



# Psychic distance and international marketing effectiveness of fast-moving consumer goods of multinational companies in Nigeria

Agburum Okechukwu\*  
Department of Marketing, Faculty of Management Sciences  
Rivers State University, Port Harcourt, Nigeria  
Email: Okechukwu.agburum2@ust.edu.ng

Kenneth. C. Adiele  
Department of Marketing, Faculty of Management Sciences  
Rivers State University, Port Harcourt, Nigeria  
Email: adiele.kenneth@ust.edu.ng

Corresponding author\*

## Abstract

The Hospitality and Tourism industry contribute tremendously to a nation's GDP. When individuals are encouraged to conduct business internationally, this helps in boosting the industry hence impacting seriously on the country's income. The Hospitality and Tourism industry should always be prepared to receive travelers since doing business abroad is ineluctable. The benefits and opportunities for the industry are numerous. They should be better prepared and develop service marketing strategies to attract visitors, develop and keep them as life time customers. The research on psychic distance and international marketing effectiveness of fast moving consumer goods multinational companies in Nigeria was conducted to investigate the effect of psychic distance on international marketing effectiveness of fast moving consumer goods multinational companies in Nigeria. Such a study has important lessons for Hospitality and Tourism *per se*. The study population used in this research comprised 21 registered and functional fast moving consumer goods multinational companies in Nigeria. The study adopted correlational design. Furthermore, one hundred and twenty six (126) structured copies of questionnaire were administered to managers. After data cleaning, 84 copies of the questionnaire were used for data analysis. The spearman's Rank order correlations were used in testing the various hypotheses in order to ascertain the relationship between the predictor variable (psychic distance) and the criterion variable (international marketing effectiveness). The result of the analysis revealed that psychic distance significantly influenced international marketing effectiveness. The study further revealed that the dimensions of psychic distance used in this study (cultural, political and economic distances) significantly impact on international marketing effectiveness of FMCG multinational companies in Nigeria. Therefore, the researchers concluded that psychic distance affect international marketing effectiveness of FMCG multinational companies in Nigeria. The researcher therefore recommended that FMCG multinational companies venturing international should study and understands the cultural, political and economic contingencies of the foreign markets in order to improve their level of marketing effectiveness.

**Keywords:** Psychic Distance, Cultural Distance, Economic Distance, Political Distance and International Marketing Effectiveness.

## Introduction

Multinational companies all over the globe undoubtedly experience a much more complex environment than those firms operating domestically. In analyzing this complex environment faced



by multinational companies and how this environment affects their international marketing effectiveness, many researchers have made use of the concept referred to as psychic distance.

Johanson and Vahlne (1977) defined psychic distance as a hindrance of information flows to and from the foreign market, resulting from differences in language, culture, education, business practices and industrial development. According to Grady and Lane (1996), some of these factors affecting the flow of information between the firm and the market, include differences in languages, culture, levels of education and levels of industrial development. Psychic distance as observed by Beckerman (1956) encompasses a larger number of factors such as difference in language, religion, culture, personal relationship between partners, the level of economic development, the level of education and physical distance. As companies engage in their internationalization process, they gather experience and knowledge not only specific to the markets where they carry out their activities, but also of conducting business abroad (Johanson and Vahlne, 1977). Thus, companies benefit from the experience and knowledge from the markets which they enter and which are invariably perceived to be more distant and also more physically distant.

The effectiveness of the international operations of the multinational companies can be evaluated in the focus of an improved strategic orientation and operational efficiency in these companies. There is a lot of evidence based upon that studies have been conducted by researchers on psychic distance and international marketing effectiveness of fast moving consumer goods multinational companies. Multinational companies are confronted with numerous problems, one of which is ineffectiveness. Past studies have shown that their ineffectiveness was due to lack of knowledge and understanding of the international marketing environmental factors such as cultural distance, political distance and economic distance. The lack of knowledge and understanding of these factors or constraints have negatively affected the effectiveness of fast moving consumer goods multinational companies activities. Globally, different studies have investigated the different concepts of psychic distance, its attributes and how they affect international marketing activities. For instance, Johanson and Vahlne (2009), Opara (2015), Sousa and Bradley (2006), Kogut and Singh (1988). These studies have all affirmed psychic distance variables such as cultural factors, political factors, economic factors in international marketing as the determinant factors that affect strategic orientation and operational efficiency of fast moving consumer goods multinational companies, many of which operate in the hospitality and tourism space.

To the best of our knowledge, and from the review of the empirical literature, it appears that not much empirical research has been conducted on psychic distance and how it affects international marketing effectiveness of fast moving consumer goods multinational companies. Against this background, this study investigates the effect of psychic distance on marketing effectiveness of Nigerian fast moving consumer goods multinational companies.

## **Literature Review**

### **Nature of Psychic Distance**

Psychic distance was mentioned over two decades ago by an economist W. Beckerman in 1956. However, the concept gained it prominence in the mid-1970s, with the introduction of internationalization theory by the members of the Uppsala School in Sweden. The concept gained prominence in the works by authors such as Johanson and Vahle, (1977) who identified the differences in language, culture, political systems, level of education and levels of industrial development that affect business activities and other forms of international production, because such differences prevent or disturb the flows of information between firms and the market. In their



explanation of the internationalization process, Johanson, Vahlne and others members of the Uppsala School in (1992), maintained that firms are likely to begin their international expansion in countries that are psychically close before gradually expanding into countries that are psychically distant and this is in order to reduce the level of uncertainty that firms face. Beyond the Uppsala model, psychic distance has been considered a central construct in the international business field (Dow and Ferencikora 2010). Also many scholars have delved on the effect of psychic distance on such different issues such as the international performance of MNEs (Brouthers, 2007; Evans and Marondo, 2002), acquisitions versus Greenfield entries decisions (Harizing, 2002), foreign direct investment (Habib and Zurawicki, 2002), foreign market size and entry sequence (Ellis, 2008) and strategic effectiveness of MNEs (Evans and Mavondo, 2002).

According to Johanson and Vahlne (1977), psychic distance is a hindrance of information flows to and from the foreign market, resulting from differences in language, culture, education, business practices and industrial development. Treadgold and Mavondo (2000) defined psychic distance as a perception of cultural and business differences that stems from legal, political, economic environment as well as the company's business practices and industry structure. In this definition Evans, Treadgold and Mavondo have attempted to appeal to the "psychic" elements which are the mind and soul that centered psychic distance is about the differences in perceptions of managers that shape the understanding of the differences in culture and business practices existing in different markets (Dennis et al., 2013). But the researcher of this paper agree with the definition of Sousa and Bradley (2006). This is individually perceived differences between the home and the foreign country, which could be learned and lead to understanding of the foreign environment. The differences in point are culture, political systems, language, level of education, economic system, communications and the legal activities.

### **Dimensions of Psychic Distance**

Sousa and Bradley (2008) regarded psychic distance as the individual's perception of the differences between the home country and the foreign country in terms of economic development, climatic condition, lifestyles, consumer preferences, language, education, and cultural values. They considered the above factors as the dimensions in which psychic distance may be looked at. Opara (2015) in his study used the three dimensions of psychic distance namely political issues, cultural considerations and economic considerations. However, in this study we adopted the following as dimensions of psychic distance which include: cultural distance, political distance and economic distance.

### **International Marketing Effectiveness**

Marketing effectiveness requires managers to have sufficient information at their disposal for the purpose of planning and also effective allocation of resources to the different markets products and territories. According to Adu et al. (2001) marketing effectiveness hinges on the adeptness of managers to deliver profitable strategies from their philosophy, organizations and information resources. Marketing effectiveness also depends on the manager's ability to implement or execute marketing plans successfully at various levels of the organizations.

In their study on managerial competencies and marketing effectiveness in corporate organizations in Nigeria, Nwokah and Ahiauzu (2008) identified four basic dimensions of marketing effectiveness and these include corporate, competitive, customers and exogenous factors. Corporate dimensions of the marketing effectiveness focuses on a company's bridge size and ability to make progress which determines the bounds within which it operates. The competitive dimension determines the level which a company operates in a certain category and is not alone in this and is being monitored



by many other companies. In this dimension, marketers have to gain perfect information to be at least as successful as their competitors.

The customers' dimension has to do with information on customers behavior such as making purchase decisions which can help marketers improve their marketing effectiveness. Exogenous dimensions focus on corporate, competitive and customer environmental factors that can influence marketing effectiveness. These are aspects such as interest, weather, and government regulations are examples of exogenous factors which affect marketing effectiveness. Further investigations by Nwokah (2006), Nwokah and Ahiauzu (2008) have revealed five factors that drive the level of marketing effectiveness which marketers can achieve. These are marketing strategy, marketing creativity, marketing execution, marketing infrastructure and exogenous factors.

Webster (1995) in her study on marketing culture and marketing effectiveness in service firms, observed that marketing effectiveness has strong associations with many valuable organizational outcomes, such as stable, long-term growth, enhanced customer satisfaction, a competitive advantage and a strong marketing orientation. There is little research on marketing effectiveness irrespective of its importance in measuring business performance. This can be attributed to the complexity of uncovering short from long-term effects (Dekimpe and Hanssens, 1995), difficulties of measuring brand equity, and above all, excessive importance business managers attribute to financial measures (Kokkinaki and Ambler, 1999).

In their own views, Walker and Ruekert (1987) defined marketing effectiveness as success versus competitors, which they regarded as a common goal framework in marketing management. Also, Drucker (1974) described marketing effectiveness as doing the right thing from the perspective of marketing activities. Clark (2000) considered marketing effectiveness as the psychological distance between what was expected to result from a marketing activity or programme and results to be returned. Kotler (1997) in his study of marketing effectiveness of firms observed that marketing effectiveness of a firm involves a combination of five components which include the customer philosophy, integrated marketing organization; adequate marketing information; strategic orientation, and operational efficiency. The model of marketing effectiveness by Kotler (2013) is illustrated below:

**Figure 1. Marketing Effectiveness Model**

Customer philosophy	Market segmentation strategy Holistic marketing approach
Integrated marketing organization	Marketing integration and control synergy with other marketing units new product process
Adequate marketing information	Control of market research management knowledge of the market cost effective of marketing expenditure
Strategic orientation	Extent of formal marketing planning. Quality of marketing strategic Extent of contingency planning
Operational efficiencies	Top-down communication of market effectiveness of marketing resources responsiveness of uncertainty

**Source:** Marketing Management (Kotler & Keller 2013)

### **Relationship between Psychic Distance and International Marketing Effectiveness**

In this section of the study, an extensive review of literature was conducted on the relationship between the dimensions of psychic distance and international marketing effectiveness of fast moving consumer goods multinational companies in Nigeria. The discussion is presented in the next section.



## **Cultural Distance and Marketing Effectiveness**

The understanding of the cultural distance is very important in the international marketing environment. The knowledge of this cultural distance by the international marketer will be an advantage in ensuring his marketing effectiveness. The studies of cultural distances policy is critical within international marketing and also enables firms to carry out effective marketing research. Ezirim (2004) found that culture is pertinent in international marketing activities and as such all international marketers must be culturally oriented to be acceptable in the foreign market.

In a study conducted by Gary (1994) on the cultural dimensions of international business, Harris (2016) impact of cultural distance on global marketing, David (1994) on 'blindness' in international business, and Whitehorn (1994) on the diversity in tastes and customs of the members countries of the EC and their resistance to change, it was found that the understanding of the attitudes values and religious inclination of a country will help the international firms in their various marketing efforts and subsequently enhance their marketing effectiveness in terms of strategic orientation and operational efficiencies.

Gary (1994), in his study on cultural dimension of international business in USA found that the understanding of international marketing cultural environment and the tasks involved in international marketing help management in their tasks out of their home country and change buyers attitude positively towards the firms products or services. Therefore, from the on-going discussion, it seems that there exists positive relationship between cultural factors and international marketing effectiveness of fast moving consumer goods multinational companies, the researcher also is in support of this position.

## **Political Distance and Marketing Effectiveness**

Political factors are very crucial in international marketing. The reactions of government to the international marketer's efforts by putting in place and pursuing policies that is to solve the problems arising from the political environment and government's attitudes towards business must be of interest to the international marketer. As observed by Yusuf (1993) in his study on forced withdrawal from a country market and managing political risks, it was found that the understanding of the international politics and the political systems help in cementing the relationship between home and foreign country. This, in return enhances international marketers efforts. These efforts without political hindrances will most likely serve to improve strategic decision and operational efficiencies of fast moving consumer goods multinational companies.

Also, Opara (2015) in his work on dynamics of international marketing observes that by equipping them with the knowledge of the form of government, international marketers may have a good idea of what will be obtained in the impending business political environment which may either enhance or hinder their marketing effectiveness. In a study conducted by Authur (1991) on complying with foreign corrupt practices, it was found that the knowledge of the type of government whether republics or constitutional monarchies will encourage international marketer in their marketing activities. The improvement in their marketing activities will bring about effectiveness in forms of profit, market share increment and improvement in sales volume and above all, improvement in their strategic orientation and operational efficiency.

Raymoud (1994) also conducted a study on the politics of NAFTA in Mexico, and John (1994), found that having the knowledge of party philosophy will help in understanding the current attitude of government towards foreign enterprises and have greater influences on the international marketing



effectiveness of fast moving consumer goods multinational companies. Therefore, from the empirical literature reviewed and from the work of previous researchers it seems that political factors have a positive influence on international marketing effectiveness of fast moving consumer goods multinational companies as this is also affirmed by the researchers.

### **Economic Distance and Marketing Effectiveness**

Psychic distance elements of economic must be adjusted to by the international marketer. Economic factors are very important to the survival of any international marketing operations. In the study conducted by Mike (1994) in Indonesia, Economic Nationalism is still blocking badly needed foreign capital, it was found that growth in the economy contributes to successful marketing of the marketing concept. Cateora (1996) in his work on international marketing, found that consumption patterns are rigid and marketing must supply what the consumers' needs are. To be effective in the international business arena, marketers must detect the problems in the economy and provide for new levels of consumption and match their effort with ever-changing market needs and wants by appraising any potential market whether domestic or foreign. The international marketer must pay attention to a country's economy and its changing nature for improved marketing effectiveness. From the discussion and review of empirical studies, it seems, a relationship exists between economic factors and international marketing effectiveness of fast moving consumer goods multinational companies which the researchers are also in agreement with.

### **Moderating Influence of Company Perceived Image on the Relationship between Psychic Distance and International Marketing Effectiveness**

A company's image which Tabassum and Rahman (2012) view as the corporate image is the perceptions of the company reflected in the associations held in customer memory which distinguishes the company from its competitors. Perceived image is the sum of beliefs, ideas, perceptions and impression that holds about a company concerning its products and services. Because of the competitiveness of the international marketing domain, a company's corporate image is critical in attracting customers and distinguishing a company from its competitors, because the more reputable a company is, the more it builds trusts among its international customers. A company with a good image is more likely to have a competitive edge over its competitors in the same industry as it attracts more customers through its strategic decisions and operational efficiencies.

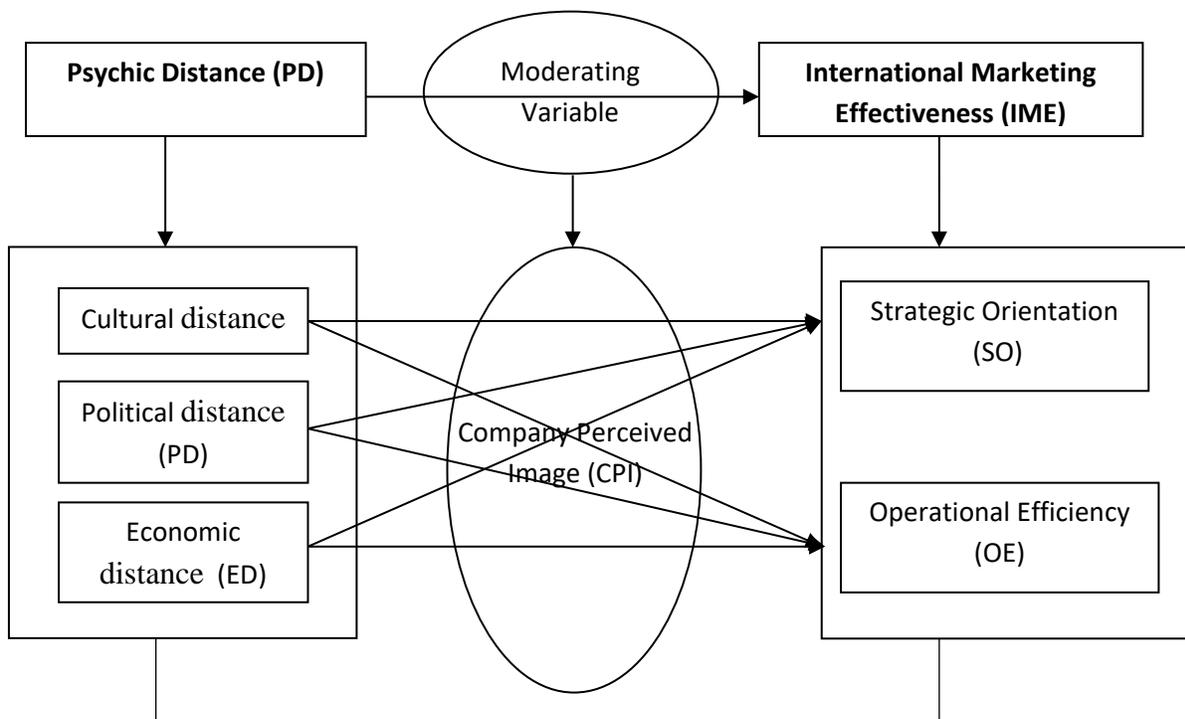
Ezirm (2004) found that a good company image locally or internationally is critical in influencing loyalty, and thus, enhancing its increment in market share, sales growth and high returns on investment. Studies have shown that company image or corporate image is a vital determinant of customer satisfaction and loyalty. Nwokah and Ahiauzu (2008) in their study on managerial competence and marketing effectiveness in corporate organizations in Nigeria found that image is one of the important aspects of marketing research not because of its role as a function for tactical marketing mix, but also as a building block in establishing long-term brand equity.

The importance of image for companies is to show a distinctive identity in order to allow the company's name, symbol and logo to distinguish the company's offerings from those of competitors. Therefore, with a strong and positive image, a company wills, and strengthens its efforts. If the image of a company is good, it will enhance the delivery of products and services both locally and internationally. A review of literature shows that a company's perceived image has a positive influence or relationship with marketing effectiveness, thus enhancing its strategic orientation and operational efficiencies

To have a competitive advantage over competitors, fast moving consumer goods multinational companies should examine the role of image and the effect of perceived image by customers since it significantly affects choice and patronage of companies. Corporate image is the mental picture that occurs at the mentioning of a company's name. It is concerned with the psychological impression that often changes with the company's situations, media coverage performance and similar pronouncements. Like a company's reputation or goodwill, corporate image is public view or perception of the company rather than a reflection of its actual position or condition ( Adiele and Opara, 2014).

The image of a company is critical in showing a distinctive competence in comparison with competitors, allowing the company's name, symbol identity distinctiveness with attendance appeal, and a favourable image differentiator which distinguishes a company from its competitors. Therefore, a favourable image of a particular company can enhance and improve its marketing effectiveness. As observed by Dutta et al. (2013), a good corporate image could be of importance to a company by preventing or delaying other competitors entering the industry. A good corporate image is an outstanding marketing tool for attracting current customers.

The more favourable the image of a company, the more likely customers will believe that services rendered by the company are better, of high quality and with actual price (Adiele and Opara, 2014). Therefore, a good and favourable image distinguishes and separates the company from competitors and more importantly affects its marketing effectiveness. Based on the above discussion, a company's perceived image positively moderate the relationship between psychic distance and marketing effectiveness of fast moving consumer goods multinational companies in Nigeria as shown in figure 2.1 below: Psychic distance and international marketing effectiveness of fast moving consumer goods multinational companies in Nigeria.



**Figure 2.** Operationalized conceptual framework showing psychic distance and international marketing effectiveness of fast moving consumer goods multinational companies in Nigeria

**Source:** Researcher's Conceptualization from the review of related Literature, 2018.



## Study Methodology

Ontologically, this study took a realist view and a positivist epistemology. It therefore adopted a quantitative research approach and a cross-sectional survey research design in a non-contrived setting, where the researchers were not in complete control of the elements of the research. The study population comprises 21 functional fast moving consumer goods multinational companies operating in Nigeria. These multinational organizations are registered with the manufacturers association of Nigeria (MAN) and also found in the Nigeria industrial directory (2017), and are also quoted on the floor of the stock exchange market. Furthermore, we conducted a census investigation by studying the entire 21 companies considering the small size; hence there was no need for sampling. However, judgmentally six (6) respondent managers from each of the 21 quoted FMCG multinational companies that made up our population for the study were selected.

In summary, one hundred and twenty six (126) managers of the 21 multinational companies on the ratio of 6 managers per company, was chosen which constituted our respondents for the study and also our sample frame. These 6 managers were chosen from the marketing, production, quality assurance, human resources, logistics, and finance department of the respective FMCG Multinational companies operating in Nigeria. Cumulatively, we had a sample frame of 126 respondent managers. Primary data were drawn from one hundred and twenty six (126) retrieved copies of a structured questionnaire; which were cleaned, qualified and used for the study. The researchers adopted the Likert scale method in the measurement of psychic distance constructs and international marketing effectiveness which ranged from “Strongly agree” to “strongly disagree”. The face validity of the research instrument was ensured by colleagues and other experts in the field of measurement and evaluation.

These experts assessed the relevance of each item, in relation to the specific objectives of the study and the hypotheses to be tested and how adequate the items are with regards to measuring the constructs they are designed to measure as well as the ease with which each item could be scored for use in data analysis. The researchers also used the Cronbach’s Alpha technique to ascertain the reliability and internal consistency of the measurement instrument.

Furthermore, the measures of central tendencies and dispersions were used in analyzing the respondent’s demographics while the various hypotheses were tested by employing the Spearman Rank Correlation Technique (SRCT) with the aid of the Statistical Packages for the Social Sciences (SPSS) version 23.0. The lists of FMCG Multinational companies operating in Nigeria which are used for the study are shown in table 3.1 below.

**Table 3.1 Lists of FMCG Multinational Companies/Unit/ head (population)**

S/N	Name of FMCG Multinational Companies	Regions/Zones
1.	Bua flour mills ltd	Bompair, Kuno
2.	Bua oil mills ltd	Onitsha
3.	British American tobacco	Ibadan
4.	Cadbury Nigeria Plc	Ikeja Lagos
5.	Chellarams Plc	Apapa, Lagos
6.	Coca – cola Nigeria ltd	Sango – Ota Ogun State
7.	Dafil prima foods ltd	Port Harcourt
8.	Glaxo – Smithkline consumers Nigeria Plc	Ogun State
9.	Leventus food ltd	Apapa, Lagos
10.	May & Baker Nigeria Plc	Ikeja Lagos



11.	Nestle Nigeria Plc	Agbara, Ogun State
12.	Nigeria bottling Co. Plc	Iddo, Lagos
13.	Nigerian – German chemicals Plc	Sango, Ogun State
14.	Notre dame industrial company ltd	Benin City, Edo State
15.	PZ Wilmar food ltd	Ilupeju, Lagos
16.	Procter & Gamble Nigeria ltd	Oluyole, Oyo State
17.	Promasidor Nigeria ltd	Isolo, Lagos
18.	Suit Nigeria ltd	Ubima, Rivers State
19.	UAC Foods	Ojota, Lagos
20.	Unilever Nigeria Plc	Ikeja, Lagos
21	UTC Foods processing factory	Oshodi, Lagos

Source: [www.https://nigerianfinder.com](https://nigerianfinder.com).2017

**Table 3.2 Reliability Coefficients of variable measures**

S/No	Dimensions/Measures of the study variable	Number of items	Number of cases	Cronbach's Alpha
1	Cultural distance	5	84	0.878
2	Political distance	5	84	0.765
3	Economic distance	5	84	0.862
4.	Strategic Orientation	5	84	0.798
5	Operational Efficiency	5	84	0.874
6	Company Perceived Image	4	84	0.885

Source: Research data output, 2017

Table 3.2 Showed different Cronbach's Alpha value for the 6 constructs of the scaled questionnaire which were all considered sufficiently adequate for the study. Over all, this indicated that there was internal consistency of the variables scaled and that variables construct exhibited strong internal reliability. The results therefore confirmed that the instrument we used for this study had satisfactory construct reliability.

### **Test of Hypotheses, Results and Discussions.**

**Ho<sub>1</sub>:** Cultural distance does not have any significant effect on strategic orientation of fast moving consumer goods multinational companies in Nigeria.

**Ho<sub>2</sub>:** Cultural distance does not have any significant effect on operational efficiency of fast moving consumer goods multinational companies in Nigeria.



**Table 4.1 Relationship between Cultural distance and International Marketing Effectiveness**

			Cultural Distance	Strategic Orientation	Operational Efficiency
Spearman's rho	Cultural Distance	Correlation Coefficient	1.000	.707**	.562**
		Sig. (2-tailed)	.	.000	.000
		N	84	84	84
	Strategic Orientation	Correlation Coefficient	.707**	1.000	.290**
		Sig. (2-tailed)	.000	.	.007
		N	84	84	84
	Operational Efficiency	Correlation Coefficient	.562**	.290**	1.000
		Sig. (2-tailed)	.000	.007	.
		N	84	84	84

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: Research Data 2018 and SPSS output version 23.0

The correlation result as depicted in Table 4.1 revealed that there is a significant and positive relationship between cultural distance and strategic orientation. The *rho* value 0.707 indicates this relationship and it is significant at  $p\ 0.000 < 0.05$ . The correlation coefficient represents a high correlation indicating a strong relationship. Therefore, based on empirical findings the null hypothesis (**Ho<sub>1</sub>**) earlier stated is hereby rejected and the alternate upheld. Thus, Cultural distances do have significant effect on strategic orientation of fast moving consumer goods multinational companies in Nigeria.

Furthermore, the test of hypothesis two as shown in Table 4.1 above revealed that the correlation coefficient (*r*) demonstrates that there is a significant and positive relationship between Cultural Distance and operational efficiency. The *rho* value 0.562 indicates this relationship and it is significant at  $p\ 0.000 < 0.05$ . The correlation coefficient represents an appreciable correlation indicating a moderate relationship. Therefore, based on empirical findings the null hypothesis (**Ho<sub>2</sub>**) earlier stated is hereby rejected and the alternate upheld. Thus, Cultural Distances do have significant effect on operational efficiency of fast moving consumer goods multinational companies in Nigeria.

**Ho<sub>3</sub>:** Political distance does not have any significant effect on strategic orientation of fast moving consumer goods multinational companies in Nigeria.

**Ho<sub>4</sub>:** Political distance does not have any significant effect on operational efficiency of fast moving consumer goods multinational companies in Nigeria.



**Table 4.2: Relationship between Political distance and International Marketing Effectiveness**

			Political Distance	Strategic Orientation	Operational Efficiency
Spearman's rho	Political Distance	Correlation Coefficient	1.000	.858**	.739**
		Sig. (2-tailed)	.	.000	.000
		N	84	84	84
Strategic Orientation		Correlation Coefficient	.707**	1.000	.290**
		Sig. (2-tailed)	.000	.	.007
		N	84	84	84
Operational Efficiency		Correlation Coefficient	.739**	.290**	1.000
		Sig. (2-tailed)	.000	.007	.
		N	84	84	84

\*\* . Correlation is significant at the 0.01 level (2-tailed).

Source: Research Data 2018 and SPSS output version 23.0

The correlation result shown in Table 4.2 demonstrates that there is a significant and positive relationship between Political distance and strategic orientation. The *rho* value 0.858 indicates this relationship and it is significant at  $p < 0.000 < 0.05$ . The correlation coefficient represents a high correlation indicating a strong relationship. Therefore, based on empirical findings the null hypothesis earlier (**Ho<sub>3</sub>**) stated is hereby rejected and the alternate upheld. Thus, Political Distances do have significant effect on strategic orientation of fast moving consumer goods multinational companies in Nigeria.

More so, the correlation result as depicted in Table 4.2 above indicated a significant and positive relationship between Political Distance and operational efficiency. The *rho* value 0.739 indicates this relationship and it is significant at  $p < 0.000 < 0.05$ . The correlation coefficient represents a very high correlation indicating a very strong relationship. Therefore, based on empirical findings the null hypothesis earlier (**Ho<sub>4</sub>**) stated is hereby rejected and the alternate upheld. Thus, Political Distances do have significant effect on operational efficiency of fast moving consumer goods multinational companies in Nigeria.

**Ho<sub>5</sub>:** Economic distance does not have any significant effect on strategic orientation of fast moving consumer goods multinational companies in Nigeria.

**Ho<sub>6</sub>:** Economic distance does not have any significant effect on operational efficiency of fast moving consumer goods multinational companies in Nigeria.



**Table 4.3: Relationship between Economic Distance and International Marketing Effectiveness**

			Economic Distances	Strategic Orientation	Operational Efficiency
Spearman's rho	Economic Distances	Correlation Coefficient	1.000	.809**	.254*
		Sig. (2-tailed)	.	.000	.020
		N	84	84	84
	Strategic Orientation	Correlation Coefficient	.809**	1.000	.290**
		Sig. (2-tailed)	.000	.	.007
		N	84	84	84
	Operational Efficiency	Correlation Coefficient	.254*	.290**	1.000
		Sig. (2-tailed)	.020	.007	.
		N	84	84	84

\*\* . Correlation is significant at the 0.01 level (2-tailed).

\* . Correlation is significant at the 0.05 level (2-tailed).

Source: Research Data 2018 and SPSS output version 23.0

The correlation result as shown in Table 4.3 above affirmed that there is a significant and positive relationship between Economic factors and strategic orientation. The *rho* value 0.809 indicates this relationship and it is significant at  $p\ 0.000 < 0.05$ . The correlation coefficient represents a high correlation indicating a strong relationship. Therefore, based on empirical findings the null hypothesis (**Ho<sub>5</sub>**) earlier stated is hereby rejected and the alternate upheld. Thus, economic distances do have significant effect on strategic orientation of fast moving consumer goods multinational companies in Nigeria. Similarly, the correlation result as presented in Table 4.3 shows that there is a significant and positive relationship between economic factors and operational efficiency. The *rho* value 0.254 indicates this relationship and it is significant at  $p\ 0.000 < 0.05$ . The correlation coefficient represents a correlation indicating a relationship. Therefore, based on empirical findings the null hypothesis (**Ho<sub>6</sub>**) earlier stated is hereby rejected and the alternate upheld. Thus, Economic Distances do not have any significant effect on operational efficiency of fast moving consumer goods multinational companies in Nigeria.

**Ho<sub>7</sub>:** Company perceived image does not significantly moderate the influence of psychic distance on international marketing effectiveness of fast moving consumer goods multinational companies in Nigeria.

**Table 4.4: Partial Correlation for the Moderating Effect of Perceived Image**

Control Variables			Psychic Distance	International Marketing Effectiveness	Perceived Image
-none <sup>a</sup>	Psychic Distance	Correlation	1.000	.770	.776
		Significance (2-tailed)	.	.000	.000
		Df	0	128	128



International Marketing Effectiveness	Correlation	.770	1.000	.882
	Significance (2-tailed)	.000	.	.000
	Df	128	0	128
Perceived Image	Correlation	.776	.882	1.000
	Significance (2-tailed)	.000	.000	.
	Df	128	128	0
Perceived Image	Psychic Distance	Correlation	1.000	.288
	Significance (2-tailed)	.	.001	
	Df	0	127	
International Marketing Effectiveness	Correlation	.688	1.000	
	Significance (2-tailed)	.001	.	
	Df	127	0	

a. Cells contain zero-order (Pearson) correlations.  
 Source: Research Data 2018 and SPSS output version 23.0

In Table 4.4, the zero-order correlation between Psychic Distance and International Marketing Effectiveness shows the correlation coefficient when Perceived Image is not moderating the variables; and this is high at 0.770 and statistically significant ( $p\text{-value} (=0.000 < 0.05)$ ). The partial correlation controlling for Perceived Image, however, is 0.688 and statistically significant ( $p\text{-value} (= 0.000 < 0.05)$ ). Looking at the zero correlation, the study found that both Psychic Distance and International Marketing Effectiveness are positively correlated with Perceived Image, the control variable.

Removing the effect of this control variable reduces the correlation between the other two variables to be 0.688 and significant at  $\alpha = 0.05$ , therefore we reject the null hypothesis and conclude that: Companies perceived image significantly moderate the influence of psychic distance on international marketing effectiveness of fast moving consumer goods multinational companies in Nigeria.

## Discussion of Findings

This study using descriptive and inferential statistical methods, investigated the effect of psychic distance on international marketing effectiveness of multinational companies in Nigeria. The findings revealed that a significant effect was noticed from the relationship between psychic distance and international marketing effectiveness of FMCG multinational companies in Nigeria using the Spearman rank order correlation tool and at a 95% confidence interval. The findings of this study confirmed that psychic distance affects international marketing effectiveness of FMCG multinational companies in Nigeria. It implies that it is in the interest of operators of FMCG multinational companies that the cultural, political as well as economic factors be put into consideration in designing their international marketing programs.

The finding reinforces previous studies by Opara (2015) who posited that culture is the human made part of the human environment, the sum total of mankind's knowledge, beliefs, art, morals, laws, and customs and any other capabilities and habits acquired by humans as members of a society. Culture is everything that people have, think, and do as members of their society (Cateora, 1996). Culture



deals with the different ways in which the people of a society live their lives. Ezirim (2004) opined that to be successful and efficient in international marketing environment, the marketer must be culturally sensitive and an empathy for others' culture must be cultivated. He was of view that culture is very important in all marketing activities which involve the way products are priced, promoted distributed, produced, packaged and styled, thus the efforts of the marketer are appraised in terms of cultural acceptance, resistance, or rejection.

Also in line with our finding Opara (2015) argued that government is an integral part of every foreign business activity. He observed that since the government is in nearly total control of international business activities, a multinational firm must take into account the political environment of the home country as well as the host country because such a firm is affected by this environment. Furthermore Opara (2015) posited that international firms find their stability or instability in the continuity of a government's policies in the country in which they operate, to be of vital importance because the degree of stability directly affects the perpetuity of the policies applicable to the firm's operations. As government policy changes, the concern of every business is the radical changes in these policies which create a state of uncertainty.

In their views and in line with our findings, Opara (2015) and Mike (1994), opined that the economic growth stage of a country affects its outlook toward foreign business activities, the demand for goods, the distribution systems found within the country and indeed, the general marketing process. Growth in the economy contributes to successful marketing of the marketing concept. In static economies, as observed by Cateora (1996), consumption patterns are rigid and marketing is nothing more than a supply effort. In a dynamic economy, consumptions patterns are changing rapidly, and marketing is constantly facing the problem of detecting and providing for new levels of consumption and of matching efforts with ever-changing market needs and wants. Consequently, a country's economy and its changing nature must be of importance to the international marketer in appraising any potential market whether domestic or foreign.

### **Relationship between Cultural Distances and Marketing Effectiveness**

The first and second hypotheses sought to examine the relationship between Cultural Distance and Marketing Effectiveness. Hence it was hypothesized that there is no significant relationship between Cultural Distance and Marketing Effectiveness. This hypothesis was tested using the Spearman rank order correlation technique. The study findings revealed that there is significant positive relationship between Cultural distances and Marketing Effectiveness of fast moving consumer goods multinational companies in Nigeria. The P-value (0.00) is less than the level of significance at (0.05). The understanding of the cultural distances is very important in international marketing environment. The knowledge of these cultural distances by the international marketer will be an advantage in ensuring his marketing effectiveness. The studies of cultural distances policy is critical with international marketing and also enables firms to carry out marketing research. Ezirim (2004) has observed that culture is pertinent in international marketing activities and as such, all international marketers must be culturally oriented to be acceptable in the foreign market in which they operate.

In a study conducted by Gary (1994) on the cultural dimensions of international business, David (1994) on 'blindness' in international business, and Whitehorn (1994) on the diversity in tastes and customs of the members countries of the EC and their resistance to change, it was found that the understanding of the attitudes values and religious inclination of a country will help the international firms in their marketing efforts and subsequently enhance their marketing effectiveness in terms of strategic orientation and operational efficiencies.



Also, Gary (1994) in his study on cultural dimension of international business in USA found that the understanding of international marketing cultural environments and the tasks involved in international marketing, help management in their tasks outside of their home country and change buyers attitude positively towards the firms products or services. Therefore, from the on-going discussion, it seems that there exists a positive relationship between cultural distances and international marketing effectiveness of fast moving consumer goods multinational companies, the researchers also support of this position.

### **Relationship between Political distances and Marketing Effectiveness**

The third and fourth hypotheses sought to examine the relationship between Political Distance and Marketing Effectiveness. Hence it was hypothesized that there is no significant relationship between Political Distance and Marketing Effectiveness. This hypothesis was tested using the Spearman rank order correlation technique. The study findings reveal that there is significant positive relationship between Political Distances and Marketing Effectiveness of fast moving consumer goods multinational companies in Nigeria. The P-value (0.00) is less than the level of significance at (0.05). Political Distances are very crucial in international marketing. The reactions of government to the international marketer's efforts by putting in place and pursuing policies that is to solve the problems arising from the political environment and government's attitudes towards business must be of interest to the international marketer. As found by Yusuf (1993) in his study on forced withdrawal from a country market and managing political risks, it was found that the understanding of international politics and the political systems help in cementing the relationship between home and a foreign country. This in turn enhances international marketers efforts. These efforts, without political hindrances, will improve strategic decisionmaking and operational efficiencies of fast moving consumer goods multinational companies.

Opara (2015) in his work on dynamics of international marketing found that equipping a marketer with the knowledge of the form of government, the international marketer may have a good idea of what will be obtained in the impending business political environment which may either enhance or hinder his marketing effectiveness. In a study conducted by Authur (1991) on complying with foreign corrupt practices, it was found that the knowledge of the type of government whether republics or constitutional monarchies, will encourage international marketers in their marketing activities. The improvement in their marketing activities will bring about effectiveness in forms of profit, market share increment and improvement in sales volume and above all, improvement in their strategic orientation and operational efficiency. Raymoud (1994) also conducted a study on the politics of NAFTA in Mexico, and John (1994), found that having the knowledge of party philosophy will help in understanding the current attitude of government towards foreign enterprises and have greater influences on the international marketing effectiveness of fast moving consumer goods multinational companies. Therefore, from the empirical literature reviewed and from the work of previous researchers it seems that political factors have a positive influence on international marketing effectiveness of fast moving consumer goods multinational companies as also affirmed by the researcher.

### **Relationship between Economic Distance and Marketing Effectiveness**

The fifth and sixth hypotheses sought to examine the relationship between Economic distances and Marketing Effectiveness. Hence it was hypothesized that there is no significant relationship between Economic Distances and Marketing Effectiveness. This hypothesis was tested using the Spearman rank order correlation technique. The study findings reveal that there is significant positive relationship between Economic Distances and Marketing Effectiveness of fast moving consumer



goods multinational companies in Nigeria. The P-value (0.00) is less than the level of significance at (0.05). Psychic distance elements of economic must be adjusted to by the international marketer. Economic factors are very important to the survival of any international marketing operations. In the study conducted by Mike (1994) in Indonesia, Economic, Nationalism still blocking badly needed foreign capital, it was also found that growth in the economy contributes to successful marketing. Cateora (1996) in his work on international marketing, found that consumption patterns are rigid and marketing must ascertain what the consumers' needs are. To be effective in the international business arena, marketers must detect the problems in the economy and provide for new levels of consumption and match their efforts with ever-changing market needs and wants by appraising any potential market, whether either domestic or foreign. The international marketer must pay attention to a country's economy and its changing nature for improved marketing effectiveness. From the discussion and review of empirical studies, it seems, a relationship exists between economic distances and international marketing effectiveness of fast moving consumer goods multinational companies which the researcher is also in agreement.

### **Moderating Influence of Perceived Image on the relationship between Psychic Distance and international Marketing Effectiveness**

The partial correlation coefficient result shown in table (4.19) indicated that perceived image does significantly moderate the relationship between Psychic Distance and international Marketing Effectiveness. This finding lays credence to the arguments of Ezirim (2004) who found that a good company image locally or internationally is critical in influencing loyalty, and thus, enhancing increment in market share, sales growth and high return on investment. Studies have shown that company image or corporate image is a vital determinant of customer satisfaction and loyalty (Adiele and Opara, 2014). Similarly, Nwokah and Ahiauzu (2008) in their study on managerial competence and marketing effectiveness in corporate organizations in Nigeria, found that image is one of the important aspects of marketing research not because of its role as a function for tactical marketing mix, but also as a building block in establishing long-term brand equity. The importance of image for companies is to show a distinctive identity in order to allow the company's name, symbol and logo to distinguish the company's offerings from those of competitors. Therefore, with a strong and positive image, a company wills, and strengthen its efforts. If the image of a company is good, it will enhance the delivery of products and services both locally and internationally.

### **Conclusion and implications of the study**

With the dynamic and unstable nature of the environment, Multinational companies are faced with a wide range of challenges and the ever increasing need to get these challenges over with hence the need for international marketers to consider psychic distance variables. Psychic distance variables such as cultural distances, political distances, economic distances in international marketing as the determinant factors that affects strategic orientation and operational efficiency of fast moving consumer goods multinational companies has been established. Therefore, this study concludes that psychic distance significantly influences international marketing effectiveness of fast moving goods of multinational companies in Nigeria

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