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Pricing to manage export channel relationships

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ABSTRACT

In a novel approach using agency theory, we conceptualize export pricing as price manipulations an exporter initiates to cope with the distributor-level, internal competition with the other product lines the distributor carries. We argue that suppliers can influence foreign resellers' behaviors and therefore manage export channel relationships with prices. Using a sample of 283 exporter–importer relationships, we uncover the export price manipulations used to cope with internal competition, and we examine their impact on the exporter economic performance. We show that the performance effect of this pricing policy is achieved through the adequate role performance of the importer. Moreover, using a small but rare dyadic data set, we offer an additional test of the effectiveness of this form of pricing. Finally, by comparing the results of our study to exporters' practice we show how they tend to overuse price discounts to motivate their overseas distributors.

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1. Introduction

When exporters[2] use foreign independent intermediaries to promote their brands in international markets, setting appropriate cross-border prices is crucial in the success or failure of export ventures. Previous research in exporting (Cavusgil, Chan, & Zhang, 2003; Lages & Montgomery, 2005; Myers & Harvey, 2001; Solberg, Stöttinger, & Yaprak, 2006; Sousa & Bradley, 2008, 2009; for a comprehensive review, see Tan & Sousa, 2011; Tzokas, Hart, Argouslidis, & Saren, 2000) has focused on export price setting and international price adaptation/standardization.

To achieve adequate performance in foreign markets, existing research has highlighted among other influencing factors on export prices, the level of competition in the foreign market (e.g., Cavusgil & Zou, 1994; Lages & Montgomery, 2005; Myers, Cavusgil, & Diamantopoulos, 2002). While acknowledging the competitive intensity in the foreign market as important for an exporter's pricing considerations, there is another competitive context, which is crucial in setting export prices, but which has received much less attention: the distributor-level competition. Indeed, importers[3]

(as most channels intermediaries) usually carry products from more than one supplier, giving them the freedom to decide which products to promote actively in the foreign market and which ones not to promote. As such, the importer has alternatives if it is not satisfied with the return of one range of products. This puts the exporter in a situation of internal[4] competition with the importer's other product lines.

Managing a channel relationship successfully requires the supplier to overcome this internal competition and induce the reseller to dedicate appropriate efforts to promote its brand. To cope with the internal competition, exporters must come up with mechanisms that provide the importer with superior benefits and keep the working relationship fruitful and lively (Hallén, Johanson, & Seyed-Mohamed, 1991). Some authors therefore speak of a customer relationship between the exporter and the importer (Lye & Hamilton, 2001; Solberg & Nes, 2002). Consequently, the exporter may use its pricing policy to motivate the support for their business relationship (Argouslidis & Indounas, 2010; Banerjee, Mark, Dutta, & Ray, 2012; Cavusgil, 1996; Rosenbloom, 1990; Samiee, 1987).

Our study contributes to the export literature because we use agency theory to unveil the price mechanisms a supplier employs to overcome internal (distributor-level) competition and achieve adequate performance with a foreign reseller. Agency theory has

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[2] We also refer to exporters as suppliers.
[3] We also refer to importers as resellers, intermediaries, or distributors.

[4] We refer to distributor-level competition as internal competition to contrast it with external (market-level) competition.
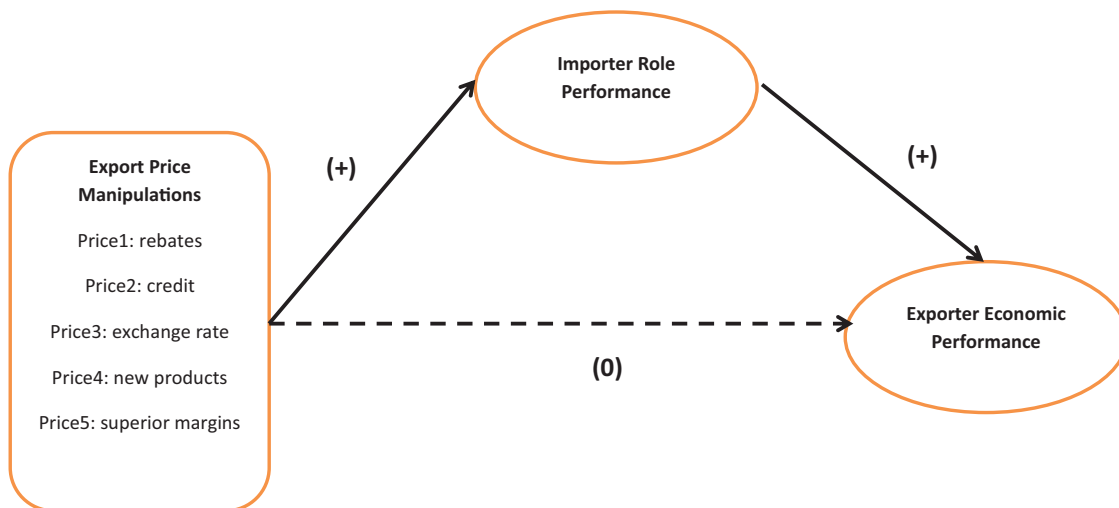
Fig. 1. Conceptual model.

been used to explain the impact of monitoring on export channel relationships (see for example: Aulakh, Kotabe, & Sahay, 1996; Bello & Gilliland, 1997). However, by studying the effect of export pricing on the management of channel relationships, this study brings a novel perspective to the export channel research. Our second contribution resides in a disaggregated measurement approach of export pricing that enables us to uncover which specific price manipulations[5] are used to deal with internal competition. We also highlight the prominent role of the foreign distributor in the export pricing–export performance relationship (Saleh, Ali, & Julian, 2014, Lye & Hamilton, 2001), when we posit the following: a supplier's price manipulations aimed at mitigating the internal competition will fully unfold their impact on export performance only through the adequate role performance of the overseas intermediary.

From a practical point of view, our approach yields usable recommendations for suppliers that employ independent intermediaries because we are able to suggest precise price manipulations that effectively manage channel relationships and improve export performance.

The paper is organized as follows: in the next section, we provide a summary of the pertinent literature with a focus on the relevance of agency theory for our research question, and develop a series of research hypotheses in parallel. After outlining our methodology in detail, we present our results and conclude with a discussion on the research implications of our findings, before we outline how exporters may use our findings to more successfully manage their relations to importers through export price manipulations.

2. Theory and hypotheses

The export context epitomizes the distance between suppliers and their independent intermediaries because exporters do not have direct control over the local marketing policies for their products in foreign markets (Cavusgil, 1996; Myers & Cavusgil, 1996). Foreign intermediaries manage crucial issues such as direct customer contact or the choice of products to be promoted (Bello & Lohtia, 1995; Coughlan, Anderson, Stern, & El-Ansary, 2006; de Mortanges & Vossen, 1999; Frazier, Maltz, Antia, & Rindfleisch, 2009). As Liang and Parkhe (1997, p. 520) stress, the notion of an importer as an entity that, "at best, is thought to be a silent partner,

and at worst, passive recipient of exporters' offerings" is outdated. The foreign intermediary needs to be viewed as a partner in "what is a quintessentially two-sided exchange designed [primarily] to satisfy importers' business needs."

Aulakh, Kotabe, and Sahay (1996) and Bello and Gilliland (1997) point to agency theory to explain export channels relationships. In domestic research on channels and control (e.g., Banerjee, Bergen, Dutta, & Ray, 2012; Lassar & Kerr, 1996) or sales force management (Frenzen, Hansen, Krafft, Mantrala, & Schmidt, 2010; Mishra & Prasad, 2005), agency theory has been used in a manufacturer (principal)–distributor/sales force (agent) context. However, to the best of our knowledge, the influence of pricing on agency issues has not been investigated in an export channels context. Yet Banerjee et al. (2012) contend that price premiums can be used to manage channel relationships.

We focus on the cross-border price that the manufacturer sets for the independent importer (and not on the local pricing policy in the foreign market) because this part of the pricing process is under the exporter's direct control. In this sense, export pricing is defined as the price manipulations an exporter employs to motivate their distributors despite the internal (distributor-level) competition. These price manipulations are aimed at influencing importers' behaviors in favor of the exporter's offering. In the following discussion, we outline how pricing manipulations reflect principal–agent mechanisms. We capture our research contentions and related hypotheses in a conceptual model (see Fig. 1).

An agency relationship is prevalent whenever one party: the principal (the exporter) depends on another party: the agent (the importer) to undertake some action on the principal's behalf. To manage the relationship efficiently, agency theory establishes the optimal form of contract (agent compensation) between two parties (Eisenhardt, 1989) that aligns the exporter's and the importer's interests. In this context, the importer's risk aversion plays a key role. In agency theory, the agent is defined as being risk averse (in contrast to the principal, who is usually mapped as risk neutral). The importer's risk aversion may result from different reasons – for example, dependence on the exporter to supply attractive products at competitive prices (Lassar & Kerr, 1996) or limited flexibility to diversify its engagements after committing to an exporter (Bergen, Dutta, & Walker, 1992). Risk also arises as the importer can only partly influence its economic performance in the market because uncontrollable effects such as competitor actions, governmental policies, or economic conditions similarly affect the business. To mitigate risk, the importer may develop a

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[5] Price manipulations refer to the different settings of the pricing policy components adopted by an exporting firm.

portfolio of products in the same or different product categories, thus creating a "menu" of potential revenue sources from which it can select the most rewarding (Bergen et al., 1992; Lassar & Kerr, 1996).

For the exporter, this establishes a situation of internal competition. Internal competition does not arise only because of the distributor carrying brands competing for the same market segment (for example: Peugeot vs. Volkswagen) or the same product category (Peugeot vs. Lamborghini for example). Even brands in different product categories (trucks vs. cars) can become competitors when observed through the logic of internal competition. Indeed, internal competition does not depend on the competing nature of the products; it rather refers to the competition between several suppliers for one distributor's efforts. To gain the importer's attention, the exporter needs to provide attractive benefits to the importer (Bergen et al., 1992). Lassar and Kerr (1996) suggest offering incentives such as high margins and value transfers (e.g., product support payments, cooperative advertising). From an agency theory perspective, such incentives are supplemental revenues provided by the principal to the agent. Here, supplemental refers to revenues exceeding the agent's reservation utility – that is, the usual margin the agent is getting from other suppliers. The export channel context presents an important difference with the classic agency setting. In a classic principal–agent relationship, the agent works for one principal at a time and therefore must terminate a contract before accepting a new one. In the channel setting, the distributor can take multiple contracts simultaneously. This increases the level of (internal) competition the exporter faces because the importer can have multiple alternative suppliers, and in this situation, the importer does not incur any switching cost for moving from one supplier to the other. Thus, the channel context requires the suppliers to provide incentives to their resellers if they want to secure a proper attention to their products.

In line with Banerjee et al. (2012), we contend that export price manipulations can be assimilated to the provision of incentives to the importer by the exporter because they allow the exporter to offer supplemental revenues to the importer. Indeed, by manipulating cross-border prices, exporters can increase the gains that their distributor achieve with their products to a level that is superior to what the reseller's alternative suppliers can offer. The exporter expects these incentives to motivate the importer to focus on the exporter's offering. By doing so, the importer maximizes its revenue.

Thus, we derive the following hypotheses:

H1. Export price manipulations improve importer role performance (price manipulations are for H1a: volume discounts, H1b: credit, H1c: exchange rate, H1d: new products special prices, H1e: superior margins).

The agency theory perspective suggests that export price manipulations can be understood as incentives (Banerjee et al., 2012). Thus, price manipulations can be effective only if the importer perceives them as appropriate and increases its efforts. If so, the importer reacts to the exporter's proposal and performs accordingly to support the exporter's business in the foreign market (Kim & Frazier, 1997). With a strong effort from its local representative, the exporter can achieve good performance. Therefore, we propose a mediating role of the importer response in the link between export pricing and export performance.

Regarding conceptualization of the importer's response to the exporter's price manipulations, we view the importer's role performance as a key factor. While role performance has been used mainly in relation to the exporter (e.g., Kumar & Bergstrom, 2008; Skarmeas, Katsikeas, Spyropoulou, & Salehi-Sangari, 2008),

we agree with Frazier (1983) that for a fruitful dyadic relationship, role performance needs to work both ways. When two firms engage in a business relationship, each assumes certain tasks and responsibilities and relies on the other party to reciprocate on the basis of the respective channel position (Frazier, 1983). Thus, we contend that the exporter's price manipulations motivate the importer to maintain the exchange relationship and fulfill its role accordingly (Kumar & Bergstrom, 2008). Moreover, Frazier (1983, p. 159) argues that "when actual exchanges of products, services, and information begin, the role performance of each firm (how well a channel role is actually carried out) will determine, in a large part, the outcomes, both actual and perceived, achieved in the relationship (e.g., sales, profits)." In other words, adequate importer role performance leads to exporter economic performance. Agency theory assumptions determine our conceptual model as we predict that appropriate agent compensation (provided through the export pricing policy) increases agent effort (the distributor role performance) which in turn increases the principal benefits (the exporter economic performance). In light of these considerations, we put forth our second hypothesis (see Fig. 1):

H2. Importer role performance mediates the impact of export price manipulations on exporter economic performance.

3. Research method

We tested our hypotheses on a sample of French exporters. We used structural models to assess the impact of export pricing on exporter performance. The analyses were performed with AMOS7.

3.1. Sampling and sample characteristics

From a database built by French regional chambers of commerce containing 32,500 exporters, we selected a random sample of 1036 industrial firms based on the following criteria recommended for export surveys: The firms had more than 10 employees, exported at least 10% of their total revenues to more than three countries, and used independent foreign distributors. We contacted them by telephone and asked them to complete the questionnaire and submit it either by fax or online. We asked respondents to base their answers on a business relationship with one of their foreign distributors. To introduce adequate variation in the answers, we divided the sample into three groups. We asked the first group to focus on the relationship with one of their two largest overseas representatives, the second group to respond with regard to their third- or fourth-largest foreign distributor, and the third group to respond with regard to one of their smallest export ventures. Indeed, firms behaviors tend to vary according to the importance of their distributor.

We checked respondents' competence in several ways. First, the database of exporters is built by the local chambers of commerce export specialists, who know the export staff of these companies personally. Second, we verified information included in the database through telephone calls to each potential respondent. Third, we included in the questionnaire a respondent competency test developed by Morgan, Kaleka, and Katsikeas (2004), which included four questions with scores from 1 to 7. We eliminated any respondent who scored less than 4 on one question or had an average score to the four questions of less than 5 from the survey. We eliminated three questionnaires because of low competency scores. We included a total of 283 questionnaires (5 firms provided answers for two different business relationships) from 278 firms (sample size: 1036, response rate of 26.8%) in the data set.

Following Mentzer, Flint, and Hult's (2001) guidelines, we assessed nonresponse bias. We contacted a random sample of 50 nonrespondents and asked them to answer five questions corresponding to one item from each of the scales. The *t*-tests of group means revealed no differences between nonrespondents and respondents. Thus, we did not consider nonresponse bias a problem in the current study.

Firms belonged to 19 of the 21 industrial categories recorded in France statistical system. Of these firms, 80% were small or medium-sized enterprises with fewer than 250 employees (European Commission, 2005), and exports generated an average of 34.4% of their revenues. Of the respondents, 89% belonged to the top management of their respective firm (43% were export managers, 24% were general managers, and 22% were marketing managers), and 11% were export area managers. On average, respondents had been personally responsible for the focal business relationship for 6 years.

3.2. Measurement

All items used in the measurement instruments appear in the Appendix. We derived five single indicators from field interviews and the literature to assess the possible price manipulations that exporters use to set their export prices. Export price manipulations items were derived from Cavusgil et al. (2003), Leonidou, Katsikeas, and Samiee (2002); Myers, Cavusgil, and Diamantopoulos (2002) and Piercy, Katsikeas, and Cravens (1997) whose research synthesizes export pricing components. The five items assess all export price manipulations described in these articles. These manipulations are performed in order to provide volume discounts, special credit terms, exchange rate variations shield, special conditions for new products and superior margins for the importer. We checked that the aforementioned behaviors were the most common price manipulations performed by exporters (1) by the examination of the export pricing literature and (2) by the assessment of eight export managers and four export marketing scholars. We decided not to bundle them into a single variable so

that we may assess the consequences of each of these pricing behaviors separately. In addition, it is important to note that the simple behaviors described by each item do not require multiple indicators to be assessed (for a discussion of this topic, see Diamantopoulos, Sarstedt, Fuchs, Wilczynski, & Kaiser, 2012).

Second, we used two reflective scales to assess the importer role performance (Kumar, Stern, & Achrol, 1992) and the exporter economic performance (Bello & Gilliland, 1997). For these scales, we calculated the standardized loading of each indicator, the composite reliability index (ρf, see Appendix), and the variance extracted (ρvc, see Appendix). The constructs exhibit indexes that are superior to the reference values ($\rho f = .6$, $\rho vc = .5$).

The correlations between the main constructs appear in Table 1. It shows that the scales achieved discriminant validity with correlations inferior to 0.70 (and $\rho vc \geq .5$, Fornell & Larcker, 1981).

4. Results

In this section, we present our findings on how export price manipulations mitigate internal competition and influence importer effort (H1) and how this effort affects the exporter's economic performance (H2). To substantiate and deepen their explanatory power, we complement our findings with a post hoc analysis.

To test H1, we specified a structural model (see Fig. 1) to determine what export price manipulations influence importer's role performance. The specific price manipulations (Price1–5) appear in the Appendix. Four variables (Price1–4) displayed nonsignificant coefficients. Only Price5 (superior margins) has an influence on importer role performance. Thus, the results support H1e, but not H1a, H1b, H1c and H1d (see Table 2 for a summary).

To test H2, we conduct a formal test of the mediating effect of importer role performance following procedures that Baron and Kenny (1986) and Shrout and Bolger (2002) recommend. We had to show (1) that the respective links of export price manipulations–importer role performance and export pricing–exporter economic

Table 1
Correlations between constructs.

	(1)	(2)	(3)	(4)	(5)	(6)
(1) Exporter economic performance	**.78**					
(2) Importer role performance	.65	**.75**				
(3) Price1 (volume discounts)	*.04*	*.04*	1			
(4) Price2 (credit)	*.04*	*.04*	.37	1		
(5) Price3 (exchange rate)	*.03*	*.09*	*.08*	*.06*	1	
(6) Price4 (new products)	.13	.14	.48	.35	*.01*	1
(7) Price5 (superior margins)	.14	.18	.48	.35	*.01*	.31

Notes: Average variances extracted (ρvc) of reflective instruments appear in bold, and nonsignificant correlations appear in italics.
With $n = 283$, correlations are significant at $p \leq .05$, if they are $\geq .1$.

Table 2
Influence of export price manipulations on importer role performance (H1).

				Path coefficient	*t*-value
H1a	Price1 (volume discounts)	→	Importer role performance	−.03	−.40
H1b	Price2 (credit)	→		−.01	−.20
H1c	Price3 (exchange rate)	→		.09	1.34
H1d	Price4 (new products)	→		.11	1.37
H1e	Price5 (superior margins)	→		.15	2.20
–	Price1 (volume discounts)	→	Exporter economic performance	−.02	−.37
–	Price2 (credit)	→		.01	.13
–	Price3 (exchange rate)	→		−.05	−1.13
–	Price4 (new products)	→		.03	.59
–	Price5 (superior margins)	→		−.01	−.23
–	Importer role performance	→		.64	14.8

Fit indexes $\chi^2 = .91$, *d.f.* = 38, *p* = .00; GFI = .94; NFI = .94; TLI = .94; CFI = .96; RMSEA = .08

Notes: *t* significant at $p \leq .05$, if $|t| \geq 1.96$; nonsignificant coefficients appear in italics.

Table 3
Impact of export price manipulations (superior margins) on export performance – mediating effect of importer role performance.

			Path coefficient	t-value
Mediated model				
Price5 (superior margins)	→	Importer role performance	.18	2.70
Importer role performance	→	Exporter economic performance	.65	14.01
Price5 (superior margins)	→	Exporter economic performance	*−.01*	*−.10*
Fit indexes χ^2 = .49, $d.f.$ = 18, p = .00; GFI = .95; NFI = .96; TLI = .97; CFI = .98; RMSEA = .08				
Direct model			Path coefficient	t-value
Price5 (superior margins)	→	Importer role performance	.18	2.67
Price5 (superior margins)	→	Exporter economic performance	.15	2.21
Fit indexes χ^2 = 262, $d.f.$ = 19, p = .00; GFI = .85; NFI = .81; TLI = .74; CFI = .82; RMSEA = .22				

Notes: t significant at $p \leq .05$ if $|t| \geq 1.96$; nonsignificant coefficients appear in italics.

performance were both significant and (2) that when we specified the link between importer role performance and exporter economic performance, the relationship between pricing and exporter economic performance became nonsignificant (full mediation) or significantly weaker (partial mediation). This required us to evaluate both a mediated model and a direct model (see Table 3) with one exogenous variable at a time (in this case Price5, superior margins). We first compared the two models' fit statistics. With a degree-of-freedom difference of 1, a chi-square difference of 3.84 would indicate a better fit for the mediated model. The large chi-square difference (213) shows that the mediated model is a better fit with the data. Furthermore, when we examined the mediated model, the two significant links between export pricing and importer role performance and between importer role performance and export performance and the nonsignificant link between superior margins and export performance indicate that importer role performance fully mediates the relationship between the two aforementioned variables. This means that the entire effect of superior margins on exporter performance is achieved through importer role performance.

4.1. Common method variance (CMV)

We took several steps to mitigate potential CMV problems. Regarding questionnaire design, (1) we advised respondents that there were no good or bad answers and that they should answer candidly, (2) we scattered reflective items around the questionnaire so respondents could not identify items describing the same factor, and (3) we used semantic differential scales and frequently changed Likert scale anchors. Next, we performed and passed a Harmon single-factor test with the reflective variables (Podsakoff & Organ, 1986). Finally, we created an unmeasured latent construct (Model 3a in Podsakoff, MacKenzie, Jeong-Yeon, & Podsakoff, 2003), inserted it in the mediated model, and allowed the reflective manifest indicators to load on their respective theoretical constructs and on the unmeasured construct. This allows for the control of systematic measurement error on the relationships between the latent constructs. All the hypothesized interconstruct relationships remained significant, which suggests that common method bias does not affect the results of our analysis.

4.2. Post hoc analyses

We performed two post hoc analyses. The first one aimed at confirming the results of the study which is based on exporters' answers. Thus, we asked importers if superior margins increased their efforts in favor of an exporter's products. The second analysis investigates the actual practices of exporters when they want to motivate their foreign distributors. Indeed, by comparing exporters' pricing behaviors with those behaviors that are proven to be effective, we can issue even more useful practical recommendations.

Our results provide evidence that export price manipulations targeted at the distributor-level (internal) competition realize their full effect through the importer's role performance. Therefore, it was interesting to observe from the point of view of the importer whether the exporter's incentives achieve their objectives and entice relevant importer support. To confirm this impact, we collected dyadic data relating exporters' pricing behaviors to importers' actions. We asked the respondents from our survey to provide the telephone number and e-mail addresses of the importer they were assessing in their answers. Only 100 exporters agreed to provide this information. Subsequently, we contacted the importers by e-mail and telephone to invite them to respond to a short questionnaire on a dedicated website. A total of 38 respondents from 25 countries completed the questionnaire. They indicated on a scale from 1 (totally disagree) to 7 (totally agree) their opinion regarding the following two statements, describing their behaviors in favor of the exporter: "We have invested a great deal in building up the business with this exporter." (item a), and "We have made a substantial investment in order to market this exporter's product lines." (item b). Given the small data set (38 dyads), we ruled out structural equations modeling and instead used regression with SPSS for this analysis. Using the two items (a and b) assessing importer actions, we built a factor and regressed the scores of Price5 (superior margins) on this factor. The analysis indicated that superior margins reached their objective because they were significantly related to importer's increased efforts (r = .31, t = 4.03). The small size of our dyadic sample demands a cautious interpretation of these results, yet they nonetheless contribute to the assessment of the effectiveness of export price manipulations.

The second post hoc analysis was designed to answer the following question: "What price behaviors do exporters adopt when they want to motivate their foreign distributors to increase their effort?" Using an approach similar to MIMIC modeling (see Diamantopoulos & Winklhofer, 2001) we specified a model where the five price manipulations (Price1–5) were regressed on a latent variable with two reflective indicators assessing the intentions of the exporter: "Our policies encourage this importer to increase their marketing efforts on our products" and "Our policies encourage this importer to sell more of our products." Three pricing behaviors (Price1–3) displayed nonsignificant coefficients, and we eliminated them, one at a time, from the model. The two reflective indicators loaded adequately (standardized loadings of .79 and .97 respectively). The final model included the two price manipulations that displayed significant path coefficients – Price4 (support to launch new products: r = .33, t = 4.61) and Price5 (superior margins: r = .15, t = 2.42) – and the two reflective indicators. Hence, when they want to overcome internal competition and motivate their distributors, exporters offer special prices for new products and superior margins.

4.3. Summary of the findings

Our results indicate that among the five export price manipulations that we examined, only superior margins improve importer role performance (H1e supported). Furthermore, we find that importer role performance increases exporter economic performance. In other words: importer role performance fully mediates the influence of superior margins on exporter economic performance (H2 is supported). Additionally, using dyadic data in a post hoc analysis, importers data indicated that superior margins induce them to promote the exporter's products strengthening the support for H1. The results of the second post hoc analysis suggest that when exporters seek to overcome internal competition and encourage their foreign distributors to focus their efforts on their products, they provide their representatives with special conditions – low prices and credit facilities – for new products along with superior margins. Comparing the findings on H1 with this last post hoc test suggests that exporters tend to overuse price manipulations as only one of them (superior margins) has proven to be effective in our study.

5. Discussion

In this paper, we show how export pricing can help suppliers manage their channel relationships with foreign resellers. Specifically, we investigated how export price manipulations contribute to mitigating internal (distributor-level) competition and how this allows exporters to achieve economic performance. This core contribution is based on an agency theory framework that suits particularly well international channels arrangements. Agency theory proposes two mechanisms to manage principal-agent relationships: monitoring (see, for example Aulakh et al., 1996; Bello & Gilliland, 1997 for the exporting context) and incentives. Focusing on the latter, we provided evidence that export price manipulations allow the exporter to offer incentives to the importer which in turn increase the latter's commitment to the exporter's product portfolio. According to Gilliland's (2003) classification of B2B-channel incentives, export price manipulations can be thus seen as activity incentives (Gilliland, 2003) – that is, rewards provided by the exporter to the importer to promote activities that support the exporter's brand.

When it comes to the most effective incentive to mitigate internal competition, superior margins stand out. Unlike other frequently used price manipulations, they are the only means according to our results, which provide the supplemental revenues needed to motivate the importer. Our dyadic analysis supports this finding: importers find superior margins attractive, when it comes to incentives that would make them favor one exporter's offering over another. Compared to these results, exporters may have to adjust their current contentions, as they believe not only superior margins but also special support for new products as effective, as our post hoc analysis shows.

Another objective in this paper was to highlight the role of the importer in the export pricing–export performance relationship. Our results demonstrate that importer role performance fully mediates the impact of superior margins on performance. These findings clearly highlight that incentives provided by the exporter will only pan out as intended, if the distributor acknowledges them as such and acts accordingly. These results are also in line with agency theory which contends that agents' compensation schemes work only if they provide the beneficiaries with a revenue superior to their utility reservation.

Taken collectively, our results clearly demonstrate that in addition to being the monetary counterpart in an exchange, prices can be used as a vector to influence intermediaries' behaviors and manage export channel relationships.

From a managerial perspective, our results provide export managers with various directions for action. Preliminary interviews showed that exporters have a limited understanding of internal competition. Indeed, it is important to distinguish internal competition from external competition which is based on competing offers in the foreign market place. Internal competition has a significant influence on the performance of firms that rely on foreign intermediaries in their exporting activities. Importers take advantage of internal competition to promote product ranges which offer them additional revenue and neglect other brands in their portfolio where this is not the case. They compose a portfolio of favorite items that are actively promoted. The remaining products are often left unattended. This behavior denotes an additional manifestation of the goal divergence that exists between supplier and reseller. Because the importer maximizes its profit and minimizes its effort, the exporter cannot achieve its sales objectives for all its products ranges. This study shows that to secure adequate performance, exporters can overcome internal competition issues with a well-designed pricing policy. In particular, we highlight the effectiveness of higher margins.

Our findings indicate the strong role of the foreign intermediary in the effectiveness of a pricing policy. Price manipulations should be crafted to provide importers with enough supplemental benefits so they will dedicate appropriate efforts to promote the exporter's brand. It is essential that suppliers understand that not all pay-per-performance schemes are incentives. Indeed, in a situation of internal competition only the compensation schemes that offer more than the other suppliers of the distributor are effective.

Our study shows that this holds particularly true for superior margins, which seem to work well in the context of internal competition, while other common price manipulations failed to reach their goal. Exporters need to carefully consider their incentive schemes, when they want to motivate their distributors, so as not to waste their resources.

In addition, a shift in perspective from the importer being a passive recipient of the exporter's strategic decisions to being an active partner in a balanced business relationship will support a more effective export pricing policy and ultimately export performance.

6. Limitations and directions for future research

While we believe that our novel approach provides a substantially new perspective on and intriguing insights into export pricing, we acknowledge its limitations, which may be overcome in further research. First, we investigated how exporters mitigate internal competition and what pricing actions they implement to achieve their performance objectives despite this competition. We were not able to measure exporters' comparative performance (compared with other brands in the importer's portfolio), because exploratory interviews with exporters determined that they did not possess a sufficient level of information to assess performance comparatively. We urge researchers to replicate our work in different, more appropriate contexts (industries or national) to determine whether price manipulations not only secure adequate performance but also help achieve superior results.

Moreover, we assumed a power balance between the exchange partners in their ongoing business relationship. However, there are many cases in which the supplier and reseller do not share the same degree of dependence (Frazier et al., 2009). Because this may bias our findings in one direction or the other depending which party is more powerful in the exchange, further research is necessary to address this aspect.

In this work, we focused our perspective on export pricing in ongoing exporter–importer relationships. This might be the reason

why some of the price components (e.g., credit terms, exchange rate mitigation schemes) turned out to be nonsignificant, as they are dealt with at the beginning of an international business relationship. Therefore, investigating exporter–importer business relationships at different stages may help elucidate the phenomenon of export pricing in more depth. A different phenomenon may explain the nonsignificant results concerning volume discounts. Indeed, Blattberg and Neslin (1990) contend that, if they abuse of price discounts, sellers can fall into a situation in which buyers wait for these discounts to make their purchase and thus demand systematically lower prices. This contention should be verified empirically in the export context.

In our approach, we disaggregated export pricing into individual manipulations, which enabled us to develop tailored actions to deal with internal competition. Further research may use this approach to isolate price manipulations effective for different markets (e.g., emerging vs. mature markets), different customer types (e.g., wholesalers vs. end retailers), or different market/product units. Moreover, export price manipulations are only one incentive an exporter can take to motivate an overseas agent. To fully capture the exporter's incentive portfolio, it may be useful to extend our work beyond export pricing and include other marketing-mix elements, such as product or promotion incentives (Gilliland, 2003).

Appendix: Measures

Export price manipulations (single measures)	
Cavusgil et al. (2003), Leonidou et al. (2002), Myers et al. (2002), and Piercy et al. (1997)	
Price1	We propose volume discounts to this importer.
Price2	We offer this importer favorable credit terms.
Price3	We try to compensate exchange rates fluctuations for this importer.
Price4	We propose this importer special discounts and credit terms to help them launch our new products.
Price5	Our pricing policy aims at granting this importer higher margins than (*what they get from*) their other suppliers.
Importer role performance (Reflective scale, ρvc = .75 ρf = .93) Kumar et al. (1992)	
Imperf1	Our association with this importer has been a highly successful one (loading: .90).
Imperf2	If I had to give this importer an appraisal for its performance these last years, it would be: 1 = poor, 7 = outstanding (loading: .82).
Imperf3	This importer leaves a lot to be desired from an overall performance stand point (R) (loading: .69).
Imperf4	Overall, how would characterize the results of your firm's business relationship with this importer? 1 = It has fallen far short of expectations, 7 = It has greatly exceeded our expectations (loading: .87).
Exporter economic performance (Reflective scale, ρvc = .78 ρf = .91) Bello and Gilliland (1997)	
Experf1	Our sales goals were attained (loading: .89).
Experf2	Our profit goals were attained (loading: .86).
Experf3	Our market share goals were attained (loading: .90).

Notes: (R) = reverse-scored item.

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