and Li (1996) found that firms that had entered more foreign markets displayed higher return on sales. The positive relationship between scope of international activities and profitability can be explained through the enlarged market opportunities (Buhner, 1987), providing economies of scale and scope (Pedersen & Petersen, 1998), and diversifying market risk (Kim et al., 1993).

The fashion industry is a fruitful global retailing sector. Its modest investment requirements and narrow merchandise range allow fashion retailers to easily initiate international markets and expand their businesses (Dawson, 1993). In addition to easy expansion, the positive impact of scope of internationalization on firm performance can be expected in apparel retailer internationalization for the following three reasons. First, economies of scales and scope can be achieved relatively easily in the textile and apparel industry through a diversified international expansion. Because production in the industry heavily relies on labor, most apparel goods are produced in low-wage countries, resulting in lower costs and high production volumes (e.g., American Apparel & Footwear Association, 2009, August). Therefore, scale and scope economies provide apparel firms with significant production cost advantages, as they are selling their goods across many countries. Second, apparel retailers can expand their businesses widely across countries

without needing to change their product designs (Molla-Descals et al., 2011), allowing them to enhance their economies of scale through procurement. Third, the firms' exposure to a wider diversity of countries gives them many new and different sources of knowledge about local environments. This knowledge enables firms to grasp more opportunities to pursue new product development and marketing and to meet consumer needs. As a result, apparel retailers with geographic diversity may have a better opportunity to integrate what they learn and develop strategies maximizing their economies of scale. Hence, this study postulates that apparel retail firms in more foreign markets will enjoy better foreign market performance than their counterparts. We therefore hypothesize the following:

**H11a:** The greater a firm's scope of international activities, the greater the firm performance in foreign markets.

As firms are increasingly internationalizing at their early stages, the speed of these activities has recently been highlighted (e.g., Cai & Wang, 2010; Gaba et al., 2002). Studies on high-tech internationalization have found that early-internationalizing firms enjoy higher profitability (Aspelund & Moen, 2005; Autio et al., 2000; Zhou, 2007), perhaps because of the flexibility of incorporating new and fresh market ideas from foreign markets. The attention and knowledge of firms that enter foreign markets after operating domestically for a long time tend to be restricted to the domestic market, resulting in a resistance to learning about foreign markets (Autio et al., 2000). In contrast, firms that internationalize earlier are more flexible about learning the new business activities in the foreign markets than older firms, leading to a better performance in those

foreign markets. Indeed, Autio et al.'s (2000) study on Finnish entrepreneurial firms' internationalization found that early movers showed subsequent growth in international sales. Additional support can be found in a study by Zhou (2007), who investigated Chinese firms' early internationalization and found that early movers out of the home market were more likely to grow rapidly. Moreover, Aspelund and Moen (2005), examining the relationship between the speed of exporters' international activities and perceived performance, classify firms as born global, early international, late international, and late global according to the speed of their international activities. Their results show that the rapidly internationalized firms perceived stronger growth than did the later movers.

While apparel retailers tend to take more time to internationalize than high-tech firms, early apparel retailer internationalization has been observed (American Apparel, 2011; Hutchinson et al., 2006). Technological (e.g., Internet) and globalized fashion trends are contributing to the early international expansion of small and young retailers (Hutchinson et al., 2006). As with high-tech firms, apparel firms that penetrate international markets early will be more flexible in learning and adopting new business knowledge on issues such as foreign product design, advertisement, and sales strategies. This flexibility will increase the likelihood of strong foreign market performance. In addition, entering international markets early can help firms establish a clear international brand identity across product designs, services, and brand images (Assaf et al., 2012). Such a clear global brand identity will lead to a positive market performance. Thus, apparel retailers who expand internationally when young might have more flexibility in

and a stronger willingness to integrate what they newly experience in foreign markets, leading to a stronger foreign market performance than that enjoyed by their counterparts.

We therefore propose the following:

**H11b:** The faster a firm's speed of international activities, the greater the firm performance in foreign markets.

The duration of international activities is another influence on firm performance in foreign markets (Zahra et al., 2003). Longer experience overseas provides learning effects that increase international performance (Palmer & Quinn, 2005). In the initial stage, learning about a new market may be difficult (Gaba et al., 2002), but, once information and knowledge are retained, firms that successfully internationalize can repeat their strategies and expand into other international markets more easily (Assaf et al., 2012). Furthermore, longer internationalization periods provide an opportunity to integrate existing and new market knowledge and repeat successful firm strategies when entering a new market (Burt, Davies, Dawson, & Sparks, 2008), which will in turn increase firm performance in foreign markets. This line of argument is well supported by previous studies. For example, a positive relationship between the years of international market involvement and firm performance has been found (Kalantaridis, 2004; Luo & Peng, 1999; Zahra et al., 2000). Therefore, this study hypothesizes the following:

**H11c:** The longer a firm's duration of international activities, the greater the firm performance in foreign markets.

## **Summary**

This chapter has outlined an overview of the research on apparel firm internationalization. It began by reviewing traditional internationalization theories. A discussion of their weaknesses and strengths showed that specific antecedents can be incorporated in an examination of firms' international market involvements. In addition, internationalization has three salient dimensions—scope, speed, and duration—that form relationships with firm performance. Following this discussion, the major constructs selected for the study, the proposed model, and the hypotheses were presented. The next chapter describes the research methodology used in the study.

## CHAPTER III

### METHODOLOGY

This chapter presents the study's research methodology in the following sections: (1) Sample; (2) Data Collection; (3) Instrument Development; (4) Survey Design; (5) Statistical Analysis; and (6) Summary.

#### **Sample**

Our target population comprises U.S. apparel retail firms. Internationalization has been emphasized as a method of survival and growth for the U.S. apparel retail industry; thus, understanding the factors influencing international market entry is important in encouraging U.S. apparel retailers to decide on internationalization. Focusing on a single industry allows us to better understand the links among study variables because it helps control for potential industry differences, such as in regulatory constraints and competition (Andersson et al., 2004; Zahra et al., 2003).

Samples were selected according to three criteria: 1) the retailer's primary activity is selling apparel and related accessory goods through brick-and-mortar retailers (e.g., Gap), rather than an e-retailer (e.g., Amazon); 2) the firm is classified as Standard Industrial Classification (SIC) code 56 (Clothing and accessories store); and 3) the firm is at least six years old, the first six years being regarded as the crucial period when most firms' survival is determined (Shrader, Oviatt, & McDougall, 2000).

Our sample was drawn from the U.S. apparel retailing firms listed in the Dun and Bradstreet (D&B) database subscribed to by the library of the University of North Carolina at Greensboro. One of the world's leading suppliers of business information and research, the D&B database is widely regarded as a reliable and representative source of registered businesses and has been used in previous studies (e.g., Osterman, 1994; Ray, Barney, & Muhanna, 2004). The D&B database was the most practical option for creating a countrywide data sample. The database provides lists of firms that include company names, mailing addresses, the names of senior managers, phone numbers, and other information. A total of 1,320 elements meeting the three criteria detailed above were selected as the study's initial sample frame. To verify whether each firm was currently engaged in apparel retailing industry, a business website was examined. This verification process excluded non-U.S. retailing firms (e.g., Veneta Bottega Inc., Jil Sander America Inc., Hermes Fashions Inc.) and non-apparel retailers (e.g., marketing firms, traders, wholesalers, manufacturers). As a result, 1,284 firms were selected for the study's final sample group.

### **Data Collection**

This study employed Dillman, Smyth, and Christian's (2009) Mixed-mode Survey technique to collect data. To maximize response rates and minimize the non-response bias, the Mixed-mode Survey technique guides various contact modes and mixes the traditional paper and pencil formats (i.e., mail surveys) with interactive formats (i.e., online surveys). A self-administered questionnaire was mailed to senior managers (CEO, president, vice president, or senior manager) assumed to be knowledgeable about

their retail firm's business strategies based on their job title and position within the company. Following Dillman et al.'s (2009) Mixed-mode survey technique, this study employed several steps to increase the response rate: a pre-notification postcard, an initial questionnaire, a reminder postcard, a second questionnaire, and final phone or email contacts.

Pre-notification postcards were mailed to 1,284 U.S. apparel retail firms at the end of February, 2012, to provide positive and timely notice that the respondent would be receiving a request to help with an important study. Seven days after mailing the pre-notification postcards, the first survey package, including a human subject consent form approved by the University of North Carolina at Greensboro Institutional Review Board, a cover letter, the questionnaire, and a prepaid return envelope were sent out. The cover letter suggested two response options depending on their earliest convenience and preference: a mail survey using a printed questionnaire or an online survey through a provided URL. Three weeks after the first survey mailing, a postcard reminder was sent to the firms who had not yet responded.

Ten days after sending the postcard reminder, the second questionnaire was mailed to non-respondents to encourage the participation of firms who had misplaced, lost, not received, or not responded to the first mailing. Dillman et al. (2009) suggest switching contact modes to improve survey responses. As the first survey package resulted in a low response rate, we decided to contact respondents using different modes. Phone calls and emails were made during the second mailing period after the University

of North Carolina at Greensboro's Institutional Review Board approved this method of additional contact. Data collection was completed by mid-May, 2012.

### **Instrument Development**

After specifying the construct domain, instruments and scales were developed through reviews of empirical studies on firms, management, marketing, and international business. The survey questionnaire comprised two sections. The first addressed such variables as international market involvement, the antecedents of international market involvement (i.e., firm size, firm age, market knowledge, market commitment, product uniqueness, brand identity, store atmosphere, and domestic growth opportunity), the antecedents of market knowledge (i.e., foreign sourcing experience and foreign networking), firm performance, and the dimensions of international activities (i.e., scope, speed, and duration). The second section consisted of questions about the firm's background information, such as the year of foreign market entry, the entry mode, the first foreign market entered, the number of foreign markets entered, and the continents entered so far.

The constructs investigated in this study were measured by a 7-point Likert-type scale, a dichotomous variable, and a continuous variable. For instance, foreign networking, market knowledge, market commitment, product uniqueness, brand identity, store atmosphere, domestic growth opportunity, and firm performance were measured using 7-point Likert-type scales. All measures with multiple items were averaged into a single one for analysis. International market involvement was measured by a dichotomous (yes/no) variable, and firm size, firm age, foreign sourcing experience, and

the scope, speed, and duration of international activities were calculated as continuous variables. Table 2 summarizes the key measures and the sources employed in this study, and Appendix A presents the survey instrument. Each measure in this study is introduced below.

Table 2. Sources of Measurement Scales

Constructs	Number of Items	Examples of Items	Sources
International market involvement	1	<ul style="list-style-type: none"> <li>• Is your firm currently selling products/ services outside the U.S.?</li> </ul>	Vida et al. (2000)
Firm size	1	<ul style="list-style-type: none"> <li>• The approximate number of full-time employees: _____</li> </ul>	Musteen et al. (2010)
Firm age	2	<ul style="list-style-type: none"> <li>• Establishment year: _____</li> <li>• Current year: _____</li> </ul>	Zahra et al. (2003)
Market knowledge	9	<p>What level of knowledge and understanding does your firm have in the following areas:</p> <ul style="list-style-type: none"> <li>• Business contacts in foreign markets</li> <li>• Foreign consumer needs and preference</li> <li>• Effective marketing in foreign markets</li> <li>• Foreign competitors</li> <li>• Foreign distribution channels</li> <li>• Foreign languages</li> <li>• Foreign business laws</li> <li>• Foreign business norms</li> <li>• Foreign business regulation in retail industry</li> </ul>	Hadley & Wilson (2003)
Market commitment	7	<p>Please indicate the degree to which your company is committed to international activities.</p> <ul style="list-style-type: none"> <li>• The level of time and effort our firm's management commits to international activity</li> <li>• The level of financial resources committed to the international activity</li> <li>• The level of human resources committed</li> </ul>	Navarro et al. (2010)

		<p>to the international activity</p> <ul style="list-style-type: none"> <li>• Finding published information about international marketing opportunities</li> <li>• Doing market research about international marketing opportunities</li> <li>• Seeking information about a competitor's international marketing performance</li> <li>• Finding out which competitors are committed to international marketing as part of their overall corporate strategy</li> </ul>	Lim et al. (1993)
Product uniqueness	7	<p>Please indicate how much you agree with each of the following statements.</p> <ul style="list-style-type: none"> <li>• Our products are unique in terms of designs and features.</li> <li>• Our products are innovative and creative to meet consumer demands.</li> <li>• Our products meet demands for special target segments.</li> <li>• Our customers visit our store to buy unique and specialized products.</li> <li>• There are specific target consumer groups for our products.</li> <li>• We seek to exploit unique and creative products/services.</li> <li>• We seek to differentiate our products through marketing.</li> </ul>	Aspelund & Moen (2005)
Brand identity	3	<p>Please indicate how much you agree with each of the following statements.</p> <ul style="list-style-type: none"> <li>• The brand(s) we carry in our store is/are desirable.</li> <li>• The brand(s) we carry in our store represent(s) our company messages.</li> <li>• The brand(s) we carry in our store has/have a strong brand identity.</li> </ul>	Bridson & Evans (2004)
Store atmosphere	3	<p>Please indicate how much you agree with each of the following statements.</p> <ul style="list-style-type: none"> <li>• Our store is a pleasant place to shop.</li> <li>• Our store has a pleasing atmosphere.</li> <li>• Our store is attractive.</li> </ul>	Grewal et al. (2003)
Domestic growth opportunity	5	<p>Please indicate how you see the growth opportunities of your target market in the U.S. domestic market.</p>	Burke (1984)

		<ul style="list-style-type: none"> <li>• Future competition</li> <li>• Short-term (3-year) market growth rate</li> <li>• Long-term (10-year) market growth rate</li> <li>• Future profits</li> <li>• “Room” for growth in the domestic market in terms of retail sales and market share</li> </ul>	
Foreign-sourcing experience	2	<ul style="list-style-type: none"> <li>• How many years have your firm either buying, producing, or operating factories in foreign countries?</li> <li>• How many countries have your firm either buying, producing, or operating factories in foreign countries?</li> </ul>	Evans et al. (2008b)
Foreign networking	6	<p>How strong is your personal network with the following people in foreign countries?</p> <ul style="list-style-type: none"> <li>• Former employers/employees</li> <li>• Existing clients</li> <li>• Business associates</li> <li>• Relatives</li> <li>• Friends</li> <li>• Former classmates</li> </ul>	Jin (2011)
Firm performance	9	<p>Please indicate how you perceive your firm’s performance in foreign markets.</p> <ul style="list-style-type: none"> <li>• We have met our international market share objectives.</li> <li>• We have achieved the turnover objectives we set for internationalization.</li> <li>• In general, we are satisfied with our success in international markets.</li> <li>• Internationalization has had a positive effect on our company’s profitability.</li> <li>• Internationalization has had a positive effect on our company’s image.</li> <li>• Internationalization has had a positive effect on the development of our company’s expertise.</li> <li>• Out of your total sales, what percentage is derived from international markets?</li> <li>• Out of your total profit, what percentage is derived from international markets?</li> <li>• Over the past three years, what percentage of your sales growth has been in international markets?</li> </ul>	Nummela, Saarenketo, & Puumalainn (2004)

Scope of International activities	1	• Number of foreign countries entered:_____	Lin (2012)
Speed of international activities	2	• Establishment year:_____ <ul style="list-style-type: none"> <li>• First year of international market entry:_____</li> </ul>	Autio et al. (2000)
Duration of international activities	2	• Current year:_____ <ul style="list-style-type: none"> <li>• First year of international market entry:_____</li> </ul>	Kalantaridis (2004)

## Measures

### *International Market Involvement*

International market involvement was operationalized as current international sales. Internationalization has frequently been measured by international sales (e.g., Vida et al., 2000; Zahra et al., 2003). The international market involvement construct is a dichotomous variable: retailers without international sales were coded “0” whereas retailers with international sales were coded “1”.

### *Firm Size and Firm Age*

As a continuous variable, firm size was measured by the number of full-time employees (e.g., Musteen et al., 2011). Firm age was operationalized as the number of years the firm had been in existence (Rothaermel et al., 2006; Zahra et al., 2003).

### *Market Knowledge*

A firm’s foreign market knowledge was measured through nine items drawn from Hadley and Wilson (2003) to manifest two dimensions: foreign institutional knowledge and foreign business knowledge. Foreign institutional knowledge, for Hadley and Wilson (2003), is determined using four items concerning the firm’s foreign language, foreign business laws, foreign business norms, and foreign business standards with a Cronbach’s

alpha of .86. Foreign business knowledge was derived from the original five items: foreign competitors, foreign distribution channels, business contacts in foreign markets, foreign consumer needs and preference, and foreign sales developments. This dimension had a Cronbach's alpha of .85. To reflect the retail industry, foreign business standards and foreign sales development items were modified into foreign business regulations in retail industry and effective marketing in foreign markets. Respondents were asked to indicate their level of understanding of foreign countries according to the nine items using a 7-point Likert-type scale with endpoints defined by "very low" (1) and "very high" (7).

#### *Market Commitment*

Market commitment was operationalized by a three-item scale adopted from Navarro et al. (2010) and a four-item scale from Lim et al. (1993). Respondents were asked to indicate the extent of their firm's commitment to international activities. The commitment scale of Navarro et al. (2010) had a Cronbach's alpha of .915, with items including "The level of time and effort our firm's management commits to international activity is," "The level of financial resources committed to the international activity is," and "The level of human resources committed to the international activity is." These items were measured on a 7-point Likert-type scale (1 = "very low" and 7 = "very high"). A four-item commitment scale from Lim et al. (1993) measures top management's willingness to commit various resources; its reliability score ranged from .61 to .78, with items including "Finding published information about opportunities for international activity," "market research about international activity," "Seeking information about a

competitor's international activity," and "Finding out a specific competitor's international activity as part of their overall firm strategy." These were measured on a 7-point Likert-type scale with endpoints defined by "not at all willing" (1) and "very willing" (7).

### *Product Uniqueness*

The scale for product uniqueness was drawn from Aspelund and Moen's (2005) measurement of technology products' uniqueness for exporting. The scales were modified to better capture apparel products' specific uniqueness and differentiation modes. Statements included "Our products are unique in terms of designs and features," "Our products are innovative and creative to meet consumer demands," and "Our products meet demands for special target segments." The Aspelund and Moen (2005) scale had a Cronbach's alpha of .82. Seven items were measured on a 7-point Likert-type scale concerning participants' level of agreement with each statement, ranging from "strongly disagree" (1) to "strongly agree" (7); higher scores indicate a higher level of product uniqueness relative to their major three competitors.

### *Brand Identity*

Brand identity was measured using three items drawn from Bridson and Evans (2004) that measure fashion brands' distinctive capabilities. The Bridson and Evans (2004) scale was modified to address brand identity. Statements include "The brand(s) we carry in our store is/are desirable," "The brand(s) we carry in our store easily represent(s) our company messages," and "The brand(s) we carry in our store has/have a strong brand identity." All items were measured on a 7-point interval scale anchored by "strongly disagree" (1) and "strongly agree" (7); higher scores indicate a higher level of perceived

brand identity compared to their major three competitors. The Bridson and Evans (2004) scale had a Cronbach's alpha of .88.

#### *Store Atmosphere*

Store atmosphere was measured using a 3-item scale adapted from Grewal et al. (2003). Statements include "Our store is a pleasant place to shop," "Our store has a pleasing atmosphere," and "Our store is attractive." Respondents were asked to evaluate their level of agreement with each statement relative to their major competitors. Items on store atmosphere were measured on a 7-point Likert-type scale (1 = "strongly disagree" and 7 = "strongly agree"). The Grewal et al. (2003) scale had a Cronbach's alpha of .90.

#### *Domestic Growth Opportunity*

The domestic growth opportunity scale was drawn from the way Burke (1984) that measured market attractiveness. The Burke (1984) scale was modified in order to better capture the domestic market prospects specific to a retail industry. A total of five items were measured on a 7-point interval scale anchored by "very low" (1) and "very high" (7). Respondents were asked to indicate how they perceive the growth opportunities of their target market in the U.S. domestic market considering future competition in the domestic market, short-term (3-year) market growth rate, long-term (10-year) market growth rate, future profits, and "room" for growth in the domestic market in terms of retail sales and market share. The scale of Burke (1984) had a Cronbach's alpha of .92.

### *Foreign-sourcing Experience*

Foreign sourcing experience was measured by the number of years the firm has operated with foreign sourcing and the number of countries in which the sourcing activities have taken place. Two items were combined into a single measure. This operationalization was developed by extending the measurement of international market experience drawn from Evans et al. (2008b). This measure was obtained by a factor analysis.

### *Foreign Networking*

Foreign networking includes both formal and informal overseas networks. The level of personal networking in foreign countries was measured using six items adopted from Jin (2011). Respondents were asked to assess the strength of personal relationships with people in foreign countries, including former employers/employees, existing clients, business associates, relatives, friends, and former classmates. These items were measured using an interval scale ranging from “very weak” (1) to “very strong” (7), with a “none” option (0).

### *Firm Performance*

Firm performance in foreign markets was adopted from Nummela et al. (2004). Firm performance was measured by respondents' perceived success in international performance (Nummela et al., 2004). Six items were measured on a 7-point Likert-type scale anchored by “strongly disagree” (1) and “strongly agree” (7). Statements included “We have met our international market share objective,” “In general, we are satisfied with our success in international markets,” and “Internationalization has had a positive effect

on our company's image." Respondents were also asked to indicate the percentage of international sales and profits out of total sales and profits as well as the percentage of sales growth in international markets over the past three years.

#### *Scope of International Activities*

Scope of international activities was measured by the number of countries a firm has entered (Lin, 2012). Geographical diversity, defined by the number of foreign markets entered, has often been employed to measure the scope of international activities. This is a continuous variable.

#### *Speed of International Activities*

As a continuous variable, the speed of international activities was operationalized by the interval (in years) between the firm's foundation year and its first year of international market entry ( $T_{\text{Speed}} = T_{\text{Year for first international market entry}} - T_{\text{Year of establishment}}$ ). Interval times, such as entry order and the time-span before internationalization, are frequently used as measurements in internationalization studies (e.g., Aspelund & Moen, 2005; Autio et al., 2000; Cai & Wang, 2010; Zahra et al., 2003).

#### *Duration of International Activities*

The duration of international activities was operationalized by the number of years the firm has experienced in foreign markets (Aspelund & Moen, 2005). As a continuous variable, the interval between the year of entry into foreign markets and the current year (2012) was calculated.

*Background Questions Related to the Retail Firm*

To understand each firm’s background and to operationalize several variables, firms’ average annual sales volume for the last three years, the number of domestic retail stores, the number of brands carried in its retail stores, and the main product categories were measured. In addition, the first entry mode, the first foreign market, and the continents the firm has entered were measured. Table 3 presents a detailed operationalization of the study’s variables.

Table 3. Description of Variable Operationalization/Measurement Scale

Variable name	Operationalization/Measurement scale
International market involvement	0 = No international sales 1 = International sales
Firm size	Number of full-time employees
Firm age	2012 – Establishment year
Market knowledge	7-point Likert-type scale
Market commitment	7-point Likert-type scale
Product uniqueness	7-point Likert-type scale
Brand identity	7-point Likert-type scale
Store atmosphere	7-point Likert-type scale
Domestic growth opportunity	7-point Likert-type scale
Foreign-sourcing experience	Number of years for foreign sourcing, number of countries for foreign sourcing
Foreign networking	7-point Likert-type scale
Firm performance	7-point Likert-type scale
Scope of international activities	Number of foreign markets entered
Speed of international activities	First entry year – Establishment year
Duration of international activities	2012 – First entry year
<b>Background Questions</b>	
Average annual sales volume for the last three years	
Number of domestic retail stores	
Number of brands carried in its retail store	
Main product categories	
First entry mode	
First country for foreign market	
Continents where a firm has entered	

## **Survey Design**

An early draft of the survey instrument was reviewed by a group of business scholars with expertise in international research at the University of North Carolina at Greensboro and by retail business owners in the regional area. Three business faculty members and four retail business owners provided feedback on the clarity, comprehensiveness, appropriateness, face validity, and readability of the scales and survey instructions. Minor revisions were then made in the wording of the questionnaire.

To establish trust with respondents and the legitimacy of the research, the logos and names of the University of North Carolina at Greensboro appeared on the cover letters and envelopes. The letter explained the purpose and importance of the research and guaranteed the confidentiality of the participants' information. The letter informed respondents that a copy of the survey summary would be provided at their request as an incentive. To increase respondents' attention to the survey package and maximize the study's response rate, the questionnaire, cover letter, and consent form were prepared on ivory stationery; the questionnaire was printed on legal size paper (8 ½ x 11) and was folded in half to design a respondent-friendly booklet format.

## **Statistical Analyses**

To test its hypotheses, this study utilizes a series of regression models—multiple regression and logistic regression. A multiple regression analysis was utilized to predict the influences of foreign sourcing experience and networking on market knowledge in Part I and the effects of the scope, speed, and duration of international activities on firm performance in foreign markets in Part II. The objective of a multiple regression analysis

is to demonstrate the correlations between the independent variables and the dependent variable (Howell, 2009).

In Part I, a binary logistic regression model was employed to examine the relationship between a set of independent variables and the dichotomous dependent variable (Hosmer & Lemeshow, 2000). In this study, multiple independent variables are continuous variables (firm size and firm age), interval variables with Likert scales (i.e., market knowledge, market commitment, product uniqueness, brand identity, store atmosphere, and domestic growth opportunity), and one dependent variable (i.e., international market involvement) consisting of two levels (i.e., international market involvement or not). This statistical technique enables us to identify which variables, among a set of multiple factors, are the most salient in categorizing companies with international market involvement. In a logistic regression model, the odds ratio is the primary interpretive parameter. The odds ratio is calculated to compare the probability of being in the interest group with that of not being in the interest group. If the probabilities are the same across groups, the odds ratio is 1; if they are not, the odds ratio is either higher or lower than 1 (Howell, 2009). An odds ratio higher than 1 indicates a higher probability of being in the interest group (e.g., the international market involvement group).

Hypotheses 1a and 1b in Part I and hypotheses 11a, 11b, and 11c in Part II were tested using a multiple regression analysis. Hypotheses 2, 3, 4, 5, 6, 7, 8, 9, and 10 were tested using a binary logistic regression analysis. Table 4 provides an overview of the different statistical techniques used in this study.

Table 4. Overview of Statistical Analyses

	Dependent Variable	Statistical Analyses
Hypotheses 1	Market knowledge	Multiple regression
Hypotheses 2-10	International market involvement	Binary logistic regression
Hypotheses 11	Firm performance	Multiple regression

### **Summary**

This chapter summarizes the study's methodological framework. The sample selection, implementation of data collection, instrument development, survey instrument design, and statistical analyses are described. The next chapter discusses the results of the data collection and hypotheses testing.

## CHAPTER IV

### DATA ANALYSIS AND RESULTS

This chapter includes the following sections: (1) Sample Response Rate; (2) Description of Sample Respondents; (3) Non-response Bias Test; (4) Preliminary Analysis; (5) Analysis of Models and Hypotheses Testing; and (6) Summary.

#### **Sample Response Rate**

Out of the 1,284 sample firms, 63 requests were returned as “undeliverable” due to the business closing, moving, having been sent to the wrong address, or the contact person being unavailable. Forty-two firms were ineligible to participate in the study for a variety of reasons, which included a lack of interest, no international activities, or personal reasons (e.g., death of a family member, business trip, etc.). An additional 34 firms informed us that they had a policy of not responding to surveys for research purposes and thus refused to participate. Six firms reported that their primary activities were apparel manufacturing or wholesaling. In summary, a total of 145 firms were excluded from the sample due to the above reasons.

After excluding the 145 firms that would not be participating in the survey, the study yielded an adjusted sampling frame of 1,139. By the end of the data collection, the total number of responses received was 92 while the final useable questionnaires totaled 81, representing a response rate of 7.11%. This compares to other studies on internationalization as a low response rate, as these studies range from 20 % to 44 % (e.g.,

Lim et al., 1993; Musteen et al., 2010; Zahra et al., 2003). Table 5 presents a detailed summary of the responses by the contacted firms.

Table 5. Summary of Sample Response Rates

	Frequency	Percentage
Initial sample frame	1,284	100%
Firms not participating for the following reasons:	145	11.29%
Not reachable (e.g., closed, moved, wrong address, or unavailable persons)	63	4.91%
Not interested, no international activities, personal reasons	42	3.27%
A “no survey” policy	34	2.65%
Apparel manufacturers or wholesalers	6	0.46%
Adjust sample size	1,139	100%
Responses received	92	8.07%
Final usable questionnaires	81	7.11%

The low response rate can be explained with the following reasons. First, it is possible that the target respondents were unwilling to participate in this study because of a lack of time, because of the perception that they were required to provide financial data, or because they feared exposing their data to competitors. Another plausible reason can be the size of apparel retail firms. Most apparel retailers are small businesses compared to other industry sectors, and the small business size often leads to a lack of employees who can assist with individual organization functions. Therefore, target respondents (e.g., executives, owner) in small apparel retailers may have roles that involve multiple tasks and that are involved with managerial functions, which leads to low interest in voluntarily

participating in research. Finally, firms might be overwhelmed by questionnaires from universities, consultancy firms, and professional organizations, which can decrease participation rates.

### **Description of Sample Respondents**

Table 6 presents detailed characteristics of firms that participated in this study. All of the statistical analyses in this study were performed using PASW software, version 18. Of the 81 participating firms, 32 (39.5%) firms stated that they were founded between 1961 and 1990, and 26 (32.1%) firms were founded between 1991 and 2006. Approximately 29% of the respondents ( $n = 22$ ) reported that their last three-year annual sales volume averaged less than \$0.9 million dollars. Seventy-six firms (93.8%) employ fewer than 500 employees. A small- and medium- sized business in the U.S. is defined as one with fewer than 500 employees (U.S. Small Business Administration, 2009, October). Given this definition, a majority of the participating firms in this study are small apparel businesses, at least in terms of employment. More than half of the participating firms own fewer than five domestic retail stores ( $n = 57, 75.9\%$ ). In addition, a majority of the participating firms ( $n = 76, 95.1\%$ ) carries more than one brand in their retail store. As for the main product categories, less than half of retailers carry shoes ( $n = 40, 49.4\%$ ), followed by women's clothing ( $n = 36, 44.4\%$ ) and women's accessories ( $n = 35, 43.2\%$ ).

Table 6. Summary of Firm Background Information ( $N = 81$ )

	Frequency	Percentage (%)
Establishment year		
1870 – 1900	3	3.7
1901 – 1930	6	7.4
1931 – 1960	14	17.3
1961 – 1990	32	39.5
1991 – 2006	26	32.1
Annual sales volume (last three-year average)		
Less than 1 million	22	28.9
1 – 1.9 million	16	21.1
2 – 2.9 million	5	6.6
3 – 3.9 million	10	13.1
4 – 4.9 million	4	5.3
5 – 5.9 million	2	2.6
Over 6 million	17	22.4
Missing values	5	6.2
Number of full-time employees		
Fewer than 10	43	53.1
10 – 39	24	29.6
40 – 69	5	6.2
70 – 99	1	3.7
100 – 499	3	11.1
More than 500	5	6.2
Number of domestic retail stores		
1 – 4	57	72.1
5 – 9	6	7.6
Over than 10	13	13.5
Missing values	5	6.2
Number of brands in the store		
1 brand	5	6.2
More than 1 brand	76	93.8
Main product categories (check all that apply)		
Shoes	40	49.4
Women clothing	36	44.4
Women accessory	35	43.2
Miscellaneous apparel and accessory	34	42.0

Men and boys clothing	29	35.8
Family clothing	11	13.6
Children and infants wear	10	12.3

Table 7 presents the summary of the backgrounds of these firms, for both domestic and international retailers. Of these 81 firms, 30 firms currently sell their products or services outside of the U.S. (i.e., international retailers) and 51 firms do not (i.e., domestic retailers). Compared to the domestic retailers, on average, international retailers were younger but larger in terms of their annual sales volume, their number of full-time employees, and their number of domestic retail stores. The median ages of the two groups of firm differed, with the international retailer sample being an average of 18 years younger than the domestic retail sample. The ranges of international retailers' annual sales volumes, number of full-time employees, and number of domestic retail stores (\$1,063,75 million; 2,899 persons; 430 stores) were much greater than those for domestic retailers (\$34.92 million; 499 persons; 84 stores). This difference implies that the participating international retailers tended to be spread over a much broader size range.

Table 7. Summary of Firm Background by Domestic Retailers and International Retailers

	Domestic Retailers ( <i>n</i> = 51)			International Retailers ( <i>n</i> = 30)		
	Mean	Median	Range	Mean	Median	Range
Firm age (years)	48.08	39	125	26.37	18	94
Annual sales volume (\$million)	4.26	1.58	34.92	82.27	3.3	1,063.75
Number of full-time employees	27.35	7	499	229.87	9	2,899
Number of domestic retail stores	5.10	1	84	39.36	3	430

Table 8 presents a detailed summary of firms' international retail engagement. Out of 30 international retailers, 15 (50%) firms' first international market was Canada, followed by Mexico (*n* = 5, 16.7%) and Australia (*n* = 4, 13.3%). This finding implies that Canada and Mexico might be the most preferable countries to serve as the first foreign market for U.S. apparel retailers, due to their geographical and cultural proximity. Among U.S. apparel retailers in the sample, over half of firms attained their first international sales via online (*n* = 16, 53.3 %), followed by exporting (*n* = 8, 26.7%) and selling through local wholesales (*n* = 3, 10%). Franchising (*n* = 1, 3.3%), licensing (*n* = 1, 3.3%), or direct investment (*n* = 1, 3.3%) were used the least often as the firms' first entry. None of the U.S.-based apparel retailers in this sample utilized joint ventures when entering their first foreign market. This finding implies that for U.S. apparel retailers, the Internet is a vital channel by which to reach foreign consumers. All of the internationalizing apparel retailers in this sample have entered the North American region, followed next by South America (*n* = 16, 53.3%), the EU (*n* = 16, 53.3%), Eastern

Europe ( $n = 13, 43.3\%$ ), and Southeast Asia ( $n = 13, 43.3\%$ ), while Africa has been the least-preferred region ( $n = 5, 16.7\%$ ). Foreign sales averaged 12.2% of overall sales, foreign profit averaged 10.9% of total profit, and foreign sales growth averaged 9.8% over the past three years.

Table 8. Summary of Firm's International Retail Engagement ( $n = 30$ )

	Frequency	Percentage (%)
First foreign market entered		
Canada	15	50.0
Mexico	5	16.7
Australia	4	13.3
U.K.	2	6.7
Japan	2	6.7
Indonesia	1	3.3
Norway	1	3.3
First foreign market entry mode		
Selling through on-line	16	53.3
Exporting	8	26.7
Selling through local wholesalers	3	10.0
Franchising	1	3.3
Licensing	1	3.3
Direct investment for opening a retail store	1	3.3
Joint venture	0	0
Geographic areas the firm entered so far (check all that apply)		
North America	30	100
South America	16	53.3
EU	16	53.3
East Europe	13	43.3
Southeast Asia	13	43.3
Fareast Asia	12	40.0
Southwest Asia	11	36.7
Other Europe	10	33.3
Africa	5	16.7

Foreign sales (Mean)	12.2
Foreign profits (Mean)	10.9
Foreign sales growth over the past three years (Mean)	9.8

### Non-response Bias Tests

A non-response bias test was conducted. A non-response bias problem occurs when actual survey respondents are different from sampled respondents who do not participate (Armstrong & Overton, 1977). A conventional method for assessing non-response bias is to compare the characteristics of respondents to known characteristics of the population from which the sample was drawn (Armstrong & Overton, 1977). However, doing so was neither practical nor possible in this study. As a result, a non-response bias was evaluated by comparing early to late respondents because later respondents are supposed to be more likely to represent non-respondents compared to early respondents (Armstrong & Overton, 1977; Lambert & Harrington, 1990).

Table 9 shows the non-response bias results of a series of *t*-tests. Forty-seven (58%) responses were categorized as early responders and 34 (42%) were grouped as late responders. Non-response bias was assessed by a series of *t*-tests between the early (responses to the first wave of mailing) and the late (responses to the second wave of mailing) respondents regarding their key background factors, including firm age, annual sales volume, number of full-time employees, and number of domestic retail stores. Due to the probability of a Type I error, the Bofferroni multiple-comparison procedure was employed (Howell, 2009). Because we examined four contrasts, we tested each one at  $\alpha' = 0.05/4 = 0.0125$ . The results of the *t*-tests revealed no statistical differences between the

first and second response groups, suggesting that the first and second responses were not different groups.

Table 9. Independent Samples T-Test for Non-response Bias

Variables	First Wave Responses ( <i>n</i> = 47)		Second Wave Responses ( <i>n</i> = 34)		Significance Test	
	Mean	S.D.	Mean	S.D.	<i>t</i>	<i>p</i> -value <sup>a</sup>
Firm age	39.23	27.62	41.15	33.32	-0.282	0.779
Annual sales volume (\$million)	44.22	189.2	20.02	51.27	0.704	0.484
Number of full-time employees	127.89	531.85	67.06	156	0.646	0.520
Number of domestic retail stores	20.66	78.37	10.47	21.71	0.715	0.477

*Note.* <sup>a</sup> significance of *p*-value was evaluated against a Bonferroni's  $\alpha' = 0.05/4 = 0.0125$

### Preliminary Analysis

#### Missing Values, Normality, and Outliers

Data were screened for missing values, outliers, and normality. To determine whether the data was missing at random, Little's Missing Completely at Random (MCAR) test was run and resulted  $p = .610$ , which is greater than .05 indicating that the missing data pattern had a high probability of being random (Tabachnick & Fidell, 2007). Missing data were handled through the Expectation-Maximization (EM) technique. The traditional approach to handling missing data has been listwise deletion of any missing data. However, this technique can lead to a severe reduction in sample size. Instead, missing data were replaced using EM, which is a method of finding maximum likelihood

estimates. This method has been applied widely to missing data problems. EM is considered to be a robust technique in this study because it produces unbiased parameter estimates when data are missing completely at random (Acock, 1997). Outliers and normality were screened through the visual inspection of box-plot and histogram, extreme values, the measure of skewness, and Cook's distance. The values greater than 1.0 for Cook's distance and greater than +/- 1.96 for measure of skewness were used as threshold values (Howell, 2009). Several outliers were identified in the data, but as the results of Cook's distance revealed less than 1.0, they were neither omitted nor adjusted because they did not statistically influence the results of overall regression models. An overall careful examination suggested that outliers and normality were not issued for further analysis.

### **Evaluation of the Measures**

The measures in this study consist of Likert-type scales, dichotomous variable, and continuous variables. In the case of constructs measured on a scale (e.g., foreign networking, market knowledge, market commitment, product uniqueness, brand identity, store atmosphere, domestic growth opportunity, firm performance), values were computed using an average of the items. Firm size, firm age, scope, speed, and duration of international activities were measured by a single-item continuous variable.

Foreign-sourcing experience was measured by two continuous variables, including number of years and number of countries for foreign sourcing. Considering the different measurement units, foreign-sourcing experience was subjected to a principal component analysis in order to produce a factor score.

To assess the dimensionality of the market knowledge variable, a principal components analysis with Varimax rotation was performed. Market knowledge consisted of nine items that were believed to represent two dimensions (foreign institutional knowledge and foreign business knowledge). The criteria employed in the examination of factors were: 1) the recommended minimum of 0.40 or above was used to examine factor loadings; 2) factors with eigenvalues are greater than 1; and 3) each factor needs to have more than a single item to increase its correlation with the attribute being measured. While two dimensions were expected, the factor analysis for the nine items produced one factor with a range of .693 to .933 and an average loading of .836. As a result, an average of all nine items formed the final scale for market knowledge.

The reliability of each multi-item scale was assessed prior to subsequent analyses. A Cronbach's alpha was calculated for the following multi-item measures: foreign networking, market knowledge, market commitment, product uniqueness, brand identity, store atmosphere, domestic growth opportunity, and firm performance. Cronbach's alpha analysis is widely used to examine the internal consistency among items of each measure (Nunnally & Bernstein, 1994). Table 10 summarizes the reliability for each of the multi-item measures. The Cronbach alpha associated with the multi-item measures suggested generally high levels of reliability. With the exception of domestic growth opportunity, reliability of all of the measures exceeded the 0.70 level. While it was below the recommended cutoff value of .70 (Nunnally & Bernstein, 1994), at 0.608, the reliability of domestic growth opportunity can be deemed acceptable for research (Nunnally, 1967).

The values of Cronbach's coefficients ranged from 0.942 (market knowledge) to 0.608 (domestic growth opportunity).

Table 10. Reliability for Each of the Multi-item Measures

Measure	Number of Items	Cronbach's $\alpha$
Foreign networking	6	0.852
Market knowledge	9	0.942
Market commitment	7	0.918
Product uniqueness	7	0.847
Brand identity	3	0.792
Store atmosphere	3	0.851
Domestic growth opportunity	5	0.608
Firm performance	6	0.918

Tables 11, 12, and 13 report the means, standard deviations, and Pearson's product movement correlations for the variables based on three main analyses. The correlation analysis using Pearson's product movement correlations was performed among all variables of each analysis to determine multicollinearity. As can be seen in Table 11, the mean firm age was 40.04 years and the average firm size was 102.36 persons in terms of the number of full-time employees ( $N = 81$ ). On average, international retailers in this study had operated their businesses in a domestic market for 11.57 years since it had been founded and in foreign markets for 14.37 years after their first entry, and their businesses in 12.10 countries (see Table 13). Overall, the highest correlation was observed between market knowledge and foreign networking ( $r = .686$ )

(see Table 12), suggesting that the potential multicollinearity problem usually associated with a high correlation ( $r > .70$ ) between independent variables was not observed.

Table 11. Mean, Standard Deviation, and Bivariate Correlation Matrix for H1 ( $N = 81$ )

Variable	<i>M</i>	<i>SD</i>	1	2	3
1. Market knowledge	2.20	1.29	-		
2. Foreign-sourcing experience	0	1	.116	-	
3. Foreign networking	1.51	1.60	.686**	.340**	-

*Note.* \*\* $p < 0.01$  (2-tailed).

Table 12. Mean, Standard Deviation, and Bivariate Correlation Matrix for H2- H9 ( $N = 81$ )

Variable	<i>M</i>	<i>SD</i>	1	2	3	4	5	6	7	8
1. International market involvement	0.37	0.49	-							
2. Firm size	102.36	416.59	.237*	-						
3. Firm age	40.04	29.96	-.352**	.032	-					
4. Market knowledge	2.20	1.29	.653**	.135	-.336**	-				
5. Market commitment	2.13	1.37	.442**	.318**	-.185	.674**	-			
6. Product uniqueness	5.39	1.12	.161	.124	-.081	.295**	.356**	-		
7. Brand identity	6.27	0.77	.114	.039	-.068	.119	.071	.387**	-	
8. Store atmosphere	6.20	0.90	-.051	.024	-.094	-.088	.072	.053	.505**	-
9. Domestic growth opportunity	4.27	0.83	-.092	.183	-.146	-.047	.131	.148	.267*	.277*

Note. \* $p < 0.05$ ; \*\* $p < 0.01$  (2-tailed).

Table 13. Mean, Standard Deviation, and Bivariate Correlation Matrix for H11 ( $n = 30$ )

Variable	<i>M</i>	<i>SD</i>	1	2	3
1. Firm performance	3.62	1.30	-		
2. Scope of international activities	12.10	12.51	.020	-	
3. Speed of international activities	11.57	16.63	-.236	.249	-
4. Duration of international activities	14.37	12.07	.535**	.327	.048

*Note.* \*\* $p < 0.01$  (2-tailed).

### Analysis of Models and Hypotheses Testing

The key objectives of Part I of this study are to examine 1) sources of market knowledge for apparel retail firms; 2) the specific drivers of international market involvement; and 3) the mediating effect of market knowledge on the relationship between sources of market knowledge and international market involvement. The proposed research models contain ten hypotheses. In Part II of this study, the research objective was developed in order to examine the relationship between international activities and firm performance in foreign markets. In order to investigate research purposes, a series of regressions was employed to test hypotheses.

#### Test of Sources of Market Knowledge

##### *Testing of Model*

Hypotheses 1a and 1b were tested using the multiple regression models to determine foreign sourcing experience and foreign networking as significant predictors of market knowledge. Table 14 presents the results of multiple regression models predicting market knowledge based on foreign-sourcing experience and foreign networking. As the

results of this model in Table 14 show, this regression model overall predicted market knowledge by two independent variables significantly well with  $F(2,78) = 36.918$  at  $p < 0.01$ . Foreign-sourcing experience and foreign networking accounted for about 48.6% of the variability in market knowledge. Multivariate multicollinearity was determined by variance inflation factors (VIF) and tolerance. The value greater than 10 for VIF was used as a threshold value for the multicollinearity and greater than 0.10 for tolerance. Tests for multicollinearity indicated a very low level of multicollinearity ( $VIF = 1.13$  for foreign-sourcing experience and 1.13 for foreign networking; tolerance = .885 for foreign-sourcing experience and .885 for foreign networking).

Table 14. Results of the Multiple Regression Predicting Market Knowledge

Independent Variables	Multiple Regression Model			
	<i>b</i> (S.E.)	$\beta$	<i>t</i> -value	<i>p</i> -value
Foreign-sourcing experience	-0.170 (0.111)	-0.132	-1.531	0.130
Foreign networking	0.589 (0.070)	0.731	8.473	0.000***
<i>F</i> -value		36.918***		
Adjusted $R^2$		0.473		
$R^2$		0.486		

*Note.* *b*: unstandardized beta coefficients; S.E.: standard error;  $\beta$ : standardized beta coefficients; \*\*\* $p < 0.001$

#### *Testing of Hypotheses 1a and 1b*

For Hypothesis 1a and 1b, we anticipated that foreign sourcing experience and foreign networking are positive predictors of market knowledge. In Hypothesis 1a, we posited that the higher a firm's foreign-sourcing experience, the higher its market

knowledge. As shown in Table 14's multiple regression model, the beta coefficient for foreign sourcing experience was not significant ( $\beta = -.132, t = -1.531, p = .130$ ), indicating a rejection of Hypothesis 1a. Unlike our prediction, apparel retailers' foreign sourcing experience showed no effect on their level of market knowledge.

Hypothesis 1b outlined that the higher a firm's foreign networking, the higher its market knowledge. As proposed, the beta coefficient for networking was positively significant ( $\beta = .731, t = 8.473, p < 0.001$ ), which provided strong support for Hypothesis 1b. These results indicate that apparel retailers who have more foreign networking appeared to have greater knowledge about foreign markets. In summary, foreign networking was found to be a significant predictor of market knowledge (see Table 15).

Table 15. Summary of H1 Testing

	Hypothesis	Findings
H1a	The greater a firm' foreign-sourcing experience, the greater its market knowledge.	Not supported
H1b	The greater a firm's foreign networking, the greater its market knowledge.	Supported

## **Test of Firm-, Retail-, and Market-specific Factors on International Market**

### **Involvement**

#### *Model Testing*

Hypotheses 2-9 were tested using a binary logistic regression to determine the predictors of international market involvement. Table 16 displays the results of binary logistic regression predicting international market involvement based on eight

independent variables (i.e., firm size, firm age, market knowledge, market commitment, product uniqueness, brand identity, store atmosphere, domestic growth opportunity). A chi-square test in the Omnibus model was highly significant ( $\chi^2 = 52.431$ ,  $df = 8$ ,  $p < 0.001$ ), suggesting that in the model, a significant relationship exists between at least one independent variable and the dependent variable. While logistic regression does not have a direct equivalent to the  $R^2$  in linear regression, the Nagelkerke  $R^2$  and Snell and Cox  $R^2$  statistics are values similar to the variance in a multiple regression. The variance that is accounted for is low with the Snell, the Cox  $R^2$  is .477 and the Nagelkerke  $R^2$  is .651. One of the benefits of assessing the utility of a logistic regression model is classification accuracy, which examines the classification accuracy of scores that discriminate between groups (Howmer & Lemeshow, 2000). Overall, approximately 87.7% of cases would be correctly classified with eight independent variables. About 92.2% of the domestic retailers are correctly classified, but four cases were misclassified. For the international retailers, the accuracy of prediction is only 80%, as 24 of the 30 cases were classified correctly.

Table 16. Results of the Logistic Regression Predicting International Market Involvement

Independent variables	Logistic Regression Model				
	$\beta$	S.E.	OR	95% CI	<i>p</i> -value
Firm size	0.004	0.003	1.004	0.998-1.010	0.194
Firm age	-0.038	0.018	0.963	0.930-0.996	0.031*
Market knowledge	1.477	0.510	4.380	1.613-11.891	0.004**
Market commitment	0.094	0.410	1.098	0.492-2.453	0.819
Product uniqueness	-0.324	0.355	0.723	0.360-1.451	0.362
Brand identity	0.658	0.587	1.930	0.611-6.104	0.263
Store atmosphere	-0.303	0.467	0.739	0.296-1.845	0.517
Domestic growth opportunity	-0.648	0.464	0.523	0.211-1.298	0.162
$\chi^2$			52.431***		
<i>df</i>			8		
% of correct prediction			80		
Snell and Cox $R^2$			.477		
Nagelkerke $R^2$			.651		

Note. OR is equal to odds ratio; \* $p < 0.05$ ; \*\* $p < 0.01$ ; \*\*\* $p < 0.001$

#### Testing of Hypotheses 2-9

For Hypothesis 2, which proposed that the larger a firm's size, the higher its probability of international market involvement, there was no statistical relationship found between firm size and international market involvement ( $\beta = 0.004$ ,  $p = 0.194$ ).

Thus, we rejected Hypothesis 2.

Hypothesis 3, which predicted that the older a firm's age, the higher its probability of international market involvement, was statistically supported by the data ( $\beta = -0.038$ ,  $p < 0.05$ ), but the direction between a firm's age and international market

involvement was directly opposite to the one that we had anticipated. The odds ratio (OR) [confidence interval (CI) 95%] between firm age and international market involvement was 0.963 (95% CI: 0.930-0.996), indicating that when firm age was increased by a one point unit, the odds of the firm's international market involvement decreased by 0.963 times.

Hypothesis 4 proposed that the higher a firm's market knowledge, the greater its probability of international market involvement. A positive relationship was found ( $\beta = 1.477, p < 0.01$ ). The results showed that the odds ratio of market knowledge is 4.380 (95% CI: 1.613-11.891), indicating that when market knowledge increased by a one point unit, the odds of international market entry increased 4.380 times.

For Hypothesis 5, which proposed the relationship between a firm's market commitment and international market involvement, the results showed that Hypothesis 5 was not supported by the data ( $\beta = 0.094, p = .819$ ). That is, there is no relationship between market commitment and international market involvement.

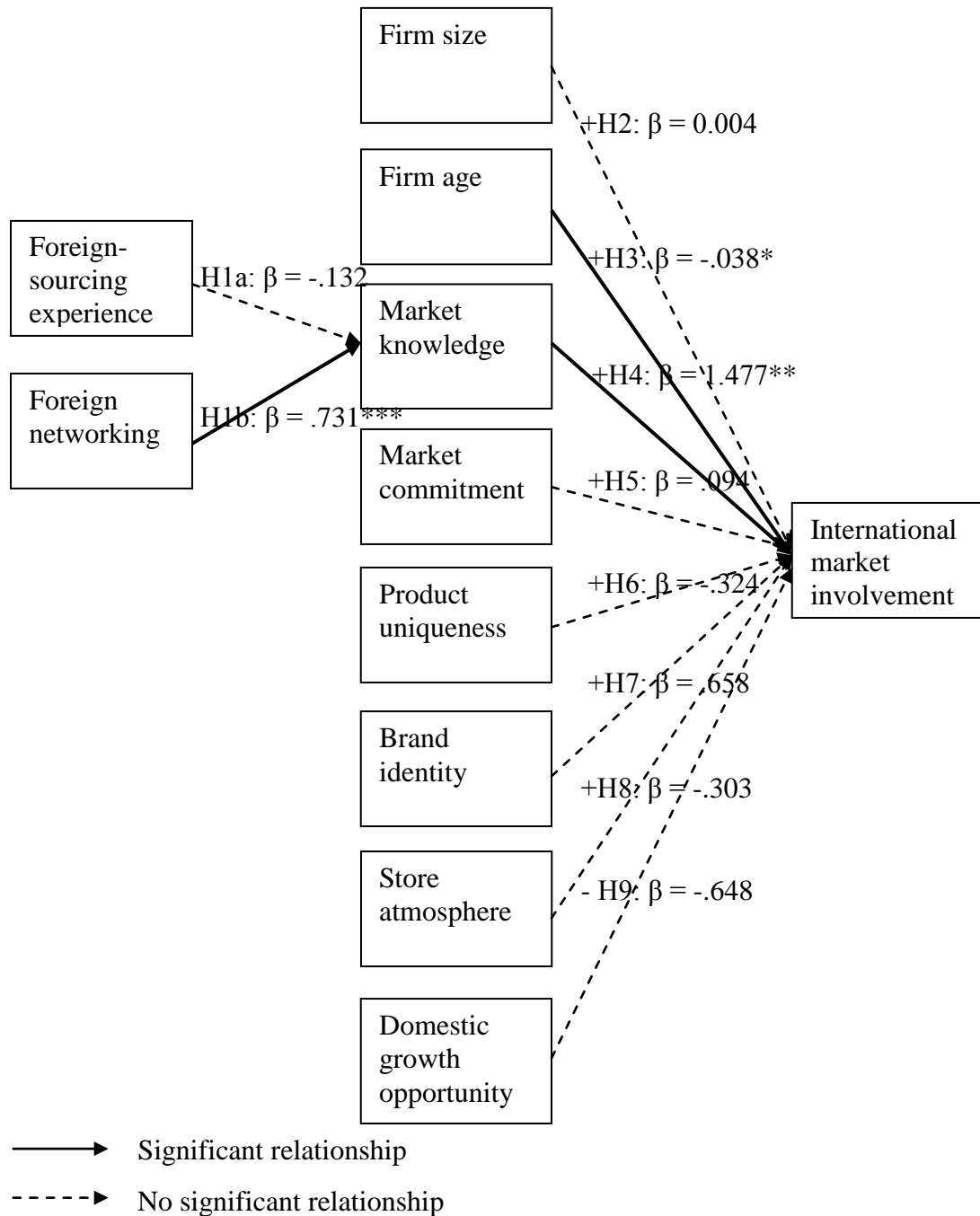
In Hypothesis 6-8, we investigated the effect of product uniqueness (Hypothesis 6), brand identity (Hypothesis 7), and store atmosphere (Hypothesis 8) on the probability of international market involvement. As seen in Table 16, the results indicated that there were no significant relationships between international market involvement and product uniqueness (Hypothesis 6) ( $\beta = -0.324, p = .362$ ), brand identity (Hypothesis 7) ( $\beta = 0.658, p = .263$ ), and store atmosphere (Hypothesis 8) ( $\beta = -0.303, p = .517$ ). Therefore, we failed to find support for Hypotheses 6, 7 and 8.

In Hypothesis 9, we postulated that the lower a firm's perceived domestic growth opportunity, the greater the probability of international market involvement. The results showed that the coefficient for domestic growth opportunity was not statistically significant ( $\beta = -0.648, p = .162$ ). Therefore, Hypothesis 9 was not supported. The results of H2, H3, H4, H5, H6, H7, H8, and H9 testing are summarized in Table 17. Figure 5 displays the results of a series of regression models for H1 to H9.

Table 17. Summary of H2 to H9 Testing

Hypothesis		Findings
H2	The larger a firm, the higher the probability of international market involvement.	Not supported
H3	The older a firm, the higher the probability of international market involvement.	Supported (opposite direction)
H4	The greater a firm's market knowledge, the greater the probability of international market entry.	Supported
H5	The greater a firm's market commitment, the greater the probability of international market entry.	Not supported
H6	The stronger a firm's product uniqueness, the greater the probability of international market entry.	Not supported
H7	The stronger a firm's store atmosphere, the greater the probability of international market entry.	Not supported
H8	The stronger a firm's brand identity, the greater the probability of international market entry.	Not supported
H9	The smaller a firm's perceived domestic growth opportunity, the greater the probability of international market entry.	Not supported

Figure 5. Results of Hypotheses Testing H1-H9



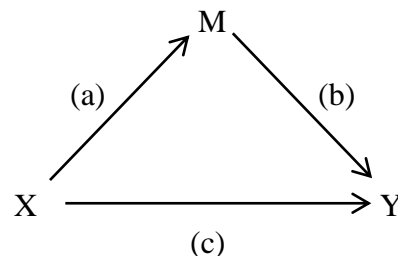
Note.  $\beta$ s for H1a and H1b are standardized multiple regression coefficients;  $\beta$ s for H2-H9 are logistic regression coefficients

## Test of the Mediating Effect of Market Knowledge

### *Model Testing*

For Hypotheses 10a and 10b, the mediating effect of market knowledge in the relationship between two sources of market knowledge (foreign sourcing experience and foreign networking) and international market involvement was tested. According to Baron and Kenny's (1986) definition of mediator, a variable is a mediator M between a variable X and Y if (a) X significantly predicts M, (b) M significantly predicts Y, and (c) X directly and significantly predicts Y and thus, M significantly predicts Y after controlling for X. That is, the three Paths (a, b and c) are individually significant and the final step consists of demonstrating that when the mediator and the independent variable are used simultaneously to predict the dependent variable, the previously significant Path c is noticeably reduced. Figure 6 presents the basic causal relationships in the mediating effect model (Baron & Kenny, 1986).

Figure 6. Basic Causal Relationships in the Mediating Effect Model



Source: Baron & Kenny (1986). p. 1176.

In this study, X denotes the source of market knowledge (foreign sourcing experience and foreign networking), M indicates market knowledge, and Y refers to international market involvement.

Table 18. Results of Logistic Regression for Testing the Mediating Effect of Market Knowledge

Independent variables	Model 1					Model 2				
	$\beta$	S.E.	OR	95% CI	<i>p</i> -value	$\beta$	S.E.	OR	95% CI	<i>p</i> -value
Foreign networking	0.497	0.164	1.643	1.191-2.268	0.003**	-0.361	0.290	0.697	0.395-1.230	0.213
Market knowledge						1.950	0.465	7.025	2.825-17.470	0.000***
$\chi^2$				10.662***					42.273***	
<i>df</i>				1					2	
% of correct prediction				70.4					77.8	
Snell and Cox $R^2$				.123					.407	
Nagelkerke $R^2$				.168					.555	

Note. \*\**p* < 0.01; \*\*\**p* < 0.001

Dependent variable: International market involvement

Table 18 presents the results of logistic regressions for testing the mediating effect of market knowledge on the relationship between foreign networking and international market involvement by testing only foreign-sourcing experience (Model 1) and foreign-sourcing experience and market knowledge (Model 2). Models 1 and 2 were run to examine Path *c*, which is the last step of testing the mediation effect. In Model 1, the chi-square test in the Omnibus model was highly significant ( $\chi^2 = 10.662$ ,  $df = 1$ ,  $p < 0.001$ ), Snell and Cox  $R^2$  was .123 and Nagelkerke  $R^2$  was .168. In Model 2, the chi-square test in the Omnibus model was highly significant ( $\chi^2 = 42.273$ ,  $df = 2$ ,  $p < 0.001$ ), Snell and Cox  $R^2$  was .407 and Nagelkerke  $R^2$  was .555.

#### *Testing of Hypotheses 10a and 10b*

The lack of support for Hypotheses 1a ( $\beta = -.132$ ,  $t = -1.531$ ,  $p = .130$ ) suggests that the relationship between foreign-sourcing experience and market knowledge does not satisfy the first condition of mediating the role of market knowledge between foreign-sourcing experience and international market involvement (i.e., Path a: X significantly predicts M), resulting in a failure to support Hypothesis 10a. Therefore, foreign-sourcing experience was not considered in further analysis.

In contrast, given the results of Hypothesis 1b, foreign networking was a significant predictor of market knowledge ( $\beta = .731$ ,  $t = 8.473$ ,  $p < 0.001$ ) that meets the first condition of mediation for the relationship between foreign networking and market knowledge. Additionally, the support for Hypothesis 4 indicates that the relationship between market knowledge and international market involvement was significant ( $\beta = 1.477$ ,  $p < 0.01$ ), which links to satisfying the second requirement (i.e., Path b: M

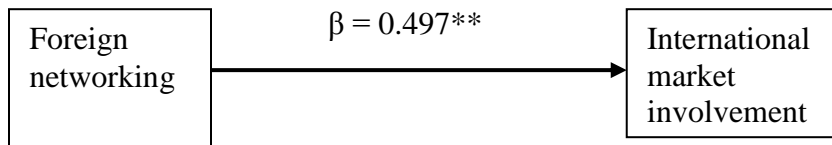
significantly predicts Y). As the examination of Path c, first, the direct relationship between foreign networking and international market involvement was tested, and the result was significant ( $\beta = 0.497, p < 0.01$ ) (see Model 1 in Table 18). Next, the foreign networking variable was tested simultaneously with the market knowledge variable (i.e., Path c: M significantly predicts Y after controlling for X). The results showed that market knowledge was significant after controlling for the foreign networking variable ( $\beta = 1.950, p < 0.001$ ) while foreign networking was no longer significant ( $\beta = -.361, p = .213$ ) (see Model 2 in Table 18). This is evidence that market knowledge serves a mediating role on the relationship between foreign networking and international market involvement, supporting Hypothesis 10b. The results of the mediation effect of market knowledge on the relationship between sources of market knowledge and international market involvement are displayed below in Table 19 and Figure 7.

Table 19. Summary of H10a and H10b Testing

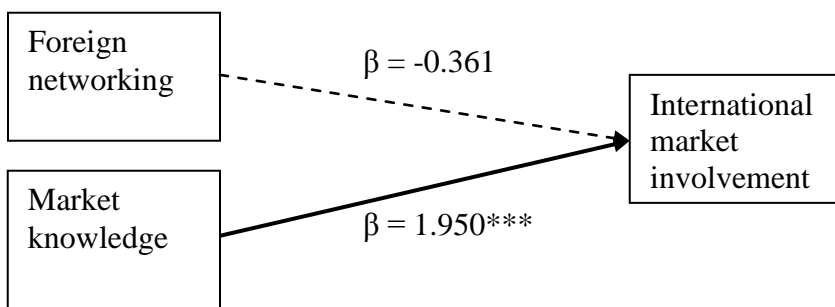
	Hypothesis	Findings
H10a	Market knowledge will mediate the relationship between foreign-sourcing experience and international market involvement.	Not supported
H10b	Market knowledge will mediate the relationship between foreign networking and international market involvement.	Supported

Figure 7. Results of Mediating Effect Testing H10

Model 1



Model 2



- ▶ No significant relationship
- ▶ Significant relationship

Note.  $**p < 0.01$ ;  $***p < 0.001$

**Test of the Dimensions of International Activities on Firm Performance**

*Model Testing*

Hypotheses 11a, 11b, and 11c were postulated in order to determine whether scope, speed, and duration of international activities are significant predictors of firm performance in foreign markets. Table 20 presents the results of multiple regression predicting firm performance in foreign markets based on three main effect variables. As Table 20 shows, the regression model overall predicts subjective firm performance by three independent variables significantly well,  $F(3,27) = 5.748$  at  $p < 0.01$ . About 40.8% of variability in firm performance in foreign markets was accounted for by the scope,

speed, and duration of international activities. Multicollinearity was not a problem based on the VIF values ( $VIF = 1.192$  for scope, 1.067 for speed, and 1.121 for duration) and the tolerance values (tolerance = .839 for scope, .937 for speed, and .892 for duration).

Table 20. Results of the Multiple Regression Predicting the Firm Performance

Independent Variables	Multiple Regression Model			
	<i>b</i> (S.E.)	$\beta$	<i>t</i> -value	<i>p</i> -value
Scope of international activities	-0.011 (0.017)	-0.106	-0.634	0.532
Speed of international activities	-0.022 (0.012)	-0.281	-1.768	0.089 <sup>†</sup>
Duration of international activities	0.063 (0.017)	0.601	3.692	0.001**
	<i>F</i> -value	5.748**		
	Adjusted $R^2$	0.337		
	$R^2$	0.408		

Note. <sup>†</sup>  $p < 0.10$ ; \*\* $p < 0.01$

#### *Testing of Hypotheses 11a, 11b, and 11c*

In Hypothesis 11a, we proposed a positive relationship between scope of international activities and firm performance in foreign markets. The result showed that there was no significant relationship between the scope of international activities and firm performance in foreign markets ( $\beta = -.106$ ,  $t = -.634$ ,  $p = .532$ ), meaning that the higher the number of countries a firm enters does not necessarily increase firm performance in foreign markets. Therefore, we failed to find support for Hypothesis 11a.

For Hypothesis 11b, we anticipated a negative relationship between the speed of international activities and firm performance. As shown in Table 20, the results showed that the beta coefficient for speed of international activities was negative and marginally

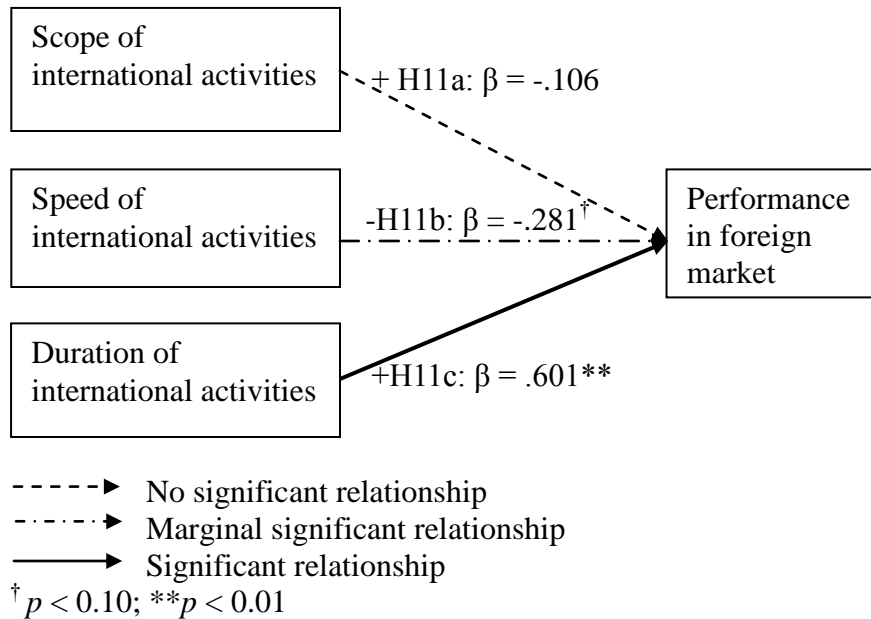
significant ( $\beta = -.281, t = -1.768, p < .10$ ), indicating partial support for Hypothesis 11b.

Hypothesis 11c postulated a positive relationship between the duration of international activities and firm performance. As proposed, the beta coefficient for the duration of international activities was positive and statistically significant ( $\beta = .601, t = 3.692, p < .001$ ), which provided strong support for Hypothesis 11c. This result implies that U.S. apparel retailing firms who have experienced in foreign markets longer reveals better firm performance than U.S. apparel retailing firms who have experienced in foreign markets for shorter amounts of time. The results of H11a, H11b, and H11c testing are summarized in Table 21 and Figure 8.

Table 21. Summary of the H11a, H11b, and H11c Testing

	Hypothesis	Findings
H11a	The greater a firm's scope of international activities, the greater the firm performance in foreign markets.	Not supported
H11b	The faster a firm's speed of international activities, the greater the firm performance in foreign markets.	Marginally Supported
H11c	The longer a firm's duration of international activities, the greater the firm performance in foreign markets.	Supported

Figure 8. Results of Hypotheses Testing H11a, H11b, and H11c



### Summary

This chapter provides a description of the sample and an analysis of the survey responses. Prior to hypotheses testing, a non-response bias test and preliminary analysis tests were performed. Hypotheses based on proposed research models were tested using a series of regression models. The next chapter will provide a discussion of the findings, this study's contributions, limitations and suggestions for future research.

## CHAPTER V

### CONCLUSIONS

This chapter consists of the following sections: (1) Discussion of Findings; (2) Implications; and (3) Limitations and Suggestions for Future Research.

#### **Discussion of Findings**

Internationalization has been widely considered to extend the U.S. apparel retail firms' survival and growth. In order for U.S. apparel retailers to expand and enhance their operations into foreign markets, it is important to understand the key factors that contribute to international market involvement and firm performance in foreign markets. Two parts were proposed to achieve the research objectives. In Part I, we examined the importance of motivational factors that link an apparel retailer's international market involvement with three objectives: 1) to examine the sources of market knowledge, 2) to investigate motivating factors (e.g., firm-specific, retail-specific, market-specific) and their relationships to international market involvement in the apparel retail industry, and 3) to assess the mediating effect of market knowledge on the relationships between sources of foreign market knowledge and international market involvement. In Part II, our objective was to investigate the relationship between three dimensions of international activities (i.e., scope, speed, duration) and firm performance in foreign markets.

Data was provided by U.S. apparel retailers across the nation. To answer four research objectives, sixteen hypothesized relationships were developed and tested. Among the thirteen hypothesized relationships proposed in Part I, four hypothesized relationships were statistically supported. The findings highlight that foreign networking positively predicts market knowledge (H1b: foreign networking → market knowledge), that, unexpectedly, firm age is a negative, that market knowledge is positive determinant of international market involvement (H3: firm age → international market involvement; H4: market knowledge → international market involvement), and that market knowledge mediates the relationship between foreign networking and international market involvement (H10b: foreign networking → market knowledge → international market involvement). That is, this study found that market knowledge obtained via foreign networking, rather than foreign-sourcing experience, is related to current apparel retailers' international market involvement. Among the three relationships proposed in Part II, the negative relationship between the speed of international activities and firm performance (H11b: speed of international activities → firm performance) was marginally supported. In addition, the positive relationship between the duration of international activities and firm performance (H11c: duration of international activities → firm performance) was supported. Among international apparel retailers, a longer duration of international operation was found to positively impact the firm's performance in foreign markets, and a shorter duration of domestic operation was found to positively

impact the firm's performance in foreign markets, influence only weakly. The findings from investigating the four research objectives are discussed in the following section.

### **Objective 1: To Examine Sources of Market Knowledge**

Conceptually guided by the extant literature on firm's internationalization and the Uppsala Model, the research model was constructed in order to test the impacts of foreign sourcing experience and foreign networking on market knowledge. According to the Uppsala model, market knowledge can only be obtained via experiential learning, such as foreign sourcing activities for apparel retailers. In this study, therefore, we hypothesized a positive relationship between foreign sourcing experience and level of market knowledge (Hypothesis 1a). Along with first-hand learning, prior studies have found the importance of foreign networking in building market knowledge (e.g., Ellis, 2011; Johnsen & Johnsen, 1999; Prashantham, 2006). To strengthen the existing theory, foreign networking was explicitly incorporated as an indirect and informal learning source of building market knowledge (Hypothesis 1b).

Surprisingly, and in contrast to our expectations, the results of Hypothesis 1a found that foreign sourcing experience was not a significant predictor that affected the level of market knowledge for the apparel retailers in this study sample ( $\beta = -.132$ ,  $t = -1.531$ ,  $p = .130$ ). This result might lie in the U.S. apparel retailers' lack of interaction with sourcing producers. The description of sample respondents in Chapter IV indicates that about 93.8% of participating firms in this study are categorized as small-sized firms. Due to factors including difficulties in communication, language barriers, and the number of producers scattered across the world, a majority of small apparel retailers work with

independent sourcing agents (e.g., Li & Fung) to source apparel goods globally (Abernathy, Volpe, & Weil, 2006). Therefore, sourcing activities for small apparel retailers may be less required to travel to the sourcing countries or to interact directly with local factory workers or consumers. This fact implies that U.S. apparel retailers in this study have had few opportunities to learn about foreign markets.

For Hypothesis 1b, we postulated a positive relationship between foreign networking and market knowledge. This prediction was based on the argument that a greater number and degree of international ties provide a greater pool of knowledge about foreign markets, which results in greater information benefits. As hypothesized, the findings indicate that U.S. apparel retailers' deeper and more numerous relationships with relatives, friends, former classmates, or former employers/employees in foreign countries have become instrumentals tool to know foreign markets, in categories such as local consumer cultures, tastes, needs, marketing, and commerce regulations ( $\beta = .731, t = 8.473, p < 0.001$ ). This result is consistent with prior research that found noteworthy influence of foreign networking on obtaining foreign market knowledge (e.g., Ellis & Pecotich, 2001; Musteen et al., 2010; Johnsen & Johnsen, 1999; Prashantham, 2006).

H1a and H1b results imply when it comes to predicting the level of foreign market knowledge for apparel retailers, personal relationships may be a more crucial factor than foreign-sourcing experience. This finding on the more significant influence of personal relationship than formal business research is consistent with previous studies (e.g., Ellis, 2011; Prashantham, 2006). By comparing personal networking and public market searches as information sources, Ellis (2011) and Prashantham (2006) found that

personal social relationship (e.g., relatives, former classmates) were more valuable venues for obtaining foreign market knowledge compared to public market research.

## **Objective 2: To Investigate Antecedents and their Relationships to International Market Involvement**

### *Firm-specific Antecedents*

Hypotheses 2 and 3 proposed relationships between two firm-specific factors (i.e., firm size (H2), firm age (H3)) and international market involvement. In line with existing theoretical predictions based on the Uppsala model, we assumed that apparel retail firms need sufficient time to adequately establish themselves in the home market before expanding internationally, owing to the necessity of building adequate resources.

Therefore, firm size and firm age are positively related to international market involvement. However, we could not find statistical support for Hypothesis 2 ( $\beta = 0.004$ ,  $p = 0.194$ ). The finding that there was no significant relationship between firm size and international market involvement supports the previous studies' results regarding the lack of relationship between firm size and the intensity of export activity and the propensity for a firm to be an exporter (Andersson et al., 2004). Perhaps this finding implies that firm size is not an important matter for internationalization or is not important to apparel retailers.

In contrast to the lack of statistical finding for H2, Hypothesis 3, that the older a firm, the higher the probability of international market involvement, was supported by the data ( $\beta = -0.038$ ,  $p < 0.05$ ). However, the direction in which it was supported was inconsistent with our reasoning. The younger apparel retailers showed a higher

probability of international market involvement. This result suggests that younger apparel firms tend to seek international market involvement compared to their older counterparts. Perhaps the high penetration of the Internet can contribute to younger firms' international market involvement because the Internet has been identified as a major enabler of retailers' internationalization in this study. This logic is also consistent with prior studies, which found e-commerce to be a primary facilitator of international sales for young retailers' internationalization, based on limited organizational and financial resources (Fosch et al., 2006). In summary, although the traditional explanation is that firms gain valuable knowledge and resources as they become larger and older, young firms are not necessarily disadvantaged in international market involvement if they develop their own mechanisms by which to reach international consumers.

Following the logic of the Uppsala model, we investigated market knowledge and market commitment as antecedents of international market involvement. Hypothesis 4, that the higher a firm's market knowledge, the greater the probability of international market involvement, was supported by the data ( $\beta = 1.477, p < 0.01$ ), reflecting the importance of market knowledge in distinguishing apparel retailers that have international market involvement from those that do not. The finding of the relationship between market knowledge and international market involvement confirmed the imperative role of market knowledge for foreign market involvement decision in previous studies (e.g., Gaba et al., 2002; Vida et al., 2000).

However, Hypothesis 5, predicting a positive relationship between market commitment and international market involvement, was not found to be supported by the

data ( $\beta = 0.094, p = .819$ ). Our premise was that a greater degree of devotion and commitment toward international activities precedes the likelihood of apparel retailers' international expansion. The result of a lack of statistical relationship between market commitment and international market involvement was inconsistent with previous studies (e.g., Hadjikhani, 1997). Perhaps the commitment of top-level apparel retail management to the time and effort necessary for international activities and their willingness to find published information about opportunities for international activity, to conduct market research about international activity, or to seek information about competitors' international activity are not transferred to their actual behavior for international market involvement, at least for the sample in this study. One reason might lie in the business size of respondents in the study. For small retailers, management vision is not focused on the international establishment of retail stores, but rather, the next logical step is to attempt domestic expansion. While apparel retailers have interest in international expansion, their priority might be to do it well and grow in the home market because international expansion involves the possibility of losing control in the expansion of business across foreign market locations. In summary, the results of Hypotheses 4 and 5 partially support the notion of the Uppsala model that proposes the importance of market knowledge and market commitment to international market involvement decision.

#### *Retail-specific Antecedents*

Considering the characteristics of each apparel retailer, product uniqueness (Hypothesis 6), brand identity (Hypothesis 7), and store atmosphere (Hypothesis 8) were tested as to whether retail-specific factors positively predict the categorization of apparel

retailers that had involved with the international market from those that had not. The rationale underlying these hypotheses was that when products are unique and specialized, the brands carried have strong identities, and store atmosphere strongly appeals to consumers, apparel retailers are more likely to get involved in international markets. However, the analyses revealed that product uniqueness (H6,  $\beta = -0.324$ ,  $p = .362$ ), brand identity (H7,  $\beta = 0.658$ ,  $p = .263$ ), and store atmosphere (H8,  $\beta = -0.303$ ,  $p = .517$ ) were not major factors that differentiated international and domestic apparel retailers. This is not consistent with the findings of previous studies, in which product uniqueness (Moore & Burt, 2007; Williams, 1992), brand identity (Bridson & Evans 2004; Fernie et al., 1997) and store atmosphere (Burt & Sparks, 2002; Goldman, 2001) are in fact motivators of retailers' internationalization. Inconsistent findings can be found in this study based on the size of the business. Previous research has been conducted with large retailers and has sought to find the relationship between product uniqueness, brand identity, and store atmosphere (Bridson & Evans 2004; Fernie et al., 1997; Williams, 1992) or a case-based analysis (Burt & Sparks, 2002; Fernie et al., 1997; Goldman, 2001; Moore & Burt, 2007). In the literature, two barriers to international market expansion (i.e, transferability of overall retail concepts to international markets and lack of resources) were suggested for small-sized firms. First, small retailers perceive that the uniqueness of the company brand and product range would be difficult to replicate in other markets (Hutchinson, Fleck, & Lloyd-Reason, 2009). Unlike a bookstore business, in which putting a couple key people in and selling the product is all that is necessary, apparel retailing is a very hands-on, sensitive business. As a result, product uniqueness, brand identity, and store atmosphere

cannot be transferred easily to international markets for small retailers in this study.

Second, small apparel retailers typically face a lack of the human and financial resources that are required to undertake internationalization (Hutchinson et al., 2009; Nummela et al., 2004). Although small apparel retailers have competencies related to product uniqueness, brand identity, and store atmosphere, they might not have sufficient finance and staffing to precede involvement in the international market.

#### *Market-specific Antecedent*

Hypothesis 9 tested a market-specific factor (i.e., perceived domestic growth opportunity) predicting that the smaller the firm's perceived domestic growth opportunity, the greater the probability of international market involvement; this hypothesis was not accepted by the data ( $\beta = -0.648, p = .162$ ). This finding suggests that domestic growth opportunity is not related to current international market involvement. This result is inconsistent with prior studies that found the influence of domestic market growth potential on international market involvement based on European apparel retail firms (e.g., Lopez & Fan, 2009; Laulajainen, 1991; Wigley et al., 2005). In contrast, this study's finding is consistent with prior research on finding no influence of domestic market growth potential on the decision to expand internationally for U.S. retailers (e.g., Vida et al., 2000). This conflicting finding might be caused by the difference in land size between the U.S. and European countries. For instance, as the world's third-largest country, the U.S. is bigger than Italy (32.6 times), Sweden (21.8 times), Spain (19.4 times), and France (15.3 times) (U.S. Central Intelligence Agency, 2012). In a small country, internationalization is a common strategic growth option (Autio et al., 2000)

because of the limited growth potential in their home markets. Due to the large land size and economy, however, U.S. apparel retailers might primarily seek future consumers via domestic expansion before expanding internationally, as current local target markets have become saturated in their home market.

**Objective 3: To Assess the Mediating Effect of Market Knowledge on the Relationship between Sources of Market Knowledge and International Market Involvement**

The mediating effect of market knowledge on the relationships between foreign-sourcing experience (Hypothesis 10a), foreign networking (Hypothesis 10b) and international market involvement was examined. The study only found a mediating effect of market knowledge on the relationship between foreign networking and international market involvement (Hypothesis 8b). As a support, Hypothesis 1b (foreign networking → market knowledge) ( $\beta = .731, t = 8.473, p < 0.001$ ) and Hypothesis 4 (market knowledge → international market involvement) ( $\beta = 1.477, p < 0.01$ ). were accepted by the data. Additionally, a significant relationship between foreign networking and international market involvement ( $\beta = .497, p < 0.01$ ), and a non-significant relationship between foreign networking ( $\beta = -.361, p = .213$ ) and international market involvement after testing it with the market knowledge variable ( $\beta = 1.950, p < 0.001$ ) were found. In other words, foreign networking was not a direct prerequisite for an apparel retailer's international market involvement. Instead, a greater level of foreign networking enabled a firm to learn foreign consumers' preferences and needs, the market system, or commerce regulations, which in turn positively affects and influences their international market

involvement. That is, the number and depth of international personal ties held by top management can be key to obtaining market knowledge for apparel retailers, leading to international market involvement. Our finding is indicative of the fact that firms are well-equipped with foreign market knowledge from their foreign networks, which plays an important role in apparel firms' identification of opportunities and eventually provides a better position to implement their decision to get involved in the international market.

**Objective 4: To Explore the Relationship between International Activities and Firm Performance in Foreign Markets**

Hypothesis 11a, which predicted a positive relationship between the scope of international activities and firm performance in foreign markets, was not supported by the data ( $\beta = -.106$ ,  $t = -.634$ ,  $p = .532$ ). We expected that international market diversity makes apparel retailers transfer their knowledge and know-how from one to another country and therefore, apparel retailers can achieve economies of scope by applying the knowledge they have gained in one country across multiple countries, which creates better firm performance. However, interestingly, there was no relation between the scope of international activities and firm performance. One reason might be that the influence of international activities' scope may be caused by increased transaction costs and the challenges of managing a geographically dispersed organization operating in multiple markets. Perhaps cultural and geographical diversities acquire various transaction and managerial costs for U.S. apparel retailers' international market operations, which in turn links to a lack of support between the scope of international activities and firm performance in foreign markets. This result is consistent with previous work suggesting

that cultural and geographical diversity between home and host countries can lead to no or negative effects on a firm's performance (Zahra et al., 2000).

Hypothesis 11b described a negative relationship between the speed of international activities and firm performance in foreign markets. The rationale is that early international expansion when a firm is young allows it to quickly gain new knowledge of foreign markets because it is easier for them to modify and adopt new knowledge than it is for older firms, which thus leads to better firm performance (e.g., Autio et al., 2000). A marginally significant negative association was found between the speed of international activities and firm performance ( $\beta = -.281, t = -1.768, p < .10$ ). Although the effect was weak, this finding was consistent with previous research (e.g., Assaf et al., 2012; Autio et al., 2000; Molla-Descals et al., 2011; Zucchella et al., 2007). Compared to older apparel retailers, newer retailers have the flexibility to rapidly accept fresh information and knowledge in new environments, leading to better firm performance. Perhaps this flexibility is characteristic of young firms that lack the administrative heritage of large, older competitors. Although we cannot generalize these results to the whole population of U.S. apparel retailers, this study finding suggests further research in the direction of the understanding of the potentially growing relevance of early internationalization among younger firms.

Hypothesis 11c proposed a positive relationship between the duration of international activities and firm performance in foreign markets, which was supported by the data ( $\beta = .601, t = 3.692, p < .001$ ). Our premise was that apparel retailers who had a longer duration of international activities provide an opportunity for apparel retailers to

learn the secrets of international business together with market-specific knowledge, as well as to assimilate this new knowledge via repetition, which in turn increases firm performance. This result is consistent with previous studies suggesting a positive relationship between a firm's duration of international activities and its performance (e.g., Zahra et al., 2000).

In summary, this dissertation found that foreign networking, firm age, and market knowledge are crucial factors that distinguish apparel retailers that have international market involvement from those that do not. Furthermore, foreign entry at younger age and longer operation in international markets were found to be important predictors of firm performance in foreign markets.

In contrast to our predictions, market commitment, product uniqueness, brand identity, store atmosphere, and domestic market opportunity were not significant antecedents to predict international apparel retailers. A major reason of insignificant effects might lie in most small-sized firms of sample respondents. Most small-sized firms face lack of finance and human resources, resulting in increase of their barriers to transfer senior management's time and effort to international market involvement.

### **Implications**

This study has significant implications due to the fact that it extends current theoretical and empirical knowledge on internationalization in apparel retailing and providing managerial implications. The following section discusses the theoretical and managerial implications of this study.

## **Theoretical Implications**

Academically, this study fills a gap in the research related to apparel retail firms' internationalization. First, although previous studies on apparel retailers' internationalization exist, the findings from these studies are largely based on cases observation and focus primarily on European apparel firms (Guercini & Runfola, 2010; Lopez & Fan, 2009; Moore et al., 2010; Treadgold, 1991; Wigley & Moore, 2007; Wigley et al., 2005). Although the U.S. apparel retail market exemplifies the long history of the apparel industry and includes representative global brands, very few studies thus far have paid attention to U.S. apparel retailers' internationalization. This study, therefore, addresses this gap by identifying and organizing important driving factors into a theoretical framework based on responses from U.S. apparel retail firms. Ultimately, this research attempted to provide the generalizability of the findings to what extent firm-, retail-, and market- specific factors influence apparel retailers' international market involvement, and whether various angles of international activities achieve better results in terms of apparel retailers' performance in foreign markets.

Second, previous studies have used the Uppsala model in identifying motivations for entry mode choice (e.g., Guercini & Runfola, 2010; O'Farrell & Wood, 1994) and market selection (e.g., Erramilli & Rao, 1993; Zahra et al., 2000), while motivations of the international market involvement have been fragmented based on a case-based approach. In addition, the Uppsala model has been applied to understand firms' international expansion in various sectors of industry, including IT products, general manufacturing goods, and automobile or industrial parts (Barkema et al., 1996; Davidson,

1980, 1983; Denis & Depelteau, 1985; Hashai & Almor, 2004; Johanson & Nonaka, 1983; Johanson & Vahlne, 1990), but it has had limited application for the apparel retailing market. Considering this gap, the Uppsala model was adopted to identify U.S. apparel retailers' decisions to get involved in the international market, making it a distinctive contribution to the literature on the apparel industry. The finding regarding the positive influence of foreign market knowledge on apparel retailers' international market involvement confirms the primary notion of the Uppsala model, which emphasizes knowledge for a firm's internationalization (e.g., Autio et al., 2000; Hashai & Almor, 2004; Zahra et al., 2000; Zucchella et al., 2007).

Third, one drawback of the Uppsala model is that it places too much emphasis on experiential knowledge or on learning by doing. The findings from previous studies have failed to explain whether diverse learning sources (e.g., experiential and indirect) contribute to building foreign market knowledge in firm's internationalization. This study, however, addressed this gap by incorporating both direct and indirect sources to identify the important learning basis for building foreign market knowledge by apparel retailers. From this data, the study confirmed that foreign networking, rather than foreign sourcing experience, was a key influence on foreign market knowledge.

The fifth academic implication of this study is to highlight the mediation effect of market knowledge on the relationship between foreign networking and international market involvement. This finding provides direct evidence that an informal and indirect learning from an international network benefits international market involvement for apparel retailers. In this regard, our results suggest one avenue worthy of further

examination by researchers: this is how apparel retailers can sustain a wide, deep range of foreign networks to build foreign market knowledge, which in turn eventually links to international expansion of their businesses.

In addition to extending the work on factors that motivate and enable firms to internationalize, this research contributed to the apparel retail literature by investigating the consequences of international activities in terms of firm performance. Only few previous studies have attempted to link retailers' international activities to performance measures (e.g., Assaf et al., 2012; Molla-Descals et al., 2011). By investigating the scope, speed, and duration of international activities on U.S. apparel firm's performance in foreign markets, this study was able to explain and provide a better understanding of whether internationalization always guarantees positive firm performance in foreign markets.

### **Managerial Implications**

The findings from this study hold crucial implications for marketers. First, the results of Part I provide U.S. apparel retail managers with more definitive information on current U.S. apparel retail firms' international expansion. For instance, the results of this study indicate that CEO, founders, or senior managers in the U.S. apparel retail firms can benefit from their foreign networks and should therefore pay greater attention to the development of such networks. U.S. apparel retailers should be advised to be aware of their international contacts as sources of important knowledge about foreign consumers' needs and preferences, foreign competition, cultural and legal differences, and different marketing systems. Therefore, top managers in the retail apparel industry should

endeavor to establish contacts in diverse countries and strive to interact with them on a frequent basis.

Second, the lack of no support for most of our predictions on the relationship between specific factors (e.g., market commitment, product uniqueness, brand identity, store atmosphere) and international market involvement suggests the need to cultivate competitiveness relative to apparel retailers' international expansion. Therefore, the U.S. educators and policy makers should develop programs in order to help U.S. apparel retailers identify their competencies, which is in turn linked to international market involvement. In particular, these programs should address small apparel retailers because these firms may face challenges in internationalization due not only to the difficulty of transferring their retail advantages overseas, but also to their lack of human and financial resources.

Finally, the findings of Part II provide that international involvement at a younger age and longer duration of internationalization increases firm performance in foreign markets. However, the findings of the non-significant effect of the scope of international activities on firm performance suggest that entering large numbers of foreign markets does not necessarily guarantee a good performance for apparel retailers. This runs counter to the suggestion that U.S. apparel retail marketers that are contemplating internationalization should find a better opportunity to expand internationally while they are younger because they are flexible and able to incorporate fresh, new foreign market knowledge at that time. Moreover, internationalizing U.S. apparel retailers should continually learn and innovate their global competencies to enlarge their financial results

because longer operations in international markets may promise positive performance. However, caution should be exercised by U.S. apparel retail managers seeking diverse geographical expansion. While international diversification has certain advantages based on economies of scope, knowledge from multiple markets should be integrated in order to enjoy positive performance. In addition, transaction and operating costs must also be carefully estimated, regardless of whether focusing on more countries is beneficial to apparel retailers.

### **Limitations and Suggestions for Future Research**

This study contains a few limitations, which in turn provide opportunities for future research. The reader should keep in mind that this study provides only a snapshot of the firms' activities. While the Uppsala model explains the internationalization process in terms of constant feedback between the state aspect (market knowledge/market commitment) and the change aspect (commitment decisions/current activities), this study focuses particularly on the current stage of internationalization, so testing causality between the state aspect (market knowledge/market commitment) and the change aspect (commitment decisions/current activities) was impossible. Therefore, future studies should attempt to expand the scope of this research using a longitudinal study on the topic of how building a firm's level of foreign market knowledge and commitment with other firm-, retail-, and market- specific factors may change its decisions toward diverse international decisions and current activities.

Second, the failure to find significant links between firm-, retail-, and market-specific motivation factors (i.e., firm size, market commitment, product uniqueness,

brand identity, store atmosphere, domestic market opportunity) and international market involvement provides some interesting implications for future research. Approximately 65% of respondents in this study revealed that they had not entered foreign markets. These facts suggest that future researchers should investigate barriers that may lessen U.S. apparel retailers' willingness to expand.

Third, Part II of this study focused on only three aspects of international activities, without other possible influences that predicted firm performance. Previous researchers have suggested antecedents, such as geographical distance, cultural similarity/differences, and competition between the U.S. market and host markets, to predict firm performance. Expanding this initial study, future research needs to incorporate other antecedents into the proposed model to provide more insightful implications.

The next limitation was caused by focusing on a single industry. The findings of this study provide partial generalization. The results of the study might have been different if other retail sectors (e.g., food retailers) had been chosen because competencies and characteristics from products and industry are different with the apparel industry. Further research may consider utilizing various retail categories other than apparel retailing in order to generalize the findings.

Fifth limitation might be caused by small sample size. The results of hypothesized relationships might be influenced by significant low sample size that decreases the power of statistical analyses in this study. In addition, most small-sized sample respondents might influence the findings. Testing the hypotheses with a bigger sample is needed to generalizing the finding in the future.

The final limitation was the reliance on self-reporting measures by one participant per firm. To avoid multiple responses from any single firm and to consider the study budget, one participant per firm was suggested in this study, which is a common practice in both management and international marketing studies (e.g., Reuber & Fischer, 1997). However, the dependence on self-reporting measures by a single person might lead to possible biases regarding the data validity. In future studies, the incorporation of several different sources (e.g., interviews, archival data) would be recommended in order to achieve stronger findings and enhance the validity of the results.

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APPENDIX A  
SURVEY QUESTIONNAIRE

-----This part is about your firm's characteristics and information about foreign countries.-----

This section is ONLY for statistical purposes.

- Establishment year: \_\_\_\_\_
- Annual sales volume (last three-year average): \$\_\_\_\_\_
- The approximate number of full-time employees: \_\_\_\_\_ persons
- Number of **retail stores** your firm operates **in the domestic market**: \_\_\_\_\_ stores
- Number of **brands** your firm carries **in your store**:
  - 1 brand
  - More than 1 brand
- Please indicate your **main product categories** (Please check all that apply.)
  - Men and boys clothing
  - Women clothing
  - Women accessory
  - Family clothing
  - Children and infants wear
  - Shoes
  - Miscellaneous apparel and accessory
  - Other (Please specify.)\_\_\_\_\_

**I. Please think about foreign countries in general, not any particular foreign market.**

What level of knowledge and understanding does your firm have in the following areas:		Very-----Very						
		Low					High	
a)	Business contacts in foreign markets	1	2	3	4	5	6	7
b)	Foreign consumer needs and preference	1	2	3	4	5	6	7
c)	Effective marketing in foreign markets	1	2	3	4	5	6	7
d)	Foreign competitors	1	2	3	4	5	6	7
e)	Foreign distribution channels	1	2	3	4	5	6	7
f)	Foreign languages	1	2	3	4	5	6	7
g)	Foreign business laws	1	2	3	4	5	6	7
h)	Foreign business norms	1	2	3	4	5	6	7
i)	Foreign business regulations in retail industry	1	2	3	4	5	6	7

**II. Please indicate the degree to which your company is committed to international activities.**

	Very Low	1	2	3	4	5	6	7	Very High
a) The level of time and effort our firm's management commits to international activities is:	1	2	3	4	5	6	7		
b) The level of financial resources committed to the international activity is:	1	2	3	4	5	6	7		
c) The level of human resources committed to the international activity is.	1	2	3	4	5	6	7		
	Not at all Willing	1	2	3	4	5	6	7	Very Willing
d) Finding published information about opportunities for international activity	1	2	3	4	5	6	7		
e) Doing market research about international activity	1	2	3	4	5	6	7		
f) Seeking information about a competitor's international activity	1	2	3	4	5	6	7		
g) Finding out a specific competitor's international activity as part of their overall firm strategy	1	2	3	4	5	6	7		

**III. Please indicate how much you agree with each of the following statements.**

	Strongly Disagree	1	2	3	4	5	6	7	Strongly Agree
a) <u>Compared to our major three competitors,</u> Our products are unique in terms of designs and features.	1	2	3	4	5	6	7		
b) Our products are innovative and creative to meet consumer demands.	1	2	3	4	5	6	7		
c) Our products meet demands for special target segments.	1	2	3	4	5	6	7		
d) Our customers visit our store to buy unique and specialized products.	1	2	3	4	5	6	7		
e) There are specific target consumer groups for our products.	1	2	3	4	5	6	7		
f) We seek to exploit unique and creative products/services.	1	2	3	4	5	6	7		
g) We seek to differentiate our products through marketing.	1	2	3	4	5	6	7		
k) Our store is a pleasant place to shop.	1	2	3	4	5	6	7		
l) Our store has a pleasing atmosphere.	1	2	3	4	5	6	7		

m)	Our store is attractive.	1	2	3	4	5	6	7
h)	The brand(s) we carry in our store is/are desirable.	1	2	3	4	5	6	7
i)	The brand(s) we carry in our store easily represent(s) our company messages.	1	2	3	4	5	6	7
j)	The brand(s) we carry in our store has/have a strong brand identity.	1	2	3	4	5	6	7

**IV. Do you have a personal network in foreign countries? (If no, please circle 0 for each relationship.)**

**How strong is your personal networks with the following people in foreign countries?**

	None	Very Weak	-----				Very Strong	
a) Former employers/employees	0	1	2	3	4	5	6	7
b) Existing clients	0	1	2	3	4	5	6	7
c) Business associates	0	1	2	3	4	5	6	7
d) Relatives	0	1	2	3	4	5	6	7
e) Friends	0	1	2	3	4	5	6	7
f) Former classmates	0	1	2	3	4	5	6	7

**VI. Please indicate how you see the growth opportunities of your target market in the U.S. domestic market.**

	Very Low	-----				Very High	
a) Future competition	1	2	3	4	5	6	7
b) Short-term (3 years) market growth rate	1	2	3	4	5	6	7
c) Long-term (10 years) market growth rate	1	2	3	4	5	6	7
d) Future profits	1	2	3	4	5	6	7
e) "Room" for growth in the domestic market in terms of retail sales and market share	1	2	3	4	5	6	7

-----Next questions are about your firm's international engagement.-----

- I. In considering the past and present **foreign sourcing experience** for your retail company,
- **How many years** have your firm either buying, producing, or operating factories in foreign countries? \_\_\_\_\_ years.
  - **How many countries** have your firm either buying, producing, or operating factories in foreign countries so far? \_\_\_\_\_ countries.

II. Is your firm currently **selling products/services** outside the U.S.?

- YES (Please continue next page.)  
 NO (Please stop here. You complete the survey.)

- **Which country** did your firm enter as the **first** foreign market? \_\_\_\_\_
- **When** did your firm **first** enter an international market (entry year)? \_\_\_\_\_
- **How** did your firm first enter a foreign market (Please check one)?  
 Selling through on-line     Exporting             Selling through local wholesalers  
 Franchising                       Licensing             Joint venture  
 Direct investment for opening a retail store
- **How many countries** has your firm entered so far? \_\_\_\_\_ countries.
- **Which** geographic areas has your firm entered so far? (Please check all that apply).  
 North America     South America     EU     East Europe     Other Europe  
 Africa                       Far East Asia     Southeast Asia             Southwest Asia

III. Please indicate how you perceive your firm's performance in foreign markets.

	Strongly Disagree			Strongly Agree			
	1	2	3	4	5	6	7
a) We have met our international market share objectives.	1	2	3	4	5	6	7
b) We have achieved the turnover objectives we set for internationalization.	1	2	3	4	5	6	7
c) In general, we are satisfied with our success in international markets.	1	2	3	4	5	6	7
d) Internationalization has had a positive effect on our company's profitability.	1	2	3	4	5	6	7

e)	Internationalization has had a positive effect on our company's image.	1	2	3	4	5	6	7
f)	Internationalization has had a positive effect on the development of our company's expertise.	1	2	3	4	5	6	7
g)	Out of your total sales, what percentage is derived from international markets?	_____ %						
h)	Out of your total profit, what percentage is derived from international markets?	_____ %						
i)	<i>Over the past three years</i> , what percentage of your sales growth has been in international markets?	_____ %						

**THANK YOU FOR YOUR TIME AND CONTRIBUTION!**

Please send the completed survey back to the researcher  
in the enclosed postage-paid envelop.

Do you have any questions?

Please feel free to contact to the researcher  
at (763) 528-1822 or by email at [hjcho2@uncg.edu](mailto:hjcho2@uncg.edu)

APPENDIX B  
MAIL SURVEY COVER LETTER

A BUSINESS SURVEY OF  
INTERNATIONAL EXPANSION BY U.S. RETAILERS

Dear Respondent,

My name is Hyeon Jeong Cho and I am a Ph.D. candidate in the Department of Consumer, Apparel and Retail Studies at the University of North Carolina at Greensboro. I am conducting business research to better understand the current status of U.S. apparel and related product firms' international expansion and seeking your support with this project. Even though you are not currently engaged with international activities, please do respond to the questions. Your input is very important to this study.

You are invited to voluntarily participate in this study. Your responses will NOT be identified. Your privacy and your company's privacy will be completely safeguarded as the data will be analyzed as aggregate, not individual, responses. Demographic information is requested for statistical purposes but will not be used to identify you in any way. The completed questionnaires will be stored confidentially in the researcher's locked file cabinet. Risks associated with this project which are greater than those ordinarily encountered in daily life are minimal.

Please take about 10 to 15 minutes to complete the questionnaire. You can respond one of following ways at your earliest convenience:

- **Printed survey:** Please send the completed survey back to the researcher in the enclosed postage-paid envelope.
- **Online survey:** Please access the survey at this address <http://tinyurl.com/7728dep>

The researcher would be happy to share a summary of the results with you. If you would like the results provided to you, please send your business card separately or contact to the researcher at (763) 528-1822 or [hjcho2@uncg.edu](mailto:hjcho2@uncg.edu). Mailing us the completed survey indicates that you agree to the above conditions. If you have any questions about your rights as a research subject, you may contact the Office of Research Compliance at (336) 256-1482 or [orc@uncg.edu](mailto:orc@uncg.edu).

I hope you will take a few minutes to complete this questionnaire. The quality of this research is highly dependent on your participation. I sincerely appreciate your participation and time.

Sincerely,

Hyeon Jeong (HJ) Cho  
Ph.D. Candidate & Research Assistant  
University of North Carolina at Greensboro  
Bryan School of Business and Economics  
Department of Consumer, Apparel, and Retail Studies  
210 Stone Building, P.O. Box 26170  
Greensboro, NC 27402-6170  
Email: [hjcho2@uncg.edu](mailto:hjcho2@uncg.edu)/  
Phone: 763-528-1822



APPENDIX C  
ONLINE SURVEY COVER LETTER

Dear Respondent,

My name is Hyeon Jeong Cho and I am a Ph.D. candidate in the Department of Consumer, Apparel and Retail Studies at the University of North Carolina at Greensboro. I am conducting business research to better understand the current status of U.S. apparel and related product firms' international expansion and seeking your support with this project.

You are invited to voluntarily participate in this study. Your responses will NOT be identified. Your privacy and your company's privacy will be completely safeguarded as the data will be analyzed as aggregate, not individual, responses. None of your information will be matched with your responses in reporting the results of the survey. Demographic information is requested for statistical purposes but will not be used to identify your firm in any way. The completed questionnaires will be stored confidentially in the researcher's locked file cabinet. Risks associated with this project which are greater than those ordinarily encountered in daily life are minimal.

Please take about 10 to 15 minutes to complete the questionnaire. The researcher would be happy to share a summary of the results with you. If you would like the results provided to you, please request the information via email at [hjcho2@uncg.edu](mailto:hjcho2@uncg.edu). Participation of this online survey indicates that you agree to the above conditions. If you have any questions about your rights as a research subject, you may contact the Office of Research Compliance at (336) 256-1482 or [orc@uncg.edu](mailto:orc@uncg.edu).

Your input is very important to this study. I hope you will take a few minutes to complete this questionnaire. The quality of this research is highly dependent on your participation. I sincerely appreciate your participation and time.

Sincerely,

Hyeon Jeong (HJ) Cho  
Ph.D Student & Research Assistant  
Bryan School of Business and Economics  
Department of Consumer, Apparel, & Retail Studies  
210 Stone Building  
University of North Carolina, Greensboro  
Greensboro, NC 27402-6170  
Email: [hjcho2@uncg.edu](mailto:hjcho2@uncg.edu)  
Cell Phone: 763-528-1822

APPENDIX D  
PHONE RECRUITMENT SCRIPT

CALLER: "Hello, my name is Hyeon Jeong Cho, I am a doctoral student from the University of North Carolina at Greensboro. Can I talk to Mr./Mrs.XXXX?"

RECEIVER: (If no) "When will be better time to talk with him/her? Thank you, I will call him/her the other time. "

(If yes) "A few weeks ago I sent you a business survey. Did you receive it, sir/ma'am? It was about U.S. apparel retailers' international expansion. I am seeking your help with this project. Did you complete the survey, sir/ma'am?"

(If yes) "Thank you so much for your valuable time and participation in my research. Have a good day!"

(If no) "Sir/Ma'am, it is just a friendly reminder call. The students and educators can only understand business activities from respondents like you, so your participation can help me develop meaningful information. Could you take about 10 to 15 minutes to complete the survey that I sent few weeks ago and return it back to me, please?"

(If yes) "Thank you so much for your valuable time and consideration. You have a great day."

(If no) "I understand your inconvenience and worries. I will delete your information from the sampling lists. I appreciate your time today for me. You have a great day."

APPENDIX E  
E-MAIL RECRUITMENT SCRIPT

Date:

Dear Mr./Mrs XXX

My name is Hyeon Jeong Cho and I am a Ph.D. candidate in the Department of Consumer, Apparel and Retail Studies at the University of North Carolina at Greensboro (UNCG).

You may recall that you recently received a questionnaire related to the international expansion of U.S. apparel retailers by researchers from UNCG.

If you have not yet replied, please take about 10 to 15 minutes to complete the questionnaire. If by some chance you did not receive the questionnaire, or have misplaced it, you can respond one of following ways at your earliest convenience:

- **Online survey:** You can access the survey at this address XXXX
- **Printed survey:** I can send you another questionnaire, please contact me by email (hjcho2@uncg.edu) or phone (763-528-1822).

If you feel that you are not the most qualified individual at your company to fill out the survey, please forward this email to that person. If you already participated in this study, please disregard this reminder. I sincerely appreciate your valuable time and support.

Cordially,

Hyeon Jeong (HJ) Cho  
Ph.D Student & Research Assistant  
Bryan School of Business and Economics  
Department of Consumer, Apparel & Retail Studies  
210 Stone Building  
University of North Carolina, Greensboro  
Greensboro, NC 27402-6170  
Email: hjcho2@uncg.edu  
Cell Phone: 763-528-1822

APPENDIX F

APPROVAL OF INSTITUTIONAL REVIEW BOARD (IRB)  
FOR THE USE OF HUMAN PARTICIPANTS IN RESEARCH



THE UNIVERSITY of NORTH CAROLINA  
**GREENSBORO**

**OFFICE OF RESEARCH COMPLIANCE**  
2718 Beverly Cooper Moore and Irene Mitchell Moore  
Humanities and Research Administration Bldg.  
PO Box 26170  
Greensboro, NC 27402-6170  
336.256.1482  
Web site: [www.uncg.edu/orc](http://www.uncg.edu/orc)  
Federalwide Assurance (FWA) #216

**To:** Byoungho Jin  
Cons, Apparel, and Ret Stds  
210 Stone Building

**From:** UNCG IRB

**Date:** 2/16/2012

**RE:** Notice of IRB Exemption  
**Exemption Category:** 2.Survey, interview, public observation  
**Study #:** 12-0063

**Study Title:** Timing of Internationalization: An Application of Uppsala Model for the U.S. Apparel Retailers' International Expansion

This submission has been reviewed by the above IRB and was determined to be exempt from further review according to the regulatory category cited above under 45 CFR 46.101(b).

**Study Description:**

The purpose of this study is to understand apparel retailers' time taken to internationalization, its determinants, and subsequent firm performance based on the internationalization theory.

**Investigator's Responsibilities**

Please be aware that any changes to your protocol must be reviewed by the IRB prior to being implemented. The IRB will maintain records for this study for three years from the date of the original determination of exempt status.

CC: Hyeon Cho

UNIVERSITY OF NORTH CAROLINA AT GREENSBORO

CONSENT TO ACT AS A HUMAN PARTICIPANT: LONG FORM

Project Title: Timing of Internationalization: An Application of Uppsala Model for U.S. Retailers' International Expansion

Project Director: Dr. Byounggho Jin

**What is the study about?**

This is a research project. The purpose of this study is to understand the current status of U.S. apparel retail firms' international expansion.

**Why are you asking me?**

This study focuses on U.S. apparel retailers because the U.S. has been the world's largest market and includes numerous national and multinational apparel retailers. The participants in this study are randomly selected based on two criteria: 1) the retailer's primary activity is selling apparel and related accessory goods and 2) the firm is classified with Standard Industrial Classification code 56 (Apparel and accessory stores).

**What will you ask me to do if I agree to be in the study?**

This study is conducted by a mail and an online survey at the participants' convenience. The enclosed survey can be completed in approximately 10 to 15 minutes. If the participation is agreed and a mail survey is selected, the participants will complete the questionnaire and send it back to the researcher in the enclosed postage-paid envelope. As an alternative way, an online survey can be completed via the provided URL.

**Are there any activities through the Internet?**

Participation via the online survey in this study is completely voluntary. Absolute confidentiality of data provided through the Internet cannot be guaranteed due to the limited protections of Internet access. Please be sure to close your browser when finished so no one will be able to see what you have been doing.

**Are there any audio/video recording?**

No, this study does not require any audio/video recording.

**What are the dangers to me?**

The Institutional Review Board at the University of North Carolina at Greensboro has determined that participation in this study poses minimal risk to participants. If you have any concerns about your rights, how you are being treated or if you have questions, want more information or have suggestions, please contact Eric Allen in the Office of Research Compliance at UNCG toll-free at (855)-251-2351. Questions, concerns or complaints about this project or benefits or risks associated with being in this study can be answered by HJ Cho who may be contacted at (763)528-1822 or [hjcho2@uncg.edu](mailto:hjcho2@uncg.edu).

UNCG IRB  
Approved Consent Form

Valid 2/16/12 to 2/15/15

**Are there any benefits to me for taking part in this research study?**

There are no direct benefits to participants in this study.

**Are there any benefits to society as a result of me taking part in this research?**

The study is very important for students, educators, and policy developers to better understand the current status of U.S. businesses so that they can be proactively involved in preparing our future.

**Will I get paid for being in the study? Will it cost me anything?**

There are no costs to you or payments made for participating in this study.

**How will you keep my information confidential?**

All responses will be reported only in the aggregate. Individual responses will be totally unidentifiable in the combined system. The completed questionnaires will be stored confidentially in researcher's locked file cabinet. All information obtained in this study is strictly confidential unless disclosure is required by law.

**What if I want to leave the study?**

You have the right to refuse to participate at any time, without penalty. Being in this study is completely voluntary.

**What about new information/changes in the study?**

If significant new information relating to the study becomes available which may relate to your willingness to continue to participate, this information will be provided to you.

**Voluntary Consent by Participant:**

By completing this survey, you are agreeing that you read, or it has been read to you, and you fully understand the contents of this document and are openly willing consent to take part in this study. By continuing to the survey, you are agreeing that you are 18 years of age or older and are agreeing to participate in this study.

UNCG IRB  
Approved Consent Form

Valid 2/16/12 to 2/15/15



THE UNIVERSITY of NORTH CAROLINA  
**GREENSBORO**

**OFFICE OF RESEARCH COMPLIANCE**  
2718 Beverly Cooper Moore and Irene Mitchell Moore  
Humanities and Research Administration Bldg.  
PO Box 26170  
Greensboro, NC 27402-6170  
336.256.1482  
Web site: [www.uncg.edu/orc](http://www.uncg.edu/orc)  
Federalwide Assurance (FWA) #216

**To:** ByoungHo Jin  
Cons, Apparel, And Ret Stds  
210 Stone Building

**From:** UNCG IRB

**Date:** 3/30/2012

**RE:** Notice of IRB Exemption

**Exemption Category:**

**Study #:** 12-0063

**Study Title:** Timing of Internationalization: An Application of Uppsala Model for the U.S. Apparel Retailers' International Expansion

This submission has been reviewed by the above IRB and was determined to be exempt from further review according to the regulatory category cited above under 45 CFR 46.101(b).

**Study Description:**

The purpose of this study is to understand apparel retailers' time taken to internationalization, its determinants, and subsequent firm performance based on the internationalization theory.

**Study Specific Details:**

This modification, dated 3/29/12, addresses the following:

- Addition of telephone call and email as contact methods in order to increase participation

**Investigator's Responsibilities**

Please be aware that any changes to your protocol must be reviewed by the IRB prior to being implemented. The IRB will maintain records for this study for three years from the date of the original determination of exempt status.

**CC:**

Hyeon Cho, Cons, Apparel, And Ret Stds  
ORC, (ORC), Non-IRB Review Contact