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## **International Trade Shows and Foreign Market Information Acquisition: An analysis within the international home building industry**

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### **ABSTRACT**

While the international exchange literature has often linked international trade show participation with higher levels of export activities, questions remain as to how this participation enhances information acquisition, where it is most effective, and to what extent better market information is related to export activity. This paper explores international trade shows as a source of foreign market information for U.S. exhibitors engaged in the global building materials marketplace. We explore this concept through exhibitor perceptions of international trade shows held in the United States and abroad, and the success of these shows in providing four broad categories of foreign market information (macroenvironmental, microenvironmental, market characteristics, and marketing mix). Results indicate that trade shows are an important source of foreign market information for respondents examined in this study, and success in acquiring foreign market information is affected by the geographic location of the show and the international market segment targeted. Finally, our work suggests that international trade show participation outside of the United States is significantly related to higher levels of international exchange.

### **Introduction**

In order to remain competitive, forest products and building materials companies are looking with more interest at opportunities outside their national borders. For wood products as a whole, the value of world trade increased 186 percent between 1983 and 1997 (Peck 2002). A decade ago, trade flows within these sectors were characterized by bilateral and multilateral trade within and across North America, between North America and Japan, and between Europe and the Pacific Rim (Puttock 1994). While these are still important trading areas, the emergence and rapid growth of non-traditional trade partners and the expansion of intra-Europe and intra-Asia-Pacific trade have placed increased pressure on traditional markets (Peck 2002). For example, the value of forest products imports from China to the United States has increased nearly 35 percent from 1997 to 2001, and forest products imports from Asia-Oceania have increased 13 percent over the same period of time (FAO 2003). This growth suggests increasing competition for domestic firms from abroad. Choosing not to participate in global markets is seldom an option for companies, regardless of their size or industry (Craig and Douglas 1996).

While increased globalization within the forest products and building materials industries is expected, from a firm-specific perspective, building a global presence is often easier said than done. Although trade barriers have been substantially reduced in recent years, lack of market information, along with cultural and social differences, continue to negatively impact the international exchange process (Motwani et al. 1992; Thorelli and Glowacka 1995; Liang and Parkhe 1997) and its consequential development of international operations (Lamb and Liesch 2002). Much research has been conducted examining export barriers; however, one notable work stands out. In 2000, a review of 33 empirical research studies from 1967 to 1997 was conducted, focusing on export barriers (Leonidou 2000). This study revealed a primary barrier to successful exporting: the limited availability of information regarding opportunities in foreign markets. Although many studies have been conducted in areas of market information and international exchange, the authors are unaware of previous work that specifically addresses the role of international trade shows in successfully helping companies gather foreign market information.

### Purpose of the Study

In this article we explore the importance of international trade shows as sources of foreign market information and their ability to provide four broad categories of information types (macroenvironmental, microenvironmental, market characteristics, and marketing mix) and explore their ability in reducing the largest barrier to international exchange, as it is often cited (e.g., Leonidou 2000; Sharland and Balogh 1996). We address the following questions about the role of international trade shows on information acquisition for companies seeking market expansion:

1. Are trade shows considered important sources of foreign market information?
2. What type of exhibitors find U.S. international trade shows more successful: those who only exhibit inside the United States or those who also exhibit abroad? Should companies also exhibit abroad or are U.S. international trade shows the optimal strategy?
3. In which type of markets should companies exhibit abroad when searching for information: developing or developed?

To address these questions, we create a theoretical framework centered on the concepts of information acquisition and market expansion. We distinguish four broad categories of information: macroenvironmental, microenvironmental, market characteristics, and marketing mix, and we measure the success of companies in gathering them at international trade shows in the United States and abroad. In summary, this research expands the view of international trade shows as a tool facilitating international exchange by enhancing international information acquisition, simply from an element within a firm's communication mix.

In the following section, we explore the previous international trade show literature. We continue by presenting a theoretical framework for foreign market information acquisition within an exhibition environment and outline the measures employed in the study. Next, we discuss results obtained empirically, confirming the importance of international trade shows within our sample's marketing mix and assessing the success of foreign market information acquisition from international trade shows and its impact on international exchange activities. Finally, we offer conclusions and implications for academicians and practitioners and identify topics for further research.

## Theoretical Background

### The Role of Exhibitions in the International Marketplace

Trade shows have emerged as an increasingly significant component of industrial companies' marketing and selling strategies, and have been recognized as the most common sales promotion tool in the forest products industries (Juslin and Hansen 2002). A thorough internet search of the most important exhibitor sources on-line (International Association of Conventions and Visitors Bureau, International Association of Exhibitors Management, Center for Exhibition Industry Research, Trade Show Exhibitors Associations, ExhibitorNet, Trade Show Week), indicates that the top 10 largest forest products trade shows in 2001 attracted approximately 9,000 exhibitors and over 580,000 attendees worldwide (Molina-Murillo 2003). While these numbers are impressive, the recession and terror attacks of 2001 resulted in significant reductions in the number of venues, attendance, and square footage of exhibition space (CEIR 2002). According to Expo Magazine and the International Association for Exhibition Management, trade show attendance in the United States plummeted nearly 25 percent from 2001 to 2003, and the cost per square foot was reduced by an average of 11 percent (Vasos 2004). The use of trade shows as a substantial part of the business communication mix, in combination with the recent obstacles facing the exhibition industry, has placed increased pressure on management to better manage the number of shows they attend, which shows to attend, and how to accurately assess the success of participating in a show.

International trade shows have been touted as a valuable way to contact current and potential customers that may cost less than alternative actions, such as international sales calls or adaptations of advertising campaigns (Dekimpe et al. 1997; Shipley and Wong 1993). They have also been identified as a useful means to quickly test the international marketability of products and services, seek out channels of distribution, and evaluate international competition (Bello et al. 1986; Goodsell 1996). In addition, a wide variety of research has surfaced over the past decade examining issues of show selection (Kijewski et al. 1993; Shoham 1999), budgeting (Gopalakrishna et al. 1995; Lilien 1983), and selling strategies in the trade show environment (Bello 1992; O'Hara 1993; Smith and Smith 1999; Tanner 1994). Stemming from Kerin and Cron's (1987) first empirical demonstration of selling and non-selling performance dimensions of trade shows, researchers exploring trade show efficiencies have focused on various tactical efforts (pre-show promotion, booth space, use of attention-getting techniques, competition, number and training of booth salespeople) to better attract targeted attendees and convert them into sales (Dekimpe et al. 1997; Gopalakrishna and Lilien 1995; Shoham 1999). Recent evidence in the literature also points to trade shows being a cost effective means of communicating product and company messages. Most notably, Smith and Smith (2000) and Gopalakrishna et al. (1995) have demonstrated positive economic benefits related to exhibitions, indicating substantial returns of 25 to 300 percent on trade show investments across diverse industry segments.

While each of these research streams are central to our understanding of this important medium, the role of "non-selling" performance dimensions and international exhibitions are less understood. Sharland and Balogh (1996) note that information acquisition at international trade shows, such as exchanging information, building relationships, and assessing partners, is a cost-effective and prompt way to meet competitive challenges and adapt to changes in international business environments. The same study also suggests that these non-selling objectives may be more important than selling

objectives at trade shows where international business is more complex, but does little to further this assertion.

## The Role of Exhibitions in International Exchange

A wide spectrum of information *sources* is available to exporters when searching for information about foreign markets. These sources are often used in conjunction with one another according to the firm's strategic orientation, and environmental and organizational factors (Robertson and Wood 2001; Yeoh 2000). For example, big companies are likely to employ primary sources of information such as professional contacts, customers, and clients (Kaish and Gilad 1991), however, smaller and less experienced companies tend to use secondary sources such as banks, trade associations, and chambers of commerce (McAuley 1993). Export information acquisition has mostly been examined by researchers in a disparate manner, focusing on certain sources of information independent of others. Souchon and Diamantopoulos (1999) addressed this problem and identify three categories of information sources: a) export marketing research; b) export marketing intelligence; and c) export assistance. International trade shows play a potentially important role in each of these categories by: providing opportunities to test market products and brand messages; creating an atmosphere for formal and informal interaction between potential customers, channel members, and competitors; and accessing governmental, trade, and financial organizations. The ability of trade shows to provide multiple sources of information within an isolated time, represents a tremendous opportunity to efficiently solicit the information necessary to engage in exporting activities.

Smith et al. (2003) identify three primary themes from the international exchange literature that are important to the role of international exhibition and information exchange:

1. International exchange is often buyer coordinated rather than producer initiated (Chetty and Hamilton 1993; Leonidou 1995);
2. Importers' international vendor search is frequently ad hoc, where the supply relationships arise by "sheer chance" or as a result of accidental encounters (Jackson 1981; Liang 1995);
3. Vendor selection is often the result of a "satisficing" solution rather than an "optimal" one.

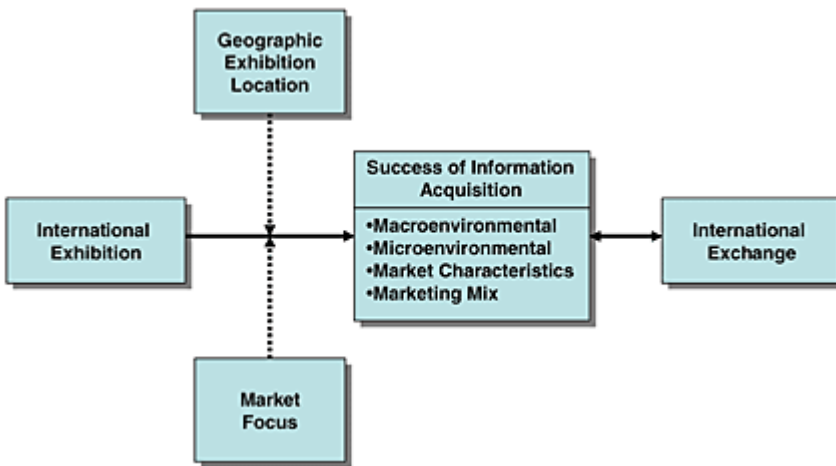
This conceptualization of international buying behavior is important for understanding the role of international trade shows as a strategy for global business development. Shows are generally short in duration, informational in nature, and provide substantial opportunity for formal and informal interaction among participants. If vendor selection tends to occur by "chance", with fairly simplistic and sub-optimal criteria, the truncated relationships created within a trade show environment may be sufficient to garner buyer commitment. This view of international exchange is also important to our conceptualization of an "international" event. Given the ad hoc and buyer-initiated nature of many international exchanges, the classification of a trade show as "international" is determined more by attendee (buyer) demographics than the geography of the exhibition.

## Theoretical Framework

We conceptualize the relationships among international exhibition, information acquisition and international exchange in **Figure 1**. While we assert that international exhibition is positively related

to successful foreign market information acquisition, our conceptualization suggests that the geographic location of the show and the firms' market focus moderate this effect. It stands to reason that through internationally oriented events additional foreign market information can be obtained. However, what is less clear is the type of information acquired, whether the geographic location of the exhibition impacts the types of information acquired, and if these relationships hold across international market segments – in this case, between developed markets and developing markets.

**Figure 1.** Theoretical framework of foreign market information acquisition through international exhibition.



The *type* of information related to foreign markets has been classified in a number of different ways; we focus on the typology developed by Leonidou and Adams-Florou (1999). After a systematic literature review of 10 articles that investigated direct and indirect information needs of exporters, twenty-four critical types of information were uncovered and regrouped into four broad categories: a) macroenvironmental forces, b) microenvironmental forces, c) market characteristics, and d) marketing mix. *Macroenvironmental forces* include factors such as economic, socio-cultural, political-legal, technological, demographic, and physical environments of firms. The *Microenvironmental* category consists of those forces close to the company such as customers, competitors, marketing intermediaries, suppliers, the public, and the company itself. *Market characteristics* refer to the size and growth patterns, structure, entry conditions, preferences, potential, and company position/share in overseas markets. Finally, companies are also interested in the acquisition of *Marketing mix* information (e.g., pricing, product characteristics, channels of distribution, logistics, and promotion), which is necessary for them to execute business activities well and compete in foreign markets.

Together, the four types of information described above are used by companies to develop and optimize their international exchange activities. Given the complexities associated with this process, a direct relationship between information acquisition and international exchange is not formally tested. Rather, we explore the role of international exhibition in reducing the informational barriers associated with international exchange. Finally, it is important to note that our conceptualization simply attempts to describe the directional relationship between constructs and that no causal relationships are implied.

## Methods

Given the focus of this research, we begin this section by presenting an overview of the empirical context and sample design, and briefly describe the data collection process. We then provide a discussion of the measures employed.

### Data and Empirical Context

In order to explore the issues of international exhibition, foreign market information, and international exchange within the home building industry, we needed a comprehensive sample frame of companies interested in international exchange activities who have participated at international trade shows in multiple geographic locations. In an effort to accomplish this, we obtained a directory developed at the 2002 International Builder's Show (IBS) entitled *Directory of U.S. Exhibitors Seeking*

*International Contacts*, sponsored by the National Association of Home Builders (NAHB) and the U.S. Department of Commerce, International Trade Administration. Companies in this directory are participants in the home building materials industry, actively seeking international business opportunities, and have participated in at least one international trade show, that is, the IBS 2002, held in Atlanta, Georgia. The directory included 262 companies across a broad range of industry sectors, within the home building industry.

A mail survey was developed and pre-tested by four academic researchers and three companies with similar profiles to our target companies. Using Dillman's (1999) "Tailored Design Method" as a reference, we administered the instrument from November 2002 to January 2003. Two original questionnaires were sent by mail, separated by one postcard, to each of the 262 contact names provided in the directory. Additional telephone and fax efforts were also used to improve response. As a result of these efforts, the original sample was reduced by 22 for undeliverable questionnaires and questionnaires that were not applicable to the company (private information, not exporting any product at time), resulting in an adjusted sample frame of 240. Sixty-five companies provided complete and usable responses, resulting in a 27 percent adjusted response rate. A well-accepted extrapolation method was used to examine the possible existence of nonresponse bias by comparing early and late respondents (Armstrong and Overton 1977). A t-test was performed and no significant differences ( $\alpha = 0.05$ ) were detected between early and late respondents groups along the key variables of information success, trade show importance, exportation, and business experience and size.

## Measures

Design of the questionnaire and measures was based on prior research conducted mainly by Souchon and Diamantopoulos (1999), Leonidou (2000, 1995), Leonidou and Adams-Florou (1999), Dekimpe et al. (1997), Gopalakrishna et al. (1995), and Bello (1992). Measures that address the importance of sources and foreign market information acquisition at trade shows were developed as follows.

*Importance of sources:* Respondents were asked to rate the importance of 13 different information sources when considering international trade activities. Responses were scored on a 1 to 7-importance scale, where 1 equals the source considered is "not at all important" and 7 equals the source is "very important" in helping the company to acquire foreign market information. Note that a score value of "4" indicates that the source in consideration is neither important nor unimportant in the acquisition of foreign market information.

*Trade show success in gathering foreign market information:* Success scores of companies who only exhibited at internationally oriented shows inside the United States and scores of companies also exhibiting abroad were compared. Respondents scored each information type (e.g., macroenvironmental) through a 1 to 7-success scale, where 1 equals the trade show "was not at all successful" and 7 equals trade show was "very successful" in helping the company acquire foreign macroenvironmental information. Note that for this example a score value of "4" indicates that the trade show in question is

neither successful nor unsuccessful in the acquisition of foreign macroenvironmental information.

A multi-item scale was used to provide a more accurate measure of the success of international trade shows in gathering each information category, which is difficult to measure directly ([Appendix 1](#)). Following the same example, respondents rated the success of gathering macroenvironmental information by providing an assessment of success in the areas of economic, socio-cultural, political-legal, demographics, and infrastructure information. A reliability test was performed to examine the intercorrelation in each information category. Microenvironmental, market characteristics, and marketing mix types of information present high reliability coefficients (0.85, 0.94, 0.95, respectively), and market characteristics present a lower reliability compared to the other three variables (0.53), although still within acceptable limits (Churchill 1979).

To accurately measure the role of trade shows, respondents were asked if they had participated in international trade shows in the United States and abroad during the last year (2002). Respondents were also asked to indicate the names of the trade shows and the country in which they were held. Other variables, such as size, marketing expenditures, product line, experience, export activities, and others were included in the questionnaire, in order to properly analyze the role of international trade shows in helping companies acquire foreign market information.

## Results and Discussion

We begin our discussion of results with an examination of the respondent profile. Our sample is not necessarily representative of the building materials industry as a whole or of the entire internationally oriented segment of the industry. While no inference to these larger populations can be made, a basic understanding of the respondent profile is useful to placing respondents' attitudes into context. Next, we explore respondents' international trade show participation and attitudes regarding the importance of trade shows in gathering foreign market information. We then analyze respondents' perceptions of their success in acquiring foreign market information at internationally oriented trade shows, and explore the impact of market focus on these results. Finally, we conclude the results section by exploring the role of international trade show participation in facilitating international exchange.

### Respondent Profile

We found that 72.3 percent of respondents were manufacturers, 4.6 percent were retailers, and 3.1 were wholesalers. The remainder of respondents represented integrated companies and firms classified within various service categories. Approximately 50 percent of all companies in our sample are directly involved in the forest products industry, highlighting the importance of forest products companies within the sample. This category includes lumber, millwork and floor (28.1%), door and window companies (14.1%), and cabinetry and furniture manufacturers (6.3%). Home decoration and painting businesses accounted for an additional 12.5 percent; and wood substitutes, such as concrete, plastic and steel, accounted for 10.9 percent of total companies. Plumbing, heating, architectural design, technical support, and transportation accounted for around 25 percent of total.

With few exceptions, most firms responding were small to medium in size, based on annual sales and employees. Roughly 75 percent reported sales of less than \$25 million and nearly half of the firms



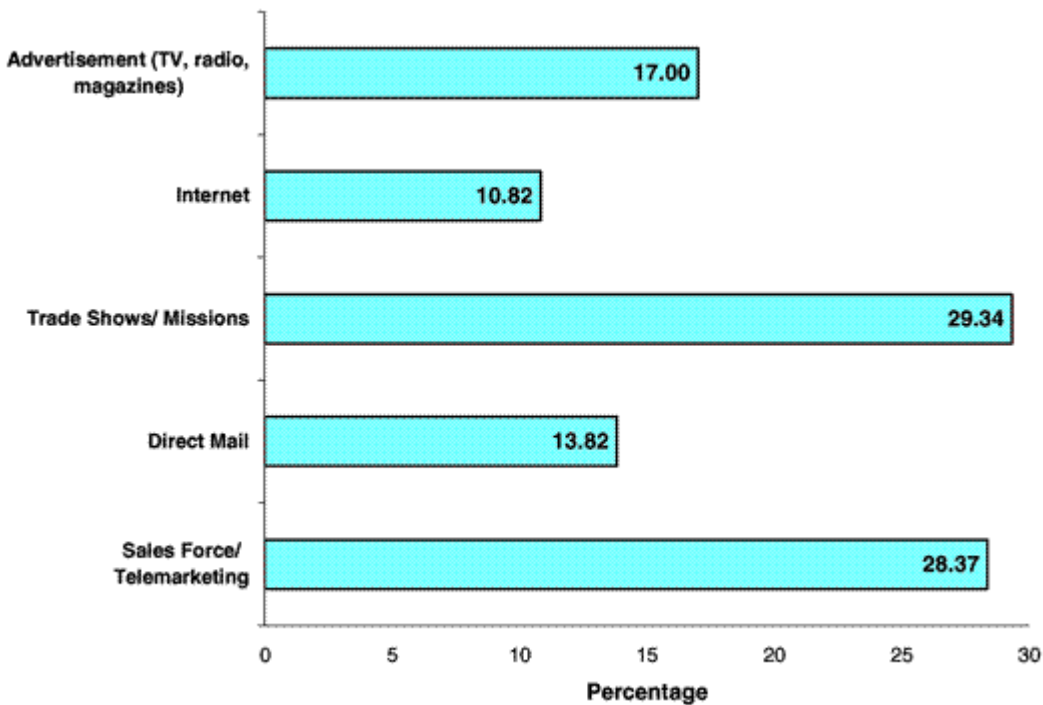
employ less than 50 people. With regard to business experience, a wide distribution was reported, with firms indicating 1 to 140 years of experience (**Table 1**). When the profile of companies was examined for levels of experience in international activities, it is noted that 83.1 percent exported in 2002. The remaining companies (16.9%) indicated that they are not currently exporting, but given their inclusion in this particular sample it is assumed that they maintain an interest in doing so in the future.

**Table 1.** Summary statistics of sample profile ( $n=65$ ).

Number of employees	Frequency (%)	Annual sales (\$ millions)	Frequency (%)	Years in business	Frequency (%)
< 50	31 (49.2)	< 1	5 (11.9)	< 5	8 (12.3)
50 to 99	9 (14.3)	1 to 4.9	15 (35.7)	5 to 9	6 (9.2)
100 to 199	7 (11.1)	5 to 24.9	12 (28.6)	10 to 24	15 (23.1)
200 to 499	6 (9.5)	25 to 99.9	4 (9.5)	25 to 49	21 (32.3)
500 to 999	5 (7.9)	> 100	6 (14.3)	50 to 99	10 (15.4)
> 1,000	5 (7.9)			> 100	5 (7.7)

In business-to-business settings, the sales force has consistently emerged as the largest marketing expenditure within the communications mix, followed by trade shows – together accounting for approximately 60 percent of the marketing budget (Sind 1996). Consistent with the literature, respondents to our survey indicated that trade shows and trade missions represent the highest levels of marketing communication expenditures, followed by telemarketing/sales force (**Figure 2**). While the importance placed on trade shows by this sample is significant, it is equally important to note that the sample frame includes firms potentially predisposed to attending trade shows given that all companies included in our sample attended the IBS 2002. Results therefore illustrate companies with exhibition practices and attitudes similar to the ones noted above.

**Figure 2.** Average marketing expenditures of all respondents in 2002.



### International Trade Show Participation

All respondents participated in at least one internationally oriented trade show held inside the United States in 2002, the NAHB International Builders Show (IBS). In addition, 30 respondents (46.2%) also exhibited at international events outside the United States in the same year. Of those exhibiting overseas, 96.7 percent were involved in exporting activities in 2002, compared to only 71.4 percent for those not exhibiting abroad, indicating that exporters tend to be more active in international trade shows outside the United States. The most important destination of exports was Canada, with 72 percent of companies exporting to this country, followed by Central America/Caribbean, Asia, and Mexico, with 54 percent exporting to each area respectively. Approximately 80 percent of the total companies who exported to Canada also exported to other regions.

### The Importance of Trade Shows in Gathering Foreign Market Information

Respondents were asked to rate 13 different information sources when considering international trade activities in a 1 to 7-importance scale. Overall, trade shows were seen as a relatively important source of foreign market information, ranking 5th from the total of 13 sources. However, many of the other information sources identified as more important (i.e., contacts/networking, customers, sales people, and agents-distributors) are closely related to trade shows (**Table 2**).

When companies are analyzed in two distinct groups (i.e., companies that only exhibited inside the United States and companies that also exhibited abroad), results reveal that the group considering international trade shows as a more important source of foreign market information are largely companies that have exhibited abroad. Companies exhibiting abroad indicated a mean importance

score of 5.17 compared to the mean score of 3.91 reported by those exhibiting only at the U.S.-based show.

**Table 2.** Importance of information sources among companies.

Sources of foreign market information	Total respondents		Exhibited at shows in the U.S. and abroad	Exhibited only at shows in the U.S.	Sig. <sup>c</sup>
	Mean <sup>a,b</sup> (n=64)	Standard deviation	Mean <sup>a,b</sup> (n=30)	Mean <sup>a,b</sup> (n=34)	
Contacts/networking	5.78*	1.464	6.00*	5.59*	0.265
Customers	5.62*	1.648	5.70*	5.56*	0.735
Sales people	4.91*	1.752	5.17*	4.68*	0.267
Agents/distributors	4.88*	1.873	5.23*	4.56	0.152
Trade shows/fairs	4.50*	1.852	<b>5.17*</b>	<b>3.91</b>	<b>0.006</b>
Books/magazines/trade journals	4.03	1.532	4.30	3.79	0.190
Competition	3.98	2.012	3.77	4.18	0.420
U.S. government/organizations	3.72	1.786	4.20	3.29	<b>0.042</b>
Educational conferences/seminars	3.59	1.841	4.10	3.15	<b>0.038</b>
External marketing research	3.59	1.662	3.83	3.38	0.335
Internal analysis/internal reports	3.59	1.811	3.76	3.44	0.454
Test marketing/marketing analysis	3.50	1.791	3.60	3.41	0.678
Foreign government/organizations	3.27	1.793	3.70	2.88	0.068

<sup>a</sup> Values range from 1 to 7 where 1 equals the source of information is “not at all important” and 7 equals the source of information is “very important” in gathering foreign market information.  
<sup>b</sup> All sources of information identified with an asterisk received a score significantly greater than the neutral value of “4” in the 1 to 7-point importance scale using one sample t-test.  
<sup>c</sup> *p*-values of less than 0.05 indicate mean values significantly different between domestic and out-of-country trade show participation at a 95 percent level of confidence using independent sample t-test.

International trade show participation outside the United States stands out as an important source of foreign market information. All respondents, regardless of their international trade show participation, assign similar importance to all the sources of information rated significantly above the neutral value of “4” with the exception of trade shows (5.17 vs. 3.91; *p*-value = 0.006). *Educational conferences and seminars* were also rated significantly different between the two types of companies (4.10 and 3.15, respectively), but neither source was rated as an important source of information (i.e., were significantly lower than the neutral value of “4”).

In summary,

1. international trade shows are important sources of foreign market information among building materials manufacturers seeking international contacts;
2. the perception of international trade shows, as an important source of foreign market information, is dependent on the geographic location of the event; and
3. international trade shows outside the United States stand-out as a source of foreign market information of significant importance.

## **Success of International Trade Shows in Providing Foreign Market Information**

All exhibitors at the U.S.-based show, regardless of thei