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**Do distributors really know  
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**Do distributors really know the product?**  
**Approaching emerging markets through exports**

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**Abstract.** Exports represent an entry mode into international markets that is less risky than more direct strategies, therefore it particularly fits SMEs (small-medium enterprises) that generally have a few resources to invest. In the case of emerging markets because of the high psychic distance, SMEs tend to rely on their distributors for the business operations in the new market. However, although this type of intermediary allows the access to the foreign distribution channel that is particularly complex in countries such as China, it can limit the market control and in some cases, the product expansion. Based on a qualitative research consisting of interviews and secondary data, we present two original case studies of Italian firms operating in the Chinese market. It is shown that in emerging markets, since distributors do not really analyze and know consumer expectations and behaviors, they may represent a barrier in the knowledge accumulation of foreign products in the new market. Managerial implications are discussed on the extent to which SMEs are not able to replicate marketing strategies used in other countries, but they should define a clear strategy that involves their distributors in the process of knowledge accumulation and brand value creation in the foreign market.

**Keywords:** internationalization, export, SME, distributor, emerging markets.

**JEL Classification Numbers:** F23, F63, M16, M31, D22

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## **1. Introduction**

In many countries small and medium size enterprises (SMEs) have a positive effect on economic growth. In Italy they contribute to the trade balance with more than 50% of exports. This type of firms usually use exports as entry mode before fully operating in foreign markets, and often this represents a long time entry strategy as the required financial resources and risks are lower. So the role of importers or foreign distributors have become more and more important for the internationalization process of firms, most of all in the case of products sold in local retail chains and department stores where brands cannot be controlled.

Based on the Uppsala model (Johanson & Vahlne, 1977; 1990), exporting in mature markets is usually less difficult since practices developed in the domestic market can be implemented in another one. However, when firms face emerging markets, they have to cope with new and unexpected problems in order to distribute their products. For example, in a recent research about Italian companies operating in the Chinese market, Vianelli, De Luca, and Pegan (2012) highlight that choosing the right partner to distribute their products represents the main issue. So entering emerging markets might require a new market approach and the development of new business models, because these markets often have completely different business rules due to the high psychic distance and the different market expertise matured both by consumers and intermediaries that are usually not able to judge and evaluate the new products that are entering the market (Arnold & Quelch, 1998; Vescovi & Pontiggia, 2013). As indirect exports are one of the main entry and on-going modes to operate in these markets, it is necessary to understand the role of distributors and the new approach that firms should adopt in order to penetrate these markets.

The aim of this paper is to analyze the role of distributors in the firms' performance, defining a framework that help marketers be aware of the pitfalls and risks, as well as evaluating a more effective market approach to emerging markets. The paper is organized in the following manner: first, we review the literature on internationalization entry modes and drivers, in particular considering the processes in emerging markets that require specific strategies; second, we present the results obtained by interviews, case studies, and secondary data of a sample of Italian companies operating in the Chinese market, focusing on two original case studies; third,

the discussion section follows; and last, the conclusion and managerial implications section concludes.

## **2. Literature review**

### ***The internationalization process***

One of most relevant theories of internationalization is the “Uppsala internationalization process model”, developed by Johanson and Vahlne (1977; 1990). According to their framework, firms gradually increase their international involvement and commitment in foreign markets, under a process in which acquiring knowledge is fundamental. Because of the importance of experiential knowledge (i.e. knowledge accumulation from operating in foreign markets), the Uppsala model assumes that usually firms start to internationalize through exporting, establishing agreements with intermediaries or agents in order to gather the necessary information to penetrate the market, and only at a later stage some of them decide to build their own sales organization in foreign markets. SMEs tend to internationalize through exports and/or foreign investments (Reynolds, 1997), however the first strategy seems to be particularly applicable to the internationalization of SMEs because they frequently lack the resources for FDI (Zahra *et al.*, 1997). In fact, compared to alternative foreign market entry modes, exporting is generally a less demanding resource approach since it requires minimum risk, needs low resources, and offers high flexibility of movements (Al-Hyari, Al-Weshah, & Alnsour, 2012).

One of the first decisions in internationalization process is represented by the choice between the firm’s own channels of distribution and independent foreign distributors (Alon & Jaffe, 2012; Cavusgil, Yeoh, & Mitri, 1995). The former allows to control marketing activities, whereas the latter represents a low-cost market entry mode. But even if indirect exporting is a low-cost and more flexible entry mode, finding suitable intermediaries represents a prominent issue encountered by SMEs exporters (Neupert, Baughn, & Dao, 2006). In order to effectively operate in foreign markets, it is important to choose distributors that produce and/or trade the same product line, however sometimes manufactures find that their distributor can represent a competitor (Cavusgil *et al.*, 1995). Usually, internationalization operations are initiated in markets

characterized by a reduced psychic distance, which includes all the factors that prevent or disturb the flows of information between firm and market (Johanson & Wiedersheim-Paul, 1975), causing a “liability of foreignness”. The latter has been defined by literature as the additional costs a firm faces operating in a foreign market that a local firm would not incur (Buckley & Casson, 1976; Hymer, 1976; Zaheer, 1995). In order to face differences between host and home markets, an internationalizing firm is forced to change the strategies previously implemented in the domestic context (McDougall & Oviatt, 1996). With reference to the relevance of the foreign partners, recently Johanson and Vahlne (2009) revisited their 1977 model by defining the business environment as a network of relationships, where firms interact with many independent counterparts (such as suppliers and customers). The level of “insidership” of the firm, which is referred to its established relationships in the foreign market, determines the success of the internationalization process. Therefore, in this new paradigm firms do not face a liability of foreignness any longer, but more a “liability of outsidership”.

Despite the recent updates of the Uppsala model, other researchers criticize the sequential internationalization approach as they consider it too deterministic (Reid, 1983; Turnbull, 1987). Turnbull (1987) argues that the internationalization process cannot be generalized across industries as it is influenced by the environment in which companies operate, whereas Andersen (1993) stresses that the model is unclear with respect to the congruence between theoretical and operational mode. In particular, the Uppsala model is challenged especially in the context of emerging markets: for example, in the case of China the empirical evidences of Alon (2003) show that the model does not seem to fit the majority of MNEs operating in that market belonging to the sample. Therefore, it is relevant to define the main characteristics of emerging markets, which are presented in the following paragraph.

### ***The characteristics of emerging markets***

Emerging markets are characterized by a high level of uncertainty and “institutional voids”, defined as a lack of market information, efficient intermediary institutions, predictable government actions, and an efficient bureaucracy (Khanna & Palepu, 2000). In emerging markets there is little or no market data, poorly developed distribution systems, widespread product counterfeiting, and opaque power in local business and

political players (Arnold & Quelch, 1998). Also distributing products represents a challenge in these markets. In contrast to the highly concentrated retail and distribution industry in developed markets, the retail trade in emerging markets is extremely fragmented (Dr. N.Dawar & Chattopadhyay, 2002). This is particularly true for China, where the modern distribution system has developed only recently and not homogeneously within the areas and cities of the country, which are characterized by different levels of infrastructures and services (Checchinato & Hu, 2013). In addition, because of the geographic diversity and economic disparity between the various regions, the Chinese market cannot be considered a homogenous one (Cui & Liu, 2000). These features not only are necessary to be considered by firms that want to expand their activities, but also cultural aspects in doing business are relevant. First of all, one major difference is the need for *guanxi* or relationships, based on which Chinese prefer to deal with people they know and trust (Jiang & Prater, 2002) and the failure to follow the rules of reciprocity and equity results in a loss of face and being labeled as untrustworthy (Luo & Chen, 1996).

Emerging countries are often markets where consumers and customers' knowledge has not reached a sufficient level to understand and evaluate correctly the quality differences in the offerings proposed by competitors, where customers behaviors (and choices) are not affected by previous experiences (Vescovi & Pontiggia, 2013). This has an impact in firm's marketing strategy because consumer behavior is not fully known and competitors are often other foreign companies instead of local ones, so the positioning of the product could not be based on the superiority or differences with competitors' goods. Entering emerging markets could require a new market approach and the development of new business models, because these markets (China in particular) often have completely different business rules. Therefore, new theoretical perspectives should be developed in order to fit this specific environment (Hoskisson *et al.*, 2005).

### ***The importance of knowledge in emerging markets***

As previously described, firms entering emerging markets cope with several barriers, most of them are related to the knowledge they need to acquire to operate successfully. First, foreign firms that want to internationalize in emerging markets need to learn about

their culture and how to operate in an institutionally constrained environment (Luo & Peng, 1999). Emerging markets are usually markets with a high psychic distance, so companies need to accumulate knowledge before being fully involved. For this reason, because of the lack of market knowledge, SMEs tend to delegate important functions to their distributors: from physical distribution of products to customer service, from promotion to warranties, from selecting retailers to communication. The more functions are delegated, the more is the loss of control over brands and products.

A basic assumption in internationalization process theory is that the further step after indirect exports should be operating in the foreign market with a more involved presence, thanks to the rising of experiential knowledge, which includes all types of knowledge that firm accumulate by being active in foreign markets and implies the ability to search, analyze and act on international business issues in local markets (Blomstermo *et al.*, 2004). For MNC subsidiaries it is widely accepted that knowledge may derive from sources that are internal – that is transferred from subsidiary to other MNC units – or external – it means that firms may acquire knowledge from interaction with external parties (Asmussen, Foss, & Pedersen, 2011) - and situation characterized by a greater transmission of knowledge along the value chain is positive related to the intensity of firms' local presence (Saliola & Zanfei, 2009). We can argue that for SMEs the latter is often the only source to know the foreign markets, since they do not have any other units, so the learning process is mediated by distributors that help firms understand the local market (Checchinato, 2011). However, in emerging markets this source could result problematic as the transfer of knowledge between parties is hard due to the large social and cultural distance and the high uncertainty (Jansson & Sandberg, 2008). This large distance could enhance the cost of knowledge transfer since the effort of encoding and decoding information is higher. A weak relationship between parties (i.e. seller and distributor/agent) and tacit knowledge represent the main issues.

Problems related to internationalization can be split in initiating and on-going problems. Usually the lack of experience and knowledge or adequate training for customers are typical initiating problems (Neupert *et al.*, 2006), but they could also become typical on-going problems if firms do not develop their own experience. This problem is particularly crucial for SMEs because their internationalization process is usually based on exports also in the advanced phase of internationalization.



### 3. Research questions and research design

Our main research question is related to the relationship between companies and their distributors in emerging markets. Since importers and/or distributors in emerging countries are very different from the developed countries' ones, some of the key typical opportunities highlighted in the literature (Johanson & Vahlne, 1977; Reynolds, 1997; Zahra *et al.*, 1997) related to the use of indirect exports as entry mode might not be effective in this new global world, where emerging markets represent the main markets to which sell products.

We posit that the problem of “non-acquainted market”, usually referred to consumers, could be also applied to the distributor-firm's relationship, since also distributors do not have enough market knowledge to properly sell their products to consumers. Moreover, the accumulation of knowledge is important to understand and penetrate the market, but in emerging markets firms have to cope with a type of knowledge that is mainly tacit. This knowledge is not codified, structured, and accessible to people other than the individuals originating it (Leonard & Sensiper, 1998), and it is hard to transfer between parties (Jansson & Sandberg, 2008). Activities and initiatives aimed at cooperating and establishing a dialogue with intermediaries are of major importance, especially in emerging markets such as China that is a high-context culture (Hall, 1976). So firms face with a double problem of knowledge: on one hand, intermediaries do not have experiential knowledge to properly sell foreign products, on the other hand, due to the actors' expertise, economic uncertainty, cultural distance, and fast moving conditions, the context of emerging markets do not allow firms to accumulate knowledge at the same conditions (time, effort, resources) as in the more developed countries.

An exploratory analysis, involving interviews with managers, secondary data, and two original case studies, was carried out. First, we did interviews with managers to understand the type of entry mode they implemented in the emerging market. If the internationalization process had been activated by exporting activities through local distributors, we also examined the relationship of the internationalizing firms with them. Moreover, given the lack of a well-accepted theory about exporting in emerging markets, we decided to use a qualitative approach with the case study method to build a framework of analysis that future research could test. The qualitative approach is widely used in SMEs internationalization research (Neupert *et al.*, 2006). As in Merrilees and

Tiessen (1999), we decided to use a single market, China, from the point of view of Italian firms. Given this methodology, the main research question we want to address is: which are the characteristics of the role distributors play for a foreign small-medium sized company in approaching an emerging country?

Two case studies in two different consumer product industries are selected in order to understand the role of distributors in helping firms compete in the new market. We chose consumer products because the psychic and cultural distance between the producer and the final customer is higher, compared to industrial products. In addition, the quantity of knowledge needed by a foreign company to analyze and understand the market is wider, therefore the role of the importer and distributor is more crucial. For each case we interviewed the SME manager responsible for the export activities in the Chinese market and the Chinese importer; we visited points of sale in some Chinese first- and second-tier cities; and we collected secondary data about the market and the companies. Interviews, store visits, and data collection were set between November 2012 and February 2014.

The first case study is a firm operating in baby-carriage products (strollers, prams, and safety chairs) (hereafter, firm A), while the second case study (firm B) is a manufacturer of bakery products (wafers, biscuits). Both product categories are considered relatively new for the Chinese market, since in the first case, most Chinese consumers did not use prams or strollers until the early '90s, whereas Western bakery products were originally considered luxury or gift products. The two selected cases operate in the Chinese market with two different types of distributors. The first one is an importing firm that also sells its own products and other brands' ones in direct points of sales, whereas the second one is a trade company that sells imported products through the retail system.

## **4. Results**

### ***Interviews and secondary data***

The first step in internationalization consists of selecting the country to enter. Sometimes even if a country seems to have a lot of potentiality, it might happen that companies fail and exit the market. When companies do not reach their objectives, they

tend to respond in two ways: exiting the market or changing distributors. Usually, companies that select a particular country after a market research continue to operate in the market supporting the distributor(s) or changing it in case of lack of trust. One of the interviewed managers from a roll forming machine manufacturer company stated “*if expectations and available information about a country continue to confirm the potential of the selected country, the first thing to do is to change distributors or agents and eventually the company’s entry mode*”. This confirms the importance of the entry mode to succeed in one market. Another firm – a fashion company positioned in the high-end market – stated that they started their operations in China in 1992, but they initially failed because the market was not mature and because of the “*wrong partner*”, so they exited the Chinese market and operated through a representative office based in Hong Kong. Now they are present with their own direct stores.

The Chinese market represents a new opportunity for Italian SMEs that implement internationalization strategies (Cedrola *et al.*, 2010). However, its penetration requires more time than other markets due to a different business approach and consumer behavior’s patterns, therefore success arrives years after the initial market entry. One of the reason is related to the culture, in fact doing business requires a lot of meetings and negotiations. Some managers declared that “*it is not easy to understand if they are interested in our products*”, which is typical of a high-context culture. Moreover, “*we have to create a to-do-list in order to cooperate with them*”. Choosing the right distributors in China is also important because of the *guanxi*. Describing its business in the Chinese market, a pressure washers company’s manager highlighted the importance of distributor’s relations, since in this market working with a distributor that has good *guanxi* can “*open a lot of customers’ doors*”.

## ***Case studies***

### ***Firm A***

With a turnover of about 46 million euros, 134 employees, firm A operates in more than 60 countries around the world. It started its internationalization process in Israel in 1964, but it entered the Chinese market only forty years later, in 2004, establishing an agreement with a Chinese importer located in Shanghai. The importer directly controls

50 branded stores in the main cities of the country, in addition it distributes its own brands and other branded products in the corners of department stores, mainly from first- and second-tier cities. Despite the continuous growth of the baby product sector (in 2011 it increased by 17%<sup>1</sup>), firm A's CEO stated that after ten year-operations in China, the sales of their products did not increase as much as other foreign competitors did. The reasons were connected to the limited points of sales of the importer and to a not clear brand identity in the stores because of the presence of different competing brands having an image too close to the Firm A's one. Moreover, the initial idea of cooperating with the importer in order to create the brand image failed due to the ambiguity of importer who does not really market its products, but only sell them as "*one of the many brands he has in his portfolio*".

Most marketing activities were delegated to the importer, which controls the brand communication and image in the Chinese market receiving a fee to do that. All they did is to simply translate some communication materials without adapting them to the Chinese culture. After ten years from the initial market entry and considering the growing industry sales, nowadays the firm has decided to directly manage marketing activities through an agency located in Shanghai, but they still collaborate with the importer that controls the products' distribution. In the Chinese market "*you have to clearly describe the activities distributors have to do for you*" in order to obtain a high performance.

During the interview the local importer recognized the benefits derived from launching an integrated communication campaign using traditional and new media to transmit firm A's brand value and history in China. However, they did not implement new communication strategies but rely on the communication materials provided by firm A, mainly referred to their traditional markets (Italy, Europe, USA). In fact, even if the importer stressed the importance of the point of sale in order to show the features of the product and transfer the brand image, they did not implement a communication campaign targeted for the Chinese market. In its branded stores, they used the same materials that were developed for the Italian market, not considering the different cultural values and backgrounds between the two countries. Even the brand name of firm A's products was translated in Chinese characters directly by the importer, using a

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<sup>1</sup> Euromonitor (2012).

sound transliteration (Vescovi *et al.*, 2013). Due to its double nature of producer and importer, the importer knows the market and understands the functionality of the product, but he is not able to explain the slow growth of the firm in the market, moreover he gave some marketing advices to the firm A only when he was directly asked to.

From our store check analysis, the importer's products (both its own and the firm A's brands) appear to be correctly positioned in the stores that belong to the high quality segment, so there were not big problems concerning distribution and sales management.

### *Firm B*

With a turnover of 48 million euros in 2012, firm B operates in the sweet bakery food market in 71 countries around the world. The internalization process began in the '80s entering the Lebanon market, and only in 2010 they entered the Chinese market through a trade company, which is one of the main Chinese foreign foods' importers. In addition to firm B's products, they also import products from Spain (pasta, oil, chocolate, tomato sauce, cookies, corn flakes, Columbian coffee), Germany (milk and beer), U.K. (chocolate and snacks), and France (snacks).

The importer's headquarters are located in Shanghai. The major strength of the company is represented by its large distribution system within the whole country. In particular, they operate through supermarkets, while the convenience stores' channel is less significant. The role of the sales force is relevant. In fact, the importer employs more than 200 merchandisers that work constantly in the points of sale taking care of the shelves' product display. Concerning the activities related to firm B's products, sale and promotional strategy for firm B are not specifically developed by the importer. The brand name of firm B was translated in Chinese characters directly by the importer, using a sound transliteration, which was initially applied on the product labels that contained the ingredients' information. Only recently, firm B decided to add the Chinese ideograms under their original logo, but in a smaller size. The export manager stated that "*we want to build a business in the foreign country, not only to be in the foreign market*". However, the purchasing supervisor from the importing company did not provide clear data about the product sales', but she made assumptions based on her

perceptions and recalls. The general perception of the sweet bakery food market comes more from an informal rather than a formal research, the importer stated that some products are too sweet for Chinese consumers, but they did not make any product tests.

Also price positioning was not analyzed by the importer, who stated *“it is in line with competitors’ products and consumers can afford it”*. From our store check analysis, made in 6 different hypermarket chains, on average the price of the main Italian competitor’s products, for example, is more than 60% higher than firm B’s products.

Concerning communication, in 2013 a special sales promotion for Shanghai television was implemented by the local importer. To ensure the communication of a proper brand image, the company developed some video materials, but firm B’s export manager said *“In the commercial our importer did not even use the communication materials we sent. He also confused the old logo with the new one, creating a mix of brand images”*. The importer knows all the costs related to communication campaigns (e.g. advertising in metro stations or sampling activity) and the stock keeping units (SKUs) required to access convenience stores, but they is not interested in developing such activities because *“we are a trade company, we do not invest, we sell, firm B should invest on it”*. They appeared not to be interested in increasing their business, since entering convenience stores requires some considerable investments.

## **5. Discussion**

Since operating in emerging countries is usually different from doing business in the domestic one, due to specific cultural norms and consumers habits, distributors should help companies understand the market better.

Even if the distributor is a leading firm in the market, such as in the company B case, it does not mean that it has the necessary knowledge to push a specific foreign product in the market because of the emerging country’s market characteristics (China in particular). The basic idea seems to be related to the classical market rule (when supply is higher than the demand, customers (i.e. distributors) can choose among many options and have more power) and recall the first marketing approach based on sales instead of relationship and expected benefits’ analysis. Emerging markets’ distributors:

- a) do not have enough knowledge about the consumer expectations and behaviors,

because the offer is relatively new for the market and they did not accumulate knowledge about foreign product categories; b) they have a long waiting list of foreign brands wanting to enter their market, so they are focused on short-time results (if a brand does not succeed, they cherry pick in the waiting list until they “find” the right brand) rather than long-time results (investing in market knowledge and brand value improvement).

In the case of firm A, the choice of operating with a unique importer that is at the same time a retail owner, resulted in a slow sales’ growth because of the limited access to the distribution system and the opportunism of the importer in transferring the market knowledge. It uses firm A’s products as reference points in order to create value in its own brands, reducing the perception of the weaknesses and enhancing the perception of the strengths. Firm A’s products are marginal in the assortment, as high-end foreign products. In the case of firm B, the trade company seems to be not aware of the specific niche of the market, because it is not interested in creating a brand image around firm B, it follows a selling strategy based on the shelf. The shelf management is its main competence, not the marketing management, which requires knowledge and understanding the consumers’ behaviors and competitors’ strategies, branding endorsement, and strategic partnership with the producer. In both the considered cases, the firms did not fully control their brand’s Chinese translation and the communication materials implemented in the market.

Since brands represent strategic asset, companies should control them by at least defining a specific communication strategy for the new market, both in classic media as in digital and social communication in order to increase the brand awareness. Consumers are willing to buy foreign products, which are more expensive than the local ones, but they need to find a value justification for the purchase. At the moment, the importers seem to propose the products without any particular effort, since they do not know the consumer expectations and do not use properly marketing tools. They mainly have a sales orientation. In emerging markets, marketing plans with a short time horizon seem to be dominant, despite the rapid growth of the market. The demand is rapidly increasing and the offer should be available quickly. Distributors have a wide offer waiting to enter their market, so they do not invest in improving the present offer they have, they simply change providers because of lower costs. This situation creates a big divide between the producer’s and importer’s orientations, expectations, and strategies.

While the producer company is focused on constantly improving its offer following a medium-long time horizon, the importer is focused on finding the “right” product among the huge amount of offer they can access, following a short-time horizon. It is not interested in knowing “why” the product is bought, but only “how many” products can be easily sold, reducing costs and increasing short-time profit. Therefore, the distributor asks the producer to provide all the marketing tools needed to increase the sales’ level. But the best the producer can do, being a SME and having no knowledge of the market, is to replicate marketing strategies used in other countries, hoping to be effective in an unknown situation. The SMEs are interested in “why” their products are bought in order to increase the brand value in the market, as an aircraft carrier for their future products, following a long-time horizon profit. In such conditions the success in the market can be reached by chance, or because the situation is quite similar to the domestic market, also because the product matches a different and totally unexpected consumers needs. In the first case there are many examples concerning global products such as electronics or luxury accessories, in the second case an example can be Ferrero Rocher that has reached a great success in China because it became a symbolic gift product, a role that has no correspondence in Europe (Hu, Checchinato, & Vescovi, 2013).

The conditions of the emerging markets force SMEs to enter a new era, the internationalization age, moving on from the export approach. It means that the traditional strategy, focused on indirect exports as first step that many SMEs transformed in the permanent approach towards international markets, cannot work in new markets. This is due to the sum of the different distances (cultural, geographical, structural, historical, experiential, etc.) between the domestic market and the destination one. The importers are not able to play their role of cultural mediators because of lack of knowledge and experience.

For these reasons, SMEs need to apply a different approach, considering their scarce resources availability, which enhances their internationalization. In the two cases we presented, companies started using a traditional indirect export strategy, but after some time they realized they were gaining no market knowledge and no suggestions from the exporters. Their success was decreasing and the market growth was higher than their own products’ growth. Asking the importers the reason behind this situation, the answers were generic and embarrassed. So companies realized that in China this



operating mode was not creating second-hand knowledge that could be helpful in order to increase the market commitment either (Costa e Silva *et al.*, 2012). Therefore, the decision they took was to create a parallel small structure in charge of analyzing the market. The solution they are implementing is the following: a) they keep the importer with the key role of distribution relationship maker, contacting and supplying the distributors and retailers through the country, managing shelves and product availability in the stores; b) they create a small parallel direct marketing structure (1-2 managers) in charge of understanding the market, the consumer behaviour, the use of the product, and the potential opportunities for the company. This new structure also contributes to the collaboration strategy company-importer, suggesting market solutions, product improvement and adaptation, communication strategies, and new actions.

## **6. Conclusions**

In the paper we analyzed exports as a form of internationalization strategy adopted by SMEs, focusing on a sample of Italian firms operating in the Chinese market. We observed that new markets lead SMEs (in addition to the two cases we presented, we are analyzing other cases that are showing the same situation) to implement not a step by step internationalization process, following the theory based on traditional international markets, but towards a double entry mode based on simultaneous direct and indirect presence, assigning different roles to the two approaches. The new effort and challenge firms have to cope with is now the integration of the two structures, this could be a goal for future research. Moreover, we need to enlarge the sample of SMEs entering the Chinese market, in order to deeply verify the findings of this initial exploratory research.

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