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School of Business

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SKEMA BUSINESS SCHOOL SOPHIA ANTIPOLIS

Master of Science International Marketing and Business Development

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## **EFFECTS OF INTERNATIONALIZATION ON PACKAGING DECISIONS OF MANUFACTURING COMPANIES**

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## ABSTRACT

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The world has witnessed a great deal of globalization and a rise in international activities in recent years compared to decades ago. This has contributed to an upsurge in competition among manufacturing firms resulting in the use of different marketing strategies to survive. Packaging is one of the tools that has been used by marketers to make products different and appealing to both local and international customers.

The purpose of this research work was to investigate more on packaging as a marketing tool and how internationalization affects the decisions management makes in relation to it. To this effect, a qualitative research was conducted using five manufacturing companies as case studies and data collected through semi-structured interviews and also personal observation. Secondary sources were also used in order to get deeper insight into the case companies under study.

The study revealed that there are many advantages that internationalization provides firms. The general revelations made by the firms that were researched did not point to a negative impact of internationalization on their packaging decisions. Internationalization has provided positive improvements on their packaging and made them more competitive. This proves that for packaging decisions to improve better, one key enabler will be exposure to the international environment since it provides a wider array of options for package improvements for firms.

## TIIVISTELMÄ

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Olemme todistaneet globaalisaaion ja kansainvälisen toiminnan kasvavan maailmalla viime vuosina, verrattuna vuosikymmenien takaiseen. Tämäön osaltaan kasvattanut kilpailua teollisuusyritysten välillä, minkätuloksena yritysten on täytynyt keksiäerilaisia markkinoinnin strategioita selviytyäkseen. Pakkaus on yksi keinoista, jota markkinoijat ovat käyttäneet tehdäkseen tuotteista erilaisia ja houkuttelevia sekä paikallisille että kansainvälisille asiakkaille.

Tämän opinnäytetyön tarkoituksena oli tutkia pakkausta markkinoinnin työkaluna ja kuinka kansainvälistyminen vaikuttaa johdon tekemiin päätöksiin sen suhteen. Tästäsyystäkvalitatiivinen tutkimus tehtiin käyttämällä viittä tuotantoteollista yritystä tapaustutkimuksina. Tutkimusmateriaali kerättiin puolistrukturoidulla haastatteluilla sekä tarkkailemalla. Lisäksi käytettiin sekundaarilähteitä tarkempien tietojen saamiseksi tapaustutkimus-yrityksistä.

Tässä tutkimuksessa kävi ilmi, että kansainvälistyminen tarjoaa monia etuja yrityksille. Yleiset tapaustutkimus-yritysten tekemät paljastukset eivät viittaa kielteisiin vaikutuksiin kansainvälistymisestä; liittyen pakkaus päätöksiin. Kansainvälistyminen on tuonut positiivisia kehityksiä yritysten pakkauksiin ja tehnyt heistä kilpailukykyisiä. Tämä osoittaa, että pakkaus päätösten parantamiseksi yksi keskeinen mahdollistaja on kansainväliselle ympäristölle altistuminen, koska se tarjoaa laajemman valikoiman pakkausparannuksia yrityksille.

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## TABLE OF CONTENTS

<b>1. INTRODUCTION.....</b>	<b>7</b>
1.1. BACKGROUND TO THE STUDY .....	7
1.2. RESEARCH GAP .....	9
1.3. RESEARCH OBJECTIVES AND QUESTIONS .....	10
1.4. DELIMITATIONS OF THE STUDY AND CONCEPTUAL FRAMEWORK .....	11
1.5. METHODOLOGY .....	14
1.6. DEFINITIONS .....	15
1.7. STRUCTURE OF THE THESIS.....	17
<b>2. THEORIES ON INTERNATIONALIZATION .....</b>	<b>19</b>
2.1. INTERNATIONALIZATION .....	19
2.2.1 STAGE MODEL APPROACH- THE UPPSALA MODEL .....	22
2.2.2 <i>Critical to the views of the Uppsala model of internationalization</i> .....	25
2.3. RESOURCE-BASED VIEW.....	27
2.4. THE NETWORK APPROACH .....	28
2.5. BORN GLOBAL APPROACH.....	31
2.6. INTERNATIONAL ENTREPRENEURSHIP APPROACH .....	34
2.7. DUNNING'S ECLECTIC APPROACH.....	35
2.8. INTERNATIONALIZATION CHALLENGES.....	37
2.9. DEALING WITH INTERNATIONALIZATION CHALLENGES.....	40
<b>3. PACKAGING .....</b>	<b>43</b>
3.1. THE MARKETING MIX.....	43
3.1.1 <i>Place</i> .....	45
3.1.2 <i>Price</i> .....	45
3.1.3 <i>Promotion</i> .....	46
3.1.4 <i>Product</i> .....	47
3.1.5 <i>Packaging components</i> .....	48
3.2. PACKAGING DEFINED.....	49
3.3. PACKAGING AS A MARKETING STRATEGY .....	51
3.3.1 <i>Multiple packaging</i> .....	52
3.3.2 <i>Innovative packaging</i> .....	52
3.3.3 <i>Secondary use packaging</i> .....	53
3.3.4 <i>Category consistent packaging</i> .....	53
3.3.5 <i>Handling improved packaging</i> .....	54
3.4. PACKAGING LEVELS .....	54
3.4.1 <i>Functions of packages</i> .....	56

3.4.2	<i>Packaging design and logistics</i> .....	57
3.5.	THE ROLE OF LABELING ON PACKAGES .....	59
3.6.	CRITICISMS OF PACKAGING AND ETHICAL CONCERNS .....	61
3.7.	INTERNATIONALIZATION AND PACKAGING DECISIONS .....	63
<b>4.</b>	<b>RESEARCH METHODOLOGY</b> .....	<b>69</b>
4.1.	RESEARCH DESIGN.....	70
4.2.	RESEARCH APPROACH.....	71
4.3.	RESEARCH BOUNDARIES.....	71
4.4.	DATA COLLECTION AND ANALYSIS .....	72
4.4.1	<i>Semi structured interviews</i> .....	73
4.4.2	<i>Personal Observation</i> .....	73
4.4.3	<i>Secondary data</i> .....	74
4.5.	ETHICS OF THE RESEARCH .....	74
4.6.	VALIDITY AND RELIABILITY OF THE RESEARCH.....	75
<b>5.</b>	<b>EMPIRICAL PART</b> .....	<b>77</b>
5.1.	INTRODUCTION .....	77
5.2.	FINDINGS FROM INTERVIEWS .....	77
5.2.1	<i>Company A</i> .....	78
5.2.2	<i>Company B</i> .....	80
5.2.3	<i>Company C</i> .....	82
5.2.4	<i>Company D</i> .....	85
5.2.5	<i>Company E</i> .....	87
5.3.	CROSS CASE ANALYSIS.....	89
5.3.1	<i>The case companies (Cross case analysis)</i> .....	89
5.3.2	<i>Background of companies</i> .....	90
5.3.3	<i>Packaging decisions and how internationalization affects them</i> .....	90
5.3.4	<i>Challenges</i> .....	92
5.3.5	<i>Packaging strategies and overall effects of internationalization on packaging decisions</i> .....	92
<b>6.</b>	<b>CONCLUSION AND DISCUSSION</b> .....	<b>94</b>
6.1	<i>Implications of the study</i> .....	97
6.2	<i>Research limitations</i> .....	98
6.3	<i>Suggestions for further research</i> .....	100
	<b>REFERENCES</b> .....	<b>101</b>
	<b>APPENDIX I</b>	

## LIST OF FIGURES

- Figure 1. Conceptual framework
- Figure 2. The stages model of internationalization
- Figure 3. Four key concepts of the Uppsala model
- Figure 4. The relationships between traditional "strengths-weaknesses -opportunities-threats " analysis
- Figure 5. An international network
- Figure 6. Types of international new ventures
- Figure 7. A classification of export barriers
- Figure 8. Hallmarks of an effective marketing mix
- Figure 9. Product levels and constituents
- Figure 10. An innovatively packaged set of eggs
- Figure 11. Packaging levels
- Figure 12. Strategic adaptation of foreign markets

## LIST OF TABLES

- Table 1. Barriers hindering the process of internationalization
- Table 2. Principal ethical dimensions of innovation in packaging
- Table 3. Summary descriptions of case companies and models of interview

## LIST OF ABBREVIATIONS

- ECOWAS: Economic Community of West African States
- EPA: European Partnership Agreement
- EU: European Union
- FDI: Foreign Direct Investments
- INV: International New Ventures
- LSE: Large Scale Enterprises
- MNE: Multi-National Companies
- RBV: Resource Based View
- SME: Small and Medium Enterprises

# **1. INTRODUCTION**

## **1.1. Background to the study**

The world has witnessed a great deal of globalization in recent years compared to decades ago. This has developed due to the introduction of more liberalized trade policies; a growth in the stability of monetary transactions; formation of international and regional integrations of economies; free and uninterrupted flow of goods and services; a more advancement in transportation, information technology and also communication (Czinkota and Ronkainen, 2001; Hauser, 2007; Keegan, 1999). The above mentioned reasons coupled with others have seen an upsurge in the engagements of international marketing activities. It should be noted also that the increasing global trend that internationalization has gained does not only attract researchers, but also policy makers included.

Even though the above mentioned reasons have propelled internationalization to a larger extent, it has not been without challenges. This means that foreign companies operating in local markets have become a big threat to most firms. According to Hamel and Prahalad (1985), this threat from foreign competition has not been fully understood by corporate organizations. Internationalization is not an entirely bad thing to companies in a local market but can serve as a catalyst for innovation and improvements in already established processes.

Internationalization has had a significant effect on all the elements of the marketing mix. The extent of influence however, is not the same on all the elements. Some of the marketing mix elements also known as the 4Ps attract more changes or modifications than the others in terms of decision making. Product-related issues are said to be the ones that show the most use of standardization when it comes to decision making. Distribution-related elements however, are considered to be the most adapted of the marketing mix (Theodosiou and Leoniduo, 2003). Even though a package



is considered part of the product, it contains more elements such as the label which is a communication tool; it also can be considered as a distribution element and as such there could be an exception to this conclusion of making more standardized decisions on it.

One major challenge managers encounter when it comes to making decisions concerning their marketing mix elements is whether to standardize or adapt their marketing strategies to the foreign market (Theodosiou and Leonidou, 2003). Packaging has also been referred to as a 5th P as stated (Nickels and Jolson, 1976). This explains how important a product's package is to the overall success of the marketing activity.

Packaging has become a very important component of a product. In the past, its main purpose was to serve as a container. This has changed very significantly in recent times. It acts as a silent sales person because it attracts and communicates whatever is in it without having a third party to do the explanation in a traditional way. Packaging serves two main functions. The first one is as a protective element while the second function is concerned with the marketing communications needs and the potential impact it creates when purchase decisions have to be made by customers. Rundh (2005), has also argued that packaging serves different purposes in different markets when it comes to protection, promotion and how convenient it is to the user.

In marketing a product abroad, there are several factors to be considered in order to create the needed impact that is required and also avoid litigations from international authorities. Factors such as political, economical, technological and socio-cultural issues amongst others have to be key considerations in the decision making process (Albaun et al, 2002). These same factors affect a product's package in the foreign market and have a significant influence on how successful the product will fare on the market. It is very important that marketers consider the above mentioned influencers in their packaging decision making process (Blythe, 2012; Theodosiou and Leonidou, 2003). Even though a particular

package can be deemed fit for the local market, it does not guarantee the same will perform adequate on the international journey (Czinkota and Ronkainen, 2001; Nilsson et al, 2013), meaning that the same mix may not work effectively everywhere.

The main purpose of this research is to ascertain whether internationalization does have an effect on packaging decisions of manufacturing firms. It will also serve as a guide on how to create the balance between package standardization and adaptation within the international environment. It is the belief of the author that after the work, there will be some more evidence available through both theoretical and empirical means. The empirical data will be restricted to the manufacturing industry because it is believed that they actually make packaging decisions before they go on with the manufacturing of their products. It is hoped that the outcome of the research will aid firms within the industry and beyond to understand the effects of internationalization on packaging and how it impacts on decision making processes in that regard.

## **1.2. Research Gap**

Internationalization strategies are becoming very important in today's global environment due to the fact that globalization of markets is constantly increasing, economies have become more interrelated than ever before. This has made it even almost impossible for firms operating exclusively in local domestic markets to be unconcerned with this challenging phenomenon. This has meant that firms' now rely on exporting or operating within multiple country market arenas as one way to survive and grow in this international environment.

The meaning of this is that firms have to commit resources and also design marketing strategies that will be successful in the international environment (Morgan, Kaleka and Katsikeas, 2004). This is one way that will allow firms to create, deliver, communicate and exchange market

deliverables that will provide the needed competitive advantage (Navaro, Losada, Ruzo and Diez, 2010) for growth and success. Inferably, firms have to be either proactive or responsive to changes within the international marketing environment.

With above issues however, it seems that the extant research about internationalization has been more focused on the main marketing mix elements which are the traditional Product, Place, Price and Promotion for tangible products and then the extended seven Ps which include the People, Process and Physical evidence. There is however very limited research conducted around the subsets of these elements. One of such is packaging which falls under the product but has a very important role it plays when it comes to product performance. Also, only little literature on internationalization covers developing countries and that is what this research aims at exploring.

This research work aims at closing that gap and trying to investigate more on packaging as a marketing tool and how internationalization affects the decisions management takes in relation to it. It is of the view of the author that the outcome of this thesis will reveal more insight into the role of packaging in the international marketing strategies and how decisions are made around it when firms go international.

### **1.3. Research Objectives and Questions**

When companies go abroad, there are so many decisions to be made regarding their product(s). This is due to the fact that more often than not, the playing field may vary and as such some critical decisions have to be made regarding how they present their product(s) to their international market(s). This research is mainly aimed at ascertaining the effects of internationalization on a company's packaging decisions. In this regard, it is very important to understand what packaging means and its role in

marketing strategy. Also, how firms make their packaging decisions when they go international.

Amongst other things, the study will also try to answer specific questions regarding the challenges of internationalization and how to deal with them more effectively. It is worth noting that the package is just one element of the product offering but has a very big impact on the success or otherwise of the product in the market.

In order to meet the objectives above, the following question has to be answered;

- What effect(s) does internationalization have on packaging decisions of manufacturing companies?

***Sub Questions:***

- *What are the challenges faced by companies when they internationalize?*
- *What role(s) packaging plays in marketing strategy?*
- *How does internationalization influence the decisions made on company's packaging?*
- *What are the main factors influencing international packaging decisions?*

#### **1.4. Delimitations of the study and conceptual framework**

This research is mainly focused on manufacturing companies in Ghana. The aim of the study is to ascertain whether there are any effects on a company's packaging and their decisions related to packaging if they internationalize their marketing activities. The main delimitation here is that

the focus is on manufacturing companies in Ghana who produce and market tangible products abroad and does not cover firms who offer services. Limitation is also made on the number of firms to be studied to five in order to complete the work within schedule and it is believed that a saturation will be obtained by the fifth interview.

The main reason for limiting this study is because the researcher wants to narrow the scope in order to better understand packaging from a tangible product perspective because the term packaging is very broad and therefore, widening the scope will reduce the quality desired. It will therefore discuss mainly the communication aspect of the packaging since it is more interested in the part the consumer actually sees.

The study does not also include companies who only export products abroad but those who do actual manufacturing in the case country. This is because manufacturing companies make products from very raw materials and make wider considerations before making packaging decisions both for home market and abroad. For a broader understanding of the situation a comparative analysis will also be drawn between companies who have been in the internationalization business for more than 10 years and those who have been internationalizing for up to 10 years now. Also because the companies are from different industries, some differences may occur.

### **Conceptual Framework**

Figure 1 below is a representation of the conceptual framework around which this thesis evolves. Since a package is a part of a product feature, it is important to understand what a product constitutes and how those constituents influence the success of a product. In a nutshell also, some explanation will be made concerning the marketing mix elements on which the entire marketing decision making revolves around.

Packaging serves several roles, some of which include serving as a communication tool, a container for the product and also as a protective

element. It has been argued that packaging be separated as one marketing mix element (Nickels and Jolson, 1976). This shows how significant a package is to a product in the marketing activity.

The international market presents a whole lot of challenges to the marketer which has to be considered critically before decisions are made concerning how a product should be presented in the foreign market (Albaum et al, 2012). Also, these same challenges are encountered while making packaging decisions for the international market (Blythe, 2012; Theodosiou and Leonidou, 2003). Internationalization has some influence on how a firm packages its products for both the local or foreign market. These challenges and influence can come as a result of a home firm going abroad or a foreign firm marketing to the home market.

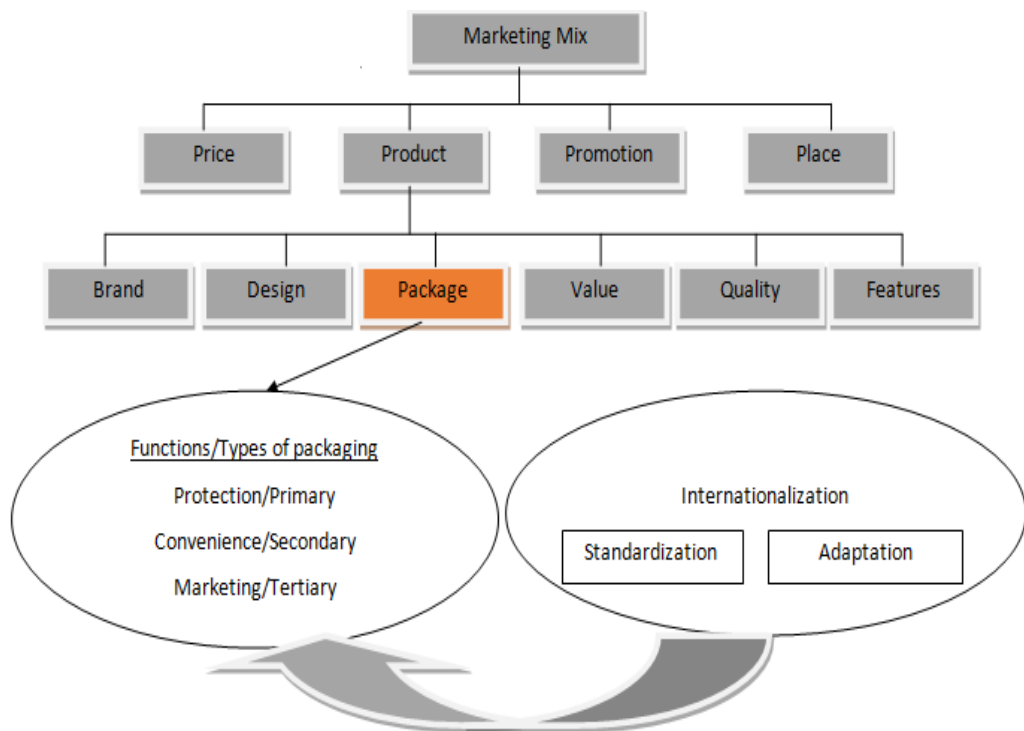


Figure 1. Conceptual Framework

## 1.5. Methodology

For the purpose of this work, much effort will be made to ensure that the right theories are gathered for a wider understanding of the topics. To ensure this, a wide range of secondary data will be obtained from currently available books and scientific articles and where possible and necessary the use of internet sources will also be relied upon. Because this research is exploratory in nature, a multiple case study shall be conducted until a saturation is obtained. According to Ellram (1996), using a case study method for exploratory research work is very suitable because it helps to expand and generalize theories without just providing generalization of statistical figures. To gather the empirical data, a qualitative research method will be utilized. This is because qualitative research methodology enables a more in-depth description of the phenomenon which is been studied. It may include the assemblage of data through observation of the phenomenon, interviews, questionnaires and also from already available documents. This form of data can be obtained through primary or secondary means. For the purpose of this work, both sources will serve as an origin for gathering the qualitative data. Primary data is data that is obtained from the original source by the researcher and used for an intended purpose whiles secondary data are data which have been obtained from data which already exists and used for a purpose other than which purpose it was originally intended for. The primary data will be gathered through the use of interviews and observations whereas the secondary data will be gathered from governmental websites and other company reports.

Qualitative data is used to obtain deeper understanding of the object been researched on(Kent,2007),. It helps to understand the "why", "how" and "what" questions. It does not only provide the answers but also reasons behind the answers which have been produced.

In this thesis work, data will be gathered from respondents mainly through face-to-face interviews where possible. A questionnaire will be designed to serve as a guide to the interviews which will be conducted. Face-to-face interview is very important in this research because the interviewer is also

interested in the other non-verbal communications that the respondents are likely to show while answering the questions asked them. It is however very important to note that even though qualitative research helps to ascertain deeper understanding (Yves, 2011), Silk also argues that the results and means of obtaining the data is mostly influenced by the background of the researcher and as such may be biased in judgment (Silk, 2002, p.4).

A total of five interviews will be conducted, one to each of the case companies. To ensure that the data gathered is very accurate and reflects the actual situation within the case companies, top management personnel will be interviewed, preferably the marketing managers of the case companies and/or owners. This is so because the main focus of this research is around the marketing function of the organization. These companies have been selected because each of them are involved in some form of manufacturing and engaged in an international marketing activity and do sell at least one product in a country other than their home country. These companies are also into the manufacture of tangible products which is the focus of this research work (with much focus into the beverage industry).

## **1.6. Definitions**

### ***Manufacturing companies***

These are companies that are engaged in some sort of production of a product out of the use of raw materials or from objects which has already been fabricated through the use of artificial forces. Manufacturing companies may vary in size depending on the item they fabricate. A manufacturing company is not the same as the company that sells the manufactured product as not all companies do manufacturing.



### ***Internationalization***

Internationalization in its simplest definition is the growing tendency for companies to market their products or operate across international boundaries. This explains that internationalization is a process and only takes effect if the company crosses its home market to operate in other international market. It is regarded as an expansion process for firms. According to Melin (1992), this happens as a result of an increased knowledge about the foreign market and hence drives commitment.

### ***Packaging***

The term packaging is defined in so many ways by various authors. For the purpose of this research work, the definition is focused mainly on the promotional role it plays but a broader perspective is provided. According to Kotler and Keller(2012) , it can be defined as the means of designing and molding the container for a product. Prendergast and Pitt (1996), the EC proposal for a council directive and packaging explains packaging as "all products made of any materials of any nature to be used for the containment, protection, handling, delivery and presentation of goods, from raw materials to processed goods, from the producer to the user or the consumer. Disposables used for the same purpose are to be considered as packaging too". However, the definition by Saghir (2004), gives a more holistic view to what the definition of packaging should be although some elements of the EC directive definition is found in it. According to Saghir (2004), it is the "coordinated system of preparing goods for safe, secure, efficient and effective handling, transport, distribution, storage, retailing, consumption and recovery, reuse or disposal combined with maximizing consumer value, sales and hence profit".

### ***Adaptation***

The compulsory change of domestic target market's standards whether tangible or intangible in foreign markets in order to make the company's products suitable for the foreign environmental conditions (Medina and Duffy, 1998). This suggests that the marketing strategy adopted in the home market of the company is changed in order to suite the foreign target market. This term adaptation is often confused with customization but it should be noted that the former is mandatory while the latter is discretionary.

### ***Standardization***

This term can be defined as the process of using domestic product standards tangible or intangible in a domestic market across foreign markets (Medina and Duffy, 1998). This means that a company decides to use similar marketing strategies in the other international markets in which it conducts business.

## **1.7. Structure of the thesis**

The thesis has been structured into five main chapters. It begins with chapter 1 which gives an introduction to the whole research work. It gives a brief background introduction to the study and the objectives the work intends to achieve.

The next chapter which is chapter 2 focuses on the extant literature available within the study area. It describes what internationalization is and highlights some of the theories available on the topic including challenges faced by firms when they go abroad.

Chapter 3 also continues with the presentation of theories relating to packaging and packaging decisions including adaptation and

standardization elements thereof. It also discusses types of packages and strategies that exist coupled with how packaging and packaging decisions are affected by internationalization.

The next chapter which is chapter 4 deals with the methodology used in gathering the relevant data. The case country and companies are also briefly described in this chapter. Finally, the empirical data of the case companies are analyzed. To ensure that the data obtained from the companies are protected since they have been promised anonymity, the letters A, B, C, D and E will be used to present them instead of their actual names.

Chapter 5 gives the conclusion of the major findings gathered from the research. It also gives a presentation of managerial implications and ends with limitations and suggestions for further studies on the topic.

## **2. THEORIES ON INTERNATIONALIZATION**

This chapter gives a presentation of various theories around the concept of internationalization which is one of the main tenets of this research work on which basis an empirical study was conducted. Subsequently, issues about packaging are discussed and how it (packaging) is affected by internationalization, also explained further the line.

### **2.1. Internationalization**

The constant increase in the activities of globalization has reduced the barriers to both investment and trade. This rapid development in internationalization has occurred as a result of various circumstances: the issue of fast technological improvements in both transportation and communications; the increase in deregulation of foreign exchange; financial markets and foreign investment increases; and also the introduction of incentives and better openings for firms (Mohanty and Nandi, 2010). The above reasons has also increased the extent to which companies conduct business across borders.(Czinkota and Ronkainen, 2010; Hauser, 2007; Keegan, 1999). Firms are either proactive or reactive to internationalization (Hollensen,2007). Meaning that some go abroad willingly while others are forced to by circumstances they have no control over such as a saturated local market or following customers who go abroad.

The above positive lights have not come with their own challenges. These opportunities that internationalization has opened up has at the same time introduced new competitors to the hitherto, overly protected local national terrains in the industrialized countries causing a huge shake in their operations (Mohanty and Nandi, 2010, Czinkota and Ronkainen,2010). Information technology has also reduced drastically the barriers that foreign suppliers used to face, and has also transformed (changed) the

behaviors and preferences of consumers. This has made local shoppers of yesterday, global shoppers of today.

Internationalization has been explained in different ways by different researcher because it is hard to reach a single conclusion, however, the tenets remain the same. Some have explained the process as one that is sequential or happens in an increasing form (Johanson and Valhne, 2009, Cavusgil, 1980), whereas others consider both views, that is, outward and inward processes (Welch and Luostarinen,1988). According to Deresky (1998, p. 248), internationalization involves a process of gradual changes as a firm responds to competition from outside, domestic market saturation and also the "*desire for expansion, new markets, and diversification*". It can therefore be simply explained as the involvement of businesses across international boundaries with increasing commitment. Chinkota and Ronkainen (2010,p. 4) puts it as consisting of the "*activity, institutions, and processes across national borders that create, communicate, and exchange offerings that have value for stakeholders and society*".

It is important to note however that, internationalization still retains much the basic tenets of marketing, which is "*value*" and "*exchange*" (Chinkota and Ronkainen, 2010,p. 5). Internationalization is a process which happens as a result of an increase in knowledge about the foreign market and hence drives commitment(Melin, 1992),. There are various theories or approaches to internationalization as will be discussed in subsequent parts of this research.

This internationalization process can be associated with very important activities which do not provide firms with relevant or correct information, making it a very high risk venture to operate in. It is therefore not surprising that some firms will opt not to internationalize or take advantage of new knowledge not because they need it not but due to the resources involved in acquiring such knowledge and the avoidance of risk that is involved (Chetty and Campbell-Hunt, 2003). This explains why most often

only the risk-takers chance into international opportunities and not the risk-averse.

Firms who have the absorptive capacity are the ones who observe more and also tend to learn much faster from their experiences thereby commercializing on that. This is so because firms who go abroad (internationalize) learn a lot regarding their new market through experience more than those who do not. There are three main alternatives to choose from when a firm opts to internationalize or enter into a new national market. These are through export and import activities, foreign licensing and also through foreign direct investments (FDIs) either through its own subsidiary or through an alliance with a partner(s).

These approaches often represent the degree of involvement a firm will want to commit itself into regarding the new target market. When it comes to an FDI, a firm's involvement is very significant as compared to that of a mere export activity which requires lesser involvement in activities. It is therefore very important that a firm considers how much risk it expects to bear and this will inform which option to choose in the quest of internationalizing to a specific country (Chetty and Campbell-Hunt, 2003). It is very important to note however that, the choice which is mostly used at first by SME's is the export and import mode. This is because this requires less involvement both in terms of risk and commitment. On the other hand however, larger firms including MNEs resort to any of the modes depending on which one best fits their agenda. They have more resources and often take bigger risks (Mohanty and Nandi, 2010).

A firm choosing to apply FDI is of the hope of enjoying *location based advantages* which may include competitively priced labor force, the access to critical resources including new knowledge. These location based advantages enables firms to increase their international competitiveness to a larger extent. However, it will be noted that an FDI option also requires a lot more resources compared to the other options available to the firm.

Firms that chose to internationalize either chose the path of going global or using a regional internationalization strategy.

As has been highlighted already in the preceding paragraphs, there are various theories on this topic of internationalization and these theories describe the process of internationalizing in different perspectives. One of the very famous and early ones is the Uppsala model of internationalization by Johanson and Wiedersheim (1975), the network theory, the eclectic paradigm theory, the later born global concepts, the economic perspective of foreign direct investments amongst others. The subsequent sub sections will deal with the explanation of these models and approaches and from which perspectives they derive their arguments.

## **2.2. 1 Stage model approach- the Uppsala model**

This model (Uppsala model) has been described as one of the earliest stage models of internationalization that has been developed (Ruzzier, 2006), and was developed in Sweden by the researchers, Johanson and Wiedersheim but based on an empirical study made by Johanson and Vahlne in 1977. According to the developers of this model, a firm's internationalization goes through a "*gradual acquisition, integration and use of knowledge about foreign markets and operations, and on the incrementally increasing commitments to foreign markets*" (Johanson and Vahlne, 1977, p. 23). This statement explains that a firm's internationalization process goes through different stages and this is dependent on the level of knowledge acquisition it makes along the line (Forsgren, 2002).

According to the model, firms go through a four-stage process which often starts with *irregular export activities*, then *export through independent agents* followed by the establishment of an *overseas sales subsidiary* and then lastly, an *overseas production and manufacturing* (Johanson and Vahlne, 1977). These processes are sequential and they go from one

stage to the other as more knowledge is being gathered by the firm likewise more commitment is made.

The stages begin with irregular exports to random customers abroad without any real or deliberate effort from the exporting firm to do so. As the firm gets to gather some knowledge about the foreign market, it then deliberately exports through independent agents. And then as more knowledge is gathered, then the firm commits more resources and shifts from mere exports to establishing its own sales subsidiary (ies) in the foreign market(s). At this stage it is assumed that the firm has gathered enough knowledge necessary to establish its own manufacturing in the foreign market(s), this is the final stage (Johanson and Vahlne, 1977). However, after some years later, Johanson and Vahlne (2009), in their subsequent research admitted that firms at the latter stages would require some connections or networks to fully fulfill these processes which was missing in their first work.

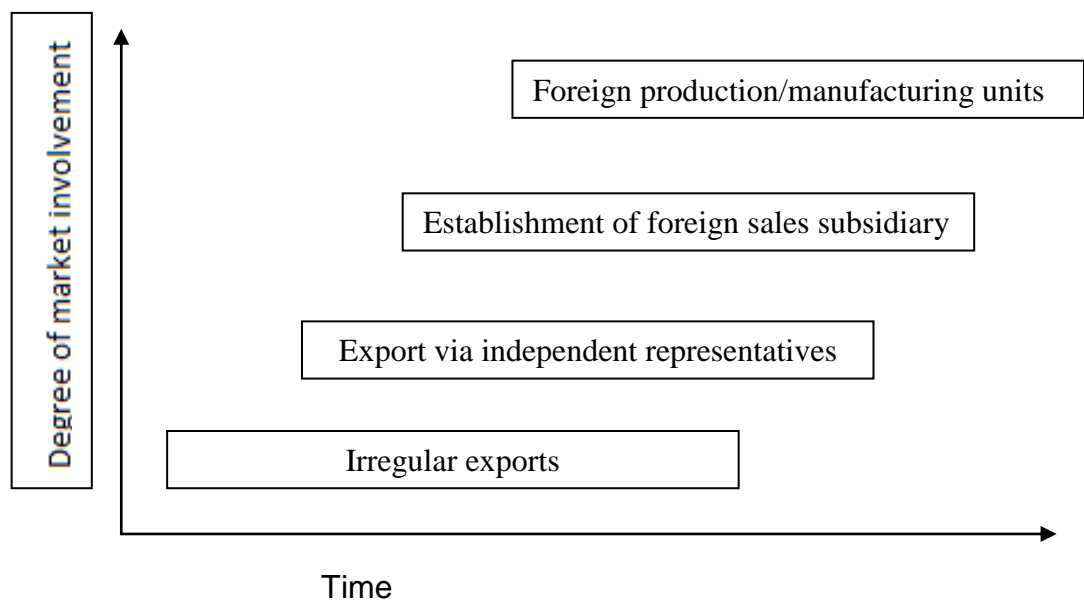


Figure. 2 The stages model of internationalization

It is worth noticing however that the Uppsala model of internationalization also takes into account the issue of psychic distance. They explain that certain elements such as differences in language, culture and political



climate could hinder a firm's quest to internationalize (Johanson and Vahlne, 1977). Psychic distance inhibits the smooth flow of information between the firm and the foreign market in which it operates. The higher the distance, the more difficult it is to do business there (Wiedersheim-Paul et al, 1976). These challenges force firms to first venture into country markets where they are psychologically close to. In other words, markets that show elements of similarity with the home market are entered first and as more knowledge and experience is obtained, further moves are made into dissimilar markets later on. It is interesting to note also that with firms who approach internationalization using networks, the issue of psychic distance is reduced if not eliminated drastically since the network partners assist in knowledge sharing and coaching.

It should be noted also that Johanson and Vahlne are not the only ones to have come up with a stages model of internationalization. Researchers such as Bilkey and Tesar (1977); Cavusgil, 1980 and Czinkota (1982) have also touched on this same theme with further remodeling of the stages, however, the tenets remain the same.

The Uppsala model rests on four key concepts: market knowledge, market commitment, commitment decisions and current activities (refer to fig. 3). This model divides the concepts into state aspects and change aspects. Where the both market knowledge and market commitment are referred to as the state aspects while the change aspects are the performance of current business activities and the decisions to commit resources. According to the authors of the Uppsala model, the state aspects which are the knowledge and market commitment at a point in time affects change aspects which are performance of current business activities and commitment decisions (Johanson and Vahlne, 1977; Forsgren, 2002). See Figure 3.

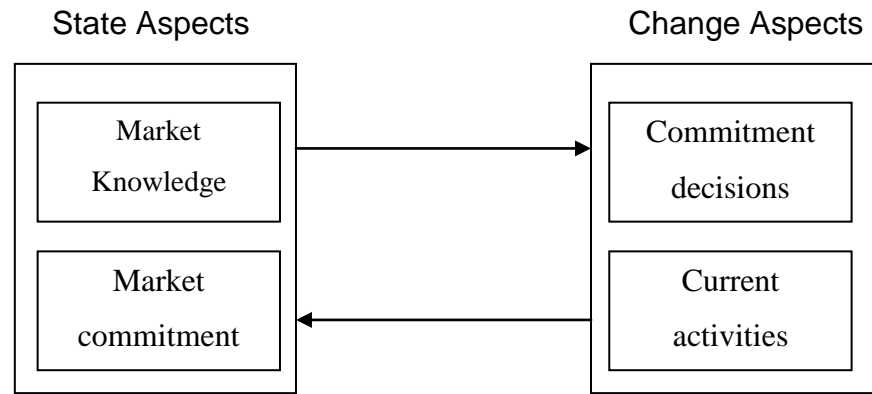


Figure 3. Four key concepts of the Uppsala model

Source: *The Uppsala model* (Johanson and Vahlne, 1977)

According to Johanson and Vahlne (2009), the market commitment concept is composed of two factors being *the amount of resources that is committed* and *the degree of commitment that is made*. In this, the amount of resources committed includes elements such as employees and marketing activities. On the other hand, the more a resource is specialized in a given market, the higher the degree of commitment from the firm. In making commitments to international markets, firms use two kinds of knowledge namely, objective knowledge which can be taught and experiential knowledge which is gained through personal experience. Firms who have more experiential knowledge about a certain market make faster incremental commitments than those who do not because according to Johanson and Vahlne (1977), "*it generates business opportunities and is consequently a driving force in the internationalization process*". This means that firms are more comfortable committing themselves when they have enough experience in a given market.

### 2.2.2 Critical to the views of the Uppsala model of internationalization

The stages model of internationalization (The Uppsala Model) has come with so many criticisms. Although Johanson and Vahlne (1977) and other stages model researchers are of the opinion that firms go international in

stages and will only commit more resources when they have more experience in dealing with a particular foreign market. Stating also that psychic distance is of immense importance to firms, which they consider very critically before they go abroad. On the other hand, some researchers have strongly argued that not all firms go through the stages which have been proposed by the Uppsala model.

Forsgren (2002), for example is of the argument that the focus of the stages model is only on the early stages of the internationalization of a firm and also at a time when very little is known about the foreign markets and when there is little amount of resources. Most critics also claim that the issue about internationalization is more complex than what is simply presented by the Uppsala model (Anderson, Gabrielsson and Wictor, 1983; Chetty and Campbell-Hunt, 2004)

The stages model does not consider the fact that already multi-nationals and large firms and firms following their customers will not consider psychic distance as a major reason in their internationalization plans. This stages is only applicable to firms that produce tangible products since service companies since they mostly require a presence even from the onset (Björkman and Forsgren, 2000).

On this note and many other criticisms, Johanson and Vahlne (2009), later came to the conclusion with an acceptance that their model needed further development based on the evidence that have sprung up from other studies especially how important networks are in a firm's internationalization path. They stated in their later studies, "*knowledge does not accrue only from the firm's own activities but also from the activities of its partners...the focal firm is indirectly engaged in a knowledge creation process*" (Johanson and Vahlne, 2009).

### 2.3. Resource-based view

The Resource-Based View also known as the RBV, is a strategic management tool and is of the view that firms' capacity to embark on growth agendas depends on the resources available to it, whether tangible or intangible (Mwailu & Mercer, 1983, Wernerfelt, 1984, ; Rumelt, 1984; Penrose, 1959). Firms acquire sustained competitive urge by administering strategies that are in line with their internal strengths whiles taking advantage of the opportunities that exists in the environment. At the same time, the firm is expected to neutralize threats from the external environment as well as avoiding weaknesses from within (Barney, 1991). This theory according to Peng (2001) is one of the best and most insightful theories when considering emerging economies.

Barney (1991), developed a model (see figure4) built on two main assumptions and explains that the strategic resources a firm controls within a given industry are divers and secondly, these resources are not perfectly mobile across firms thereby ensuring a long-lasting heterogeneity. Firms have to pay very close attention to their internal resources and how they are developed or acquired from the factor market.

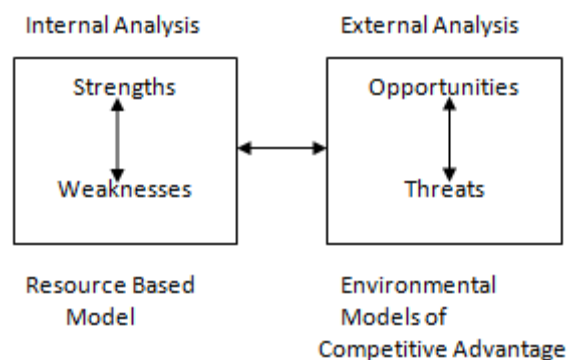


Figure 4. *The relationship between traditional "strengths-weaknesses-opportunities-threats" analysis, the resource based model and models of industry attractiveness (Barney, 1991)*

On the internationalization front, firms consider which resources are available to them that create competitive advantage and thereby exploit whatever benefits there are in foreign markets. It is important to note that for these advantages to have any positive impact for the firm abroad, they should be very valuable to the firm, rare, imitable and also difficult to be substituted (Barney, 1991).

The resource based view to an extent is arguably not a friendly model to SMEs especially because it requires that firms possess some prerequisites for competitive advantage when internationalizing. The network model of internationalization for example posits that even firms without a strong resource on their own can rely on the strength of the network to internationalize. This is because various capabilities and strengths reside in different actors within the network in which they are positioned.

#### **2.4. The Network approach**

The network approach to internationalization which has its highlights on the importance of relationships was introduced by Johanson and Mattsson (1988). Much focus has been given on internationalization in networks, which hitherto was on different relationships with customers but now also concentrating on the various relationships with other actors within the environment (Hollensen, 2007). These relationships can be with suppliers, customers and the market which have the tendency to stimulate a firm to internationalize. It stems from the fact that resources are heterogeneous just like the resource-based view, however, in addition to that it explains that the exchanges that occur within a network gives firms room to gather important knowledge about its partners. This knowledge includes partners' resources, capabilities, strategies as well as other relevant knowledge also of their markets (Johanson and Vahlne, 1977;2009).

In networks, firms have to be active in one or more networks order to gain the needed knowledge for growth and expansion beyond home territories. However, some firms operate in irrelevant networks which means that they have the potential of not benefiting in that network. Such firms are called "outsiders". On the other hand "insiders" are firms who are active participants in a network that is relevant and for such firms, entering a foreign market becomes easier (Johanson and Vahlne, 2009). This is because as Korhonen and Sharma (1993;1996) explains, this strong connections enables firms (insiders) to strategically place themselves in foreign markets due to the level of exposure and knowledge they have gathered.

In their later works, Johanson and Vahlne (2009), also came to the conclusion that the relationships a firm has with its network has the tendency to offer cross learning and trust building and commitment which are very important conditions that propels internationalization, thereby, defeating their earlier assertions about internationalization. This explains the overlooked importance of networks to firms, especially SMEs since they need such relationships to gather knowledge faster than being a stand-alone. Fig. 5 explains an example of how an international network looks like. As can be seen from the figure below, the access they enjoy in the network transcends even to governmental organizations and financial institutions.

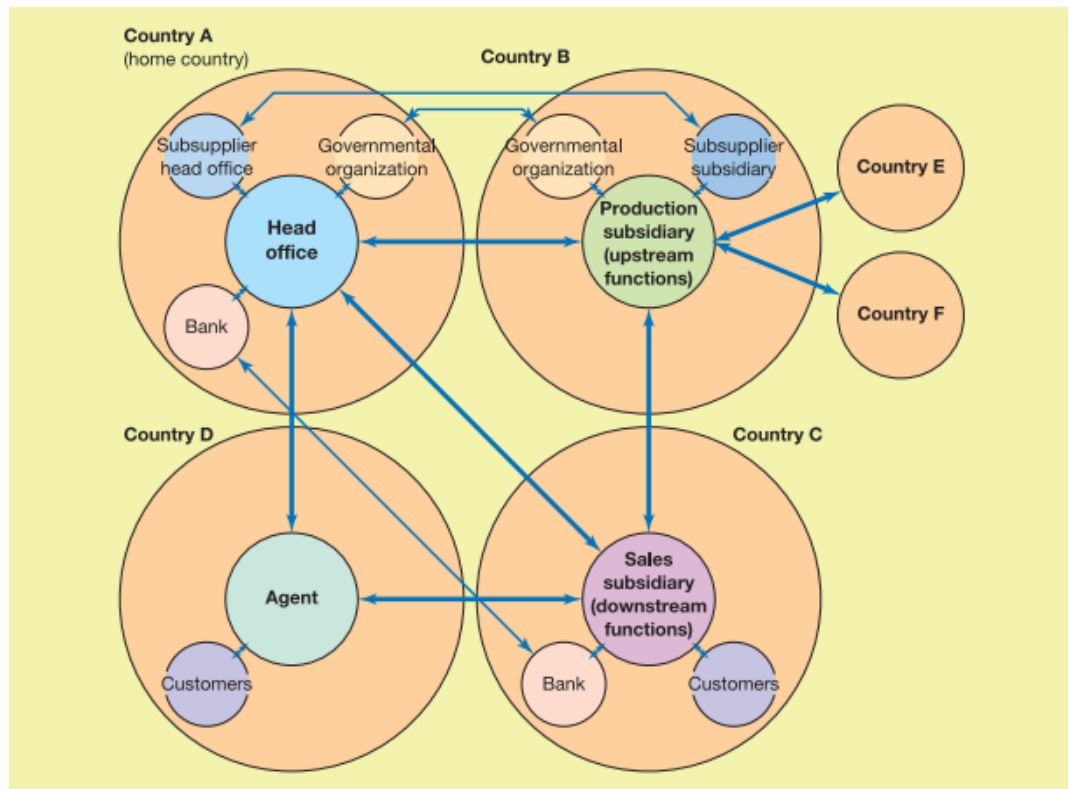


Figure 5. An international network

Source: Adopted from Hollensen's *Global marketing* (2007).

Hollensen (2007) further explains that, there is a faster internationalization process involved when a firm is involved in a network as compared to if it had not. Most researchers have acknowledged the fact that networks play a very vital role in a firm's internationalization process. One of such is from Johanson and Vahlne (2009) in their review of the Uppsala model. Ibeh (2005) for example, explains that some firms gain enormous access to relevant resources and other capabilities which firms within the network provides. This benefit is very essential especially to SMEs considering that they do not have many resources wholly to themselves. A firm's choice of network is a determinant of the kind of market or even entry mode to choose when internationalizing. Figure 5 gives a picture of how an international network may look like.

Firms which enjoy relationships with networks gain additional advantages which they leverage on in the international markets in which they operate

(if not already, then later). These advantages are however inter-organizational in nature such that they generate a relational rent. This inter-organizational advantage is only enjoyed by the firms involved because of the jointly generated resources that they have and cannot be solely enjoyed by a single firm had it not been in a network. They enjoy profits which occur as a result of the complementary undertakings they provide to each other which can also be greatly connected to firms across borders.

## **2.5. Born Global approach**

There has been a sharp increase in the number of companies considered to be born "*born globals*" in recent years. Born global companies are those who intentionally from their inception make it a strategy to derive competitive advantage from using their resources and selling their products in multiple countries (Jantunen, Nummela, Puumalainen and Saarenketo, 2008). It is common knowledge that firms who have limited resources or are small in size usually go through the incremental path of internationalization (Johanson and Vahlne, 1977; Bilkey and Tesar 1977; Cavusgil, 1980; Czinkota 1982) but further research has revealed that born globals are an exception to this rule (Welch and Luostarinen, 1988, Jantunen et al, 2008).

A research conducted by McKinsey & Co. in 1990 revealed that some Australian manufacturers were doing exports of their products just within the first two years of their inception. This was a very vital revelation that not all firms go through the stages of internationalization as purported earlier by Johanson and Vahlne (1977) and that these firms did not even develop a strong home market before venturing abroad (Madsen, 2002; Persinger et al., 2007). According to Madsen (2002, p. 8), *these firms view the world as their market place from the onset and see the domestic market as a support for their internationalization business*". This means that the quest to increase their market size advantage in the home country



is not of much importance to them at least from the onset or start of their internationalization operations.

There are various definitions of what a born global company also known as an *International New Venture or INV* (McDougall, Shane and Oviatt, 1994), *Infant Multinationals* (Lindqvist, 1991), *Instant Internationals* (Preece, Miles and Baetz, 1999), *High Technology Start-ups* (Jolly, Alahuta and Jeannet, 1992) and *Global Start-ups* (Oviatt and McDougall, 1994) is. A commonly accepted definition of born global firm is one that has in sales revenue of \$100 million and exports at least 25% of its produce within the first two years of its operations (Persinger et al., 2007). However, other definitions exist. Oviatt and McDougall (1994) give their definition in a more simple way, omitting the figures as much as possible. They explain it as *"...a business organization that, from inception, seeks to derive significant competitive advantage from the use of resources and the sale of outputs in multiple countries...these start-ups in their origins are international.* Their definition is vague on numbers but gives a clearer explanation also to their characteristics and intentions.

In their research, Anderson and Victor (2003) are of the opinion that, it is higher probability that firms in countries which have a smaller domestic market will produce a lot more of Born Globals than their counterparts in nations with a larger domestic market. It should be noted here that although the earlier cases of born globals involved manufacturing and/high-tech firms, this is not the case in all countries since smaller economies/countries have also produced born globals in a wider variety of industries (Anderson and Victor, 2003) including the service industry.

The main motives that have been identified to firms which have internationalized from their inception or within the first two years of their operations include but not limited to the increasing role of niche markets, higher demand for specialty or customized products, shorter life span of products (McDougall, 1997). Other motives include rapid development in

production, transportation and communication; a growth in global alliances and networks (Madsen, 2002).

Classifications of born globals have been made by Oviatt and McDougall (1994) based on the degree of involvement in the value chain and whether its geographic market strategy is broad or narrow(see figure6). Groups "i" and "ii" are the ones that their focus mainly on imports and exports. The other group which is "iii" have their focus on niche products for a smaller market but in multiple countries where they have more knowledge in the local market and a good network. BGs in the final group "iv", have activities and resources spread and targeted around the globe.

Few Activities Coordinated Across Countries (Primarily Logistics)	New International Market Makers	
	Export/Import Start-up	Multinational Trader
<i>Coordination of Value</i>	I	ii
<i>Chain Activities</i>	iii	iv
Many Activities Coordinated Across Countries	Geographically Focused Start-up	Global Start-up
	few	Many
	Number of Countries involved	

Figure 6. Types of international new ventures

Source: Oviatt and McDougall (1994)

There is need to mention here that INV are mostly first to enter foreign markets and later are subjected with response from other firms. They are more risk takers compared to their counterparts in the local market. Their focus is to outpace the competition far beyond the home market.

## **2.6. International Entrepreneurship approach**

Ruzzier (2006) explains that most of the attention on internationalization in the past has been concentrated on the stages models and very little on the individual decisions which are important to the internationalization course. With this in mind, Alvarez and Busenitz (2001) and Rangone (1999) sought to bridge the gap between the RBV and entrepreneurship with the argument that these entrepreneurs are the source of a sustained competitive advantage. What the international entrepreneurship approach seeks to do is to focus on the individuals that propels this process however, still in the context of resources of the firm (Ruzzier, 2006).

The researchers with an entrepreneurial view are of the argument that the stages model should be considered as less appropriate when considering radical changes that are effected by firms by top managers and entrepreneurs. Entrepreneurs have the ability to take risks and also make very critical or radical changes in order to reach their set goals. They bring very drastic but important changes to the organization in terms of its growth and or expansion. McDougall and Oviatt (2000) posits that these individuals resources that the entrepreneur posses were seen in the past as merely part of the organization and did not treat them on an individual level. Today, they are considered as an important subject and being analyzed on a separate arena.

The level of entrepreneurship is very wide and this includes the individual level in which the entrepreneur himself is involved as well as the level of the firm which is also known as corporate entrepreneurship. Corporate entrepreneurship is defined as the pursuant of opportunities by individuals within an organization without placing emphasis on the current resources that the firm possesses or controls (Stevensson et al., 1989). This is in sharp contrast with the RBV that is of the view that firms will normally chase after opportunities based on the kind of resources that they control or in other words the kind of competitive advantages that their resources provide them in the market.

Possessing just a competitive advantage is not a guarantee for success in the international arena without the resources providing successful returns on investment. International entrepreneurship is considered a main variable to SME internationalization (Ruzzier, 2006) because these SMEs possess very limited resources and one reason why they are able to succeed on the international scene is the individual managers with an entrepreneurial spirit or entrepreneurs who are knowledgeable and experienced with international business. According to Chetty and Campbell-Hunt (2003), these individuals possess very important characteristics including knowledge, attitudes and motivation and these plays a very crucial role on the firms internationalization.

The managers' willingness to commit towards internationalization and their expectations, their past experiences and the belief in the competitive advantage of the firm to perform on the international market (Chetty and Campbell-Hunt, 2003) is another factor. These entrepreneurs gather their experience and knowledge during their education and travels across international boundaries. During these activities they gain valuable information about those countries and also establish very valuable international networks on which they rely on in the future, coupled with their own zeal to operate within the international arena.

Having an international experience and a proven international track record is very strong urge to internationalize by the entrepreneur or the manager of a team in the firm have the tendency to fast track the internationalization process.

## **2.7. Dunning's eclectic approach**

Dunning in 1988, made a discussion on the importance that location variables could have on foreign direct investments. He explained this using the OLI (Ownership-Location-Internationalization) framework. The eclectic approach to internationalization posits that transnational activities are

supposed to draw much from several strands of the economic theory. Explaining further that firms can better succeed in the international arena with regards to an expansion in production only if some conditions are met. These conditions are "*ownership advantages*", "*location advantages*" and "*international advantages*" (Hollensen, 2007).

According to the eclectic approach, owning a production facility in a foreign market gives a firm a bigger ownership advantage as compared to firms of other countries that do not. This makes the firms with the ownership advantages more successful or having the potential to enjoy a better expansion in production than their other counterparts who do not. These advantages are consisted but not limited to intangible assets, such as know-how and this can be easily transferred within the organization for profit optimization.

The next important factor according to the eclectic approach is the location advantage which refers to how attractive a foreign market is to the firm. Firms have to weigh the risk and reward opportunities that the foreign market showcases. In relative terms, firms with the advantage in location will enjoy more benefits than firms that are disadvantaged by location (Anderson, 2011). It is therefore important that firms who wish to establish manufacturing facilities in foreign markets access the advantages involved in doing so otherwise they should adopt exports if there exists no advantages in doing so (that is, establishing its own manufacturing facility) in that market (Hollensen, 2007).

The last issue to consider is the firm's international advantages. It is important for the firm to assess the profits of enjoying these international advantages before exercising them (Hollensen, 2007). If coordination and transaction costs are low, then its more profitable for the firm to internationalize its operations to the market in question. The OLI is more applicable to FDIs but nevertheless, some of its propositions could be adopted and applied by SMEs as well because even exports have issues of perceived risks and rewards to be considered.

## 2.8. Internationalization challenges

It will be agreed that firms do face varied forms of challenges in their quest to internationalize, and this has been identified by different researchers with empirical evidence. Although SMEs face a chunk of these challenges due to the limited resources they have in overcoming them, LSEs and MNEs cannot be left out because they encounter in some cases peculiar challenges just as the SMEs do.

As noted, the generally adopted mode to internationalizing by most firms is through exports (Johansson and Vahlne, 1977) although this can be considered one that is mostly related to SMEs. Even some larger firms go international using this same process because it possess lesser risks and also requires minimal resources and commitment as compared to joint ventures and FDIs. Small firms are mostly considered to be constrained when crossing borders to do business due to the limited resources that they often possess as compared to larger firms. There are a lot of challenges that manufacturing firms and firms in general face when entering new national markets. These international barriers can be defined as the attitudinal, structural, operational, and other restrictions that hamper a firm's efforts to go abroad or internationalize.

Several classifications have been proposed by international business researchers about the barriers to internationalization. For example, Morgan (1994) for example, identified four groups in classifying the internationalization barriers. These are external, operational, internal and informational barriers. Also, Leonidou (2004) classifies these barriers to internal and external relating it to the host and home environments in which the firm conducts business in. Figure 7 below gives a simple pictorial classification of the barriers that firms face in their internationalization transactions.

Some of the internal barriers (which can be controlled to a certain degree by firms) include but not limited to financial constraints, lack of

internationally experienced management staff, lack of an adequate administrative staff and a lack of foreign language skills. On the other hand, some of the barriers are external and mostly uncontrollable. These external challengers include but not limited to government restrictions, competition and some economic issues such as tariff and non-tariff barriers or even the lack of adequate national incentives to internationalize.

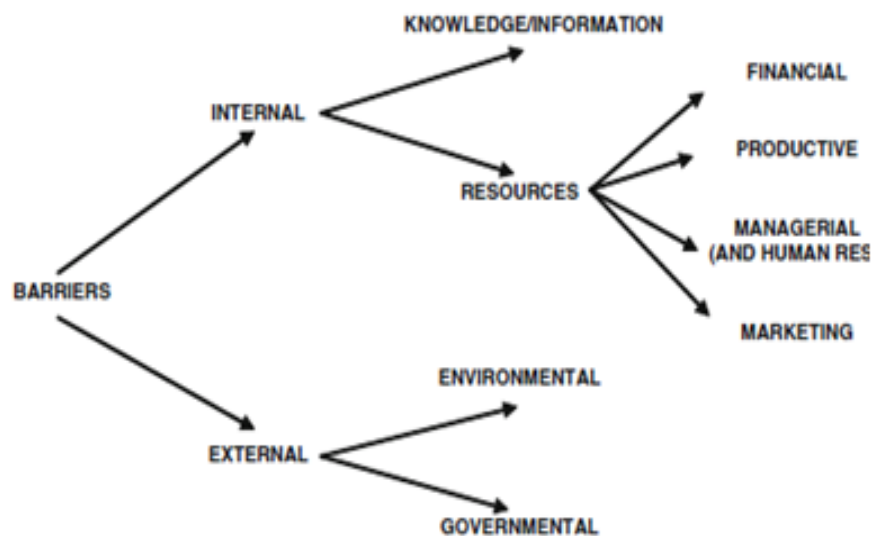


Figure 7. A classification of export barriers

Hollensen (2007) lists a lot of barriers which hinder a firm in its early days to export which are not different from what are listed above. However, he is of the argument that most of these challenges are internal more than external. When a firm has inadequate information on its potential overseas customers, competition and also how the business terrain is, may serve as a big hindrance to their initiation to export or in other words start their internationalization process. When there exists production responses due to the requirement of non-standard export products from overseas customers could cause serious problems because having to adapt will mean an increase in cost of production and/or distribution.

When it comes to the process of internationalization itself, Hollensen (2007) explains that there are three main groups of barriers that firms

encounter in their process of internationalization. These are general market risks, commercial risks and also political risks. Table 1 below explains the groups and some of the risks that exist.

Table 1 Barriers hindering the process of internationalization

General risks	Distance to market; Competition in foreign market; Product usage differences in overseas market; Cultural and language differences; Difficulty in locating the right distributor overseas; Difficulties in product specifications in overseas markets; How complex shipping services to overseas customers gets.
Commercial risks	Exchange rate fluctuations; Failure of export customers to pay due to contract dispute, bankruptcy, refusal to accept the product of even fraud; Damages or delays in export processes; Difficulties in sourcing for export financing.
Political risks	Restrictions by foreign government; National export policy; Foreign exchange controls imposed by host governments that creates challenges for payments by foreign customers; Lack of governmental support to reduce barriers; Lack of tax stimulus for companies to export; High foreign tariffs on imported products; Confusing foreign import regulations and procedures; Trade documentation complexities; Enforcement of national legal codes that regulate exports; High value of the domestic currency against those in overseas.

*Source: Adopted from (Hollensen, 2007)*

Having a good understanding to export challenges is very important not only to managers of firms but also those who make policy because this is one very critical area exporters need help when trying to arrange for incentives and also support services (Leonidou, 2004). Firms in developed countries enjoy more support from their governments and other agencies



than their counterparts in developing countries due to the unavailability of scarce resources in those (developing countries) places.

The challenges are of immense importance to be considered because they do have an effect on the kind of decisions that are made regarding packaging on the international scale. For instance, the political risks associated with high tariffs although may pose as a huge impediment to foreign trade; a lot could be made on a product's package that will help reduce the total cost of the product. This means that cost-cutting innovativeness on packages could make up for the high cost in tariffs. Also, since there tends to be immense competition in foreign markets which could be a risk or challenge to entering those markets, quality and attractive packaging could be one way of breaking through the competition. Bad packages could themselves be an impediment to entering a very saturated market. Most developing countries are not able to compete adequately on the international scale due to the fact that they are not able to meet international packaging standards (Graphic Online, 2011)

## **2.9 Dealing with internationalization challenges**

Identifying the challenges to exports and the process of internationalization is one step to curbing the problem and expediting the desire by firms to go abroad. It is however also very important for manufacturing firms wanting to internationalize to know how to curb some of the challenges and risks that are involved with the process.

Having much knowledge about the foreign market has proven to be one of the most important ways to reduce market uncertainties. For manufacturing firms such as SMEs that do not have adequate resources to enter multiple countries with adequate information about the dynamics in the market, taking a more systematic approach when selecting export

markets as suggested by Johanson and Vahlne is beneficial. The more the firm makes the selection in a systematic way, the better their performance in those countries (Andtoldi, Cerrato and Depperu, 2011).

Firms should be proactive in seeking for information on the existence of assistance programs and public incentives that are available. This is one way to obtain relevant information about foreign markets, exports and internationalization related issues. Overcoming language and cultural differences can be done through the hiring of foreign nationals or the training of local employees and managers for better understanding and reducing this challenge. SMEs are noted to be the main group of firms that are handicapped financially and governments and policy makers should make it a fundamental step to provide them with soft means in assessing such funds from both the domestic and the international financial markets.

Governments and policy makers in the domestic market should create atmospheres that are conducive for exports. It has been considered as one of the biggest challenges that firms face in their internationalization process. The lack of support from government agencies and institutions is a great barrier to export. Support programs may comprise a variation of activities which are designed to give either experiential or informational knowledge (Antoldi et al., 2011). The organization of seminars and workshops on export and internationalization issues for specific products and markets, participation in foreign trade shows, and assistance through commercial missions in foreign markets are some of the programs that can assist domestic firms to overcome international barriers. One very important thing is also to negotiate for better trade deals among country and regional blocks for easy trade.

When it comes to risks associated with the process of internationalization, Hollensen (2007) suggests that firms can avoid exporting to countries that are considered as high-risk markets. Firms should try as much as possible to diversify foreign markets in a way that does not keep them (the firms) so dependent on one market due to economic and political uncertainties.

Another way to ensure safety in the investments that firms make is to insure their products whenever it is possible to do so. To overcome non-payment and fraudulent issues from customers, export businesses should be structured in a way that makes the buyer to bear more of the risk such as pricing in a hard currency and ensuring that customers pay cash in advance as much as possible.

### **3. PACKAGING**

Chapter three deals with the issues concerning the packaging of products. In its early parts, the bigger picture is explained where the marketing mix is put in perspective revealing where packaging falls within it. Later, international adaptation and standardization strategies will be discussed relating it to the packaging decisions made around those lines. The concluding parts of this chapter will try to draw the relationship between internationalization about how the latter is affected by the former.

#### **3.1. The marketing mix**

The term marketing mix appears today in almost every marketing management literature. However, there are several models that exist in explaining this term, and it should be noted that they are not without drawbacks. The first attempt of a model to define the marketing mix was made by McCarthy in 1987, with his definition coined around the product, price, place and promotion terms with which all the elements started with a "p". This 4P model has since been widely criticized because there are arguments about the fact that it places more internally oriented to the company and lacks personalization (Blythe, 2012).

Due to the arguments and shortfalls the 4Ps had, three other Ps (physical evidence, people and process) were developed and included to the already 3Ps model to make it more complete since the earlier mix by McCarthy did not include the dynamics in the service industries. For this reason, the 7Ps model is what is highly and widely adopted today. The marketing mix elements are considered as the decision making areas and are the main aspects around which the marketing concept is being implemented (Jobber and Fahy, 2003).

However, for the purpose of this work and the fact that some focus is to be made, more emphasis will be placed on the basic 4Ps model because the industries of concern are manufacturing companies which produce tangible products, and here the extra services are not included. Therefore, what will be discussed further in briefs will include the Place, Price, Promotion and the Product. It should be understood clearly that the weight that each element places on the overall success of the marketing campaign is complementary, although some elements maybe more complex and difficult to make decisions on.

A marketing mix that is effective and proves successful is one that provides the firm with a clear cut competitive advantage. This is because this is what will differentiate one's offering from the competition and give it the needed grounds for sustainability. The marketing mix should be able to match the needs of targeted customers and also, it must be able to match the resources available to the firm. Below is figure 8 which gives an illustration of what an effective marketing mix entails.



Figure 8. Hallmarks of an effective marketing mix

### **3.1.1 Place**

This is the location where exchanges are made (that is, where products are substituted for the price). This location could be online (as in a website) or offline (as in a grocery shop), meaning that it can be virtual or physical (Blythe, 2012). It is known in other books as "distribution". The place is more concerned with decisions that involve the distribution channels to be used, location outlets, transportation methods and also the inventory levels that are to be held in those locations (Jobber and Fahy, 2003).

The main importance of finding a place which blends well with the firm's strategy and matches customer preference is that it makes it easier for the customer to access the product on offer. Also ensuring effective payment methods and also giving the product the appropriate image that it deserves for easy recognition. The main objective is ensuring that products are available at the right place and right time, and also that they are available in their right quantities.

The place is considered as the most adapted element amongst the 4Ps in foreign markets (Theodosiou and Leoniduo, 2003). This is because ways and methods of distributing products vary from place to place and especially from country to country due to the differences in culture and modes of transportations. The distribution channels differ and so is the number of middlemen that exists within a distribution network from one country market to the other.

### **3.1.2 Price**

According to Jobber and Fahy (2003), the issue of price is a key element when discussing the marketing mix because it is what the firm receives as payment for a service or product that is being marketed. This is the total

cost that a customer pays for buying a product (Blythe, 2012). It should be noted that as compared to the other elements which are considered as "*elements of costs*", the price is considered a revenue generating element for the firm offering the product.

Theodosiou and Leonidou (2003) in their research work revealed that price-related elements are much more adapted as compared to the others. This, they explain, comes about as a result of factors such as cost structures, marketing objectives, rates of inflation, competitive policies, and also governmental controls. As a result of these factors, it is very challenging for firms operating in the international arena to be flexible in their pricing decisions and makes it very challenging to achieve the desired levels of price discrimination from country to country. This is also due to the excessive pressure that the competition exerts on them making it impossible to standardize prices across board.

There is a complex relationship between the price, money and value and this makes the financial cost of purchase very challenging. In general, the lower the price is, the higher the volume of purchases, however, this is not always the case. There is also the relationship between price and perceived product quality. In this sense, mostly, the higher the price of a product is, the greater the perceived quality. There is therefore the need for a proper balancing when dealing with price and this is where pricing is not a financial management function but a function of marketing management.

### **3.1.3 Promotion**

This is considered the most confusing element within the mix. Most of the confusion stems from the fact that people mistaken it for the whole of marketing (Blythe, 2014). It should be noted that this encompasses all the elements in the communications activities in marketing management including, advertising, public relations, personal selling and so on.

The promotion element which is also referred to as communication is purposed to communicate the existence of a company's product offerings and also about the benefits that they bring along (Jobber and Fahy, 2003). The communication mix elements function differently and as such produce different effects. It is the duty of the marketer to know which of the promotional mix elements to use for a particular marketing activity since they produce different results and affects customer decision making differently.

### **3.1.4 Product**

The product decision is the choice of what offering and benefits a firm offers to its customers. It is considered as the most standardized element within the marketing mix (Theodosiou and Leonidou, 2003). This is due to the fact that firms have the desire to reap more benefits from economies of scale when they standardize their products as opposed to adapting them to market dynamics. Also, firms are desperate to diffuse new products quickly into the market due to shortening lifespan of most products today. For attainment of a uniform internal production controls and quality standards, firms will mostly opt to standardize products than to adapt them to the market (Theodosiou and Leonidou, 2003).

*A "product is the bundle of benefits the supplier offers to the purchaser" or it can also be explained as the total of the physical plus the psychological satisfactions that a customer or buyer receives when a purchase is made (Blythe 2014). Specific benefits that a product offers will only appeal to a specific group of customers and thus, it is unlikely that any product offering will be for everyone or in other words, will appeal to everyone. It should be noted also that trying to create that "perfect product" which will be the taste of everyone is tantamount to creating overly-complex and overly-expensive products which will defeat the tenets of the marketing orientation principles.*



A product is the first most important thing to possess before any marketing activity can be carried out. This is so because without a product offering, there is nothing to be exchanged with the customer or in other words, without a product, there is nothing to promote, price or distribute.

### 3.1.5 Product Components

A product is made of different components. Although it is easily acceptable that a product consists just of the simple market offering, whether it is tangible or intangible in nature, it should be noted also that consumers make product decisions not only on the consumable but what is considered as the total product offering. This means that it encompasses the core benefits, actual product and the augmented product. These three components or levels make up the total product offering which the customer buys. Below is figure 9 about the three levels of packaging that makes up a complete product for offer to customers.

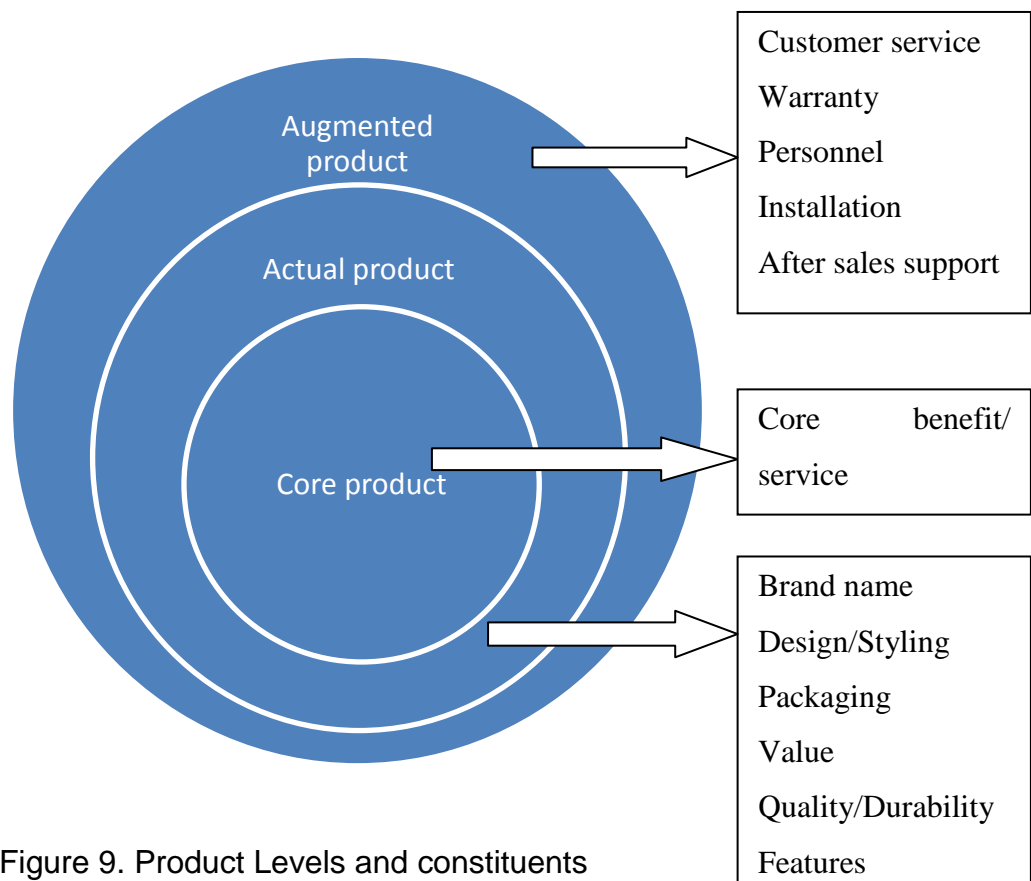


Figure 9. Product Levels and constituents

Source: Lilien, G.L, Kotler, P., Moorthy, K. S. *Marketing Models* (1992).

For the purpose of this research work, the main focus here will be the level two of the product which is the actual product because it is out of this that the main focus which is packaging can be found. The actual product consists of elements such as the brand, design, package, value, quality and features amongst others. Unlike the core product which is very generic, it is at this level of the product that sets one from the competition. It is at the "*actual*" level that makes a product distinct from the offerings of the competition.

### **3.2. Packaging defined**

Packaging is a very important part of a product because of the differing roles it plays in the life of a product. Due to this reason and many others (which shall be explained in later parts), it is one element in marketing that has received lots of attention although not so much justice has been made to it yet because it has not received that much academic attention yet. It is the importance it has that has earned it a place as a 5th P (Nickels and Jolson, 1976).

There is a growing intensity in the level of innovation in packaging which is driving businesses to make even serious efforts to search for continuous sources of competitive advantage. This intensity is more visible in the retail grocery sector (Vernuccio, Cozzolino and Michelini, 2010). There has been a growing change in the patterns of consumer behavior ; widening distribution chains; introduction of newer materials and technologies in packaging; environmentalism; legislations and also the growing commitment of corporate responsibility. It explains why the issue about packaging is very important and has been considered as a possible tool for creating effective competitive advantage (Rundh, 2005).

The past decades witnessed as era where marketers were more poised to reduce packaging costs as much as they could. There has been a sharp drift from that phenomenon to an era where value addition is of more

essence to the marketer than merely reducing costs as much as possible. The focus today is more on how best to present products in a way that draws customers' attention to them and how satisfied they will be, including also getting packages that are cost effective and function better than what competitors offer.

There are various definitions as to what packaging is. However, this research work will focus on those definitions that are relevant to the marketer, in other words, that pertain to the role in marketing management. The reason for this differentiation is because there are different disciplines and they explain packaging differently in different ways and this research is more opined to the marketing function, more specifically, the promotional role.

Kotler and Keller, (2012) , defined packaging as the means of designing and molding the container for a product. This definition however, is very vague since it does not highlight more of the roles that packaging plays and limits its definition only to how packages are made instead of what the term completely encompasses.

Mehta (2012), also has a different twist to the definition although it includes bits of Kotler and Keller's (2012) definition. According to Mehta, it is the "*process of enclosing, or containing the product in bottles, plastic bags, wrappers, lubes, paper cartons and boxes etc.*" This definition unlike Kotler and Keller's goes beyond what the process of just fabricating a container for a product but includes examples of what a package is.

However, the definition by Saghir (2004), gives a more holistic view to what the definition of packaging is and is more acceptable for the purpose of this work. According to Saghir (2004), it is the "*coordinated system of preparing goods for safe, secure, efficient and effective handling, transport, distribution, storage, retailing, consumption and recovery, reuse or disposal combined with maximizing consumer value, sales and hence*

*profit*". This definition is very clear and provides more detail about not only the process but what the term really involves.

### **3.3. Packaging as a marketing strategy**

Packaging is now an integral part of a product. It is considered as part of a product and also the brand itself. The functions within companies try to divide packaging components into parts, however, this is not so in the eyes and mind of the consumer. The consumer does not differentiate between the product, package and equity (Ranjbarian, Mahmoodi and Shahin, 2010). For this reason, it is important that marketers and manufacturers of products make their packaging decisions from the perspective of the consumer and not from their own point of view.

There is more than enough evidence to prove that the role of packaging as a marketing tool and more specifically as a brand communication tool is constantly growing (Dibb et. al. 2012; Ranjbarian et. al., 2010). This has shown in a reduction in expenditure on traditional brand-building mass media advertising, an increase in decisions of buying nondurable products on the store shelves and the fact that manufacturers and marketers alike are recognizing the capacity of packaging as a differentiation tool (Ranjbarian et. al., 2010).

Packaging in recent years has taken a role which is no different from that of other marketing communications elements. It has been proven from investigation that, about 73% of purchase decisions are made where the item is being sold and also consumers at this point do not pay so much attention to the brand before making the purchase (Ranjbarian et. al., 2010). This means that marketing efforts could be channeled more into creating an attractive, efficient and effective package that will try as much as possible to catch the attention of passers-by in a shop. Sales packaging according to Rundh (2005), is one great key to attaining competitive advantage. One other reason that suggests that packaging is important for formulating marketing strategy is because the final thing

customers see before making any purchase decision is the package of the product. The decision to buy or not to buy a specific product can be said to rest in the power of the package.

### **3.3.1 Multiple packaging**

The use of multiple packaging as a marketing strategy is very common with manufacturers. In order to sell more of a specific product, manufacturers may decide to place several units of a particular product in a single container. It is designed in a way to encourage an increased usage rate of the particular product in question (Dibb et. al., 2012). However, multiple packaging is not effective for all categories of products. It is effective when the products in question are everyday consumables such as biscuits or candies. For high-tech products such as laptops or mobile phones, this strategy may not be effective. Multiple packaging as a marketing strategy also comes in handy when conducting a sales promotion.

### **3.3.2 Innovative packaging**

When a particular product faces intense competition in the market, one way to make it visible is to ensure that its package stands out. This can be achieved by designing packages that provides more than the customer expects. The innovation on the package should be one that is valuable to the customer because not all innovations may seem useful if the customer derives no value from it. A package that is innovative is capable of creating a whole different use for the product thereby increasing its usage. It can also be made to create more convenience and comfort to consumers. Figure 10 is an example of an innovatively packaged egg.



Figure 10. An innovatively packaged set of eggs

### 3.3.3 Secondary use packaging

Due to the growing trend in customer environmentalism, it makes much sense to have a product that is still useful for another purpose even when its original purpose is exhausted. This is what secondary use packaging ensures. It gives another option for the consumer to use the package in a totally different way (Dibb et. al., 2012). An example is creating the package of a watch in a durable and attractive manner in such that after the watch has been removed for use, the package serves as a container for storing jewelry by the customer. In this age of environmentally conscious customers, this is one way to beat the competition whilst at the same time attracting customers to your products.

### 3.3.4 Category consistent packaging

Traditionally, there are some products that have a specific way that they are packaged. Some products for a long time have been packaged in one way or form from place to place or country to country. Although being innovative is a strategy for dominance and a source of competitive advantage, it should be done with care when dealing with category consistent packaging (Dibb et. al., 2012). For example, although pizza is noted to be round in shape, it has been a tradition that this product is packaged in square boxes and that is what customers are familiar with.

Trying to change how the package is shaped could give customers a different view and they may not identify what it actually is. The maintenance of such tradition could be the only way because if care is not taken, any slight change could lead to a product failure thereby hampering all marketing efforts.

### **3.3.5 Handling improved packaging**

This is the strategy of altering a package in a way that enhances its handling, creating convenience and also ensuring the product remains intact from the manufacturer to the final consumer. This is a valuable option if current package creates handling challenges through the supply chain. An example could be

A combination of the above strategies can be very helpful to the marketer. They can also be stand-alone choices. It is the duty of the marketer to ensure that the right blend of strategies is what is applicable in any particular case.

### **3.4. Packaging levels**

There are basically three levels of packaging (Kotler and Keller, 2012; Ranjbarian et. al., 2010). These are *primary*, *secondary* and *tertiary* packaging. The primary packaging is the one that has direct contact with the product and this is the container that keeps the core product till it reaches the final consumer. For example, perfume bottles serve as the primary package.

The next level which is the secondary packaging, is the one which contains or houses single or multiple primary packages. The secondary package is normally disposed of when the core product is about to be used (Kotler and Keller, 2012; Ranjbarian et. al., 2010). It is purposed to

protect and give an identity to the product and at the same time communicating its quality to consumers (Ranjbarian et. al., 2010). An example of a secondary package is the cardboard that contains the bottled perfume.

The final level which is the tertiary packaging is the one which contains both the primary and the secondary packages. It is purposed to transport, bind the products together and also to communicate the quality of the products. This level of packaging is the box or container that holds the products together till they reach their final point of destination and should therefore be very durable and built to do so more conveniently and efficiently (Kotler and Keller, 2012). See figure 11 below of the levels of packaging.

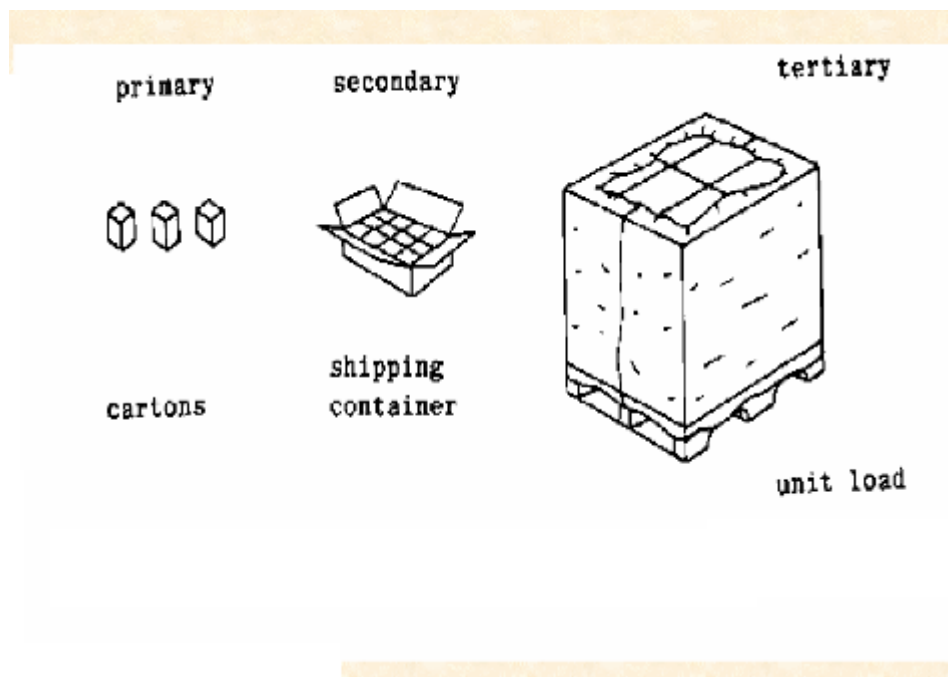


Figure 11. Packaging Levels

Source: [www.google.com/images](http://www.google.com/images)



### 3.4.1 Functions of packages

Packages perform different functions. It is important to note also that the levels of packaging which are the primary, secondary and tertiary levels, perform different roles. They can also collectively play similar functions either related to logistic issues or marketing related issues (Silayoi and Speece, 2007). These roles are highlighted below in the following paragraphs.

One of the most important function of a package is the ability to protect and preserve the products it contains. It should have the tendency to "*safeguard the physical, thermal and chemical-bacteriological integrity of the product*" (Vernuccio et. al., 2010, p. 338). It is considered the primary rfunction of a package (Dibb et. al., 2012; Wells, Farley and Armstrong, 2007; Vernuccio et. al., 2010) and performs a logistical role (Silayoi and Speece, 2007). It is to play the role of preserving the product's integrity (Wells et. al., 2007). This is to say in simple terms that a good package should be able to keep the product in its original state right from the production line to the final consumer. It should be able to endure the pressures of transportation without losing its original look or even quality. Manufacturers and marketers alike have it as a duty to ensure that the packages that serve as containers for their products is of good quality and design.

Another function of a good package is its ability to ensure convenience to handlers especially the final user. Consumers are more attracted to products whose packaging offers convenience and ease to use. Simple yet innovative package designs come in handy when talking about convenience. Complex packaging designs have the tendency to create inconvenience because of the time and effort which may be required to handle them or even use them. For example, a tin of tomato paste with and easy to open perforation is much desired by consumers than one that will require the use of a tin cutter which is an extra cost and effort.

The next function which is the main focus of this thesis is the marketing role it plays (Silayoi and Speece, 2007; Wells et. al., 2007; Vernuccio et. al., 2010; Dibb et. al., 2012). Accordingly, packaging should be able to communicate the product attributes to consumers. This role is exactly one function of marketing, that is, to communicate the product to the consumer. In this regard, the package should be able to come alive at the point of purchase, thereby, acting as a silent salesman (Wells et. al., 2007). Packaging in recent years is considered as the "*flag of recognition and a symbol of values*" according to Wells et. al. (2007) because it performs more than a salesman would. Comparing packaging to advertising, marketers are until now not able to truly justify the huge investment that goes into it. Unlike advertising, packaging however, represents a very important tool or medium to communicate a brand's message directly to the final consumer (Wells et. al., 2007).

All the above functions are very important and as such packaging decisions that are made with these in mind have the tendency to perform positively in the market, whether it is local or international. Manufacturers and marketers alike who want their products to succeed in the market should make it a point to ensure that packaging designs they put forth in the market should be simple and easy to identify by customers coupled with a good marketing mix.

### **3.4.2 Packaging design and logistics**

Packaging design and issues about logistics are very much intertwined. This is so because a good package ensures effective and efficient flow of products through the supply chain right from the production line up to the final consumer. One way of ensuring that this process is smooth and without much challenge is to ensure that the designs adopted for the product's package is right and appropriate for the logistic challenge ahead.

Due to the intense rate of innovation in packaging which is a driving force of competitive advantage especially in the retail industry, there has been a need of interaction amongst many functions within firms (Vernuccio et. al. 2010). The past researches have focused on either packaging as a strategic marketing tool or as an important component of the logistics system. Strategic packaging planning requires that the marketing, logistics disciplines within firms are designed to interact in a way that enhances the functions packaging play on products along the logistic chain.

There is a growing use of information technology and automation in the warehousing and material handling sects within organizations and this has given packaging an increased importance in terms of the role that it plays. Having good packaging has the tendency to have a positive impact on both warehouse layout and design and even total warehouse productivity (Prendergast and Pitt, 1996). This means that the design of a product's package has the likelihood to affect the smooth flow or otherwise of warehousing and logistics.

Packaging design is also supposed to make the products very attractive considering the fact that customers tend to also judge the aesthetic qualities of a product before they make a purchase. This means that the package should be presentable and thus attract customers to it (Wells et. al., 2007) and at the same time providing durability. It helps position products to specific segments within the market and at the same time communicating the brand.

Manufacturers and marketers as such should ensure that more time and care is devoted to the development of packaging concepts (whether structural or surface graphics) should be executed throughout the development stages of the product from start to finish. Also packaging strategists should ensure that the design which they finally chose is one that ensures that the product flows freely with little challenges within the supply chain from production to the final consumer. It is a critical part of the packaging process.

### **3.5. The role of labeling on packages**

It is important to note that although there are various features of a package, one very important part is the label. This part of the package (product) is very difficult to ignore especially because that creates the differing factor of one product from the competition. It is the label that carries information about what the product is and its contents. Labels on products give them an enhanced attractive look to customers because they improve the overall beauty of the product.

A good label should carry information about the product including weight, contents, and also where the product originates from. In addition, it should help the customer in making an informed decision regarding whether or not to purchase and how to use the product more efficiently and effectively (Dibb, Simkin, Pride and Ferrell, 2012). In other words, it would not be misplaced if we say that a label is the window to a product. Meaning that a good label should communicate exactly what the contents of the package are and serve as a mouth piece of the product.

The ultimate goal of the marketer is to create that label that enables customers to get the needed attraction and one that turns to actual sales. It helps to enhance the marketer's activity of communicating to the customer when sales men are not available. It acts as a silent sales man because it tries to do the attraction and communication on its own.

Labeling however, has its own challenges especially when dealing with international trade because there are so many issues to consider coupled with meeting international regulations. There are so many country-specific legal requirements that need to be fulfilled in order to market products overseas. Manufacturers therefore, have a duty to ensure that packages and labels they use for their products meet all requirements and standards set if only those products are to survive (Blythe, 2012, pp. 146).

Since the information that appears on a label are legally binding just as a representative of a company is, there is the need to ensure that any information put on that label is not misleading. In other words, avoiding the use of deceptive words that profess what the product is not capable of providing (Dibb et. al., 2012). This helps to avoid legal charges as much as possible.

Variances exist with labeling laws from one country to the other irrespective of the fact that some trade agreements exist between or amongst some states. Product survival in overseas countries really depends on how much is put in ensuring that these legal requirements and even in most cases cultural expectations are met.

Eco-labeling is also one area that is gathering momentum in recent years when it comes to labeling issues. Consumers are now seeking eco-friendly products because there is an increase in environmental awareness and this is putting intense pressure on manufacturers to go green as well (Minami, Pallegriani and Itoh, 2010). There is now the tendency that environmentally conscious consumers will seek to know if products they are purchasing does not harm the environment. This information is easily assessed on labels of products. For this reason, the companies that show on their labels eco-friendly symbols tend to get an edge over those that do not (Cateora and Graham, 1999).

There is however, no clear legislation on how to use eco-labeling. But considering that this is something that consumers pay attention to when making purchase decisions, it dawns on marketers and manufacturers alike to ensure that their production processes and also marketing processes should be geared toward environmental friendliness (having the environment in mind throughout the value chain). This way, they can genuinely use eco-labels on their packages in order to attract those environmentally conscious customers of today (Cateora and Graham, 1999).

### **3.6. Criticisms of packaging and ethical concerns**

In as much as packaging is considered one of the best marketing and brand building tool, it has not come without its own criticisms. There have been many concerns raised by some sects within the public especially about its relevance considering how much investments on manufacturing that goes into it. Planning and handling packaging innovations must not only be made along the marketing and logistics dimensions (Vernuccio et. al., 2010). The ethical dimensions should also be of importance in today's operational environment.

One of such criticisms is to do with the issue concerning deceit (Dibb et. al., 2012). These are considered the schemes and scams that manufacturers or in many cases, marketers, use in luring customers to purchase their products. There is the argument that most of the products that customers purchase from the market is not done on their free will but are lured into them due to the package. Elements such as the colour or the message on a product's label may sway a customer from purchasing a better product into purchasing what is ideally good for them. Dibbet. al. (2012) explains that some packages may communicate the message of containing much more than they actually do which in most cases is the basis of a customer making a purchase. An example is placing a small quantity of corn flakes in a big box communicating "more inside" whereas it is not but filled with more air. One other way used is either omitting relevant information or adding information which is not true (Jobber, 2007, p. 369). All the above are some of the ways in which packages can be deceptive.

Another criticism is that packaging costs represent a bigger part of most product costs. This is the reason why some products are very expensive. There is the argument that if packages are eliminated as much as possible on most items, there is a big likelihood that most product prices will fall (Minami et. al, 2010). An example is the glass jar that contains most herbs and spices. It is mostly more expensive than the spice or herb itself

therefore, it will be better to sell them without the jar to save the customer more money. Prices of some items without packages could be cut as high as 60-70% (Minami et. al., 2010). This is a great ethical issue which needs attention by manufacturers and marketers alike.

How packaging affects the environment is also of great concern to many consumers. There is a great wave of environmentalism in many parts of the world in recent times (Vernuccio, et. al., 2010) which has also created some increased awareness of the importance of this ethical dimension and the strategic value it poses among decision-makers. This has forced many retailers to put some steps in place in ensuring that their supply chains are "green". It is however a very complex thing to do. This is because "*Green Supply Chain Management*"(GSCM) is a multi-faceted activity, which involves different considerations including Co2 emissions, natural resources depletion and also waste disposal (Minami et. al., 2010). This has created a shift to ensuring that materials used for manufacturing packages are either recyclable or biodegradable (Blythe, 2012, p. 145-146). There is even another opinion that recycling is not a "green" activity because if packages did not exist in the first place, there would not have been a need to recycle them (Minami et. al., 2010).

Because these issues take an international dimension, it is very important that manufacturers and marketers who do cross-border business make strategic decisions including packaging that will address these issues more than before. It means that there should be more steps taken from merely attracting customers to products but also enhance other issues regarding packaging ethics before they introduce their products into the market, be it local or international. One of the ways to ensure this is to invest more into research and development on how to create effective, attractive and also packages that are environmentally friendly to help reduce the impending criticisms and environmental concerns.

Another way to ensure that your packaging decisions are on the right track is to check these ethical dimensions in the table below and plan their packaging strategy with them in mind

Table 2. Principal ethical dimensions of innovation in packaging

<b>Dimensions</b>	
Eco-compatibility	Facilitation of recycling activity; reduction of waste; reduction of harmful materials; reduced use of materials; reduction of the risk of environmental damage; energy savings in the production process; re-use of recycled materials.
Information	Is honest, truthful, sincere, comprehensible and complete
Societal orientation	Focus on special-needs customers; maximization of user-friendliness; reduction of cost
Safety	Reduction of risk of damage to the person beyond the legal obligations
Social Solidarity	Communications; social responsibility; social engagement

*Source: Vernuccio, M., Cozzolino, A. and Michelini, L. (2010).*

Understanding the difficulty involved in balancing the environmental concerns with the important functions of packaging is one way of trying to tackle the challenge. The trade-off between the logistical/marketing functions of packaging and its associated environmental problems should be of greater concern to both manufacturers and marketers alike.

### **3.7. Internationalization and packaging decisions**

One main challenge managers battle with when it comes to making decisions concerning their marketing mix elements is whether to standardize or adapt their marketing strategies to the international market that they serve (Theodosiou and Leonidou, 2003). This is not a very easy decision to take as compared to the local market where there is more



familiarity with the dos and the don'ts. Literature discussion regarding whether to standardize or adapt in international markets have become very polarized (Nilsson et. al., 2013). However, it is important to understand that there is also a third strategy choice and this is the combination of the two extremes (standardization and adaptation) which Horská and Ubreziova (2007) describe as "*hybrid strategies*".

The term standardization refers to the offering of the same product (in this context, same package) to all the customers in all the markets a firm operates in. Adaptation on the other hand refers to the changing of product (in this context, the package) in order to meet the different country markets a firm operates in (Medina and Duffy, 1998).

Packaging decisions whether made for the international or local market is done based on some influential factors. These factors include but not limited to consumer influences—demographic and lifestyle factors; environmental influences—using environmentally friendly packages; international influences—similarities and differences; logistics and distribution influences—developing workable distribution systems; marketing influences—growing competition; and also technology influences—availability of technology (Rundh, 2009). The above factors are what marketers rely on together with various departments such as R&D, logistics, and so on, to make decisions on the different aspects of the package both for local and international markets. The only difference is the dynamics involved in these two markets.

It has long been held that the major driver for firms going abroad is the fact that firms tend to acquire significant performance benefits. However, the argument has also been that the more expansion is continually sought after, there is the possibility for a decelerating growth in profit accompanied with negative returns on margins beyond some optimal level (Papadopoulos and Martin, 2010). This means that the decision to go international in itself is very challenging and does not guarantee

continuous profit gains. Firms who market their products in overseas markets strategize to either adapt to those markets or standardize their products across board. There is the same option for marketers to either conform their packaging to a particular standard where products are presented similarly across their international markets or adapt their packaging to individual market tastes.

Firms may opt to either standardize or adapt to a foreign market based on the dynamics of the drivers that urges them on (Czinkota and Ronkainen, 2010). The urge to standardize may be driven by the attainment of gains due to economies of scale which they tend to enjoy in the foreign market on their products and R&D (which also includes the packaging costs); also could be as a result of intense competition in the local market amongst other reasons. Firms may also chose to adapt due to the reason that some products are used differently in different markets; governmental regulations could force them to do so; behaviour patterns are also different across international markets and may also be due to an existing intensity in the country of import (Czinkota and Ronkainen, 2010).

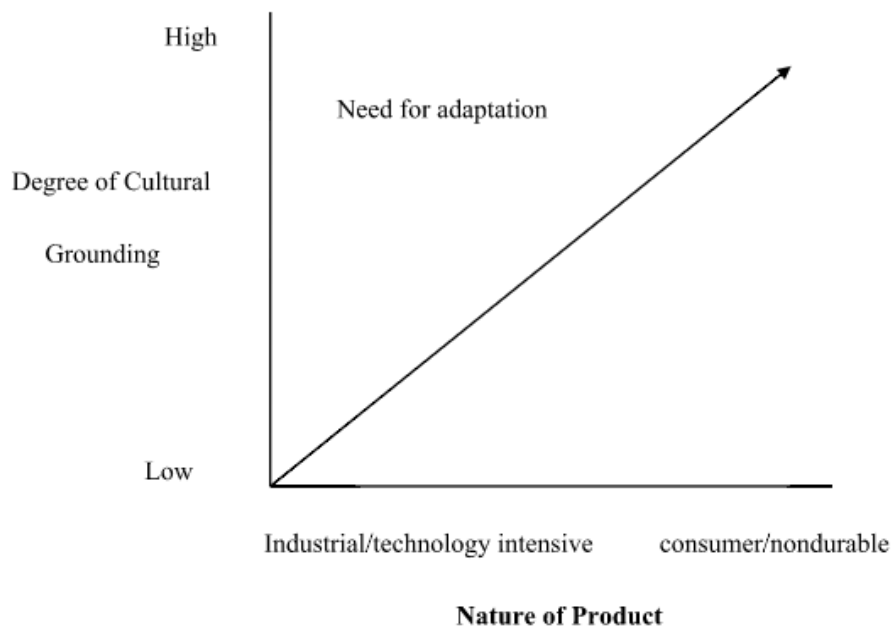


Figure 12. Strategic adaptation to foreign markets

Source: *Principles of international marketing, ninth edition.* (Czinkota and Rokainen, 2010).

Figure 12 above, gives an explanation on when a firm should consider adapting its packaging to meet country specific needs. The higher the degree in the cultural grounding of the foreign market, the more adaptation is needed to meet customer needs. Also, when there exists a low degree of cultural grounding coupled with a consumer of non-durable product, the lesser the need to adapt. Since adaptation often results from the pressing need to meet the demands of local market conditions in international markets (Horska' and Ubreziova, 2007), it is important for firms serving foreign markets to understand that this can be costly in their quest to provide tailor-made solutions. The choice to standardize is more effective or suitable for international market segments that are represented by consumers who have in relative terms, similar needs, traits and even wants as well as conditions of use (Horska' and Ubreziova, 2007).

There has been a continuous growth in the importance of packaging over the last decade and this has not only been limited in terms of effective distribution and handling concerns, but also concerning marketing and the value that it gives to products (Nilsson et. al. , 2013). It should be noted that the same package in country market one could play different roles in other countries (Rundh, 2005), especially in the areas of its protection, promotion and the convenience it gives to users.

It should be noted also that, the level of involvement in international markets overtime helps to increase the knowledge about how to conduct business in those markets and hence, understand the complexities related to product packaging. This also contributes to how firms manage varying situations, operations and also market conditions in those countries (Papadopoulos and Martin, 2010). It is safe to make the assertion that having a prior experience in a foreign market aids in managing better the issues related to strategy including packaging decisions as well, which can be used also in the local market.

Nilsonet. al. (2013), in their research underscored the need for firms who are marketing their products in foreign markets to develop their packaging portfolios in a more comprehensive way, allocate packaging requirements and also ensure that they understand the end-user behaviour and the connection it has to packaging. This is one way of ensuring positive impact of products that are presented. It is even possible for firms who are global to make significant balance to their packaging portfolios (Nilson et. al., 2013).

Packaging decisions may be affected differently by different internationalization processes and or the type of product that is to be internationalized. For example, since Born Global companies start their internationalization process in multiple countries from the onset (Jantunen, Nummela, Puumalainen and Saarenketo, 2008), they are likely to present standardized packages more than use an adaptive approach due to the time involved and the amount of money involved in rolling out products. However, a firm that progresses in its internationalization process, thus using the Uppsala model, is likely to approach the market in a different way depending on the level of knowledge that has been acquired during the process of internationalization in a specific country.

Firms that approach internationalization using their networks are most likely to be influenced by those firms through which they got the connection to the foreign market (Hollensen, 2007). In this vain, they may also be likely to package their products with some influence from their partners within the network. For example, a firm that internationalized because its customer had gone abroad is likely to be influenced by this customer in most decision areas including packaging decisions as well. It is important for such company to make decisions based on the preferences of this business customer(s). On the other hand, the Resource Based View which posits that firms internationalize based on the amount of resources available to them (Mwailu& Mercer, 1983, Wernerfelt, 1984, ; Rumelt, 1984; Penrose, 1959) will mean that a firm's international packaging decisions will be influenced greatly by the resources that are

available to it. Therefore, whether it decides to go for a standardized or adaptive packaging approach will depend on how deep the coffers of the company is aside the other influencing factors such as country knowledge, know-how and level of competition amongst others.

It should be noted however, that packaging decisions are more complex to make than is mostly perceived and as such a holistic consideration should be made in finalizing such decisions.

#### 4. RESEARCH METHODOLOGY

The proposed research method that was chosen and used for conducting this work was considered because according to the author, this will aid in solving the research problem which is to explore the "*effects of internationalization on packaging decisions*". A qualitative method was selected and then in obtaining data for the empirical part, the case companies were thoroughly interviewed. Since this research uses a multiple-case approach for obtaining data for the empirical part, much care was taken to ensure that the appropriate number of companies were included. According to Eisenhardt (1989), there is not an ideal number of cases to be included in a case study but recommended between four and ten cases. This is due to the fact that theory is very difficult to generate with fewer cases and when the volume of cases is also very much, the data obtained is difficult to effectively manage.

Due to the time available to complete this master's thesis work, even though Eisenhardt (1989) had proposed between four and ten cases for a multiple case study, the author did not rely exactly on the number of figures proposed. This is because, the proposal made was based on whether a theory was to be generated or not. Since this research was just an exploratory one and did not require coming up with completely new theory but building on previously held theories, the author relied on reaching a saturation instead of preplanning the exact number. Yin (2009), explains that there is no strict rule on the number of cases that best fits in a multiple-case but it is important to ensure that the sample chosen aids the researcher to obtain the needed data that generates the best results.

The industries were chosen because they represented tangible products to some extent and were also industries that provided a more easy access to data. As such given the timeframe involved in completing this work, it was important to also choose industries that will provide more information for a quality outcome.

The next decision taken after concluding on a qualitative data collection method was to reach a decision on whether to conduct a single case study or multiple case studies. To best answer the research question, it was decided that a single case study will have a higher risk of misrepresenting the truth that is expected (Yin, 2009). As a result, multiple case studies was chosen since this strengthens the results and thus increases the confidence in the robustness of the theories involved. *"one rationale for a single case is when it represents the critical case in testing a well-formulated theory....The theory has specified a clear set of propositions as well as the circumstances within which the propositions are to believe true"* (Yin, 2009, p. 47). The decision for choosing a case study approach is because it tries to blend the data gathered from both primary and secondary data which together helps to confirm each other (Yin, 2009). And a multiple case study in this regard will strengthen the reliability of the data obtained.

#### **4.1. Research Design**

Research design according to Wilson (2010), is a framework that serves as a guide for collecting and analyzing data. It includes planning, action, observation and reflection phases.

Concerning the planning phase, together with my supervisor, a schedule was made on a step-to-step approach on when to gather literature, collect data and also analyze the gathered data.

The next phase was to put the plans into action. This required gathering relevant materials and also frequent correspondences with the case companies for interview dates to be agreed upon. This required travelling to Ghana where the case companies were domiciled.

An interview guide was designed and used in conducting the interview in order to replicate similar if not the same questions to all the case respondents. This was a way to ensure that there was some level of focus. The aim here was to ascertain from the case companies if there were any differing views or similarities around the same questions and also whether these answers had any relation to the theories that were used.

The last stage was the reflection stage. This is where the whole gathered theories and empirical parts were analyzed critically in order to solve the statement of the problem.

#### **4.2. Research Approach**

The approach that was used to gather the data was a more deductive one where theory was first explored and then later used it to conduct an empirical research to ascertain the similarities or differences that existed between the theories and the empirical data. a multiple case study approach was deployed instead of let's say a survey because the aim was to explore more than to explain the numbers.

#### **4.3. Research Boundaries**

All the firms that were used in the empirical part are Ghanaian companies that manufacture products and also markets one or more of their products in a foreign market other than Ghana. All five firms have manufacturing firms in Ghana and are in charge of their own packaging and internationalization decisions abroad.

The firm level formed the unit of analysis whiles the unit of observation was one marketing manager or founder (CEO) of these firms. This choice of interviewing the marketing manager or the founder was because the researcher was interested in the marketing function and these units of



observation were adept to the internationalization topic (Malhotra, Birks and Wills, 2012). They were actively involved in making packaging decisions for their companies both locally and for the international markets they operated.

#### **4.4. Data collection and analysis**

Data was gathered from varied sources both primary and secondary. Mainly, secondary sources were used to obtain the data for the theoretical part. The reason for this was that most of the data that was required was already available in journal databases, books and from the internet. Data for the empirical part was sourced from both primary and secondary means. The primary data collection was gathered through a semi-structured interviews whiles the secondary means was from the companies' web pages and government and agency websites were used whiles also relying on data from personnel from the case companies through face-to-face interviews.

Yin's (2009) proposal on ensuring that researchers ensured that they made every effort possible to fortify that the analysis they produced was of the highest quality was adhered to. Yin proposed that this can be accomplished by paying attention to the following:

- i. Present that the analysis used relied on all important evidence;
- ii. Include all rival interpretations in your analysis;
- iii. Only address the parts of the case study that is relevant;
- iv. Use the researcher's previous expertise knowledge to further the analysis.

The above propositions by Yin were used to structure the analysis. The findings were analyzed by comparing both the theories gathered and the findings from the empirical data obtained by the author.

#### **4.4.1 Semi structured interviews**

According to Yin (2009), one of the most important case study collection means is by the use of interviews. To ensure that the respondents gave out sensitive information without any intimidation whatsoever, the interview was semi-structured. This is because semi-structured interviews allow respondents to bring up newer ideas or responses which add more value to the data that is been gathered (Yin, 2009). Although the sample that was chosen for this research was small, most emphasis was on the depth of insight that each respondent was going to provide.

The interviews were all conducted from September to October 2014. These were all one-on-one interviews, except for one of the interviewees who resided in the market that the company served and as such e-mails were exchanged for the purpose. All respondents were informed in advance before they were approached for the interviews. Apart from the interviewee who resided in the market that the company exported to, the rest were all interviewed in their offices on the premises of their companies. The interviews lasted from about 35 to 50 minutes long. Respondents were interviewed based on pre-determined themes which comprised of company background, packaging decisions and the effects of internationalization, internationalizations challenges and adaptation versus standardization choices.

Records were taken of the interviews on the premises where they were conducted in order to provide the real issues discussed unedited. These were later transcribed for easy analysis by the researcher.

#### **4.4.2 Personal Observation**

Adding to the interviews, observation was also another means the researcher used in gathering data. According to Yin (2009,110),

observation helps in attaining extra information that is helpful to the research problem. Malhotra (2012), explains that observations can be carried out in two categories, that is, *personal observation* and *humanistic inquiry*. The former being the collection of data in a discreet way without distracting the phenomenon under observation while the latter requires more involvement of the observer in the study of the phenomenon.

For the purpose of this work, personal observations were carried out. This was to find out the differences in the presentation (packaging) of products of the companies according to their size and how long they have been internationalizing or selling their products abroad. This comparison is very necessary because it helps in attaining whether size of company or how long a company internationalized also affected how their product packages looked like. These observations were carried out in the display rooms of the companies where samples of their products were kept. Some of the points of observation included the product labels, quality of material used for packaging product and the attractiveness of product packages.

#### **4.4.3 Secondary data**

Secondary data was also employed in this research. This is the use of already existing information. Data was gathered from company websites, company brochures and already existing articles conducted around the field of study.

#### **4.5. Ethics of the research**

Ethics was very much considered with regards to this research work. Issues related to ethics requires that the researcher is transparent concerning how the data is going to be used, and also about ensuring that respondents are respected and their information they provide given the needed confidentiality (Wilson, 2010). Due to the issues about ethics, the researcher ensured that the respondents were informed about the full

details and use of their information. To ensure this, information that was deemed confidential by the respondents were kept confidential. The respondents businesses and their responses were kept as anonymous just as was agreed between them and the researcher. In order to instill more confidence in the respondents, a lot of correspondents was made and in each one of them, the respondents were reaffirmed of their anonymity and confidentiality being kept in good faith.

#### **4.6. Validity and Reliability of the research**

To ensure that the report is of good quality, valid and reliable, Yin (2009) has proposed some ways to meet good standards with regards to internal and external validity and reliability.

- **Internal validity:** To ensure that internal validity was achieved, the respondents were given regular feedback with notes that had been made from the interview. This was to ensure that nothing too divergent had been added to their responses and that the contents were as close to what was given as possible.
- **External Validity:** Even though the cases were in the same country, there were differences in firms in terms of size and how many years they have been internationalizing. Although much effort was made to ensure that the same interview guide was used in each case, some slight adjustments were made in each case according to their uniqueness. The decision to end the research with five cases was because, after the fourth case, there were no new insights to what had already been gathered. Therefore, the researcher ended the research on the fifth case.

Construct validity was also ensured. This means that the empirical study has a relation to the theoretical part based on which the study

is made. The empirical part of this research was adapted to the theories that were used in this work.

- **Reliability:** A research has to be reliable so that if it is replicated by the same researcher or any other person(s), the same findings will be obtained (Yin, 2009). To ensure this, there is a need for a case study protocol. This research used interviews (drawing insights from some interviews already used in this area of research) in obtaining the empirical data and this has been documented in order to make replication easier and reliable. To ensure that the responses are reliable, selection of respondents were chosen based on the positions they occupied in these companies and the expertise they have concerning the research topic area. This notwithstanding, it is notable that future research could produce some difference in the findings because the current firm situations could differ in the future.

## **5. EMPIRICAL PART**

### **5.1. Introduction**

In this chapter, the evidences gathered from the field research work are presented. Companies that were researched ranged from alcoholic beverage companies to herbal product manufacturers. In other words, the companies are representing different sectors of the economy in order to reduce the level of biasness that a single industry could produce. The companies in question are all Ghanaian based manufacturers who do their own manufacturing and are also involved in international marketing activities. For the purpose of anonymity promised the interviewees, the case companies and anything related to them have their names been replaced entirely by chosen alphabets from A-E.

### **5.2. Findings from interviews**

This part will give a brief description about the individual cases that were studied for the purpose of this work. The responses gathered have also been produced in a simplistic way for easier understanding for readers. The order of case listings have been presented in the order and manner in which the interviews were conducted.

Below is Table 3 showing the summary of the companies' profiles and how they were interviewed. The companies range from small and medium enterprises to larger international companies with existence ranging from five years to about fifty years.

**Table 3.**Summary description of case companies and modes of interviews.

<b>Company</b>	<b>Products manufactured</b>	<b>Percent age of produce sold abroad</b>	<b>Mode of interviews</b>	<b>Major foreign markets</b>	<b>Respondent</b>
Company A	Fruit juices	Over 95%	Over the internet	EU	International marketing manager (EU)
Company B	Household detergents, chemicals and hair products	5%	Face-to-face	ECOWAS countries	Marketing and Operations Manager
Company C	Herbal products for hair and body, tea	30%	Face-to-face	ECOWAS countries, UK, US and East Africa	General Manager (Marketing and Operations)
Company D	Bags, shoes, baskets, shea butter and soap	95%	Face-to-face	EU, US and Nigeria	CEO
Company E	Alcoholic and non alcoholic beverages	45%	Face-to-face	Nigeria, US, UK, Switzerland and S. Africa	Marketing Manager

### 5.2.1 Company A

Company A was established in 1997 as a fresh-cut fruits company. This signifies that all their products which are fruit juices are packed from just harvested fruits delivered within forty eight hours. Company A prides itself to be a pioneering company in delivering fresh-cut fruit juices which have no added chemicals, artificial flavorings and additives. The company is

one that can be described as a "born international" company because they started exporting their products right from the inception of the company.

The main market Company serves apart from the home market which is Ghana is the European Union where it sells almost 95% of its total production. The company employs about 2000 workers in four countries including Brazil, Egypt and South Africa in addition to the host nation, Ghana. It is considered one of the best exporting companies in Ghana due to its success abroad and the fact that it adds more value to its raw materials compared to other firms in Ghana (mainly attributed to its packaging prowess).

According to the respondent, "*I will describe our company as a born global company because we started exports to Europe from the onset of our inception...we have had the mind to go international right from the time we started the company*". This shows that the company knew exactly where they wanted to market their products to and this vision is what has driven the company to its current state of internationalizing to multiple countries within the EU to very well-known supermarkets. Responding to whether the international markets they served was critical to the company, this is what he had to say, "*It is where the main market is for our products...and yes of course, they are very critical to the survival of our company considering that they provide us with more than 95% of our sales*".

When it came to the topic about their packaging decisions and the effects of internationalization on their products, revelation was that it is one of the most important aspects of their operations. Factors they considered very critically before packaging for their local market which is Ghana included cost, quality of package, the size of the package and then finally, the appearance. Responding on why these factors were very critical, this is what he had to say, "*issues regarding packaging finally falls down on the price of producing the package and we always use a packaging format already used in the international market also for our local market*". This



means that both the local and the international markets were served with the same kind and quality of packaging.

To them, internationalization has had a good effect on their packaging both local and abroad because, "*this has meant we have knowledge, experience and a wider range of packaging options...which has had a considerable impact on how we package back home...we would make changes to our packaging if we deem necessary*". Going abroad has helped them to ensure quality packages also back in the home market.

During their internationalization process, "*...we faced some challenges and of course most companies do but I speak now we have come to a stage where those are no more challenges to us because we see them as a routine in our activities*". They no longer have those challenges because they are no longer going through the internationalization process, it was something they started right from the start of the company. When asked whether they considered standardization or adaptation in their decisions when serving international markets, he settled on standardization. This is cheaper option for them because they save a lot of money on a unit cost since all the packages are the same and does not require lots of modifications for country specifics.

In conclusion, the respondent mentioned that "*...going international has been very positive...it has given us more experience, knowledge and access to a wide range of packaging options*". He is of the believe that more can be achieved in making right packaging decisions if companies can test their products on the international market.

### **5.2.2 Company B**

Established in 1969, Company B is a chemicals company dealing in both household and industrial chemicals. It is considered one of the oldest industrial companies that is Ghanaian owned. It started as a general merchandised company dealing in chemical products. Today the company

has a wide portfolio of businesses that deal in various diversified products ranging from real estate's management to block manufacturing, farming and petrochemicals to chemical trading where they supply across the West African sub-region.

The company started mainstream exporting about ten years ago. Its main exporting countries are found in the ECOWAS region comprising of countries such as Nigeria, Togo, Burkina Faso, Cote D'Ivoire and others. Most of its exports are chemical products of which they distribute mainly to mining companies. The company exports only 5% of its manufactured products abroad which are the household detergents and hair products. This is so because focus has shifted from the international markets to the local market due to lost in huge market share in the local market to other competitors.

Company B from the start of their internationalization followed some of their clients abroad. They also expanded more through the networks of their earlier customers in those foreign markets. International markets are very critical to their growth but they are concentrating more on the local market because they are getting a lot of competition there lately. The respondent however continued by saying, "*we wished we were expanding more abroad...but then one has to ensure that his own catchment area is very much catered for before throwing more resources abroad*". This by inference means that the local market currently is more critical to them than their international markets.

When packaging for the local market, "*we consider factors such as customer awareness, legal issues and what other products are in the market...there are other issues but these are the critical ones to us*". He continued to mention that the above issues were not what they considered when making decisions concerning their international markets, "*...the dynamics are very different and therefore we consider other things as well...cultural issues, legal issues and sometimes language issues as well*". However, he agreed that their international involvement has had a

great effect on the way they made local packaging decisions as well, *"international involvement has really helped us to improve upon our local packages which is a very good thing, I'll say...we make improvements here and there when the need be to stay competitive"*.

On issues concerning challenges Company B faced in its internationalization process, mention was made on huge competition, lots of importation and difficulty in shipping products abroad. *"we try to deal with these challenges by using our experience...we always track our competitors on every move they make...also we try to be more innovative in our dealings to ensure that we become relevant players within the industry"*.

When they ventured into international markets, they have always tried to adapt to them. According to the interviewee, *"...this is because the cultures are different...they have different tastes, laws are also very different and you have to change your ways to meet those laws and finally it is difficult to spread the same standards across board"*. They will say adaptation is the way to go when internationalizing because this way, *"it helps to tailor your products to specific groups of customers"*.

Company C fully agrees on the fact that internationalization affects packaging decisions in a positive way. *"How can I say it is negative because all it does is to show you newer things and better ways of doing what we always do...it has always helped us to improve upon our packaging"*.

### **5.2.3 Company C**

Company C has been exporting directly for the past six years. It is a herbal products manufacturing company that deals in beauty and natural products. The company's products ranges from skin care lotions, shower gels, hair food, soaps and herbal tea. The company started

internationalizing a few years after its inception. It employs about 150 workers. According to the interviewee, the company has expanded about 110% over the last ten years. Its main exports are focused on the ECOWAS region; however, it exports in larger quantities also to the UK, the United States and East Africa. A little more than 30% of the company's sales come from its international markets.

About how they went international, the respondent explained that they had to study each market very critically before venturing into them. This is because they did not want to make many mistakes due to the limited resources they had at that time. However, after their success in the first foreign market and the demand for their products abroad, they decided to go into multiple markets at the same time, *"this is because we had learnt a lot of lessons from our first international market and used that on our subsequent markets...because we dealt mostly in West Africa, we realized that the market dynamics are similar"*.

*"...that I will say a resounding yes to...this is because for us this is a big means to attract enough foreign exchange which is very critical when it comes to the importation of some of our raw materials for manufacturing"*, this is what the respondent had to say when asked the importance of their foreign markets. He further stated that, *"...apart from those I have mentioned, our foreign markets helps in expanding our markets and standardizing our products especially when it comes to the packaging"*. The interviewee was of the strong opinion that concentrating only on the local market can no longer be sustainable in the very long term due to the ever increasing competition from both local and international companies in the herbal products industry.

When making packaging decisions for the local market, *"we consider factors such as price, the material being used for packaging the product (that is the wear and tear), safety of the content...competitor's product packages"*. Continuing with the responses, Company C does not think that the factors that are considered for making packaging decisions for the

local market should not be different from the ones used for the international market. Explaining further his reasons he stated that, "*...the market even though is local is also global...regarding the competition from abroad*". This inference explains that although they operate in the local market, they are already in competition with international companies who bring their products into the country and as such if their local packages can stand them, then there is no real change in situations in their foreign markets.

Company C's participating in international markets have had an effect on their packaging locally which they use as a standard for all their markets. Their involvement in foreign markets has in his own words, "*improved the quality of our packaging considerably due to the exposure...we will certainly made changes when necessary for better competitiveness*".

With issues about challenges faced during their internationalization process, there were a many of them that the respondent mentioned. "*our biggest challenge is bureaucracy whenever we export products to other ECOWAS markets...however, the US and EU markets are much easier. Other challenges are shipping, certification and standardization challenges...these affect our pricing a lot and bureaucracy puts us in a very tight corner...not been able to meet some of our deadlines*". To overcome most of these challenges, they resort to the payment of bribes. With certification issues, "*we register some products and leave the rest to chance*". They also ship via air to meet strict deadlines.

Company C combines both standardization and adaptation strategies when making their packaging decisions for international markets. According to the respondent, "*depending on the market we either adapt or go with a standard package...we mostly adapt color and packing and then standardize language, labeling and package size*". Company C strives to standardize most parts of their packages in international markets for the future because it reduces cost of selling a unit product.

On a conclusion note when asked whether internationalization has a positive or negative impact on packaging decisions, the respondent answered "*...positively because it exposes you to much more information than one will get solely on the local market*".

#### **5.2.4 Company D**

This company started its international involvement only four years after its inception in 1999. It has staff strength of 10 but indirectly employs more than 100 people in its value chain. The company manufactures leather bags, shoes, straw baskets, maracas, shea butter soap, black soap and also exports various seeds. About 95% of its products are sold in foreign markets, mainly in the EU, the United States and Nigeria. It is a family owned company and described as an SME due to the number of employees it has.

*"Before 2004 we were selling our products to individuals who in turn sent them abroad...today most part of our internationalization is done by ourselves directly to our customers...our focus is on direct expansion"*. This is what the respondent had this to say when asked whether their international markets were as critical to their company as the local: *"as I have mentioned before, we get more than 95%of our revenue from international sales and as you can see that's almost a 100%...yes the international markets are our biggest source of revenue and as such are very critical to our very survival"*. Company D produces everything for the international market and only sells some locally when they have so more stock than they need. This means that their main goal is to sell their products abroad and they see the local market as not too relevant to their business.

Since the company does not have the local market as a main market, they do not consider them in their packaging decisions at all. He explains by saying, *"We don't consider Ghana as a critical market for us and as such*

*we only make tailor-made products to individuals here...as such packaging decisions are made without Ghanaian customers in mind but the foreign market environment. Our involvement in internationalization business is what influences our local packaging also...I will agree with your term that with us it is outside in and not the other way around".* The company packages for the international market but then, they also apply same packaging when serving their local customers.

Since they want to turn some attention into the local market in the near future, the respondent is of the opinion that their international involvement will be of immense importance to them. This is so because, "*...the experience(referring to the involvement in internationalization) will help us to compete well in the local market as well".*

About the challenges Company D faces in their internationalization process, this is what he has to say, "*They are a lot...issues about certification, hard time having access into some markets, a lot of legal issues to contend with on a regular basis(I am even scared the EPA agreement could have a big impact on our business)...sometimes we encounter shipping challenges...these causes us to spend more in order to avoid a delay. Cultural differences are occasionally a challenge to us but we handle those ones better".* In handling those challenges, this is how they go about it, "*With certification, we try to meet the legal requirements as best as we can because without them we can't sell our products...shipping processes have to be lessened as much as possible to reduce the recent delays we encounter...the rest, we do what we possibly can".* He thinks that government involvement with legal requirements will help lessen processes at the port and also enhance their dealings in the foreign markets with which they have ties with.

They try to lean towards standardization as much as possible in their packaging. This is because they find it more convenient and it costs less to standardize than to adapt to each country market they get involved with. He explained further saying, "*standardization helps you to know what is*

*wrong or not with your products. It helps for easier packing of the products and also reduces the cost of production".* With the above reasons, he was of the opinion that standardization is a way to go when a company is internationalizing.

To conclude the interview, he stated that *"our packaging decisions have been affected very positively by our international involvement and we don't regret ever going abroad"* when asked whether he feels internationalization has affected Company D positively or negatively.

### **5.2.5 Company E**

This company was established in the year 1989 as a family owned beverages company (alcoholic and non-alcoholic). It is currently the largest producer and also manufacturer of alcoholic and non-alcoholic beverages' in West Africa. With an employee base of about 420 workers, the company has an estimated revenue of about \$85 million per annum. It has a subsidiary in Tanzania which serves the Eastern African countries. Its major international markets include South Africa, Switzerland, the United States, ECOWAS (especially Nigeria) and East Africa. It also exports in smaller quantities to the European Union (EU). It is a multi-national company and has its majority shareholders being Ghanaians. The company has also diversified into real estates, ethanol distribution and other ventures.

Company E has been directly internationalizing for the past five years. Hitherto, their products were been sold abroad through some customers who bought locally from them. About 45% of their products are currently been sold abroad. The respondent agrees that their international markets are very critical to the Company because *"...we have expanded our operations and the local market is also saturated with domestic competitors...for every business that is looking for growth in such a market, the international market becomes a key focus"*.



*"When making packaging decisions, we consider affordability, quality, returnable glass bottles (pet, sachet materials) for convenience".* The above was what he had to say concerning factors they consider when making packaging decisions for the local market. When asked if these were the same factors they consider when making packaging decisions for international markets, this is what he had to say, *"I will say yes and no...Our core target group consists of the masses; we therefore use the same materials as we do for the local market. However, we have some key brands which are of international standard and are packed as such".*

According to the respondent, internationalization has had an effect on their local packaging and explains that *"we have improved our labels by re-designing them in Europe. We have also improved upon the security of our caps by sourcing newly designed caps and bottles for our key brands from Europe".*

Company E's packaging quality has improved drastically due to their involvement in international business however, they will not relent on making improvements on their local packaging because *"...as we grow as a business, we believe one way to lead is through innovation and therefore we must continuously to attract and maintain our customers in order to maintain that leadership position".* He adds by saying *"new look, improved or enhanced formulation is key".*

The company faces challenges such as *"...high taxes and duties at the point of entry, some of our products, mainly the herbal based ones, are not known outside West Africa and require a lot of education and convincing"* during their internationalization processes. To deal with such issues, Company E resorts to liaising with local authorities and partners including Ghanaian Missions in those markets. However, the respondent was of the opinion that the ECOWAS treaties when fully implemented will improve the free trade as it was originally designed for thereby easing most of the difficulties they currently face doing business in the Sub-region.

When making packaging decisions, they consider standardization the most. They chose this option because according to his response, "*...we want to standardize our packaging in order to have a common look and feel both locally and internationally.* With the above response, the interviewee is also of the opinion that when companies are internationalizing, they should opt for standardization instead of adaptation because it creates a uniform look and feel, and also saves cost.

In conclusion, he too agreed strongly that internationalization does affect packaging decisions in a positive way. He explains that, "*The exposure is very big and it provides enormous opportunities for change and innovativeness*".

### **5.3. Cross Case analysis**

The reason for conducting a cross case analysis is to try and identify both similarities and differences that exist in the case companies that have been researched into concerning the topic under discussion. It will help to ascertain the role internationalization plays in the decisions they make with regards to their packaging. The analysis will be conducted based on the similarities or differences that exist between the categories of case companies that were interviewed. The main reason behind this approach is to avoid any possibility where the data that is gathered is inadequately processed leading to premature conclusions (Eisenhardt, 1985).

#### **5.3.1 The case companies (Cross case analysis)**

The analysis will be conducted under the four main categories of which the data was gathered. These are based on the background of the companies, their packaging decisions and how internationalization affects them, challenges and finally, their packaging strategies.

### **5.3.2 Background of companies**

From the above findings, apart from Companies **A** and **B**, which have been internationalizing for 10 years or more, Companies **C**, **D** and **E** have been internationalizing for less than 10 years. The experience in the number of years of internationalization has however no impact on the percentage of produce they sold abroad. The main reason for the variations is due to the fact that the companies had various reasons why they internationalized and thus some put in more resources in the process than others. Another reason was the differences in the industries in which they operated. For example, Companies **A** and **D**, sold about 95% each of their produce abroad because the international market was their main focus whereas Company **B** considered the local market as critically important to their survival hence the percentage of 5% sold abroad.

On how they internationalized, there were some variations. Not all the companies followed the Uppsala Model of internationalization. For instance, Company **A** which was a beverages company started marketing to international markets from its onset because that was the strategy of the company prior to its inception. Company **B** on the other hand also relied on its network to expand abroad and therefore did not follow the classical stages model. For companies **C**, **D** and **E**, they followed the classical stages model. They had to start from gaining knowledge from a single market before expanding to multiple international markets. This shows that depending on various factors, companies may internationalize in different ways.

### **5.3.3 Packaging decisions and how internationalization affects them**

In the issue regarding packaging decisions for the local market, all the companies mentioned similar factors as influencers. For example, they mentioned such factors as affordability, safety, material used, size and

appearance as the main factors they considered when making packaging decisions for the local market. However, they showed variations when it came to the international decisions. Companies **A** and **C** do consider the same factors when making decisions for the international market. Company **B** and **D** on the other hand had some differences in the factors they considered for the home market and that of what they considered for international markets. For the international markets, their main factors are culture, laws and competitor's packages. Company **E** on the other hand considers their target groups as the main factor when selling international markets.

All the companies interviewed were of a strong opinion that their international involvement has had a strong effect on their local packaging. The effects were positive ones. For example, Companies **B** and **C** have made significant improvements in their local packaging due to the exposure the international environment gave them. Companies **A**, **D** and **E** have also made significant modifications on their packaging decisions and this has helped them to differentiate their products better than before in the local market. The entire population studied agreed that they will make some modifications to their current packages if that will make them more competitive and keep products safer till final destination.

Also, personal observation was carried out to ascertain certain details of the packages that were used by the firms to ascertain whether the years of internationalization and the size of the company had any effect on the kind of packages they produced. There was revelation that companies that had a longer internationalization history had packages that were more attractive than those that had lesser internationalization histories. Therefore, issue about size of the companies was not a determinant factor when it came to package innovation or attractiveness but more to do with experience in the international field. The more experienced companies such as Companies **A**, **B** and **C** had their packages evolve more than that of the other companies who had lesser internationalization histories.

### **5.3.4 Challenges**

Although all the companies studied faced similar challenges, it was revealed that more challenges existed in developing country markets in which they operated than the developed country markets in Europe and America. Some of the more pressing challenges they faced in the developing country markets was to do with certification, legal issues and shipping challenges. For example, Company **C** and **E** who sell herbal and beverages respectively find it easier to ship products to their developed country markets which are farther away than markets within the ECOWAS which is closer. Products arrive about two times late in ECOWAS countries as compared to the EU markets for instance mainly due to certification, bureaucracy and border issues.

### **5.3.5 Packaging strategies and overall effects of internationalization on packaging decisions**

With the exception of Companies **B** and **C**, companies prefer to present a standardized package to their international markets with only minor changes due to legal requirements. However, they had different reasons for a standardization strategy. Whereas Companies **A** and **D** states that standardization provides them with cost savings and simplicity, Company **A** is of the opinion that it provides uniformity and meets international standards.

Company **B** on the other hand considers adaptation as their packaging strategy. This is because, to them customers are different across international boundaries and as such should be provided with packages that suite those differences. However, Company **C** uses a hybrid strategy. This is due to the variations of products they produce.

To ascertain the general effects of internationalization on their packaging decisions, none of the respondent stated it gave a negative effect. They all are of the opinion that internationalization impacts on their packaging decisions positively. Some of the benefits they mentioned are that internationalization gave them more experience on how to better package their products both on the local and international markets. The companies have also advanced their knowledge regarding packaging and internationalization has afforded them access to a wider range of packaging options which would not have been possible if they remained local. Internationalization has also enabled them to differentiate their products better with the use of packaging than their local counterparts. The respondents were firm in their assertions and did not mention even one negative effect internationalization has on their packaging decisions.

## 6. CONCLUSION AND DISCUSSION

This is the concluding part of the research work. In this chapter, the research will be summarized and presented in a coherent manner in form according to how the work was conducted. The objective of this thesis was to ascertain the effects that internationalization has on packaging decisions of manufacturing firms. Firstly, the sub questions are discussed then followed by remarks on the main research question. Afterwards, the findings will be discussed as well as theoretical and managerial implications. The final part will discuss about the research limitations and suggestions for further research.

The main aim of this research was to find out the effects of internationalization on packaging decisions of manufacturing companies. Factors both internal and external were taken into consideration regarding what influences manufacturing firm's packaging decisions when they do internationalize their marketing operations.

There was a very strong coherence when it came to the kind of challenges the manufacturing companies faced when they internationalized. In the research work, it was ascertained that the main challenges the manufacturing companies faced when they internationalized were categorized as internal and external. The main internal challenge was about finance. The external challenges however, were more. They included certification, legal issues, and shipping challenges amongst others.

Internationalization was considered as a major influence when it came to making decisions regarding packaging whether it being for the local or foreign market. Most of the practices they deemed positive in international markets were also adopted for their local activities including packaging. The companies learn a lot when they internationalize than if they would have remained local throughout. This is because the international

environment provided them with enormous opportunities in the packaging arena which they learned and adopted in their own packaging and thus, adopted them to their local packaging decisions as well.

Manufacturing firms have a tough time deciding on whether to opt for a standardization approach to packaging or an adaptive strategy. Whereas there is a split between whether to adapt or to standardize, there was however a similar approach in the sense that though some were more inclined to adapt than others, there was still some elements of a combination of both strategies (i.e. to use a level of hybrid strategy).

In the local markets, packaging decisions are influenced mostly by price affordability of the packaging materials, safety, size and the product type. However, the main factors that influences international packaging decisions also included culture of the foreign market, legal issues pertaining to the foreign market, competitors' packages and also the type of product that they sell in those markets. It should be noted also that

During the analysis, there was a strong correlation between the existing literature and the findings that were made. The first revelation was to the fact that firms do not all internationalize in a step by step approach as stated by Johanson and Vahlne (1975, 1977) but also firms internationalized using other means such as through networks they have (Johanson and Mattson, 1988; Hollensen, 2007). Some of the companies also internationalized from the onset without having to first close the psychological distances that existed between their home country and the foreign market (Madsen, 2002; Jantunen et. al., 2008).

Although some literature revealed that most firms face more internal barriers than external ones (Hollensen, 2007), the findings from the firms interviewed revealed that this was not always the case. Almost all of the firms that were interviewed stated otherwise. According to them, most of their challenges were more external than internal and this is in contrast to Hollensen's (2007) claim. However, the findings revealed that the risks the



companies faced were all found in the classification of general, commercial and political (Hollensen, 2007).

The factors most companies consider when making packaging decisions for both the local or international markets as captured in the literature review (Rundh, 2009), were no different from what the case companies revealed. There was almost an element in the categories that were captured. The findings also revealed that, even though most of the factors the firms considered when making decisions about their packages concerning the local market were internal, they considered the external dynamics as well. For example although, there were some differences within the home markets in which they operated, they kept the packages same for the home market. The same was not the case for the international markets where majority of the companies had to make slight changes to language and colour for instance.

From the evidence gathered in the empirical research, there was much synchronization when it comes to experience of firms within the international markets (Papadopoulos and Martin, 2010). The observation made revealed that the degree of involvement (that is the years of experience) in the international markets made a difference. Companies that had been internationalizing for longer periods produced better packages than their counterparts that had less international experience. However, both groups believed they performed better with their current packages than their local competitors who had not internationalized. This is because internationalized firms are exposed to more opportunities and thus newer packaging innovations than their local counterparts.

Furthermore, the cases that were analyzed revealed that the firms had three options to choose from when it came to their internationalization strategies in relation to their packaging. Some are working towards standardization of their packages across boundaries where as some of the firms opted for an adaptation approach (Theodosiou and Leonidou, 2003).

there was evident also of the hybrid approach by one of the firms as stated by Horska´ and Ubreziova (2007) .

To conclude, the research did reveal that there are many advantages that internationalization provides firms. The general revelations made by the firms that were researched into did not point to a negative impact of internationalization on their packaging decisions. To them, all that internationalization has provided them is positive improvements on their packaging. This proves that for packaging decisions to improve better, one key enabler will be exposure to the international environment since it provides a wider array of options for package improvements for firms. Internationalization does have some effects on packaging decisions of manufacturing companies. These effects however, are mostly positive and a good means to make further improvements on products both in the home market and abroad which further enhances the performance of the products.

### **6.1. Implications of the study**

As was revealed in the literature review, literature about packaging is very limited and especially its connection to internationalization. Therefore, this research is one of the few ones that try to connect internationalization and packaging. This thesis can be one of the pioneering works that propels further research into the role of internationalization in packaging. The case studies were able to reveal how packaging decisions are affected by internationalization. In order words, it will be an important asset to firms who are interested to go abroad but are unaware or limited in knowledge regarding the effects thereof.

Although packaging and internationalization has been studied over the years by researchers, there has not been a conscious effort to understudy how the latter affects the former in a more comprehensive manner. This thesis could serve as a basis to expand knowledge on the effects of internationalization on the other elements of the marketing mix in a more

comprehensive way. This could help firms to strategize as to how much effort to put in their future internationalization involvements taking into consideration the various elements there is. It will also aid them to make right budgetary allocations on specific elements which tend to be more critical and effective in their marketing campaign than others.

One managerial implication that these findings provide is that, firms who hitherto had little or no knowledge in the overall effects of internationalization would begin to appreciate the fact that depending on their focus and objectives, they could benefit from marketing their products abroad. This implies that no matter how big or small a company is, it is still able to enjoy from some of the positive benefits that internationalization provides them, especially when it relates to their packaging decisions.

Also, management of manufacturing companies have three main options when it comes to making packaging decisions for their international markets. It is very important to know the benefits and challenges that any one of these options provides. Choosing whether to adapt their packaging, standardize their packaging or use a combination of the two (a hybrid) should be a strategic decision and one that should be given the utmost attention. This is because each of the strategic options works differently for different products in different countries. Knowing which market you are serving and the company's objectives is key to being successful not.

## **6.2. Research limitations**

The research was limited mainly by time. However, there were also other resource constraints. Although the above were the main restraints of the research, the use on one country for a case study was also a limiting factor which makes the generalization of the findings less effective in other jurisdictions.

Yin (2009), suggests that there will be an increase in the reliability of any research when it comes to data collection if more than one observer is tasked to collect the evidence. This was not possible in this research due

to the lack of other resources such as finance and time. This could lead to the possibility of the researcher influencing certain elements of the research process. Notwithstanding however, there is confidence that the researcher conducted the research work with utmost professionalism and objectivity during the entire research process.

Also, it is possible that the cases that were observed are skewed to a particular direction. This is attributed to the constraint of time in ensuring that the sample was more representational. The cases were chosen due to the researcher's ease in obtaining data from them. This could have affected the reliability of the research. However, it is believed that the cases that were observed do have some similarities with their counterparts within the industries they were drowned from.

There is also very little literature available on the topic that was researched. There could have been more findings and overview if the literature about the topic was wider. It is believed by the researcher that more could have been uncovered that would have explored more into the objectives and questions of the research.

The findings could also have been more reflective if it was widened to cover both tangible and service products since both are packaged and are affected by internationalization. Due to time and financial limitations, the work only focused on tangible products that are packaged and the scope limited only to companies that do manufacturing on their own and not re-packagers.

Lastly, the method and approach used also makes generalization of the results more difficult. Myers (2013) explains that, it is more difficult to generalize the results that are obtained from a qualitative research. Though generalization can be done, it can be complicated. It would have been better to combine both qualitative and quantitative means for a better generalization.

### **6.3. Suggestions for further studies**

Packaging is a very broad term and includes intangible products as well. This research relied and focused only on tangible products and this could be broadened also to cover services. This will give it more importance because then its application will be broader than just sticking to manufacturing companies who focus on tangibles. It will also be more interesting if future research around this topic also explains even little about packaging of services just to give the reader some insights to the differences that exists.

Also, internationalization is a very broad and widely used term today. This thesis could have limited its use and focused more on exports since the cases were more into exports than other means of internationalization. It will be very important that future researchers make some more effort to study their potential case studies or objects in order to come up with a more appropriate term for analysis instead of its broader term which is not tailored for the research work.

The sample size could also have been larger in order to make the generalization of the results more reliable. This work used only five samples and there would have been more to find had the sample size be increased. It would have been important to also include firms that are into product re-packaging. Therefore, further research in this area should try to cover a broader sample size if time and other resources permits. Otherwise, what could have been done in similar circumstance of time and other resource constraints is to focus attention only on one industry. This will make the results more representational than done across different industries as was in this case.

Last but not least, since the research was about internationalization, it will be of more interest in the future if the case country is increased to more than one. Analyzing manufacturing companies in a developed country versus a developing country can also give some interesting findings.

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## APPENDIX I

### INTERVIEW GUIDE

#### Effects of internationalization on packaging decisions of manufacturing companies

##### ***PART I: introduction (5-10 mins)***

- a. A brief introduction about the thesis and its purpose
- b. The purpose of the interview
  - Sign a Non Disclosure Agreement if desired by the interviewee
- c. Give an option for anonymity

##### ***PART II: background of company (8-10 mins)***

- a. There has been some check on your webpage regarding your company.
  - Is there something more you would like to add concerning the background of the company?
- b. How long has the company been internationalizing (marketing its products abroad)?
- c. What is the total percentage of produce that is being sold abroad?
- d. Would you consider your international market(s) as critical to the growth of the company?
  - Can you please clarify the reason for your answer?

##### ***PART III: packaging decisions and effects of internationalization (15 mins)***

- a. What factors do you consider when packaging for the local market?
- b. Do these factors influence your packaging decisions in anyway?
  - Why?
- c. Are the factors you mentioned above different from those you consider when making decisions concerning your international market(s)?
  - If yes, what are the main factors influencing your international packaging decisions?
- d. Would you say that your internationalization involvement has had any effect on your local packaging?
  - What are some of the effects it has had on your local packaging if your answer above is yes?
- e. How has your internationalization involvement improved or deteriorated the quality of your packages back home?
- f. If possible, will you make modifications to your current packaging to stay competitive locally and internationally?
  - Can you give reasons to your answer above?

***PART IV: challenges (10 mins)***

- a. What are some of the challenges the company faces in your internationalization process?
- b. How do you handle those challenges?
- c. In your opinion, how can those challenges be overcome?

***PART V: adaptation vrs. standardization (10 mins)***

- a. When making packaging decisions for international markets do you consider standardization or adaptation?  
-Reasons for your choice above?
- b. ( **If respondent considers both adaptation and standardization**)  
which parts of the package is adapted and which is standardized in international market(s) and why?
- c. In your opinion, which of the following will you say is the way to go when internationalizing: standardization or adaptation?  
-Why?

***IN CONCLUSION***

Does internationalization affect packaging decisions positively or negatively?