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# Needed B2B marketing capabilities: Insights from the USA and emerging Latin America

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## ABSTRACT

Firms from all parts of the world are expanding operations globally in a turbulent economic context, requiring the understanding of nontraditional markets. Much attention has been focused on China and India, but researchers have neglected Latin America, a region economically as important as Germany, India, Japan, and South Korea. Latin America, as is true of many developed and emerging markets, has a strong presence of industrial – or business to business (B2B) – transactions. The configuration and convergence-divergence of marketing capabilities are relevant for the understanding of the globalization phenomenon. This study aims to examine B2B marketing capabilities of firms in Chile, Mexico and Peru (as Latin American countries), seeking conceptual issues in order to comprehend their business perspectives and contribute to the almost nonexistent body of research in this region. How do the results from Latin America compare with the USA? While the study shows directional convergence between Chile and Peru, there also is interesting divergence between all Latin American countries and the USA. The findings offer a portfolio of marketing topics that we believe are worthy of practitioner and academic consideration. We propose a model of convergence-divergence of B2B marketing capabilities across nations and state propositions for hypothesis testing.

## 1. Introduction

The contemporary business environment has a strong impact on current and future marketing capabilities (MCs). Some forces influencing economies worldwide in the last decades include: more demanding customers, increased competition, impact of information technology, and openness to globalization (Pels, Brodie, & Johnston, 2004). As a consequence of the latter, the economic potential and growth rate of emerging markets (EMs) has received some research attention (e.g., Gu, Hung & Tse, 2008). This academic concern has been focused on Brazil, Russia, India and China (BRIC), but mainly on the last two countries (e.g., Johnson & Tellis, 2008).

EMs pose unique challenges regarding demand characteristics, government influence, the character of competition, logistics, and the development of commercial infrastructure. Douglas and Craig (2011, p. 86) noted that “factors such as customer interests, taste preference, purchasing patterns, and, in particular, price sensitivity differ substantially among countries.” Thus, it is relevant to understand how companies in these nations operate, including their practices and perspectives. Moreover, national cultural issues (Hofstede, 1980) can affect the patterns of consumer and organizational consumption. However, EM countries sometimes actually have a resonant presence of

multinationals or foreign companies and develop different international bonds due to country-specific characteristics; besides technology, income and media have converged during the process of globalization (De Mooij & Hofstede, 2002). Then the capabilities needed by B2B marketers could converge as well as diverge around the world. Therefore, due to the conflicting forces driving the future of EMs, the present research results are of the utmost importance for practitioners and academics.

Several researchers have noticed that the Latin American region has been neglected as a source of science development, both in international business (IB) and marketing areas (Fastoso & Whitelock, 2011). This lack of attention is surprising because of the significant economic power of Latin America, demonstrated by a GDP based on purchase-power-parity (PPP) of approximately of USD 9,000B, making it the fourth most important region after the European Union, China, and the USA, and surpassing Germany, India, and Japan (International Monetary Fund [IMF], 2015). Latin America involves stimulating challenges for marketing strategy. On the one hand, it is probably the most turbulent growing market in the world. Many studies stress the continuous political changes, which affect regulations and market conditions (Avritzer, 2009; Karl, 1990). On the other hand, economists (e.g., Canova, 2005) have studied the transmission of financial shocks

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from the USA to the region. Mainly, it is analyzed, that U.S. disturbances explain important parts of the variability of Latin American macrovariables (i.e., interest rates). However, despite these uncertainties, the region is still attractive for selling and sourcing, has access to young labor, and adopts progressive economic reforms (Cavusgil, 1997; Keegan, 2014). Bottom line, avid researchers and firms no longer can underestimate the richness and value of Latin America. Fastoso and Whitelock (2011) found two challenges in conducting research in the region: (1) lack of research networks for data collection in Latin America, and (2) problems related to data gathering. Moreover, there are three issues regarding publishing research conducted in the region: (1) a negative bias among editors and reviewers against research conducted in Latin America, (2) a failure by authors to conceptualize and position their research appropriately, and (3) language and editing problems with manuscripts. Present and future endeavors should consider these liabilities and biases. IB theory has recognized the contribution of firms operating in Latin America, pointing out: (1) the development of *Multilatinas* (e.g., Cuervo-Cazurra, 2008), (2) attraction of foreign direct investment (e.g., Luo & Tung, 2007), differences of capabilities building with the American model of the multinational firm (e.g., Guillén & García-Canal, 2009), and the role of marketing activities (e.g., Haar & Ortiz-Buonafina, 1995). Therefore, ongoing phenomena in Latin America support the study of organizational capabilities (e.g., marketing).

The present paper aims to discover and analyze how MCs evolve in EMs; the convergence and divergence among the countries; and the specific differences between Latin American EMs and a developed economy. The comparison of MCs allows identifying how firms relate to their markets, and this is fundamental to the marketing field (Coviello, Brodie, Danaher, & Johnston, 2002). Besides, required MCs can be interpreted as the core of a successful business plan for B2B companies. The research is based on data gathered in Latin America by the *Centro de Marketing Industrial, Universidad de Chile* (CMI); and in the USA by the *Center for Business and Industrial Marketing, GSU* (CBIIM) and the *Institute for the Study of Business Markets, PSU* (ISBM). Thus, in order to profile the future B2B MCs, we interviewed 229 senior commercial, sales and/or marketing executives working in B2B enterprises in four different nations.

We selected three Latin American countries as representative of the region; they are Chile, Mexico and Peru (CMP). The original study design included Brazil in the sample, but it was eliminated due to the recent corruption scandals (e.g., Petrobras) and government instability (e.g., president impeachment), which could have biased the results. The main reason for choosing CMP is its strong representation on the Business Association of Latin American Studies (BALAS), which entails the main consortium of universities in the region and explores the economic and business challenges for Latin America. The 2017 topic of its annual conference is how Latin American countries can surpass the emerging economy label (BALAS, 2016), and marketing plays a fundamental role. In addition, these nations account for more than 32% of the Latin America GDP (IMF, 2015) and have a strong presence of B2B transactions. First, Chile is the main producer of copper in the world with 5,780,000 tons extracted during 2013 (U.S. Geological Survey, 2015). Second, Mexico is an important producer of silver and copper in the world, first and tenth, respectively, (U.S. Geological Survey, 2015), and the ninth oil producer. Third, Peru is the third biggest producer of zinc, silver, and copper in the world (U.S. Geological Survey, 2015). The outstanding relative world positions of CMP, shown in the previous examples, leverage robust and complex industrial supply chains generating numerous B2B interactions. We chose the USA as our base of comparison in order to contrast the results from the EM countries with a developed economy. The USA has been regarded as an internationally competitive economy, claiming third place of the IMD world competitiveness ranking (IMD's World Competitiveness Yearbook, 2016). Overall, these countries allow multiple geographical (i.e., neighbors or non-neighbors), linguistic (i.e., English or Spanish), trade (i.e., export-

import balance), cultural (i.e., high context or low context), demographic (i.e., size), and economic (i.e., complexity) configurations.

The size of economic production is one of the most common measures to characterize a country, in addition to the population. According to Cateora, Graham, and Gilly (2013), countries such as Brazil, Mexico, Turkey, China and India are considered big emerging markets (BEMs). On the other hand, Chile and Peru can be defined as small emerging markets (SEMs). Geographically, the distance between the USA and South America is evident, and the very close proximity between Chile and Peru, and the USA and Mexico is obvious. From a business perspective, Chile, Mexico and Peru have the USA as a major export destination. However, the relative export relevance differs; the USA represents 11%, 74% and 14%, respectively. Only Mexico is a significant export destination of the USA, accounting for 12% (Hausmann et al., 2014). In addition to the macroeconomic, business, and geographic differences and similarities between the USA and CMP, there are national culture aspects that can influence B2B relationships (Hewett, Money, & Sharma, 2006), which, as consequence, could affect industrial marketing needs and trends. Larsen, Rosenbloom, and Smith (2002), based on the writings of Edward Hall (1977), Hall and Hall (1990), state that countries in the world can be classified as high or low context cultures. Brazil, Mexico and any Latin American country are classified as high context cultures, but the USA is classified as a low context culture.

Therefore, the similarities among CMP seem very clear. Nevertheless, at the same time, the strength of the bond between the USA and the Latin American EMs appears more difficult to discern. On the one hand, exports connect the USA with CMP; on the other hand, macroeconomic data and cultural issues bind the Latin American countries together. Despite the high relevance of MCs, B2B markets, and emerging Latin America, research insights into this domain remain scarce and no previous studies have integrated all three concepts. Research has stressed the importance of understanding companies operating in this region and called attention to the need for a deeper comprehension of Latin American business (Cuervo-Cazurra, 2008; Fastoso & Whitelock, 2011). We address this research gap and provide three contributions to IB theory. First, we identify the key B2B MCs that companies will require to succeed in their respective local markets. Second, we provide a comprehensive understanding of B2B MCs converge-divergence across the analyzed countries. Third, we propose that there are four main reasons for B2B MCs convergence across countries: (1) industry structure, (2) cultural, (3) competitiveness, and (4) knowledge aspects.

The paper commences by reviewing the literature background and establishing the research questions. Next, we present the method, including the business characteristics of the Latin American countries of Chile, Mexico and Peru. Then the results of the study are discussed, emphasizing the convergence-divergence among the countries and a conceptual model. Finally, we draw conclusions and the managerial and theoretical implications.

## 2. Background and research questions

### 2.1. Configuration theory

The structure of MCs managed by companies is subject to perceived market requirements. For organizations, the development of the B2B MCs is based on the right configuration of breadth and depth of learning. Commonly, there is a trade-off between them: an increase in depth of knowledge implies reduction in breadth. However, "the creation of value through transforming input into output requires a wide array of knowledge, usually through, combining the specialized knowledge" (Grant, 1996, p.377). Therefore, B2B companies serving a specific country need to continue managing the knowledge generated, adjusting their attention to market evolution. The knowledge management literature (e.g., Alavi & Leidner, 2001) has explored

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