# What Explains Small- and Medium-sized Apparel Retailers' International Market Involvement? An Application of the Uppsala Model

Hyeon Jeong Cho, Villa Maria College, USA
Byoungho Jin, University of North Carolina at Greensboro, USA

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**Purpose:** The fashion industry is highly globalized and many U.S. fashion firms have expanded their businesses into global markets as a viable growth strategy. Most U.S. apparel companies are small- and medium-sized firms (SMEs), defined as those with fewer than 500 employees in the U.S. market. Firm size is by no means a significant impediment to internationalization (e.g., Aspelund & Moen, 2005). Nonetheless, very limited studies have examined the international activities and strategies of U.S. SME apparel retailers. To assist U.S. SME apparel retailers' expansion to global markets, an understanding the *factors* that explain their international market involvement is important. The purpose of this study, therefore, is to investigate U.S. SME apparel retailers' internationalization by proposing a theoretical framework that incorporates the factors related to their international market involvement (IMI).

**Literature Review:** The Uppsala model hypothesizes that a firm's knowledge and commitment influence the decision to internationalize (Johanson & Vahlne, 1977). The advantages of the Uppsala model are its theoretical conceptualization of firm internationalization, which provides an understanding of the gradual internationalization process, and its emphasis on learning and knowledge (Forsgren, 2002). Despite its significant contributions to internationalization research, the Uppsala model has been criticized for explaining internationalization using only two factors (i.e., market knowledge, commitment) and for its strong emphasis on first-hand learning (Forsgren, 2002). We posit that the Uppsala model can better explain SME apparel retailers' IMI by incorporating constructs related to both direct (foreign sourcing experience) and indirect (foreign networking) learning sources to build foreign market knowledge, firm-specific factors (firm age, market knowledge, and market commitment), a retail-specific factor (product uniqueness), and a market-specific factor (domestic growth opportunity).

In particular, foreign sourcing experience (H1a) and foreign networking (H1b) can positively influence market knowledge. Firm age can influence the accumulation of the resources, necessary for IMI (H2). Following the logic of the Uppsala model, market knowledge (H3) and market commitment (H4) are proposed to influence the probability of IMI. Apparel retailers' differentiation occurs largely through intangible assets; thus, a product's uniqueness may positively influence the probability of IMI (H4). Firms' perceived domestic growth opportunity may negatively influence the probability of IMI (H5) because firms that perceive limited domestic growth are more likely to expand into international markets. In addition, the mediating effect of market knowledge on the relationships between foreign-sourcing experience (H7a), foreign networking (H7b), and IMI was examined.

**Method:** Data were collected via a mail survey method following Dillman, Smyth, and Christian's (2009) procedure: a pre-notification postcard, an initial questionnaire, a reminder



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postcard, a second questionnaire, and final phone and email contact. A self-administered questionnaire was completed by U.S. SME apparel retailers' top management. Sample firms have less than 500 employees and are classified as SIC code 56 (Clothing and accessories store).

The measurements used in this study were developed through reviews of prior studies. The constructs were measured by a dichotomous variable (IMI; retailers without international sales = 0, retailers with international sales = 1), 7-point Likert-type scales (market knowledge, market commitment, product uniqueness, and domestic growth opportunity), and continuous variables (foreign sourcing experience was measured by the number of years the firm has operated with foreign sourcing and the number of countries in which the sourcing activities have taken place; and firm age was measured by number of years the firm has been in existence).

**Results:** A total of 76 usable questionnaires were collected. Of these 76 firms, 28 firms currently sell their products outside the U.S. market. A series of *t*-tests revealed no statistical evidence of non-response bias. H1 was tested using a multiple regression analysis and H2, 3, 4, 5, 6, and 7 were tested using a binary logistic regression analysis.

Results of hypotheses testing show that foreign networking positively influences market knowledge (H1b, $\beta = .731$, $t = 8.186$, $p < 0.001$); the younger apparel retailers (H2, $ß = -0.069$, $p < 0.01$) and firms with market knowledge (H3, $ß = 1.737$, $p < 0.01$) show a higher probability of IMI. Market knowledge mediates the relationship between foreign networking and IMI (H7b). However, the relationships between foreign sourcing experience and market knowledge and between market commitment, product uniqueness, and domestic growth opportunity and IMI are not statistically supported.

**Discussion**: The finding regarding the positive influence of market knowledge on apparel retailers' IMI confirms the primary notion of the Uppsala model, which emphasizes knowledge for a firm's internationalization. The finding of the mediating effect of market knowledge on the relationships between foreign networking and IMI suggests that senior managers in U.S. SME apparel retail firms should pay attention to developing such networks. In addition, the result of this study indicates that young firms can enter international markets; that is, young firms are not necessarily disadvantaged in IMI if they develop their own mechanisms by which to reach international consumers. U.S. educators should develop programs to help U.S. SME apparel retailers cultivate their competitiveness (e.g., entrepreneurship), which is linked to IMI.

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