

**How firms engage in product and promotion adaptation
when entering foreign markets**

**Jyväskylä University
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ABSTRACT

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Title How firms engage in product and promotion adaptation when entering foreign markets	
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<p>Abstract</p> <p>For centuries, companies have sought growth from foreign markets. Foreign growth opportunities are especially important for companies from small domestic markets, looking to expand customer base to increase sales. However, entering foreign markets requires firms to serve new customers, from different cultural and economic backgrounds, with unique needs and preferences. Product adaptation has been shown to be increasingly important for firms operating in creative industries, where customer needs vary due to differing climates and lifestyles. Firms in the creative industries are also subject to differing trends and preferences of customers in foreign markets.</p> <p>This thesis seeks understand how firms engage in product and promotion adaptation, when entering new foreign markets. It utilizes previous research on product and promotion adaptation and previously developed frameworks, to understand how company, product, industry, and target market characteristics affect firm's engagement in product and promotion adaptation.</p> <p>In this thesis, eight interviews are conducted with CEOs and managers from six companies of varying sizes across industries. These companies are in the early stages of internationalization from small domestic markets. Interviews are compared using the comparative case study method (Eisenhardt & Graebner, 2007). The extended case study method (Burawoy, 2009) is used to extend prior literature by confronting it with new empirical data. By applying this new data to the previously developed framework, prior literature is extended, and several new factors contributing to firm's engagement in product and promotion adaptation are discovered.</p> <p>This study contributes to prior research by identifying factors which are shown to influence how company, product, industry, and target market characteristics affect engagement in product and promotion adaptation. Commitment to market is found to be the primary factor affecting firm's engagement in product and promotion adaptation. Additionally, new insight into how choice of entry strategy may influence need for adaptation is presented. Findings are complemented by rich interview data, which provide insight into how CEOs interpret the need for adaptation.</p>	
Key words Product adaptation, promotion adaptation, foreign market entry	
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TIIVISTELMÄ

Tekijä Annika Sorvari	
Työn nimi Kuinka yritykset adaptoivat tuotteita ja markkinointia ulkomaan markkinoille	
Oppiaine Kansainvälinen liiketalous ja yrittäjyys	Työn laji Maisterin tutkielma
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<p>Tiivistelmä</p> <p>Vuosisatojen ajan yritykset ovat etsineet kasvua ulkomaan markkinoilta. Ulkomaan kasvumahdollisuudet ovat erityisen tärkeitä yrityksille, jotka toimivat pienillä kotimaisilla markkinoilla. Onnistunut kansainvälistyminen vaatii, että yritykset palvelevat asiakkaita, joilla on eri kulttuurilliset ja taloudelliset taustat, sekä uniikit tarpeet ja mieltymykset. Aiempi kirjallisuus on osoittanut, että adaptoimalla tuotteita ja markkinointia yritykset voivat paremmin palvella asiakkaita kohdemaissa, saavuttaen kilpailuetua. Tuotteiden adaptoimisen on havaittu olevan erityisen tärkeää yrityksille, jotka toimivat luovilla aloilla, sillä näillä aloilla kohdemaan poikkeava ilmasto, tarpeet ja trendit aiheuttavat erityisiä haasteita.</p> <p>Tämä tutkielma pyrkii ymmärtämään kuinka yritykset adaptoivat tuotteita ja markkinointia kansainvälistyessään uusille markkinoille. Tutkimuksen pohjana hyödynnetään aiempaa kirjallisuutta tuotteiden ja markkinoinnin adaptoimisesta, sekä aiemman tutkimuksen pohjalta luotua viitekehystä empiirisen datan analysointiin. Tämä viitekehys luo raamin, jonka pohjalta on mahdollista tutkia kuinka yrityksen, tuotteen ja toimialan, sekä kohdemaan tekijät vaikuttavat yrityksen tarpeeseen adaptoida tuotteita ja markkinointia.</p> <p>Tätä tutkimusta varten on kerätty uutta empiiristä dataa haastatteleamalla kahdeksaa yrityksen johtajaa kuudesta eri yrityksestä. Yritykset ovat kooltaan ja toimialoiltaan erilaisia, ja kansainvälistymässä pieniltä kotimaisilta markkinoilta. Haastattelujen pohjalta on toteutettu vertailevaa analyysia (Eisenhardt & Graebner, 2007) eri toimintatapojen ymmärtämiseksi. Aiempaa kirjallisuutta on laajennettu hyödyntämällä tapaustutkimusmenetelmää, jossa olemassa olevaa teoriaa laajennetaan peilaamalla sitä uuteen empiiriseen tutkimustietoon (Burawoy, 2009). Lopputuloksena on aiemman kirjallisuuden pohjalta laaditun viitekehyksen laajentuminen.</p> <p>Tutkimuksen lopputuloksena on löydetty useita tekijöitä, jotka vaikuttavat yrityksen päätökseen adaptoida tuotteita ja markkinointia ulkomaan markkinoita varten. Näistä ensisijaisena esille nousee yrityksen sitoutuminen markkinaan. Toisena havaintona on, että strategisilla valinnoilla yritys voi minimoida adaptoimisen tarpeen. Löydöksiä on täydennetty monipuolisella empiirisellä haastatteludatalla, joka tuo ymmärrystä valintoihin adaptoimisen ja standardisoinnin välillä.</p>	
Asiasanat Tuotteen adaptoiminen, markkinoinnin adaptoiminen, kansainvälistyminen	
Säilytyspaikka Jyväskylän yliopiston kirjasto	

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1 INTRODUCTION

Globalization and rapid developments in both technology and logistics have led to many firms internationalizing quickly. Becoming global has become a vital part of the strategy of firms in the fashion industry (Guercini & Milanese, 2017), and the same has been noted for firms across industries. Foreign markets are also increasingly pursued by young companies, looking to expand from small domestic markets and gain rapid growth (Knight & Cavusgil, 2004). Similarly, larger and more mature companies are seeking growth abroad after reaching a position of market leadership, after which pursuing growth from domestic markets becomes increasingly challenging and expensive.

When seeking opportunities for growth abroad, firms face the challenge of serving new markets, with differing economic, legislative, and cultural environments (Cavusgil et al., 1993). Performance in foreign markets has been found to be linked to a firm's ability to adapt its products and promotion to serve differing needs of customers in foreign markets (Calantone et al., 2004). Product adaptation is especially important in traditional and creative industries, such as the clothing industry, which are subject to differing consumer tastes, preferences, climates and face high competition (Cavusgil et al., 1993).

Product adaptation refers to the extent to which a product is altered, when entering foreign markets (Cavusgil et al., 1993). Promotion adaptation means the extent to which promotional programs (including promotion, packaging and positioning) are altered across national borders (Jain, 1989). In several studies, positive correlation has been found between product and promotion adaptation and success in export ventures (Calantone et al., 2004).

Product adaptation has become increasingly prevalent in the recent decades. Several recent studies have proposed constant iteration of product design to be the key in sustaining competitive advantage in evolving markets (Chen et al., 2021). Recent advances in technology have made it possible to produce smaller batches more cost-effectively, increasing the ease of adapting for new markets. Previous research by Calatone et al. (2004) has shown that managers should consider variation between countries to create competitive advantage through customized design, scale, materials, and other changes. Managers should aim to create a responsive organization that detects customer needs in targeted markets and is responsive to changes. By increasing adaptability for foreign markets, firms would be increasingly likely to secure positive export-market performance (Calantone et al., 2004).

For young small and medium-sized enterprises, serving the needs of customers in foreign markets is challenging, due to lack of resources, knowledge, and foreign experience. Knight & Cavusgil (2004) found in their research that young companies often face increased pressure to internationalize quickly and effectively, due to lack of financial resources. This is especially true for firms located in countries that have small domestic markets, which seek growth from larger foreign markets (Calantone et al., 2004).

While product adaptation has been shown to be especially important to firms in creative industries, promotion adaptation has been shown to be valuable for firms across industries (Calantone et al., 2004; Cavusgil et al., 1993). Communicating a firm's products and services to customers in different markets often requires firms to create new methods of promotion, through altering brand message, communication channels and packaging.

This thesis examines how firms of varying sizes in creative and non-creative industries engage in product and promotion adaptation, upon entry to foreign markets. In previous research creativity has been defined as coming up with ideas that are both novel and useful (Anderson et al., 2014; Godart et al., 2015) and creativity can emerge in firms across industries. However, in this thesis firms are divided into creative and non-creative industries according to categorization made in previous research, where creative industries are defined as those which include creators (such as musicians, artists, designers, photographers) and firms that engage in distribution of these creative goods (Chalmers et al., 2022).

This thesis aims to examine to what extent firms seek to cater to the individual needs and preferences of foreign markets through product and promotion adaptation, and if there are differences in adaptation across firms of different sizes and industries. Further, this thesis aims to examine what factors influence the degree to which adaptation is engaged in. Previous literature has shown that both product and promotion adaptation may have a significant effect on firm's performance in foreign markets (Calantone et al., 2004), but they are not necessarily linked. Product adaptation is typically more costly than promotion adaptation, and although the two are closely related to each other, the ease of adapting one can be significantly higher than the other (Cavusgil et al., 1993).

1.1 Research questions and goals

This thesis builds on existing literature on product and promotion adaptation, which have examined the extent to which firms engage in adaptation when entering new foreign markets. Product adaptation has been found to be especially important when firms sell consumer goods, when they operate in low-technology industries, and when products are unique or culture-specific. The need for adaptation is further emphasized in traditional industries, where products are subject to differing consumer tastes, habits and preferences, such as in the clothing industry (Cavusgil et al., 1993). For this reason, the first research question in this study is RQ1: *“What factors influence product adaptation upon entry to foreign markets for firms in the creative industries?”*

Promotion adaptation has been found to be engaged in by firms across industries. To gain insight into how firms from differing industries and sizes engage in promotion adaptation, the second research question is RQ2: *“What factors influence promotion adaptation when entering*

new markets?” This research question will be answered by comparing adaptation methods of firms of varying sizes across industries.

Prior literature into the topic of product and promotion adaptation is vast, and previous research has identified several characteristics, which influence firm’s adaptation. The most comprehensive analytical framework developed by previous research was developed by Cavusgil (1993), to examine how different company, industry, product, and target market characteristics affect how firms engage in product and promotion adaptation. This thesis uses prior literature and the comprehensive framework developed by Cavusgil (1993) as a lens through which these six companies are studied.

The thesis aims to extend prior literature on product and promotion adaptation by confronting this previously developed framework with six firms of varying sizes and industries, from small domestic markets. The purpose is to use empirical data from these six cases to examine to what extent the framework may be applied to firms of varying sizes from small domestic industries and to detect boundary conditions, through which prior literature may be extended. When contradictions emerge, rich qualitative data gathered from interviews is used to illuminate why firms opt to operate in contrary ways.

1.2 Research methods & case selection

This thesis uses prior literature in product and promotion adaptation to examine how firms engage in adaptation when entering new foreign markets. Through the comparative study method (Eisenhardt & Graebner, 2007), six case companies are compared to detect differences and similarities between company’s engagement in adaptation in the early stages of entry to foreign markets. Through utilization of the extended case study method (Burawoy, 2009), this thesis builds on product and promotion adaptation literature by confronting pre-existing literature and the framework developed by Cavusgil (1993) with new empirical evidence.

First, this thesis uses the comparative case study method to examine how young companies in creative industries engage in product adaptation when entering new markets. The purpose is to examine how prior product adaptation literature may be applied to these three empirical cases, with the unique perspective of being young companies with limited resources. Secondly, promotion adaptation will be studied and compared between the three firms from creative industries, and contrasted with three companies from non-creative industries to detect if size and industry may affect engagement in adaptation.

By using the extended case method (Burawoy, 2009), insight into the degree to which product adaptation may be affected by firms' size, motivation for internationalization, entry strategy and commitment to foreign market is provided. The goal of this method is to identify boundary conditions for adaptation to extend previous literature. By comparing existing product and

promotion adaptation literature to these new empirical cases, missing elements which may affect entrepreneur's engagement in product and promotion adaptation are made visible.

1.3 Structure of the study

This thesis is divided into six main sections. First, the introduction builds the foundation for the study, and presents the research questions. Secondly, product and promotion adaptation literature will be presented and the correlation between product and promotion adaptation and increased performance will be presented. After this, the debate between standardization and adaptation will be discussed and varying conflicting viewpoints of scholars will be presented. In the third chapter, the theoretical framework developed by Cavusgil (1993) will be presented, and characteristics affecting firm engagement in product and promotion adaptation identified by previous research will be showcased through this framework. After the theoretical foundation has been set, data collection and analysis methods will be presented. This thesis uses the comparative case study method developed by Eisenhardt and Graebner (2007) to compare empirical data between cases. It also uses the extended case study method developed by Burawoy (2009) to extend prior literature by analyzing new empirical evidence.

The remaining chapters examine the empirical data gathered by conducting eight interviews with entrepreneurs and managers of six case companies. In chapter five, this empirical data is examined through the framework developed by Cavusgil (1993). In this section, similarities and contradictions to the framework are demonstrated and complemented by empirical data gathered during the interviews. The sixth chapter suggests extensions to the framework and presents the contradictions found in the study. After this, the findings will be analyzed in the discussion chapter, and the implications of the study are presented. The final chapter concludes the thesis. In this chapter, limitations of the study are considered and avenues for future research are suggested.

2 THEORETICAL BACKGROUND

To examine product and promotion adaptation in the context of entering foreign markets, this thesis is built on product and promotion adaptation literature. Previous research will be examined to determine which factors influence product and promotion adaptation during internationalization, and to provide a context for comparing case companies.

The literature is divided into four sections. First, product adaptation literature's overlap with product line extension literature will briefly be addressed. Secondly, product adaptation and promotion adaptation will be introduced as separate concepts. Thirdly, the conflicting viewpoints of standardization and adaptation will be examined. Based on this theoretical background, factors influencing adaptation will be presented in more detail in the next section.

2.1 Product line extension literature

Although this thesis is largely built on product adaptation literature, it has a small overlap with product line extension literature. Calatone (2004) notes that product adaptation can be considered a form of product line extension for new markets. Product lines are a collection of individual products that relate to each other through similar markets, technology and manufacturing methods utilized. The products in a product line typically connect under a single brand name. When products are developed and adapted for foreign markets, it can be considered a special case of product line extension (Calantone et al., 2004).

However, since product adaptation typically involves adapting products to serve new markets and customer groups, it is riskier than typical product line extension, where products are designed for current customer groups within a country. Product line extension and product adaptation have their own streams of literature and research on product-line decisions have typically focused on product-line development within a single country or market (Calantone et al., 2004).

2.2 Product and promotion adaptation

Organizational adaptation as a concept has historically evoked two different perspectives. One perspective is that firms may be unable to achieve significant transformation due to inertia, and the other perspective examines organizations as adaptable to market conditions. Adaptation can take place in a large scale, through vast structural changes. However, it can also take place through small shifts in how firm's compete in markets. In this smaller form of adaptation, product innovation takes a primary role. Creating new products can be the key in the transformation to evolving markets (Eisenhardt & Tabrizi, 1995). In research by Chen (2021)

product development is defined as the actions through which product design is altered for the purpose of solving consumer problems.

Traditionally, product and promotion adaptation have been viewed as two separate concepts (Calantone et al., 2004; Cavusgil et al., 1993; Cavusgil & Zou, 1994). Product adaptation refers to the extent to which a product, including its features and characteristics, is altered when entering foreign markets (Cavusgil et al., 1993). Promotion adaptation means the extent to which promotional programs (including promotion, packaging and positioning) are altered across national borders (Jain, 1989).

Cavusgil et al. (1993) further elaborate on the three functions of promotion adaptation. First, positioning showcases how the product is positioned in contrast to competitors in the market. Packaging and labeling refer to how the product's outer appeal is increased to serve customer preferences. This typically refers to the design without taking into consideration the protective and infrastructural elements of the packaging. Promotional elements include which media are chosen, what kind of budget is used for advertising and how it is allocated, as well as how sales promotion and personal selling are done (Cavusgil et al., 1993). More recently, scholars have grouped both product and promotion adaptation together under the umbrella of marketing practices, which include product offering, promotional mix, distribution strategy and price (Mandler et al., 2021).

Although recently product and promotion adaptation have been examined together, for the purpose of this thesis they are examined as two separate concepts. Previous research shows that companies often experience a lower threshold to engage in promotion adaptation, due to its lower cost and easier implementation (Calantone et al., 2004). The cost of engaging in product adaptation is much higher, and entails increased cost of R&D, production, and inventory-related costs. However, this has been found to be especially important for firms operating in the creative industries. To be able to examine product adaptation in the context of creative industries, it must be separated from promotion adaptation and examined as a separate concept.

In their research, Westjohn & Magnusson (2017) further separate marketing adaptation into discretionary and mandatory adaptation. Mandatory adaptation includes fulfilling obligations set by the host country, such as laws and regulations. These include necessary labeling adjustments and compliance with advertising restrictions. In contrast, discretionary adaptation involves choice. These choices include customization of marketing mix to increase appeal in target foreign markets, and may involve changes to product positioning, features, and distribution channels.

Westjohn and Magnusson (2017) identified that discretionary adaptation should be the focus of future studies, due to its ability to shed light on a firm's strategic choice to engage in adaptation to better serve customer preferences and create advantage in local markets. Porter defines strategy as "deliberately choosing a different set of activities to deliver a unique mix of value" (Porter, 1996, p. 64). Since mandatory adaptation leaves out the element of choice, it

should not be considered in the context of developing strategy to compete in a foreign market. Instead, discretionary adaptation is a managerial tool, aiming for better strategic fit and increased competitiveness (Westjohn & Magnusson, 2017). In this thesis, in addition to product and promotion adaptation being examined as separate units, promotion adaptation is primarily examined from the perspective of discretionary adaptation.

2.3 Adaptation and performance

The correlation between adaptation and performance has been studied for decades. In a study conducted by Calatone et al (2004) a link was found between the degree of product adaptation and performance in foreign export markets for U.S. based companies. Similar results between marketing adaptation and performance were found by Cavusgil and Zou (1994) when interviewing U.S. based companies on their export ventures, and by Cooper and Kleinschmidt (1985), when studying engagement in promotion adaptation for Canadian markets (Cooper & Kleinschmidt, 1985).

The research conducted by Calatone (2004) found that adaptation was profitable for both U.S. and South Korean firms. Managers in both countries perceived product adaptation as a way to better serve customer needs in foreign countries, which had a positive impact on profitability in export ventures. For U.S. firms, product adaptation had the highest correlation with profitability. For South Korean firms, marketing organizations' responsiveness had the highest effect on managers' perceived performance abroad. For these South-Korean firms, adapting customer-oriented marketing practices was found to have significant effect on performance. Since Korean firms have a small domestic market, the success of firms is reliant on creating specific marketing practices to reach, attract and serve demand in export markets (Calatone et al., 2004).

However, it must be considered that there is a limitation in the extent to which product diversification can be considered profitable. In research conducted by Chen (2021), this limitation to the diversification of product portfolio was demonstrated. In this research in the technological industry, it was noted that a highly diverse product portfolio may impair adaptation by overextending the firm's capacity. As an example, the resources of the product development team may become overstretched, which may harm performance of new products (Chen et al., 2021).

2.4 Cost of adaptation

Product adaptation can be costly, due to increased R&D, production, and inventory costs. Since product adaptation increases costs on many levels, managers must perceive the increase of value of products through added attractiveness and competitiveness to be greater than the incurred costs of adaptation. Calatone (2004) notes that essentially, when managers decide to

adapt products for foreign markets, they assume the profits and increased performance will outweigh the costs related to adapting products (Calantone et al., 2004).

Similarly, Westjohn & Magnusson (2017) demonstrate that discretionary promotion adaptation requires managers to calculate the cost of adaptation with the benefits brought by better strategic fit and competitiveness in the market. Adaptation should only be engaged in if the perceived benefits outweigh the costs. However, this is subject to miscalculation, especially due to the complexity of international environments and limitations brought by bounded rationality. Bounded rationality means inability to understand all factors involved for making the correct strategic decision (Westjohn & Magnusson, 2017). As managers may not have international experience and knowledge from operating abroad, they are vulnerable to errors in decision making.

2.5 Debate between standardization and adaptation

Scholarly debate between product and promotion standardization and customization in the context of international marketing has continued for several decades. Supporters of standardization emphasize that markets are becoming increasingly homogeneous. For companies' ability to compete, they must take advantage of the benefits of standardization, which relate to cost-effectiveness (Cavusgil et al., 1993). Standardization allows for the ability to take advantage of economies of scale. Additionally, manufacturing a single product for multiple markets allows companies to take advantage of experience in designing and manufacturing and selling the single product in multiple markets (Buzzell, 1968).

Global marketing tenets also argue that due to markets becoming increasingly homogenous, promotion should be standardized across national borders. This principle states that identical products and services can be promoted across borders, with similar promotion processes (Hamel & Prahalad, 1985). Levitt (1983) argues that due to globalization of markets, global customer groups have emerged. To serve this market, companies must be able to offer products at competitive prices. To do so requires standardization of marketing, which in turn can lead to increasing advantage reaching economies of scale. He believes the companies engaging in adaptation are likely to be replaced by global corporations engaging in standardization. (Levitt, 1983)

Support for standardization has emerged in multiple studies. In 1985, a study conducted by Ohmae found that customers in the United States, Western Europe and Japan have become increasingly homogenous, which enables standardization of marketing for these markets. He stated that the companies most likely to be successful are ones that emphasize the commonalities between these markets (Ohmae, 1985). Terpstra (1987) further argued that standardization is made possible through increased mobility between nations, the media, and similarities between products in both industrial and consumer segments. Terpstra claimed that being a universal brand with universal positioning can be a significant advantage in

international markets, due to reduced costs enabled by standardization, as well as being a powerful marketing tool (Terpstra, 1987).

Conflicting viewpoints were also presented decades ago, as other scholars argued that due to cultural, political and economic variation between countries, marketing should be adapted to individual country requirements (Boddewyn et al., 1986). This finding was also made by Buzzel (1968), who argued that due to differences in economic and political factors, legislation, culture, tastes and lifestyle, marketing should be customized to suit audiences in the target market. This view is shared by Calatone (2004) who emphasizes that the benefit of adaptation comes from increased ability to serve needs in the target market, create competitive advantage, potentially increase margins, and thus increase revenue (Calantone et al., 2004).

More recently scholars have argued that global market integration has become an increasing trend facilitated by the wide adoption of global media and the Internet, as well as the standardization of production methods, urbanization and increased travel (Steenkamp & de Jong, 2010). Large corporations, such as Proctor and Gamble, have increasingly invested in products with global potential (Schuiling & Kapferer, 2004), as opposed to having multidomestic products marketed by local subsidiaries developing localized products.

A clear tradeoff can be detected between the benefit of being responsive through local adaptation and between having the price advantage of reaching economies of scale. Competitive advantage can be obtained either through focusing on economies of scale, or by seeking relevance in local markets through localized products. Global products are predominantly motivated by the desire to lower unit costs by increasing economies of scale. On the other hand, local products are typically driven by the market-oriented desire to offer products that fulfill consumer's needs locally (Steenkamp & de Jong, 2010).

To further examine this issue, both local and global products must be defined and separated as concepts. Local products refer to those customized for local markets, which are marketed and sold only inside the borders of the consumer's home country. Global products, however, are made for the purpose of being marketed and sold in several countries (Steenkamp & de Jong, 2010).

However, the existence of this tradeoff has been questioned by several researchers, who have determined that consumers may even have a preference for standardized products, which are perceived to have superior quality and reliability (Levitt, 1983; Yip & Bink, 2007). These global products may be perceived to be more modern and progressive, in addition to retaining efficiency brought by global mass production (Holton, 2000). Similarly, it has been found that consumers may be equally open to local and global products, or reject both altogether (Steenkamp & de Jong, 2010).

Mandler et al (2021) note that argued marketing practices, generally including product offering, price, promotional mix and distribution strategy can be standardized to enhance performance. The increased performance can be justified by economies of scale in all three

areas of production, R&D and marketing (Levitt, 1983; Yip & Bink, 2007). A global strategy also enables a shorter time to market for new product launches, as well as the benefit of gaining increased revenue from sales in multiple markets (Mandler et al., 2021).

Mandler (2021) also recognizes that although there has been speculation of a group of “global consumers” arising, and both consumer preferences and needs becoming more homogeneous (Jain, 1989), this has not materialized to the predicted extent in practice. Multinational marketplaces, selling to multiple markets, continue to differentiate geographically between legal, economic, cultural and competitive conditions, as well as through serving local needs and preferences. Mandler et al (2021) point to this potentially indicating a need to adapt marketing to local tastes, as well as the need to adapt to serve unique regulatory requirements (Mandler et al., 2021).

2.6 Contingency perspective

Leading from the differing perspectives of standardization and customization, the mid-ground contingency perspective was developed. This perspective notes that neither extremes of complete standardization, nor complete customization is the best alternative. The degree by which standardization or customization of products is beneficial, is based on external and internal factors (Akaah, 1991).

Jain (1989) proposed a framework, based on which the degree of customization is based on factors such as target market characteristics, market position, product characteristics, and both environmental and organizational factors. Other research has found links between external and internal factors that affect the degree of standardization. Standardization decisions should be considered from several perspectives, including product features and characteristics, market scope and capacity utilization (Samiee & Roth, 1992). Based on previous findings, Cavusgil (1993) proposed a framework of factors that affect product and promotion adaptation. In this framework, company-, product-, industry- and export market characteristics all affect product and promotion adaptation.

Based on this hypothesis, Cavusgil (1993) created a testable framework to examine to which extent characteristics affect the degree of product and promotion adaptation. This framework was applied to study 79 U.S. based companies exporting to foreign countries, which examined 202 individual export venture cases. In his research, Cavusgil (1993) emphasized that product adaptation can be considered prior to entry and post-entry, due to the evolutionary nature of product adaptation in foreign markets. Promotion adaptation must also be divided into three separate categories: positioning, packaging (and labeling), and finally, promotion. He emphasized that since standardization and customization are considered as belonging to the same continuum, when one increases, the other decreases (Cavusgil et al., 1993).

3 FACTORS WHICH INFLUENCE ADAPTATION

In this section, the framework for product and promotion adaptation created by Cavusgil (1993) will be presented in more detail. This framework provides a theoretical background through which the analysis of case companies product and promotion adaptation can be compared. By comparing empirical data to the previous data gathered, this framework is tested and expanded.

In his research Cavusgil (1993) notes that product adaptation can be considered evolutionary in nature. Initially, drivers of adaptation may include target markets legal and technical requirements. After entry, drivers of product adaptation may be the better understanding gained from foreign markets during the internationalization process (Cavusgil et al., 1993). For this reason, product adaptation prior and after entry are examined separately.

3.1 Company characteristics

To examine the degree to which company characteristics affect product and promotion adaptation, characteristics are divided into three more distinctive categories. The first category relates to sales objectives of targeted foreign markets. The second category includes managerial experience inside the company. Finally, the last characteristic relates to the scope of internationalization, and addresses if the company is targeting a single market or multiple markets simultaneously (Cavusgil et al., 1993). In this section, further examination into these characteristics will be done, and their relation to product and promotion adaptation in previous research will be demonstrated.

3.1.1 Sales objectives

Cavusgil (1993) initially hypothesized positive correlation would be found when firms have high sales objectives for the foreign market. He hypothesized that firms would be more willing to invest in adapting product and promotion, when their objectives for foreign market sales revenue are high. To gain higher sales volumes, they would be more likely to adapt products to better serve customer needs in the target market (Cavusgil et al., 1993). It was also hypothesized the costs associated with product adaptation would be easier to justify when sales objectives are higher (Douglas & Craig, 1989)

Contrary to expectations, support for high sales goals having an effect on the degree of product adaptation conducted by companies in export ventures was not found. However, association between high sales objectives and promotion customization was detected. Especially packaging and labeling modification was found to take place when companies had high sales goals (Cavusgil et al., 1993).

3.1.2 Foreign experience

One factor influencing engagement in product and promotion adaptation was hypothesized to be manager's foreign experience. Managers gain experience from foreign markets through different methods, such as international transactions, having operations in foreign countries and through interaction with foreign partners or suppliers. When firms internationalize through exporting, they gain most knowledge when operating through subsidiaries, rather than through using distributors in local markets. Using subsidiaries increases the direct feedback received from customers in the market, to enhance the learning process (Douglas & Craig, 1989).

It has been proposed that adaptation of product and promotion usually result from experiences gained from foreign markets. Prior to having experience, firms tend to seek markets that are close in similarities with domestic markets, and which require little adaptation to their offerings in either product or promotion (Douglas & Craig, 1989). After firms have gained experience abroad, they are more likely to be capable of taking advantage of the individual characteristics of foreign markets and the potential to create effective marketing strategies for these foreign markets. This is when firms tend to seek competitive advantage through product adaptation and customized promotion (Cavusgil, 1993).

Similar findings between foreign experience and product adaptation were made by Calatone (2004), as he discovered that firms tend to customize products after entry, due to increased knowledge acquired during and after entering the foreign market. Prior to entry, managers often lack knowledge necessary for adaptation. This understanding of foreign markets is essential for managers to be able to adapt products (Calantone et al., 2004)

Further evidence of the importance of foreign experience was found in a study of Australian exporters, where positive correlation was found between managerial experience and product adaptation levels (O'Cass & Julian, 2003). Similarly, in a study conducted for U.S. Midwest-based firms, it was found that firms tend to engage in customization increasingly as internationalization advances to new stages.

3.1.3 Scope of internationalization

In his research Cavusgil (1993) found that when a company is entering multiple markets simultaneously, engaging in product adaptation was less likely. He hypothesized this is likely due to the cost of adaptation for each individual market being too high, when entering multiple markets simultaneously. Since product adaptation can be costly, development costs for variations to multiple markets can make the needed initial investment too high. The lower volume per market is likely to reduce acceptable investment in entering each market, and hence the amount of adaptation when exporting to multiple markets. Product adaptation was found to be more likely, when firm's focused on a single export market (Cavusgil et al., 1993).

However, promotion adaptation was found to increase when entering multiple new markets. This may be due to the lower cost and higher ease of adapting promotion for multiple new markets. Promotion customization entails costs of different marketing messages, modified packaging, and choosing media suited for individual markets (Buzzell, 1968; Douglas & Wind, 1987). It also requires an understanding of multiple markets (Cavusgil et al., 1993).

3.2 Product and industry characteristics

Product and industry characteristics have also been shown to influence the degree to which product adaptation takes place. These characteristics have been divided into four categories: technology-orientation, product uniqueness, cultural specificity of product, and the type of product.

3.2.1 Technology orientation of industry

Highly technological products are more likely to be suited for global markets and need less adapting, when compared to for example traditional industries, such as the clothing industry. The clothing industry is subject to variations in taste, customer preferences and habits, which have higher variation across borders (Cavusgil et al., 1993).

3.2.2 Uniqueness of products

Cavusgil hypothesized that when products are unique as opposed to universal, they are more likely to be subject to adaptation when exporting to foreign markets. This is due to customers being more likely to use the product in unique conditions. In contrast, if the product is universal, it is likely to be more suited for standardized, global sales practices (Buzzell, 1968). However, Cavusgil found no support for this hypothesis in his research. Instead, he found support for promotion adaptation, when products have high uniqueness. Managers tend to adapt product positioning, packaging and promotion methods, when a product has high uniqueness. Instead of altering the product itself, the promotional methods are adapted to increase the products viability in new foreign markets (Cavusgil et al., 1993).

3.2.3 Cultural factors

The same finding applies to cultural specificity. The culture of the targeted export country may not be suited for culturally specific products, which increased the need for product adaptation

upon exporting. In these cases, packaging, positioning and promotion is likely to require adaptation as well (Buzzell, 1968; Douglas & Wind, 1987; Jain, 1989).

When markets are culturally or psychically similar, the marketing mix is typically only slightly adapted. Westjohn & Magnusson (2017) predict that when psychic and cultural distance is high, firms' performance is more dependent on adaptation of marketing between home and host country. When differences between markets are subtle, managers may have trouble identifying and recognizing the slight differences and making necessary adaptation. However, firms can also overadapt by implementing changes that are unnecessary, which raise costs and do not bring equal benefits in the market. Performance should be optimal when level of adaptation is matched by the degree of psychic and cultural distance between home and host market (Westjohn & Magnusson, 2017).

3.2.4 Type of goods

The final industry characteristic linked to product adaptation is type of goods. Consumer goods are more likely to require adaptation than industrial goods, which are more likely to be prone to similar demand across markets (Boddewyn et al., 1986). This makes industrial goods and their promotion more likely to be standard across country borders. Consumer goods are subject to variation in demand, due to different economic and cultural factors, which makes adaptation more necessary for both products and promotion (Cavusgil et al., 1993).

Cavusgil's (1993) research supported the hypothesis that the type of goods has an effect on product and promotion adaptation. Consumer goods are more likely to be adapted in terms of product adaptation after entry, adaptation in product positioning, packaging and promotion. It is hypothesized that industrial products likely require less adaptation due to their more universal appeal and are more likely to already fill existing standards in foreign markets (Boddewyn et al., 1986). It is also likely due to the fact that when industry's technological intensiveness increases, the degree of standardization also increases (Jain, 1989). On the other hand, more traditional industries (such as clothing) more often appeal to different tastes, habits and needs of customers across country borders.

3.3 Target market characteristics

Finally, the last set of identified correlates for product adaptation are target market characteristics. These correlates include similarity of legal regulations between home market and targeted export market, competitiveness of target market and product familiarity (Cavusgil et al., 1993).

3.3.1 Legal regulations

Cavusgil (1993) found that when there is high similarity in legal requirements between home and target market, there is less need to alter products and promotion to suit the regulations of target market. Product adaptation was most likely to be engaged in when the foreign market had differing legal restrictions, including differing requirements with health, safety and technical factors. Calatone's (2004) research found similar results when studying product adaptation engagement for export firms based in USA.

3.3.2 Competitiveness

In contrast, competitiveness of the targeted export market is linked to higher adaptation of product and promotion. When there is high competition in the export market, customization is more likely to be necessary, to create competitive advantage by better serving customer needs (Jain, 1989). In contrast, in markets with low competition, increased standardization may be preferable for companies due to its lower cost (Porter, 1986).

3.3.3 Familiarity of the product

Finally, familiarity of a product in the target market is linked to lower adaptation and customization of product and promotion. Familiarity can be linked to greater acceptability by consumers, requiring less customization (Buzzell, 1968). Unfamiliar products may require adaptation in product or promotion, to capture the interest and acceptance of target customers (Cavusgil et al., 1993).

3.4 Factors with highest effect on degree of product and promotion adaptation

In his research Cavusgil (1993) found that the most significant factors that have a positive effect on product adaptation are firms' international experience, the industry's low technological orientation, the competitiveness of the target foreign market and the product's cultural specificity. When these characteristics take place, the firm is more likely to customize both products and promotion when crossing into new foreign markets.

However, there are differences in how different characteristics affect product and promotion adaptation, both before and after entry. Most significantly, Cavusgil (1993) found that product adaptation prior to entry was most likely to take place when the target market has differing legal restrictions, including health, safety and technical requirements. Similarly, product adaptation prior to entry takes place when the product has high cultural specificity. Product adaptation after entry is often facilitated by manager's gained international experience, high competitiveness of the market entered and customer familiarity considerations. The research

showed that four factors had significant effects on the degree of promotion adaptation. These factors include managers' international experience, industry orientation (technological or not), product uniqueness and target market competitiveness.

When international experience is acquired, firms tend to better understand differences between markets, and take advantage of acquired knowledge to create competitive advantage (Douglas & Craig, 1989). When managers' international experience is low, adaptation may be avoided due to lack of knowledge or lower commitment to internationalization. This was also found in interviews conducted by Cavusgil (1993), when it was found that firms with higher international experience increasingly owned subsidiaries, enabling more control and feedback from foreign market. They were also more likely to be proactive in seeking opportunities to fill customer needs by customizing their offering.

Reactive measures in product and promotion adaptation took place when the market had high competitiveness, was technologically intensive and when the product was unique. These findings confirm that the higher competitiveness of the market, the higher product and promotion adaptation is (Cavusgil et al., 1993). As Porter (1985) points out, products must better serve customer needs to survive competition. This is where product and promotion adaptation becomes necessary. In these cases, firms used adaptation strategies to increase their attractiveness in the foreign market (Jain, 1989).

In a study made by Calatone (2004), it was found that Korean firms were found to be more likely to engage in proactive product adaptation prior to entry compared to U.S based firms. While U.S based firms' product adaptation was largely incentivized by legal requirements, Korean firms adapted less due to regulations or legal factors. Instead, they showed higher levels of product adaptation and adapted more features (in products), as compared to U.S. based firms. U.S based firms were found to be driven by mandatory requirements for adaptation, adapted less features (in products), and were more likely to wait and observe how product sales take off prior to adaptation. This is likely due to Korean firms having higher incentive to pursue international markets, as compared to US firms that have a sizable domestic market (Calatone et al., 2004).

3.5 Implementing the framework

Previous research by Cavusgil (1993) provides an analytical base through which analysis of companies' engagement in product and promotion adaptation can be conducted. This framework was implemented in previous research of 79 U.S. based exporting firms to examine to what extent characteristics of the company, product and industry and export market affected firm's engagement in product and promotion adaptation. In the following chapters, this framework and previous research will be confronted with new empirical data gathered from six firms of varying sizes in creative and non-creative industries.

The purpose of this research is to detect how previous research conducted on U.S based exporting companies fits with empirical data gathered from firms from small domestic markets. By studying firms of different sizes with different entry methods into foreign markets, deeper insight is gained about how these characteristics affect firm's engagement in product and promotion adaptation. This enables to detect boundary conditions and to use gathered empirical data to extend the framework.

The primary extension of this thesis is to see how Cavusgil's framework fits with small creative firm's and larger non-creative firms, entering foreign markets from small Finnish and Icelandic markets. When deviations to Cavusgil's findings emerge, the rich data from interviews with firm CEO's and marketing managers are examined to understand how decisions regarding product and promotion adaptation were made. This provides rich insight into the reasoning of entrepreneurs behind decisions made regarding whether to engage in adaptation or to keep products and promotion standardized between markets.

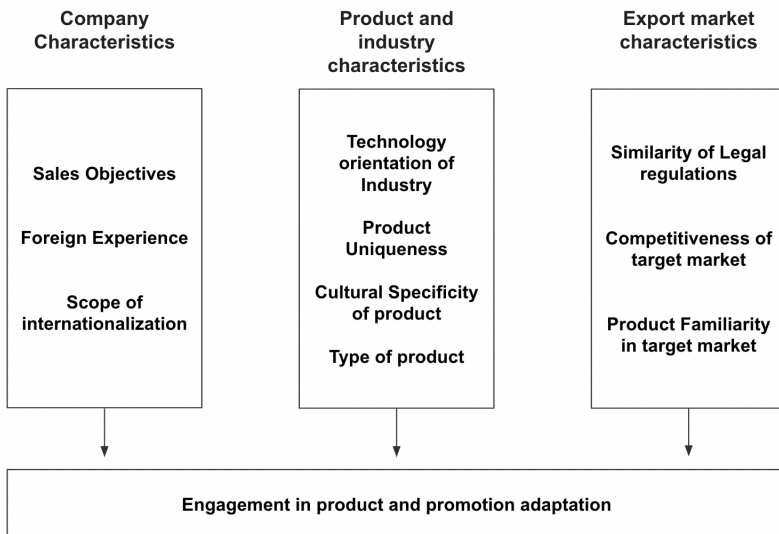


Figure 1. Factors influencing engagement in product and promotion adaptation (Cavusgil et al., 1993)

4 RESEARCH METHODOLOGY

To obtain data from the degree to which product and promotion adaptation was engaged in, qualitative study methods were applied. Qualitative study methods allow for the collection of rich, descriptive data (Eisenhardt & Graebner, 2007), which is best suited for this research. This comparative case study method developed by Eisenhardt is beneficial for detecting new theoretical propositions for the purpose of building a new theory from cases. New theoretical insights emerge examining relationships between phenomena within single cases, as well as through comparing empirical evidence across different cases. For this purpose, each of the cases is initially built to serve as a separate examinable unit. In the next stage, comparative methods are used to examine data between cases. The complementary cases enable detection of potential replication, extension and comparative results between cases (Yin, 1994). The comparative case study method is particularly useful to obtain data in real-world context (Eisenhardt & Graebner, 2007).

This chapter depicts how data was gathered and analyzed. This thesis began with examination of product adaptation literature, to create a theoretical starting point. After this, empirical data was gathered from companies through qualitative interviews. In total, the study included eight interviews with six companies from differing industries. The purpose of the thesis was to extend literature on product adaptation by interviewing three companies from the creative industries, to find out to what extent they engaged in product adaptation for foreign markets. An additional three companies were interviewed from non-creative industries, to obtain data for comparison. Of particular interest with companies from non-creative industries were CEO's perceptions, firm's strategies for foreign market entry and whether promotion was adapted for foreign markets.

To guide analysis of data and to extend prior literature, the theoretical framework provided by Cavusgil (1993) was used. By applying this framework to small companies in the creative industries, boundary conditions and potential alternative explanations for not engaging in product adaptation could be identified. The framework also provided a base for analyzing engagement in promotion adaptation across industries.

4.1 Case company selection

Since product adaptation has been linked to increased performance, for this thesis, I especially wanted to understand how small companies in industries that are highly subjective to variation in customer preferences across regions engage in product adaptation. Previous research has found that companies are more likely to engage in product adaptation if they are from traditional and creative industries such as design and clothing industries. For the purpose of examining how firms engage in product adaptation, three comparable small companies from

the creative industries were selected. These included a clothing company, a children's accessories company and an interior design company.

This question was of particular interest, due to the complex nature of product adaptation for small firms. Firms must weigh the increased costs associated with new product development, with the benefits of being able to serve new foreign markets effectively. This potential for growth abroad was hypothesized to be especially important for firms from small domestic markets. These companies were chosen due to their small size, international aspirations, and their stage of internationalization. Being in the early stages of internationalization, these firms proved valuable for understanding how CEO's of small companies perceive opportunities of foreign markets and to what extent they are willing to customize products to serve these markets.

Previous research has demonstrated that firms from non-creative industries are less likely to engage in product adaptation. However, promotion adaptation has been found to be beneficial for firms across industries. To examine how companies engaged in promotion adaptation, an additional three companies from different non-creative industries were interviewed. These companies ranged in size, and included a company from the automotive industry, construction industry and technological industry. The purpose of selecting these companies for this study was to get a clear picture of how firms in different industries engaged in promotion adaptation and compare the results with the small firms from creative industries. The study also aimed to find if some firms choose to keep promotion standardized between markets.

The empirical data for this research is gathered by interviewing entrepreneurs and managers from six case companies. Of this sample pool, three firms operate in creative industries. These firms are small, with a turnover of under 400 000€ and employing under three people. Although the firms all operate in creative industries, they operate in varying areas, including interior textiles, children's accessories, and clothing industry. The remaining three cases are firms operating in varying non-creative industries, including construction, platform, and caravan industry. Two of these firms are large, with over 25 million turnover and over 60 people employed. The third firm is currently small, with the platform being in the pre-launch stage and the firm currently employing two people.

4.2 Interview design

For the purpose of gathering empirical evidence, eight 30–60-minute interviews were conducted with the CEOs of companies from different industries. The interviewees were chosen on the basis of who would have the most knowledge about the internationalization process, as well as information about whether or not the firm engaged in product and promotion adaptation. In two cases, the data gathered was complemented by conducting additional interviews with the marketing managers, who had more detailed insight into the marketing practices employed in both the domestic and foreign market (Table 1).

Table 1. Interviewee's titles and positions in the firm

Industry	Interior Textiles	Children's accessories	Clothing	Platform	Construction	Caravan
Interviewee's title	Entrepreneur & CEO	Entrepreneur & CEO	Entrepreneur & CEO	Entrepreneur & CEO	Entrepreneur & CEO	Entrepreneur & CEO
Supplemental interview			Marketing manager		Marketing manager	

Interviews followed a semi-structured design. They were conducted by following the interview procedure of McCracken (1988), where open-ended questions are asked, and planned prompts are used to guide the discussion to the direction of interest for the study. The goal is to let the interviewee's tell their story in their own words, in as much detail as possible. Questions were designed to be as unobtrusive as possible and open-ended formats such as *"tell me the story of your internationalization"* were preferred. When interesting topics emerge, the interviewer must be alert and encourage the interviewee to elaborate in more detail (McCracken, 1988). For this reason of having high flexibility, semi-structured interview technique was used.

4.3 Data analysis

Data analysis was conducted on three levels. First, interviews were transcribed and examined as separate units. Each case was individually analyzed to examine how the firm fit the theoretical framework and compared to existing literature. The transcribed interviews were coded into tables for cross-case comparison using the Eisenhardt & Graebner's (2007) comparative study method. Emerging similarities and contradictions with existing literature were identified and noted through memos, as continuous comparison was done between existing literature and gathered empirical data.

In the third stage, firms from non-creative industries were compared with firms from creative industries, to find similarities and differences in how firms engage in product and promotion adaptation. Additional data was collected to complement the findings, including the firm's objectives for foreign markets, entry strategies and commitment to market. This data was used to compare how different strategies affected the firm's adaptation of products and promotion. As a result, theoretical concepts were written into memos, for further examination.

After cross-case comparison has been done, the extended case study method developed by Burawoy (2009) was used to compare empirical data with existing literature. The extended case study method involves examination between data and theory through multiple iterations, to develop new concepts and theories. Existing concepts and theories are examined in conjunction with gathered empirical data. The data is examined intensively to identify relevant

concepts in existing theory, while existing theory provides a conceptual framework through which the data can be interpreted (Burawoy, 2009).

5. FINDINGS

In this section, empirical data will be examined through the framework developed by Cavusgil (1993) and compared to prior literature for the purpose of extending literature on product and promotion adaptation. Companies from the creative industries will be examined on their engagement in product adaptation, and both creative and non-creative companies will be examined in connection to engagement in promotion adaptation.

Cavusgil previously conducted his research on 79 U.S. based exporting companies. By examining similarities and differences of the new empirical data gathered for this research with his prior findings, new insight into how the framework can be extended to small creative companies and larger companies across industries from small domestic markets will be brought forth. When new findings emerge, they are complemented by interview data gathered from entrepreneurs and other managers of the companies, to understand the reasoning behind the entrepreneur's decisions.

This chapter is divided into four main sections. First, background information for companies' motivations to enter foreign markets will be presented. Secondly, company characteristics will be examined. Thirdly, product and industry characteristics will be discussed and finally, target market characteristics will be analyzed in connection to companies' decisions to either engage in adaptation or to keep products and promotion standardized.

5. 1. Background information

The motivation of each case company for internationalization was studied, to learn what led the entrepreneur to pursue foreign markets, and what goals they had for international markets. This empirical data is showcased in Table 2. All case companies come from Finland and Iceland, which are countries with small domestic markets. Each of the companies reported the primary motivation for internationalization being growth, due to the small market size of domestic markets. Additionally to growth, one firm in the creative industry reported the motivation for internationalization being risk management. The CEO stated:

“We want to have business divided between different geographical markets, so we’re not completely dependent on one market if hard times come.” (CEO, Clothing industry)

Another firm in the technological (platform) industry reported the motivation for growth lying in the opportunities brought by differing price levels between two markets. The CEO specified:

“The price and income level in Iceland is a lot higher than in Portugal. For this reason, it makes sense to employ workers in Portugal, and sell services in Iceland.” (CEO, platform industry)

Table 2. Target markets and motivation for internationalization

Industry	Interior Textiles	Children's accessories	Clothing	Platform	Construction	Caravan
Target Market	Sweden, Norway, Germany	Sweden, Norway, Denmark	1st stage: Sweden, Norway and Germany 2nd stage: USA	1st stage: Portugal and Iceland. 2nd stage: rest of Europe	Sweden	Sweden
Reason for market selection	Closeness, Predicted product fit	Closeness, similarity to home market	Closeness, familiarity of market	Price level, familiarity with market	Closeness, familiarity of market	Closeness, familiarity of market
Motivation	Growth, expanding the business	Growth, Finland is a small market	Growth, Finland is a small market	Market opportunities through price imbalance	Growth, Finland is a small market	Growth, Finland is a small market

5.2 Company characteristics

This analysis continues by examining company characteristics, which include sales objectives, foreign experience, and scope of internationalization. To examine how companies may aim to overcome limitations of lacking foreign experience, entrepreneurs were also interviewed about whether market research was collected prior to entry.

5.2.1 Sales objectives

In his prior research, Cavusgil (1993) examined correlation between a company having high sales expectations and engaging in product and promotion adaptation. His hypothesis was that when a firm has high growth expectations, it is more likely to engage in product and promotion adaptation, and the expenses incurred would be easier to justify. However, correlation between product adaptation and sales objectives was not confirmed in his study. Instead, a clear link between growth expectation and promotion adaptation was detected.

From the research data gathered, product adaptation was found to be associated with high sales objectives. However, this association between high sales objectives and engagement in product adaptation was only demonstrated in one case. The case company operating in the clothing industry had two target foreign markets: Europe and USA. The firm had high sales objectives for US markets and was planning on designing collections specifically for this market. For European markets, the firm had not set monetary goals and did not plan to proactively engage in product adaptation. For the purpose of examining sales objectives for both markets in connection to product adaptation, these two markets have been divided into separate columns

in Table 3. The other two firms in the creative industry had no monetary goals set and did not plan to engage in product adaptation (Table 3).

Table 3. Small creative firms' sales objectives and engagement in product adaptation

Industry	Interior textiles	Children's accessories	Clothing	Clothing
Target Market	Sweden, Norway and Germany	Sweden, then Norway, Denmark	Sweden, Norway and Germany.	USA
Sales Objectives	No financial goals have been set. Testing the market.	No financial goals set. Aiming to obtain 2-3 more retailers this year	No financial goals set, testing the market.	High revenue expectation
Product adaptation between home market and foreign market	Same product selection	Same product selection	Same product selection	Different product selection
Development needs	Redesigning the product concept for both markets, to make sales easier for all markets	Labeling will be adjusted to target market language	Potentially adapting sizing if needed	Designing new collections based on market needs, eg. developing summer clothes year-round.

An interesting finding was that although all three small creative companies had begun their internationalization process into European markets, none had set financial objectives for European markets. When enquired about objectives for foreign markets, entrepreneurs stated their primary objective being to test the markets, for the purpose of finding out if there is sales potential, and to test where the best market fit is located. One firm had an additional objective of obtaining two or three new retailers from Swedish markets this year.

Another insight from the data is, that although the company in the clothing industry did demonstrate a willingness to adapt product sizing for European markets, their plan was to not do so before demand for products had been tested, and the optimal markets to focus on had been identified. The CEO explained their strategy:

“For the first few years, we hope to sell the same selections to European markets if possible. Then, if some market proves attractive enough, we can start designing more specific selections for that market. But of course we'll try to find markets that have the best fit for our current products, especially now in the beginning stages.” (CEO, clothing industry)

This company had a different strategy when it came to the United States market. When entering the US market, they planned to design new collections specifically suited to the market. The CEO stated:

“Our plan is to do comprehensive research on consumer preferences in the US, and use this research when designing our new collections. In the US, the climate is very different, so summer dresses can be sold all-year round in some states. We need to consider all these factors when designing our collections.” (CEO, clothing industry)

Due to the expectation for potential revenue in the US market being larger than domestic markets, the firm considered centering future designing around the needs of the US market. In this case, not only would collections be adapted, the entrepreneur stated the main focus of designing may shift to cater to the needs of this new market. Similarly, the firm planned to move a part of their production closer to the United States, to have better logistics for the market.

When examining promotion adaptation in connection to sales objectives, association between the two can be detected (Table 4). Creative companies had lower promotion adaptation, compared to companies in non-creative industries. Two companies in non-creative industries stated having high sales objectives and demonstrated high levels of promotion adaptation between markets. Further, the clothing company demonstrated high promotion adaptation for U.S markets, and medium adaptation of promotion for European markets.

Table 4. Sales objectives and engagement in promotion adaptation

Industry	Interior Textiles	Children's accessories	Clothing	Platform	Construction	Caravan
Target Market	Sweden, Norway, Germany	Sweden, then Norway, Denmark	1st stage: Sweden, Norway and Germany. 2nd stage: USA	1st stage: Portugal and Iceland. 2nd stage: Europe.	Sweden	Sweden
Sales Objectives	No financial goals have been set. Testing the market	No financial goals have been set. Aiming to get 2-3 more retailers this year	Europe: No financial goals. USA: High sales objective	High sales objectives	High sales objectives	High sales objectives
Adapting brand message	No	No	Yes	Yes	Yes	No
Promotional channels adaptation	Low	Low	Europe: Medium USA: High	High	High	High

Webshop translated to target market language	No	No	Europe: No USA: Yes	No	Yes	Yes
Price adaptation	Yes	No	No	No	Yes	Yes

Contrary to Cavusgil's (1993) findings, in this research sales objectives were found to have an association with both product and promotion adaptation. When firms had high sales objectives, they were more likely to engage in product and promotion adaptation. Although association between high sales objectives and product adaptation was only found in one case, promotion adaptation was found to be engaged in in connection to high sales objectives.

5.2.2 Foreign experience

Cavusgil (1993) notes in his research, that engagement in product and promotion adaptation typically stem from manager's acquired knowledge and experience from foreign markets, and for this reason firms often tend to engage in product adaptation after entry. When foreign experience is not available, firms tend to seek markets that are similar to home markets. Since product and promotion adaptation require knowledge from the target market, interviewees were asked if they have prior experience from the target market. The results varied, with managers from two companies having previous experience from the target market inside the firm (Table 5), and the rest having low professional experience prior to entry.

Table 5. Manager's professional foreign experience prior to entry

Industry	Interior Textiles	Children's accessories	Clothing	Platform	Construction	Caravan
Company size	Small	Small	Small	Small	Large	Large
Professional experience prior to entry	Low	Low	Low	Low	High	High
Promotion adaptation	Low	Low	Europe: medium USA: high	Medium	High	High

The small companies from the creative industries had not acquired professional experience from foreign markets, which is potentially reflected in their hesitation to engage in product adaptation. Prior literature has noted that prior to manager's having gained knowledge from foreign markets, they tend to seek markets which require little adaptation (Cavusgil, 1993,

Calatone, 2004). These firms are later on able to take advantage of market characteristics, when experience has been gradually acquired from the foreign market post-entry.

In line with previous research, it is possible that for some creative companies product and promotion adaptation will take place after entry, after managers have acquired knowledge from the target market. All three small creative companies stated their objective for entry being to test the market, to examine where the highest sales potential lies. In the case of the clothing company, the CEO stated that if high potential is found and a need for adaptation is encountered, the firm would invest in developing collections for specific European markets.

Instead, two mature companies from non-creative industries had prior foreign experience. The high level of foreign experience likely contributed to non-creative firm's high engagement to promotion adaptation, as these firms acquired knowledge from the market, and were able to customize promotion to better serve market needs.

In this study, no association between foreign professional experience and engagement in product adaptation could be detected, due to no companies in the creative industry having foreign professional experience. However, the lack of experience can be considered as one reason for not engaging in product adaptation in European markets. Foreign experience was found to be associated with promotion adaptation, as firms in non-creative industries that had high levels of foreign experience, also demonstrated high engagement in promotion adaptation. However, exceptions were also identified, as two entrepreneurs with low professional experience demonstrated medium and high levels of engagement in promotion adaptation.

5.2.3 Market research

Knowledge is a critical resource for firms that operate in diverse business environments. It provides a solid base upon which firms can create strategies (Knight & Cavusgil, 2004). This is especially the case in international business, where knowledge provides opportunities for entry and for developing operations (Kogut & Zander, 2023). For the purpose of examining how firm's without foreign managerial experience engage in collecting information, entrepreneurs were interviewed about the extent to which market research was conducted prior to entry.

The initial expectation was that firms need knowledge from foreign markets, but this can potentially be obtained by using external resources, such as external consultants. Out of all the companies interviewed, five had gathered market research on the target market prior to entry (Table 6). The company that had not conducted any market research, was the company operating in the construction industry, that had obtained customers from the target market by chance and conducted business in the market prior to official entry. This accidental opportunity recognition was enough motivation for the company to subsequently enter the market, with high commitment.

Table 6. Manager's professional foreign experience and collection of market research

Industry	Interior Textiles	Children's accessories	Clothing	Platform	Construction	Caravan
Company size	Small	Small	Small	Small	Large	Large
Professional experience prior to entry	Low	Low	Low	Low	High	High
Market research	Professional external market research gathered from Sweden, Norway and Germany.	Unofficial market research done by the CEO. Detecting product-market fit through examining what types of products retailers currently sell.	Professional external market research gathered from Sweden, Norway and Germany.	Unofficial market research done by the CEO. Detecting interest through attending conferences, networking and engaging in community-building	No official market research conducted, opportunity identified by detecting demand through customers in target market	Extensive market research conducted by the help of external consultants

Out of all the interviewed companies, five had engaged in market research to determine if there was a fit for their products in the target market. The research was conducted either unofficially, by the entrepreneurs themselves, or official data was gathered through external consultants. Unofficial market research was gathered by exploring the offering and competitive landscape in target markets via the Internet or engaging in networking with people in the foreign market to learn about the market.

Of the three small companies, two had acquired market research for the purpose of determining product-market fit with the help of external consultants, and the third company had conducted unofficial research by the CEO themselves. All three companies have a low turnover of less than 400 000€ and have demonstrated low commitment to entry in European markets, which is why an investment in utilizing external consultants was surprising. External consultants had been utilized to determine which markets were most suitable for entry, to determine the product fit and to find out the competitive landscape. It was discovered that these companies had accessed market research through government programs, which suited their low-commitment, low-budget entry to European markets.

From the data gathered it was apparent that firm size had no direct impact on engagement in market research, due to the availability of government funded market research for smaller firms. Most small firms interviewed had obtained professional market research, and a significantly larger firm opted to not collect market professional research prior to entry.

An interesting finding from the data is that the professional market research acquired had no effect on the creative company's decisions to engage in product and promotion adaptation. Having obtained professional market research, these firms still aimed to enter markets with low product and promotion adaptation with the mentality to test what sells. This can be partly attributed to the statement made by the CEO of the clothing industry:

"We don't have specific knowledge of what changes would need to be done for each specific market. We know that German customers for example value bolder prints, but we don't specifically know what kind would sell there. We're not certain if our current prints are bold enough or not. (CEO, clothing industry)

This suggests that professional managerial experience prior to entry cannot be compensated with knowledge acquired from external sources. Knowledge would need to be deeper, more specific, and managers would need to have high reliance on this knowledge, before it influences adaptation decisions.

When examining the three non-creative companies with high commitment to internationalization, the way market research had been gathered was multidimensional. Regarding entry to Swedish markets, the study found that one firm conducted extensive market research prior to entering the market. This firm also included an expert from the target market to serve on the board of directors. The other case company of comparable size, from the construction industry, engaged in no market research prior to entry. Instead, the firm entered the market gradually, through having some customers enquire for products from the target market. Subsequently the founder moved to the target market to establish a presence in the market. The CEO of the third firm had conducted unofficial market research and subsequently moved to the foreign market to acquire more knowledge and networks.

5.2.4 Scope of internationalization

Previous research has demonstrated that when firms plan entry to multiple markets simultaneously, adaptation of products is less likely to take place. The empirical data gathered for this thesis show similar results. As table 7 demonstrates, when firms planned entry to multiple markets inside the EU, adapting to any individual market was less likely.

Table 7. Market scope in relation to product adaptation for firms in creative industries

Industry	Interior Textiles	Children's accessories	Clothing
Target Market	Sweden, Norway, Germany	Sweden, Norway, Denmark	1st stage: Sweden, Norway and Germany. 2nd stage: USA

Product adaptation	Low	Low	Europe: Low USA: High
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Cavusgil (1993) noted that a likely reason for decreased adaptation was due to increased costs of adapting to multiple markets and lower volume per market. While this is likely one factor affecting engagement in product adaptation, qualitative interviews conducted for this thesis shed additional light to the relationship between market scope and entrepreneur's mindset related to product adaptation. In this study it was found that for several companies in the creative industry, the primary reason for planned entry into multiple markets was the purpose of seeking to avoid product adaptation and testing where the best product-market fit lies.

Small firms' entry to multiple markets may point to this testing mentality and demonstrate low commitment to any single market. It may also suggest that low-cost, low-commitment entry methods, such as external platforms will be utilized, as was the case for all companies planning entry to multiple markets. As the CEO from the clothing industry pointed out, having multiple options for market entry may reduce willingness to adapt to any single market:

“According to our preliminary knowledge, we might have to make some changes to our measurement charts for some Southern-European countries, since they might not match our northern-european sizing. But we don't yet know for sure which European countries we should focus on, so making changes isn't relevant at the moment.” (CEO, clothing industry)

The empirical data gathered from the clothing company has demonstrated a reactive mentality between entry to the wide economic area of the EU, and proactive mentality when entering the US market. When planning entry to US markets, the firm had a plan to proactively adapt products to suit this specific market. However, the multiple countries inside Europe are considered a learning platform, and the firm was only planning on engaging in product development reactively afterwards, if the brand-market fit can first be proven. This research proposes that for small companies, scope of internationalization may not directly affect a firm's willingness to engage in product adaptation, but rather that firm's unwillingness to commit to any single market and engage in product adaptation may lead them to pursue multiple markets.

Similarly, when examining promotion adaptation and market scope, a clear correlation could be detected from the data (Table 8). Firms that pursued a single market, were likely to translate their website to target market language and invest in building technical infrastructure to match target country requirements. They were also more likely to be physically present in the target market, which facilitates learning on a higher scale. Regarding branding, they were more likely to have modified the unique selling points of the brand to optimally suit the target market.

Table 8. Market scope in relation to promotion adaptation

Industry	Creative: Textiles	Creative: Children's accessories	Creative: Clothing	Non-creative: Platform	Non-creative: Construction	Non-creative: Caravan
Target Market	Sweden, Norway, Germany	Sweden, then Norway, Denmark	1st stage: Sweden, Norway and Germany. 2nd stage: USA	1st stage: Portugal and Iceland. 2nd stage: Europe.	Sweden	Sweden
Promotion adaptation	Low	Low	Europe: medium USA: high	Medium	High	High

In conclusion, market scope was found to be associated with product adaptation in one case in the creative industry. It was also found that market scope may be higher when firms have established an unwillingness to adapt to any individual market. This results from firms seeking to find a market with an existing product-market fit, to which they do not need to adapt to. Similarly, market scope was found to be associated with engagement in promotion adaptation, as firms that were focusing on single markets were significantly more prepared to adapt marketing around the target foreign market. In this case, firms engaged in translating websites to target market language (table 4) and built online infrastructure to optimally suit the target market.

5.3 Product and industry characteristics

Prior research has found the characteristics of product and industry to affect in what degree product and promotion adaptation takes place. These characteristics are divided into technology orientation of industry, product uniqueness, cultural factors, and type of goods. In this section, the characteristics of different industries and companies' product selections will be considered.

5.3.1 Technology orientation of industry

In his research, Cavusgil (1993) found industry's high technological orientation to have the most significant positive effect on product adaptation. From this premise, in the beginning of this study it was expected that a high correlation between industry's technological orientation and product adaptation would be detected. Surprisingly, only a weak link between technology orientation of industry and engagement with product adaptation could be detected (table 9). Only one firm in the creative industry planned to engage in product adaptation, when entering the U.S. market.

Table 9. Technological orientation of industry and product and promotion adaptation

Industry	Creative: Interior Textiles	Creative: Children's accessories	Creative: Clothing	Non-creative: Platform	Non-creative: Construction	Non-creative: Caravan
Target Market	Sweden, Norway, Germany	Sweden, then Norway, Denmark	1st stage: Sweden, Norway and Germany. 2nd stage: USA	1st stage: Portugal and Iceland. 2nd stage: Europe.	Sweden	Sweden
Product adaptation	Low	Low	Europe: Low USA: high	Low	Low	Low
Promotion adaptation	Low	Low	Europe: medium USA: high	Medium	High	High

The data included companies from four different industries. Three firms operated in the creative industries, selling clothing, interior textiles, and children's accessories. In addition, one company was operating in the construction industry, selling doors to consumers. It also included a company selling caravans, and a company launching a multi-sided platform. The only company planning to engage in product adaptation was the company in the clothing industry, which shows a weak link between technological orientation of industry and product adaptation. However, even this firm did not plan to engage in product adaptation for European markets, which demonstrates that technological orientation of industry does not directly influence whether or not firms engage in product adaptation. From this data gathered, it is clear that low commitment to the target market, as well as closeness and ease of entering a market, had a higher impact on the decision not to adapt products to foreign markets. However, further research needs to be conducted on firms in different industries.

The most technologically oriented firm in this study is the firm launching a multi-sided platform, connecting developers and businesses. This firm engaged in promotion adaptation between the two countries it is operating inside. However, the firm did not opt to translate websites to either country's language, but to only have one website, which has English as its language. The other firms, operating in the construction and caravan industries, that had a lower degree of technology orientation, engaged in higher degree of promotion adaptation, by developing customized websites in target market language. However, several of the least technologically oriented firms in the creative industry did not engage in promotion adaptation. Due to the highly varying strategies for internationalization that likely affected firm's decisions to engage in promotion adaptation, this data could not be used to showcase connection between technological orientation and promotion adaptation.

5.3.2 Uniqueness of products

Uniqueness of products was hypothesized to have an effect on the engagement in product adaptation, with the premise that the more universal the product is, the less it would be adapted. However, Cavusgil (1993) was unable to find support for this in his research. In contrast, he found support for a firm's higher engagement in promotion adaptation and product uniqueness.

Similarly, uniqueness of products was not found to have a direct effect on the engagement in product adaptation in the empirical data gathered for this thesis. The company in the clothing industry, owning its own unique prints and designs, considered this when talking about entry to Swedish and German markets:

“According to our preliminary market research, Swedish consumers might prefer more conservative-styled clothing, and less prints. In contrast, our research shows that German customers might prefer more colorful, bold prints than our customers in Finland” (CEO, clothing industry)

The CEO stated the firm's main competitive advantages being its unique prints and designs. Although the prints were initially designed to suit trends and customer preferences in Finnish markets, this did not affect the company's plans, when planning product selection for entry to foreign markets. Instead, the CEO stated that almost the entire product selection would be offered in the targeted foreign markets. She considered that although the prints are unique, this may serve as an advantage in foreign markets, as they can be promoted as Scandinavian design. In an interview, the CEO explained:

“Our plan is to start selling our collections to these markets using platforms. Through these platforms we can get data on what sells best. If we detect a strong potential for growth from this market, we would then likely start producing products more specifically suited for customers in specific foreign markets” (CEO, clothing industry)

Instead, for this company, promotion adaptation was higher in connection with the uniqueness of the product. For example, the firm in the clothing industry explained that Scandinavian design is valued in the USA, and the unique prints would be promoted more strongly as “designed in Scandinavia”.

However, contrary to findings made by Cavusgil (1993), product uniqueness was not directly linked to engagement in promotion adaptation based on the empirical evidence gathered in this study. From the six case companies interviewed, companies with highly standardized products, such as doors and caravans, were ones which had the highest level of promotion adaptation (Table 10). This suggests that other factors outside product uniqueness had a higher impact on company's engagement in promotion adaptation.

Table 10. Uniqueness of products in relation to product and promotion adaptation

Industry	Creative: Interior Textiles	Creative: Children's accessories	Creative: Clothing	Non-creative: Platform	Non-creative: Construction	Non-creative: Caravan
Main products	Interior Textiles	Children's accessories and cutlery	Clothing for women and children	Multi-sided platform	Commercial and industrial doors	Caravans
Product uniqueness	Unique designs	Unique designs	Unique designs	Standardized product	Standardized product	Standardized product
Product adaptation	Low	Low	Europe: Low USA: High	Low	Low	Low
Promotion adaptation	Low	Low	Europe: Medium USA: High	Medium	High	High

5.3.3 Cultural factors

In his study, Cavusgil initially hypothesized cultural specificity of product to be a factor which increased the need to engage in product adaptation. He stated that when products are culturally specific, the culture of the target market may not be suited for these products (Cavusgil et al., 1993). Although this factor is related to product's cultural specificity, it must be considered in the context of cultural differences between home and host markets. When cultural differences are low, similar products are often used by consumers.

Between the companies in the study group, cultural differences between home and host markets were mainly low. Low distance both geographically, administratively, and culturally were revealed to be primary factors which influenced entrepreneurs' decisions to enter specific markets (Table 2). Companies were mainly targeting their neighboring countries (ie. exporting from Finland to Sweden). In this case, cultural specificity of products must be considered in relation to how well the product selection, which was initially developed for one market is suited for targeted foreign markets. Due to close geographic location, climates, and similar values, cultural differences between Finland and Sweden can be considered low. Many products commonly used by consumers in Finland are also common in Sweden.

The highest cultural differences between home and target markets in this study are between Iceland and Portugal, Finland and Germany and Finland and USA. Iceland and Portugal were the two markets targeted by the firm in the platform industry. However, this firm was developing a standardized multi-sided platform intended to be expanded to the whole of

Europe, which connects programmers and businesses in need of programming services. Although cultural differences between the two markets were higher, due to the firm's strategy of developing one standardized multi-sided platform for international markets, product adaptation was not considered feasible or necessary by the entrepreneur.

The products which could be considered most culturally specific were companies in the creative industry. These products were original designs developed inside the companies, which were initially developed for Finnish markets. These creative products, such as children's accessories (pacifiers, cutlery), interior textiles and clothing, are subject to culture, trends and local preferences. However, entrepreneurs did not consider engaging in product adaptation prior to entry to foreign markets. Although one reason for not engaging in product adaptation when entering Swedish markets may be the cultural proximity of the target market, these firms were also targeting markets such as Germany, which are culturally more distant from Finnish markets (Table 11).

Table 11. Cultural specificity of products in relation to product and promotion adaptation

Industry	Creative: Interior Textiles	Creative: Children's accessories	Creative: Clothing	Non-creative: Platform	Non-creative: Construction	Non-creative: Caravan
Home market	Finland	Finland	Finland	Iceland	Finland	Finland
Target Market	Sweden, Norway, Germany	Sweden, Norway, Denmark	Sweden, Norway, Germany, USA	Initially Portugal and Iceland, then rest of Europe	Sweden	Sweden
Main products	Interior Textile with unique designs	Children's accessories and cutlery, unique designs	Clothing for women and children, unique designs	Standardized multi-sided platform	Standardized commercial and industrial doors	Standardized Caravans
Product adaptation	Low	Low	Europe: Low USA: High	Low	Low	Low
Promotion adaptation	Low	Low	Europe: medium USA: high	Medium	High	High

From the empirical data, weak association between product adaptation and cultural specificity of product can be detected when considering the clothing company, which planned to engage in product adaptation upon entry to the U.S markets. However, since the same company did not plan to engage in product adaptation upon entry to Germany or other European countries,

product's cultural specificity cannot be directly considered as the primary reason contributing to product adaptation.

Contrary to Cavusgil's (1993) findings, association between promotion adaptation and product's cultural specificity was not found in this study. Companies selling standardized products with universal demand, such as industrial doors and caravans, engaged in higher levels of promotion adaptation than companies with original, creative designs which were originally designed for domestic markets.

Previous research has shown that when markets are culturally or psychically similar, the marketing mix is typically only slightly adapted. Westjohn & Magnusson (2017) predict that when psychic and cultural distance is high, firms' performance is more dependent on adaptation of marketing between home and host country. When differences between markets are subtle, managers may have trouble identifying and recognizing the slight differences and making necessary adaptation (Westjohn & Magnusson, 2017).

In this case, it's likely that the low foreign experience of small companies in the creative industries had a significant impact on lower engagement in promotion adaptation. Instead, the larger firms with standardized products had deeper insight of the subtle differences between markets, which is why although their products are less culturally specific, they were more likely to adapt promotion to take advantage of these subtle differences.

5.3.4 Type of goods

In his research Cavusgil (1993) examined the effect of type of goods with product and promotion adaptation. He found that consumer goods are more likely to require adaptation than industrial goods. Industrial goods are more likely to be subject to similar demand (Boddewyn et al., 1986), and consumer goods are more likely to be subject to both economic and cultural factors (Cavusgil, 1993).

Industrial goods are sold primarily for the purpose of producing other goods or offering services. Among others, these include equipment, installations, raw materials, and operating items. These goods are sold for business or industrial activities. In contrast, consumer goods are sold directly to the end consumer, or to these consumers via resellers (Marketing Dictionary, 2023). Through this classification, two companies engaged in selling industrial goods. These companies include the platform company and the construction company. The platform company is designed to provide programming and IT-services to businesses and the construction company offers doors, installation and maintenance services to businesses and factories, in addition to selling these services directly to consumers.

Product adaptation was again found to be slightly impacted by the type of good, when examining all six companies. Firms in the creative industries were more likely to adapt products

than firms in non-creative industries. Similarly, firms in creative industries all designed their products to be sold to consumers. However, due to several other contributing factors, the relationship between type of goods and product adaptation could not be properly determined from this study.

From table 12 it can be observed that type of goods had a slight impact on companies' engagement in promotion adaptation, when examining the companies in non-creative industries separately. The firm in the platform industry selling industrial goods exclusively had lower engagement in promotion adaptation. The firm in the construction industry was selling both consumer and industrial goods and engaged in a high degree of promotion adaptation. However, these promotion adaptation efforts were mainly focused on consumer goods, which were sold with emphasis on price-competition and in developing specific package deals for Swedish consumers. Similarly, most of the adaptation of websites was done to better serve Swedish consumers. Marketing materials, such as brochures, were translated into Swedish for all consumer goods, but not all material was translated for industrial goods. Promotional adaptation for industrial goods was significantly lower (Interview, Marketing manager of construction company, 7.4.2023).

Table 12. Type of goods in relation to product and promotion adaptation

Industry	Creative: Interior Textiles	Creative: Children's accessories	Creative: Clothing	Non-creative: Platform	Non-creative: Construction	Non-creative: Caravan
Type of goods	Consumer	Consumer	Consumer	Industrial	Consumer and industrial	Consumer
Product adaptation	Low	Low	Europe: Low USA: High	Low	Low	Low
Promotion adaptation	Low	Low	Europe: medium USA: high	Medium	High	High

In conclusion, only slight association between product adaptation and type of goods was discovered in this study. However, in this study promotion adaptation was found to have highly varying results, when examining all six companies together. It is likely that in this case, other factor had a higher impact on the results of the study. When examining non-creative industries separately, promotion adaptation was found to be higher for consumer goods, than for industrial goods. This result also emerged in qualitative interviews, where the marketing manager of the construction company stated that more adaptation was committed to consumer goods than for industrial goods.

5.4. Target market characteristics

The final set of correlates discovered by Cavusgil (1993) relate to target market characteristics, as compared to home market. These include the target market's legal regulations, competitiveness, and familiarity of the product. Although the close cultural proximity of home and target markets have briefly been considered in the previous section, this section takes a closer look at the effect of these characteristics on entrepreneur's adaptation decisions.

5.4.1 Legal regulations

Cavusgil's framework demonstrated that similarities between home and target market's legal regulations resulted in less adaptation of products or promotion. In his research, legislative differences were the primary factor contributing to product adaptation. This finding stands to reason, as firms are required to ensure their product's fit with target market's legal regulations when entering a foreign market. If markets have differing legal regulations, firms must engage in mandatory adaptation as a prerequisite to operating in this market. In line with Westjohn and Magnusson (2017) recommendations, this study aimed to separate mandatory and discretionary adaptation. In this section, mandatory adaptation is considered.

The empirical data gathered displayed an association between engagement in product adaptation and target market's legal regulations. The only firm planning to engage in product adaptation prior to entry was the firm planning entry to the USA. When comparing exporting from Finland to Europe with Finland to USA, it must be noted that USA and Finland have higher differences in legal requirements, which require firms to adapt accordingly. Although only one firm demonstrated plans to engage in product adaptation when entering US markets, additional support for legal regulation's effect on product adaptation came from interviewing the CEO of the multi-sided platform, who stated:

“Our business model is based on digital anonymity, which works with the digital infrastructure and legal regulations in Europe. However, operating in the same way is not possible in the USA at the moment.” (CEO, multi-sided platform)

The primary reason for the firm's focus on expanding to European markets was in legal regulations and digital infrastructure in Europe, which made the platform's business model possible. The CEO stated that with the current operating model and regulations in the USA, the firm is unable to expand there. If the firm did want to enter US markets, the firm would need to adapt its platform's operating logic to fit the market's regulations (Interview with CEO, multi-sided platform, 17.4.2023).

The other firms were operating inside the EU and did not plan to engage in product adaptation. It is likely that legal similarities between European countries influenced the perceived low need

for adaptation. For this reason, an association between legal regulations and product adaptation can be detected from this research.

The empirical data in this study showed that promotion adaptation is not directly associated with the target market's legal requirements unless the mediating factor of entry strategy is considered. All firms mainly operated inside the EU, and half demonstrated high engagement in promotion adaptation and half demonstrated low engagement (Table 13). However, when considering the firm's sales channels in connection with legal requirements, an association can be found between high-commitment entry and promotion adaptation. To fit the legal requirements of the target market, firm's that were targeting consumers directly, had a higher need to engage in promotion adaptation to comply with promotion regulations of the target market. Firms that were targeting consumers through platforms, had lower need to consider these legal requirements related to promotion practices, due to the platform owner ensuring these requirements were met.

Table 13. Sales channels in relation to product and promotion adaptation

Industry	Creative: Interior Textiles	Creative: Children's accessories	Creative: Clothing	Non-creative: Platform	Non-creative: Construction	Non-creative: Caravan
Sales channel	Retailers	Retailers	Europe: Platform, retailers. USA: Own webshop, retailers	Company's own website with platform	Company's own website, own salesmen	Company's own website, own local shop
Product adaptation	Low	Low	Europe: Low USA: High	Low	Low	Low
Promotion adaptation	Low	Low	Europe: medium USA: high	Medium	High	High

From the study sample, five companies had entered or were planning entry to Swedish markets, out of which two engaged in a high degree of promotion adaptation. The variation in promotion adaptation can be considered to be directly related to entry strategy and commitment to market. The firms in the creative industries planning entry to Swedish markets were utilizing retailers and external platforms to reach customers and did not plan to actively promote their own websites to sell to target markets. The two larger firms were selling directly to consumers, which showed in a higher degree of promotion adaptation. This was highlighted by the CEO of the caravan industry:

“Of course, we are taking into account that the rules and functionalities differ between countries, how customer information can be used and so on..” (CEO, caravan industry)

This firm had designed and built its website directly to serve Swedish customers. Similar full-scale adaptation was detected from the company operating in the construction industry, who had adapted their websites multiple times to serve Swedish customers optimally (Interview with marketing manager, 17.4.2023).

5.4.2. Competitiveness of target market

Competitiveness of the target market has been linked to higher need to engage in product and promotion adaptation. When competition is low, firms may prefer standardization between markets (Porter, 1986) and when it is high, adaptation may provide competitive advantage over competitors. Cavusgil (1993) demonstrates in his research that competitiveness of foreign markets may especially facilitate product adaptation after entry. Prior to entry, firms may not be aware of the competitiveness, and it may not affect product and promotion adaptation decisions prior to entry. These firms often reactively adapt products and promotion, after having gained experience from the market.

The two, non-creative, larger firms that had operated in Swedish markets for a longer time period demonstrated higher levels of promotion adaptation. They also both had a presence in the foreign market, which meant they are more likely to gain knowledge of the competitive landscape in Swedish markets, and better able to utilize this in their promotional activities.

The decision to engage in product and promotion adaptation is based on how the managers perceive competitiveness for their products. In this study, several firms in the creative industries stated that they aimed to find a market with lower competition and high product-market fit. This can also be seen from their strategy, to test multiple markets to see which markets gain the highest traction, and to focus on that market. When considering all six companies in relation to promotion adaptation, it can be observed that the firms that are targeting a single market, are more likely to adapt promotion to compete with competitors in that market. When firm's are considering entry to multiple markets, they are less likely to adapt promotion for any single market. In this regard, the effect of competitiveness of target market to product and promotion adaptation must be considered in connection with entry scope and commitment to market.

An additional insight comes from the statement made by the CEO of the interior textiles firm, who noted:

“Some competition can even be good. We are looking for a market with some competition, since it indicates that there is demand for these products. But of course, we don't want too much competition.” (CEO, Interior textiles)

This statement shows that extremely low competition for a product in a market may in some instances indicate unfamiliarity with the product in the target market, especially in cases where the product is innovative and therefore lacks competition in the market. Since competitiveness and unfamiliarity of the product both facilitate product and promotion adaptation, these two factors should be considered together.

In conclusion, competitiveness of the target market was not found to have a direct impact on adaptation, due to the low commitment of entry for firms in creative industries. These firms displayed that if competitiveness was found to be too high, and the markets did not demonstrate a good fit, the firms would target other markets. In essence, this study found that commitment to the market must be high, for competitiveness of the market to affect engagement in product and promotion adaptation.

5.4.3 Familiarity of the product

The final indicator of engagement in product and promotion adaptation discovered by Cavusgil was familiarity of the product. When product familiarity is high, firms are less likely to adapt products and promotion for foreign markets. This is due to higher acceptance of products in the target market, which results in lower need for product and promotion adaptation (Cavusgil, 1993).

Out of the six case companies studied, two firms had created highly innovative new products that did not previously exist, and the other firms sold products that had existed for long periods of time, and therefore had higher familiarity (Table 14). The companies with innovative products include the firm operating in the caravan industry that had developed a novel service point where consumers could service caravans, filling up the water tanks and changing the lavatory discs. The other company with an innovative new product was the multi-sided platform, which had designed its platform with unique features to optimize the work between developers and businesses.

Table 14. Product familiarity in relation to product and promotion adaptation

Industry	Creative: Interior Textiles	Creative: Children's accessories	Creative: Clothing	Non-creative: Platform	Non-creative: Construction	Non-creative: Caravan
Main products	Interior Textiles	Children's accessories and cutlery	Clothing for women and children	Multi-sided platform	Commercial and industrial doors	Caravans
Familiarity of product	High	High	High	Low	High	Low

Product adaptation	Low	Low	Europe: Low USA: High	Low	Low	Low
Promotion adaptation	Low	Low	Europe: Medium USA: High	Medium	High	High

Interviews with entrepreneurs whose product selection included innovative new products demonstrated that both firms had long-term plans to expand internationalization of the products to multiple countries, but neither had plans to adapt products. On the contrary, the products were designed to be standardized, which would serve as a competitive advantage. For example, a caravaner from Finland could travel to Sweden (or Norway later on) and find the same standardized service point, knowing how to use it. This would increase the ease of traveling for customers. Similarly, the multi-sided platform is designed to be universal, so developers from any country can conduct programming for businesses in need of programming services. However, both firms did engage in promotion adaptation to promote the product's unique selling points and to instruct consumers on how the products should be used.

It can be concluded that familiarity of the product can potentially require higher levels of promotion adaptation to gain customer acceptance of the product. However, if the product is innovative, engagement in product adaptation depends on whether the product is designed to be standardized for global markets or adapted to serve specific regional needs. Product innovativeness may result in low competition, which may indicate a lower need of adaptation. When competition is low, firms may benefit from a higher level of standardization, due to the resulting lower costs.

5.5 Summary of findings

In this section, the emerged findings from analyzing these six empirical cases through Cavusgil's framework will be summarized. Company characteristics were found to be linked to product and promotion adaptation in these six cases, while product and industry characteristics were found to have less impact on entrepreneur's decisions to engage in adaptation. Finally, target market characteristics were also found to have an impact, although chosen entry methods affected to which degree adaptation was necessary.

The first characteristics in the framework were high sales objectives, which were found to be linked to higher engagement in promotion adaptation, as well as with increased product adaptation. However, product adaptation in relation to high sales objectives was only demonstrated in one case, where high objectives led to the firm planning to adapt products for

foreign markets. Similarly, manager's experience from foreign markets was found to be connected with higher engagement in promotion adaptation. The same connection was not detected regarding product adaptation, as no firms from creative industries had prior professional experience from foreign markets. However, entrepreneurs from creative industries demonstrated a motivation to test the foreign markets, which may indicate a desire to begin acquiring foreign experience.

To examine if lack of professional experience can be compensated with information gathered from external sources, companies' pursuit to collect market research was studied in connection to engagement in adaptation. Contrary to expectations, it was found that managerial experience prior to entry cannot be compensated with knowledge acquired from external sources in the form of market research. Information would need to be more specific, and manager's would need to have high reliance on this knowledge, before it may influence adaptation decisions.

Scope of internationalization was found to be highly linked to both product and promotion adaptation. When firms targeted multiple markets, they were less likely to adapt to markets. Instead, when focus was on high-commitment entry to a single market, high product and promotion adaptation was found to take place.

Product and industry characteristics were not found to be highly linked to product and promotion adaptation when examining data from these six companies. Firm's engagement in product or promotion adaptation was not detected to be directly linked to technological orientation of industry or product uniqueness. Contrary to Cavusgil's findings, firm's engagement in product and promotion adaptation was also not linked to cultural specificity of the product. However, type of goods was found to have a slight link to increased product and promotion adaptation, as adaptation of promotion for industrial goods was slightly lower than for consumer goods.

Finally, target market characteristic's impact on product and promotion adaptation was examined. Legal regulations were found to result in higher product and promotion adaptation. However, it was discovered that by using external partners, the need for adapting promotion due to legal regulations in target markets could be avoided. In this sense, choice of entry method affected the degree to which legal regulations resulted in promotion adaptation.

Another interesting finding related to target market characteristics was that competitiveness of target market or product familiarity were not found to have a direct impact on adaptation. This study found that commitment to the market must be high, for competitiveness of the market to affect engagement in product and promotion adaptation. This study also found that familiarity of the product can require higher levels of promotion adaptation to gain customer acceptance of the product. However, if the product is innovative, engagement in product adaptation depends on whether the product is designed to be standardized for global markets or designed to serve specific regional needs.

6. EXTENSION TO THE FRAMEWORK

In this chapter, additional factors that influence product and promotion adaptation will be considered and extension to the framework previously developed by Cavusgil (1993) will be proposed. The empirical data gathered through qualitative interviews provide rich insight into decision making processes of entrepreneurs related to product and promotion adaptation when entering foreign markets. By examining this empirical data through the theoretical framework developed by Cavusgil, extensions to the original framework emerge.

The contribution of this thesis is to extend this original framework by confronting it with empirical data from six cases. This data is complemented by descriptive interviews with entrepreneurs, which provide insight into why entrepreneurs choose to either engage in product and promotion adaptation, or to keep products and promotion standardized between markets. A further contribution of this thesis is to identify new alternative factors that have an effect on a firm's engagement in product and promotion adaptation. The contributions of this thesis are considered below.

1. Commitment to market was found to be the primary factor affecting firm's engagement in product and promotion adaptation.
2. Commitment to market was found to be characterized by market scope and sales objectives. This was discovered to influence how managers obtain foreign experience and to what extent competitiveness of the market influences product and promotion adaptation.
3. This thesis suggests entry method as a third characteristic facilitating commitment to market and indicating a firm's engagement in product and promotion adaptation. Three factors for entry strategy's effect on product and promotion adaptation are presented. The mediating effect of entry strategy between legal differences of markets and promotion adaptation was presented.
4. This thesis extends the view of how market scope affects product and promotion adaptation by presenting an alternative view on the relationship between market scope and product and promotion adaptation.
5. This thesis demonstrates that small companies with a high degree of customization may find it necessary to standardize product selection, to grow in foreign markets.
6. Competitiveness of market and familiarity of product are presented as two ends of one continuum. As one increases, the other decreases.
7. This thesis aimed to extend Cavusgil's findings by studying if a manager's lack of foreign experience can be compensated by market research obtained by external consultants. However, no support for this was found.

In this section, these findings will be examined in more detail and supporting data will be presented.

6.1 Commitment to market

This research discovered that as Cavusgil (1993) hypothesized, firms in the creative industries were more likely to adapt products and promotion when entering new markets compared to firms in non-creative industries, but only in specific conditions. When examining company characteristics, market scope and sales objectives were demonstrated to influence engagement in product and promotion adaptation. However, a third mediating factor, entry strategy, was noted to have a high impact as well. All in all, these three determinants were found to have significant impact on product and promotion adaptation together. This thesis proposes categorizing all three factors under the umbrella of commitment to market (Figure 2).

When a firm's sales objectives were high and the firm was targeting a single market, it was discovered to be more likely to engage in high commitment entry strategies, by establishing a presence in the target market. When firms had not set sales objectives and were targeting several markets simultaneously, they were more likely to utilize low-commitment entry strategies, such as using external retailers and platforms for market entry. Engagement in product adaptation was found to be significantly higher when commitment to the target market was high. Low-commitment entry methods allowed firms to internationalize through low-cost methods, without engaging in product and promotion adaptation.

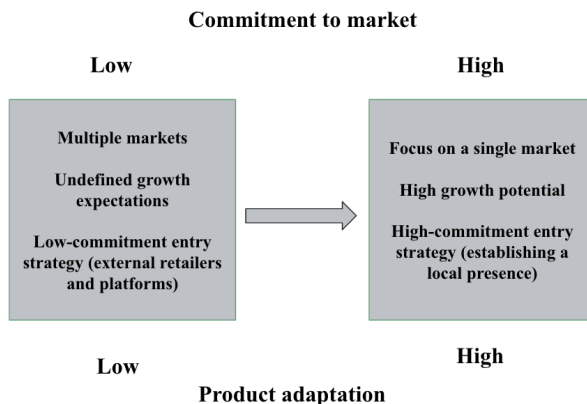


Figure 2. Effect of commitment to market on product adaptation

A significant finding of this thesis is that small firms' unwillingness to adapt to foreign markets may be due to the desire for low commitment to any single market. The primary goal for all three creative firms when entering European markets was testing markets to detect if there is an existing product-market fit. Most of the small companies did not plan to engage in product adaptation before this fit was found. As one company CEO stated, even websites would not be

translated into target market language, unless demand for products was first detected through retailer sales:

“Our plan is centered around first getting retailers from the Swedish market. The goal for this year is to get 2-3 more retailers. If interest is detected through these retailers, we would proceed to translate our website in Swedish and sell also to Swedish consumers directly.” (CEO, children’s accessories)

Although the CEO demonstrated being aware that Swedish consumers prefer to make purchases online in their own language, this information did not lead to engaging in promotion adaptation. The limited resources of small companies inhibited the firm from making financial commitments during internationalization to foreign markets, before traction was discovered from the market. These firms preferred to launch their products to several markets, and determine which market should be focused on, based on where traction is found.

The CEO of a larger company in the caravan industry had a different approach, as he stated:

“Our philosophy is that we want to build a foundation that's easy to build upon. We are learning the Swedish way of doing business, finding the right people for the right positions and getting all our systems translated to Swedish. We are going to Sweden to do business in their style. We are not going there to teach Swedish people how to do business our way.” (CEO, caravan industry)

Commitment to markets is demonstrated by entry strategy. In two cases, the founder moved to the target market to be present in the market and to gather knowledge from the target market. Additionally, two companies opened a local warehouse in the target market. In cases with high commitment to the market, these firms had their own local representatives taking care of sales in the target market.

High commitment to the market was also visible when examining the case of the clothing firm, planning product and promotion adaptation to US markets to fulfill the needs and preferences of the U.S. markets. In this case, the perceived potential for revenue in this single market motivated the firm to alter products and promotion to fit the market. The firm was more likely to accept risks brought by additional costs of adaptation when the perceived reward for committing to this single-market entry was significant. In this case, the firm also planned to open a local warehouse, move production closer to the market, and have one founder be present in the host market to oversee operations.

It is likely that due to Europe being an open area without tariffs, located close to the home market of these case companies, the commitment of firms to internationalization is lower by default. The ease of internationalization may enable firms without resources for full-scale market entry to pursue internationalization with a low budget. Adaptation can be costly, and may not suit the strategy of these small companies' low-budget foreign market entry. To enter US markets, the clothing firm will need to move production closer to the USA or alternatively

pay tariffs. The firm cannot effectively export to the USA, due to the high logistics costs. These costs and the complexity of entering the U.S. market likely increases the firm's commitment to it, and increases motivation to adapt products to ensure product fit and success in this market.

6.2 Entry strategy

This thesis suggests entry strategy as an additional factor contributing to a firm's decision to engage in product and promotion adaptation, along with sales objectives and market scope. In this section, entry strategy will be examined more closely. Special consideration will be given to how low-commitment entry strategy reduces engagement to product and promotion adaptation, and how entry strategy also mediates the degree to which legal differences affect promotion adaptation.

The empirical data found that when firm's had low commitment to markets, it was reflected in their choice of entry method. Firms with no monetary sales objectives and wide market scope, chose low-commitment and low-budget entry strategies. These firms preferred using retailers or external online platforms as sales channels for foreign markets and exporting products from their home countries. Closer examination of firm's individual entry strategies are presented in table 15.

Table 15. Entry strategies of case companies

Industry	Interior Textiles	Children's accessories	Clothing	Platform	Construction	Caravan
Target Market	Sweden, Norway, Denmark	Sweden, then Norway, Denmark	1st stage: Sweden, Norway and Germany. 2nd stage: USA	1st stage: Portugal and Iceland. 2nd stage: Europe	Sweden	Sweden
Commitment to the market	Low	Low	Europe: Low USA: High	High	High	High
Entry strategy	Sales through retailers	Sales through retailers	Europe: Sales through platform and retailers USA: Founder moving to USA, establishing a presence	Founder moving to Portugal to network and find workers	Moving to Sweden, buying a local distributor, opening a warehouse	Opening a store and warehouse in Haaparanda
Selling channels	Retailers	Retailers	Retailers, platform, webshop	Own representatives present in both markets.	Own salesmen	Own salesmen

Logistics	Shipping from home country	Shipping from home country	Europe: Shipping from home country USA: Logistics from target country	No physical product involved	Logistics from target country	Logistics from target country
Budget	Low	Low	Europe: Low USA: High	High	High	High

Firm's choice of entry strategy may indicate lower engagement in product and promotion adaptation. This is due to three factors. First, firms using low-cost entry strategies may demonstrate a desire to engage in low-cost internationalization, which typically does not involve product and promotion adaptation. Engaging in these low-commitment entry strategies entails less financial pressure to succeed. If a firm is selling through external platforms, costs are typically only associated in the form of paying commissions to platforms if products are sold. Similarly, if a firm is selling through local retailers, retailers often make purchases from the firm directly.

Secondly, when firms choose low-commitment entry strategies such as exporting through external platforms and retailers, they are less likely to acquire knowledge from the target market. Manager's gained international experience facilitates product and promotion adaptation after entry, and if gained experience and learning from the market is low, product and promotion adaptation is less likely to take place.

Finally, this study suggests that entry methods affect the degree to which legal differences between home and target markets affect promotion adaptation. When firms choose a low-commitment entry method, such as selling through external platforms and retailers, they experience less need to comply with legal requirements of the target market. This is due to the firm not engaging in business to consumer sales directly. In this instance, they may not engage in promotion activities directed at consumers, and therefore do not necessarily need to consider the target market's promotional regulations.

The findings of this thesis regarding how commitment to market and chosen entry strategy mediate the effect of other characteristics on product and promotion adaptation is depicted in figure 3.

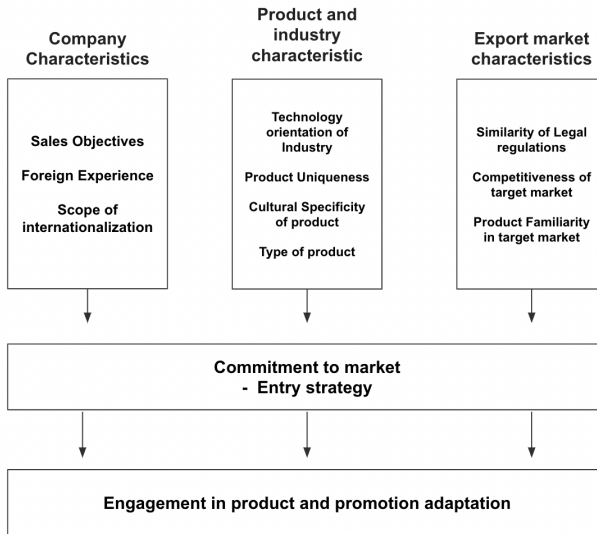


Figure 3. How commitment to market and entry strategy may affect a firm's engagement in adaptation.

6.3 Market scope's influence on adaptation

Further, through rich empirical interview data obtained, this thesis complements prior research regarding how market scope may impact product adaptation. Cavusgil (1993) originally noted that companies were less likely to engage in adaptation when entering multiple markets simultaneously. He hypothesized that the reason for this was the high cost of product adaptation and lower volume per market. This study found that when small companies in the creative industries internationalize, the motivation for doing so may be in actively seeking wider distribution for their current products, relying on standardization.

Contrary to Cavusgil's hypothesis, this thesis suggests that for small firms, the reason for a firm being unwilling to engage in product and promotion adaptation when entering multiple markets may be reversed. Instead of wide market scope decreasing a firm's willingness to adapt products and promotion for specific markets, a firm may choose to enter multiple markets for the purpose of actively seeking to avoid product adaptation. As Wernerfelt (1984) emphasized, lower profitability occurs if products are only sold to a small number of customers. If a product is produced which can only be sold to a few customers, the returns are significantly smaller than if the product has more buyers (Wernerfelt, 1984). Wide market scope may indicate the firm's strategy being to target large economic areas, from which optimal markets can be discovered, to increase volume for current products.

This revelation is further supported by the interview with the CEO of the interior textiles company, who stated that the firm must develop a standardized collection for foreign markets. The firm was offering interior textiles customized to customer preferences in domestic markets, but the entrepreneur noted that the firm must create standardized product selections for foreign markets. The company was planning on redesigning the sales process, to make buying easier for customers and to reduce the workload associated with each order. As the CEO stated:

"We need to present a ready, easy-to-buy concept, where we present our fabrics with standard colors and prints designed in Finland. Then if the customer is interested, we can elaborate that customization is also possible." (CEO, interior textiles)

Although the firm operates in the creative industry which is subject to target market preferences, tastes and trends, this firm demonstrated a need for pursuing higher degree of standardization, which enables higher scalability for growth. When firms have limited resources to offer customized services, sales processes must be efficient to accommodate potentially growing volumes. It may also be necessary for promotional reasons, because firms need a standardized selection of products to showcase their selection to foreign customers when selling through retailers. This suggests extension to Cavusgil's model by including that small companies with high degree of customization may find it necessary to standardize product selection, to be able to grow in foreign markets. Further, the degree of product adaptation may be subject to how customized products initially are.

6.4 Cost of adaptation

When considering a firm's desire for standardization, the cost of adaptation must be addressed. Discretionary adaptation requires managers to calculate the cost of adaptation with the benefits brought by better strategic fit and competitiveness in the market, and should only be engaged in if the perceived benefits outweigh the costs (Wernerfelt, 1984). In an interview with the CEO of children's accessories firm, the cost of adaptation was mentioned as a reason contributing to the firm's desire to keep products standardized between markets. The CEO stated:

"Developing each new product is costly, and the amounts we need to order per product are high. We do not want to take risks with having unsold inventory, which might happen if we start designing different products to specific countries" (CEO, children's accessories)

It appears small firms with low sales volumes may consider the cost of adaptation for foreign markets too high, as increased product development costs and additional inventory reduce profitability. This is in line with prior research by Wernerfelt (1984), who demonstrated cases in which the cost of acquiring resources can make resource acquisition yield low profits, and become unattractive. As an example he mentioned how paying for a good advertising agency will reduce the profits of the increased sales (Wernerfelt, 1984). Similarly, for small firms,

engaging in product and promotion adaptation may be considered too costly, especially when potential sales objectives are unclear.

6.5 Competitiveness of the target market

The interview data gathered reveals two extensions to how the target market's competitiveness influences engagement in product and promotion adaptation. Firstly, commitment to the market can also be considered a mediating factor between how competitiveness of the market influences product and promotion adaptation among small creative companies. When a firm's commitment to a single market is low, market competitiveness is less likely to increase product adaptation. When firms pursue multiple markets through retailers to observe where highest potential lies, they are unlikely to learn about the competitive landscape. If a market has high competitiveness, the firm is likely to perform poorly, and be less likely to pursue this market. When there are multiple options for market entry, the firm may opt to focus on another market. In this case, the competitiveness of the target market will not result in product and promotion adaptation, due to low commitment to the market. In essence, this study found that commitment to the market must be high, for competitiveness of the market to affect engagement in product and promotion adaptation.

Secondly, the data reveals that competitiveness of the target market and familiarity of products can be considered together, potentially belonging to one continuum. The findings of this thesis suggest that as one increases, the other may decrease. When a product has low familiarity in the foreign market, it is likely to be subject to lower competition. If the product has high competition in the target market, it is likely that these competitors have already increased the product's familiarity in the target market.

7 DISCUSSION

This thesis sought to discover how companies in creative and non-creative industries engaged in product and promotion adaptation upon entry to foreign markets. Data was gathered through conducting eight qualitative interviews with entrepreneurs and other managers in six case companies. This data was compiled into tables for cross-case comparison and analyzed through the analytical framework developed by Cavusgil, to examine how empirical data gathered from these companies in varying industries and sizes fit the framework.

This thesis sought to examine how the comprehensive framework, which had previously been used to analyze 79 U.S. based export firms (Cavusgil, 1993), could be extended to firms of varying sizes and industries, targeting foreign markets from a small domestic market. By extending this framework to small creative firms exporting from small domestic markets, boundary conditions were identified. When contradictions to previous research emerged, interview data was examined to provide insight into the entrepreneur's reasoning and to expand understanding into why firms opt to operate in contrary ways. Through this process, new mediating factors for how company and target market characteristics affected engagement in product and promotion adaptation were demonstrated.

This chapter will address these findings and extensions to Cavusgil's framework in more detail and consider the implications of these findings. By combining these findings with previous literature, the profitability of engaging in product and promotion adaptation from the viewpoint for small creative firms will be considered.

7.1 Product and promotion adaptation of small creative firms

The initial hypothesis provided by prior literature was that firms operating in creative industries should adapt products and promotion to serve the unique preferences, needs and trends of customers in foreign markets. However, empirical evidence gathered from small firms in creative industries demonstrated this was rarely the case in practice, and several mediating factors for firm's decision to engage in product and promotion adaptation were discovered.

From the data gathered, a clear association between the firm's objectives for foreign markets and commitment to foreign markets was detected. Firms with no monetary goals were more likely to engage in internationalization through partners, with low-commitment export methods. In contrast, when the firm was planning on entering a single market with high sales potential, they were more willing to invest in the internationalization process.

7.1.1. Cost of adaptation

The primary reason entrepreneur's decision making deviated from the initial framework is likely the underlying motivation of small firms from the creative industries pursuing international growth. Almost all entrepreneurs stated that their primary motivation for entry into foreign markets was the entrepreneur's desire for growth, due to the small size of domestic markets. These firms had a low turnover, of under 400 00€ in 2022, which speaks to the volume of sales obtained from domestic markets. When turnover is low, creating specialized new collections for foreign markets may not be feasible, due to high cost of adaptation and the high unit cost of production for small batches of inventory.

As mentioned in the study by Magnusson and Westjohn (2017), product and promotion adaptation should only be engaged in, if the additional value brought by better strategic fit exceeds the incurred costs. Firms can also overadapt by implementing changes that are unnecessary, which raise costs and do not bring equal benefits in the market. Performance should be optimal when level of adaptation is matched by the degree of psychic and cultural distance between home and host market. However, this is subject to miscalculation, due to the complexity of international environments and limitations brought by bounded rationality. Bounded rationality means inability to understand all factors involved in making the correct strategic decision (Westjohn & Magnusson, 2017). As managers may not have international experience and knowledge from operating abroad, they are further vulnerable to errors in decision making.

Through interview data it was discovered that small creative firms were primarily seeking to sell standardized collections in foreign markets. This thesis suggests that when firms are small, they are more likely to seek foreign markets for the purpose of reaching higher distribution of current product lines, to reach economies of scale. In these instances, they are less likely to seek one specific market to serve optimally, and more likely to engage in low-commitment entry into several markets.

Finally, the study revealed that companies are not prone to one way of operating. Instead, the case of the clothing industry revealed that the firm has two approaches to internationalization. It planned entry to US markets with high emphasis on product development to suit the needs of target markets, and entry to European markets with low engagement in product adaptation. When the perceived potential of the target market is greater than the potential of the domestic market, firms are more likely to engage in product and promotion adaptation. In these instances, products are not only adapted to foreign markets, but the firm's entire design process may shift, to be centered around the needs of the target foreign market.

7.1.2 The effect of market scope on commitment to market

This research found that the likelihood of firm's engaging in low-commitment entry methods with low engagement in product and promotion adaptation was increased when the firm was pursuing several markets simultaneously. Further, the likelihood of such entry was increased when entry to multiple markets was easy, as in the case of exporting into European markets with low distance, similar regulations, and free movement of goods. It was apparent that when a firm is operating in a large economic area with multiple options of potential markets to enter, they are less likely to adapt products to suit the needs of any particular market. Instead, if product fit is not found, these firms demonstrated they planned to move to the next market and test the fit there.

In contrast, when the firm planned to enter a single market, with high commitment and high expectation of revenue in the target market, significant engagement in promotion adaptation was done. This was noted in firms across industries, as the same finding applied to creative industries and caravan industries.

Secondly, this thesis hypothesizes that when firm's lack managerial experience and specific knowledge, they may seek low-commitment entry methods to a wide scope of markets. In essence, lack of managerial foreign experience and knowledge necessary for ensuring product fit may result in the firm seeking ideal fit for current product selections by utilizing a learning-by-doing mentality. Several entrepreneurs stated that their goal was to test the European markets, to see what sells. In these instances, it appeared firms were more willing to enter unknown markets and learn by testing, than to commit to a single market, learn the trends of the market, and adapt products accordingly. It was uncovered that small firms face a dilemma, higher performance in foreign markets has been linked to product adaptation, which requires experience. However, experience cannot be obtained without entering the market or accessing the experience and knowledge from external sources.

7.2 Promotion adaptation of non-creative firms

In contrast, this research found that large non-creative firms with high turnover, entering a single market with highly standardized products, were more likely to engage in high promotion adaptation. These firms were more likely to use high-commitment entry methods for foreign market entry, and to enter a single market with local presence. Although these firms entered markets closer in proximity both culturally and geographically than the small creative firms, they were found more likely to engage in high promotion adaptation.

The high commitment of these firms is suggested to be the mediating factor, which increases their engagement in the target market. High commitment entry methods, which are characterized by establishing a foreign subsidiary, opening a local store or warehouse in the market, and hiring local salesmen, entail higher costs of internationalization. It is likely this results in firms being more likely to ensure the effectiveness of promotional methods in reaching target customers and gaining revenue.

Further, high commitment entry methods often include targeting consumers directly, and not engaging in sales through external partners. This means firms must gather more information from the market and comply with the market's promotional regulations. When firms are present in the market, learning from the market is facilitated, and more managerial experience gained. This experience and knowledge can then be used to ensure better product fit through increased adaptation.

7.3 Implications of this study

Prior literature notes that competitive advantage can be sought by being market-oriented, responsive to local needs, or through having cost advantage brought by standardization of global products and reaching economies of scale. At the early stages of internationalization, these small creative companies appear to seek markets with ideal product-market fit, due to the low resources and lack of time for product development, as well as the increased cost of producing a large selection of products, and heightened risk of being left with unsold inventory. However, small firms do not have the cost advantage of larger corporations with economies of scale, and being locally relevant by serving local needs and preferences may turn out to be important for small firms in the creative industries.

Firms have an option to either enter markets with products and promotion adapted to consumers, or find optimal markets to sell existing, standardized products in. From the data gathered from interviews with small creative companies, a clear indication of firms seeking economies of scale can be detected. The desire to keep products standardized for foreign markets may be due to this reason. Instead, they are seeking a larger distribution network for their products from foreign markets, due to the small size of their domestic market.

Entry strategy was found to enable the low-cost entry to foreign markets, reducing pressure to ensure perfect product-market fit. The research shows that these small creative companies have found ways to overcome the need for product adaptation, to test product-market fit and to internationalize with low commitment and minimal investment. An example of this is the strategy of the company opting to internationalize through selling through platforms, which already have an acquired client-base. Other companies planned to engage in similar practices, through targeting retailers and detecting which products these retailers are purchasing. Companies have found that the fit between existing product offering and market demand can be tested quickly and cost-effectively through these means. The gathered knowledge and the acquired networks can be used at a later stage, to create competitive advantage and to potentially engage in product and promotion adaptation.

8. CONCLUSION

This research was initially motivated by seeking to understand how firms may optimize performance in foreign markets, by engaging in product and promotion adaptation to ensure product fit in foreign markets. This thesis sought to examine how product and promotion adaptation occurs in practice and what factors affect entrepreneur's decisions to engage in adaptation. The two research questions were RQ1: "*What factors influence product adaptation upon entry to foreign markets for firm's in the creative industries?*" and RQ2: "*What factors influence promotion adaptation when entering new markets?*"

Empirical evidence was gathered by interviewing six entrepreneurs and two marketing managers from six companies, to create unique cases. These cases were first analyzed individually and compared to the framework developed by Cavusgil (1993). Afterwards, cases were compiled into tables for cross-case comparison, to detect the deviations occurred in other cases as well. By detecting similarities and differences between cases, unique insight into boundary conditions could be found. These deviations from expectations were then examined closer, and interview data was used to expand understanding into why firms opted to operate in contrary ways.

8.1. Contributions

This thesis used prior literature and the analytical framework developed by Cavusgil (1993) as a lens through which to examine empirical data. When examining the collected empirical data with previous research, several contradictions emerged. It was demonstrated that data gathered from small firms in creative industries exporting from small domestic markets was especially contradictory to prior research. This pointed to a need to extend the framework to better understand how small creative firms entering foreign markets engage in product and promotion adaptation, and what factors contributed to entrepreneur's decisions.

The initial expectation was that firms in creative industries would be likely to ensure product fit by adapting products to suit the preferences of customers in foreign markets. However, only in specific instances did small creative firms choose to engage in product adaptation. This research found several mediating factors to how company, industry and target market characteristics affected firm's engagement in product and promotion adaptation.

The contribution of this thesis is to extend the prior comprehensive framework developed by Cavusgil (1993), which examined what factors affect a firm's engagement in product and promotion adaptation. The first contribution of this thesis was to discover commitment to the market as the primary mediating factor for a firm's engagement in product and promotion adaptation. When a firm's commitment to the market was low, they were less likely to engage in product and promotion adaptation in any instances.

Secondly, this research found that commitment to market was characterized by wide market scope, undefined sales objectives and a low-cost, low-commitment entry strategy. Entry strategy was found to be a third characteristic indicating a firm's commitment to market, and had a mediating effect in how legal differences between home and host country resulted in promotion adaptation. It was found that by using external partners, firms could overcome the need to engage in promotion adaptation upon entry to foreign markets. Commitment to market was also demonstrated to affect the degree to which target market competitiveness affected a firm's product and promotion adaptation. In essence, this study found that commitment to the market must be high, for high competitiveness of the market to result in product and promotion adaptation.

As a third contribution, empirical data gathered in this study suggests new insight to Cavusgil's initial hypothesis on why market scope affects engagement in product and promotion adaptation. It was proposed that instead of wide market scope inhibiting product and promotion adaptation of small firms due to high cost of adaptation to multiple markets, it may also be that multiple markets are sought for the purpose of seeking not to engage in product and promotion adaptation. Essentially it was found that firms may target multiple markets, to test which markets are the most likely to be suited for their current product offering, due to the desire to keep selections standardized to avoid costs.

Finally, this thesis aimed to extend Cavusgil's findings on how a manager's foreign experience facilitates engagement in product and promotion adaptation, by studying if a manager's lacking foreign experience can be compensated by market research obtained by external consultants. However, no support for this was found, as the empirical data showed that although firms had acquired market research from target foreign markets, this did not have an effect on small creative firms product adaptation, and only had a small effect on adaptation of promotion.

The primary contribution of this thesis comes from the in-depth analysis of why companies choose to not engage in product and promotion adaptation prior to entry to foreign markets. By selecting creative firms that were in the early stages of entering foreign markets, the motivations and perceptions of managers could be examined in detail. It is clear that firm's internationalization strategies often evolve after entry, and by interviewing firms in the early stages of entry to foreign markets, this thesis sheds light on CEO's perceptions of the need to engage in product and promotion adaptation in these early stages of entry.

8.2 Limitations of the study and suggestions for future research

As is common with all forms of research, this qualitative study is subject to limitations. The study aimed to examine the previously developed framework by confronting it with new empirical data gathered from unique cases. The purpose was to discover boundary conditions

for this framework, and to discover why contrary measures may be taken by entrepreneurs. However, the data collected for cross-case comparison is limited to six companies from varying industries and varying sizes. Further analysis into larger sample sizes will need to be conducted, before the findings of this study can be considered reliable.

This thesis aimed to provide insight into managerial perceptions of foreign market entry, and into how entrepreneurs and other managers perceive product and promotion adaptation in differing stages of foreign market entry. However, due to case companies studied being in the early stages of internationalization, the performance implications of these ways of operating upon foreign market entry could not be examined. For this reason, the results of this thesis should not be considered to indicate performance in foreign markets, only to provide insight into the reasoning of entrepreneurs when entering new markets.

This thesis suggests additional research into how performance of firms in creative industries is affected by engagement in product and promotion adaptation. By studying firms that have operated in foreign markets for longer periods of time, product and promotion adaptation both prior to and after entry could be examined in connection with performance in foreign markets. Similarly, studying product and promotion adaptation considering the added value in connection with incurred additional costs may provide insight into how profitable engagement in product and promotion adaptation has been. An additional suggestion for future research is to examine how success in foreign markets are affected by varying entry methods. Of particular interest would be to examine how successful low-commitment entry methods utilized by small firms are.

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