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MARKETING AND EXPORT SUCCESS

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INTRODUCTION AND THE PURPOSE OF THE STUDY

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INTRODUCTION

The importance of exporting for British manufacturers and the British economy is so obvious as to require little evidence. At the national level, the importance of exports emerges from their share of Britain's Gross National Product (GNP) if compared with other industrial countries. Table 1.1 shows that the share of Britain's GNP exported exceeds many of its leading industrial rivals.

Table 1.1

Percentage Share of GNP Exported (1979)

Country	%
U.K.	25
France	17
W. Germany	15
U.S.A.	7
Japan	7

Source: Based on Statistics from International Economic Report of the President, 1980.

Such importance has led several writers to suggest that the future of Great Britain as an industrial power is largely dependent upon its success in the field of exports. Cannon and Dawson,[(1)]

for example, argued that "specific events such as the exploitation of North Sea Oil can reduce this dependence temporarily. Any physical, natural resource such as oil is invaluable but it has a specific life span. Long term prosperity is dependent on the U.K.'s ability to employ the resource and any economic breathing space it provides in order to establish a long term basis for success. Inevitably, this prosperity is a function of the country's industrial competitiveness, hence the critical importance of exports".

At the firm's level, exporting may be a necessary activity for the firm's growth and profitability. Day[2] and Cooper et al.[3] indicated that through exports the firm may gain one or more of the following advantages:

(a) A larger total market, leading possibly to economies of scale.

(b) A more rapid growth rate, if overseas markets are offering better opportunities than the home market.

(c) Overcoming problems of the recession in the home market.

(d) Reducing risk by diversification of markets.

Despite its importance, exporting has been little studied especially from a marketing viewpoint. "If export performance is to improve ... more needs to be known about management attitudes, marketing methods ... and the structure of effort and profitability which make for success in exporting."[4]

The relative weakness of exporting as an area of study is also demonstrated from the writings of Baker[5] and Tookey.[6] Baker pointed out that the study of exports has strongly concentrated hitherto on procedures. Tookey indicated that although exports are crucial to the British economy, it is surprising to find the export function in the manufacturing firm has been little studied.

However, the present research tries to take the study of exports out of the area of procedures and firmly into the mainstream of marketing, endorsing to some extent the growing body of research evidence that marketing plays an important role in developing export markets as is the case in developing home markets.

Rothwell,[7] from his study of several sectors of the mechanical engineering industry, concluded that the technical quality of the product determines its competitiveness in export markets. The importance of price in exports is brought out in a number of government reports.[8] The NEDO[9] Report demonstrated the importance of non-price factors (e.g. distribution, delivery, and service) on contributing to success in exporting. Ricks et al.[10] and Michell[11] emphasised the relationship between effective promotion and higher export performance. Piper,[12] Luft et al.[13] and Kalfayan[14] highlighted the importance of meeting foreign needs for success in exporting.

However, the available literature on British exporting suggests that a selling approach (i.e. focusing on achieving short-term profitability rather than meeting foreign needs) still predominates in British exports. Baker,[15] from his analysis of the recent trends in U.K. trading performance, argued that "there appears to be a pernicious and debilitating tendency to encourage short-term expediency at the expense of long-term prosperity ... many overseas sales are entered into on a marginal basis (to dispose of excess domestic capacity necessary to achieve maximum production economies, to bolster domestic prices) or to get rid of declining products which are obsolescent in the context of competition in the home market".

The ITI Research (1975)[16] concluded that "... generally the British approach to selling abroad seems devoid of marketing logic and that too many company managements treat foreign market potential in a way that they would never accept for the home market".

The emphasis given to price in British exports demonstrates the minor role given to the importance of non-price factors by British manufacturers. The NEDO Report on International Price Competitiveness[17] said "British industry still places too much emphasis on the price competitiveness of its products and seriously under-rates the importance of non-price factors such as delivery, design, after-sales services and credit facilities".

Mcfarlane[18] pointed out that even among successful exporters market research is often neglected, price is frequently cost orientated, there is a reluctance to meet market needs and little attention is given to effective promotion.

The selling approach adopted by British exporters is also confirmed by Blood[19] who concludes that "there is still far too little attention given to marketing", and there is "little or no evidence of any special training or preparation for the highly-specialised and expert task of modern exporting".

Therefore, there is a real need to apply the concept of marketing in exporting if British firms are to retrieve and maintain their traditional competitiveness in the world market. Baker[20], in his very recent work "Maxims for Marketing in the Eighties", emphasised that "Marketing is only one factor, albeit a critical one, in ensuring commercial success ... true success can only occur where those responsible for the direction of the enterprise are marketing orientated".

Cannon[21] adopts a similar view when he said "success will go to the firm which opts to base its policies on an understanding of the market and its needs, drives and choice processes, rather than trying to impose home marketing overseas regardless of circumstances".

Taking account of the above facts, the main concern of this research is to identify the extent to which marketing could contribute to export success in general and help in retrieving and maintaining the traditional competitiveness of British products in export markets in particular. A model of export success has been conceptually developed and practically examined by this study, as will be seen.

The Aim of the Study

The main object of this study is to identify those factors that could be taken as a basis for explaining export success (i.e. why some firms are competitive in exporting, while others are not). In the course of such inquiry, it is suggested that higher export performance could be attributed to the following three major sets of factors:

First: identifying the market needs and developing the optimum mix. In this respect, special consideration is given to the contribution of market research, superior quality and design, efficient services, competitive prices, efficient promotion, reliable delivery, and relationship with overseas agents.

Second: identifying the environmental differences prevailing between home and foreign markets and adapting marketing efforts to suit these differences. In this respect, special consideration is given to cultural, economic, and technological differences and the strategy adopted in facing these variations.

Third: the approach adopted in exporting, i.e. the long-sighted approach that focuses on achieving long-term profitability through the satisfaction of the buyer's needs rather than focusing on getting more sales from abroad and achieving short-term profitability and placing the foreign customer at the end of the exporting process.

These factors, though distinct, are inter-related and a model has been developed to encompass them in their relation to higher export performance. The model will be explained later in Chapter 6. However, a brief explanation of its dimensions here may shed more light on the objective of the study as well as on the link between these interacting variables.

This model proposes that export success can be attributed to the following:

First: "All elements of the export marketing mix". However, the model suggests that the contribution to export success varies from one element to another. As will be shown during the conceptual part of this thesis, non-price factors, especially product quality and design, are found to be more important than the price factor in achieving competitiveness in exporting. Therefore, it is suggested that price is just one element of the mix and is only relevant in the context of other elements, such as reliability, after-sales service and delivery.

Second: "A degree of adaptation to foreign needs". As will also be shown later on in this thesis, marketing factors are applicable everywhere. However, the importance of these factors varies from home to foreign markets because of the environmental differences prevailing between them. Cultural, economic, and technological variations between home and export markets are found to have an obvious impact on the importance of the various elements of the marketing mix, and consequently on the attainment of success in exporting. Therefore, it is postulated that marketing programmes which are geared to the needs of the home market may be inappropriate to suit the needs of foreign markets and a degree of marketing adaptation is needed. To avoid the need for costly adaptation, the model suggests that exporting firms can seek foreign markets which, whilst having satisfactory potential, are similar in their requirements to their home markets and use their products and other marketing efforts employed at home in selling to these selected markets.

Third: "A positive view of exporting". The model also proposes that competitiveness in exporting can be made if company managements change their view toward exporting from a marginal activity (which depends heavily on disposing of the surplus of home production) to a basic activity that requires more commitment to foreign needs. Consequently, exporting may provide them more profitable business than selling at home, especially at the present time where there is an obvious recession in the British market.

1980's Queen's Award winners were chosen as a suitable sample for study as they clearly met the criterion of "successful exporting firms". The frame used in contacting those winners was the Supplement to the London Gazette of Friday, 18th April, 1980. The Supplement gives the names and addresses of the 87 recipients of the award. Products and services exported by these winning firms were obtained from the Financial Times, 21st April, 1980. The questionnaire, together with a covering letter describing the objective of the study, was mailed to the managing director of each of these 87 firms. The letter asked him or his senior colleague to complete the enclosed questionnaire, and in return for their help we would send them a copy of the summary of the findings prior to publication.

Taking the firm as a unit of analysis in this study, 66 firms responded to the questionnaire - 76% of all the firms which received a Queen's Award for Export Achievement in 1980.

The study is organised into nine chapters, the first of which is the introduction.

Chapter 2 reviews briefly the literature pertaining to "International Trade Theories", as an economic background for a discussion of export marketing per se, and then distinguishes between the three debating terms (exporting, international marketing and international business) in the literature of international marketing.

Chapter 3 examines similarities and differences between home and export marketing and the extent to which the importance of marketing factors varies from home to export markets because of environmental differences prevailing between them.

Chapter 4 examines the alternative strategies adopted by exporting firms in facing these differences.

Chapter 5 reviews the association between the various aspects of marketing and export success and examines the main features of the British approach adopted in exporting.

Chapter 6 gives an overview of the theoretical dimensions of the study, the variables composing a model of export success, and the research hypotheses that will be tested.

Chapter 7, design of the field study, is a bridge between the theoretical framework and the empirical findings. It presents an overview of the characteristics of firms under investigation, criteria of export success, the development of the questionnaire and its suitability, the response rate, and preparation for the quantification of the collected data.

Chapter 8 presents the findings of the field study, showing the statistical techniques used in analysing the data, and which hypotheses were confirmed and which were not.

Chapter 9 summarises the findings of the study, discusses its implications as well as its limitations, and suggests areas for further research in exporting.

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CHAPTER 2

EXPORTING AND INTERNATIONAL MARKETING

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EXPORTING AND INTERNATIONAL MARKETING

INTRODUCTION

Before examining the role of marketing in exporting, it seems appropriate to point out what does the term "exporting" mean?, particularly when there is still some confusion between this term and other terms in the literature of international marketing. Some researchers and businessmen still view the term exporting as synonymous with the term "international marketing" and others regard it as meaning the same as "international business".

Accordingly, this chapter will be devoted to distinguishing between these three terms in order to clarify their true meaning. In order to make such distinction, it will be helpful if one reviews first the theories of international trade as an economic background for a discussion of exporting and international marketing. Having done this, one turns to distinguish between exporting and international marketing on one hand and international marketing and international business on the other, followed by a discussion of the importance of exporting for both the nation and the firm as well as the decision to export.

The above issues will be presented into three sections:

First: Theories of international trade.

Second: Distinction between exporting, international marketing, and international business.

Third: Decision to export.

Section One

Theories of International Trade

In this section we will review the theories of international trade, their current trends, as well as their advantages and disadvantages.

Theories of International Trade

Adam Smith(1) in the "Theory of Absolute Advantage" stated that it would be of obvious advantage to two countries if they specialised in the commodity in which each country had an absolute advantage.

Problems emerge, however, when one country is more efficient than the other in manufacturing every product. The question of whether there is still any point in trading arises. The "Theory of Comparative Advantage" developed by Ricardo(2) may give an answer to this question. This theory assumes that even a country with an absolute advantage for all goods will benefit from specialisation in those goods where it is relatively most effective, importing those commodities in which it has a comparative disadvantage.

In fact, the proposition upon which this theory was based has come under increasing criticism. The failure of the theory to explain why comparative cost advantages differ between countries was examined by Heckscher(3) and by Ohlin(4). The "Heckscher-Ohlin

Theory of Trade" or the "Factor Endowment Theory of Trade" proposes that a country will export the commodity in which its most abundant factor is used relatively intensively and import the commodity which incorporates the factors with which it is least endowed. The Stopler-Samuelson Theory[5] is closely associated with the "Heckscher-Ohlin" model. This describes the effect of protection on relatively scarce factors.

The improving methods of investigation have led to a growing number of empirical studies of the theory of Comparative advantage and the hypotheses deriving from it. MacDougall's[6] study of the patterns of exports of the U.S. and the U.K. provided considerable support for this approach. It demonstrated that where the U.S. output per worker was twice that of the U.K., the U.S. export performance was significantly superior to the U.K.'s. Where the superiority did not exist the pattern of trade reversed. However, later study conducted by Leontief[7] identified paradox. It demonstrated that the U.S. which was generally seen as an economy relatively abundant in capital and less well endowed with labour, tended to import capital intensive items and export labour intensive items.

There has been considerable debate on the above theory. This may be due to the assumptions upon which it was based. Specific problems emerged from these assumptions. These are as follows:

1. Factors of production, although mobile domestically are immobile internationally.

2. Perfect competition prevails, particularly free entry into the market and product homogeneity.

3. Consumer patterns are similar.

4. Production patterns are constant.

5. There are only two trading countries with two commodities and with two production factors.

Examination of the economic literature may indicate the invalidity of these assumptions:

1. Factors of production: capital, labour, and technology are also mobile internationally. Balogh[8] highlights that "relative factor endowments and comparative costs are, therefore, continually changing as a direct result of the very grade to which their divergencies as between countries allegedly (viz. Heckscher-Ohlin) give rise".

2. Imperfect competition through product differentiation, government control and action and other forces exists (perhaps dominates international trade). Trade and Industry[9] indicated that "it has been announced by the Egyptian authorities that at present import licences are unlikely to be granted for a wide range of items that are either produced or manufactured locally".

3. Consumption patterns differ widely from country to country. Marketfact[10] showed that "prospects remain bright for the cassette tape market, but cartridge systems, so popular in the U.S, appear to be on the way out of the U.K. market".

4. Patterns of production are continuously affected by factor endowments and can thus use alternative factors. Mason et al.[11] said that "it is clear that Leontief's study could err in its conclusion because the orderings of industries by capital intensity are different from the U.S. and other countries, especially countries where the relative cost of labour is less than the U.S."

5. Trade takes its place between many countries (at least more than two countries and this against what the above theory has assumed). It is true by definition that trade between nations of the world, involves a wide variety of goods and services which use many different production factors.

Regarding point (5) above, it should be mentioned that economic literature has moved in the direction of considering more countries, more commodities and more production factors. Tohuson[12], for instance, highlighted that the introduction of third commodity influences the possibility of factor price equalization.

Current Trends in International Trade

Since the end of the Second World War a number of major trends in international trade have taken place, some were aimed to impede trade and others to facilitate it.

On the part of trade barriers, the most important obstacle is governmental policies which aim at controlling trade in various ways. The range of methods which governments use for restricting imports and reducing competition in their own market is very substantial. To improve their balance of payments and to discourage imports, governments tend to impose high tariff rates on products entering their home markets. Even as tariffs have recuded in recent years, other non-tariff barriers seem to be used to limit imports.

Non-tariff barriers are all obstacles placed in front of prospective importers which are not incorporated in formal tariffs. These obstacles range from specific trade practices and regulations to limit competition to different levels of skill and willingness to adapt to the market needs.

Many central planned economies have complete control of their trade through government organisations, and the scope of trade is often defined by bilateral agreements with other governments[13].

With respect to regulation and language barriers, Japan is a very clear example. The Japanese are often accused of conscious attempts to impede would-be importers by "Japanese methods of negotiating and the complexities of Japanese law and language" as well as by specific actions placed to limit imports in certain areas.(14)

Even within groupings such as the EEC, there are similar obstacles to limit imports. A report from the EEC, where the common agricultural policy has produced a great control over exports of agricultural goods within the community and these have later been modified to take into consideration the effects of currency revaluation, suggests that in the face of all these regulations, some exporters of agricultural products have simply "given up".(15)

Another form of non-tariff barriers is the national preferences given to the local product at the expense of imported products. Tariff reductions prevailing between EEC's have only a limited influence in the face of national preferences and trading advantages by local firms. The "buy British" policies often adopted by government departments, by authorities and by firms are real barriers to foreign firms. Italians always prefer their own goods, the French are "fiercely patriotic", and the Germans never buy foreign goods when they can buy "German", are all frequent non-tariff barriers reported by U.K. exporters.(16)

From the cases of EEC's, it is clear that as fast as tariffs are removed, non-tariff barriers exist, thus holding back progress torwards the "single home market" goal of the member states. These are problems which the exporter must find solutions to by adequate marketing in all spheres.

On the other hand, two major developments to reduce the barriers to trade have taken place. First, and probably the most important attempt to facilitating trade is GATT (the General Agreement on Trade and Tariffs). GATT aims at removing the obstacles of trade. It provides the framework for negotations on reducing tariffs and other trade barriers. It also identifies the use of import quotas as a temporary instrument in balance of payment emergencies. In addition, it stresses on the "non-discrimination" policy. Such policy which means that all countries should be treated equally and no preferential treatment be given to any of them except for groups of countries, free trade areas, and customs unions that intend to completely abolish all tariff barriers between them.(17)

Second, but on a narrower base, is the establishment of trade groupings. These organisations can have several forms such as customs unions, free trade areas, and economic unions. These forms comprise an arrangement between a group of countries to abolish all tariff and other trade barriers on each other's exports and imports, and also include a common tariff towards the rest of the world countries.(18) The most diffused form of the trade groupings is the economic unions such as EEC. The EEC is now only one, but probably the most powerful, of a number of similar groupings throughout the world such as LAFTA (Latin American Free Trade Area), EAC (East African Community) and WIAS (West Indies Associated States).

The net effect of these recent developments in trade may strengthen the position of firms which are prepared to commit themselves to export markets rather than the home market. Taking U.K. firms as an example, they can exploit the increased opportunities within other EEC countries. They will be helped by the growth of common standards for their products and they will have a wider range of methods of operating overseas open to them. These will be enhanced by the freedom of movement of goods, services, individuals and capital, which has been established between the U.K. and its partners in the EEC.

Advantages and Disadvantages of International Trade Theories

Theories of international trade highlight many of the advantages of international trade. They specify certain of the preconditions for mutually profitable activity between traders. "Competitive merchants buy where things are cheap and will sell where things are dear (under free trade").[19] They also permit international specialisation which in turn results in the more productive use of the resources of individual countries, i.e. they enable the individual country to draw on world resources. Temperate countries can import tropical agricultural products which they would not be able to grow. Similarly, in theory, less developed countries can import from the more highly industrialised nations more advanced products, such as machinery, to aid in their process of development. (In practice, though, this process is limited by their lack of resources).[20]

However, they provide only a partial explanation of the pattern of trade which we see today. In this pattern comparative advantage is only one of the factors which determine the actual flows of trade. They also appear to be affected to a very great extent by governmental policies, by unequalities in size and relative wealth of various countries, by international agreements, and by consumer preferences which are influenced by factors other than price (the latter will be discussed in detail later on in this research). This main criticism is supported by Cannon[21] who says "Although the theory of comparative advantage is a closely reasoned doctrine which, when properly stated, is unassailable, many forces act against the implementation of policies based upon it. High tariffs, protectionism, local preference and the fear of competition are facts of life for the exporter".

Section Two

Exporting, International Marketing and International Business

Having reviewed the theories of international trade and their current status, it is convenient to turn now to distinguish between the three terms exporting, international marketing and international business, which is supported by evidence from published research and informed opinion.

Exporting vs. International Marketing

Terpestra[22], to start with, defines the term "exporting" as "selling to foreign markets". Kotler[23] regards it as "home production and selling abroad". While other definitions are "to sell and ship to foreign customers"[24] or "sending out goods to another country".[25]

The term "international marketing" has been defined in different ways. Livingstone[26], for example, cited two possible meanings. First, "it can be used as a substitute for overseas trading", and second "it can also be used in comparing marketing problems in different countries".

In turn some authors regard international marketing as a synonymous term to exporting which means the marketing of goods and services across national boundaries. This approach which is supported by Kapoor and McKay[27], Hess and Cateora[28], Kotler[29], Walsh[30], and Miracle and Albaum[31] suggests that international marketing is different from the general definition of marketing only in that:

1. goods and services are marketed across national frontiers and,

2. the range of international marketing is usually larger (including besides exporting, also, importing, and sometimes even licensing, assembling and manufacturing in a foreign market).

On the other hand, Tookey[32] differentiated between exporting and international marketing on the basis that while exporting aims to "dispose of surplus products which cannot be sold on the home market", international marketing aims to "maximise profitable sales and meet the needs in world markets".

Baker[33] is of a similar view when he argues that exporting is the selling of physical goods to foreign markets, while international marketing is "concerned with all marketing activities undertaken on an international scale, and so includes consideration of the cultural and behavioural aspects of foreign markets, the sale of services and the operation of overseas subsidiaries".

Also NEDO (1970)[34], NEDO (1971)[35] and Duguid and Jacques[36] differentiated between the two terms in the same way that selling is different from marketing.

Armed with insight from the above views, one may distinguish between exporting and international marketing on the following bases:

1. The main aim of exporting is to dispose of surplus and/or declining products at home, and in turn to achieve short-term profitability, while international marketing aims at satisfying the needs of foreign customers and in turn achieving long-term profitability.

2. Accordingly, exporting is seen as a marginal activity of the firm and international marketing is often regarded as a basic activity of the firm.

3. Exporting is also different from international marketing in the range of activities involved. While exporting focuses on the selling activity, international marketing extends to include all marketing activities (including the selling activity). This distinction suggests that the term international marketing is larger than exporting, i.e. it includes - besides exporting - licensing abroad, joint ventures, establishing sales subsidiaries in overseas markets, and/or

even setting up a small assembly operation. Under these circumstances risk, investment, commitment to supervision, and control of investment are significant in international marketing if compared with their importance in exporting.

4. Finally, these two terms are also varied in terms of their organisation, i.e. it is possible to find that the export work of many firms is carried out as an additional task by the existing marketing department, or a small export section may be established, whereas firms which adopt the international marketing approach tend to combine home and foreign operations into an international marketing department which is often organised on a product or a market basis.

The above differences suggest that a firm which operates only through exports from its home country is not an international marketer. Such a firm could, of course, be an international marketer if it takes an active role in the marketing of its products abroad. This may include licensing to a foreign firm, joining partnership abroad, and/or establishing a foreign sales subsidiary.

International Marketing vs. International Business

Having defined the term international marketing, we turn now to define the term international business in order to make a comparison between these two terms. In fact, a search of the relevant literature indicated that although much has been mentioned about the multinational firms - the organisations that practice business on an international basis - little has been said about the term international business itself.

Two main reasons may underlie this: (1) the very modest attention given to international business by most economists, and (2) the substantial confusion between the terms international marketing and international business between both academics and practitioners. In support of the first reason we cite Samuelson's[37] comprehensive textbook which hardly mentions international business. MacKenzie[38], as another example, devotes a page out of a 400 page book to international business and concludes that "there are no general theories available to explain the working of international business". Prescott[39], as a third example, has made no attempt to deal with the term international business and argues that this subject "appears to lie within the scope of a number of academic disciplines, none of which is particularly anxious to adopt it as a field of study".

In support of the second reason we cite Livingstone[40] who indicated that the terms used by businessmen and writers on the subject of international business have not yet been standardised. They may differ not only from country to country, but also from individual to individual. Cohen[41], Dunning[42] and Terpestra[43], as another example, regard the two terms as meaning much the same.

Terpestra, for example, pointed out that he "will use the term 'multinational firm' interchangeably with 'international firm'."

However, two definitions are mentioned here which are appropriate and useful in distinguishing the term international business from the term international marketing. The first is developed by Livingstone[(44)] who said:

> "International business comprises any type of commercial activity which involves the crossing of national frontiers: firstly, physically, by the movement of exports or the building of production plant in one country which is owned and controlled from outside that country's frontiers; secondly, by less tangible movement across frontiers, through financial transactions by way of payments for goods, capital investment abroad, or payment of royalties, license fees, etc., for the use of patents, trade marks or general know-how".

The second is developed by Tomb and Shackelford[(45)] who identified the operating methods of international business as:

> "Corporate management is expected to give equal attention to profit opportunities. A company that decides to manage itself as a world enterprise no longer can appraise proposed uses of corporated resources on a country by country basis. Each opportunity needs to be related to other opportunities available throughout the operating complex. This is the way corporate management will decide which countries are the lowest net cost locations for production, taking into account such factors as accessibility to key markets, transportation,

tariffs, taxes or political stability. Instead of thinking or planning separately for U.S. and overseas operations, the Chief Executive and his staff will ask:

Where in the world can we market our products to assure ourselves of the most rapid and profitable sales and growth?

Where in the world should we do research and development to capitalise, at optimum costs, on the technical capabilities that exist in the world?

Where in the world shall we make our products so that we will be competitive in all major markets, including the U.S? .... the role of logistic decision-making becomes of paramount importance.

This involves a continuing re-examination of the relationship among key markets and alternative source of supply. For example, political or economic developments might make it more profitable to serve a Canadian assembly plant with component parts made in the U.S. instead of parts manufactured in Britain."

Taking the above definitions into account, one can draw out some conceptual differences between international marketing and international business. These are as follows:

1. Objectives: international marketing aims to maximise profitable sales of the firm's products through meeting the needs of foreign markets, while international business aims to maximise return on investment throughout the world, to develop a world-wide business, and to invest, produce, and market in various countries

according to the relative profitability of operations in each country.

2. Strategies: in international business, operations of diverse countries are joined together by a common strategy, i.e. the welding of individual country strategies into a global operating pattern of complementary activities. By contrast, in international marketing, each country is viewed as an individual market and a development of a separate strategy is likely. Accordingly, one may say that international business is a world-oriented operation and international marketing is a foreign market-oriented operation.
A related difference lies in the differentiation between the home and foreign market. In international business, firms have no real domestic markets; they see the world as their market and mobilise their resources (capital, management, and technology) to optimise their position everywhere. Whereas, in international marketing, firms still differentiate between their home and foreign markets and this means that there are separate strategies and organisations for each market. So, one may argue that international marketers are originally home marketers with interests abroad. These differences have been supported by a chief executive of Abbott Laboratories,[46] a pharmaceutical company with plants in 22 countries, who said "we are no longer just a U.S. company with interests abroad. Abbott is a world-wide enterprise and many major fundamental decisions must be made on a global basis."

3. Decision-making criterion: in international business decisions on growth and survival are based on the best alternative available anywhere rather than on the interests of host countries, i.e. firms transfer production from a high cost subsidiary to a lower cost one, and some of this production may be re-sold to a third subsidiary. However, this is not the case in international marketing. In the latter, firms must take the foreign needs into account when they intend, for example, to restrict the licensing, or to change the management and technical resources in joint ventures. This may be clear from Priel's[(47)] differentiation between international business and other forms of international marketing. He indicated that "a great degree of reciprocity has by now been established in most cases and there is also a vast volume of interdependence between fellow subsidiaries of the same company. This, in fact, is so extensive, that statistics in Fortune Magazine's 500-List specifies the volume of sales turnover to third parties".

4. The scope of operations: it is quite obvious from Livingstone's definition of international business, quoted earlier, that this term is larger than the term international marketing. It includes exporting from the parent country to an overseas market or from a third country subsidiary, licensing, joint ventures, assembling, and setting up manufacturing and marketing facilities in foreign markets. So, it is natural to find individual units within the international business firm adopt policies identifiable as an exporter or international marketer. Not only does international business

include commercial and manufacturing and marketing activities, it also includes training, servicing, financing, and co-ordinating activities. In international business, firms held training programmes for domestic and foreign staff, offering transportation service and financial resources to their subsidiaries abroad, and assist their foreign divisional and regional managers to co-ordinate their businesses. Accordingly, establishing small selling subsidiaries in foreign markets by manufacturing companies does not make them international business firms, although it does make them international marketing firms.

5. Organisation: in international marketing, foreign operations are managed by an international marketing department which is generally organised on a country or product basis. The issue of centralisation or decentralisation is not so obvious as in the case of international business, because of the limited number of markets to be served and the relatively small amount of investment to be located abroad as well. While in international business, operations are often managed by "Headquarters" who generally practice varying degrees of centralisation of decision-making over foreign subsidiaries. In fact, the range of centralisation varies from country to country. As Baker[(48)] indicated, European firms tend to delegate authority for their subsidiaries to manage their ordinary operations, but major policy decisions are left to them. Americam firms have only lately begun to come round to this degree of decentralisation, after some costly attempts to practice full control at head office.

Exporters vs. International Businessers

Having defined the term "exporting" and the term "international business", it is possible to compare between exporters and international businessers from many dimensions: objectives, activities, strategies, management and ownership, and investment and risk. The following diagram shows these differences.

Diagram 2.1

Comparison between Exporters and International Businessers

Dimension	Exporters	International Businessers
1. Objectives	Achieving short-term profitability through increasing sales volume	Maximising return on investment throughout the world. Development of world-wide business, investing, producing and marketing in various countries according to relative profitability of these operations.
2. Activities and Methods	Selling. The main method is the use of overseas agents and distributors.	All international marketing activities (including the overseas sales), plus producing and marketing in many countries and offering training, co-ordinating, and financing services to their subsidiaries. Operating through a number of foreign affiliates.
3. Strategies	Using the same strategy employed at home with little adaptation, if any, to foreign needs (home market oriented)	Using different strategies, each of which is designed for a particular country, but all are joined together into a global operating strategy (world market oriented)

Diagram 2.1 (cont'd)

Dimension	Exporters	International Businessers
4. Management and Ownership	In most cases, the export work is carried out by the existing marketing department or a small export section is established. Management and ownership are represented from the home country.	In most cases, a highly centralised and integrated world organisation headed by an office located in the parent country. Varying degrees of centralisation and decentralisation exist. Management and ownership are representative from different countries.
5. Investment and Risk	Little or no investment. Minimal risk but with little profit and in some cases with no profit.	Huge investment in people, assets, and service around the world. High risk but with a huge sales volume; the sales of some international businessers exceed the GNP of some countries.

Section Three

Why Exporting?

In the previous section we defined the term exporting and distinguished it from the two terms international marketing and international business. This section discusses the importance of exporting at both the national and the firm level as well as the decision to export.

A. The Importance of Exporting as an Area for Research

1. At the National Level.

Export earnings play a critical role in overcoming the deficit of balance of payments of the nation. Hurst(49) in his report about exploiting British technology abroad said: "With the balance of payments deficit running at 500 £ 2 bn, a sharp increase in export earnings is virtually the only way to close the gap pending receipt of benefits from oil import reductions".

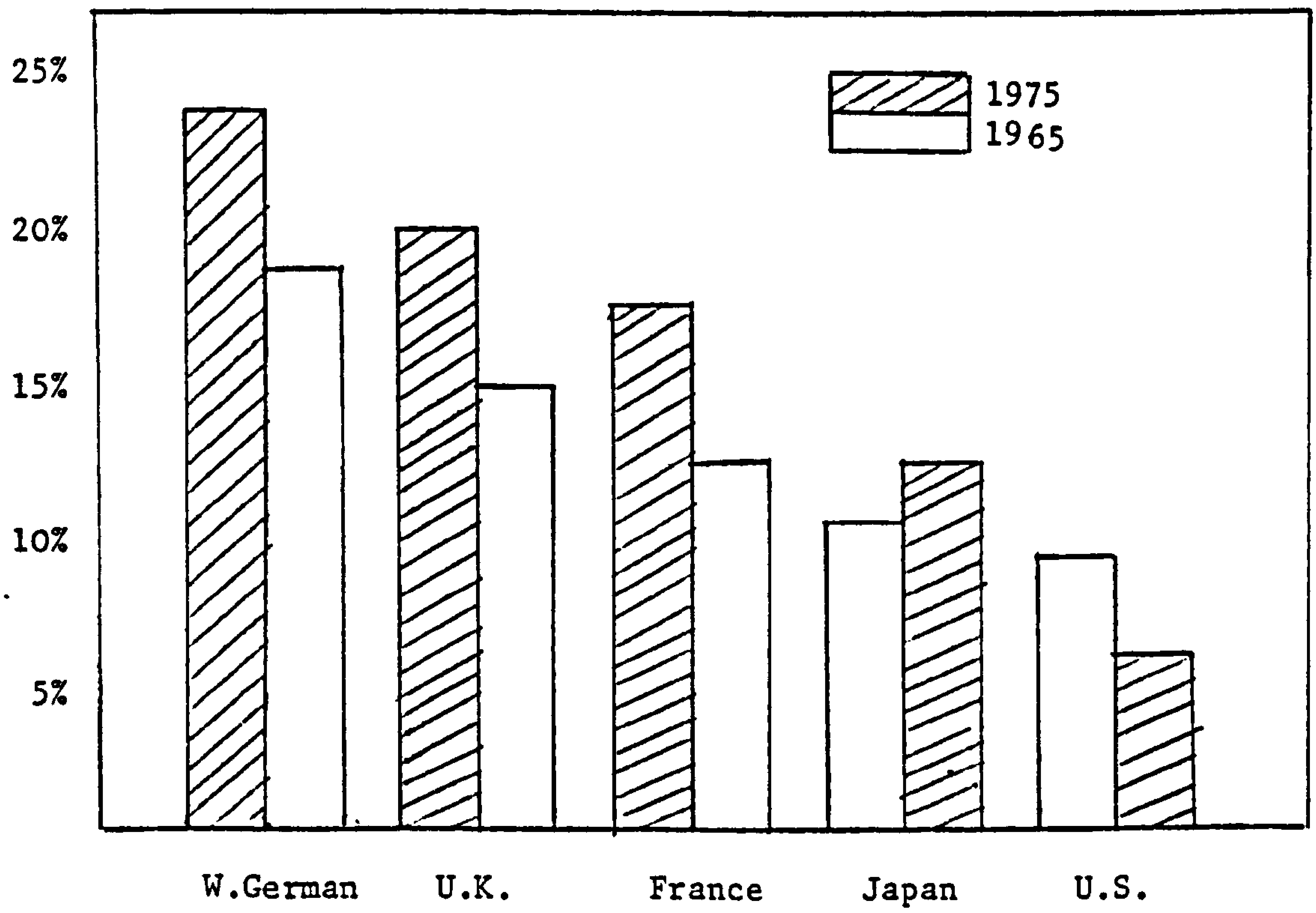
The nation's growth may correlate with its export achievement. Cannon and Dawson(50) comment: "The future of Britain as an industrial power is largely dependent upon its success in the field of exports".

The importance of exports may emerge from its share of the Gross National product (GNP) and the rate of growth of this share.

The following figure illustrates this fact. It shows exports as a percentage of the GNP of some developed countries. From this figure it is obvious that such countries depend upon exports as a significant source of their national income such as West Germany, U.K. and France.

Figure 2.1

Exports as a % of GNP*



*Source: Based on statistics from International Economic Report of the President, March 1976.

Mason[51] states that "Exports are essential for our national survival. Britain is a small country with very few raw materials. We are not self-supporting as, for example, a large country like the United States of America is and we have to import most of our raw materials, and our food. We depend on our exports of manufactured goods to enable us to live".

Livingstone[52] argues that the importance of exporting is so obvious as to require little evidence. He also adds: "Exporting increasingly may be a necessary condition for a secure home market."

In a study carried out by the U.S. Foreign Trade Community[53] to assess the current impact of exports on the nation's employment situation, it was shown that "Exports do add a major and growing number of jobs in manufacturing, in agriculture, and in construction engineering and other service industries. Exports have emerged recently as a stabilising factor in U.S. employment .... American companies operating worldwide tend to concentrate their R & D work in the U.S. creating jobs for scientists and technicians."

Export earnings help to support research which will, in the long-run, generate new technology for the nation. Finneran[54] said the income his company gains overseas contributes to the support of a research laboratory in Houston. These payments provide jobs for scientists and engineers in proving out new ideas. They help to support research which will generate new American technology.

2. At the Firms' Level.

Day(55) shows that the decision to export is made for reasons of firm survival and increased profitability. Corporate advantages from exporting involve:

(1) A larger total market, leading possibly to economies of scale.

(2) A more rapid growth rate, if foreign markets are offering better opportunities than the home markets.

(3) Overcoming problems of fluctuating seasonal demand in the home market by selling abroad in markets with different demand patterns.

(4) Reducing risk by diversification of markets.

(5) Where the home market is protected, the stimulus of a more competitive situation in overseas markets may lead to an overall improvement in the firm's performance.

Kotler(56) states that there are two factors which underlie the importance of exporting for a firm. First, a firm might be pushed into export markets by the general lack of opportunity in the home market. The gross national product of its country may be lower or growing very slowly. Second, a firm might be pulled into exporting by great and inviting opportunities for its product in a foreign market.

Cooper et al.[57] undertook a study in the U.K. Pottery industry to find out the relationship between export performance of firms and the pressure of home demand. Firms were asked to name the benefits of exporting, and a large majority of them gave as a reason the need for security through diversification of markets. They also regarded exporting as a stimulus to introduce new products and/or new production techniques.

Today, companies have some social responsibility towards the community in which they operate. If the community requires a healthy export trade, then any company that neglects export might be regarded as acting irresponsibly. Exporting enables a company to provide considerable job satisfaction to its employees.

This is an area of great importance for the future, because unless a firm can achieve the interests of the community, it is unlikely to be allowed to continue.[58]

Hackett[59] conducted a survey in 1975 to find out the entry motivations of the U.S. franchise companies operating abroad. Companies were asked to rank in importance factors underlying the decision to expand in foreign markets. The high rankings of most respondent companies were: (1) a desire to take advantage of a market with great potential and (2) to establish the company name in markets that will be important in the future.

B. Export is a Neglected Area in Marketing

Although exporting may be a necessary condition for the nation's growth as well as for the firms' profitability, it is still a neglected area in marketing. Tookey(60) illustrated this fact by indicating that "it is surprising to find out that the export function in the manufacturing firm has been little studied". A study conducted by the EDC(61) in mechanical engineering industry argued that "success in exporting is crucial to our national prosperity, yet remarkably little has been published about the factors which make for success". Miracle and Albaum(52) showed that "while the subject of international trade has been given extensive treatment in the literature of international economics, foreign trade principles and policies, export sales management, and similar titles, relatively little to date has been done in treating the process and activities of international trade as marketing process and activities".

The lack of marketing studies in the field of exporting was also noticed by Bilkey(63) whose review of 43 studies of factors affecting export behaviour of firms mentioned nothing about the role of marketing factors in achieving firms' export success. Mason(64) stated that courses on export are absent subjects in the curriculum of higher education in the U.K. Even the existing courses are few and far between and available only at a few institutes in principal cities. Wind and Perlmutter(65) pointed out that the growing importance of export marketing to the survival and growth of firms and to the economic survival and independence of most countries is widely accepted. Yet, the academic discipline of multinational marketing has lagged considerably behind the development of U.S. marketing. The number and quality of texts and research studies on export marketing problems is surprisingly limited.

Product policy, as a major element of the international marketing programme has been given little attention by multinational marketing studies. Terpstra[(66)] reported that the question of what products to sell in foreign market is the focus of international product policy. Should we sell the same products we sell domestically or should they be adapted to the local conditions? Theories of foreign investment do not address this question. They concern themselves with explaining why the firm will invest and produce in overseas markets without determining what products the firm will offer to those markets. They assume that the firm will be producing the same products abroad as at home. Miracle and Albaum[(67)] indicated that while a number of researchers examined international product policies, they deal with the subject rather briefly, and their treatment depends largely on anecdotal evidence. Further, several books offer a framework for planning product strategy, but are limited on the topic exporting.

C. Factors underlying the neglect of exporting

One may establish that the reasons which have led firms to pay little attention to exporting may embrace one or more of the following factors:

1. Many firms prefer to concentrate on the home market because they believe that it provides them with better profits than do the foreign markets. Thus, firms devote their marketing efforts to expanding the domestic market and exploiting its possible segments. This preference is confirmed by a number of researchers. For example, Livingstone[(68)] said that "any one foreign market is likely to be much less important than a large home market ... domestic considerations take first priority and any attempt to apply systematically theoretical marketing concepts, relates therefore to the domestic market". Mason [(69)] said that "many manufacturers have found, and in fact are still finding, that an export market is just around the corner to provide a rewarding return". A director of a large industrial organisation in the U.K. reported that they had concentrated on the home market, simply because it provided sufficient return. Hackett,[(70)] in his survey of the expansion of the U.S. firms in foreign markets, showed that most of the respondent firms have attained lower profits from their export operations, 46.4 per cent generated less than 5 per cent of their profits from overseas operations. One out of every four firms in international markets already generate 5 to 9 per cent of its profits from these markets.

Kearns[71] pointed out that the presence of the American firms abroad is minimal. The only logical explanation is that many U.S. firms have not taken an interest in exporting, but have remained adapted to the home market, which is still highly profitable, although it is no longer able to consume the entire potential domestic production.

2. The degree of uncertainty in the home market is generally less than its counterpart in the foreign market. Thus, businessmen prefer to sell in the domestic market rather than overseas markets. Livingstone[72] explains that "if the company is inhibited by uncertainties and lack of knowledge in the home market, it may be even more constrained in the foreign market where its sense of uncertainty may be even greater". Kotler[73] reported that most businessmen prefer domestic marketing to export marketing because domestic marketing is generally simpler and safer. The businessmen do not have to learn another language, deal with different economies, with different currencies, and to face political and legal uncertainties.

3. The need to adapt the product to fit the requirements of foreign markets may lead firms to prefer the home market. Frain[74] exhorts firms to consider this fact before going abroad. He argues, "Products have to be modified to suit the market's taste ... firms taking the trouble to make even the most superficial changes may well be rewarded". Fayerweather[75] directs the attention of

international marketing managers to adapt to foreign conditions which vary over a wide range from home conditions. The international marketing manager must understand each market and plan programmes which will work effectively in it. Livingstone[76] argues that while a product, its price, quality, packaging, and servicing facilities may be totally acceptable at home, this does not make it acceptable elsewhere without adaptation to local conditions. Kotler[77] also adds that firms would prefer home market to overseas market because they do not have to adapt the product to a different set of needs and expectations.

4. Businessmen are still regarding export operations as an additional activity to home marketing. Thus, top managements of firms are largely involved in home marketing rather than export marketing activities, which in turn, may be managed by less efficient managers. Ryans and Baker[78] reported that in spite of much talk about the opportunities of foreign markets, many U.S. firms still regard international business as a mere appendage to domestic business. International business is separated from its domestic counterpart and managed by a group of specialists, while the top management focuses on the home operations. Leighton[79] stated that in any business where home marketing is given much attention, the export department tended to get the less capable personnel and is considered the logical place to make major cuts when business conditions got tough.

This narrow view of exporting may be the main cause behind the lack of professionals in the field of export operations. A recent report published by Industrial Market Research Ltd.[80] says that "the export function has been downgraded in Britain. For one of the most experienced trading countries in the world, the ratio of export to domestic sales staff is lower than one might have expected, and so is the actual time spent abroad by export sales executives".

Schooler[81] also reported that exporting may not appear to be an attractive alternative but should not be neglected or refused until the attractiveness of other alternatives is determined and comparison is made.

5. The difference in techniques used in both domestic and export markets may make businessmen feel reluctant to enter foreign markets. Livingstone[82] stated that "techniques which may yield answers in the domestic market may be inappropriate somewhere else. This is particularly the case when the political or cultural background is significantly different". Yoshino[83] highlighted that there is a great danger of assuming that successful domestic techniques can be directly applied to other areas of the world. He also emphasised the need to study carefully the level of technological knowledge which eixsts in foreign markets.

6. The complex nature of export procedures may lead businessmen to concentrate on the home market to avoid such problems. Frain[84] confirmed this fact by indicating that "the mere thought of selling abroad frightens many firms - not without reason - for it is often a complicated business. Small firms, particularly, become so daunted by tales of the difficulties that many never try to operate beyond their own immediate market here in the United Kingdom". Wilson[85] pointed out that any businessman intending to enter foreign markets must first estimate some important factors, e.g. the size of market, growth trends, political and economic stability of market, competitive products, leading competitors, market shares, promotion methods, and legal requirements and trade barriers. These factors are difficult to measure in the home market in general and more difficult in the foreign market in particular. This may lead businessmen to concentrate upon domestic markets and try to avoid export markets with their obstacles.

D. Export Decision Making

In considering export marketing, a firm is faced with a number of basic decisions. Whether to involve in exporting activities or not. And even if a firm is determined to go abroad, then a decision has to made as to what specific market or markets are to be entered. Consequently, the firm must determine how it is going to serve these markets, i.e. what methods should be used to satisfy customer needs in these markets. This last decision can be called the basic marketing mix decision which includes planning and strategy with regard to product, price, promotion, channel of distribution, and other elements of the marketing mix.

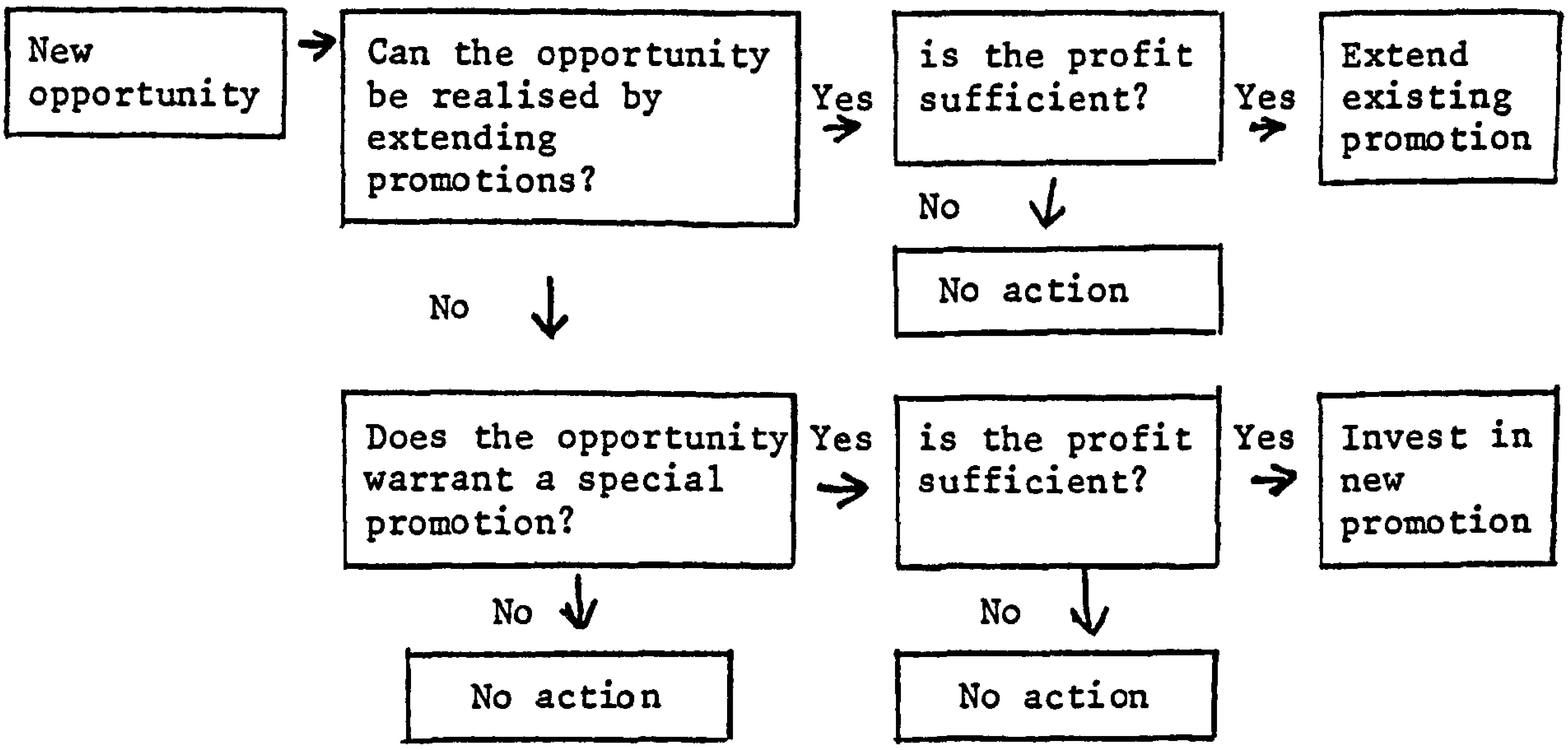
Kotler[86] provides a simple model of export marketing which consists of five major types of decisions: (1) the international marketing decision, (2) the market selection decision, (3) the entry and operating decision, (4) the marketing mix decision, and (5) the marketing organisation decision. He points out that to get a company involved in exporting the first step is to determine whether the foreign opportunity is attractive enough to justify further investigation. The second is whether a company possesses the resources and capabilities to enter foreign markets. Once the company has decided to market abroad, it should compare the various overseas markets, and make market selection on the basis of an evaluation of the probable rate of return on investment. After a company has determined that a specific market offers an attractive opportunity, it has to state the best way of entering that market. Kotler points out that three methods can be used; export, joint venturing, and direct investment. Many firms start as exporters, move to joint venturing, and finally undertake direct investment as their overseas business expands. A company that operates in a foreign market must adapt it product, communications, distribution, and pricing to local conditions. Finally, the company must develop an effective organisation for managing export activities.

Day[87] also developed a model of the export marketing decision. This model starts with a company which moves to exporting when a new opportunity occurs in a foreign market. Once a company has identified the profitable opportunity, it should select market(s) which offer satisfactory potential sales of its products, are similar to its domestic market, and enable its foreign operations to be concentrated and effective. Entering the foreign market a company would benefit from focussing on a few markets and preparing special annual marketing plans for dealing with them. Day provided some reasons behind concentrating on few markets: (1) a company will need a smaller organisation to cope with these markets, (2) it will acquire a more detailed knowledge of them, and (3) it will have a better understanding of the agents' and distributors' capabilities. With better knowledge of customers will come a better understanding of their needs. Under these conditions the company's products will be sold less "on price" and more on other considerations, because a company will have a better chance to adapt to the local situation. With the potential markets established, exploration begins, initially with desk research which depends upon information available from many general sources. Recently, exporters tend to evaluate their potential markets in more detail by using quantitative techniques. Once an exporter decided that the opportunity should be pursued, he will be required to determine whether to extend his marketing promotions which are employed in the countries where he has established markets or to invest in a special promotion.

The elements of the decision of exporting are illustrated in Figure 2.2.

Figure 2.2.

Export Marketing Decision



Source: A.J. Day. Exporting for Profit, Graham & Trotman Ltd., London, 1976, p.36.

SUMMARY AND CONCLUSION

The main purpose of this chapter was to distinguish between the three terms (exporting, international marketing, and international business) used in the literature of international marketing in order to clarify their true meaning. In order to be able to do so, the definitions of these three terms have been explored.

A comparison between "exporting" and "international marketing" revealed that while exporting is concerned with the sale of goods and services - produced at home - to a foreign market, international marketing is concerned with the marketing of goods and services <u>to</u> and <u>in</u> a foreign market, i.e. international marketing is wider than exporting. It includes beside exporting, licensing, joint ventures, and/or setting up a foreign sales subsidiary or a small assembly operations subsidiary.

Comparing "international marketing" with "international business", it was found that although both are concerned with marketing <u>to</u> and <u>in</u> foreign markets, international business is wider than international marketing on the basis that international business is concerned with, in addition to all activities of exporting and international marketing, the production of goods and services in many different markets through the use of many foreign subsidiaries which operate within a highly integrated and controlled world strategy.

With respect to the importance of exporting, it was found that although exporting may be an important activity for the nation's growth as well as the firm's profitability, little attention has been paid to it. The main reason behind this neglect is the claim that exporting is less profitable than home sales, and in turn, such activity is regarded as a marginal rather than basic activity of the firm.

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75. J.Fayerweather, International Marketing, Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1965, p. 3.

76. J.M. Livingstone, International Marketing, op. cit., p. 6.

77. P. Kotler, 3rd ed., op. cit., p. 467.

78. J.K. Ryans and J. C. Baker, op. cit., p.17.

79. D. Leighton, op. cit., pp. 4 and 5.

80. Industrial Marketing Research Ltd., "How British Industry Exports", Export Times, June 1978, p. 6.

81. D. Schooler, op. cit., p. 115.

82. J. M. Livingstone, op. cit., p. 37.

83. M. Y. Yoshino, op. cit., p. 11.

84. J. Frain, op. cit., p. 11.

85. A. Wilson, How to Start Exporting: A Guide for Small Firms, Department of Industry and the Central Office of Information, London, 1978, pp. 6, 11.

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87. J. Day, Exporting for Profit, Graham & Trotman Ltd., London, 1976, pp. 35-37.

CHAPTER 3

FACTORS UNDERLYING VARIATION IN THE IMPORTANCE OF MARKETING MIX ELEMENTS BETWEEN DOMESTIC AND FOREIGN MARKETS

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INTRODUCTION

In the previous chapter the term exporting has been defined and distinguished from other terms in the literature of international marketing. The aim of the present chapter is to examine an issue fundamental to this research, namely "does the importance of the marketing mix elements vary from one market to another?"

An examination of the above issue will be divided into two sub-parts:

(1) Similarities and differences between home and foreign marketing.

(2) Environmental differences between world markets and their impact upon the marketing mix elements.

Similarities and Differences between Home and Foreign Marketing

The literature of marketing has two schools of thought concerning similarities and differences between home and foreign marketing. Each of them adopts a different approach towards this issue.

The first school, which is supported by only a handful of authors, adopts what may be termed the "narrow view" of marketing that marketing should be viewed as a local problem, i.e. marketing techniques which are used in the home market may differ from those used in the foreign market. Michaelies(1) indicates that he "would be the last to suggest that American marketing techniques will, or necessarily should, ever fit India's particular requirement". Weissman(2) adds that "until we achieve one World there is no such thing as international marketing, only local marketing around the world". Similarly, Barlow(3), Wadinambi-avatchi(4), and Pvyor(5) point out that marketing techniques are not the same in all the world markets.

On the other hand, however, the second school, which is supported by a larger number of authors, adopts what may be termed the world-wide view of marketing that marketing principles, concepts, and know-how are universally applicable. Baker(6), to start with, argues that "Marketing technology, i.e. "the application of principles, rules, or knowledge relating to the nonhuman elements of marketing", has universal validity and potentially universal applicability. The applicability of marketing technology is dependent upon circumstances of the environment in which it is applied".

On the same theme, Kotler[7] indicates that "the steps, concepts, and techniques for effective marketing management are the same" in both domestic and international markets.

Meidan[8] too suggests that the basic marketing functions are about the same in both home and foreign markets, but the application of these functions can be significantly different in foreign markets if we take into account the impact of the environmental forces.

Miracle and Albaum[9] also emphasise the world-wide view of marketing when they point out that "the broad approach to the solution of marketing problems is identical, namely, the consideration of alternative marketing methods in light of the firm's environment".

Keagan,[10] Tookey,[11] Terpestra,[12] Hess and Cateora,[13] Holloway and Patterson,[14] and Christopher et al.[15] are of a similar view when they argue that marketing is universally applicable, with some adjustments reflecting the environment in which it is applied.

The above discussion suggests that differences between home and foreign marketing lie in the application of marketing principles and techniques, rather than these principles and techniques themselves, and such differences may be due to the environmental differences prevailing between home and foreign markets. The latter leads one to examine to what extent environmental characteristics vary from home to export markets, and the extent to which these differences affect the importance of the various elements of the marketing mix.

Environmental Differences and their Effect on the Marketing Mix Elements

Environmental variables are "those variables which impact upon the management process and the effectiveness of the firm, but are imposed upon the firm from its environment and are not readily subject to control by top managers".(16)

These variables are numerous and diverse. Examples of these are given in Figure 3.1. However, we will focus on only three environmental aspects, which we consider most relevant to the export marketing mix, namely culture, the stage of economic development, and the state of technology. Each of these variables will be examined from two angles: its difference from home to foreign markets and its impact on the marketing mix elements. In this regard, our attention will be focused on McCarthy's(17) four "P's"

Figure 3.1

Examples of the Environmental Differences between Home and Export Markets

(1) Differences in the Cultural and Societal forces, e.g. as to:

(a) Cultural practices and perceptions;

(b) religious values and prohibition;

(c) linguistic differences;

(d) the level of literacy and education achievement;

(e) the family system and pattern of life styles; and

(f) class structure.

(2) Differences in the Legal and Political System, e.g. as to:

(a) regulations laying down product performance and safety specification;

(b) laws regulating advertising and other forms of promotion and branding;

(c) legislation governing such conditions as price guarantees, warranties, etc;

(d) differences in the political parties; and

(e) differences in the types of government.

(3) Differences in Economic and Technological Development, e.g. as to:

(a) differences in the natural resources;

(b) differences in the standards of living;

(c) differences in the levels of personal disposable income per capita;

(d) the stage of economic development; and

(e) the state of technology.

(4) Differences in the Nature and Structure of Competition, e.g. as to:

(a) the bases of competition;

(b) the intensity of competition; and

(c) the number of competitors.

Figure 3.1 (continued)

(5) Differences in the Institutional Organisations, e.g. as to:

(a) the general business infra structure;

(b) marketing institutions available;

(c) the bureaucratic system; and

(d) the attitude of host governments.

Source:

(1) H. Thorelli, "International Marketing: An Ecological View", in H. Thorelli (ed.), International Marketing Strategy, Penguin Education, London 1973, pp. 23-40.

(2) P. Hovel and P. Walters, "International Marketing Presentations - Some Options", European Journal of Marketing, vol. 6, No. 2, 1972, pp. 69-79.

(3) J. Fayerweather, International Marketing, Prentice-Hall, Inc., Englewood Cliffs, New Jersey, 1965, pp. 19-30.

(4) J. Hess and P. Cateora, op. cit., pp. 9-12.

namely, product, price, promotion, and place.

I. Culture

The term "culture" is not an easy term to define in measurable components since it involves an overall social heritage, a distinctive form of environmental adaptation.[18] And also because "it is not something to master, like technology, but the way in which we cope with reality from familiar assumptions".[19]

However, we present here Bennett and Kassarjian's[20] definition, which we consider as appropriate to describe the term culture.

According to Bennett and Kassarjian culture is "a set of learned beliefs, values, attitudes, habits, and forms of behaviour that are shared by a society and are transmitted from generation to generation within that society".

Although many cultural variables may derive from this definition such as religion, language, education, values, attitudes, social organisation and even legal aspects, our attention will be focused on examining the difference between home and foreign markets as well as the effect on the marketing mix of only three aspects, namely language, religion, and literacy. The reason behind such focus is that these three variables have the most apparent effect on the various elements of the marketing mix.

(1) Language

A. Differences between World Markets

Language is the most obvious difference between world markets. English is the spoken language in Britain, America, South Africa, and in other African countries. French is the language of the French market, one of the two main languages spoken in Canada, and the dominant language in some African markets (e.g. French Congo). Arabic is the language of the Middle East countries, and many different languages are spoken in South America, Asian, and Eastern Bloc markets.

Not only do language differences exist between different world markets, but also between the different regions of one market. In Belgium, for example, French is the spoken language in the South, whereas Flemish is spoken in the North. In Canada, as another example, French and English are spoken by two different cultural groups. In India, as a third example, 203 languages are spoken reflecting many different Indian cultures.[(21)]

Moreover, differences between languages exist in their expression to the modern commercial and technical activities. Das[(22)] pointed out that the English language has a rich vocabulary for commercial and industrial activities, reflecting the nature of the English and American societies. Many less industrialised societies have only limited vocabularies for industrial and commercial activities. Commenting on the important role of the English language in India, he said "it would be a serious error for India to replace English with Hindi or other Indian languages because none of them gives adequate expression to the modern commercial or technical activities which are necessary for India's economic development".

B. <u>Their effect on the mix</u>

Because language is the key to communication, information related to product characteristics and promotion are the factors upon which language differences have an impact. With respect to product characteristics, language differences may raise a problem in interpreting the information related to how to use a product or to judge its quality. "An English manufacturer of KD kitchen furniture would have a disaster if the buyer for a Canadian store had not noticed that the proofs of their instructions were in European, not Canadian, French".(23) The difference in interpreting the word "Roo" was the main problem facing the diffusion of the American Beef-A-Roo fast food system in the Australian market. According to Australian usage the word "Roo" means "Kangaroo", not beef and is a meat, which urbanised Australian disdain. In facing this problem, the trade name of this system has changed to "Beef-Ranch" to meet the Australian interpretation.(24)

With respect to promotion, the most obvious effect of language differences between home and foreign markets is on advertising. Not only does the problem here include the different languages in different markets, but also the more subtle obstacles of linguistic nuance and vernacular. Consequently, the communicability of written and oral advertisements will depend not only on what is being said, but also on what is being understood, and what the total image or impression is that the advertisement transfers. Cannon(25) points out that in some countries a direct translation of "Come Alive with Pepsi" is "Come out of the grave with Pepsi?". In the U.K., if a product went "like a bomb" it would be a great success, but in the U.S. it would be a total failure.

The above suggests that the problem is the interpretation of a foreign market's language rather than the translation of that language, and this may necessitate the "learning" of foreign languages if firms are to sell to customers of different cultures.

By contrast, over 70 per cent of the British firms use the English language in their correspondence with foreign customers, depending on the fact that English is the universal tongue of commerce.(26)

Support for this tendency is also to be found in the ITI(27) report on "Export Development in France, Germany, and the U.K.".

The report concludes that "languages come quite low on the British exporters' list of priorities ... French and German respondents, on contrast, often cited knowledge of languages as the single most important attribute of an export specialist as it improves the flow of communication, enhances one's ability to grasp the ethos and mentality of an overseas market, and is an important psychological tool in selling. The French and Germans felt that the British did not appreciate this sufficiently when trying to sell to France and Germany".

However, depending only on the English language in export correspondence and giving little attention to learning a foreign market's language may lead to losing opportunities in that market. Once again the findings of the Industrial Market Research Ltd.'s[28] study lend support to this view by concluding that "the British export manager has not fully realised that the extent to which he has lost business because ... unlike his competitor in Holland or Sweden, he cannot speak the language of his customer".

(2) <u>Religion</u>

A. <u>Differences between World Markets</u>

World markets also differ in terms of their religious beliefs and values. For example, in North America and Europe the dominant religion is Christianity. Islam covers a large area in Africa and Asia. Buddhism is largely found in South and East Asia. Hinduism is the main religion in India, and Shinto is the religion of the Japanese people.

B. Religious differences and the Marketing Mix

Religion has much to do with the consumption patterns of its believers and therefore it has an impact on the type of product they consume. In the Moslem countries, for example, alcohol and some types of meat (e.g. pork) are prohibited, thus, it is unwise to recommend a British manufacturer to sell Scotch Whisky to Saudi Arabia or a French manufacturer to sell pork meat to the Pakistanian market. Taking the Indian market, as another example, it would be unwise to encourage a British manufacturer to sell beef products to the Hindu people, since the cow is their sacred animal.

Not only do religious beliefs have an effect on the consumption of some existing products, but also their impact extends to include the consumption of a new product. Coldthorpe[(29)] indicated that because "natural" rice is a religious symbol for the Indonesian people, their government has failed to replace it with the "maize-rice" although a comprehensive marketing strategy emphasising that the substitute is as good as the "natural" rice was undertaken.

Religion also has an obvious impact on the content of the advertising message the customer accpets. Dichter[(30)] indicated that "in puritanical cultures it is customary to think of cleanliness as being next to godliness. The body and its functions are covered up as much as possible. But in Catholic and Latin countries, to fool too much with one's body, to over-indulge in bathing or toiletries, has the opposite meaning". For this religious belief, an advertising message, based on puritanical principles threatening Frenchmen that if they don't brush their teeth regularly, they would develop cavities or would not find a lover, has failed to communicate. To cope with the Frenchman's thoughts, the advertising message was changed to "a permissive one". This message adopted the approach that frequent brushing is modern and chic, although not absolutely necessary.

Colour, as a religious symbol, has an effect on the image of an advertising message and therefore its ability to communicate. In an article entitled "Key to Asia: Respect for Difference", the author stressed that the U.S. exporter must know the meaning of using certain colours to the Asian countries before he advertises to these countries, otherwise using a wrong colour would lead to a bad impression. In India, for example, advertising a product in a wedding setting with the models wearing black dresses or suits would be a big mistake in the context of such a pleasant occasion.(31)

As religion has such an effect on the product to be consumed and its advertising, any manufacturer is advised to study carefully the religious values prevailing in a foreign market and have the ability to cope with these values if he wants to exploit the export opportunity prevailing in that market.

(3) Literacy

A. Differences between Markets

World markets also differ in terms of the level of literacy, since these markets vary in their economic development. Harbison and Myers(32) in their study "Education, Manpower and Economic Growth" have found a significant relationship between the level of literacy prevailing in a market and the stage of economic development of that market. Similarly, Fayweather(33) highlighted that in developed markets (e.g. Japan, U.S.A, West Europe) almost all adults are literate, while in the majority of developing markets literacy ranges down to as low as a fifth of the population.

B. Effect on the Marketing Mix Elements

The most obvious effect of the level of literacy may be on promotion, especially on the type of media to be used in advertising as well as the content of the advertising message itself. In markets where literacy is extremely low, conventional forms of printed media cannot be used successfully, and the exporter should use more radio and film. In Turkey, for example, where the literacy rate approximates to 25 per cent of the population, Salmi[34] emphasised that if an exporter is to reach a large segment of the Turkish market he must use more radio advertising. In Nigeria, as another example, where a low level of literacy is dominant, Baker[35] suggested that radio and motion pictures are practical advertising mediums.

Not only does the low level of literacy determine the advertising medium to be used, but also the content of the advertising message to be sent. A British executive in Hong Kong describes this by saying that "a large percentage of our population is illiterate, but many of these people are extremely wealthy and knowledgeable. How do we sell to them? By symbols, usually. They learn to recognise the symbols and know the company represented. And if the symbols are shown against colours that represent good fortune and long life, we have created the feeling of goodwill and communicated an advertising message".[36]

Moreover, the effect of low levels of literacy extends to include the selection of a brand for the product which suits illiterate customers. Most effective is a catchy trademark which becomes the identification of the product. A large American firm has been successful in selling to the masses in India, who know its product only as a "peacock" dye, through its distinctive trademark.[37]

The above discussion suggests that world markets differ widely in terms of their cultural values, and such differences have a significant impact on the product and promotion elements. Consequently, one can argue that products and advertisements which are geared to a home market with certain religious beliefs, language, and level of literacy, may be inappropriate to foreign markets with different religion, language, and level of literacy. Livingstone[(38)] gives support to this argument. In his words "It can be a risky proposition to assume that because one's product ... and one's advertising policy is geared to certain status valuations encountered in one market, the same policies are equally valid in another market".

II. The Stage of Economic and Technological Development.

A. Economic differences between World Markets

World markets are also varied in terms of the stage of economic development. Some markets are much more advanced than others. In fact, several criteria have been used in order to classify world markets into economic groups. Among these are per capita generation of electricity, percentage urban population, manufacturing as a percentage of Gross National Product (GNP), as well as degree and type of industrialisation, availability and use of modern technology and the GNP and its annual rate of growth.

The latter three criteria are the most commonly used criteria in classifying world markets. According to these criteria world markets are classified into three main groups: developed, developing, and less developed. The following is a review of how world markets can be classified in terms of these three criteria.

According to the degree of industrialisation, Livingstone[39] distinguished between these three groups of markets as follows:

(1) Developed markets are "those economies which are industrial rather than agricultural or raw material producers, and with a high and rapidly growing standard of living". Examples of these markets are West Europe, the U.S.A. and Japan.

(2) Developing markets are "those societies outside Europe which are nevertheless European in culture and outlook, and do not yet possess the massive industrial base of the developed nations of the first group, but have substantial national resources and the determination to industrialise and so lessen their dependency on raw material exports". Examples of these are New Zealand, Israel, Argentine and Venezuela.

(3) Less developed markets are "those societies which are overpopulated in terms of their resources, and with population rising faster than national product, may actually be becoming

even poorer per head of the population. In attempting to break out of the vicious spiral of over-population, many or most are trying to industrialise to move away from subsistence farming and the export of raw materials to a measure of industrial development". Examples of these markets are most African, Asian, and Latin American countries.

Based on the application of science and technology in the economy, Rostow,[40] in a widely recognised model, distinguished between five stages of economic growth. These are traditional agricultural society, transition from agricultural to industrial society, steady growth to a strong industrial base, drive to mature employment of modern technology, and high-mass consumption society. In the first stage, there is an absence of the application of the modern science and technology. In the second stage, the advances of modern science are starting to be applied in agriculture, and in the third stage such application extends to include industry. In the fourth stage, the economy seeks to extend modern technology to all economic activities. In the final stage, the economy has the technological skills to produce anything it chooses to produce. According to these different degrees of the application of modern technology, Rostow considered the first three societies as less developed, the fourth society as developing, and the fifth society as developed.

The third most frequently mentioned criterion, and probably the most practical one, of determining the stage of economic development of the country is the GNP per capita. In fact, there is a wide agreement over the validity of this criterion as a measure of the stage of economic development of the market among a large number of authors (see for example Baker,[41] Kotler,[42] McCarthy,[43] Fayerweather,[44] and Leighton).[45] Baker, for instance, said on this issue that "... as long as those who use it compute it in a consistent manner then it provides a convenient starting-point for analysing changes within and between economies ... it will be useful to accept that a country's economic performance is generally judged in terms of the increase in its GNP, for, or so the argument runs, if the Gross National Product is expanding (in real terms of course), then there is more to go around, so the welfare of the individual must be increasing too".

Accordingly, it is appropriate to present here some statistical data about the GNP per capita and its annual rate of growth of World markets, and to show how many of these markets are developed and how many are not. Table 3.1 gives details about these issues. Before proceeding to this table, two main points should be mentioned:

1. This table is based on data obtained from the 1980 annual report of the World Bank and figures mentioned in that table are the 1976-79 averages.

Table 3.1

GNP per capita and its Annual Rate of Growth (1976-79)

GNP per capita and its rate of growth	Developed[1] Markets (Average 1976-79)	Developing[2] Markets (Average 1976-79)
GNP per capita (U.S. Dollars)	5407	1031
Rate of Growth (percentages):		
Total GNP	4.0%	5.2%
Population	0.5%	2.4%
GNP per capita	3.5%	2.8%

(1) According to the World Bank developed markets include:

A. Industrialised countries: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany (Federal Republic of), Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, South Africa, Sweden, Switzerland, United Kingdom, and United States.

B. More advanced Mediterranean countries: Cyprus, Greece, Israel, Malta, Portugal, Spain, and Yugoslavia.

(2) According to the World Bank developing markets include:

A. Africa South of the Sahara: Benin, Botswana, Burundi, Cameron, Central African Republic, Chad, Comoros, Congo (People's Republic of the), Ethiopia, Gabon, Gambia (The), Ghana, Guinea, Ivory Coast, Kenya, Lesotho, Liberia, Madagascar, Malawi, Mali, Mauritania, Mauritius, Niger, Nigeria, Rwanda, Senegal, Sierra Leone, Somalia, Sudan, Swaziland, Tanzania, Togo, Uganda, Upper Volta, Zaire, Zambia (and the East African Community).

B. East Asia and Pacific: Fiji, Hong Kong, Indonesia, Korea Republic of), Malaysia, Papua New Guinea, Philippines, Singapore, Thailand, Taiwan.

<u>Table 3.1</u> (continued)

C. <u>Latin America and Caribbean</u>: Argentina, Barbados, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Peru, Trinidad and Tobago, Uruquay, Venezuela.

D. <u>North Africa and Middle East</u>: Algeria, Bahrain, Egypt, Jordan, Lebanon, Morocco, Syria, Tunisia, Yemen (AR), Yemen (PDR).

E. <u>South Asia</u>: Afghanistan, Bangladesh, Burma, India, Nepal, Pakistan, Sri Lanka.

N.B. The Eastern Bloc and oil exporting countries are not included in the list of world markets because of the unavailability of data.

<u>Source</u>: Based on the 1980 annual report of the World Bank, Table 1, pp. 130-131.

2. GNP per capita is estimated by $ and the rate of growth of the GNP per capita is percentage.

Analysing Table 3.1 the following observations emerge.

1. Developed markets can be classified into six groups: West Europe, North America, Australia, Japan, advanced Mediterranean countries, and South Africa.

2. Developing markets can be classified into five categories: Africa (excl. South Africa), Asia (excl. Japan), South America, Caribbean, and Middle East (excl. Israel).

3. There is no mention to what may be called "less developed" markets in the list provided by the World Bank, i.e. all countries which are not developed in terms of the GNP per capita are developing markets (all of them are trying to industrialise rather than depending on agricultural manufacturing and exporting of raw materials).

4. The average GNP per capita of developed markets is greater than that of developing markets ($5407 vs $1031).

5. The average annual rate of growth of GNP per capita of developed markets is greater than that of developing markets (3.5% vs 2.8%).

The use of GNP per capita as a sole criterion to evaluate a country's stage of economic development is not without its defects. Baker(46) criticised it on the basis that it is "... a crude, aggregated measure and can tell us little, if anything, about the real standard of living, let alone the quality of life enjoyed by a country and its people". It also "does not allow for the deduction of waste, deterioriation and replacement of capital and physical resources". When comparing between world markets he suggested adjusting this measure for inflation in order to overcome this defect.

Before leaving this point, however, we indicate that for the purpose of this research this criterion will be used to distinguish between developed and developing markets on the basis that it can be quantified as well as the fact that the availability of data on GNP per capita may justify such use.

B. Technological differences between World Markets

Before examining differences between world markets in terms of the state of technology, it is convenient to define the term "technology". According to Jones(47) the term technology means "the way in which resources are converted into commodities". Clearly this definition contains three major dimensions: research, development, and engineering.

Because the state of technology prevailing in a market is associated with its stage of economic development, one would expect to find the most advanced technology in the hands of developed markets and this technology may differ from that prevailing in developing ones. Baranson[48] emphasises this by pointing out that "while the technologies of advanced economies are generally geared to well-integrated, large scale production requiring high capital outlay and large amounts of skilled labour, the developing economies call for small, efficient processing and assembly plants to function with modest transport and power facilities and utilising local materials and skills". Similarly, Wallender,[49] Evans,[50] Galbraith,[51] Bell,[52] and Schumacher[53] have characterised technologies used in developing markets as "capital intensive" techniques, while the ones existing in developing markets are characterised as those which reflect their abundant labour and scarce capital conditions.

Thus, it can be a risky proposition to assume that the type of technology which is appropriate to the conditions prevailing in developed markets (i.e. advanced technology) is equally suitable to those of developing ones. Livingstone[54] confirms this by reporting that "in a developed market ... the most up-to-date technology can be used without making much risk of "wrecking" its infrastructure", while using the advanced technology in a developing country can lead to two types of failure: "either the process is too advanced and fails because the infrastructure and markets simply do not exist; or worse, the technology succeeds but ruins more of the existing economy than it benefits".

C. Effects of Economic and Technological Differences on the Marketing Elements

- Product

Livingstone[55] mentioned two situations in which these differences have an obvious effect on product design and quality. The first is where a developed country sells equipment, which is also being produced for its home market, to a developing one without taking into account that the latter has a shortage of capital and skilled workers. Such equipment is designed to be operated by a semi-skilled machine operator who is not extensively available in this developing country. What is available in it are "highly skilled traditional craftsmen" and unskilled labour, whose background does not fit them to cope with the functions and everyday use of machinery. What is appropriate for sale in such a country might be a design nearer that of the nineteenth-century in W. Europe, rather than a highly automated electronic one of twentieth-century design which can be destroyed in a moment by a small mistake.

The second situation exists when a product is exported from a country, where the degree of technical development is less advanced than that of an importing country. He gave the example that some British exports such as cars were designed on the assumption that the basic model would last for at least a decade and any assumption like that in the U.S.A. would be risky. "Planned obsolescence obviously goes a good deal further in more high-consumption markets than in Britain, and the differences this can make to product planning, servicing, etc. are important".

On the other hand, Kacker[56] indicated that the problem of product design and quality also emerges when a developing country such as India sells engineering equipment to a developed country such as the U.S.A. From his research on the export-oriented product adaptation, he concluded that in the current atmosphere of world competition it is difficult for an Indian manufacturer to supply engineering equipment to the advanced markets in the U.S. and Europe. To perform well in these markets, he must devote more effort in the direction of product design and quality. This effort requires large investment in marketing research and product development, and such investment is beyond the reach of the majority of the Indian manufacturers.

Because of the technological differences between the American market and developing ones, the Ford Motor Company[57] has designed a simple tractor for developing markets which bring farming technology to farmers on marginal farms. The aim was to simplify modern technology to suit the local conditions of these markets.

Similarly, a British manufacturer of pumps has designed a simple model for his markets in developing countries. He found that this model was preferred in these markets to its much more "efficient rivals" which the local miner often found much too complex to use.[58]

- <u>Distribution</u>

Economic and technological differences between world markets also have an effect on the distribution element, particularly on the availability, function, and efficiency of marketing channels. Boyd et al.[59] comparing marketing channels in Egypt - a developing country - and in the U.S. - a developed market - found that "Egyptian channels of distribution, with but a few exceptions, are at about the same stage as were those of the United States in the early 1800's". Similarly, Samli[60] found that "The Turkish wholesaler resembles the American wholesaler of the 1800's or early 1900's when the American economy was not one of abundance". Wadinambiariatchi[61] also found that comparatively more developed countries have more levels of distribution, more speciality stores and supermarkets, more department stores and more stores in the rural areas.

On the part of functions performed by the distribution channel, these functions are limited and sometimes are not available in developing markets compared with developed ones. In Egypt, a developing market, Boyd et al.[62] found that the primary function of the distribution channel is to handle the physical distribution of available goods, and even warehousing and transportation activities are regarded as minor functions. In Turkey, a developing market too, Olue et al.[63] reported that "the activities in the marketing channel work backwards, and the doors to marketing offices swing to customers far more than they swing outwards as company salesmen depart". Table 3.2 provides a comparison between functions performed by American wholesalers (a developed market) and those performed by Turkish wholesalers. From this table it can be seen that by contrast with American wholesalers, Turkish wholesalers do not get involved in customer services and sales promotion.

Table 3.2

American and Turkish Wholesaling Compared

Function	American wholesalers	Turkish wholesalers
1. Geographically stationary and concentrated	Some	All
2. Supply oriented	Some	All
3. Involvement in customer services	Most	None
4. Involvement in sales promotion	All	None

Source: A. Samli, op. cit., p. 58.

Not only do economic and technological differences have an effect on the type of functions performed by marketing channels, but also their impact extends to include the efficiency of performing these functions themselves. The cost of distribution, average sale per store as well as number of persons per store may be used in measuring such an efficiency.

Regarding the average sale per store and number of persons per store, Table 3.3 provides a comparison between five developed markets in Europe and a developing market in South America (i.e. Chile).

Table 3.3

A Comparison Between Total Sales and Number of Persons per Retail Store in Developed and Developing Markets

Market	Average total sales per retail store	Number of persons per retail store
W. Germany	$ 99,600	132
Switzerland	96,000	98
Luxembourg	59,000	70
Italy	42,000	100
Netherlands	55,600	65
Chile	21,289	11

Source: European Markets: J. Hess and P. Cateora, op. cit., p.470.
The S.American Market: P. Bennet,"Retailing Evolution or Revolution in Chile?", *Journal of Marketing*, vol. 30, No. 3, 1966, p.40.

From this table it is evident that the sales volume per store is over two times, at least, greater in developed markets than in the developing one. It is also seen that the number of persons per retail store is over six times greater in developed markets if compared with those in the developing markets.

- Promotion

Probably the most obvious influence of economic and technological differences between world markets upon the promotion element may be on the part of the mass media. In general terms, international variations in mass media development associate closely with economic and technological development. In other words, one can expect to meet more types of media in developed than a developing market.

Table 3.4 compares the availability of three mass media (newspapers, telephones, radios) in selected markets from developed and developing countries. From this table it can be seen that the number of newspapers, telephones, and radios used in developed markets is much greater than those used in developing ones.

Moreover, the following examples illustrate the lack of availability of some mass media in another group of developing markets if compared with the wide range of media available in developed ones. In Indonesia, as the first example, because of

Table 3.4

Comparative Mass Communications in Some Selected Developed and Developing Countries in 1973

Country	Newspapers (copies/1000 population)	Telephones (number in use/1000 units)	Radios (number in use/1000 units)
Developed			
U.S.A.	297	138,286	368,600
Japan	519	38,698	70,794
U.K.	528	19,095	37,500
W. Germany	294	17,803	20,586
France	237	11,337	17,034
Italy	133	12,612	12,448
Developing			
Argentina	154	2,065	9,000
India	16	1,600	12,772
Brazil	37	2,415	6,000
Nigeria	3	106	1,550
Uganda	46	52	775

Source: United Nations Statistical Yearbook, 1974.

the shortage of advertising space, there is a long time-lag before an advertisement can be put in a newspaper.(64) In Egypt, as the second example, radio is the available advertising medium to be used in advertising to large segments of customers in the rural areas. In these areas, the use of newspapers in advertising is extremely limited because the majority of customers are illiterate. In Africa (South of the Sahara), there is an obvious lack of press, radio, television and cinema, and the most commonly used methods of advertising are sound trucks, roving movie vans, sampling, promotional teams, and contests.[65]

The above discussion also indicates that economic and technological differences between world markets are extensive, and such differences have an obvious effect on product quality and design, availability and efficiency of the marketing channel as well as availability of advertising methods. Armed with insights from this discussion, a number of observations can be made here:

(1) Products which are designed for a developed market may be inappropriate to satisfy the needs of a developing one. Supporting evidence for this observation may come from Kacker's[66] research on the appropriateness of American equipment to the Indian market. He concluded that American hospital equipment, which was highly sophisticated, has failed to suit the needs of the Indian hospitals who seek to use equipment which uses more labour. Evidence may also come from Miracle and Albuam[67] who indicate that many American exporters tend to ship abroad current or obsolete models from their United States production lines. But these are often inappropriate in terms of the economic and technological circumstances of many foreign markets, especially developing ones. An example, is the big, expensive American washing machine with its many complex features and its requirements for built-in plumbing and high voltage rates. Although this type of washer is the pride

and joy of the American housewife, it holds little interest for housewives in many foreign markets, particularly in developing markets, who look for a simple, basic, inexpensive machine which requires no plumbing attachments and will operate on poor electrical current.

(2) Distribution channels which are largely used in developed markets (e.g. self-service) may not be found in developing ones. McCarthy[68] argues that American manufacturers of automobiles, expensive cameras, and other durable goods should not plan to use a mass distribution system in an area which is in the primary manufacturing stage (i.e. developing market), because the distribution facilities are too limited.

(3) It is risky to assume that the type of media which the manufacturer had been accustomed to in his home market (developed) are likely to be found in his markets in developing countries. Because of the absence of television advertising in India, the American exporters were forced to use cinema advertising and establish mass consumer contacts on the road to reach the maximum possible number of customers in the Indian cities. To reach the semi-urban and rural customers, they used mobile vans with the necessary equipment for audiovisual publicity, samples, etc.[69]

SUMMARY

Investigating why the importance of marketing elements varies from one market to another has been the main object of the discussion in this chapter. Four main conclusions can be drawn from this discussion. These are as follows:

1. There are no significant differences between home and foreign marketing in terms of concepts, principles, and elements. In other words, marketing concepts, principles, and factors are universally applicable.

2. However, the application of these principles, concepts, and factors varies from home to foreign markets because of environmental differences prevailing between these markets.

3. Thus, it can be a risky proposition to assume that marketing factors which are geared to a certain market with a certain culture and state of economic and technological development, are of the same appropriateness to other markets with different cultures and stages of economic and technological development.

4. To a large degree, the latter suggests an adaptation of marketing factors which are used at home if they are to be used in exporting to different foreign markets.

This latter point will be the main core of the next chapter.

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CHAPTER 4

EXPORT MARKETING STRATEGIES

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INTRODUCTION

The previous chapter established that home and foreign markets vary widely in terms of environmental characteristics, and these variations have an obvious effect on the export mix. This effect, in turn, raises the question: "Which strategy should be adopted by the firm in selling overseas? Analysing the firm-market-product mix as well as the cost and benefit of using a particular strategy would help in providing an answer to this question.

The first factor one should analyse is the firm's resources. It seems unlikely that a firm with limited resources would attempt to sell its product in all potential export markets. It may seek only a group of markets, that may be similar, and use a highly standardised marketing mix. On the other hand, if the firm has sufficient material and managerial resources to adapt its offering to foreign needs, it seems likely that an adaptation strategy might be adopted.

Similarities and differences between home and foreign markets are the second factor one should consider. In fact, making use of the concept of market segmentation may help in identifying a group of markets which are similar to the home market and may enable the firm to use the same products and marketing strategies employed at home in selling to these markets (i.e. matching strategy). OR the firm may find a group of markets which are slightly different from the home market, but provide potential sales for its product, which may enable it to use the basic marketing mix employed at home with minor modifications in exporting to these markets.

The nature of product and the stage reached by it in its life cycle in home and foreign markets are the third factor one should consider when determining the appropriate export marketing strategy. Some products (e.g. food) may require total adaptation to suit foreign markets and others, such as most durable and industrial products, may be easy to standardise. By identifying the stage of the product in the life cycle in home and foreign markets, the firm may find the chance to sell some of its older products to markets where these products are in the earlier stages in their life cycles, or it may find certain groups of markets (e.g. developed markets) which enable it to sell its advanced products in these markets.

Finally, and even if the firm-market-product analysis indicates an opportunity for using certain strategy(ies), the firm should balance between the costs and benefits of adopting such strategy(ies) and, in turn, its contribution to its goals.

The above issues will be organised into two sections:

Section 1: The nature of export marketing strategies.

Section 2: Their implementation to the marketing mix.

- the alternative strategies of the export marketing mix.
- how these strategies are employed in practice.

Section One

The Nature of Export Strategies

Before reviewing the alternative export strategies, it is convenient to define first the term "strategy" and show to what extent such a term varies from home to export marketing.

Strategy

Military theorists, the first users of this word "strategy" view it as the art of using military power to reach objectives set by governmental policy makers.(1) In business circles, strategy is regarded as a guide for action. As one cannot in most cases specify exhaustively the set of all strategies, some authors view strategy as a plan designed to ensure that the basic objectives of the firm are achieved,(2) while others view it as encompassing the determination of the goals and objectives of the enterprise.(3)

Marketing Strategy

In home marketing, Kotler(4) defines strategy as "a process of analysing opportunities, choosing objectives, developing strategy, formulating plans and carrying out implementation and control". Similarly Baker and McTavish(5), McCarthy(6) and Pride(7) indicated that marketing strategy consists of two distinct and yet inter-related elements:

1. A target market - a fairly homogeneous group of customers to whom a company wishes to appeal.

2. A marketing mix - the controllable variables which the company combines to satisfy this target group.

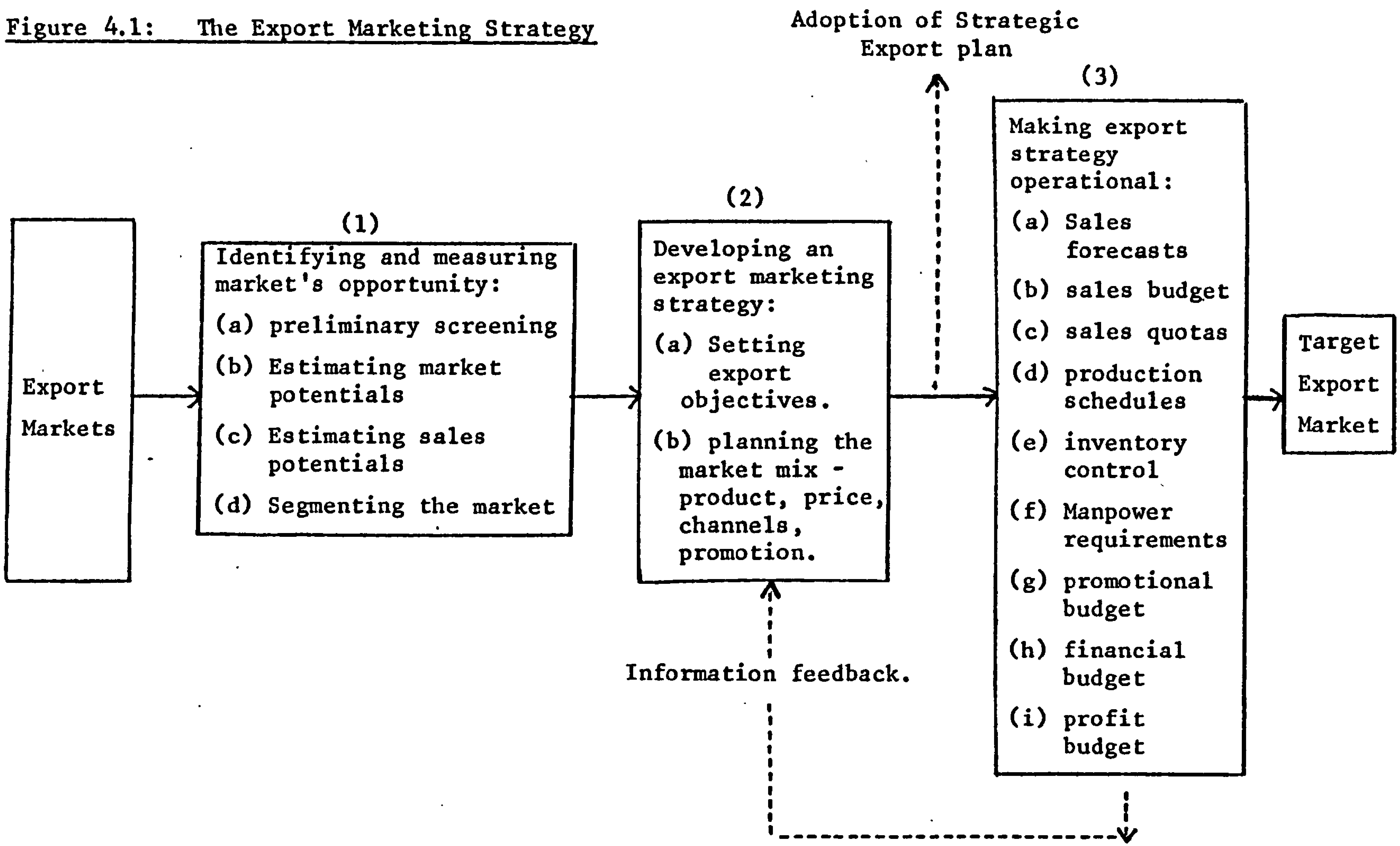
Export Strategy

In the case of export marketing, Root[8] defines strategy as "A comprehensive plan that sets the objectives and generates the fundamental policies which will guide a firm's export activities over a period of time long enough to encompass economic development, and other factors critical to growth and survival in export markets. The export marketing strategy includes both an identification of export objectives, and an allocation of marketing effort to attain these objectives, involving a scheduling and coordination over time. It also carries estimates of revenue, expenditure and profits".

Figure 4.1 shows the different stages of export strategy. The first stage is identifying and measuring market opportunity. This involves preliminary screening, estimating market and sales potentials, and segmenting the export market. That segment of the foreign market providing the highest sales potential becomes the target export market.

The second stage concerns the determination of export objectives over the planning period and the design of a marketing mix.

Figure 4.1: The Export Marketing Strategy



Source: I.R. Root, Strategic Planning for Export Marketing, Nyt Nordisk Forlag Arnold Busck, Kobenhavn, 1964, p.13.

Strategic export planning must observe the constraints imposed on export management by company policies and the resources available to export marketing.

The third stage of the strategic planning process is putting export strategy to work, that is, making it operational. This stage involves in many activities such as sales forecast, production schedules, promotional budget, and profit budget.

Export and Home Marketing Strategies Compared

Comparing export strategy with that of home marketing, it is possible to say that there is no significant difference between export and home strategies. Both of these strategies act as the means to reach a stated goal, whether a company sells its products in a home or a foreign market. Moreover, both strategies contain the following elements:

(1) Identifying and selecting the target markets.

(2) Determining firms' objectives (e.g. sales volumes, market penetration, or rate of investment).

(3) Developing the appropriate marketing mix to serve the needs of these markets.

(4) Measuring and controlling the achievement of the stated goals.

However, the export marketing strategy has unique elements which relate to the multi-country aspect of export process. These are:

(1) Identifying the environmental characteristics of export markets and identifying similarities as well as differences between these characteristics.

(2) Designing the strategy that copes with these similarities or differences between export markets.

(3) Analysing the cost, and benefits of using such a strategy and in turn, determining the extent to which the stated export objectives are achieved.

Alternative Export Strategies

Broadly speaking, four alternative strategies are available to the exporter: standardisation, concentration, adaptation, and matching.

Standardisation Strategy

In the case of standardisation strategy the company places on selling a standard product to different foreign markets and seeks to get as many customers as possible with one uniform marketing mix.[9]

This strategy assumes that marketing institutions and distribution networks are similar in all markets, and therefore, the firm will rely on mass channels as well as using mass advertising and universal themes.

Standard marketing mix has an enormous appeal to most exporters because of the cost savings associated with this approach. The most obvious sources of savings are manufacturing economies of scale and elimination of product research and development costs. By supplying the same product to different markets, an exporter can achieve longer production runs, spread research and development costs over a greater volume, and therefore reduce total unit costs.(10)

Also, less apparent, but still important, are the substantial economies associated with standardisation of marketing communication(11).

Still another source of savings from this strategy is its marketing and managerial simplicity. Since a firm's whole market department, and much of its general management is focused on such questions as which product to offer, at which price, and with what kind of advertising appeal, a uniform strategy obviates the necessity for rethinking the answers and reduces the need for expensive manpower in each sales branch.

Moreover, there are some real potential gains from using a standard marketing mix. Standardisation of products, packages, and promotional activities may permit a greater consistency in dealing with customers. The harmonisation of price policies often facilitates better internal planning and control. If good ideas are scarce, and if some of them have universal appeal, they should be used as widely as possible.(12)

However, such a strategy has its disadvantages. It ignores the existence of different markets with different needs. Marketing flexibility is often lost in foreign markets, through failing to match marketing efforts to the local requirements. Moreover, it often discourages creativity and innovation especially among personnel of local branches; as their main role is to sell effectively they generally lose the motivation to contribute ideas to product improvement and innovation.(13)

Adaptation Strategy

In the case of adaptation strategy, the company adapts its basic strategy to meet more nearly the needs and market forces in particular markets. The basic strategy might be that followed in the home market or it might be one especially designed for global or even sub-global marketing operations. Marketing programmes would not be completely "localised" but would be developed taking into consideration the principal environmental forces operative, and would thus be "individualised" to the extent that these forces differed as between different markets.(14)

Adopting such a strategy, the firm may gain a deeper penetration and a higher market share in each country. Customer loyalty may also be increased, and the company gains higher repeat purchases as its offering fits more closely to customer needs.[15]

Though this strategy would maximise sales, it suffers from many problems in terms of organisation disfunction, cost effectiveness and production economies. An adaptation approach would require a considerable degree of autonomy to be given to both managers in foreign sales branches and agents or distributors that the firm may use in selling to overseas markets. Organisational and communication problems would also be encountered by marketing or export department in the control and co-ordination of so many diverse marketing mixes. Moreover, this approach could result in much use of the services of large numbers of marketing personnel and finance, in deciding and funding the appropriate product, price, distribution and promotion policies to be used for each market, and in turn, raising marketing costs substantially. The presentation of many individualised product designs is expensive in terms of the shorter production runs required, as well as the need to keep larger stocks of finished products and materials.[16]

Concentration Strategy

The third alternative open to the exporter is a concentration strategy. The first two strategies, standardisation and adaptation, imply that the exporter goes after the whole market. Whilst the standard approach aims at maximum sales with a uniform marketing mix, the adaptation strategy aims to maximise export sales through accepting changes in the mix to satisfy different needs and requirements. However, the concentration strategy aims at achieving a maximum penetration of a limited number of markets or segments rather than all markets or segments.

Such a strategy is based on grouping foreign markets in which common marketing penetration can be effected in terms of a sub-global regional or developmental classification, e.g. Western Europe, North America, Africa, etc., or developed and developing markets. The rationale for such an approach is usually that the degree of homogeneity as between markets grouped under each classification is sufficiently high for a standardised marketing strategy to be successful in achieving the desired firm objectives for each market.(17)

The advantages of the concentrated approach has been recently pointed out by the Betro Report(18) which was based on interviews with 147 British firms which are responsible for more than 25 per cent of total British exports. The report concludes that concentration on a few selected markets provides firms with the chance to build a fuller picture of market conditions, understand the details of customers' specific needs, design and develop a highly standard marketing mix to satisfy these needs, and in turn, minimise costs while maximising the returns from individual markets.

However, this approach is not without its disadvantages. It does carry the risk of committing all the firm's resources and future growth to a few markets or segments. Any market setback could have disastrous consequences for the firm's sales and profits. Furthermore, other competitors may also enter the same markets or segments, and profitability may as a result decline.

In fact, applying such a strategy to foreign markets depends partly, at least, on the ability to segment these markets. As mentioned in the previous chapter, selling abroad, the manufacturer is faced with a wide diversity of cultures and range of technical knowledge and income levels that characterise consumption patterns in foreign markets. Not only is heterogeneity that much greater, but the size and diversity of these markets may indicate the necessity to segment markets on an international scale.

Export Markets Segmentation

A major problem for the exporter is to determine what bases to use for segmentation. In domestic markets, customer characteristics such as income, sex, age, product usage, and brand attitudes are often used. In foreign markets the exporter is faced with the further dimension of countty characteristics.

Wind and Douglas[19] adopted a two-step approach to segment export markets. First, the macro segment, composed of individual or groups of countries, can be identified, based on national market characteristics. This allows for an initial screening and selection of countries, which on the basis of national market characteristics and legal and political constraints, provide potentially attractive opportunities. Furthermore, where these characteristics pose major barriers to market entry, some countries may be eliminated. Only those countries that pass the initial screening are examined, so that the research effort is kept to a mimimum. The second step is to further subdivide the market within each macro-segment. This subdivision being based on customer characteristics, such as income group or age bracket, within each country. The appropriate bases of segmentation, within those macro-segments may be the same across all macro-segments or may differ. In the first case, target groups of customers, such as the relatively homogeneous teenage market, can be identified on a global base. In one macro-segment the relevant base might be the level of income, while in another the attitude towards the product might be more applicable.

This approach is summarised in figure 4.2. At both levels of segmentation two types of bases for segmentation are distinguished: general characteristics and situation specific characteristics. General characteristics do not vary across purchase situations, and include at the customer level demographic and psychological (personality and life-style) characteristics. Situation specific characteristics are those that differ with the individual purchase

Figure 4.2

A Classification Scheme of Various Bases for Export Markets Segmentation

Level	Enduring Characteristics	Situation specific Characteristics
Country characteristics	- Geographical Location - Demographic and population characteristics - Socio economic - Cultural patterns - Political factors	- Economic and Legal constraints - Market conditions - Product bound culture and lifestyle characteristics
Customer characteristics	- Demographic characteristics (age, sex, lifestyle) - Geographic location - Socio economic - Personality and lifestyle	- Consumption pattern - Loyalty patterns - Buying situations - Attitudes (perceptions and preferences)

Source: Y. Wind and S.P. Douglas,"International Marketing Segmentation", European Journal of Marketing, vol. 6, No. 1, 1972, pp. 17-25.

situation or particular product such as brand loyalty, frequency of purchase and attitude towards a given brand.

Similarly, at the national market level, general characteristics are those intrinsic characteristics of the country, such as geographical location and GNP which affect the general character of demand. Situation specific country characteristics are national market conditions which relate to a particular product or purchase situation, for example, product legislation and the degree of competition in a particular market.

Clearly making use of the market segmentation concept will be helpful in applying the concentration strategy to foreign markets. Grouping markets according to their culture characteristics and/or income levels, the exporter may find a similarity between certain groups of markets which enable him to use a standard marketing mix and achieve the advantages of the standardisation strategy.

Matching Strategy

The fourth strategy available to the exporter is a matching strategy. Such a strategy can be described as selecting foreign markets which are similar to the home market and using the marketing mix employed at home in selling to these markets. Three stages should be carried out in order to apply this strategy to overseas markets. These are:

(1) Finding markets of good potential abroad which "match" in some degree the home market.

(2) Identifying the required adaptation to the needs of these markets and having the flexibility to make such adaptation.

(3) Having the material and technical, as well as the managerial resources to meet the requirement of exporting.[20]

It is worthy to note here that this strategy is really the same thing as adapting to foreign needs (i.e. adaptation strategy) but with two major characteristics:

1. In matching strategy the firm keeps its products and other marketing efforts constant and tries to sell to markets with customer profile similar to that found at home, while in adaptation strategy the firm changes its marketing efforts to suit different needs.

2. Matching strategy applies only to foreign markets which are similar to the home market, while adaptation strategy puts more emphasis on the export opportunities, whether they are in similar or different markets (i.e. it focuses on the whole market).

The main advantage of applying the matching strategy to exporting is the use of a highly standard marketing effort in selling to both home and abroad, and in turn, achieving cost reductions and using the same organisational resources employed at home when selling overseas.

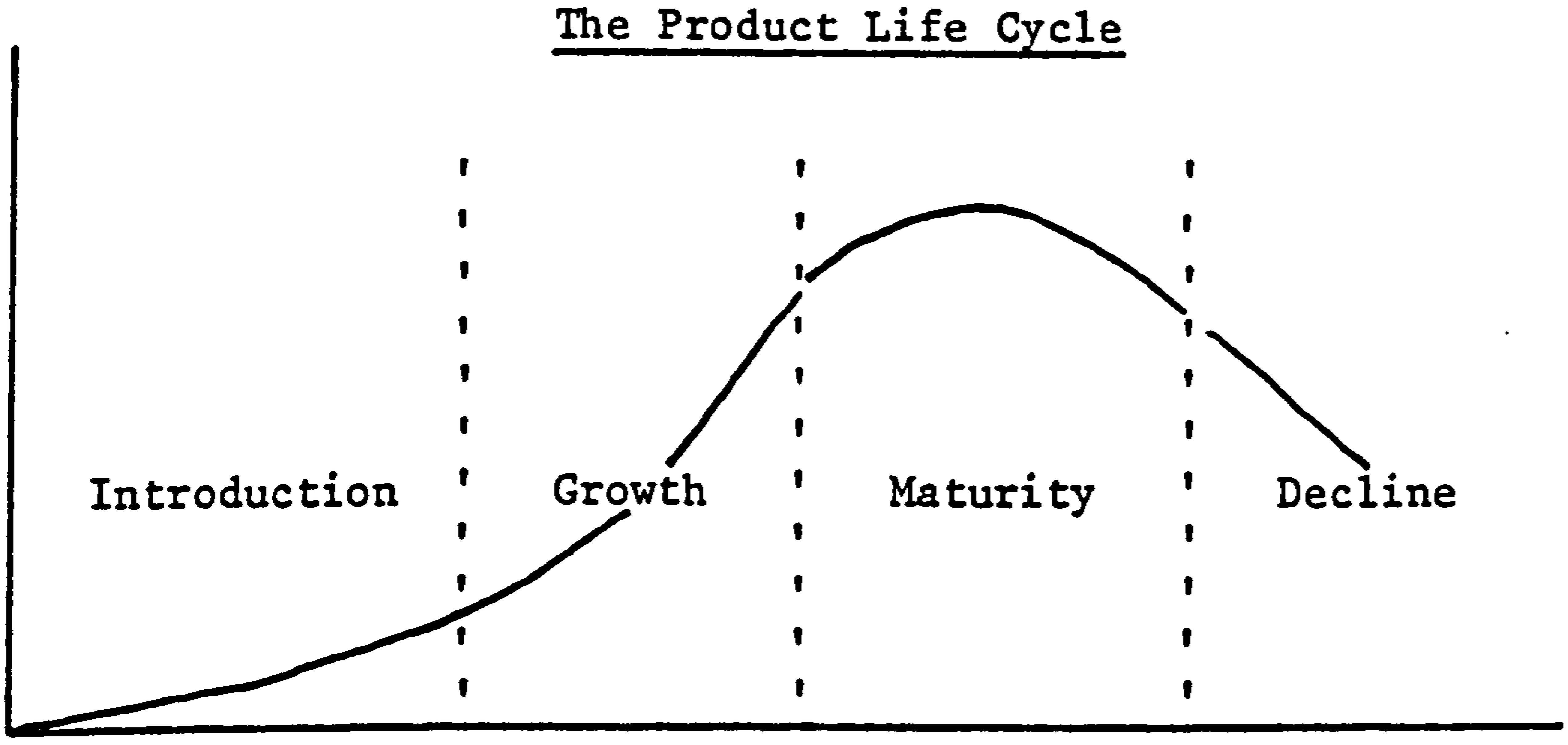
In fact, applying such a strategy to export markets depends, to a large degree, on the ability to segment these markets and to identify the stage of the product in the life cycle in these markets. Having dealt with the former, our attention turns now to examine briefly the concept of the product life cycle (PLC) and its implementation to exporting.

The Product Life Cycle Concept and its Implication for Export Marketing

The PLC concept is well known to most businessmen and academicians. Baker[(21)] points out that this concept is a simple one and draws an analogy between the sales history of a product and the life cycle of a living organism. It is usual to characterise this life cycle as having four stages: introduction, growth, maturity, and decline. If the sales of the product are plotted over a period of time the result will be a curve as shown in figure 4.3. As it is apparent from this figure, following "introduction", sales develop slowly at first but then appear to take off and grow very rapidly (growth stage) until levelling off with the onset of "maturity". The mature stage generally continues for quite some time to a point when demand begins to diminish heralding the "decline" stage. Baker also adds that "Although the concept is not without its critics, it enjoys a remarkable level of acceptance as a managerially useful representation of how sales for a successful new product introduction may be expected to develop".

Figure 4.3

The Product Life Cycle



The PLC concept also describes the process of movement into export markets. Wells,[22] using as illustration, a product originating in the U.S., describes four main stages:

Stage 1: U.S. export strength

Stage 2: Foreign production starts

Stage 3: Foreign production competitive in exports

Stage 4: Import competition starts

During stage one, the monopoly period, the overseas demand for innovator-produced goods grows and is met from the originating country. As the market grows in specific countries pressure to establish local manufacture, to reduce imports, to reduce freight costs, etc. emerges. During the second stage local production will start and take up part of the base demand, if only for a low price undifferentiated core product. The exporter is in a strong position to accommodate this development through the establishment of local manufacture, either wholly or partly owned by him.

During stage three foreign produced goods gradually take over the overseas market, with originator exports of the core product declining. In the final stage the foreign manufactured goods have sufficient advantages in production costs, labour costs, etc., to penetrate the originator's market himself.

Despite the above model suffers from the recurrent difficulties of all life cycle models,[23] notably that while providing a good description of specific products there exist significant exceptions even within the area of these specified products, it provides perhaps the most useful tool that can help the exporter in determining the strategy to be adopted in different foreign markets. The model indicates that there are different life cycle patterns in foreign markets, and this suggests that an exporting firm should examine the position of its products in the life cycle in the home market and overseas markets, and the competitive advantages which this position may offer. It follows that not only opportunities in foreign markets are limited to the advanced products, but also to those who are in a later stage of their life cycles. Baker,[24] in his recent study of the steady decline in the U.K.'s export competitiveness, confirms this latter advantage. In his words, "this is not to suggest that one should immediately discontinue the sale of low technology products to developing countries, but rather that the proceeds from such sale will only qualify for favoured treatment if reinvested in development of the next generation of products". Tookey[25] provides an empirical evidence on that advantage by citing the example that profitable export business has been developed in the rebuilding of older types of textile machines for export. These machines have been discarded by U.K. manufacturers in favour of more productive and advanced equipment. But when restored to working order, they are in demand in the Middle East and African markets, where their low cost is an advantage, and low productivity is not considered a disadvantage where labour is in plentiful supply.

Section Two

Export Marketing Mix Strategies

In the previous section we have defined and distinguished between the different strategies available to any exporter. We turn now to examine the implementation of these strategies to the various elements of the marketing mix. The following discussion will start by a review of export marketing mix strategies, followed by a number of empirical evidences on this issue.

Product Strategies

Although some kinds of product adaptation may be forced upon exporters by environmental conditions in some foreign markets, conditions in others may allow for a degree of product standardisation. The issue does not usually involve one extreme or the other. Whilst it is always very tempting to seek to standardise the product, it is not always possible to do so. On the other hand, to adapt where foreign market conditions allow for total or partial standardisation is certainly very extravagant.

Product Differentiation

A product strategy that limits adaptation to the target market is called "a product differentiation strategy". This strategy conceives the target market broadly, overlooking some sub-markets and minimising national differences. Although this strategy keeps down the cost of product development and adaptation, it requires a greater promotional effort to bring about a convergence of disparate market demands on the exporter's product. In other words, exporters try to adapt their customers to their products rather than to adapt their products to their customers.[26]

Market Segmentation

A "market segmentation strategy" looks at the target market narrowly, noting the existence of sub-markets and differences which distinguish the target market from the home market. It then strives to adapt the product to the requirements and preferences of the target consumers. Compared with the differentiation strategy, this strategy involves higher costs of product adaptation but relies less on promotion.[27] Heinz adapts its soups to national tastes in Europe.

Relatively few companies in export marketing can profitably adopt an extreme version of either of these strategies. Some adaptation is always desirable in the physical product, its package, or auxiliary services, but product adaptation to the fullest degree possible means a different product for each individual market.*

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*Complete adaptation occurs for products made to order (e.g. heavy industrial equipment).

An American appliance manufacturer tried for the first time to sell its washing machines in France. The company's market research indicated that the expanding French economy offered a good market for washing machines. The report, however, neglected to note that French women normally wash clothes in scalding hot water. Result: the coating inside the machine tubs peeled off after a few washings. After angering some French customers, the U.S. manufacturer had to come up - at considerable extra expense - with a coating strong enough to stand the heat. Now, says a spokesman, the firm's machines are selling "very successfully in France".(28)

Cartaino(29) conducted a survey which focused mainly on the product adaptation to the environmental needs of developing markets. The product studied by this survey was an aircraft intended for use in developing areas. The survey indicated that the aircraft was adapted to suit the special environmental factors, such as low aircraft utilisation rate, rapid physical wear and tear, diversity of missions and loads, short and poorly prepared airfields, operating under the high temperature conditions and inadequate airway and ground-support systems.

Japanese products are always cited as a good example of adaptation to the world market. In the area of shipbuilding, Oha(30) indicated that Japanese manufacturers are trying very hard and seriously to produce the products which meet the foreign needs.

For example, under the prevailing recession in the world shipbuilding industry the Japanese shipbuilders are focusing their efforts in bulk carrier ships, roll-on roll-off vessels, LNG and LPG tankers for which demands are increasing from Middle East oil producing countries.

More recently, Baker,[31] in the area of motor cycles, indicated that the Japanese manufacturers have gained a considerable share of the world trade. Their ability to adapt their products to suit the world needs as well as adopting a low price strategy, have been the factors behind such success.

Product Standardisation

On the other hand, there are a number of factors which favour the use of a standard product in exporting. Among these are the nature of the product, the firm's resources and its aim to achieve scale economies, as well as similarity between a group of markets.

Many durable and industrial goods enjoy a high degree of homogeneity and are sold throughout the world. Machines, equipment, cars, etc., used at home are used in many different overseas markets; perhaps the only change that needs to be made in the domestic model is to change the wiring to suit differences in electric current, to change the size of the product, or to adapt it to operate under certain temperatures and climatic circumstances.

For firms with limited resources, product adaptation is a fairly expensive strategy. This strategy, as indicated earlier, needs a considerable investment in production, inventory, and, of course, in other marketing efforts. These firms thus attempt to sell their standard products in as many foreign markets as possible. Even firms with resources tend to use product standardisation in order to achieve scale economies. Kodak sells a wide range of standard cameras throughout the world. Campbell sells the same soups in Europe as it sells in the U.S.

Similarity between certain groups of markets may allow for a high degree of product standardisation. For example, cultural, economic, and technological similarities between oil exporting markets in the Arab world may permit the American exporter to sell his large car with the same design and even colour to a large majority of customers there. In the Western Europe and North American markets, as another example, where there is a relatively high degree of similarity between these markets in terms of the state of technology, it is not surprising to find the very advanced models of the British washing machines - with the same design, size, and even uses employed at home are operating well there.

The above discussion, related to product strategies, suggests that although differences between foreign markets in terms of local needs may necessitate product adaptation, there are many factors which justify the tendency toward product standardisation. And this may lead one to suggest that any exporter should balance between the cost and benefit related to using the alternative strategies and decide on the one(s) that copes with his product characteristics, his managerial and material resources as well as his markets abroad. Segmenting foreign markets according to their economic and technological characteristics as well as identifying the stage of the product in the life cycle in both home and target markets will be a useful tool in making such a decision.

Pricing Strategies

One of the major issues the exporter encounters is "how is he to price his products in the market abroad? Should he charge home and foreign customers a uniform price or should he charge them different prices?" In fact, this issue is one of the most difficult and complex components of export strategy since the costs involved in exporting are different than those of home sales and that the price is a quantitative and unequivocal figure. It is then to be compared and analysed by competitors and distributors and agents in overseas markets. Moreover, the stage reached by the product in its life cycle in the home market may be different than that reached by it in the foreign market.

However, considering the differences between the home and the foreign markets as well as the firm's resources and products, may be helpful in providing an answer to the above issue.

Market-related Factors

In terms of final consumer prices, foreign and home markets have different supply and demand patterns and thus the profit maximising price - where marginal revenues are equal to marginal costs, will differ from home to export markets. Accordingly, charging a uniform price may be inappropriate.[32] Moreover, different demand elasticities prevailing in home and foreign markets may be another condition for differential pricing. High price elasticity suggests low prices; price inelasticity suggests high prices.[33]

Not only do supply and demand patterns in home and foreign markets vary, but also transportation and distribution costs, import duties and controls, and price supports differ from a home to a foreign market. Added to this will be the costs of travel and promotion abroad; preparation of documents; finance and insurance; and payments for services provided abroad, e.g. agent's commission. Clearly these variations impede the setting up of a uniform price policy.

Also, home and foreign markets vary in terms of the degree of competition prevailing in them. In a purely competitive market (home market), all marketers would sell at identical prices. In an imperfectly competitive market (foreign market), the exporter has some freedom to sell above or below competitors' prices.(34) In addition the number of competitors and the way they compete differ between home and foreign markets. Thus, using a single price policy may be inappropriate.

Company-related Factors

The type of product the firm sells may affect its pricing strategy. With regard to capital goods and equipment - which often need different amounts of service before, during, or after the sale - it is often not logical to follow a uniform export pricing strategy.

Not only the type of product determines the firm's export pricing policy, but also the stage reached by it in its life cycle in both home and foreign markets. As seen earlier this cycle begins when a company introduces a new product to a foreign market which is different from older products. At this stage the product is "speciality", that is, something which is not a commodity and which the buyer cannot buy from anyone else. The marketing task at this stage is mainly promotion and distribution, and there is little or no price competition, giving the company broad pricing discrimination. A major consideration for pricing the speciality product is the potential market growth. Presuming that the company is the only one who is making it, it has to decide how far it wants to expand the market because it may find that there is a small highly specialised market to which it can sell at a very high price or there may be an infinitely larger market it can get if it sells at a much lower price.[35]

But few products can remain specialities; sooner or later they are duplicated, or even improved, by other competitors. The product is no longer a speciality; it has become a standard (commodity) product. At this stage there is little brand preference among buyers; they buy mainly on a price basis - price competition overcomes on brand competition. Therefore, the company is forced to lower its price, through reducing manufacturing and marketing costs.[36]

Moreover, the company resources may affect the determination of export pricing strategy. Two strategies may be much connected with the company resources: the first is to enter the foreign market with a high price (skimming strategy), the second is to enter it with a low price serving the mass market as quickly as possible (penetration pricing). Clearly skimming prices aims at achieving a high level of profitability rather than building up a large volume of sales.[37] For this reason alone, a small company with limited financial and production capacity may select skimming rather than penetration pricing.

How does the firm determine its export pricing strategy? The first essential is to know the foreign market situation, to know the prices that are being charged for comparable products, to know the total costs related to selling to that market, to know the importance of price to customers, and the prices that customers expect to pay.

The strategy adopted will also be affected by the nature of the product, the stage reached by it in its life cycle, and the unit cost and margin of profit which is being sought.

Moreover, the price strategy should be made on a "marketing" rather than a "cost" basis. Price will then be seen as one of the marketing mix elements that contributes to the firm's export objectives, rather than a means of covering costs by a given margin.

The above suggests that exports should be costed on a "marginal" basis (i.e. taking into account only those costs which are incurred as a result of the additional orders) rather than a "full cost" basis (i.e. exports should carry their share of all costs incurred in the running of the business, including past capital investment). Root[38], in Strategic Planning for Export Marketing, points out the disadvantages of cost-plus pricing:

1. It completely ignores demand in the target market:

2. It ignores competition:

3. It uses an arbitrary allocation of overhead costs which are not affected by current sales;

4. It involves circular reasoning because price influences cost through its effect on sales volume;

5. If offers no guidance to maximise profits or reach other profit goals.

He concludes "The proper use of cost in pricing is to measure the profit contributions of different projected prices".

Advertising Strategies

A search of the relevant literature reveals that there are two distinctive views on export advertising: standardised approach and market specific approach.

Standardised Advertising

This approach suggests that products can be promoted on the same basis in all markets. Ryans[39] cites considerable evidence to support the proposition that potential exists for developing uniform advertising campaigns based on the proposition that "despite obvious language and cultural differences, peoples of the world have the same basic wants and needs". Drucker[40] also adds that "today the whole world, whatever its actual economic condition - and whatever the political system in force in a given area - has one common demand schedule, one common set of economic values and preferences. The whole world, in other words, has become one economy in its expectations, in its responses, and in its behaviour". Fatt[41] and Elinder[42] are of a similar view when they reveal that consumer differences are diminishing from market to market and exporters would benefit from this by utilising top advertising specialists in devising strong common campaigns, which could be presented with "insignificant national modifications rendered necessary by changes in language.

The apparent cost advantages of this approach have led a number of firms to explore the potential of this strategy. Ryans[43] points out that there may even exist international life-style groupings such as "international sophisticate" sharing internationally transferable values and norms. The success of a few advertising campaigns adopting this approach has sustained this interest in internationally standardised approaches.

Some of the main benefits that can also be attained from this approach can be found in the universal image and reputation that such a strategy can create. In many ways coherent and consistent images presented in many different markets can bring about sales advantages[44].

In fact, the basis upon which such an approach can be implemented depends on the ability to segment foreign markets and identify similarities between these segments. Helitzer[45] et al. suggest that members of the teen cult throughout the world may provide an appropriate target for Coke, College teeshirts and blue jeans, pop records, fan magazines and motorcycle accessories. This sub-culture group may encourage the firm that exports one of these products to internationalise it advertising campaign and achieve the benefits of adopting such a universal approach. Douglas and Dubois[46] also indicate that the Omega watch company selected an international business elite as the target market for its quartz digital watch and used a worldwide advertising campaign.

Localised Advertising

This strategy suggests that due to environmental differences between markets, an individualised approach should be adopted when a firm advertises to a foreign customer. Terpestra,[47] Salera,[48] Vogel,[49] Donnelly[50] and Oliver[51] have suggested that linguistic, religious, cultural, technological, and media availability and capability differences between countries effectively preclude standardisation of advertising compaigns. Even campaigns with a high degree of similarity such as the Marlboro Cowboy can mean very different things in different markets.[52]

In addition, differences between home and export markets in terms of the stage of the product in the life cycle may hinder the implementation of the universal approach and necessitate the adoption of a localised advertising policy. Keagan[53] cites the example of Polaroid's marketing plan for France. He says that by 1967 instant photography was well-known in the U.S. with sales of the product approaching a saturation level. In this market the product was positioned in the mature stage of the product life cycle, where product awareness already existed. For the French market, there was a lack of knowledge in both the product and the concept of instant photography. The advertising appeal, in this situation, had to be adapted to take account of the product's position in the introductory stage of the life cycle. Polaroid found that the advertising campaigns used in the U.S. were ineffective in France and used an advertising campaign in France that focuses in creating awareness and interest in the product, rather than focusing on further marketing goals.

Moreover, standardisation is made increasingly difficult to achieve with the sometimes conflicting regulations operating around the world. Even in industrial markets it is being recognised that the scope for standardisation is relatively limited.[54]

In closing this discussion we are not suggesting it is always unwise to use a uniformal approach for different export markets. Sometimes it is, sometimes it is not. But what we are suggesting here is to look to a middle approach that takes into account both uniformity and modifications to suit local differences. In terms of operating the campaign, this can often mean letting an international agency handle both domestic and international advertising. A universal advertising theme would be presented by the advertiser, while the local nationals employed by the agency can indicate the characteristics of the advertising campaign that should take into account local characteristics. Another alternative to achieve the middle approach would be to use separate advertising agencies in each country or region, each finished with a theme, trademark or campaign developed by the company's home management.

The approach that is adopted will depend on such factors as the strength, and even the availability of agencies for selected markets.

The firm will also be concerned that the international agency can handle the various degrees of uniformity for each market. This will depend on the degree of centralisation in the agency, and the freedom nationals have in changing the theme.

Distribution Strategies

Selling overseas, a manufacturer has two alternatives of distribution strategies: standardisation or individualisation. The former strategy is one that would organise the channel structure, the distribution function, as well as pre- and after-sales services on broadly similar lines for all foreign markets. The latter is one that takes account of differences in the level, function, and the efficiency of distribution channels between world markets.

Standardisation Strategy

This strategy depends on the fact that there are certain patterns of similarity among distribution channels in different countries, and if the manufacturer understands the basic distribution alternatives in any advanced country, he has a great understanding of the alternatives available or potentially available in the other advanced countries.

Tookey(55) reports that if the firm is selling in a developed market, channels similar to those in the U.K. will be available. There may be differences in the relative strengths of different types of retailing in Western European markets, but the manufacturer of consumer goods will find no shortage of retail outlets to provide effective handling of his products.

A standardised distribution strategy may attain some economies of scale, although they are unlikely to be as easy to attain as for product and promotion. For example, if the distribution task is similar for many markets, the management of both the channel and the distribution function is that much easier. In addition, if the channel structures are similar, it is easier to transfer experience from one market to another. Moreover, the desire for uniformity should not prevent a market analysis, when deciding on the selection and control of local channels.

Differentiated Distribution

The distance and different nature of many overseas markets has created a situation in which "at home, many firms are actively engaged in promotion and selling but abroad they often rely more heavily on independent distributors or agents".(56) This pattern was also noted in the Betro Report.(57)

The intermediary systems seen in foreign markets reflect the heterogeneous nature of these markets themselves. A number of highly specialised distribution methods have emerged to handle the special problems of distributing overseas. Export houses, export managers, foreign buyers resident in the exporting country, import/export agents, export brokers, confirming houses and distributors provide a wide range of services, described very fully in certain directories.[58] In some countries government importing companies and trading organisations have emerged to play a great part in both exporting and importing. Ikeda[59] highlights the operations of the General Trading Companies in Japan's business system. Heitzfield[60] indicates that in Eastern Europe all foreign trade is conducted exclusively through state trading organisations.

Which distribution strategy can be adopted in exporting? It depends on:

1. The available channel(s) in the foreign market which serve the firm's own objectives and meet the requirements of its potential customers.

2. The comparison between the services and meeting the preferences of customers and the cost of channel(s). A choice may have to be made between a low cost/low effective method (e.g. a share in an agent's time) and a more expensive but more highly effective method (e.g. the firm's own sales subsidiary in the foreign market).

3. The nature of the product. For example, exporting an industrial product, it may be simply a matter of delivering a

piece of machinery from the exporting market to the importing market and of arranging for the transfer of ownership and for payment. But more thought will have to be given to the associated services, which may include training in the use of the machinery and after sales service. So, in that case the distribution of the product is a relatively minor activity if compared with the provision of services. And this may necessitate the use of specialised agents or distributors, or even establishing a sales branch with the required technical experts in the foreign market. On the other hand, the selling of consumer products (e.g. frozen foods) to be sold in supermarkets in the importing countries (e.g. Western European markets) may require concentrated planning on the handling, distribution, and storage with little in the way of service. This may only require the use of the available distribution facilities in these markets which are similar to those found in the exporting country.

How these Export Strategies are employed in practice

Having reviewed the alternative strategies of the export marketing mix, it is convenient to examine how these strategies are employed in practice. Four empirical studies are presented here. The first carried out by Rao[60] on the importance of changing the export marketing mix based on the experience of a number of American firms. The second conducted by Michell[61] on adapting marketing strategy to overcome infrastructure problems in export markets by a sample of British firms. The third undertaken by Tookey[62] on the factors which influence aims and attainment in exporting among manufacturing firms in the British hosiery and knitwear industry. The fourth, carried out by Hirsch[63] looks at foreign marketing strategies adopted by a number of exporting firms from Denmark, the Netherlands, and Israel.

Rao Study

This study is based on a combination of mail questionnaires and personal interviews with 250 exporters as well as 213 potential exporters in Arkansas in the U.S. The research aims at determining the importance and feasibility of making adjustments and adaptations in the export marketing mix.

The results of the study revealed that certain elements in the export mix require greater adaptation and adjustments than others. In order of importance, they are as follows: pricing, channels of distribution, product and packaging, and promotion. Table 4.1 details the results.

According to exporters, pricing requires modification to a greater degree than any other element. Nearly 73% believed that pricing adaptations were of at least some importance when exporting to foreign markets. About 41% of these firms considered pricing adjustments of considerable importance while 32% believed pricing modifications to be of some significance.

Table 4.1

Importance of various types of Export Marketing Adaptations as indicated by the American Exporters

The export marketing mix element	Considerable		Somewhat		Negligible	
	No	%	No	%	No	%
Pricing	49	40.8	38	31.7	33	27.5
Credit	44	37.6	31	26.5	42	35.9
Channel of distribution	40	33.3	30	25.0	50	41.7
Product	38	31.7	28	23.3	54	45.0
Packaging	32	26.7	43	35.8	45	37.5
Promotion	27	22.9	34	28.8	57	48.3

Source: C. Rao, "The Export Marketing Mix: An Examination of Company Experiences and Perceptions", Journal of Business Research, vol. 2, No. 4, 1974, p. 449.

Regarding the channel of distribution, one-third of the respondent firms believed that adaptations in the channel of distribution were of considerable importance, and 25% believed they were of some importance. For example, an electrical machinery and equipment firm sells directly to retailers in domestic markets while in Canada it sells through wholesalers.

With respect to products, about 32% of the exporters attached considerable significance to product changes, while 23% stated that product adjustments were of some importance in the export marketing mix. Less than 50% of the firms believed that product changes were of negligible importance. According to the first group of exporters, most product changes are mandatory modifications, for example, exporters of electrical equipment and housewares have had to adjust the product significantly due to the voltage requirements in Canada.

Promotional adaptations, however, were not considered as significant as were other marketing adjustments. Promotional changes were judged to be at least of "some importance" by 51% of the respondent firms.

Finally, for the total export marketing mix, the study revealed that adaptations are necessary in all the marketing elements. Over 50% of the respondent firms reported adjustments and adaptations of the export mix to suit the foreign needs as being significant.

Michell Study

Michell provides empirical evidence on the extent to which successful British exporters adapt their marketing strategy to overcome environmental problems in overseas markets. A mail questionnaire was sent out to 107 exporting firms and the rate of response was 59% (63 firms). The study focused only on two elements of the export marketing mix: product and advertising. Tables 4.2 and 4.3 detail the results of differences in product and advertising strategies by world market segment.

From Table 4.2 it can be seen that the most common product strategy (in 65% of the cases) was to market the same product to the differing markets of the world.

Table 4.2

Product Strategy by World Market Segment

Product Strategy (compared with U.K.)	Industrialised Markets %	Developing Markets %	Less Developed Markets %	Total %
Same product	82	60	52	65
More sophisticated product	18	17	17	17
More basic product	-	23	31	18
Total	100	100	100	100

Source: P. Michell, "Infrastructure & International Marketing Effectiveness", Columbia Journal of World Business, vol. 14, No. 4, 1979, Table 8, p.98.

Table 4.3

Communications Strategy by World Market Segment

Communication Strategy (compared with U.K.)	Industrialised Markets %	Developing Markets %	Less Developed Markets %	Total %
Same advertising	52	42	44	46
Slightly different	22	31	29	27
Significantly different	10	8	10	10
No advertising	16	19	17	17
Total	100	100	100	100

Source: Ibid., Table 9, p. 98.

However, there was a marked trend toward the development of basic products for developing and less developed markets (in 23% and 31% of the cases respectively). The more surprising finding obtained from this table is a similar incidence of more sophisticated products developed for each type of market.

With respect to communications strategy, Table 4.3 shows that there was a greater trend toward adapting advertising to suit foreign needs if compared with product adaptations. As can be seen from this table there was a higher incidence of advertising adaptation in the developing and less developed markets (in 39% and 39% of the cases respectively) where product adaptation was also greater.

In terms of product/communication mixes, the study revealed that in the developed markets firms tended to use predominantly the same mix used in the U.K. (in 48% of the cases). In the other two types of markets, although the U.K. mix was still the most frequently used, the U.K. strategy extension was at a much lower level (developing markets - 29%; less developed markets - 23%).

Tookey Study

The extent of adaptation to overseas markets and the extent to which the firm is capable of making this adaptation also emerge from Tookey's study. The studywas based on interviews with 54 firms in the British hosiery and knitwear industry. The main aim of this study was to identify factors which influence attainment in exporting among these firms. The firms were classified according to whether in the home market they sold mainly to multiple stores and mail order or sold mainly to independent retailers either through wholesalers or directly.

Examining the information about these two groups of firms, the results indicate that there had been considerable adaptation by the firms to their customers (selected channel of distribution) abroad. The firms which sold to multiple stores and mail order in the home market had adjusted to a system of highly controlled buying where orders were large and relatively homogeneous. Many of the retail groups provided detailed specifications for the products which they were buying and exercised considerable control over quality and costs. Firms met these requirements by improving their manufacturing methods, installing more productive machinery which reduced costs on large orders, and by increasing their control on costs and on quality.

There were other adaptations which tended to tie the firm in even more closely with the segment of the market it was supplying. The retail maps supplied designs and handled promotion, selling the firm's product under the store's brand name.

The other group of companies selling mainly to independent retailers or through wholesalers adapted in a different way. They tended to have a large number of their own brand lines and to be prepared, by means of considerable flexibility in production methods, to make and sell these in very small quantities. They had to have facilities for design and for marketing, and to employ staff to sell their products. But a consequence of this strategy of small-scale production and marketing was a higher unit cost than was incurred in the other group of firms.

Generally, 61% (27/44) of these two groups of firms adapted their products and packaging to foreign needs.

Hirsch Study

Two alternative export marketing strategies (concentration and standardisation) are examined in this study. To investigate the circumstances under which each strategy is adopted a sample of over 200 exporting firms from Denmark, the Netherlands, and Israel, operating in six industries was used. The results of this study are set out in Table 4.4.

Table 4.4.

Export Marketing Strategies classified by Country and Industry

Industry	Country					
	Denmark		The Netherlands		Israel	
	Strategy (1)	Strategy (2)	Strategy (1)	Strategy (2)	Strategy (1)	Strategy (2)
Food	3	4	4	3	10	7
Chemicals	5	5	3	5	9	9
Textiles	8	7	2	7	8	6
Machinery	12	5	11	13	3	3
Electrical Appliances	10	4	3	3	4	4
Electronics	9	7	1	1	1	3
Total	47	32	24	32	35	32

Strategy (1): Standardisation; Strategy (2): Concentration.

Source: S. Hirsch, "Foreign Marketing Strategies - A Note", Management International Review, vol. 13, No. 6, 1973, p.85.

These results indicate, somewhat surprisingly, that both concentration and standardisation were followed by the sampled firms. A majority of firms followed the first strategy (i.e. standardisation) in Denmark (47 vs. 32) and Israel (35 vs. 32), while the reverse situation occurred in the Netherlands (24 vs. 32). Moreover, these results show that the distribution of strategies by firms within each industry follow closely the distribution of the totals. Consequently, no significant industry effect is suggested by the above data.

Therefore, the study concluded that it seems that no export strategy can be considered as preferable on a priori grounds. Each strategy is associated with different economic and managerial characteristics of the exporting firms. Standardisation strategy is more suitable to "risk-averters"; it requires a relatively low initial investment in marketing facilities, and subsequently leads to a larger production and consequently to a stabilisation of the firm's exports. Concentration strategy, on the other hand, involves a higher risk for the exporter in the form of a larger initial investment in marketing and a subsequent concentration of exports in relatively few markets which usually leads to a relative destabilisation of exports. These risk differences between the two strategies are compensated for by differences in export profitability between them, i.e. a higher risk taking in concentration strategy is associated with higher profitability.

SUMMARY AND CONCLUSIONS

In selling overseas, the producer faces a fundamental question: "What strategy should be adopted in presenting his marketing programme"? Unfortunately, there is no general answer to this question. Rather, the answer depends on the specific firm-market-product mix.

The first major determinant will be the firm's resources. If they are limited, it is unlikely that the firm will aim for all potential overseas markets. It may seek only markets within a specific region, and adopt a concentrated strategy. In addition, when the firm's resources are neither enough to adapt products to local conditions nor to research markets for segmentation purposes, it may then export a similar product overseas, with only mandatory modifications to meet national and governmental regulations or technical conditions. Moreover, when firms regard export sales as an added bonus, they tend to sell abroad the same products with the same marketing efforts employed in their domestic markets.

The extent to which a uniform marketing strategy can be used will be largely determined by the barriers operating against standardisation. Many examples of these obstacles have been given in the body of the text. For instance, if advertising media availability is inappropriate or incompatible from one country to another, or if channel structures differ in their strengths and functions, a standardised advertising or distribution policy may not be possible. Certainly the different legal systems will impose such mandatory modifications with regard to pricing and product quality.

The producer may need to develop a comprehensive information system to identify these environmental barriers. More important, it will be necessary to know the impact that each of these barriers will have on the marketing mix, and the likelihood that they may change over the planning period. Because most of these variables are qualitative, their implications for export marketing strategy could also be open to uncertainty.

Having identified the obstacles to standardisation in each market, one approach to selecting the appropriate export strategy would be to develop a market profile for each potential market. Each market profile would relate the environmental factors that hinder the use of standardisation, to each element of the mix. By comparing market profiles for different countries, it should be possible to identify these unique and common barriers to a uniform programme, as well as similarities in market conditions and characteristics. In effect then, a comparative market analysis is undertaken and several markets or market groups can be identified and handled in a similar manner.

Due to the difficulty of overcoming environmental barriers, and the extent to which marketing programmes have to be adapted and adjusted, several marketing strategies could be used. For example, if little adaptation is necessary, a group of countries, according to the similarity in the market conditions or the stage of the product in the life cycle, could be selected and a standardised product and marketing mix would be used to serve these countries. This strategy is often equivalent to a concentrated approach, that gathers foreign markets according to some global or economic development classification, such as Western Europe, North America, or developed and underdeveloped countries. The degree of similarity between countries in each classification may be sufficiently high for a uniform marketing strategy to be successful.

On the other hand, other market groups could be identified and limited adaptation strategy would be used. This strategy is equivalent to an adaptative approach. This would include adjusting some basic strategy to meet the local needs and market conditions in particular countries. The basic strategy may be the one applied in the domestic market, or even the one applied in the concentration approach. Marketing programmes would not be entirely adapted, but developed to take account of the principal environmental factors existing in each market.

The type of the product also affects the use of such a strategy in selling aborad. For example, personal grooming products and food may have to be modified to suit differences in tastes. So, adopting a standard approach may be unappropriate. Although the basic appeal is to the same needs in different countries, a different presentation of these appeals may be required. For industrial products, on the other hand, there may be no differences in customer interests or responses, so a uniform approach may be adopted.

A totally differentiated strategy is unlikely to be used, for it is costly to operate and can lead to much fragmentation of the marketing efforts. On the other hand, an undifferentiated approach may only be applicable for those products which possess characteristics that lend themselves to a very high degree of standardisation and those markets which enjoy a high degree of similarity.

Of all the most likely marketing strategies identified, the producer will invariably choose either concentration or a limited differentiated approach. Even then, the selection may be often narrowed down to a subglobal approach as a part of an undifferentiated marketing strategy. It is unlikely, and often impracticable for a producer to present different mixes into different markets as a differentiated strategy would suggest. In addition, it is very unlikely that the individual elements of the marketing mix could be presented in a different manner from market to market. For particular markets then, one may find some similarities, in the stage of economic development as well as the stage of the product in the life cycle, to the domestic market. Such similarities may be enough to use the same product and other marketing elements in different national markets. Success in presenting a uniform marketing mix will also be possible if a careful analysis has been made of the costs as well as the benefits of standardisation.

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CHAPTER 5

THE RELATIONSHIP BETWEEN MARKETING FACTORS AND EXPORT SUCCESS WITH PARTICULAR REFERENCE TO BRITISH COMPANIES

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INTRODUCTION

It is widely held that there is a steady decline in the U.K.'s export competitiveness, and British exporters are already behind foreign competitors in some product fields. This raises the question - "Why do U.K. firms lack competitiveness in export markets?".

In answering this question, one might expect that the approach adopted by the management of many British companies may be behind this lack of competitiveness. It appears that many exporters give more attention to getting sales from abroad and achieving short term profitability rather than developing the appropriate marketing mix that satisfies the customer needs and creates the potential for long term profits. This possibility raises the question of the importance of the marketing factors in contributing to success or failure in exporting.

Accordingly, it appears appropriate to explore the relationship between marketing elements and export performance, especially on the part of British manufacturers. To do so, three inter-related questions emerge. These are as follows:-

1. How to measure export success?

2. Is there a relationship between success or failure in exporting and the use of marketing factors? - and if so, can this relationship explain the lack of competitiveness of many British exporters in the world market?

3. Given that there are marketing deficiencies on the part of British exporters, are these shortcomings related to the approach they adopt in selling overseas?

To examine the above issues, it is found necessary to divide this chapter into three sections. The first will be devoted to reviewing the widely used criteria for measuring company export performance.

The second will be focused on reviewing the case histories which correlate the various elements of marketing with success or failure in exporting. In this respect, it should be mentioned that, although this present research concerns the relationship between marketing and export achievement on the micro level, it is found necessary to examine some studies that pointed out the relationship between marketing and success or failure on the macro level. These include the studies of Baker, Rothwell, Senker et al., and NEDO. Three reasons underlie this selection: (1) it is thought that the findings of these studies are equally applicable on the micro and macro levels; (2) there is an obvious shortage of studies on the micro level, and (3) above all, they contribute to the export marketing literature and therefore are of the prime importance to our research.

The third section will be concentrated on the differentiation between the two debated concepts in the literature of export marketing; export selling orientation and export market orientation. In addition, we will seek to establish an association between the selling approach, that would seem to be adopted by the majority of British exporters in selling overseas, and their lack of competitiveness in export markets. This may help us to answer the earlier question regarding the lack of the competitive edge by many British exporters.

Thus, the main purpose of this chapter is to explore the relationship between marketing factors and export performance with particular reference to British companies.

How to Measure Export Success?

Before marketing factors contributing to success in exporting can be identified, one has to be able first to show how to measure this success. With respect to the term "export success", it is worth noticing that this term is a vague one,[1] and criteria for judging the export success of individual firms are "elusive"[2]; "Success, like beauty, is in the eye of the beholder".[3] This means that criteria against which export performance can be measured are likely to differ from one company to another.

However, from examining the relevant literature, it was found that there is a widespread agreement among researchers over the following three basic measures: the export sales ratio, the rate of growth of exports, and the export sales profitability. Thus, this section examines the above criteria in terms of their advantages and disadvantages as well as to develop the criteria that the present research will depend on as indicators of company export success.

Export sales ratio

The export sales ratio has been the most frequently used criterion in empirical research as, for example, in the studies of the Queen's Award for export achievement, agricultural and textile machinery, hosiery and knitwear, and mechanical engineering.

This criterion suggests that firms whose export ratio is high are considered to exhibit a better export performance than firms exporting a low proportion of their output. An important empirical study which attempted to determine what was meant by success and how it should be measured, was carried out by Cunningham and Spigel[4] among companies in the engineering industry. They took as their point of departure the six criteria used by the Selection Committee of the Queen's Award to Industry for export achievement in 1971. These include the absolute value and growth of company export sales, the export ratio (ratio of export sales to total sales) relative to the industry average, the growth of company export ratio (long- and short-term), and a "breakthrough in a particularly difficult market".

The above study has criticised the Queen's Award criteria on the grounds that the Selection Committee does not give any indication as to the relative weighting of the six factors or even whether compensation across criteria is permitted, although it is implied. The study also pointed out the difficulties of inter-firm comparison and interpretation of the subjective terms used in the criterion statements, as well as the related problems of measuring achievement relative to company objectives and evaluating the "optimum" balance of exports to total sales in individual companies.

Other studies have also taken the export ratio as their measure of success; for example, in the hosiery industry[5]; in small- and medium-sized companies in a range of industries[6]; in large exporting companies in manufacturing industries in Canada, Australia and New Zealand[7]; and in a range of companies in 15 industries in Canada.[8]

However, Treasure[9] has pointed out the anomalous results that can arise from taking the export ratio alone to judge success. Hunt et al.[10] added that the export ratio does not give any indication as to whether a firm is exploiting all the profitable export opportunities open to it or not. The Financial Times[11], in a comment on the Queen's Award criteria, supported this criticism by indicating that "the selectors will presumably take a look at the company's balance sheet to be sure that its export performance is not leading to bankruptcy". Tookey[12] also gave an empirical evidence that there is no clear association between the export sales ratio and profitability.

Export sales growth

The rate of growth of exports has often been used by a number of researchers, either alone or together with the export ratio, to judge firm export success. This measure indicates that firms whose exports increase at a high rate should be deemed better performers than firms whose exports show little or no increase.

A survey of mechanical engineering companies used this criterion together with the export ratio as indicators of companies success in exporting. The survey depended on three criteria: export sales value, export ratio, and growth of export ratio from 1960-65, and related these to respondents' opinions on reasons for recent changes in their company's export performance.(13)

The Selection Committee of the Queen's Award for export achievement in 1977 depended upon this criterion as the main indicator of company export success. According to this Committee the award is granted for "A substantial and sustained increase in export earnings to a level which is outstanding for the product, or services concerned and for the size of the applicant unit's operation".(14)

The main criticismsagainst this criterion include the following:

1. Terms such as substantial, sustained and outstanding used in this measure provide no quantifiable measures and bases of comparison with an industry average or with other companies.

2. The doubt is whether "substantial increase" relates to comparison with other applicants for the award, with other firms in the same industry, or with some pre-determined standards.

3. Accordingly, for companies that have a range of product variety, great difficulties exist in identifying the appropriate industry to which the company belongs.

4. According to this criterion, like the export sales ratio, awards may be granted to companies which have not performed well in terms of gaining more export profits.

5. This measure concerns total export earnings and ignores the absolute value of sales to each market, as well as the qualitative factors such as entering new market and improving the export marketing organisation.

<u>Export sales profitability</u>

If one turns to objective measures of export success, export profitability may be considered the most accurate and relevant measure of company performance.* However, even this criterion is subject to variations in accounting practices adopted by exporting firms. This would appear to make it difficult to compare the profitability of these firms as well as export and home sales. In addition, reliable information on profitability is difficult to obtain if not impossible; most firms made no separate assessment of profits on exports.

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*Export profitability can be measured by dividing pre-tax profits on net assets and/or by comparing the profitability of export sales to that of home sales.

A survey conducted by ITI Research[15] (1975) of 220 above-average exporting companies accounting for 25% of British exports of manufactured goods, found that few, if any, sample companies produced separate profit and loss accounts for exports. Furthermore, few companies undertook any form of comparative cost analysis between home and export sales operations, with the result that any assessment of export success measured by profitability was virtually impossible.

Tookey,[16] in his assessment of the export performance of successful companies in the hosiery industry, indicated that firms were reluctant to reveal details of costs and profits, and in a number of firms the methods of costing used were different so that it was difficult to compare home and export profitability.

A recent survey on the U.K. export performance over the last two decades reveals that although the profitability of exports compared with that of home sales is relatively high, there is no direct data on export profitability.

From the above review of the range of measures of export performance used in empirical research and their shortcomings, one can argue that any attempt to assess export success in terms of a single measure will be ineffective; and effective measurement of export success is most likely to be achieved by a combination of sales and profitability criteria. Therefore, the present research will use the export sales ratio (i.e. the percentage of a firm's sales which are made in overseas markets) and export profitability (i.e. exports profit compared with that of home sales) as indicators of company export performance.

How to Correlate Marketing Factors and Export Performance? A Special Reference to British Companies.

Having reviewed the widely used criteria of export success, it is convenient to consider the second question in this chapter. That is "how to correlate between the marketing elements and success or failure in exporting?"

In fact, a search of the relevant literature reveals that most case histories associate six marketing factors and competitiveness in exporting. These include market research, product related dimensions, price, promotion, distribution, and delivery.

Thus, it is found necessary to examine each of the above factors from two angles. First, its contribution to success or failure in exporting in general. Second, to what extent the lack of this factor was behind the less competitive performance of many U.K. firms in the world market in particular.

Accordingly, the following part will review the relationship between each of the above factors and success or failure in exporting as well as its contribution to British companies' competitiveness.

Market Research and Export Performance

One important use of knowledge in exporting is market research of foreign markets. Indeed, a marketing policy is only as good as the information on which it is based. The machine tool report[18] (1970) showed how lack of information can lead to a failure to recognise export opportunities. The ITI report[19] (1975) considered neglect of the market research function was a major limitation on growth of exports.

On the other hand, a number of recent research studies revealed that undertaking detailed market research has been a common characteristic of successful exporters. For example, the ITI Research[20] (1979) carried out a study on the marketing practices of 360 successful exporters (120 in the U.K, 120 in France, and 120 in Germany). The findings of the research showed that the depth and quality of information about each export market was one of the major factors explaining success of German, British and French companies in exporting.

The NEDO report "Growth Through Exports"[21] (1979) confirmed the above result by concluding that selecting export markets and making use of available market information has been the first characteristic of successful exporters in the knitwear industry.

Another support for the importance of market research in exporting derives from Piper's[22] study. He points out that identifying the market needs and tailoring the product to satisfy these needs has been the key factor for success of some British companies in the German market.

Further support for this importance comes from Pointon's[23] research on the information needs of exporters. He indicates that the strategic planning process for export marketing, that specifies the steps to be taken with respect to identifying and assessing export market opportunities, is perhaps the more critical factor in export success. This strategic export planning depends on careful factual analysis and appraisal of export markets, company strengths and weaknesses, and the elements of the export marketing mix. Export marketing research is thus of prime importance.

British Exporters Give Less Attention to Market Research

Despite British companies' long involvement in exporting, there has been surprisingly little attention given to the market research function. The NEDO report[24] (1968) on the mechanical engineering industry confirmed this lack of market research. The report indicates that most companies claim to have carried out market research overseas, but there is reason to doubt the depth and quality of this work. In addition, the report revealed that to many exporters, market research was no more than "keeping an ear to the ground". Nearly a quarter of the larger exporters exporting half their output have done no market research of any kind abroad.

Tookey,[25] in his research on marketing factors associated with export success, confirmed the above finding. He revealed that many knitwear exporting companies did not have the really detailed information of the market which would enable them to identify the designs, colours, fibres, and types of garments which appeal to customers in an overseas market.

McFarlane[26] has also supported the lack of the marketing research function on the part of British companies in his study based on 25 interviews with Scottish companies that have won the Queen's Award for Export Achievement. He reported that many companies used the cheapest method available (the sales force) to carry out the market research function. This method was usually viewed as the most inaccurate one. Consequently, the research was unsophisticated, mismanaged, and ranked low in budget allocation. He further added that only 32 per cent of firms subscribed to the BOTB's Export Intelligence Service, and more surprisingly, several of the small exporters were unaware, not only of the service available to them from the BOTB, but also of the BOTB's existence.

In this respect, one may cite some variables that make market research, not only a factor for success in exporting, but also a condition to survive and grow in export markets. These include the rapid changes going on in export markets, the buying spohistication of customers, the growing complexity of environmental characteristics of the market, and the intensity and quality of competition. Thus, exporters who have detailed information about the above factors are more able to identify and exploit the available and potential export market opportunities.

Product and Success in Exporting

A search of the relevant case histories reveals that there are three product-related factors contributing to export success. These include product quality, after-sales service, and product adaptation.

Quality

It is widely mentioned that the quality of the product is the most important factor for its competitiveness in export markets. In fact, some studies regarded quality as the design and performance and others viewed it as the technical quality (or innovation). The following is a review of how to correlate between the quality factor and success in exporting.

The ITI Research[(27)] (1979), to begin with, has interviewed 360 successful exporters (120 in the U.K, 120 in France and 120 in West Germany) to identify factors for success in export markets. The research findings showed that the majority of companies in the three countries regarded quality and technology as of prime importance.

A survey conducted by NEDO[(28)] in the U.K. machine tool industry indicated that design superiority was the major reason behind U.K. users' preference for foreign built machines. 21 per cent of U.K. users preferred the foreign machine because of its specification, 30 per cent viewed it as technically superior, and only 5 per cent mentioned price advantage. Thus, design and performance was mentioned by 51 per cent of users as being the most important factors given for their preference to the foreign machine.

Similarly, Rothwell,[(29)] who has been researching the relationship between technical change and export competitiveness in the U.K.

mechanical engineering sectors, lends support to the importance of design and performance as key factors contributing to company export success. In his study of 107 U.K. textile companies to find out why U.K. users buy foreign machines in preference to British machines, he found that 32 per cent of U.K. users refer to the superior performance of foreign built machines. 13 per cent refer to the advanced design of the foreign built machine, and if the category of "no suitable U.K. alternative" and not available in U.K. is taken this means that 73 per cent of reasons for buying foreign machines are attributed to the performance or quality of the machinery. This provides a clear evidence that quality may be the most important factor contributing to success in exporting.

Regarding product quality as the technical quality (or innovation) Rothwell(30), in his more recent article "Where Britain Lags Behind", suggested that it is the most important factor in competitiveness. His article based on a statistical analayis of the export unit value and imports/exports ratio of 41 product groups in both the U.K. and West Germany during the period 1971-75. The analysis showed that German unit values exceeded British unit values (in 11 groups by more than double). This has led him to suggest that "there is a marked tendency for the U.K. to 'export cheap' and 'import dear' in engineering products, while the reverse is clearly true for Germany. Not only is this bad for Britain's balance of payments, but suggests that the country exports items of relatively low sophistication and imports items where technical sophistication is relatively 'high'. Furthermore, this appears to be a long-standing trend which bades ill for the competitiveness of British engineering goods in the 1980's."

Support for the above conclusion is to be found in the recent report of NEDO[31] "International Price Competitiveness - Non-Price Factors". The report reveals that U.K. exports are concentrated at the less sophisticated end of the market. An examination of the unit value of U.K.'s imports to that of its exports shows a ratio in excess of 1.00. This indicates that the U.K. imports products of a higher unit value than products it exports. In addition, the report shows that out of 35 sectors studied, the U.K. has ratios greater than 1.00 for 25 of the 35 sectors. This compares with 9 for Germany and 18 for France.

Another evidence for the relationship between quality, as viewed as technological innovation, and export competitiveness is to be found in a number of research studies. Baker,[32] in a more recent article on the reason behind the steady decline in the U.K.'s export performance, indicates that "... while Germany, Japan and others may be approaching the end of their surplus resources of agricultural labour, they would seem to have put the surplus arising from past transfers to good use by ploughing much of it back into reinvestment in technological innovation. By and large, U.K. industry is not doing this and the competitiveness of our output is declining steadily".

In a study of the shipbuilding and marine engineering industry, Albu[33] has supported the above reason for the decline in the U.K.'s share of world trade. In his words "Britain's share of world shipbuilding has declined catastrophically during the twentieth century. Successive committees of enquiry have attributed this to a loss of competitiveness deriving both from poor production methods and laggardly innovation".

Marmet et al.[34], in their study "Why the French Won't Buy British", interviewed 69 French retail managers to rate five consumer products made in the U.K, U.S. and France. The research findings reveal that British products are technically backward and less reliable than French or U.S. products. In addition, the obvious feature of British products is the poor performance, especially in cars and electrical appliances.

In the forklift trucks industry, Senker et al.[35] conducted a comparative study between the U.K. and West Germany during the period 1970-73. They revealed that West Germany's export performance has been substantially better, with exports rising faster than imports. The value of German export per ton has been consistently higher than the U.K. value per ton of exports, suggesting greater technical sophistication.

On the part of British firms, only one company was identified as being innovative and exploiting its innovativeness to increase its market share and profitability. Its competitiveness was attributed to its introduction of reach trucks, before that it was just one of several manufacturers of electrical trucks.[38]

In a study of the short distance transport industry in Netherlands, Schock[37] concluded that "the proposition that innovation is important and necessary for maintaining the competitive position, both nationally, and internationally, is greatly supported by the practical findings of this study ... This conclusion is based on the very pronounced correlation between innovativity* and the export of innovations".

Finally, the work of the Department of Trade and Industry[38], NEDO[39], Paulden[40], Michell[41], and Walker[42] lend support for the relationship between product quality and export performance.

After-Sales Service

The second product related factor that contributes to success in exporting is after-sales service. In fact, a number of empirical studies have quoted efficient and prompt after-sales service as an important factor contributing to competitiveness in exporting.

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*Schock defined innovativity as follows:

$$\frac{\text{1971 turnover of innovations marketed since 1966}}{\text{total turnover in 1971}} \times 100$$

For example, Rollason[43] carried out a study on 40 British companies with high export ratios to determine factors which were crucial to their success. He found that providing an efficient after-sales service, among others, was a key determinant to success in export markets.

The Department of Health[44] undertook a study in the medical equipment sector to identify reasons for the U.K.'s declining share in world trade. The study indicated that bad delivery time-keeping and inadequate after-sales servicing have been the major factors behind this decline.

The Department of Trade and Industry[45] has compared the U.K/ performance in manufacturing products with those of main manufacturing countries. The comparison showed that since 1968 trade in goods has tended to be in deficit in the U.K, in surplus in Germany, Japan, and France. In seeking an explanation for this, the study stressed that competing countries are more successful on reliability and design, servicing, and delivery.

Another evidence, for instance, for the contribution of after-sales service to company export success comes from Michell's[46] study on the marketing practices of 63 British firms that have high export sales ratios. Michell found after-sales service, among other factors, was perceived as an important factor for success.

Rothwell,[47] in his study of textile machinery industry, indicates that better service provided by foreign suppliers (i.e. spares and after-sales service) was among the reasons for buying foreign machines by U.K. users.

Product Adaptation

With respect to product adaptation, it is worth noticing that tailoring products to suit export market needs is a subject of controversy. While some researchers have stressed the importance of product adaptation as a factor for success, others recommended that less adaptation is closely related to the high export performance.

NEDO[48] (Product Design), NEDO[49] (Growth Through Exports), and Piper[50] are among those who correlate between product adaptation and export success. The NEDO[51] Report "Product Design" reveals that a substantial cause of the U.K.'s loss of market share has been the inappropriateness of U.K. products to world market needs. The engineering sector in particular has emphasised this cause. "In some cases it appears that we may be making the wrong products, and this is basically a marketing problem".

In the knitting industry, NEDO[52] Report "Growth Through Exports" shows that while British goods are in demand in Western

Europe, modification in style, design, and colour are required to meet European standards and tastes.

Another evidence comes from Piper's[53] research on the key factors for success in selling to Germans. The research reveals that tailoring products to suit German standards and tastes has been one of the key factors behind the success of some British companies in Germany. On the other hand, failure to recognise the German needs and less adaptation to their standards, which are often very different from the British, has been the major cause behind the failure of many U.K. exporters in the past.

Further support for the correlation between product adaptation and export success derives from a research study on the American hosiery firms in Indiana State. A questionnaire was sent to 400 firms and 100 firms were interviewed. The research findings point out that product adaptation (50 per cent of the firms modified their products) and products with advanced technology have been the main determinants to success in export markets[54].

Finally, Tookey[55], Wind and Douglas[56], and Hovell and Walters[57], among others, all have argued that export success is associated with matching product characteristics (i.e. identifying foreign markets which are similar to the domestic market and utilising the same marketing mix used at home to serve these similar markets(with customer needs. Such a policy which is really the same thing as adapting to different needs.

However, the relationship between success in exporting and less adaptation may be found in the work of a number of researchers. McFarlane[58], as an example, in his article on the marketing practices of the successful exporters in Scotland, prevailed that most of the exporters were not prepared to adapt their products to suit the foreign needs.

Rollason,[59] as a second example, in his study on factors behind success in 40 British exporting firms, reported that tailoring products to fit foreign needs and the quality of distribution both had low importance in contributing to competitiveness in exporting.

Michell[60], as a third example, in his study on the association between adaptation to environmental barriers and export success, lends further support to the less adaptation policy. He found that 65 per cent of U.K. successful exporters investigated have sold the same product to the different categories of world markets (i.e. developed, developing, and less developed) without making any degree of adaptation to meet the environmental differences prevailing between these three types of markets.

Are Product Related Factors the Key Determinants of Competitiveness?

A number of comments can be made based on the empirical research studies presented above. These are as follows:

1. There is a positive correlation between product quality (i.e. design, performance and technical quality) and export competitiveness. Moreover, the majority of studies reviewed reveal that product quality is the first factor for success in exporting.

2. The above argument must not be taken to say that quality is the only factor for success; efficient after-sales service with speedy spares supply, reliable delivery, satisfying customer needs, selecting the right distributor, and carrying out adequate market research, all play a crucial part in achieving success. What one does suggest in the light of the above is that product quality is a necessary but not sufficient condition for export success.

3. This suggests that, for improving exports, especially to the advanced countries, exporters must supply these markets with products that are more reliable, well designed, and offer high performance.

4. Regarding the correlation of product adaptation and

export performance, one may argue that although some of the above studies have suggested less adaptation as a condition for the high export success, differences between the home and export markets in terms of design requirement, the stage of development, and the stage of the product in the life cycle, would suggest the converse. Looking at the problem from this point of view, the question appears here is not less adaptation but better market segmentation, a strategy that aims to serve the same needs at home and abroad, instead of attempting to serve different segments simultaneously. As was established in Chapter three by making use of this concept, exporters may find certain group of segments in different countries that have the same or similar needs to those in the home market. This may increase the chance for products to be sold in the home and export markets, and so reduce, or even avoid the costs related to adaptation.

5. On the part of the British exporter, one may argue the following points:

(a) The principal finding that emerges from analysing case studies concerned with the British performance is that a number of British products are less competitive in export markets if they are compared with those of the main competing countries (e.g. West Germany, U.S. and France).

(b) The main reason for this lack of competitiveness is that these products appear to be unsophisticated; poor design and performance and relative paucity in technological innovation. The case studies of textile machinery, mechanical engineering, shipbuilding, and forklift trucks lend support to this argument.

(c) This reason emphasises how important a factor is the quality of the product, especially the technical quality, in retrieving and sustaining the traditional competitiveness of the British product in export markets. Accordingly, if U.K. firms have to overcome the lack of competitiveness and retrieve their lost markets, particularly in the advanced countries, they must update the technical quality, design and performance of the goods they market. Otherwise the lack of competitiveness will continue and the U.K. will remain a supplier of unsophisticated products for the developing countries. However, there is no guarantee that these countries will continue as importers of British products because the experience of developing countries indicates that these economies can "leap-frog" stages of technological advance.

Baker[(61)] stressed this point when he said "... in areas of high technology capital equipment it would be pointless to imitate current models which are being imported into Britain in preference to home-produced alternatives. Here we must attempt to build upon the current state of the art and leap-frog it. In other words, the emphasis must be on R & D and "technology push". Regarding the dependence on the developing markets as the main source for selling British obsolescent products, he added "... because the output of the other major industrialised nations is too sophisticated and it is only our own obsolescent offerings which are "appropriate". However, as the experience of Japan, Hong Kong and Singapore indicates, developing economies can leap-frog stages of technological development and our future as the source of industrial reproduction pieces is decidely gloomy".

Price and Export Competitiveness

A search of the relevant literature reveals two main trends for the relationship between price and export success.

The first trend indicates that although price might be important, success in exporting would depend on being able to offer products that are technically sophisticated. In this way, Rothwell,(62) to start with, in his study of mechanical engineering, cited a number of comparisons between British engineering products and those of West Germany. By using the measures of export unit value and value to weight ratios, he revealed that value to weight ratios of many British engineering products are lower than those of West Germany, even after making allowances for shifts in exchange rates and different factor costs. This has led him to conclude that "... in the great majority of cases, West German products are more expensive than their U.K. counterparts; they are significantly also more competitive".

Rothwell,[63] again, in his study of the textile machinery industry has revealed the less important role of price if compared with quality in ensuring competitiveness in exporting. Only 4 per cent of U.K. users attributed the reason for buying foreign machinery to its cheap price, while the majority of respondents referred to its superior quality.

The following table also lends strong support to the importance of quality rather than price in competitiveness. This table shows that quality and technology stand very high in the ranking of all three countries. In all countries, there is a clear emphasis of the need to get away from crude price competition - quality and technological advance are seen as the most favoured directions by the majority of firms.

In the same theme, Rollason[64] found that 75 per cent of successful exporting firms considered product quality as the key factor for success, while 30 per cent mentioned price.

The second trend gives more importance to price as a factor for success in exporting. Senker et al.[65], in their study of the forklift truck industry, revealed that Japanese firms have

Table 5.1

Other marketing factors that are of greater importance than price as mentioned by exporting firms in the U.K., France, and Germany.

Factor	percentage of all companies		
	U.K.	France	Germany
Quality and technology	61	64	72
After-sales service	17	26	13
Delivery	20	9	8
Reputation	2	1	7
Total number of companies	120	120	120

Source: The ITI Research, The Barclays Bank Report on Export Development in France, Germany, and the United Kingdom, Barclays Bank International Limited, London, January 1979, p.49.

derived more of their sales in European markets by using price penetration policies. "Cheap, robust trucks as opposed to more specialised and expensive trucks, tailored carefully to particular applications, have attractions to certain sectors of the market".

The Boston Consulting Group to the Secretary of State[(66)] for Industry on "Strategy Alternatives for the British Motor Cycle Industry" indicated that in 1960 only 4% of Japanese motor cycle production was exported and this proportion had increased to 72% by 1973. The study reported that the economies of scale, which had accompanied the Japanese mass production, and which had led to the low price level was the main factor behind the Japanese export competitiveness.

Another study, conducted by the Marketing Service Division[67], focused attention on the high price as an obstacle to buy British products. 145 German firms (95 industrial and 50 consumer) were asked to identify barriers to buying British goods. The findings indicated that both industrial and consumer firms considered the high price as the main hindrance to import from Britain (50.5% industrial firms and 44% consumer firms).

In the textile industry, Visicks[68] confirmed the role of price in competitiveness. He reported that the overall balance of trade deficit in textiles and clothing in the U.K. nearly doubled from minus £115 million in 1974 to minus £224 million in 1975. The reason given to illustrate this deficit was the increase of low-price imports and the contraction of exports because of price competition in major export markets. For example, the average price of the Rumanian unit was £10.80 compared with £22.00 for the comparable British product.

Is Price an Unimportant Factor for Success?

In light of the findings of the above studies, it is possible to argue that the quality of the product is more important than its price in determining its export competitiveness. Support for this argument comes from British engineering products, and probably from many other U.K. products.

The above lends support to what we argued earlier regarding the important role of the quality of the product in retrieving and sustaining the export competitiveness of British firms. And this may lead one to add that the greater the degree of quality sophistication (i.e. superior design and performance), the more the protection against competition, and the higher are prices and profitability likely to be. German engineering products lend support to this conclusion, while they are more expensive, they are significantly also more competitive.

Although the foregoing argument reveals that quality is more important than price, this must not be taken to suggest that price is an unimportant factor in competitiveness. It suggests that price still has its role in the purchasing process, i.e. when a customer has to choose between two products with equal quality undoubtedly he will buy the one that is priced more cheaply. The Japanese motor cycle and truck products lend support to this argument.

But what one may stress here is that price is just one element of the marketing mix determining success in exporting. This message is quite clear from Baker's[(69)] words "... price is but one dimension of the purchasing decision and is only relevant in the context of other parameters such as performance, reliability, and after-sales service".

Another support is to be found in the ITI Research[70] Report (1979) which points out that the growth in U.K. exports is not wholly dependent on price, but many other factors should be considered.

The Role of Promotion in Achieving Success in Export Markets

An examination of the relevant case studies reveals that few of them have emphasised promotion as a factor for success in exporting. And even those who associated between promotion and export performance, have mentioned only personal contacts and advertising as the promotion activities contributing to success in exporting.

From those who correlated personal visits and export success was Rollason,[71] who found that 90 per cent of British companies that have high export ratios indicated that personal contact with overseas customers has been the first factor behind their success in exporting. Similarly, Cunningham and Spigel,[72] in their study of the Queen's Award winners, revealed that personal visits to export markets was the most important factor emphasised by all sizes of successful firms (81 per cent of all firms considered personal visits as the first factor for success).

Other evidence for the importance of personal contacts in exporting comes from a comparative study on the marketing practices of exporting firms in Australia, Canada, and New Zealand. The findings of the study showed that firms that visit their export markets more frequently tend to have a higher level of export performance.[73]

Further evidence derives from Michell's[74] study on the marketing factors associated with export success. The study found that face to face personal selling was one of the important factors contributing to export success. Supporting evidence for this is the relatively high score given to personal visits by export directors.

In fact, direct contact with customers and agents in export markets through personal visits is a crucial factor for success. These visits serve as reliable sources of information on the market needs, on the appropriate product to meet these needs, in identifying the actual problems associated with the distribution function and solving them, and in controlling and encouraging selling agents in export markets. This would suggest that contacts should be made to all markets at regular and frequent intervals by senior executives.

Advertising, as a factor for export success, has been mentioned by few studies, and even these have emphasised its less important role in achieving success in exporting. Rollason,[75] to begin with, pointed out that only 5 per cent of firms investigated viewed advertising as a success factor.

Michell[76] found that only 3 per cent of respondent firms stated that advertising is a crucial factor for success.

The Marketing Service Division[77] reported that inadequate advertising was not a major reason behind not buying British products by German firms. Both industrial and consumer firms revealed that high price, bad delivery, and neglecting correspondence were the major hindrances to buying British, and they ranked inadequate advertising as one of the less important barriers.

On the part of British export promotion activities, the report of Industrial Market Research Limited[78] "How British Industry Exports" found that British companies pay less attention to promotion. In its words "the British manager has not fully realised the extent to which he has lost business because of inadequate attention to export promotion or because, unlike his competitor in Holland or Sweden, he cannot speak the language of his customer".

McFarlane[79] added strength to this finding. His survey on the marketing activities of the Scots Queen's Award winner indicated that the promotional efforts of exporters were haphazard and without any clearly defined strategy. This may be because senior executives are too involved in selling rather than policy making. Promotion, it seemed, was to them equated with media advertising, which was widely but "unimaginatively" used in capital goods marketing.

Although the above studies ranked advertising as a less important factor for success, its limited number does not permit one to generalise that exporters should focus on the other elements of the mix and pay less attention to advertising. Instead, one may argue that advertising still has its crucial role in pursuing customers overseas, especially in consumer products, where many consumers are not fully aware of the quality, price, range of sizes and colours, and even the very existence of products themselves.

It is possible to say that the inadequate attention given to the advertising factor may be due to differences between the home and export markets in terms of religious beliefs, language, culture and tastes, and the availability and efficiency of mass media. These differences, as established in Chapter two, impede the use of an effective advertising compaign similar to that being employed successfully in the home market, and this may be the major reason explaining why many exporters pay less attention to advertising as a success factor.

Again, this may raise the question of making use of the concept of market segmentation. Having discussed its benefit to achieve less or no product adaptation, this benefit can be extended to include using a similar advertising approach in many segments or countries that have similar culture, tradition, or language.

Distribution and Export Achievement

With respect to the distribution element, it would be reasonable to say that if the product does not reach export markets, all other marketing factors are wasted. This observation underlines the key contribution of distribution to success in exporting. However, a search of the case histories shows that distribution has been regarded by a limited number of these cases as an important factor for export success.

Among those who considered distribution as a factor for competitiveness is Slijper[(80)] who concludes that competition in world markets is now so strong that better distribution may often be the way to overcome it and achieve an advantage. And correctly applied distribution methods can thus have a major influence on a company's export success.

Walsh [(81)] substantiated this importance and indicated that when Compair (a leading U.K. company in the compressed-air field) decided to tackle the West German market it found that distribution is the key to this market. Even stationary compressors, though necessarily sold direct, would benefit from a local sales force, while local servicing and spares availability, clearly an important factor in the purchasing decision, might almost be regarded as a necessity.

McDougal and Stening[82] gave support to the correlation between distribution and competitiveness in exporting. From their comparative study between Australia, Canada, and New Zealand, they concluded that marketing research and adequate distribution facilities were among the factors contributing to attaining a high export performance level.

In correlating between the distribution methods and export success, the majority of studies revealed that agents in overseas markets have been the most widely used method by successful exporters in selling to these markets. This may be due to the fact that agents can provide exporters with local information about the markets they serve. In addition, most agents deal with one region of the country, so they are highly skilled in dealing in their particular market segments. Moreover, they can provide a sufficient and speedy after-sales service and spare parts on behalf of exporters.

Tookey,[83] Cunningham and Spigel,[84] NEDO[85], and the ITI Research[86] (1979) all have indicated that successful exporting companies emphasised that selecting and encouraging overseas agents is one of the most important factors for success in exporting.

In fact, the successful use of the agency system, as a means for selling overseas, depends greatly upon the relationship with agents themselves. This system would be satisfactory and work at its best if controlled and adequately supported by personal visits by the exporter. So exporters, together with their shipping companies, must arrange regular visits to the agent to discuss his current distribution problems and solve them. By doing so, the agent can offer valuable advantages for exporters, especially those who have not enough resources to establish their own sales office in the market.

However, many British exporters lack this relationship and are less satisfied with their agents in overseas markets. The ITI Research[(87)] (1979) confirmed this by indicating that while the majority of French and German companies expressed satisfaction with the agency system, only 40 per cent of British companies were satisfied. This may be partly due to the lesser degree of involvement with agents.

McFarlane[(88)] strengthened the above observation by pointing out that none of the exporting companies was sure what the agent really should be doing, and the majority of companies handled the relationship with their intermediaries very badly.

Support for the lack of what the agent should be doing comes from an example cited by Slijper.[(89)] A leading exporter of medical equipment recently discovered on one of his missions abroad that his trucking operator's agent was charging his importer very considerable demurrage amount for real or alleged delays in the unloading of trucks by the importer. Neither the exporter nor the trucking operator were aware of the charges the importer was paying.

As a concluding remark, it is noteworthy that although the distribution factor has been regarded by a limited number of studies as a factor for success, it must not be taken to say that distribution is unimportant in selling goods abroad. Moreover, one may argue that the problems of achieving effective distribution in export markets is a major one for the exporter and one which can lead to success or failure for a product.

Thus, effective distribution management cannot be practiced from a department or an office in the exporting country, or leaving the whole process to foreign agents: it is the function of discussing and solving the distribution problems in export markets themselves. By doing so, it will help in building up a good reputation for the exporting company and enabling it to stay ahead of its competitors.

Above all, if the distribution factor is to play its role as a factor for success in exporting, a closer integration is needed between production, sales and the distribution functions. One of the major steps towards greater integration between distribution and other export management activities is to involve distribution management at the time export orders are received and accepted.

Distribution management is then able to advise on the most economic methods of transportation, to select the right freight operators, suggest the need for adequacy of packaging, and recommend the most economic order quantities.

Delivery and Export Competitiveness

With respect to the delivery factor, it is worth noticing that many case studies reviewed earlier have emphasised the importance of meeting delivery dates in achieving competitiveness in export markets. Moreover, some of them have ranked reliability of deliveries as one of the most important factors for selling abroad. For example, Michell,[90] The Department of Trade and Industry[91] Report, and The Industrial Market Research[92] study, all have rated delivery as the second most important factor after product quality in ensuring success in exporting.

However, over recent years, a considerable criticism has been directed to many British exporters because they did not keep their delivery dates.to export markets. And this has been one of the major factors behind their uncompetitiveness in exporting. The Department of Health[93] Report indicated that the U.K.'s share of the world exports of medical equipment is falling. The report identified two principal reasons behind this: bad delivery time-keeping and inadequate after-sales servicing.

The NEDO Report[94] (1972) on the clothing industry confirmed the above finding by pointing out that penetration of British ladies' outerwear in the German market was less than 5 per cent, while that of other countries varied between 10 and 30 per cent. Reasons most frequently given to illustrate this decline of competitiveness were the U.K.'s product standards below German standards and unreliable delivery performance.

Other support for bad delivery on the part of British exporters comes from a recent study conducted by Senker et al.[95] who indicated that a U.K. firm and a West European firm set up arrangements whereby the U.K. firm would sell the European trucks in the U.K. market and the European firm would market the U.K. firm's trucks in their country. The European firm found that the quality of the trucks built in the U.K. was good, but delivery had been poor.

Taking the above facts into account, British exporters must pay more attention to the delivery dates as a factor for competitiveness in export markets. They should state realistic delivery dates and stick to them. If they expect any difficulty in keeping these dates, overseas customers should be informed in advance. By doing so, they may retrieve their traditional reputation in the world market.

Remarks

Having reviewed the relationship between marketing factors and success or failure in exporting, three important points emerge. These are as follows:

1. Success in exporting cannot be attributed to a single identifiable factor; it is the combination of all aspects of the marketing mix.

2. Based on (1) above, one may identify the most important factors contributing to export success. These include the following:

   - innovation (or technical quality),
   - superior design and performance,
   - efficient after-sales service,
   - reliable delivery,
   - undertaking a detailed market research,
   - and, personal contact with overseas agents and customers.

3. Poor export performance of many British companies is related to the following factors:

   - laggardness in innovation,
   - bad deliveries,

- unsophisticated and mismanaged market research,
- insufficient after-sales service,
- mismanaging the relationship with overseas agents,
- and, less adaptation to the market needs.

This analysis raises the question "is there a relationship between these marketing deficiencies and the approach adopted by British companies in selling overseas? The following part tries to provide an answer to this question.

The British Approach in Selling Overseas

Before answering the above question, it is necessary to differentiate between the two widely-debated concepts in the literature of marketing: export selling orientation and export marketing orientation.

Tookey[96] differentiated between these two concepts on the basis that export selling aims "to dispose of surplus products which cannot be sold on the home market", while export marketing aims "to maximise profitable sales and meet the needs in world markets". Miracle and Albaum[97] defined export selling as "selling to foreign markets" and export marketing as "different from the general definition of marketing only in that goods and services are marketed across national boundaries".

Accordingly, it is possible to differentiate between export selling and export marketing in the same way Kotler[98] distinguishes between selling and marketing concepts for the home market. Kotler differentiates between these two concepts on the basis that companies practicing the selling approach "assume their goods are 'sold', not bought"; while companies adopting the marketing approach "rely heavily on designing the organisation's offering in terms of target market needs and desires and using effective pricing, communication, and distribution to inform, motivate, and service market".

The best distinction between these two concepts is probably that of Baker[99], who defines selling orientation as "selling what we can make"; and marketing orientation as "making what we can sell".

Taking the above into account, it is possible to differentiate between the two concepts on the basis that export selling orientation can be viewed as the way through which an exporting company gives a great attention to get sufficient sales for its products rather than to satisfy the needs of customers in the export market. Accordingly, the firm regards the exporting activity as the way through which it disposes of surplus products which cannot be sold at home, while export marketing orientation can be regarded as the way in which a company adapts to the application of the marketing concept, i.e. identifying and satisfying the customer needs in the export market through the optimum marketing mix. In other words, it is the difference between a policy based on achieving a rapid profitability at the expense of long-term profitability and a policy based on the satisfaction of customer needs and surviving in export markets, and in turn, achieving long-term profitability.

In light of the above distinction, together with what was established in the previous part regarding marketing deficiencies on the part of British exporters, it is possible to argue that U.K. exporters are selling-oriented rather than marketing-oriented. Further evidence in support of this argument could be easily elicited from a number of research studies.

The ITI Research[100] (1977) concluded that "... generally the British approach to selling abroad seems devoid of marketing logic and that too many company managements treat foreign market potential in a way that they would never accept for the home market".

A very recent study made by Blood[101] has confirmed the above finding. The study reached the conclusion that "there is still far too little attention given to marketing", and there is "little or no evidence of any special training or preparation for the highly-specialised and expert task of modern exporting".

This may be due to the fact that many British companies view exporting as a marginal activity and, instead, they focus the greater attention to the home market. By examining the U.K. trading performance, Baker[(102)] supported this tendency when he said "... many overseas sales are entered into on a marginal basis (to dispose of excess domestic capacity necessary to achieve maximum production economies, to bolster domestic price) or to get rid of declining products which are obsolescent in the context of competition in the home market".

Accordingly, one may expect that many British exporters would give more attention to achieve short-term profitability rather than satisfying the market needs through developing the appropriate export marketing mix. In fact, a support for this expectation is to be found from Baker's[(103)] analysis on the reason behind the U.K.'s withdrawal from the motor cycle market as a response to the Japanese challenge in the world market. He attributed this reason to the difference between "... a sales strategy based on short-term profitability as conceived by traditionally-minded accountants and a marketing strategy based on the satisfaction of consumer needs".

Another support for this short-sighted approach comes from McFarlane's[(104)] study. The study indicated that "... once the exporter has closed an export sale, it is apparent that the customer is largely ignored. After-sales service and the provision of spares by exporters in the sample were clearly inadequate".

CONCLUSIONS

A number of conclusions can be drawn based on research studies presented in this chapter. These are as follows:

1. Export sales profitability may be the most effective measure of success in exporting, therefore this research will take this criterion as well as the export sales ratio as indicators of company export performance.

2. High export performance is associated with all aspects of the marketing mix investigated through this chapter. But the relative importance in contributing to success in exporting varies from one factor to another. More specifically, innovation, superior design and performance, and after-sales service are most important factors for competitiveness in export markets. This does not suggest that other factors such as market research, contacts with overseas markets, distribution, and delivery are unimportant, but it suggests that the above product related dimensions, while not sufficient for success, are the most important ones. Regarding the price factor, our argument suggests that contrary to the currently popular belief in public circles that price is rated as being the most important factor in competitiveness, it suggests that price is only one element

of the mix determining success and is only considered in light of other elements such as quality, after-sales service, and delivery.

3. On the part of British companies, poor export performance is closely related to the less attention given to marketing efforts in selling overseas. The main features of this lack are laggardness in innovation, poor quality and performance, bad delivery, inadequate market research, and mismanagement of the relationship with overseas agents and distributors.

4. These marketing shortcomings are likely due to the selling approach adopted by British exporters; such an approach focuses on achieving more sales and profitability in the short-run rather than satisfying the customer needs and achieving long-term profits.

5. To this end, it is possible to suggest that if British exporters are to retrieve and maintain their traditional competitiveness in the world market, a fundamental marketing orientation approach is needed. Such an approach in which the foreign customer should be placed at the beginning of the process rather than the end and that attention should be focused on fulfilling the predetermined needs of customers.

6. The responsibility of adopting the marketing approach lies on the arms of the management of exporting firms. These managements must balance between three interrelated factors at any one point in time - products, customer satisfaction, and profits. By making the best fit between their products and other elements of the marketing mix on the one hand and their market environment on the other, the achievement of satisfactory long-term profits is likely to be accomplished.

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CHAPTER 6

MARKETING FACTORS AND EXPORT SUCCESS: A THEORETICAL MODEL AND RELEVANT HYPOTHESES

CHAPTER 6

MARKETING FACTORS AND EXPORT SUCCESS: A THEORETICAL MODEL AND RELEVANT HYPOTHESES

INTRODUCTION

In the previous chapters we reviewed a series of issues associated with the link between marketing factors and export success. It was evident from this literature review that marketing factors have a role in developing both home and export markets, but the importance of these factors vary from one market to another due to the environmental differences prevailing among them. As Baker[1], Livingstone[2], Kotler[3], Tookey[4], Miracle and Albaum[5], and Hess and Cateora[6] have argued marketing factors are the same everywhere but the importance of these factors is dependent upon circumstances of the environments in which they are employed.

It was established that home and export markets vary greatly in their environmental characteristics, and that these differences must be recognised in marketing planning. Differences in cultural attitudes, religious beliefs, linguistic nuances, levels of literacy, and stages of economic and technological development among home and export markets may make market research, advertising, and distribution methods, as well as product design and performance and pricing policies that play a more important role in selling in the home market less important in achieving success in selling overseas.

Two alternative strategies were also established as a means through which an exporting firm can adapt to foreign methods. First, there is an adaptation or extension strategy that implies the firm varies its products and other marketing methods to suit the varying requirements of the export market. On the other hand, the "matching strategy" means that the firm seeks foreign markets (or segments) with the same consumer profile as the home market and serves these markets or segments in the same manner adopted in selling to the home market. It was suggested that making use of the concepts of market segmentation and the product life cycle would be useful tools in implementing the latter strategy.

Differences in management attitudes towards the export activity were also established to be a key determinant to the importance of marketing factors in exporting. It was shown that firms who adopt the selling approach focus on getting more sales and profits from abroad in the short run, and pay less attention, if any, to the development of the optimum marketing mix to satisfy the customer needs in the export market. Exports, in their view, are not profitable enough to justify the development of an efficient marketing programme specifically for export markets.

By contrast, firms who adopt the marketing approach in exporting were found placing the customer needs at the beginning of the exporting process and developing the appropriate marketing mix to meet these needs. They view exporting as a basic activity and it is worth their while to develop the optimum marketing mix that helps in achieving the object of this activity (long-term profitability through the satisfaction of customer needs).

Taking account of the above, and relying upon our literature review, this chapter will develop a working model as well as a set of testable hypotheses for the relationship between marketing factors as well as the strategy and the approach adopted in selling overseas and export competitiveness. The central idea behind the development of this model is that success in exporting could be explained by developing an adequate marketing mix and by adopting a marketing strategy that copes with the environmental characteristics prevailing in foreign markets.

Armed with insights from the above, it is planned to devote the following pages to explain the parameters of the suggested model and to develop the research hypotheses. First, the relationship between the various marketing factors and export performance will be identified. Second, the effect of environmental differences on the marketing mix elements as well as the relationship between the strategy adopted in facing these differences and export achievement will be summarised. The contribution of the approach adopted by the exporting firm's management in selling overseas to competitiveness in foreign markets will then follow.

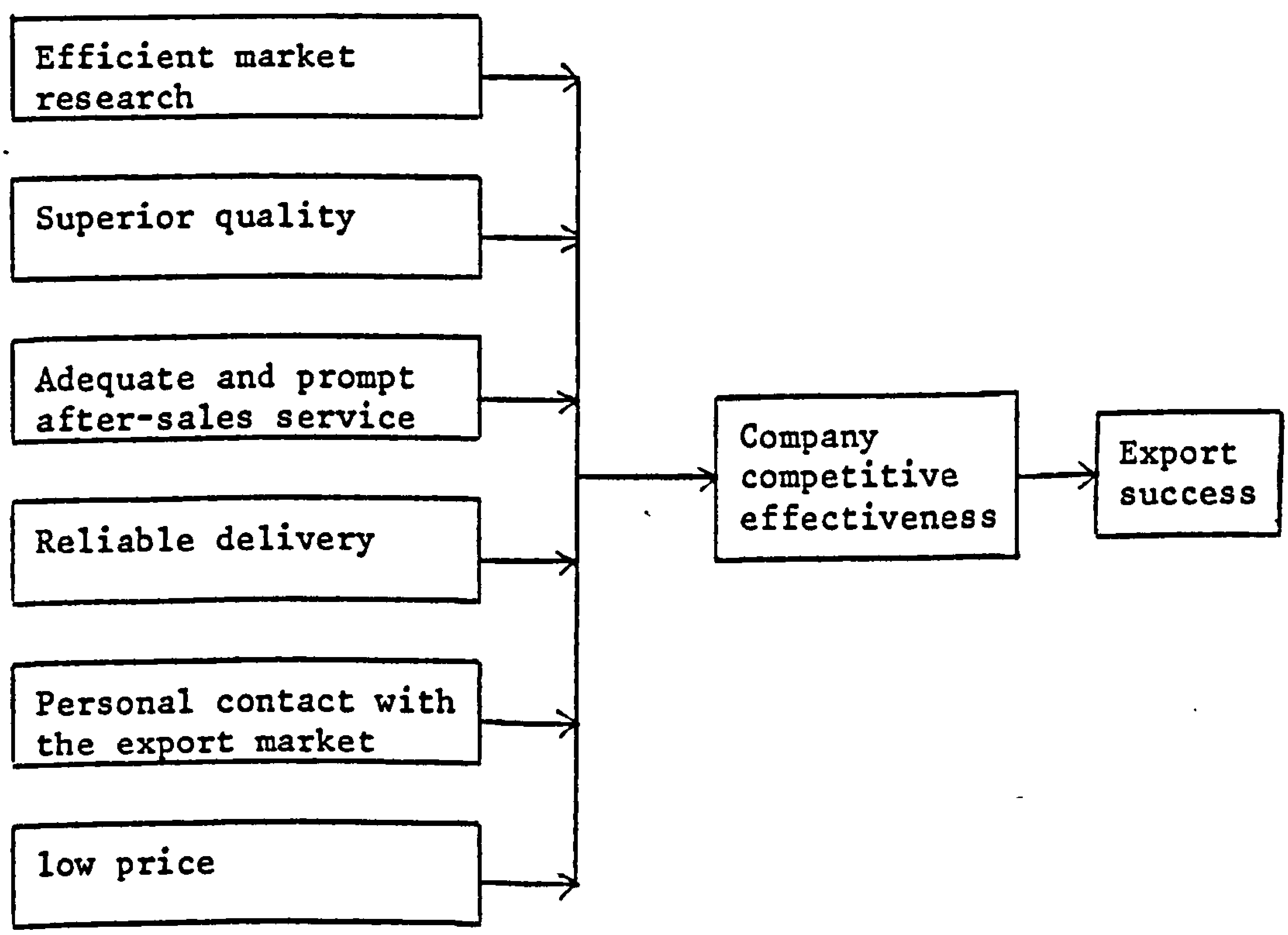
The Dimensions of the Study

The overall purpose of this dissertation, as developed through the earlier chapters, is to explore the association between marketing factors and success in exporting, and to identify the extent to which environmental variables and the approach adopted in selling overseas affect the role of marketing factors in achieving export competitiveness. More specifically, it was established that company export competitiveness is closely related to the following major factors:

First, the development of an adequate marketing mix in selling overseas. This includes a number of factors such as shown in the following figure.

Figure 6.1

Marketing factors contributing to competitiveness in exporting



According to this figure high export performance is related to all marketing efforts - market research, product related factors, delivery, managing the relationship with overseas agents and customers, and price.

With respect to the market research factor, it was established that gathering detailed and reliable information about export markets and identifying and selecting the one(s) that offer most potential is a major factor behind success in exporting.

As for the product quality, it was also established that it is the most important factor contributing to company export success. Firms who supply products that are more reliable, well designed, and offer high performance were found more competitive in the foreign market.

This is not to say that quality is the only factor for competitiveness in exporting, but it suggests that it is a necessary, although not sufficient, condition for export success. Efficient after-sales service, reliability in delivery, selecting and motivating overseas agents, and cheap price were also established as contributors to competitiveness in the foreign market.

A strong link was found between supplying an efficient and prompt after-sales service and high export performance. It was also established that keeping delivey dates and informing foreign customers of any difficulties in maintaining the reliability of these dates is a crucial factor for success in exporting.

It was also shown that contacting export markets through regular personal visits by the firm's executives is a major factor determining competitiveness in exporting. Through these visits, the firm can identify the right needs of foreign customers, determine the extent to which its existing products meet these needs, and decide the degree of modification required.

As for the contribution of the price factor to success in exporting, it was suggested that it is just one element of the mix determining competitiveness in exporting and is only relevant in the light of other elements such as reliability, after-sales service, and delivery. This suggests a different emphasis from the commonly held view that price is the key determinant to competitiveness overseas, and raises the importance of non-price factors in ensuring success in exporting.

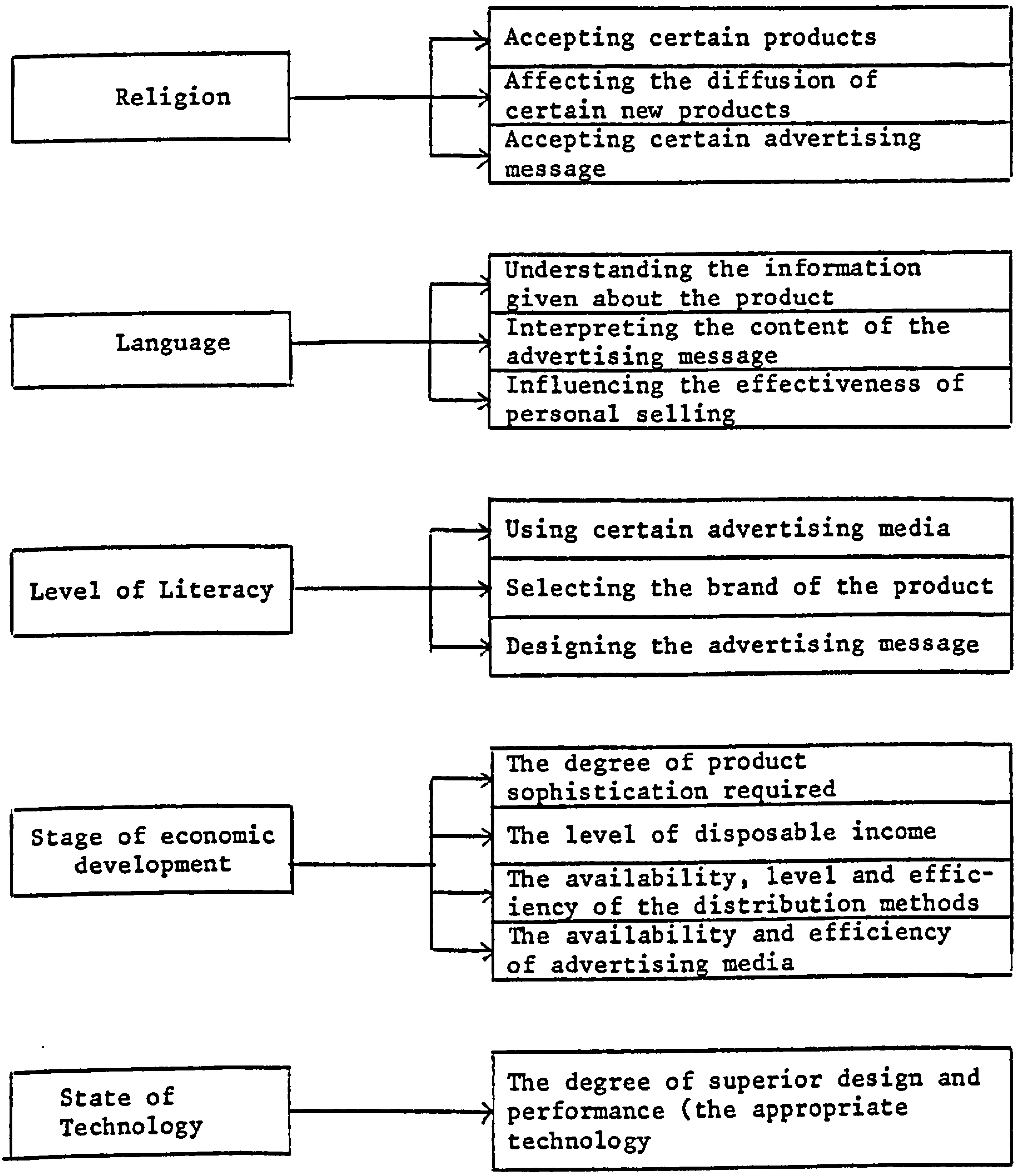
Second, the firm's ability to adapt to the varying requirements of the export market was also established to be another determinant of its competitiveness in that market. It was shown that export markets vary greatly in their environmental characteristics, and that these differences affect the composition of the marketing mix and consequently the attainment of success in these markets. On this issue, special consideration was given to the effect of cultural and economic and technological differences on the importance of marketing factors in achieving success in exporting as well as the alternative strategies that can be adopted by an exporting firm in facing these variations.

Through the conceptual part of the study, certain cultural and economic and technological differences, as shown in Figure 6.2, were found to have a considerable impact on the role of marketing factors in contributing to competitiveness overseas. It was established that differences in the religions affect the acceptance of certain products to satisfy customer needs as well as the acceptance of certain advertising messages. It was shown that in many Moslem countries alcoholic and ham products are prohibited to be consumed or sold, and in the Hindu religion the cow is regarded as a sacred animal. Therefore, it is unwise to persuade a British manufacturer, for example, to sell Scotch whisky or English bacon to the Saudi Arabian market or to export beef products to the Indian market. Consequently, the introduction of new alcoholic and/or beef products would fail in such markets.

It was also found that religious differences affect the content as well as the image of the advertising message, and therefore its communication efficiency. Thus, using a wrong colour, taking into our consideration that colour is a religious symbol in some countries, especially in Asia, in an advertising message would lead to a bad impression, and therefore inadequate communication.

Figure 6.2

Environmental differences affecting the importance of marketing factors in developing the export market



With respect to differences in the meaning of the words between two languages, it was found that such differences may lead to misunderstanding the information given about the product, especially those related to its quality, and this may impede its success in markets with different languages. It was also established that language differences may be an obstacle in the effectiveness of written and oral advertisements, thus, an advertisement that is successfully employed in a group of markets which speak the same language may fail in another market with different interpretations of the content of the advertising message.

Variations in the level of literacy were also found to be another environmental variable affecting the use of certain advertising media, the design of the advertising message as well as the selection of the brand of the product. It was shown that in markets where the literacy levels are extremely low using printed media will not be an effective medium for attracting prospective customers. The latter raises the importance of radio, television and the cinema as the most effective methods for reaching customers in the illiterate markets. Consequently, advertising campaigns that are used in markets where the degrees of literacy are high may have little attraction in other markets where literacy is low.

Economic and technological differences between home and export markets were also found to be another source of variation in the importance of marketing factors in achieving competitiveness in exporting. The effect of these differences in marketing factors is depicted in Figure 6.2.

It was established that, according to the GNP per capital, world markets can be segmented into two general categories: developed and developing markets. It was also established that this difference in stages of economic development influences the importance of product quality and design, (i.e. the appropriate technology) and the availability and efficiency of distribution methods and mass media in developing the export market.

With respect to the degree of product quality and design sophistication, it was established that the highly sophisticated products that use more capital, more labour skill, and greater technology know-how and which are successfully used in advanced markets may have little attraction in the developing markets which have a considerable degree of capital scarcity, a greater amount of unskilled workers, and a lower level of technological sophistication. It was also proposed that products which suit the state of technology prevailing in the developing countries are the ones that are simple in design, have fewer automatic features, and utilise more labour rather than capital.

Because of differences in income levels between home and export markets, many products which are regarded as inexpensive items in the developed markets (home markets) are viewed as luxuries in the developing markets (export markets). This may imply that products which are regarded as necessities and being sold to all income levels in the home market (e.g. refrigerators and washing machines) may have a limited opportunity in the export market and be sold only to the high income segments. This raises the question of the inability to charge a uniform price in home and export markets, i.e. pricing strategies that are more competitive in the home market may play an unimportant role in contributing to success in the export market.

Differences in the availability of mass media, its role in communication, and its efficiency were also found associated with the stage of economic development of the market. It was established that the advertiser in the developed markets has a wide range of media with various functions that enable him to use the most effective and economic one. By contrast, his counterpart in less developed markets may not find this diversity of media or services provided by it; in some markets television and the cinema are not widely diffused; in others there is a marked shortage in the advertising spaces in the printed media.

It was also established that the role of mass media in the developing markets is often to stimulate primary demand, instead of building brand preferences in the developed markets.

Finally, it was found that as the economy develops, the distribution structure develops. It was established that the distribution channels in the developed markets are characterised by the diversity, specialisation, and high efficiency, and the reverse is particularly true in the less developed markets. Thus, it was suggested that a firm that uses a certain structure of distribution in the home market may find it difficult and/or costly to use the same structure in the export market, and this may impede its competitiveness in that market.

Adjusting to the above environmental differences was found the basic problem which the firm faces in exporting. The advice usually given to firms endeavouring to sell their products overseas is to select those markets which offer the greatest potential and to adapt product and marketing methods to meet the requirements of these markets.. As it was seen from the literature review this strategy can be unsatisfactory. The firm may choose a group of markets that may be difficult to adapt because of their diverse requirements compared with the home market. They may require different products which cannot be produced in economic quantities. Difficulty may also be encountered in devising different marketing methods for each of these markets.

It was also shown that these difficulties arise from the fact that most firms gear their products to the needs of their domestic market and find that meeting the needs of overseas markets with different characteristics is, thus, difficult and costly. Therefore, an alternative strategy which depends on making use of the concept of market segmentation was suggested. Such a strategy seeks overseas markets which, whilst having satisfactory potential, are similar in their characteristics to the firm's domestic market and uses products and other marketing methods that are employed at home to serve these markets. By doing so, firms can avoid the need for costly adaptations and facilitate a more rapid and more profitable development of sales in export markets.

Using the concept of the product life cycle was also proposed to be a useful tool in implementing this strategy. The advice given here is that a firm should examine the position of its products in the life cycle in the home and export market, and the competitive advantages which this position may offer. By doing so, the firm may be able to sell some of its sophisticated products to countries which are in an advanced stage of development and to sell its older products in the home market to countries which are in an earlier stage of development.

Third, the approach adopted by the firm's management in selling abroad. Selling orientation and marketing orientation were found the two strategies adopted in approaching export markets. It was established that the selling orientation approach regards exporting as a marginal activity, i.e. it is the way through which the firm disposes of surplus products of the home market, bolsters domestic prices, or gets rid of declining products in the home market. Getting more sales from abroad and achieving short term profitability was established as the aim of this approach. It was also found that this approach gives little attention, if any, to the satisfaction of the foreign needs, and in turn, the marketing factors that should be developed to meet these needs.

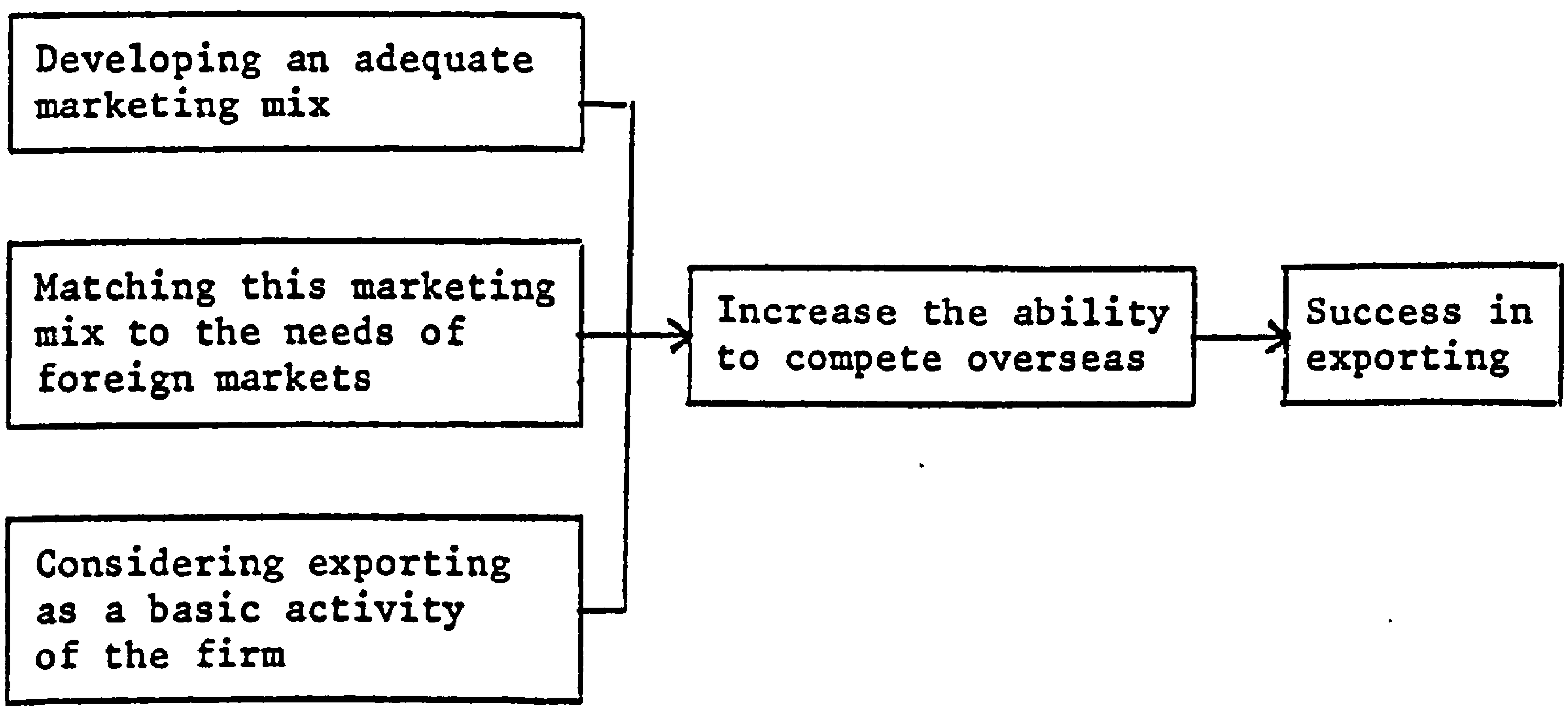
It was also established that the marketing orientation approach views exporting as a basic activity of the firm, and in turn, the development of the optimum marketing mix that helps in achieving the object of this activity. The main aim of this approach is to satisfy the customer needs in export markets through developing the efficient marketing programmes, and the achievement of the long term profitability is likely to be accomplished.

With respect to the association between the approach adopted in selling overseas and export competitiveness, it was established that adopting the selling orientation approach appears to be the major determinant of the lack of competitiveness in export markets by many U.K. firms. It was found that U.K. firms pay greater attention to developing the marketing efforts to the home market rather than the export market. The main features of their marketing shortcoming in the export market are undertaking inadequate market research, laggardness in innovation, poor design and performance, bad delivery, and mismanagement of the relationship with overseas agents and distributors.

Putting all the above-mentioned factors together, a model of the role of marketing factors in achieving success in exporting has been developed as follows:

Figure 6.3

Factors affecting success in exporting



A Model of the Association between the various aspects of Marketing and Export Performance: Comment.

The model emphasised the importance of the various elements of the marketing mix in contributing to export achievement, but it also indicates that marketing elements which are more important in developing the home market may be less important in developing the export market because the environmental differences prevailing between home and export markets. To avoid the costly and difficult adaptation required to suit the varying needs of export markets, the model suggests a matching strategy with four stages as follows:

1. Identifying overseas markets that provide potential sales for the firm's products.

2. Comparing the characteristics of these markets with those of the firm's home market.

3. Selecting markets (or segments) that are similar to the home market.

4. Serving the selected markets (or segments) in the same manner employed at home.

The model also emphasises the relationship between the adoption of the selling orientation approach and uncompetitiveness in exporting, especially on the part of British exporters. The model suggests that retrieving and maintaining the traditional competitiveness of British firms in the world market would be dependent on adopting the marketing approach in selling overseas. Such an approach that balances between three interrelated factors at any one point in time - products, customer satisfaction, and sales and profits. By making the best fit between products and marketing methods on the one hand and the satisfaction of customer needs on the other hand, the achievement of satisfactory long-term sales and profits and in turn success in exporting - is likely to be accomplished.

Furthermore, the model fulfils the following objectives:

1. It focuses on the role of marketing factors as well as management attitudes in achieving success in exporting which have received little attention in the literature of marketing. As the EDC[7] report indicates: "Success in exporting is crucial to our national prosperity, yet remarkably little has been published about the factors which make for success. If export performance is to improve, as it must, more needs to be known about management attitudes, marketing methods and the structure of effort and profitability which make for success in selling overseas".

2. It reveals the impact of environmental differences between home and export markets on the achievement of competitiveness in exporting. Such effect, it is felt, has also received little attention in the literature of marketing.

3. The model takes the firm as its unit of inquiry. As Tookey[8] indicated: "It is surprising to find out the export function in the manufacturing firm has been little studied". Baker[9] also stressed the need to study the reasons behind the fact that Britain exports lower than it imports at the micro level. He said "... where the test proves positive (U.K. exports lower than imports) there is an urgent need for a detailed investigation at both the industry and individual firm".

How realistic is this model? No definite answer can be given during this conceptual stage, as it is not yet clear whether or not the practicability of the model in explaining the role of marketing factors and environmental variables in success in exporting is valid. Thus, in the following pages we will present the relevant hypotheses derived from the model before suggesting the field work to be carried out to either confirm or infirm these hypotheses.

Statement of Hypotheses

From the literature review, and our model presented above, a number of hypotheses can be derived. These concern the relationship between the various aspects of marketing and competitiveness in exporting. These are as follows:

I. The Development of an Adequate Marketing Mix

Hy. 1. The more the depth and quality of market research, the more the exploitation of market opportunities overseas and the greater success in exporting will be.

Hy. 21 The more the design and quality sophistication, the more the protection against competition and the higher export performance will be.

Hy. 3. The more the firm provides overseas customers an efficient after-sales service, the greater its competitiveness in export markets.

Hy. 4. Achieving the lowest possible price is not the most important factor contributing to competitiveness in exporting.

Hy. 5. The more importance the firm places upon regular visits to overseas markets, the greater its competitiveness in these markets.

Hy. 6. The more reliable the delivery dates, the more importance the good reputation attached to the firm in the foreign market and the higher its ability to compete overseas.

Hy. 7. The more the satisfactory relationship with overseas agents or distributors, the more the solution of distribution problems and the identification of customer needs and the higher are export sales likely to be.

Hy. 8. The more the firm gives more attention to the promotional efforts in foreign markets, the more its competitiveness in these markets will be.

II. Matching the Marketing Mix with the Foreign Needs

Hy. 9. There is little relationship between the standardisation strategy and export success.

Hy. 10. The more the firm adapts its marketing elements to suit the foreign needs, the greater its success in exporting.

II. The Approach Adopted in Exporting

Hy. 11. The more obvious the adoption of the selling orientation approach by British management in selling overseas, the greater the steady decline of U.K.'s export competitiveness in recent years.

Hy. 12. The more important the adoption of the marketing orientation approach by British exporters, the greater the maintenance of the traditional competitiveness of British manufacturers in the world market.

Hy. 13. The lower the profitability of export sales compared with that of home sales, the lesser the attention given to export markets by exporting firms' management.

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CHAPTER 7

DESIGN OF THE FIELD STUDY

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DESIGN OF THE FIELD STUDY

INTRODUCTION

The overall purpose of this chapter is to describe the field study undertaken by the researcher to examine the validity of the contribution of marketing factors to export success model proposed in the previous chapters. As such, this chapter is concerned primarily with the methodology used and the research setting rather than the analysis of the findings themselves, which is kept for the next chapter.

The design of the field study passed through four successive, yet equally important stages. These included the choice of a suitable population for the research, the development of a questionnaire for collecting the data, the determination of a satisfactory rate of response and preparation of the data for analysis. Each of these stages is discussed in turn in this chapter.

1. The Population

A. The choice of exporting firms

Because this study is focused around the relationship between marketing factors and competitiveness in exporting, firms had to possess a main characteristic before accepting them as an acceptable source of data for our study; namely, they had to be acknowledged as successful in exporting.

The 1980's Queen's Award winners for Export Achievement were chosen as a suitable sample for study as they clearly met the criterion "successful exporting firm".

In addition, these winning firms reflected a broad spectrum of activity (i.e. manufacturing and marketing a wide variety of products and services) and this strengthened their suitability for our study. In this regard, their products and services ranged from technology aluminium plate, aircraft to engineering and management consultancy and insurance and banking. Table 7.1 shows the classification of these products and services. Moreover, these firms exported their products and services to a large number of markets with different stages of economic development. For example, the Financial Times[1] has mentioned that one of these winning firms has exported its products to 64 countries throughout the world - Singapore, Hong Kong, Italy, West Germany and the U.S. were its main customers.

Table 7.1

The 1980's Recipients of the Queen's Award for Export Performance classified by their type of product or service

Type of product or service	No	%
Products		
Industrial	58	66.7
Consumer durable	7	8.0
Consumer non-durable	15	17.3
Total	80	92.0
Services		
Consultancy	4	4.6
Financial	2	2.3
Transportation	1	1.1
Total	7	8.0
Total	87	100.0

Source: Based on the list of the products or services of the Queen's Award winners mentioned by the Financial Times, 21st April 1980, p.12. (See Appendix A).

The population frame used in contacting firms for this study was the Supplement to The London Gazette of Friday, 18th April, 1980. This supplement gives the names and short addresses of the 87 recipients of the Queen's Award for Export Achievement in 1980.

The Queen's Award for Export Achievement was established in 1965, and was first reviewed in 1970 by a Committee under the

Chairmanship of Lord McFadzen. The purpose of this Award has been to recognise and encourage outstanding achievement in the field of exporting. The Selection Committee of the Queen's Award use a number of criteria in granting awards to successful exporting firms. These criteria are as follows:

> "A substantial and sustained increase in export earnings to a level which is outstanding for the products or services concerned and for the size of the applicant unit's operations. Account will be taken of any special market factors described in the application. Applicants for the Award will be expected to explain the basis of the achievement (e.g. improved marketing organisation or new initiative to cater for export markets) and this will be taken into consideration. Export earnings considered will include receipts by the applicant unit in this country from the export of goods produced in this country, and the provision of services to non-residents. Account will be taken of the overseas expenses incurred other than marketing expenses. Income from profits (after overseas tax) remitted to this country from the applicant unit's direct investments in its overseas branches, subsidiaries or associates in the same general line of business will be taken into account, but not receipts from profits on other overseas investments, or by interest on overseas loans or credits."[2]

B. <u>The choice of respondent</u>

In order to ask the Queen's Award winners for information about the relationship between marketing factors and their success in exporting, the managing director of each of the 87 winners was chosen to be the person to whom the questionnaire should be sent. Three main reasons were behind this selection. These were as follows:

(1) Regarding export decision making it was reasonable to expect the managing director to be among those who took part in these decisions.

(2) From our experience in dealing with the exporting firms we found that there were a wide variety of managers who actually managed the export activity in these firms; therefore, it was felt that the managing director was the most appropriate person to pass the questionnaire to the responsible person in his firm.

(3) If the managing director was prepared to delegate completion of the questionnaire to an executive responsible for exporting we could anticipate greater co-operation than if we had approached such an executive direct.

Accordingly, the names and addresses of the managing directors had to be obtained and two main sources were used:

(1) The names and addresses of 56 managing directors were taken from Kampass (Company Information) United Kingdom, 1980.

(2) Because we could not find the names of the remaining 31 managing directors in any of the published directories available to us, telephone calls were made to their companies asking for the names and addresses of their managing directors. 24 companies were very helpful and gave us the names and addresses required, while the remaining 7 companies would not release this information on the grounds of company policy.

2. Development of the Questionnaire

This part is concerned with the questionnaire developed for data collection. Four aspects are commented on: the source of ideas for questions; the type of question; the type of scales, and the rationale for each question.

The theoretical model of factors affecting success in exporting, as discussed through the theoretical part of this thesis, together with the comprehensive discussions with Professor Baker and Professor Livingstone of the Marketing Department, University of Strathclyde, were the main source of ideas for questions included in the questionnaire. As such, the questionnaire was designed to cover three major classes of variables contributing to a firm's competitiveness in exporting. These include marketing factors (i.e. market research, quality, price, distribution, promotion, visiting overseas markets, after-sales service and delivery), the strategy adopted in exporting (i.e. standardisation, concentration, adoptation, and/or matching), and the approach adopted by the firm's management (i.e. marketing or selling orientation approach).

With respect to the type of questions, two alternatives are usually available - open-ended, and closed questions. Each of these has its own advantages and difficulties. While the first are easy to ask, may give one more information through allowing free expression of ideas and views, they need more time to answer and are still more difficult to analyse. Closed questions require exploration before their construction, so as to cover all possible answers, but question is easy to answer, analyse, and encourages respondents by giving the impression of time saving. However, in order to get the maximum information about the contribution of the various aspects of marketing to the competitiveness of the Queen's Award winners, the main type of questions used in constructing the questionnaire was the open-ended one.

Concerning the issue of scaling, two related points are to be mentioned here; the type of the scale and the number of points used in that scale. For the type of scale, the rating scale has been used in rating the answers of the questions in the questionnaire. Two reasons were behind the use of such scale; previous studies showed that rating scales were rated more highly by the respondents than other types of scales(3) and this type of scale was found easier to analyse by the researcher.

Regarding the number of points a scale should contain, Moser and Kalton[4] showed that "if the scale is divided too finely the respondents will be unable to place themselves, and if too coarsely, the scale will not differentiate adequately between them. Often five to seven categories are employed, but sometimes the number is greater".

Taking the above as a basis, the scale used in the questionnaire is of a rating type, running on a five points (i.e. 1, 2, 3, 4, 5) scale. Point (1) is considered the greatest point while point (5) is the least point on the scale.

With respect to the rationale for each question in the questionnaire, which is reproduced in Appendix C, the first part was intended to classify the Queen's Award winners according to the type of product(s) they sell, to point out their most important export markets as well as their most important foreign competitors.

Question 1 asked whether there has been a decline in U.K. export competitiveness in general in recent years. The main aim behind this question was to give us a factual answer to an issue which is still under debate in the modern literature of export marketing.

Question 2 attempted to point out the main reasons which might account for any decline, especially those related to the adoption of the selling orientation approach in exporting (Hypothesis 11). In Question 3 firms were also asked to indicate the most important factors contributing to the traditional competitiveness of British exports. This question aimed at finding out the link between adopting the marketing orientation approach and competitiveness in foreign markets.

Questions 4, 5A and 5B deal with the relationship between adequate market research and export success. Question 4 asked firms whether or not they have researched their foreign markets before deciding to sell to them. Question 5A required respondents to rank in order of importance the methods (internal and external) which have been used by the winners in researching their export markets. Question 5B also required respondents to rank in order of importance their export market research activities (Hypothesis 1).

Question 6 aimed at measuring the degree of sophistication of the winning firms' products compared with that of the most important competing products (Hypothesis 2).

Question 7 listed four main bases for pricing products to export markets. Firms were asked to indicate the base(s) they use in pricing their products and the market(s) in which eash has been used.

In Question 8 an attempt has been made to rate the prices of the successful firms as opposed to those of their principal competitors in foreign markets. The aim behind this attempt was to find out if there is a link between lower prices and export competitiveness (Hypothesis 4).

Question 9 asked firms to indicate the effect of the U.K.'s inflation on their ability to compete overseas. This question aimed at providing insight into a factor which has been widely mentioned(in government and business circles) as a major obstacle to increasing British exports.

Questions 10 and 11 concern the relationship between the promotional efforts and export achievements. Question 10 asked firms whether or not they promote their products in overseas markets and Question 11 asked firms to indicate the promotional method(s) which have been used in different types of markets (10 market groups) (Hypothesis 8).

Question 12 seeks to measure the contribution of visiting overseas markets to competitiveness in these markets. Firms were asked to rank the importance of each benefit gained from such visits.

Question 13 listed five export distribution methods (direct and indirect), and asked the Queen's Award winners to state approximately the percentage of their export sales which has been made by each of these methods. Question 14 was designed to measure the relationship between the main distribution method used in selling to the different foreign markets and competitiveness in these markets (Hypothesis 5).

Question 15 aimed at measuring the relative importance of each marketing factor examined in this research in contributing to success in exporting, especially the non-price factors (Hypothesis 4).

Question 16 listed and explained four different marketing strategies that can be adopted in selling overseas, and asked the respondent firms to indicate the strategy(ies) that best contributed to their success in exporting and the markets in which they were applied (Hypotheses 9 and 10).

Question 17 attempted to find out the reasons for using any strategy(ies) other than adaptation. The main aim behind this question was to examine the link between gearing to the needs of the domestic market and the adopted strategy(ies) (Hypothesis 11).

Question 18 attempted to identify the most important foreign markets to the successful firms in the near future.

Question 19 aimed at obtaining some statistical and factual information about the winning firms. This question consisted of four parts, the first of which was intended to measure their experience in exporting; part (ii) to measure their sales which have been made in overseas markets in the last year (export sales ratio); part (iii) to compare the profitability of export sales with that of home sales and part (iv) to measure the relationship between the level of export sales profitability and the attention given by these winning firms to foreign markets. (Hypothesis 13)

3. <u>The suitability of the Questionnaire</u>

By suitability is meant "the ability of an attitudinal technique to measure what one thinks is being measured."[5] The literature includes two types of suitability test: internal and external.[6] In order to test the suitability of our questionnaire, both types of test were made.

With regard to the internal test, the first draft of the questionnaire was discussed, question by question, with my supervisor and the second draft was also discussed with Professor Baker, together with Professor Livingstone, Professor of International Marketing, at the University of Strathclyde. Following these discussions changes in both the ideas, the sequence and the wording of some questions were made.

Concerning the external test (i.e. the pilot test), ten exporting firms in Scotland were chosen for interviewing and appointments were pre-arranged by telephone calls directly with their export or marketing managers. Personal interviews with export and marketing managers were made in September 1980. These firms have been exporting a wide variety of products, make a large percentage of their sales in overseas markets, and have been actively engaged in exporting for a long period of time. Table 7.2 shows these features. The response to our questionnaire from these personal interviews was most encouraging. For example, a marketing director commented: "This questionnaire in my opinion is quite clear and asks the right questions", while an export sales administration manager said: "The form is concise and clear and I found it an interesting exercise to complete".

However, a few modifications were needed. Thus, a few questions were omitted, questions which seemed easier to answer were introduced first and the difficult ones were left for the end, and two market groups were added to the list of markets included in the questionnaire. Moreover, and because we felt that some managers misunderstood and/or misinterpreted the terms 'decline' in U.K. export competitiveness, type of product, as well as the difference between 'agents' and 'distributors', a brief and clear definition of these terms was made.

Having tested and modified the questionnaire, it is possible to summarise its main features as follows:

Table 7.2

Firms which have been interviewed by the researcher to test the validity of the Questionnaire

No.	Location	Type of Product	% Export Sales to Total Sales	Number of years engaged in Exporting	Managerial position of the interviewed person
1	Glasgow	Heavy machine tools	Over 60	Over 50	Marketing Executive
2	Glasgow	Shipbuilding	20 - under 40	Over 50	Sales Manager
3	Motherwell	Mining Equipment	20 - under 40	Over 50	Export Director
4	Milngavie	Vacuum cleaner & air-conditioner components	40 - under 60	30	Marketing Manager
5	Edinburgh	Surgical sutures	Over 60	30	Export Director
6	Irvine	Medical liquids	90	20	Sales Manager
7	Glasgow	Scotch Whisky	Over 60	30	Export Sales Manager
8	Glasgow	Scotch Whisky	Over 60	30	Export Admin. Manager
9	Cathcart	Electrical Power Generators	40 - under 60	Over 50	Marketing Executive
10	East Kilbride	Ladies' Clothing	40 - under 60	30	Sales Manager

1. We asked only for data that could be easily remembered by the respondents, or in the case of questions of a general character, data that were readily accessible from records.

2. The questions were stated clearly and directly in simple language.

3. The 'don't know' option was eliminated in order to 'force' the respondent to provide answers to the majority of questions which were necessary for our analysis.

4. The questions were arranged in an orderly sequence. The questions considered more difficult or long were left to the last.

5. We designed a standardised questionnaire for administration to 87 Queen's Award winners (80 of them were manufacturing firms and the remaining 7 were service organisations), and by using such a standard questionnaire although we felt that some parts of it may be inappropriate for these service organisations, however, on balance we felt that using a single questionnaire for all the Queen's Award winners was worthwhile on the following grounds:

(a) In teaching marketing we tend to use the word 'product' to include both tangible (goods) and intangible (services) items.

(b) Many of the questions in our questionnaire would be equally suited to manufacturing and service organisations, and consequently we would expect to receive responses from these seven organisations.

(c) The benefit of using a standardised questionnaire (i.e. cost and time saving) exceeded its disadvantages, particularly as the percentage of the service firms to the total population is relatively small (8%).

4. Response Rate

A covering letter signed by Professor Baker stating the objectives of our study and requesting the participation of the firms in that study, together with a copy of the questionnaire, were sent to the managing director of each of the 87 successful firms. This more personal involvement in our study by Professor Baker was used to ensure a greater likelihood of the Queen's Award winners' participation than could be expected from a student circular letter to those winning firms.

Two weeks after sending the questionnaires, the responses were most encouraging. Taking the firm as a unit of analysis, 56.3% (49 out of 87) were respondents. From those, 51.7% (45 companies) replied positively (i.e. returned our questionnaires wholly completed), while the remaining four companies (4.6%) replied negatively (i.e. sent letters stating the reasons for not completing the questionnaire). Table 7.3 summarises the response rate before and after follow-up was made.

The reasons given by those who replied negatively are classified and presented with some explanatory typical quotations from their replies:

(1) Two companies stated that they were service organisations and therefore found it difficult to complete our questionnaire.

"... Having examined the questionnaire, we feel that this is related specifically to companies who are exporting goods rather than institutions such as ourselves, where involvement in the export field is limited to the provision of overseas services."

"... After studying the questionnaire ... I have concluded that this firm cannot make any useful contribution to your survey as we do not make and market any product".

Table 7.3

The response rate before and after follow-up

Time / Response	Before		After		Total	
	No	%	No	%	No	%
Positive Response	45	51.7	15	39.7	60	69
Negative Response	4	4.6	2	5.0	6	7
Total Response	49	56.3	17	44.7	66	76
Non-Response	38	43.7	21	55.3	21	24
Total Response	87	100.0	38	100.0	87	100.0

(2) The remaining two companies indicated that according to their policy they would not take part in surveys such as the one we were conducting.

> "... We have a company policy which restricts submitting such information to a very limited number of external organisations. Therefore, we must ask to be excused from participating in your survey".

> "... I regret to say that as a matter of company policy, we cannot release the information you require, but I'm attaching some company literature which you may find useful".

A follow-up letter signed by Professor Baker was sent to each of the 38 non-response managing directors, stating that the majority of the Queen's Award winners contacted by us had agreed to participate in our survey and we were looking forward to receiving a reply from them.

After another three weeks the responses were satisfactory. Almost 45% (17 out of 38) were respondents. From those, 40% (15 companies) replied positively, while the remaining two companies (5%) replied negatively.

The reasons given by these two companies for not participating in our survey was the inappropriateness of our questionnaire to their business.

> "... I must admit that your questionnaire appears to be designed for industrial products only and I found it hard to complete for our consultancy which sells a very purified form of know-how and management ability".

> "... The ... Group comprises some 40 companies operating in process plant sector of industry and varying widely in size, sales, turnover and number of personnel ... I feel they would find it difficult to complete your survey ... I must offer our Group's apologies for being unable to complete your survey".

Taking the responses before and after follow-up, the total responses were 66 companies (nearly 76%) of which 60 (69%) were used for computing and analysis. This was considered a satisfactory response rate and an adequate basis for analysis.

Reasons behind this relatively high rate of response may include the following:

(1) The use of a personalised approach from a credible source. The letters used emphasised the fact that the relationship between marketing and export success is "a subject which has stimulated much comment and advice, but surprisingly few hard facts", and we were looking to to hearing the factual information about such relationships from those who have been judged as the successful exporters in the U.K.

(2) The design of the questionnaire itself in terms of including many different types of products, selling in different groups of markets with different stages of economic development, and competing with different foreign products.

(3) The interest in the subject to the Queen's Award winners themselves. This interest emerges from their comments on the questionnaire during the running of our survey, their offer to give further assistance as well as their request for a copy of our findings and the status of the managers who completed the question-

naire. A sample of typical comments and offers of assistance were as follows:

"... We were very interested in your questionnaire, and the completed form is enclosed. ... I think that the proposed study report is, potentially, a most important contribution to (for example) the debate now being initiated by the new Projects and Export Policy Division of Department of Trade, about the role of Central Government in export marketing".

"... If you or your student would like to spend more time talking about our export activities, you are welcome to come to see us some time".

"... As an ex-student of the Royal Technical College, I thought I should at least try and help. If I can be of any further assistance please let me know".

"... If you require clarification of any point, please feel free to contact me directly".

With regard to their request for a copy of our findings, almost 33% (20 out of 60) of the respondents asked for this, and the following are a sample of typical quotations from their requests.

"... I return herewith the questionnaire duly completed and I shall be most interested to receive in due course a personal copy of the summary of your findings prior to publication".

"... I enclose the duly completed questionnaire. We look forward with interest to reviewing your findings".

"... We wish your survey and its results every success and should be pleased to have a copy of your findings".

"... We shall look forward to seeing a copy of your report, in due course".

The position of the respondents is shown in the following table. From this table it is quite clear that over 50% of the respondents were managing directors, and this may indicate how interesting our questionnaire was to the top management of the Queen's Award winners which, in turn, resulted in a relatively high rate of response.

Table 7.4

Managerial positions of respondents to the Questionnaire

Managerial position	% of Respondents
Managing Director	36 (55%)
Marketing Manager	13 (20%)
Export Director	3 (4%)
Others	14 (21%)
Total	66 (100%)

5. Preparing for the Quantification of the Data

All the questionnaires were numbered before sending them to the Queen's Award winners. The received completed questionnaires were edited and coded for programming. After correcting the coding mistakes, 8 I.B.M. cards with maximum 80 columns were punched to cover the coding of each of the 60 usable questionnaires. Because of the large number of options (i.e. 333 variables) contained in the questionnaire, the 10 rows available in each of the 8 cards were used.

Having done the data cards and corrected their punching mistakes, 3 different cards (i.e. Data list, Variable labels and

Value labels) were punched and tested to take a run on the EMAS 2980 machine (Statistical Package for Social Science SPSS). Then a frequency run was taken on the mentioned machine. Because of the large number of respondents who mentioned more than one option to each question in the questionnaire, a Multi Response tabulation was needed, and because of our need to make correlations between the different marketing aspects and export success, a Crosstabs process was very necessary. Multi Response and Crosstabs cards were punched and tested and then we took a run for each type of tabulation on the above mentioned machine.

The next chapter will examine the data obtained through the use of the questionnaire.

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3. See, for example:

   (a) M.J. Baker, Marketing New Industrial Products, The Macmillan Press Ltd., London, 1975, pp. 146-152.

   (b) C. Moser and G. Kalton, Survey Methods in Social Investigation, Heinemann Educational Books, London, 1977, p.359.

4. Ibid.

5. R. Ferber and P. Verdoorn, Research Methods in Economics and Business, The Macmillan Press Ltd., New York, 1962, p. 283.

6. J. Doby, An Introduction to Social Research, Appleton-Century Crofts, New York, 1967, p.345.

CHAPTER 8

ANALYSIS OF THE FIELD STUDY FINDINGS

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ANALYSIS OF THE FIELD STUDY FINDINGS

INTRODUCTION

The main interest of this study is to identify those factors which could be taken as a basis for explaining success in exporting (i.e. why some firms are competitive in foreign markets while others are not). In this respect, special consideration was given to the role played by marketing factors in achieving competitiveness in exporting. More specifically, it was suggested that export competitiveness could be attributed to the following three major sets of factors.

First: Developing an optimum export marketing mix, i.e. adequate market research, superior quality, efficient after-sales service, competitive prices, adequate promotional efforts, visiting overseas markets, establishing a good relationship with agents, and meeting delivery dates.

Second: Adapting the elements of this mix to suit the foreign needs, i.e. identifying the environmental differences prevailing between home and foreign markets and tailoring the marketing efforts to suit these differences.

<u>Third</u>: Viewing exporting as a basic rather than a marginal activity of the firm, i.e. focusing on achieving long term profitability through the satisfaction of the foreign needs rather than focusing on achieving short term profitability through getting more sales from abroad and placing the foreign needs at the end of the exporting process.

The association between these major sets of factors and competitiveness in exporting represents the focus of the analysis discussed in this chapter.

As a starting point, four main observations should be made here in order to ease the interpretation of the results mentioned in this chapter. These are as follows:

(1) With respect to the dependent variable in this study, it is the export performance of the firm. Such performance will be measured by two main criteria: the export sales ratio which means the percentage of export sales out of the total sales; and export profitability which means export profitability compared with that of home sales.

(2) With respect to the products under investigation, they will be classified into three types; industrial, consumer durable, and consumer non-durable. The aim behind making such a classification

is to find out whether there are any significant differences between these three types in terms of the marketing efforts which are made to sell these products to overseas markets.

(3) With respect to the foreign markets under investigation, they will be classified into two categories; developed and developing. The reason for making such classification is the high degree of similarity between markets in each category in terms of marketing efforts which were made to sell in these markets.

(4) The number of respondents used in all the subsequent statistical analysis is the actual number of firms responding to the question, and not the number of firms in the sample (i.e. 60 firms).

Statistical techniques used in analysing the data are organised as follows:

(1) Analysis of the means. This will be used in analysing the marketing factors which were adopted by the firms in the sample in exporting to foreign markets.

(2) The use of the cross-tabulation technique in finding out whether there was a systematic relationship between the dependent variable on one hand, and each of the independent variables on the other.

(3) To measure the strength as well as the direction of such relationship, analysis of the correlation coefficient between the dependent variable and each of the independent variables will be used.

(4) To predict the dependent variable (export ratio and profitability) from all independent variables (the three major sets of variables), multiple regression analysis will be used.

The relatively small sample size (i.e. 60 firms) with a high degree of homogeneity between its units (all firms have been judged as successful), the multivariate nature of the study, as well as the fact that this study is an exploratory one, are factors which lead one to expect comparatively low levels of correlation and significance. However, where statistically significant correlations are encountered, these are examined in detail and the measures of their substantive significance assessed. In this connection, it is worth noting that the significant levels used in this study include 1% (which takes the sign ***), 5% (which takes the sign **), and 10% (which takes the sign *), and when results fell below these levels, this means that they are not significant and the sign (–) will be used.

In light of the above, this chapter will present the findings of the field research as obtained by the use of the four statistical techniques mentioned earlier. As such, the issues under investigation in this chapter will be organised in two parts, each of which will contain three sub-sections. These parts are as follows:

Part One: Descriptive Analysis

Section One: Background to firms in sample.

Section Two: Export Success and Export Marketing Mix Elements.

Section Three: Export Performance and the Approach Adopted in Exporting.

Part Two: Elaboration Analysis

Section One: Cross-tabulation and Correlation Analysis.

Section Two: Analysis of the Multiple Regression Results.

PART ONE

DESCRIPTIVE ANALYSIS

Section One

Background to Firms in Sample

Introduction

Clearly before an analysis can be made of the data on the marketing policies and strategies adopted by the Queen's Award Winning firms, some background to these firms is needed. Such background contains their activities, their current and potential export markets, their foreign competitors as well as their experience and performance in exporting. So, the main aim of this section is to cast light on the five characteristics mentioned above.

Product Type

Table 8.1 indicates that the respondent firms covered a wide spectrum of activities ranging from whisky, food products, and newspaper and air documentation to the manufacture of heavy machines and engineering and chemical products.

The sample was broken down into three product categories: industrial, consumer durable and consumer non-durable. From Table 8.2 it can be seen that 43 (68%) firms were industrial goods exporters, 7 (11%) firms were consumer durable goods exporters, and the remaining 13 (21%) firms were consumer non-durable exporters. Clearly the majority of these firms were industrial rather than consumer exporters.

Table 8.1

Products Manufactured by Firms in Sample

Product Type	Number of Firms in Sample
Machines/Equipment	20
Engineering Products	10
Chemical Products	5
Steel Products	5
Textiles	5
Electrical Units	4
Aircraft Products	3
Whisky	3
Food Products	3
Newspaper/Air Documentation	2
Rock Drill/TV Sets/Trucks	3
Total	63

Table 8.2

Analysis of Responses by Product Category

Product Category	Firms in Sample		Firms in Population		Sample Representativeness
	No.*	%	No.**	%	(%)
Industrial	43	68	55	69	78
Consumer Durable	7	11	8	10	88
Consumer Non-Durable	13	21	17	21	76
Total	63	100	80	100	79

* Three firms indicated that they manufactured and exported more than one product category.

**The seven service organisations were excluded because we did not receive any positive reply from them, i.e. the questionnaire design was inappropriate to document their activities.

The extent to which the sample is representative of the population from which it was drawn can also be seen in Table 8.2. It is evident that the response to the postal survey was relatively high and the sample with its three product categories is largely representative of the population and lends confidence to the possibility of extrapolating the survey findings.

Export Markets: Present and Future Importance

In assessing the relative importance of various export markets to award-winning firms, three clusters of markets emerged in order of present importance. These are as follows:

Currently very important:	W. Europe, N. America, M. East, and Africa.
Currently important:	Japan, Australia, China, S. America, Scandinavia and the Far East.
Currently less important:	Eastern Bloc, S. Africa, and India.

Full details are shown in Table 8.3.

In terms of future (next 5 years) importance, firms tended to envisage across-the-board constant development of existing markets and to give more importance to the Eastern Bloc, S. Africa and India. Full details are shown in Table 8.4.

Two main observations can be made from Table 8.4. These are as follows:

Table 8.3

Export Markets of Current Importance to Firms in Sample

Markets	No. of Respondents	%*
W. Europe	21	38
N. America	18	33
M. East	15	27
Africa (excl. S.Africa)	10	18
Japan	8	15
Australia	8	15
S. America	8	15
Scandinavia	8	15
China	7	13
E. Europe	6	11
India	5	9
S. Africa	3	6

N.B. Column does not add up to 100 because all respondent firms stated that they exported to a number of the markets mentioned above.

*Base: 55 firms.

Table 8.4

Export Markets of Future Importance to Firms in Sample

Markets	Very Important	Important	Not Important	Total	No. of Respondents	Mean Response
	1, 2	3	4, 5			
	%	%	%	%		
W. Europe	69*	15	17	100	55	1.89
N. America	67	10	22	100	49	2.10
M. East	58	20	22	100	49	2.42
Australia	35	20	45	100	46	2.95
S. Africa	30	40	30	100	43	3.00
Africa (excl.S.Africa)	38	17	45	100	47	3.12
Japan	34	16	51	100	44	3.18
India	32	21	48	100	44	3.31
China	22	29	49	100	41	3.39
E. Europe	22	29	49	100	45	3.39

*To be read: 69% of the respondents to this question stated that W. Europe will be their most important market in the near future rated on a scale ranging from 1, 2 = Very Important to 4, 5 = Not Important, when they were considering the relative importance of their foreign markets over next 5 years.

N.B. The lower the mean, the higher the importance.

(1) It is encouraging to find that markets such as the Eastern Bloc and China, which are difficult in terms of the economic and cultural environment, although still comparatively untapped, are likely to receive more attention in the near future from the award-winning firms.

(2) Firms tended to develop their export markets in areas such as West Europe, North America and the Middle East rather than to confine themselves to the traditional markets for British Exporters which are to be found mainly in the commonwealth countries. Perhaps tariff reductions (West Europe) as well as the similarity between home and the former two markets in terms of economic and technological development may explain such attention given to these two groups of markets. On the other hand, the existence of export opportunities in the Middle East countries may lead firms to take advantage of these opportunities.

Foreign Competitors

Table 8.5 indicates that exporters of the developed countries in West Europe, North America, and Asia (i.e. Japan) were the principal competitors in foreign markets. German, French, Italian, American, and Japanese manufacturers were most frequently mentioned as the principal competitors in export markets.

Table 8.5

The Award Winners' Most Important Competitors

Country	No. of Respondent Firms	%
W. Germany	37	66
U.S.A.	29	52
France	23	41
Japan	19	34
Italy	11	20
Holland	5	9
Switzerland	5	9
Sweden	4	7

Base: 56 Firms.

Involvement in Exporting

Involvement in exporting by the firms in the sample can be seen from Table 8.6. This table shows that 32 (54%) of the 58 firms who responded to this question have been actively engaged in exporting for less than 20 years, 13 (23%) firms have been involved in exporting for the period from 21 to 50 years, and the remaining (13) firms have exported to overseas markets for over 50 years.

Table 8.6

Involvement in Exporting

Categories	No. of Firms	%
1 - 20 years	32	54
21 - 50 years	13	23
Over 50 years	13	23
Total	58	100

Export Performance

As discussed in Chapter 5, there is no single ideal criterion with which to judge the export performance of the firm, and even the sales criteria which have been used by the Selection Committee for the Queen's Award were inadequate on the grounds that they did not take into account the question of export profitability and might even hide a failure to accept the opportunities and potentialities of expansion rather than reflect a conscious and aggressive export marketing effort. Therefore, a combination of sales and profit criteria was chosen to measure success in exporting. The sales criterion used in this research is "export sales ratio" which means the percentage of export sales out of total sales. The profit criterion used, for the purpose of this reasearch, is the comparison between export profitability and that of home sales.

During the course of the pilot test of the questionnaire, we found that precise information on export profitability and/or sales was difficult, if not impossible, to obtain. Thus we had to present the managing directors of the winning firms with a group of sales and profit categories (Question 19(ii) and 19(iii)) and ask them to select the category in which their firms fell. Full details of export sales and profitability categories are found in Table 8.7.

Table 8.7

Export Performance

Export Ratio			Export Profitability compared with that of Home Sales		
Categories	No.of firms	%	Categories	No.of firms	%
1. Under 40%	13	22	1. Higher	27	47
2. 40%-Under 60%	14	24	2. Equal	14	25
3. Over 60%	31	54	3. Lower	16	28
Total	58	100	Total	57	100
Mean = 2.31 (i.e. 72%)			Mean = 1.82 (i.e. higher)		

In terms of export ratios, the above table indicates that the majority (78%) of the firms in the sample exported over 40% of their output to foreign markets, and the remaining (22%) firms made less than 40% of their total sales from abroad. This in turn produced 2.31 as an arithmetic mean (i.e. the mean of export sales ratio of all firms was 72%).

In terms of export profitability, this table suggests that generally export sales were more profitable than home sales (mean = 1.82 i.e. higher). Moreover, it indicates that the majority (72%) of the respondent firms stated that their profits from export sales were, at least, equal to those gained from home sales. This finding does infirm what is currently believed, especially in business circles, that exporting is less profitable than home sales and this may explain the less attention given to export markets if compared with the home market.

Summary of the Results

At the end of this section, the conclusions which were derived are summarised as follows:

(1) Although the winning firms covered a wide spectrum of activities from whisky distilling to the manufacture of heavy machines, the majority (68%) of these firms were industrial rather than consumer exporters.

(2) West Europe, North America and the Middle East were regarded by the majority of the firms as the most important markets at present and over the next five years. The Eastern Bloc and China appeared to be receiving more attention in the near future.

(3) The most frequently mentioned competitors in export markets were German, American, French, Japanese, and Italian exporters.

(4) The majority (77%) of the firms in the sample have been involved in exporting for less than 50 years.

(5) The majority (78%) of the firms in the sample sold over 50% of their output to overseas markets.

(6) There was no evidence that exporting was less profitable than home sales; in fact, the reverse was true.

Section Two

Export Success and Export Marketing Mix Elements

Introduction

A search of the relevant literature indicated that the role of marketing in achieving success in exporting was a subject which has stimulated much comment and advice, but surprisingly few hard facts.

In light of this, it was decided to ask those who have been adjusted as "successful", by the Queen's Award Committee, to what marketing elements could their success be attributed. As such, eight marketing factors were chosen for this study, namely market research, quality, price, promotion, personal visits, relationship with agents, after-sales service, and delivery. Each of these factors will be analysed from two angles: the agreement or disagreement upon this factor as one of the ingredients of success, and to what extent emphasis upon a given mix element varied by type of product and type of market.

The main aim here is to find out whether there was a relationship between each of the eight factors mentioned above and competitiveness in exporting.

Export Market Research

As mentioned in Chapter 5 the marketing approach attaches very considerable importance to the role of market research in contributing to competitiveness. Accordingly, it was decided to examine the relationship between carrying out export market research and success in exporting. Table 8.8 shows how extensive was the use of export market research in successful exporting companies. From this table it is evident that the majority (86%) of the respondent firms researched their foreign markets before they decided to sell in them.

Table 8.8

Carrying out Export Market Research

In General	No. of Respondents	%
Yes	50	86
No	3	5
N/Applicable	5	9
Total	58	100

By Type of Product	Yes	No	Total	No. of firms in sample
Industrial	88% (36)	12% (5)	100% (41)	43
Consumer durable	86% (6)	14% (1)	100% (7)	8
Consumer non-durable	81% (9)	19% (2)	100% (11)	13

Table 8.8 also indicates that there was no significant differences between industrial and consumer firms in terms of carrying out export market research. Such findings do confirm our hypothesised relationship between carrying out export market research and success in exporting. As such, these results are in agreement with those of the

Machine Tool Report (1970)[1]; Mechanical Engineering EDC (1968)[2]; Hunt et al. (1967)[3]; BIM (1975)[4]; Rollason (1971)[5]; and ITI (1979[6] that higher export performance is related to the conduct of prior market research.

With respect to the methods used in conducting export market research, Table 8.9 shows these methods which are based on the respondents' answers to the following question.

Q.5 Which of the following methods does your firm use in researching the foreign market?
(Please rank all that apply in order of importance assigning (1) to the most important, (2) to the second and so on, but leaving blank any that do not apply).

Methods	Rank in Importance
1. Your own export division	
2. Your own market research department	
3. Your sales force	
4. Specialised market research agencies	
5. Foreign agents and distributors	
6. Government agencies (e.g. BOTB)	
7. Chamber of Commerce	
8. Other (Please state)	

From this table it can be seen that the most frequently mentioned methods of export market research were sales force, market research department, export sales division and overseas agents.

From the results in Table 8.9, four main observations regarding methods of export market research emerge. These are as follows:

Table 8.9

Methods of Export Market Research

Methods	Rank in importance 1 %	2 %	3 %	4 %	5 %	6 %	7 %	Total %	$\bar{x}$	n	N
Sales force	48*	23	23	3	3	3	-	100	2.00	40	50
Market Research Department	48	28	8	4	4	4	4	100	2.20	25	50
Export division	55	16	16	13	-	-	-	100	2.26	33	50
Agents	13	36	28	13	8	3	-	100	2.74	39	50
BOTB	4	16	40	16	20	4	-	100	3.44	25	50
Market Research Agencies	14	24	5	19	14	-	19	100	3.95	21	50
Chamber of Commerce	13	13	19	19	25	6	6	100	4.75	16	50

$\bar{x}$ = the mean value given to each method.

n = the number of respondents who provided a rating from the method.

N = the number of firms in the sample who carried out export market research.

* To be read: 48% of the respondents to this question ranked the sales force as the most important method of export market research.

N.B. The lower the mean, the higher the importance.

(1) Sales force appeared to be the most important method used in researching foreign markets. Such method may be the cheapest one available, but it is usually the most inaccurate and, as a consequence, the research may be unsophisticated and mismanaged. Such observation may indicate that, to some firms in the sample, market research was no more than keeping an ear to the ground. As such, it gives support to Baker's[7] argument, that although the marketing concept is well known, "there is still cause for concern that policy-maker and senior management only pay lip service to the concept while continuing to do the opposite ... this is indeed the case with regard to exporting".

(2) There was an increasing tendency to reduce the role of agents in carrying out export market research. This method was regarded as the fourth most important method after sales force, market research department and export division, and only 13% of the respondent firms ranked it as their most important method used in conducting foreign market research.

(3) A large number of the firms in the sample tended to use formal export market research - 33 (66%) of the respondent firms researched their foreign markets through their export divisions; a large proportion (55%) of these firms ranked their export division as their most important research method. In addition, 50% (25/50) of the respondent firms used their market research departments in researching their overseas markets.

(4) Contrary to the widespread belief in business circles, the services of the BOTB are considered valuable by many exporters. 25 (50%) of the firms used such services in conducting export market research.

Firms were also asked to state the main activities of their market research. Answers to this question are detailed in Table 8.10.

Table 8.10

Activities of Export Market Research

	Very Important 1 %	2 %	Important 3 %	Not Important 4 %	5 %	Total %	$\bar{x}$	n	N
Providing market information	41*	28	20	8	3	100	2.20	39	50
Selecting foreign markets	59	33	9	-	-	100	1.50	46	50
Identifying the required adaptation to the selected markets	19	38	32	11	-	100	2.35	37	50
Determining the profitability of such adaptation	10	7	19	65	-	100	3.39	31	50

$\bar{x}$ = the mean value given to each activity.

n = the number of respondents who provided a rating for the activity.

N = the number of firms in the sample who carried out market research.

* To be read: 41% of the respondents to this question stated that providing market information was the most important activity of export market research rating 1 on a scale 1 = Very Important to 5 = Not Important, when they were considering the activities of their export market research.

From this table it is quite clear that the most frequently mentioned activities of export market research were selecting export markets, obtaining information about these markets, and identifying the required adaptation to suit the needs of these markets. Such activities may suggest that the majority of the successful firms were fully conversant with the environmental differences prevailing between their home and foreign markets. This finding adds strength to the Machine Tool Report (1970);[8] ITI Report (1979);[9] Piper[10] and Pointon[11] that selecting foreign markets and tailoring marketing efforts to satisfy the needs of these markets were the main characteristics of firms with higher export ratios.

Product Quality

As mentioned in Chapter 5 product quality is regarded as one of the most important factors for success in exporting by a number of researchers, and many of those researchers have suggested that quality is more important than price as a factor for competitiveness in export markets. Therefore, it was decided to investigate the association between superior quality and higher export performance. Table 8.11 indicates the degree of design and quality sophistication of the products exported to overseas markets which is based on the respondents' answers to the following question.

Q.6 How do you compare your products in terms of the degree of design and quality sophistication as opposed to that of competing products?
(Please circle the most appropriate number on the scale).

Your principal products	Your products compared with these competing products.				
	Significantly more sophisticated	Slightly more sophisticated	About the same level	Slightly more unsophisticated	Significantly more unsophisticated
German	1	2	3	4	5
Japanese	1	2	3	4	5
French	1	2	3	4	5
American	1	2	3	4	5
Italian	1	2	3	4	5
Other (Please state)	1	2	3	4	5
	1	2	3	4	5
	1	2	3	4	5

From this table it is evident that, in all cases, British products were slightly more sophisticated than those of principal competing countries. This finding supports the hypothesis that the more the design and quality sophistication, the more the protection against competition and the higher export performance will be. As such, it gives support to Baker's[12] argument that to retrieve and maintain British competitiveness in exporting, more emphasis should be placed on "technological innovation" - "... in areas of high technology capital equipment it would be pointless to imitate current models which are being imported into Britain in preference to home-produced alternatives. Here we must attempt to build upon the current state

Table 8.11

Design and quality sophistication of the Award-winners' products compared with that of principal competiting products

Principal Competing Products	Significantly more sophisticated	Slightly more sophisticated	About the same level	Slightly more unsophisticated	Signifycantly more unsophisticated			
	1	2	3	4	5	Total	$\bar{x}$	n
	%	%	%	%	%	%		
German	13*	30	46	11	-	100	2.54	46
Japanese	23	25	22	2	2	100	2.23	35
French	28	25	40	8	-	100	2.28	40
American	14	44	29	8	4	100	2.43	48
Italian	27	19	38	14	3	100	2.45	37
Indian	40	20	33	7	-	100	2.13	15
Mean (Total)	24	27	35	8	1	100	2.37	37

$\bar{x}$ = the mean value given to the degree of product sophistication of the winning firms compared with that of principal competitors.

n = the number of respondent firms.

* To be read: 13% of the respondents to this question indicated that their products were significantly more sophisticated compared with those of German competitors rating 1 on a scale 1 = Significantly more sophisticated to 5 = Significantly more unsophisticated, when considering the degree of design and quality sophistication.

N.B. The lower the mean, the higher the degree of product quality sophistication.

of the art and leap-frog it. In other words, the emphasis must be on R & D and "technology push". It also adds strength to the finding reached by Rothwell[13]; NEDO (1965)[14]; ITI Research (1979)[15]; Albu[16]; Senker et al.[17] that the technical quality of the product is the most important factor in determining its competitiveness in export markets.

Was the degree of quality and design sophistication different by product type? Table 8.12 gives the answer to this question.

Table 8.12

The Degree of Design and Quality Sophistication by Product Type

Competing Products	Successful products compared with Competing products (Mean scores)*		
	Industrial	Consumer durable	Consumer non-durable
German	2.60	2.57	2.25
American	2.59	2.28	2.20
French	2.42	2.50	1.87
Japanese	2.30	2.33	2.20
Italian	2.53	2.28	2.40
Indian	2.08	2.00	1.00
Total (Mean)	2.46	2.37	2.12

*All figures in this table are the mean values given to the degree of sophistication of each type of the successful products compared with that of competing products.

N.B. The lower the mean, the higher the degree of quality and design sophistication.

From this table it is seen that consumer products were considered slightly more sophisticated than industrial products if compared with their competing products. One possible reason for this is that some British consumer goods such as textiles and whisky are still highly sophisticated and well-known through the world.

Price

As mentioned in Chapter 5, the importance of price as a factor for success in exporting is still a matter of controversy. While public and government circles place more emphasis upon the price as a factor for competitiveness in exporting, a large number of researchers view price as just one element of the marketing mix and that it is only relevant in the context of other factors such as performance, quality, and after-sales service.

Accordingly, it was decided to explore the possible link between lower price and success in exporting. We asked those who have been judged as "successful" to what extent their success could be attributed to the price factor.

However, before testing for such a relationship, it will be helpful to examine the bases used by the successful firms in pricing their products to foreign markets, and to show to what extent these bases differed by both type of product and market.

Pricing Bases

Analysing Table 8.13, price that the market will bear, full cost-plus and competitor's price were the most frequently mentioned bases of export pricing. Also two main observations emerged regarding export pricing policies, namely:

(1) Many exporters were flexible in their pricing policies to overseas markets. 30 (50%) of the firms in the sample priced their products according to what the foreign market will bear, and 23 (38%) of the firms took into account their competitors' prices when they priced overseas. Such flexibility may indicate, once again, that many of the successful firms were more adaptable to their foreign markets.

(2) On the other hand, full cost-plus price was still used by a considerable number of the successful firms. 26 (43%) of the sample charged their foreign customers the full cost-plus price. This finding may suggest that, for many exporters, foreign markets are viewed as an extension of the home market. It is also in agreement with Hunt et al.[18] who found that most firms in their study on engineering industries priced their foreign markets on the basis of counting all the direct and indirect costs and adding a profit margin.

Table 8.13

Export Pricing Policies

Policies	Firms using each policy		Number of firms in sample
	No.	%	
Price that the market will bear	30	35	60
Full cost-plus price	26	30	60
Competitor's price	23	27	60
Marginal cost price	7	8	60
Total	86*	100	

*A number of firms adopted more than one policy in pricing overseas.

Export Pricing by Product Type

Table 8.14 shows that there were no significant differences between industrial goods exporters and consumer goods exporters in pricing their products to what foreign markets would bear or on the basis of a full cost-plus policy. Both methods were extensively used by both types of exporters. However, slight differences were found between those two types of exporters in terms of pricing according to competitors' prices and marginal cost prices. As it can be seen from this table consumer exporters took their competitors' prices into consideration when they priced overseas than did industrial exporters. On the other hand, the marginal cost policy was more widely used by industrial exporters than consumer exporters.

Table 8.14

Export Pricing Policies by Product and Market Type

	By Product Type			By Market Type	
	Industrial	Consumer durable	Consumer non-durable	(1) Developed	(2) Developing
"Market bear" price	45% (22)	40% (4)	43% (6)	39% (17)	58% (11)
Full cost-plus price	37% (18)	40% (4)	43% (6)	23% (10)	5% (1)
Competitor's price	4% (2)	10% (1)	14% (2)	36% (16)	11% (2)
Marginal price	14% (7)	10% (1)	- -	2% (1)	26% (5)
Total	100% (49)*	100% (10)*	100% (14)*	100% (44)	100% (19)

(1) Developed markets include: W. Europe, E, Europe, N. America, Japan, Australia and S. Africa.

(2) Developing markets include: S. America, Caribbean, Africa (excl. S. Africa), M. East (Incl. Egypt), and other Asian countries (excl. Japan).

*A number of industrial and consumer exporters used more than one base in pricing their products in foreign markets.

Export Pricing by Market Type

Although the "market will bear" price was the dominant pricing policy in exporting to both developed and developing markets, Table 8.14 suggests that such a policy was used more extensively in selling to developing rather than developed markets. In addition, it can also be seen from this table that exporters tended to use the marginal cost price more in selling to developing markets rather than they did to developed markets.

On the other hand, however, Table 8.14 indicates that competitors' prices and full cost-plus price were used more extensively in exporting to developed rather than developing markets. The strong competition faced in developed rather than developing markets, especially from domestic manufacturers, may illustrate why more consideration was given to competitors' prices in developed rather than developing markets.

The Award Winners' Prices compared with those of their Competitors

The winning firms were asked to compare their prices with those of their principal competitors. The answers to this question are detailed in Table 8.15. From this table it can be seen that the winning firms' prices were equal to or more expensive as compared with those of their principal foreign competitors in general. In particular, a larger proportion of the respondent firms stated that their prices were more expensive if compared with Italian and Japanese prices.

Also, a larger proportion of the firms indicated that their prices were equal to those of French, American, and German competitors. However, a small proportion of the winning firms stated that their prices were relatively inexpensive or cheap, especially if compared with Japanese and German prices.

Table 8.15

The Award-Winners' Prices compared with Competing Prices

Competing Prices	Very Expensive	Expensive	Equal	Relatively Inexpensive	Cheap	Total	$\bar{x}$	n
	1	2	3	4	5			
	%	%	%	%	%	%		
Japanese	19*	49	22	11	-	100	2.24	37
Italian	11	50	26	11	3	100	2.44	38
American	16	31	44	7	2	100	2.48	45
French	5	29	61	3	3	100	2.68	38
German	6	34	43	17	-	100	2.70	47

$\bar{x}$ = the mean value given to the winners' prices as compared with competing prices.

n = the number of respondents who provided a rating for their prices as compared with those of their principal competitors.

* To be read: 19% of the respondents indicated that their prices were very expensive with those of Japanese competitors rating 1 on a scale 1 = Very expensive, to 5 = Cheap, when rating their prices compared with those of their principal competitors.

N.B. The lower the mean, the more expensive the price.

Why the winners' prices seemed to be slightly more expensive than those of their principal competitors?

Three possible reasons can be cited here to answer this question. These are as follows:

(1) The high exchange rate of Sterling if compared with that of other foreign currencies such as the Dollar, Yen or Mark. Such a strong pound may make British products be perceived as more expensive than competing products (e.g. Japanese products). In this connection, one can mention that at the time when the survey took place the value of the pound was increasing up to $2.38.

(2) The high inflation rate prevailing in Great Britain. Computing the correlation coefficient between the high inflation rate prevailing in the U.K. and the expensiveness of British prices compared with those of principal competitors. Table 8.16 indicates that a clear relationship was found between the U.K.'s inflation rate and the perceived expensiveness of British products if compared with those of German, Japan, and the U.S.A. who had a relatively lower inflation rate than those existing in the U.K. On the other hand, this table shows that because France and Italy were experiencing an inflation rate similar to that of the U.K., British prices were seen to be equal to those of these two countries. Supporting evidence of the effect of the U.K.'s inflation on the expensiveness of the winning firms' prices is to be found from Table 8.17 from which it is clear that 61%

of the respondent firms indicated that the U.K.'s inflation decreased their price competitiveness in foreign markets.

Table 8.16

The U.K.'s Inflation and the Expensiveness of the Award-Winners' Prices compared with those of principal foreign competitors

Competing Countries	The U.K.'s inflation and the expensiveness of the winners' prices compared with principal competitors
W. Germany	$r = .34^{***}$
Japan	$r = .33^{***}$
U.S.A.	$r = .25^{**}$
France	$r = .10$ —
Italy	$r = .05$ —

r = Pearson Correlation Coefficient

*** Significant at 1% level or better;
** 5% level
— below 10% level

Table 8.17

The U.K.'s Inflation and the Ability to compete Overseas

Increase 1, 2	No Effect 3	Decrease 4, 5	Total	$\bar{x}$
19% (16)	10% (6)	61% (34)	100% (56)	3.36

$\bar{x}$ = arithmetic mean.

N.B. The lower the mean, the higher the ability to compete overseas.

(3) The financial aids provided by foreign governments to their exporters, especially those provided to German and French competitors, which enabled those exporters to offer foreign customers relatively inexpensive prices if compared with British prices. In this connection one should mention that 8 out of the 10 firms interviewed for the purpose of testing our questionnaire before sending it out to the winning firms, focused upon such aids as a major reason illustrating why British prices seemed to be higher than their counterparts in overseas markets. Supporting evidence for this reason may come from the analysis of the winning firms' replies which indicates that 24% of the winning firms mentioned such reason as an obstacle in increasing the competitiveness of British exports in the world market.

Before leaving this point it should be noted here that contrary to the currently popular belief in public and government circles, the above findings indicate that lower price is of secondary importance in contributing to export success. This does partially confirm our hypothesis that lower price is not the most important factor for success in exporting. However, this is not to say that price is not an important factor when the other non-price factors are constant. This point will be discussed in detail later on in this chapter.

<u>Export Promotion</u>

In Chapter 5 an examination of the relevant literature indicated that promotion was regarded as a factor for export success by only a limited number of the exporting firms, and even that promotion it seemed, was almost entirely equated with media advertising.

In light of this finding, it was decided to ask the winning firms whether they promoted their products in overseas markets and to what extent they ascribed their success to efficient promotional efforts. Questions 10 and 11 addressed this issue as follows:

Q.10 Does your firm actively promote its products in export markets?

Yes	☐
No	☐
Don't know	☐

If Yes, please continue with Q.11, otherwise go to Q.12.

Q.11 Which of the following methods does it use for each type of market?
(Please tick all that apply)

Methods	Markets											
	W. Europe	E. Europe	N. America	S. America	Caribbean	Japan	Australia	S. Africa	Africa (Excl. S. Africa)	Middle East (Incl. Egypt)	Other (Please state)		
Advertising													
Personal Selling													
Publicity													
Sales Promotion													

Analysing the replies of the winning firms the majority (95%) of the respondent firms reported that they promoted their products in overseas markets. This finding does confirm our hypothesis that the more the firm gives attention to promotional efforts in exporting, the greater its export performance will be. As such, it gives support to Industrial Market Research Ltd.(19) who concluded that "the British export manager has not realised the extent to which he has lost business because of inadequate attention to export promotion".

Regarding the methods that were used in export promotion, Table 8.18 indicates that all forms of promotion (i.e. advertising, personal selling, sales promotion, and publicity) were used by the winning firms.

However, the method which was most extensively used was personal selling.

Table 8.18

Promotional Methods used in Exporting

Methods	Firms using each Method %	(No)*
Personal selling	38%	(24)
Advertising	22%	(14)
Sales promotion	20%	(13)
Publicity	20%	(13)
Total	100%	(64)**

* Is the average number of firms using each method in all market groups (i.e. 11 groups of markets).

**A number of firms used more than one method in export promotion.

The latter finding may suggest that a direct contact between many of the winning firms and their customers in overseas markets was found. It is also in agreement with that of Michell,[20] who revealed that face-to-face personal selling was the most important element used in the promotion strategy by many successful exporting firms. On the other hand, however, our results relating to the use of advertising in promoting products overseas does infirm those of Michell[21] and Rollason[22] which indicated that a very small proportion (5% and 3% respectively) of firms investigated considered advertising in their export promotion strategy.

Turning now to examine to what extent the use of export promotion was different by type of market, Table 8.19 indicates that, in general, there were no significant differences between developed and developing markets in terms of the use of the different forms of export promotion. However, this table shows that a slight difference was found between these two types of markets in terms of the use of advertising and publicity in the export promotion strategy, directed to these markets in particular. As can be seen from that table, advertising was used more in promoting products in developed rather than developing markets. The lesser use of advertising in promoting products in developing markets may be due to the environmental characteristics prevailing in these markets (i.e. limited advertising media with limited services).

Table 8.19

Export Promotional Methods by Type of Markets

Methods	Markets Developed(1)		Developing(2)	
	%	No.*	%	No.*
Personal selling	40%	(31)	39%	(21)
Advertising	22%	(17)	20%	(11)
Sales promotion	19%	(15)	19%	(10)
Publicity	19%	(15)	22%	(12)
Total	100%	(78)**	100%	(54)**

(1) Developed markets include: W. Europe, E. Europe, N. America, Australia, Japan, and S. Africa.
(2) Developing markets include: S. America, Caribbean, Africa, M. East, and other Asian countries.

* Is the average number of firms using each method in each market type.
**A number of firms used more than one method in each type of market.

Overseas Visits

As mentioned in the conceptual part of this thesis, great emphasis has been placed on visiting overseas markets as a factor for success in exporting to these markets by a number of researchers, businessmen and government officials. Therefore, we asked the Award-Winners whether they did visit their foreign markets and, if so, what were their aims from such visits. Table 8.20 summarises the results which are based on the respondents' answers to the following question.

Q.12 Do you visit your overseas markets?
(Please tick one box below)

Yes ☐ No ☐

If Yes: Generally which of the following benefits do you gain from visiting these markets?
(Please rank in importance all that apply)

Benefits

1. Selecting, motivating and controlling agents. ☐
2. Identifying and solving distribution problems ☐
3. Establishing a good relationship with foreign customers ☐
4. Identifying the market needs ☐
5. Identifying the market size ☐
6. Other (Please specify)

   ____________________ ☐

   ____________________ ☐

From analysing the replies it was found that almost all the respondent firms (90%) visited their foreign markets. Benefits gained from visiting overseas markets are summarised in Table 8.20.

Table 8.20

Benefits gained from visiting Overseas Markets

Benefits	Very Important 1 %	2	Important 3 %	Not Important 4 %	5	Total %	$\bar{x}$	n	N
Establishing a good relationship with foreign customers.	58*	19	15	2	6	100	1.78	52	54
Identifying the market needs.	16	38	22	22	2	100	2.56	50	54
Selecting, motivating and controlling agents.	36	23	21	16	5	100	2.29	44	54
Identifying and solving distribution problems.	5	14	21	19	37	100	3.83	43	54
Identifying the market size.	5	5	19	23	49	100	4.07	43	54

$\bar{x}$ = the mean value given to the benefits gained from overseas visits.

n = the number of respondents who provided a ranking for the benefit.

N = the number of firms in the sample who visited their foreign markets.

* To be read: 58% of the respondents to this question stated that establishing a good relationship with foreign customers was very important benefit gained from overseas visits.

N.B. The lower the mean, the higher the importance of the benefit gained from overseas visits.

From this table it is evident that establishing a good relationship with foreign customers was the most important benefit gained from making such visits. 52 (96%) of the firms who visited their export markets indicated that their first interest was to establish a good relationship with customers there. Selecting, motivating, and controlling agents was ranked as the second benefit obtained from visiting overseas markets by a large proportion (81%) of the respondent firms. Identifying the needs of the foreign markets came in the third position and was mentioned by 50 (93%) of the respondent firms. Solving distribution problems as well as identifying the market size were regarded by a large number (43) of firms as the least important benefits obtained from visiting overseas.

The above results support our hypothesis that the more emphasis the firm places upon regular visits to foreign markets, the more it identifies their needs and establishes a good relationship with its customers and agents there the higher its export performance will be. As such, the findings are in agreement with those of Cunningham and Spigel,[23] ITI Research (1975)[24] and Rollason[25] that visiting overseas markets was regarded as of prime importance by large numbers of exporting firms. These results also suggest that exporter-customer interaction was of prime importance in successful exporting.

Methods of Selling Overseas

A review of the relevant literature indicated that the majority of British exporters were heavily reliant upon their agents in selling to foreign markets and that many of those handled their relationships with agents very badly. Thus, an attempt was made to find out to what extent agents were employed by the successful firms and how satisfactory were their relationships with those intermediaries. More specifically, firms were asked the following two questions:

Q.12 Approximately what percentage of your firm's exports is made by each of the following methods in each of its markets?
(Please indicate the percentage of each type of method in your most important markets).

Methods	Markets									
	W. Europe	E. Europe	N. America	S. America	Caribbean	Japan	Australia	S. Africa	Africa (Excl. S. Africa)	M. East
	%	%	%	%	%	%	%	%	%	%
Agents.										
Distributors.										
Salesmen (Based in U.K)										
Your sales branch in overseas markets.										
Government importing companies (socialist countries).										
Other (Please state)										
	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %

Q.14 If agents or distributors are the main distribution methods of your firm's sales, how satisfactory is the relationship with them?
(Please circle the most appropriate number on the scale).
If they are not go to Q.15.

Markets	Very satis-factory	Quite good	Satis-factory	Rela-tively unsatis-factory	Very unsatis-factory
W. Europe	1	2	3	4	5
E. Europe	1	2	3	4	5
N. America	1	2	3	4	5
S. America	1	2	3	4	5
Caribbean	1	2	3	4	5
Japan	1	2	3	4	5
Australia	1	2	3	4	5
S. Africa	1	2	3	4	5
Africa (Excl. S. Africa)	1	2	3	4	5
Middle East (Incl. Egypt)	1	2	3	4	5

To determine whether the successful firms were over-reliant upon agents in exporting, the various methods used in selling overseas by these firms will be examined first, and will include the number of firms using each method as well as the percentage of their exports which was made by that market.

Methods used in Exporting

In terms of the number of firms using the various methods of selling overseas, Table 8.21 shows that the most frequently mentioned methods of exporting were agents, salesmen, sales branch, and distributors. Clearly this table suggests that the use of agents was not the single most common method of channelling exports to overseas customers. Only 24 (29%) of the respondent firms indicated that they used this method in selling to their foreign customers.

Table 8.21

Methods of Selling Overseas

(Number of firms using each method)

Methods	All Markets	(1) Developed Markets	(2) Developing Markets
Agents	29% (24)*	24% (12)*	34% (12)*
Distributors •	19% (16)	18% (9)	20% (7)
Salesmen (based in U.K)	29% (24)	29% (14)	29% (10)
Sales branch in Overseas markets	20% (17)	24% (12)	14% (5)
Government importing companies	3% (3)	4% (2)	3% (1)
Total	100% (84)**	100% (49)	100% (35)

* = the mean value given to the number of firms using each method in each market type.

** = A number of firms used more than one method in selling overseas.

(1) Developed markets include: W. Europe, E. Europe, N. America, Japan, Australia, and S. Africa.

(2) Developing markets include: W. America, Caribbean, Africa, M. East, and other Asian countries.

Were there differences between developed and developing markets in terms of the methods used in selling to these markets? Table 8.21 shows that there were no significant differences between the two types of markets in terms of using distributors, salesmen and government importing companies. However, differences were found between developed and developing markets in terms of using agents and sales branches in selling to these markets. While 34% of the firms which exported to developing markets stated that they used agents in selling to these markets, only 24% of those who exported to developed markets indicated that they used such a method in selling to these markets. On the other hand, while sales branch was mentioned by 24% of the firms which exported to developed markets as one of the methods they used in selling to these markets, it was only used by 14% of those who exported to developing markets.

Percentage of Exports made by each Method

In terms of the percentage of exports which was made by each of the methods mentioned above, Table 8.22 shows that a large percentage of export sales was made by salesmen and agents. Taking the number of firms using these two methods into consideration, the 24 firms which used salesmen in selling overseas, 68% of their exports were made by this method, and 65% of the export sales of those who used agents (i.e. 24 firms) in selling overseas were made by such methods.

Table 8.22

Methods of Selling Overseas
(Percentage of Exports which was made by each Method)*

		Type of Market	
Methods	All Markets	Developed Markets (1)	Developing Markets (2)
	%	%	%
Agents	65	70	59
Distributors	57	58	56
Salesmen (based in U.K.)	68	65	71
Sales branch in overseas markets	68	75	60
Government Import Companies	68	56	80

*This table is based on the mean value given to the percentage of exports which was made by each method in each type of market.

N.B. All columns do not add up to 100% because many firms used more than one method in each type of market.

(1) Developed markets are W. Europe, E. Europe, N. America, Japan, Australia, and S. Africa.

(2) Developing markets are S. America, Caribbean, Africa (Excl. S. Africa), M. East (Incl. Egypt), and other Asian countries (Excl. Japan).

Were there differences between developed and developing markets in terms of the percentage of exports which was made by each of the methods used in selling to these markets? Table 8.22 shows that there were differences in the percentages of exports which were made by agents, sales branch, salesmen and importing companies between the two types of markets. The percentage of exports which were made by the first two methods were higher in developed markets if compared with those in developing markets and the reverse was true for the last two methods.

Were the successful firms over-reliant upon agents in exporting?

Taking the number of firms using both agents and sales forces in selling to overseas markets, together with the percentage of exports which were made by these two methods, we conclude that the winning firms were not over-reliant upon agents in exporting. The following is our justification:

Agents were employed by 24 (i.e. 40%) of the sample (i.e. 60 firms), and 65% of export sales of these 24 firms were made by agents. On the other hand, the same number (i.e. 24) of firms used salesmen in exporting, and 68% of their export sales were made by this method. Such numbers and percentages support our view that the use of agents was not the single most extensive method of channelling exports to overseas customers. However, the above must not be taken to suggest that agents were not an important method of selling overseas. What the above does indicate is that agents still have a role to play in exporting. The result obtained from Table 8.9 supports that role (39 out of the 50 firms which researched overseas markets used agents in making such inquiries). The latter raises the question as to how satisfactory is the relationship between the successful firms and their agents in overseas markets.

Before analysing such a relationship, it is worth noting that our findings relating to the use of agents in exporting do confirm those of Cunningham and Spigel(26), Tookey(27), Industrial Market Research Ltd.(28), and ITI Research (1979)(29) that agents were the most extensively used method of selling overseas.

<u>How satisfactory is the relationship with Overseas Agents and Distributors?</u>

As mentioned earlier Q.14 in the questionnaire asked the winning firms if agents or distributors were their main selling methods, how satisfactory was their relationship with them. Table 8.23 summarises the answers of firms who used agents and distributors as methods of selling overseas. From this table it can be seen that 18 of the 21 firms who used agents and distributors in selling to developed markets viewed their relationship with their intermediaries as quite good (mean = 1.98), and 42% of these firms considered their relationship with agents and distributors as very satisfactory. It can also be seen that 16 of the 19 firms who used agents and distributors in selling to developing markets had a satisfactory relationship with them, 25% of these firms established a very satisfactory relationship with those intermediaries.

Table 8.23

The Relationship with Agents and Distributors*

Markets	Very satis-factory	Quite good	Satis-factory	Rela-tively unsatis-factory	Very unsatis-factory		$\bar{x}$	n	N
	1	1	3	4	5	Total			
	%	%	%	%	%	%			
Developed(1)	42**	30	20	4	4	100	1.98	18	21
Developing(2)	25	23	39	11	3	100	2.44	16	19

* All figures in this table are the mean values.

$\bar{x}$ = the mean value given to the degree of satisfaction of the relationship with agents and distributors in developed and developing markets.

n = the number of respondents who provided a rating for the relationship.

N = the number of firms in the sample who used agents and distributors in selling to developed and developing markets.

(1) Developed markets are W. Europe, E. Europe, N. America, Australia, Japan, and S. Africa.

(2) Developing markets are S. America, Caribbean, M. East, Africa, and other Asian countries.

** To be read: 42% of the respondents stated that their relationship with agents and distributors in developed markets was very satisfactory rating 1 on a scale from 1 = Very satisfactory to 5 = Very unsatisfactory.

Clearly the above findings do support our hypothesis that the establishment of a satisfactory relationship with overseas agents will lead to successful export performance. As such, these findings are in agreement with those of Tookey[30], Cunningham and Spigel[31], and NEDO[32] that establishing a good relationship with an agency system was among the main characteristics of the successful exporting firms. However, they disagree with those of ITI Research[33], Mcfarlane[34] and Slijer[35] which revealed that only a small number of firms surveyed were satisfied with their agents, and the majority of these firms handled their relationship with their agents very badly.

In this connection, a major question emerges, namely what is the basis for a satisfactory relationship? Referring once more to what has been suggested earlier in chapter 5 that the agency system would work at its best if controlled and adequately supported by personal visits by exporters. In fact, our findings presented earlier do support this suggestion. As was shown 90% of the firms in the sample visited their foreign markets regularly and 81% of these firms stated that their major purpose in making such visits was to select, motivate and control agents.

Key factors for success in Exporting

Having examined the contribution of the marketing factors to export success, it is convenient to turn now to examine to what extent such contribution varies from one factor to another and from one type of market to another. Consequently, an attempt was made to learn from the Queen's Award winners the relative importance of each marketing factor in contributing to their success and to what extent such importance varied from a developed to a developing market.

Two marketing factors (after-sales service and delivery) were added to those analysed earlier and eleven different market groups were listed as indicated in the following question.

Q.15 Which of the following marketing factors have helped you to achieve success in exporting? (Please rank in importance from 1 to 8 all that apply for each of your most important markets)

Markets

Factors	W. Europe	E. Europe	N. America	S. America	Caribbean	Japan	Australia	S. Africa	Africa (Excl. S. Africa	Middle East Incl. Egypt)	Other (Please state)
a. Adequate market research											
b. Superior quality											
c. Adequate after sales service											
d. Lower price than competitors											
e. Adequate promotional efforts											
f. Visiting overseas markets											
g. Satisfactory relationship with agents or distributors											
h. Meeting delivery dates											

Before proceeding to analyse the responses to this question, which are summarised in Table 8.24, we explain first the items shown in this table in order to ease its interpretation for the reader.

Three market groups are included in Table 8.24: All Markets which include the 11 markets listed in the question: Developed Markets which include W. Europe, E. Europe, N. America, Japan, Australia, and S. Africa; Developing Markets which include S. America, Caribbean, M. East, Africa, and other Asian Countries. Each group contains two items as follows:

All Markets:

Item (1) which means the mean value given to the rank in importance of the factor in all markets (i.e. developed and developing (11 market groups)).

Item (2) which means the mean value given to the number of respondents who provided a rating for the factor in all markets (i.e. developed and developing (11 market groups)).

Developed Markets:

Item (3) the mean value given to the importance of the factor in contributing to success in exporting to only the six developed markets mentioned above.

Item (4) the mean value given to the number of firms who provided a rating for the factor in the six markets.

Developing Markets

Item (5) the mean value given to the importance of the factor in contributing to success in exporting to only the five developing markets mentioned above.

Item (6) the mean value given to the number of firms who provided a rating for the factor in these five markets.

Table 8.24

Key Factors for Export Success

Factors	All Markets		Developed Markets		Developing Markets	
	(1) Rank in Importance	(2) No.of firms rating the factor	(3) Rank in Importance	(4) No.of firms Rating the factor	(5) Rank in Importance	(6) No.of firms Rating the factor
Superior quality	1.43	24	1.00	27	1.50	21
Visiting overseas markets	1.52	27	2.00	28	1.43	25
Meeting delivery dates	3.44	23	3.38	25	3.71	20
Satisfactory relationship with agents	3.55	20	4.21	22	3.25	18
Adequate after-sales service	5.44	23	4.73	25	6.40	20
Lower price than competitors	5.55	17	6.69	19	5.18	15
Adequate promotion	7.00	20	6.96	22	7.14	17
Adequate market research	8.00	18	7.11	20	7.18	15

(1) The mean value given to the importance of the factor in all markets (i.e. 11 markets).
(2) The mean value given to the number of firms who provided a rating for the factor in all markets (i.e. 11 markets).

(3) The mean value given to the importance of the factor in developed markets (i.e. the six markets mentioned earlier).

(4) The mean value given to the number of firms who provided a rating for the factor in these six markets.
(5) The mean value given to the importance of the factor in developing markets (i.e. the five markets mentioned earlier).

(6) The mean value given to the number of firms who provided a rating for the factor in these five markets.

Returning to Table 8.24 in which key factors for export success are detailed, the following observations emerge:

1. The most important factor contributing to success in exporting is superior quality (mean = 1.43). This gives further support to our hypothesised relationship between superior quality and superior export performance.

2. Great importance is placed on visiting overseas markets as a factor for success by a considerable number of the respondent firms. This factor is ranked as the second most important factor after quality (mean = 1.52).

3. Delivery and relationship with agents are regarded as important factors for success in exporting (mean = 3.44 and 3.55 respectively). Once again this finding lends support to the important role played by agents in successful exporting.

4. After-sales service and lower price than competitors were rated as factors of lesser importance in contributing to success in exporting (mean = 5.44 and 5.55 respectively).

5. The least important factors contributed to export success were promotion and market research (mean = 7.00 and 8.00 respectively).

Armed with insights from the above findings, two main conclusions can be drawn:

(1) Contrary to the current belief in public and government circles, lower price is regarded as of secondary importance in achieving success in exporting. Compared with the non-price factors, namely quality, overseas visits, delivery, relationship with agents, and after-sales service, price was placed at the end of the list of factors, and this suggests that non-price factors are more important than the price factor in competitiveness in exporting. This finding does confirm our hypothesis that price is not the most important factor for success in exporting. As such, it lends support to Baker[36] who argued that "price is but one dimension of the purchasing decision and is only relevant in the context of other parameters such as performance, reliability, and after-sales service". It is also in agreement with that of Rothwell[37] who compared the export competitiveness of British mechanical engineering products with that of German products and concluded that "... in the great majority of cases, West German products are more expensive than their U.K. counterparts; they are significantly also more competitive". In also strengthens the findings reached by NEDO[38](International price competitiveness - Non-price factors) and EDC[39] ("Market" - The World) that the engineering design and performance, the reliability of delivery and after-sales service are usually more important in meeting the foreign competition than price.

However, the above must not be taken to suggest that price was an unimportant factor for success. It only suggests that the role played by price in successful exporting was of lesser importance if it is compared with that of the non-price factors.

(2) The lowest rank given to market research as a factor for success might at first glance appear to be in part contradictory to the previous data on carrying out export market research, but in fact, it needs an explanation. Our explanation is based on what has been presented earlier regarding visiting overseas markets. It was found that 54 of the 60 firms in the sample visited their foreign markets and 43 of these 54 firms stated that the identification of the market needs was one of their main interests in visiting these markets. This may lead one to suggest that visiting overseas markets and carrying out adequate market research were of the same importance in contributing to success in exporting. Consequently, market research should be interpreted as a very important factor for success in exporting.

Were there any significant differences between developed and developing markets in terms of the importance of these marketing factors in achieving success in exporting to both types of markets? Table 8.24 shows that in general there were significant differences in the importance of marketing factors in contributing to success in selling to both types of markets. In particular, slight differences were found between these two types in terms of quality, overseas visits, and price.

While superior quality was ranked as the first factor for success in selling to developed markets, it was rated as the second most important factor after overseas visits for success in selling to developing markets. Differences in the state of technology between these two types of markets may explain such importance. While superior quality may cope with the advanced technology existing in developed markets, it may be inappropriate to suit the less advanced technology prevailing in developing markets and this may raise the problem of what is called the "appropriate technology".

Visiting overseas markets was regarded as the first factor for success in exporting to developing markets, but it was rated as the second factor after quality in developed markets. Recalling what has been mentioned in Chapter 3 regarding the environmental differences prevailing between developed and developing markets may help explain such emphasis upon overseas visits for developing countries. As it was established that, compared with developed markets, developing markets have an inefficient infrastructure (i.e. inefficient market channel, mass media, state of technology, and low levels of income), such deficiencies may make the needs of customers in developing markets quite different from those of customers in developed markets, and this may lead exporters to give more importance to visits to developing markets.

In the same manner, the relatively high importance given to price as a factor for success in exporting to developing markets compared with that given to it in exporting to developed markets maybe attributed to the view expressed earlier that low levels of economic status prevailing in developing markets may lead to more emphasis upon lower price when selling to developing rather than developed markets.

In conclusion, the above discussion must not be taken to indicate that each marketing element is separate from the others in contributing to success in exporting rather than it suggests that all marketing mix elements are integrated in achieving such success.

Marketing Adaptation and Export Performance

Having presented the findings related to the marketing activities of the winning firms, it is convenient to turn now to examine whether these activities were similar to or different from those used in the home market.

As mentioned earlier (in Chapters 3 and 4) home and foreign markets are widely different in terms of environmental characteristics (e.g. culture, income levels, and state of technology), and such differences may require a degree of marketing adaptation, i.e. marketing factors which are suitable to meet the customer needs in the home market may be inappropriate to satisfy the needs of foreign markets. Consequently, it was hypothesised that the more the firm adapts its marketing elements to suit the needs of foreign customers, the higher its export performance will be. Table 8.25 details the various marketing strategies used in successful exporting which are based on the respondents' answers to the following question.

Q.16 Turning now to the strategy that you might adopt in exporting, please indicate which of the following strategies best contributes to your success in exporting and write in markets in which it can be applied.

Strategy		Markets in which it can be applied (Please write in)
1. Standardisation Strategy, i.e. selling a standard product to different foreign markets and seeking to get as many customers as possible with one uniform marketing mix.	☐	----------------------------
2. Adaptation Strategy, i.e. changing your products and other marketing elements to meet the differing needs of overseas markets (having different marketing mixes).	☐	----------------------------
3. Concentration Strategy, i.e. grouping foreign markets according to a regional or developmental classificiation (e.g. E. Europe, Middle East, N. America, etc. or developed and developing markets) and using a standard marketing mix in selling to each group. This mix may be the one you use at home or may be quite different.	☐	----------------------------
4. Matching Strategy, i.e. using the same marketing mix employed at home in selling to a group of foreign markets, which are similar in their characteristics to your domestic market.	☐	----------------------------

Table 8.25

Marketing Strategies Adopted in Successful Exporting

Strategy	No. of firms	%
Adaptation	30	42
Standardisation	25	35
Concentration	11	15
Matching	5	8
	71*	100

*This number exceeds the number of the whole sample (i.e. 60 firms) because a number of firms stated that they used more than one strategy in selling overseas.

From Table 8.25 it is evident that adaptation is the dominant export marketing strategy. 42% of the respondent firms indicated that they adapted their marketing offerings to suit the foreign needs. This finding confirms our hypothesised relationship between adapting to foreign needs and higher export performance. As such, it gives support to ITI Research (1979)(40); NEDO(41)(Product Design); NEDO(42) (Growth Through Export); and Piper(43) who emphasised that adapting marketing factors to suit the foreign needs is a major characteristic of firms with higher export ratios.

Despite the apparent move towards the use of the marketing adaptation strategy, Table 8.25 suggests that the use of the standardisation strategy in successful exporting remains. 35% of the respondents stated that they used a "standard marketing mix" in both home and foreign markets. This finding confirms our hypothesis that there is no relationship between success in exporting and using a "standard export marketing mix". It also raises the question why these firms adopted the standardisation strategy in selling overseas. Two main reasons were mentioned to justify the use of such a strategy. These are as follows:

(1) The "standard nature" of the products sold to overseas markets. Table 8.26 indicates that 51% (21 firms) of the respondent firms stated that their products can meet the different needs of many different markets. Such reason was expected because the large majority (68%) of the firms in the sample were industrial exporters.

(2) Selling to foreign markets which were similar to the home market. Table 8.26 also shows that 41% (17 firms) gave such reason to justify their standard approach. Such reason may be consistent with what established earlier that developed markets, which are similar to the home market, were regarded by the majority of the firms as of prime importance in the current time and in the near future, and prompts the question "were export marketing strategies varied by type of market".

Table 8.26

Reasons behind adopting any Strategy(ies) other than Adaptation

	Reasons	No. of firms	%*
1.	The "standard" nature of the product.	21	51
2.	Selling to foreign markets which were similar to the domestic market.	17	41
3.	Shortage of management resources to make adaptation.	3	7
4.	Shortage of financial resources to make adaptation.	2	5
5.	The difficulty of changing the marketing methods which were geared to the needs of the home market.	2	5

Base: 41 firms (i.e. number of firms which used any strategies other than adaptation).

*Column does not add up to 100% because a number of firms gave more than one reason for adopting other strategies.

Export Marketing Strategies by Market Type

Table 8.27 suggests that adaptation was the predominant strategy in exporting to developing markets. On the other hand, this table shows that standardisation was the predominant strategy in selling to developed markets. However, there was a tendency towards adopting an adaptation strategy in selling to the last type of market (30% of the respondent firms were found to adapt their marketing efforts to suit the local needs of developed markets).

Table 8.27

Export Marketing Strategies by type of Market

Strategy	Markets in which it was applied			
	Developed		Developing	
Adaptation	30%	(13)	62%	(17)
Standardisation	45%	(20)	19%	(5)
Concentration	14%	(6)	19%	(5)
Matching	11%	(5)	-	-
Total	100%	(44)	100%	(27)

The above findings give further support to what has been established earlier that the majority of the successful firms were adaptable to their foreign customers.

Accordingly, it seems reasonable to suggest that the majority of the firms in the sample were marketing-oriented, i.e. they applied the concept of marketing in exporting. Table 8.28 gathers the main features of this marketing approach which were mentioned throughout this section.

Table 8.28

The main features of the Marketing-Orientation Approach Adopted by the majority of the successful firms.

Features	No. of firms	%*
Carrying our export market research.	50	83
Establishing a good relationship with foreign customers.	52	87
Motivating overseas agents.	44	73
Adopting the "market bear" pricing policy.	30	50
Selling through foreign branches.	17	28
Having a separate export sales division.	33	55
Adapting the marketing mix to suit the foreign needs.	30	50

*Base: 60 firms.

Summary of the Results

At the end of this section, the following summary of results pertaining to the role of marketing in achieving success in exporting may be made.

1. Marketing Factors and Export Success

Market Research

(a) A large majority (83%) of the successful firms had researched their foreign markets before they decided to sell in them. There did not appear to be any significant differences in carrying out export market research between consumer and industrial firms.

(b) The most frequently mentioned methods of export market research were sales force, overseas agents, export sales division, and market research department. The most frequently mentioned activities of market research were providing market information, selecting markets, and identifying the required adaptation to suit these selected markets.

Product Quality

The successful products appeared generally to be slightly more sophisticated than competing products in overseas markets. A higher level of sophistication was claimed for consumer goods than industrial goods.

Pricing

(a) The most frequently mentioned bases of export pricing were what the "market will bear", full cost-plus price and matching the competitor's price.

(b) It seemed that there was a slight difference in pricing overseas between consumer and industrial firms. While the former tended to use, besides "market will bear" and full cost-plus policies, competitor's prices, the latter tended to make more use of the marginal price in selling overseas.

(c) Differences in pricing bases were also found between developed and developing markets, while the most frequently mentioned bases of pricing to developed countries were "market will bear", competitor's prices, and full cost-plus price, "market will bear" and marginal prices were extensively used in selling to developing countries.

(d) Generally, it appeared that prices of the successful firms were slightly more expensive than those of their foreign competitors. The relatively high inflation rate prevailing in the U.K. was one of the reasons explaining such expensiveness.

Promotion

(a) A large proportion (over 90 per cent) of the respondent firms used export promotion. The main forms of promotion used by firms in overseas markets were personal selling and advertising.

(b) There did appear to be some differences in using promotion by consumer and industrial firms, and in using the forms of promotion in developed and developing markets. Consumer exporters tended to use more promotion than did industrial exporters. While advertising was extensively used in developed rather than developing markets, publicity was extensively used in developing rather than developed markets.

Overseas Visits

Almost all the respondent firms visited their foreign markets. Establishing a good relationship with customers, identifying their needs as well as motivating overseas agents were the most frequently mentioned benefits gained from such visits.

Methods of selling Overseas

(a) The most frequently mentioned methods of selling overseas were salesmen, agents, and overseas sales branch.

(b) Agents played a role in successful exporting, but they were not the single most common method of channelling exports to overseas customers.

(c) Although the successful firms were not over-reliant upon agents in selling overseas, they tended to manage a satisfactory relationship with those intermediaries. Their role in carrying out export market research may, partly, explain such relationship.

Key factors for Export Success

(a) When asked what were the key factors for success, the majority of firms regarded quality and overseas visits as of prime importance, followed by reliable delivery, satisfactory relationship with agents and providing adequate after-sales service; lower price, promotion and market research were rated as considerably less important.

(b) Visiting overseas markets and lower price were regarded as more important in achieving success in selling to developing rather than developed markets, while the converse was true for superior quality.

2. Marketing Strategy

(a) The most frequently mentioned strategies of selling overseas were adaptation and standardisation; however, adaptation was mentioned more frequently than standardisation, especially in selling to developing countries.

(b) The most frequently mentioned reasons for adopting the standardisation strategy were the standard nature of the products, as well as selling to markets which were similar to the home market.

3. <u>The Main Features of the Approach Adopted in Successful Exporting</u>.

Armed with insights from the above, it was suggested that the approach used by the successful firms was a marketing rather than a selling approach. The main features of this approach were the development of an optimum export marketing mix and the ability to adapt this mix to the needs of foreign customers, when it was necessary.

Section Three

The Approach Adopted by British Industry and the Steadily Declining Competitiveness of British Exports

Introduction

Having presented the main features of the approach which was adopted by those who have actually been judged as successful exporters, it is convenient to turn to examine the main aspects of the approach which has been adopted by British industry in general, and which recently has been criticised as lacking a competitive edge in the world market.

The main aim here is to establish whether there is a difference in the approach adopted by those who were considered as successful and that adopted by those who were viewed as uncompetitive in exporting, and to relate such difference to export performance. This may give a lead as to what should be done to improve British exports.

Accordingly, this section includes two main points. These are as follows:

1. The main features of the approach adopted by the industry, in general, in exporting.

2. The approach that should be adopted if British exporters are to retrieve amd maintain their competitiveness in foreign markets.

The Main Features of the Selling Approach Adopted in British Exporting.

It is widely held that there is a steady decline in the U.K.'s export competitiveness, and many British exporters are already behind their foreign competitors in some product fields. Accordingly, an attempt was made to elucidate from "successful" exporting firms, as judged by the Queen's Award Committee, the reasons which those firms considered to be vital in causing this decline in export competitiveness. This may give a lead as to what should be done to retrieve and maintain the traditional competitiveness of British exports. Table 8.29 shows these reasons which are based on the following two questions:

Q.1 Do you think that there has been steady decline in UK export competitiveness in general in recent years (i.e. decline in the UK's share of world trade during the last 30 years)? (Please tick one box below)

Yes ☐

No ☐

Don't know ☐

If Yes, please continue with Question 2 and 3, otherwise skip the next two questions and go to Question 4.

Q.2 Please indicate the importance you attach to each of the following factors as a reason behind this decline. (Please circle the most appropriate number on the scale).

	Reasons	Very Impor-tant	Impor-tant	Un-impor-tant	No effect	Don't know
1.	Failure to innovate	1	2	3	4	5
2.	Reluctance to adapt products to meet foreign needs	1	2	3	4	5
3.	Disposing of products for which the home market is declining	1	2	3	4	5
4.	Disposing of any excess production necessary to achieve maximum production economies at home	1	2	3	4	5
5.	Inadequate after sales service	1	2	3	4	5
6.	Higher price than competitors	1	2	3	4	5
7.	Poor promotional efforts	1	2	3	4	5
8.	Missing delivery dates	1	2	3	4	5
9.	Other (please specify)					
	____________________	1	2	3	4	5
	____________________	1	2	3	4	5

Table 8.29

Existence of a Steady Decline in the UK's Export Competitiveness

	No. of Respondent firms	%
Yes	51	90
No	5	8
Don't know	1	2
Total	57	100

The steady decline in the UK's export competitiveness was confirmed by the great majority of the firms in the sample. As Table 8.30 shows 51 of the 57 firms who responded to this question, confirmed this decline.

Identifying the reasons behind such decline, Table 8.30 suggests that deficiencies in the elements of the export marketing mix were the main reasons behind the lack of competitiveness of British exporters in the world market. From this table it is quite clear that almost all firms who responded to this question stated that missing delivery dates, failure to innovate, inadequate after-sales service, poor promotional efforts and higher price than competitors were the most important factors explaining why the majority of British exporters lacked the competitive edge in their export markets. (mean = 1.51, 1,73, 1.92, 1.94, and 1.95 respectively).

Table 8.30

Reasons Behind the Steady Decline in the U.K.'s Export Competitiveness

	Very Important 1 %	Important 2 %	Unimportant 3 %	No Effect 4 %	Don't Know 5 %	Total %	Mean Response	No. of Respondents	No. of firms in sample
Missing delivery dates	51*	47	2	-	-	100	1.51	49	51
Failure to innovate	39	49	12	-	-	100	1.73	51	51
Reluctance to adapt products to meet foreign needs	28	67	4	2	-	100	1.82	51	51
Inadequate after-sales service	39	47	2	4	8	100	1.92	51	51
Poor promotional efforts	30	56	4	10	-	100	1.94	50	51
Higher price than competitors	30	55	9	2	4	100	1.95	47	51
Disposing of surplus products at home	9	22	22	15	33	100	3.44	46	51
Disposing of declining products at home	10	8	21	27	33	100	3.72	48	51
Fluctuation in exchange rates	75	13	13	-	-	100	1.40	16	51

*To be read: 51% of the respondents to this question indicated that missing delivery dates was very important reason behind the steady decline in the U.K.'s export competitiveness rating 1 on a scale 1 = Very Important to 5 = Don't know.

N.B. The lower the mean, the higher the importance of the reason.

Table 8.30 also suggests that the rise in the value of the pound, if compared with other currencies, especially the dollar, was a very important reason explaining the lack of competitiveness of British exports, although it was mentioned by a relatively small (16 firms) number of the respondent firms. This result may give support to what we established earlier, namely that the rise in the value of the pound during the period of carrying out our survey may be one of the reasons explaining why British prices appeared to be more expensive than those of foreign competitors. The implication of this result is that the "strong" pound may be unfavourable for the U.K.'s export competitiveness.

Referring once more to Table 8.30, the combination of the marketing deficiencies and the non-adaptation to foreign needs (which was rated as a very important reason behind non-competitiveness in exporting by all respondent firms) suggests that the approach adopted by British management in exporting is a "selling" approach (i.e. achieving short-term profitability rather than satisfying foreign needs). This confirms our hypothesised relationship between the adoption of the "selling-orientation" approach by the majority of British Exporters and their lack of competitiveness in foreign markets. As such, it gives support to Baker's[(44)] conclusion that "the steady decline in the U.K.'s export competitiveness is indicative of industry's short-sighted approach to absorbing technology. There appears to be a pernicious and debilitating tendency to encourage short-term expediency at

the expense of long-term prosperity". This result is also in agreement with that of the ITI Research (1979)[45] that "... the British approach to selling abroad seems devoid of marketing logic and that too many company managements treat foreign market potential in a way that they would never accept for the home market".
It also adds strength to the view of Blood[46] that "there is still far too little attention given to marketing", and there is "little or no evidence of any special training or preparation for the highly specialised expert task of modern exporting".

What should be done to Retrieve and Maintain the Traditional Competitiveness of British Exports.

As we have suggested in Chapter 5 that if British exporters are to retrieve and maintain their traditional competitiveness in the world market, a fundamental marketing orientation approach should be adopted by the management of exporting firms. Such an approach which, as Baker[47] argued, should be focused on making what the British manufacturer can sell rather than trying to sell what he can make. Clearly this approach has two main dimensions: (1) identifying the foreign needs and (2) satisfying these needs through the development of the optimum export marketing mix.

To test the validity of our hypothesised relationship between the adoption of the marketing-orientation approach and competitiveness in exporting, we asked those who have been adjusted as the "successful" exporters in Great Britain, the following question :

Q.3 How important is each of the following factors in maintaining the competitiveness of British exports in the world market? (Please circle the most appropriate number on the scale).

	Factors	Essential	Very Important	Important	Fairly Important	Not Important
1.	Increasing investment in technological innovation in the area of high technology products (i.e. technology push).	1	2	3	4	5
2.	Selling low technology products to developing countries.	1	2	3	4	5
3.	Improving product quality and manufacturing cost effectiveness.	1	2	3	4	5
4.	Providing efficient after sales service.	1	2	3	4	5
5.	Achieving the lowest possible price.	1	2	3	4	5
6.	Paying more attention to the promotional efforts (e.g. advertising, sales promotion, and personal selling).	1	2	3	4	5
7.	Meeting delivery dates.	1	2	3	4	5
8.	Making what the foreign customer wants rather than selling what the British manufacturer can make.	1	2	3	4	5
9.	Other (Please specify)					
	____________________	1	2	3	4	5
	____________________	1	2	3	4	5

Table 8.31 summarises the respondents' answers to this question. From this table it is quite evident that the first dimension of the marketing approach (i.e. making what the foreign customer wants) was mentioned by all respondent firms (i.e. 51 firms) as an essential (mean = 1.62) factor for maintaining the competitiveness of British exports in foreign markets. With regard to the second dimension of this approach (i.e. developing the optimum marketing mix that satisfies the foreign needs), Table 8.31 also shows that adequate marketing efforts (i.e. technological innovation, improved quality, efficient service, reliable delivery as well as efficient promotion) were seen by almost all firms which responded to this question as very important factors for maintaining the export competitiveness of British manufacturers in the world market.

Taking the identification of the foreign needs together with the satisfaction of these needs through the development of an adequate marketing mix (the two main dimensions of the marketing approach), our hypothesised relationship between the adoption of the marketing approach by the management of exporting firms and the maintenance of the export competitiveness of these firms in foreign markets is strongly confirmed. As such, this result gives support to Baker[(48)] who attributed the failure of the British manufacturers in facing their Japanese counterparts in the motor cycle market to "the difference between a sales strategy based on short-term profitability as conceived by traditionally-minded accountants and a marketing strategy based on the satisfaction of customer needs".

Table 8.31

Factors maintaining the competitiveness of British Exports in the World Market

Factors	Essential 1 %	Very Important 2 %	Important 3 %	Fairly Important 4 %	Not Important 5 %	Total %	Mean Response	No. of Respondents	No. of firms in sample
Technological innovation	63*	33	2	2	-	100	1.43	49	51
Improving product quality	65	26	6	2	2	100	1.53	51	51
Providing efficient after-sales service	56	33	12	-	-	100	1.58	51	51
Making what the foreign customer wants rather than selling what the British manufacturer can make.	64	19	14	2	2	100	1.62	51	51
Reliable delivery	50	29	17	2	2	100	1.77	51	51
Efficient promotional efforts	31	29	27	12	2	100	2.28	51	51
Achieving the lowest possible price	2	28	38	26	6	100	3.06	51	51
Selling low technology products to developing countries	6	14	40	14	26	100	3.40	50	51

*To be read: 63% of the respondents to this question stated that increasing investment in technological innovation is essential in retrieving and maintaining the competitiveness of British exports in the world market rating 1 on a scale 1: Essential to 5: Not Important.

N.B. The lower the mean, the higher the importance of the factor as a solution to the decline in the U.K.'s export competitiveness.

It also adds strength to the conclusion by the Machine Tool Report (1970)[49] that extra marketing efforts bring improved export performance.

Summary of the Results

At the end of this section, two main conclusions emerge. These are as follows:

1. The major reason behind the steadily declining competitiveness of the majority of British exports is the use of a selling-oriented approach by the majority of British exporters. The most obvious features of this approach are deficiencies in the various elements of the export marketing mix and the reluctance to adapt this mix to suit the foreign needs.

2. Making what the foreign customer wants rather than selling what the British manufacturer can make is the way through which British exporters retrieve and maintain their traditional competitiveness in the world market. The responsibility of applying such an approach rests with British management which should be ready to anticipate the changes in the world market and adapt to these changes. To do so, British management should first change its basic attitudes toward exporting; from a marginal activity to a basic activity. By changing the view of exporting, the needs of foreign customers should be placed at the beginning of the process, the greater emphasis should be on the satisfaction of these needs through the optimum export marketing mix, and the achievement of long-term profitability is likely to be accomplished.

This latter conclusion strengthens Baker's[50] argument, in his very recent work "Maxims for Marketing in the Eighties", that marketing is a critical factor in ensuring commercial success and that "success can only occur when those responsible for the direction of the enterprise are marketing oriented, and ensure that the marketing function is fully integrated with the other key business functions - research and development, production, finance and control."

PART TWO

ELABORATION ANALYSIS

Part Two

Elaboration Analysis

Introduction

Having completed the descriptive analysis of the findings of our survey on marketing factors and success in exporting, it is convenient to turn now to analyse the relationship between each of these factors as well as all these factors, grouped as one variable, and company export performance.

In order to make such an analysis, three statistical methods will be used. There are as follows:

First: The Cross-tabulation technique. This will be used to find out whether there is a relationship between the dependent variable, export performance, and each of the independent variables, the marketing factors.

Second: Where such a relationship is found our attention will be focused on measuring the direction as well as the strength of that relationship through the use of the Correlation Coefficient technique.

Third: Bearing in mind that no single marketing factor explains a large proportion of the variation in export performance, an attempt will be made to predict export performance from considering all marketing factors as one "unit". In order to make such a prediction, we will use the Multiple regression analysis.

The main aim of such an analysis is to test statistically our earlier findings presented in part one, and in turn, to confirm or infirm the research hypotheses set out in Chapter 6.

Accordingly, this part includes two sub-sections:

Section One: cross-tabulation and correlation analysis.

Section Two: multiple regression analysis.

Section One

Cross-tabulation and Correlation Analysis

Cross-tabulation Analysis

Marketing mix elements

Table 8.32 summarises the relationship between the various elements of the export marketing mix and export performance, measured by both export ratio and export profitability. From this table it can be seen that such a relationship varies from one factor to another, one type of market to another, and even from one measure of performance to another.

With respect to the relationship between marketing mix elements and success in exporting in general, Table 8.32 shows that while superior quality, price, overseas visits, relationship with agents and meeting delivery dates, were found to be significantly related to higher export performance, no relationship could be established between market research, promotion, and after-sales service and higher export performance.

Not only were differences found between marketing mix elements, but also between developed and developing markets. As can also be seen from Table 8.32 superior quality, overseas visits, and delivery show a significant relationship with success in exporting to developed rather than developing markets.

Table 8.32

Relationship between export performance(1), the dependent variable, and each of the independent variables, marketing mix elements

Marketing Factors		Developed Markets						Developing Markets			
		W. Europe	E. Europe	N.America	Japan	Australia	S. Africa	S.America	Africa	M. East	Caribbean
		S	S	S	S	S	S	S	S	S	S
Adequate market research	Ratio	—	—	—	**	—	—	—	—	—	—
	profit	—	—	—	—	—	—	—	—	—	—
Superior quality	Ratio	—	—	**	***	—	—	—	—	—	**
	profit	—	**	—	—	**	**	—	—	—	—
After-sales service	Ratio	—	—	—	—	—	—	—	—	—	—
	profit	—	—	—	—	—	*	—	—	—	—
Competitive price	Ratio	***	—	**	—	—	***	**	—	—	—
	profit	—	***	—	—	***	—	—	—	—	**
Visiting overseas	Ratio	—	—	—	—	—	—	—	—	—	—
	profit	**	**	**	—	—	***	—	**	—	**
Adequate promotional efforts	Ratio	—	—	—	—	—	—	—	*	—	—
	profit	—	—	—	—	—	—	—	—	—	—
Relationship with agents	Ratio	—	—	—	—	—	—	—	—	—	—
	profit	—	**	**	—	***	***	***	***	—	***
Meeting delivery dates	Ratio	—	—	—	—	—	—	—	—	—	—
	profit	***	***	***	**	***	—	—	—	—	*

(1) Measured by both export ratio and export profitability.

S = *** significant at 1% level or better; ** 5% level; * 10% level; — No clear relationship significant at below 10% level.

Differences were also found between the two measures of export performance in terms of their relationship with the various elements of the export marketing mix. Table 8.32 also indicates that while visiting overseas markets, satisfactory relationship with agents, and meeting delivery dates, were found to be significantly related to higher export profitability, no clear relationship could be established between these three elements and higher export sales ratio.

Export marketing strategies

The results of cross-tabulating export marketing strategies against export performance are set out in Table 8.33 from which it is seen that a significant relationship was found between higher export performance, in terms of both export ratio and adapting marketing elements to suit foreign needs. On the other hand, however, this table shows that while a slight relationship was found between higher export profitability and using a "standard" marketing mix in exporting, no clear relationship could be established between export ratio and the standard marketing mix.

With respect to matching and concentration strategies, Table 8.33 indicates that there was no relationship between these two strategies and higher export performance.

Table 8.33

Relationship between marketing strategies adopted in exporting and higher export performance

Marketing Strategies	Export performance in terms of	
	Export ratio	Export profitability
Adaptation	***	–
Standardisation	–	*
Matching	–	–
Concentration	–	–

*** significant at .00% level; * 5% level; – below 10% level.

Table 8.34

Relationship between applying the marketing concept in exporting and higher export performance

Marketing Concept	Export performance in terms of	
	Export ratio	Export profitability
Making what the foreign customer wants.	***	**

*** significant at 1% level or better; ** 5% level.

Applying the marketing concept in exporting

Taking the application of the marketing concept in exporting as meaning "Making what the foreign customer wants", which in turn means developing the optimum marketing mix and adopting this mix to satisfy the needs of foreign customers, a very significant relationship was found between applying such a concept in exporting and higher levels of export performance in terms of both export sales ratio and export profitability (see Table 8.34).

Correlation Analysis

Having found such a relationship between the dependent variable and some of the independent variables, we turn now to measure the direction as well as the strength of that relationship through using the correlation coefficient technique.

The choice of the type of correlation to be used is based mostly upon the type of data obtained and on the sample size. According to Nie et al.[51] Pearson product-moment correlation" is used when "interval" scales (i.e. the distances between any two numbers of the scale are distributed in known size) is provided. Spearman and Kendall rank-order correlations, on the other hand, are used mostly with "ordinal" measures (i. e. the values of data variables are "numeric" and can be organised in increasing or decreasing order).

Returning to our data, it will be recalled that the questionnaire scales were designed to include five categories (i.e. 1, 2, 3, 4, 5) and the respondents tended generally to make use of all the scores on the scales. This is to say, in other words, that in most cases the scales of the questionnaire would appear to have been treated as having interval properties.

Considering the above factor, together with Anderson's[52] point that the type of scale should not affect the use of such non-parametric techniques (e.g. correlation coefficient) may justify our choice of the Pearson correlation coefficient to measure the relationship between the dependent variable and each of the independent variables.

Before proceeding to the correlation analysis we should mention here that some correlation coefficients with export profitability resulted in a negative sign, not because they were inversely correlated with export profitability, but because of the phrasing of the question relating to profitability, as well as the scoring code of each question in the questionnaire. For these coefficients the sign will be changed so as to make it easier for the reader to understand the direction of the hypotheses. Moreover, the sign(✓)will be used to indicate that the hypothesis is confirmed; the sign (X) to indicate that it is not; the sign (✓***) to show that the result is significant at 1% level or better, and the sign (✓**) to show that it is significant at the 5% level.

Correlation analysis between export marketing mix elements and higher export performance

The results of the correlation analysis between the dependent variable, export performance, and the independent variables, (the marketing mix elements) are set out in Table 8.35. Before proceeding to this table, the following observations should be mentioned.

1. Foreign markets are classified into two main groups: developed and developing markets. Developed markets include W. Europe, E. Europe, N. America, Japan, Australia and S. Africa. Developing markets include S. America, Caribbean, Africa, and M. East.

2. Export marketing mix elements include market research, quality, after-sales service, competitive price, promotion, overseas visits, relationship with agents, and delivery.

3. Export performance is measured by both export sales ratio and profitability. Consequently, the table includes a correlation coefficient for each marketing element with success in exporting to developed, developing, as well as all markets.

Table 8.35

Correlation Coefficient for the Independent Variables - Marketing Mix Elements with the Dependent Variable - Export Performance.

Variable		Markets			Commentary
		Developed γ	Developing γ	All γ	
Market research	Export ratio	$.33^{***}$	$.26^{***}$	$.32^{***}$	Carrying out market research is correlated very significantly with higher export ratio (✓***)
	Export profitability	$.02^{-}$	$.09^{-}$	$.03^{-}$	Higher export profitability is inconclusively related to carrying out market research (✓)
Superior quality	Export ratio	$.24^{**}$	$.16^{-}$	$.22^{**}$	Superior quality is correlated significantly with higher export ratio (✓**)
	Export Profitability	$.06^{-}$	$.09^{-}$	$.03^{-}$	The more the design and quality sophistication, the higher the export profitability will be (✓)
After-sales service	Export ratio	$.19^{*}$	$.03^{-}$	$.17^{*}$	The more the firm provides its overseas customers efficient after-sales servive, the higher its export ratio will be (✓*)
	Export Profitability	$.03^{-}$	$.11^{-}$	$.03^{-}$	Higher export profitability is inconclusively related to after sales service (✓)

γ = Pearson Correlation Coefficient
*** significant at 1% level or better; ** 5% level; * 10% level;
– below 10% level.

Table 8.35 continued.

Variable	Market: Developed γ	Market: Developing γ	Market: All γ	Commentary
Competitive prices / Export ratio	.28***	.29***	.31***	The more competitive the prices, the higher export sales ratio will be (***)
Competitive prices / Export profitability	.11–	.26***	.18*	Higher export profitability was found to be related to competitive prices (*)
Adequate promotion / Export ratio	.19*	.16*	.20*	The more the attention given to promotion in exporting, the higher export ratio will be (*)
Adequate promotion / Export profitability	.11–	.09–	.03–	Higher export profitability was found to be inconclusively related to promotion ( )
Overseas visits / Export ratio	.34***	.32***	.36***	Visiting overseas markets is correlated very significantly with higher export ratio (***)
Overseas visits / Export profitability	.07–	.05–	.03–	Higher export profitability was found to be inconclusively related to overseas visits ( )
Relationship with agents / Export ratio	.14–	.16*	.16*	Higher export ratio is associated with motivating and controlling overseas agents (*)
Relationship with agents / Export profitability	.07–	.13–	.13–	Motivating and controlling agents was found to be related to higher export profitability ( )

γ = Pearson Correlation Coefficient.
*** significant at 1% level or better; *10% level; – below 10% level.

Table 8.35 continued.

Variable		Market Developed r	Market Developing r	Market All r	Commentary
Meeting delivery dates	Export ratio	.25**	.22**	.25**	The more reliable the delivery date, the higher export sales ratio will be (✓**)
	Export profitability	.14−	.21**	.18*	Higher export profitability is correlated with meeting delivery dates (✓*)

r = Pearson Correlation Coefficient.
** significant at 5% level; * 10% level; − below 10% level.

From Table 8.35 the following results emerge.

(1) In general higher export performance is correlated significantly with:

– (In terms of Export ratio)

- overseas visits (r = .36***)
- market research (r = .32***)
- competitive prices (r = .31***)
- meeting delivery dates (r = .25**)
- superior quality (r = .22**)
- efficient promotion (r = .20*)
- efficient after-sales service (r = .17*)
- a satisfactory relationship with overseas agents (r = .16*)

– (In terms of Export profitability)

- competitive prices (r = .18*)
- meeting delivery dates (r = .18*)

(2) Success in exporting to developed markets is associated significantly with:

– (In terms of Export ratio)

- overseas visits ($r = .34^{***}$)
- market research ($r = .33^{***}$)
- competitive prices ($r = .28^{***}$)
- meeting delivery dates ($r = .26^{***}$)
- superior quality ($r = .24^{**}$)
- efficient promotion ($r = .19^{*}$)
- efficient after-sales service ($r = .19^{*}$)

– (In terms of Export profitability)

- none of the eight marketing elements was found associated significantly with success in exporting, in terms of export profitability, to developed markets.

(3) Success in exporting to developing markets is associated significantly with:

– (In terms of export ratio)

- overseas visits ($r = .32^{***}$)
- competitive prices ($r = .29^{***}$)
- market research ($r = .26^{**}$)
- reliable delivery ($r = .22^{**}$)
- satisfactory relationship with agents ($r = .16^{*}$)
- efficient export promotion ($r = .16^{*}$)

– (In terms of export profitability)

- competitive prices ($r = .26^{***}$)
- reliable delivery ($r = .21^{**}$)

Note: *** indicates significant at 1% level or better; ** 5% level; * 10% level.

In light of these findings, four main observations can be made here. These are as follows:

(1) Higher export performance, in terms of both export ratio and profitability, is correlated with all elements of the export marketing mix, and supports the research hypotheses set out in Chapter 6.

(2) However, the significance of these correlations varies from export ratio to export profitability. As can be seen from the above findings that while a highly significant tendency for export sales ratio to increase was found with the use of all marketing mix elements, only a slightly significant tendency for export profitability to increase was found in the use of competitive prices and reliable delivery.

(3) A comparison between these findings and those generated through the analysis of means reveals that they are consistent, with the exception of one element - market research. Referring to our earlier findings produced by the means technique, it was found that market research was rated as the least most important factor for success in exporting in general and success in exporting to developed and developing markets in particular. Moreover, we have attributed this to the fact that a large number of the firms in the sample researched their foreign markets through their overseas visits (i.e. informal market research), and we have

suggested that market research should have the same degree of importance as given to overseas visits (i.e. very important). Calculating the correlation coefficient between visiting overseas markets and researching these markets, the results give support to our suggestion ($r = .62^{***}$ for all markets, $.70^{***}$ for developed markets and $.64^{***}$ for developing markets). We infer from these correlations that where overseas visits exist, they play an important role in carrying out export market research.

(4) Correlates with export ratio in terms of both values and levels of significance are greater than those with export profitability. The reason behind this difference is to be found in the relatively small number of options related to the question of profitability if compared with that of the question of export ratio. Returning to the questionnaire, it will be recalled that Q.19(iii) (related to export profitability compared with that of home sales) includes three categories: Higher, Equal, and Lower. While Q.19(ii) (related to engagement in exporting) includes six categories: less than 5 years, 5 to 10 years, 11 to 20 years, 21 to 30 years, 31 to 50 years, and over 50 years. In this regard, we mention that the number of valid cases for both questions is almost the same (58 for ratio and 57 for profitability) and thus this does not present a cause for differentiation.

Correlation Analysis between Export Marketing Strategies and Higher Export performance

Table 8.36 details the results of the correlation analysis between strategies adopted in exporting and higher export performance. From this table it can be seen that while the use of a standard marketing mix in exporting is inversely correlated with higher export sales ratio, a significant tendency for export profitability to increase was found with the use of such a mix in exporting. The latter may explain what we found earlier - namely, that a number of the successful firms have used a uniform "marketing mix" in selling to both home and foreign markets. However, this does infirm our hypothesis that there is no relationship between standardisation strategy and export success.

The most interesting finding obtained from Table 8.36 is that higher export performance, measured by both export sales ratio and export profitability, is very significantly associated with adapting marketing elements to suit the needs of foreign markets. This result reinforces our earlier finding that a large number of the successful firms seemed to adapt their offerings to suit the needs of both developed and developing markets. It also supports our hypothesised relationship between marketing adaptation and higher export performance.

Surprisingly, however, higher export ratio was found to be not related to selling to markets which are similar to the home

Table 8.36

Export Marketing Strategies and Export Performance

Strategies		Correlation Coefficient	Commentary
Standardisation	Export ratio	$-.29^{***}$	The use of a standard marketing mix in exporting is inversely associated with higher export sales ratio (✓$_{***}$)
	Export profitability	$.30^{***}$	The more the firm uses a standard marketing mix in selling to both home and foreign markets, the higher its export profitability will be (X$_{***}$)
Adaptation	Export ratio	$.33^{***}$	Higher export sales ratio is correlated very significantly with marketing adaptation (✓$_{***}$)
	Export profitability	$.27^{***}$	The more the firm adapts its marketing elements to suit the foreign needs, the higher its profitability from exports (✓$_{***}$)
Matching	Export ratio	$-.37^{***}$	Higher export sales ratio is inversely associated with selling to markets which are similar to the home market
	Export profitability	$.12^{-}$	The more the firm selects and sells to markets which are similar to its home market, the higher its profitability from exports
Concentration	Export ratio	$.14^{-}$	The more the use of concentration strategy in exporting, the higher export sales will be
	Export profitability	$.09^{-}$	Higher export profitability is associated with the use of concentration strategy in exporting

*** significant at 1% level or better; – below 10% level.

market, although a slight relationship was found with export profitability. The implication of this finding is that selling only to developed markets is not advantageous to the exporting firms.

Using the concentration strategy in exporting was found to be slightly associated with higher export performance.

Correlation Analysis Between Applying the Marketing Concept in Exporting and Retrieving and Maintaining the Traditional Competitiveness of British Exports in the World Market.

The descriptive analysis of the findings of our survey indicated that higher export performance seemed to be related to the adoption of the marketing concept in exporting. The implication of these results is that if Britain is to maintain the traditional competitiveness of its products in foreign markets, British management should change their attitude to exporting, from a marginal to a basic activity, and the marketing approach should be adopted in selling overseas.

In fact, the rationale behind linking this approach with the U.K.'s export competitiveness derives from Baker's[53] recent work on the factors causing the steady decline in the U.K.'s export competitiveness. In this work, and armed with Levitt's thesis that firms tend to view their markets in terms of their product offering, rather than in terms of the needs these products satisfy, Baker suggests that "... this is indeed the case with regard to exporting, and prompts me to reiterate the validity of Levitt's arguments as the basis for careful scrutiny of long term consequences of much of our present overseas selling activity".

Taking the application of the marketing concept in exporting as viewed by Baker as "... making what we can sell" rather than "selling what we can make", the results of the correlation coefficient suggest that a clear relationship could be established between applying such a concept and maintaining the competitiveness of British exports in the world market. As can be seen from Table 8.37, higher export competitiveness is related to the adoption of the marketing approach in exporting (i.e. making what the foreign market needs rather than selling what the British manufacturer can make).

This result does confirm our hypothesised relationship between adopting the marketing approach in exporting and achieving higher export competitiveness. As such, it reinforces the earlier finding in Part 1 that the majority of the successful firms appeared to be marketing rather than selling-oriented. It also provides an empirical evidence on the validity of the marketing approach, which has been argued by Baker, in retrieving and maintaining the traditional competitiveness of the British industry in the world market, and in turn, in achieving long-term export profitability.

Table 8.37

Marketing Approach and Maintaining the U.K.'s Export Competitiveness in the World Market

Variable	Correlation Coefficient with:		Commentary
Making what the foreign customer wants rather than selling what the British manufacturer can make	Export sales	.20**	Adopting the marketing approach by British management in exporting is correlated significantly with higher export sales.
	Export profitability	.06−	Higher export profitability is inconclusively associated with adopting the marketing approach in exporting.

Note: ** significant at 5% level; − below 10% level.

The correlation coefficient, between the main features of the marketing approach, suggested to be adopted in exporting by British management and the U.K.'s export competitiveness, are set out in Table 8.38. From this table it is clear that maintaining the traditional competitiveness of British exports in the world market is associated with all features of the marketing approach (i.e. investment in technological innovation, improving quality and manufacturing cost effectiveness in the area of low technology products, lower price, efficient promotion, adequate after-sales service and reliable delivery). This finding reinforces the earlier findings of a positive correlation between each of these features and higher export performance.

Two interesting findings are also seen from Table 8.38. These are as follows:

(1) Increasing investment in technological innovation in the area of high technology products as well as improving quality in the area of low technology products are strongly and very significantly associated with retrieving and maintaining the competitiveness of British exports in the world market. This result provides an empirical evidence in support of our earlier argument in Chapter 5 that product quality is the most important factor for maintaining the traditional competitiveness of British exports in overseas markets. As such, it gives support to Baker's argument that if the British are to retrieve and maintain the traditional competitiveness of their products in overseas markets, in the area of high technology capital equipment, they should emphasise "... R & D and technology push"; and in the area of low technology products, the emphasis should be on "... improving product quality and manufacturing cost effectiveness". It also adds strength to the existing empirical evidence on the technical quality of products as an important factor in determining its export competitiveness (see Rothwell(54), NEDO (1977)(55), and Albu(56)).

(2) Although maintaining the competitiveness of British products in the world market was found to be related significantly to the lowest possible price, price was not the most important factor for

Table 8.38

Correlation Coefficient between the mean features of the Marketing Approach and U.K.'s Export Competitiveness

Feature	Correlation Coefficient with Export Competitiveness in terms of:		Commentary
Increasing investment in technological innovation in the area of high technology products	Export sales	.34***	The U.K.'s export competitiveness is correlated significantly with technological innovation (✓***)
	Export profitability	.18**	
Improving quality and manufacturing cost effectiveness in the area of low technology products	Export sales	.25**	The U.K.'s export competitiveness is strongly connected with improving product quality and manufacturing (✓**)
	Export profitability	.28***	
Achieving the lowest possible price	Export sales	.17*	The lower the price, the higher the competitiveness of British exports in the world market will be (✓*)
	Export profitability	.18*	
Providing efficient after-sales service	Export sales	.11⁻	The U.K.'s export competitiveness is associated with providing after-sales service to foreign customers (✓)
	Export profitability	.11⁻	
Paying more attention to the promotional efforts	Export sales	.15⁻	The more the attention given to promotion in exporting, the higher competitiveness in export markets will be (✓)
	Export profitability	.15⁻	
Reliability in delivery	Export sales	.03⁻	The more reliable the delivery date, the higher export competitiveness will be (✓)
	Export profitability	.11⁻	

*** significant at 1% level or better; ** 5% level; * 10% level; – below 10% level.

maintaining such competitiveness. This finding reinforces the earlier finding that the role which was played by non-price factors in achieving success in exporting was more important than that played by the price factor. The implication of these findings for British management is that price is only one element of the export marketing mix and is only relevant in the context of other elements such as quality, after-sales service, design and performance, and delivery.

Other Correlations

Table 8.39 shows that a clear correlation could be established between attention given to exports and long involvement in exporting and higher levels of export performance. As can be seen from this table, higher export performance, in terms of both export ratio and export profitability, is very significantly correlated with paying more attention to exporting. The implication of this finding for British firms is that if they are to maintain the traditional competitiveness of their products in overseas markets, their management should first change its basic attitudes toward exporting; from a marginal activity to a basic activity - which in turn means giving attention to export sales, at least, equal to that given to home sales.

Table 8.39 also suggests that the longer the involvement in exporting, the more the experience in exporting and the higher export sales and profitability will be.

Table 8.39

Other Correlates of Export Performance

Variable		Correlation Coefficient	Commentary
Paying more attention to exporting	Export ratio	.54***	The more the firm gives more attention to exporting, the higher its export performance will be
	Export profitability	.82**	
Long involvement in exporting	Export ratio	.35***	Higher export performance is associated significantly with longer involvement in exporting
	Export profitability	.22**	

Summary of the Correlates of Higher Export Performance

Correlates of higher export performance were examined in four groups - marketing mix elements; export marketing strategies; the marketing concept; and attention given to exporting. Results obtained were interpreted in the light of both our earlier findings presented in Part 1 and previous empirical research. They were also related to the research hypotheses set out in Chapter 6.

Interpreting these results, we find that higher export performance is associated with:

- paying more attention to exports (a basic rather than a marginal activity of the firm)
- long involvement in exporting
- overseas visits
- carrying our export market research
- increasing investment in technological innovation in areas of high technology products
- improving quality and manufacturing cost effectiveness in the area of low technology products
- competitive prices
- meeting delivery dates
- providing efficient after-sales service
- efficient promotion
- satisfactory relationship with overseas agents
- marketing adaptation

To this end, these results can be generalised into a recognition that applying the marketing concept in exporting, identifying the foreign needs, developing the optimum marketing mix and adapting this mix to meet these needs, is likely to bring improved export performance.

Section Two

Multiple Regression Analysis

Introduction

The preceding section presented the findings of simple correlation between export performance, the dependent variable on the one hand, and each marketing factor separately on the other. Here we attempt to predict success in exporting from all these marketing factors combined together as one unit. A suitable statistical technique for making such prediction is the "multiple regression analysis".

Multiple Regression Results

Briefly, multiple regression is a technique for correlating one or more dependent variables, with two or more independent variables. This technique is discussed in most textbooks on statistics[(57)], and is in common use in marketing studies, especially when the dependent variable is measurable in quantitative terms (export performance can be measured by export ratio and export profitability).

In the case of linear association between dependent and independent variables, the multiple regression equation takes the form of:

$$Y = a + B_1 X_1 + B_2 X_2 + \ldots + B_k X_k$$

where "Y" is the dependent variable to be predicted from the independent variables, X_1, X_2 ... X_k are the value of independent variables. a is an estimate called the "intercept", or the value of "Y" when its corresponding value X = B_1, B_2 ... B_k are constants representing the slope of the regression line or the extent of an increase in the value of a unit of "Y" for unit increase in its corresponding values of X_1, X_2 ... X_k.

Two aims may be achieved through the use of multiple regression in analysing the data of this study: first, is to present a descriptive relationship between a combination of marketing factors on one hand, and export performance on the other. Second, is to obtain a set of predictors among these marketing factors which may account for most variations in export performance.

To identify the combination of marketing factors which are assumed to be the most likely predictors of the dependent variable, we began first to run exploratory computational analysis on the data available. Based on the findings of these preliminary investigations, together with those of correlation analysis, as discussed earlier, we selected a set of 11 variables for further investigation.

The main requirements for a variable in question to be included in the set were that it should have a relatively high correlation with the dependent variable and low intercorrelation with other variables already included in the set.

Taking into consideration these two requirements, multiple regression equation resulted in the following:

Table 8.40

Multiple Regression Results of Marketing Factors and Export Performance

Variables	In terms of Export Ratio		In terms of Export Profitability	
	Simple Correlation	Significance	Simple Correlation	Significance
Market research	.32	0.00	.03	0.15
Improved quality	.25	0.05	.28	0.01
Technological Innovation	.34	0.01	.18	0.05
Visiting overseas	.36	0.00	.03	0.27
After-sales service	.17	0.10	.03	0.21
Competitive prices	.31	0.00	.18	0.07
Promotion	.20	0.06	.03	0.40
Relationship with agents	.16	0.10	.02	0.43
Meeting delivery dates	.26	0.02	.18	0.07
Adaptation	.33	0.00	.27	0.00
Making what the foreign customer wants	.20	0.05	.06	0.16
	Multiple Correlation			
Squared (R^2)	= 0.6418		= 0.4118	
Multiple Correlation	= 0.7217		= 0.6115	
Significance	= 0.001		= 0.161	

Stepwise regression technique was used in obtaining the findings of Table 8.40. This method is based upon the selection of the "best" predictors of the dependent variable in steps. The variable to enter the first step is that which yields the highest percentage of (R^2) in conjunction with other independent variables.

This latter process in turn is based upon two pieces of information not included in the preceding table. One of them is the normalised regression coefficient (i.e. Beta) of the variable in question if it was to enter into the regression equation. Other things being equal, the larger the value of Beta, and the smaller the value of the standard error, the more the variable in question would add to the prediction equation of the dependent variable.

The other piece of information is the value of "tolerance" of that variable. A small value of tolerance is an indication that the variable in question is linearly correlated to some other variable already included in the regression equation. By contrast, a large value of tolerance indicates that the variable is able to add to the total value of variance as explained by (R^2).

Each of "Beta" and "tolerance" are complementary to each other when selecting the variable to enter into the next step. This is to say that both of them will add to the explanatory power of each other, and therefore prevent/permit the variable to enter into the equation.[53]

Based on both methods, the variable "Marketing Mix Elements" entered into the first step. This variable produced a multiple correlation squared (R^2) of (0.36 for export ration and 0.31 for export profitability). This in turn indicates that the elements of the export marketing mix were able to explain 36% of total variance in higher export ratio and 31% of total variance in higher export profitability.

Variable "Marketing Adaptation" entered into the next step. It added (0.15 and 0.05) to the total value of variance (R^2) in export ratio and profitability respectively and hence changed the value of (R^2) from (0.36 and 0.31) to (0.51 and 0.36) respectively.

"Making What the Foreign Customer Wants" produced (R^2) of (0.13 for ratio and 0.08 for profitability) respectively.

All these marketing factors, which form the main feature of the marketing approach, gave a total R^2 of (0.64 for ratio and 0.41 for profitability) respectively. In fact (R^2) is the most important statistical measure here. This statistical figure is used to explain the proportion of variance in the dependent variable, export success, as explained by a group of independent variables, marketing factors. In cases where this group of independent variables are able to explain the total variance in the dependent variable, the value of (R^2) would be 1.00. However, and because we have not found from our search of the relevant literature any empirical studies which correlated all marketing factors, as one variable, with success in exporting, we consider our findings of the multiple regression analysis as satisfactory. And this may permit us to say that 64% of the variance in export performance is due to the use of marketing factors in exporting, and this may lead one to argue the validity of the marketing concept in achieving success in selling abroad as is the case in selling at home.

The remaining percentage (i.e. 36) of the variance in export performance may be due to some or all of the following factors:

Commitment to exporting:

- A positive attitude to exports, i.e. export sales are a basic rather than a marginal activity of the firm.
- Commitment of adequate managerial and material resources to exporting.

Export Organisation:

- An integrated approach to marketing at home and abroad.

Company policies and characteristics:

- Company policy of expansion into new export markets.
- Longer export experience.
- Company size.

Economic, political and legal factors:

- Achieving the highest possible settlement in the value of Sterling.
- Achieving the lowest possible inflation rate.
- Good relationship with export markets' governments.
- Fast and flexible export procedures (e.g. shipment, documentation, currency changes, etc.).

Probably the first three factors are responsible for a large percentage of the unexplained variance in higher export performance. Thus, we suggest that these factors merit further investigation and the researcher will devote more attention to investigate one or more of these in his future work.

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CHAPTER 9

SUMMARY AND IMPLICATIONS OF THE STUDY

CHAPTER 9

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INTRODUCTION

The contribution of marketing to export competitiveness is a subject which has stimulated much comment and advice, but surprisingly few hard facts.

Taking account of this fact, it fqllows that a research effort is required to identify the importance of marketing factors in achieving success in exporting. In the particular, what is really needed is an endeavour to answer the following question "what are the marketing factors which could contribute to export success, and as such could be taken to explain why some firms are successful in exporting while others are not?"

The present research is an attempt to provide a reply to this query. It is entirely devoted to identifying key factors in successful exporting. More specifically emphasis has been given to the contribution of the export marketing mix, the marketing strategy adopted in exporting as well as the approach adopted by management in selling to overseas markets, to the firms' export performance.

The dimensions of this study as well as its main conclusions will be summarised in the first part of this chapter. Implications of these conclusions as well as proposals for further research to be undertaken in the area of exporting, will be discussed in the second part.

Marketing and Export Success: The Main Conclusions

The marketing factors which this study has examined in their association with higher export performance have been classified into three categories. These are as follows:

First, is the export marketing mix (i.e. adequate market research, superior quality and design, prompt and efficient after-sales service, adequate promotion, competitive prices, visiting overseas, relationship with foreign agents, and meeting delivery dates). The development of an optimum export marketing mix was the main characteristic of the successful firms. A large majority of these firms had identified the needs of their foreign customers before they decided to sell to them. The successful products were considered to be more sophisticated in terms of quality and design than those of their competitors, and were often priced according to what the foreign customer could bear, as opposed to adopting a fixed price based on cost. Adequate promotion was extensively used in successful exporting. The majority of firms which used overseas agents in exporting had established a satisfactory relationship with them. Almost all firms had established good relationships with their foreign customers through visiting overseas markets.

Elaborating the relationship between the export marketing mix and export success, the results of the study indicated that higher export performance was significantly associated with all marketing mix elements. However, these elements were varied in terms of their contribution to success in exporting in general and success in selling to developed and developing markets in particular. Superior quality, overseas visits, market research, delivery, and relationship with agents were ranked as the most important factors for export success. After-sales service, price, and promotion were considered as the least important factors for success. As for the contribution to success in exporting to developed and developing markets, the study demonstrated that overseas visits, market research, lower price than competitors were more important in contributing to higher export performance in developing rather than developed markets, and the converse was true for superior quality.

Contrary to the current belief in public and government circles, lower price was found to be of secondary importance in achieving success in exporting if compared with the non-price factors, i.e. superior quality, adequate after-sales service, reliable delivery, researching overseas markets and establishing satisfactory relationships with foreign agents.

Second, is the strategy adopted in exporting. In the particular, a clear relationship was found between adapting marketing efforts to suit foreign needs and success in exporting, especially to developing markets. On the other hand, the use of a "standard marketing mix" was also found to be dominant in selling overseas, especially to developed markets. A high significant relationship was found between adopting the standard approach and higher export profitability. Two main reasons were cited to justify the use of the standard marketing mix. These are:

(1) The "standard nature" of the majority of products sold overseas (68% of the products under investigation were industrial products and 13% were consumer durable products).

(2) Selling to markets which are similar to the home market (developed markets were most frequently mentioned as of prime importance currently and in the near future).

However, matching and concentration strategies were only used by a small number of exporters, and no clear relationship was found between these strategies and higher export performance.

<u>Third</u>, the attitude towards exporting. One main conclusion which came from the field work was that foreign customers were placed at the beginning of the marketing process rather than at

the end by the majority of the successful firms, i.e. they were marketing rather than selling oriented, as indicated by:

1. Visiting overseas customers and establishing good relationships with them.

2. Identifying their needs.

3. Establishing satisfactory relationships with foreign agents.

4. Adapting the export marketing mix to suit foreign needs.

5. Viewing exports as a basic rather than a marginal activity of the firm.

6. Having a specialised export organisation.

Grouping these three types of factors as one variable produced as high an R^2 as 0.64 in their contribution to higher export performance. This has led us to suggest the validity of the marketing concept in achieving success in selling overseas as is the case in selling at home.

A model of factors affecting success in exporting has been developed by this study. The model builds heavily on the assumption that marketing factors and principles are universally applicable but their importance and application vary from one market to another due to environmental differences prevailing between world markets.

The contribution of this model to the literature of exporting is two-fold.

First, it focuses attention upon a number of variables which have heretofore received little attention, but are shown to have a significant contribution to export performance. These variables include export market research, technological innovation, after-sales service, export promotion, adaptation to foreign needs, and management attitudes toward exporting. As the findings of this study indicate, all these factors contribute significantly to higher export performance, and as such need closer attention by those concerned with exporting. This need has been suggested by the NEDO Report "Market - The World" which stated that "If export performance is to improve ... more needs to be known about management attitudes, marketing methods ... and the structure of effort and profitability which make for success in selling overseas. It is at this micro, or firm level that the role of export marketing is critical.[1]

Second, the model focuses on the firm as its unit of inquiry. Strong emphasis for studying the export function at the micro level is to be found in the literature of exporting, particularly in the writings of Baker[2] and Tookey[3]. According to Baker "... where the test proves positive (U.K. exports lower than imports) there is an urgent need for detailed investigation at both the industry and individual firm". Tookey indicated that although exporting is crucial to the British economy, the export function in the manufacturing firm has been little studied.

Implications of the Study

The results obtained through the study under investigation here have their practical and theoretical implications in a number of areas, including retrieving and maintaining the British competitiveness in overseas markets, the universal applicability of marketing, and profitability of export business.

The major implication of this study is the need to apply the marketing concept in British exporting if Britain is to maintain its traditional competitiveness in the world market. The results of this study made it clear that the steady decline in the U.K.'s export competitiveness is due to the approach adopted by British management in selling overseas. Such approach gives little or no attention to marketing and suggests that many company managements tend to treat their export markets in a way they would never accept for their home market.

In order to improve the competitivness of British products in foreign markets, the results of this study suggest that the following changes would be needed.

(a) British manufacturers should change their view towards exporting from a marginal activity to a basic activity which must not be dependent on spare capacity from home production.

(b) British manufacturers should adopt the long-term approach in selling overseas. Such an approach focuses on satisfying foreign needs and in turn achieving long-term profitability rather than focusing on product offerings and achieving short-term profitability.

(c) Social, economic, and technological requirements of foreign markets should be taken into consideration when exporting to these markets and not to be taken as similar to those existing in the home market. In other words, to be competitive in foreign markets, British exporters must make what these markets want rather than trying to sell what they can make, i.e. a degree of marketing adaptation would be needed.

(d) British manufacturers need to pay more attention to the non-price factors when selling overseas. In particular, they should carry out adequate market research, develop the appropriate product, provide adequate after-sales service, give more attention to promotion, and meet their delivery dates.

The initiative for these changes has to come from British management and government. As for company managements, they should be convinced first of these changes, given which the government could give more valuable help to exporters, particularly the smaller ones. For example, it can provide more specialised market information and financial aids to exporters. It can also encourage exporting firms to increase their investment in technological innovation especially in the area of high technology products, by providing them with the appropriate financial and technological aids.

As for the universal applicability of marketing, the results of the study provide an empirical evidence that marketing factors are applicable everywhere. The study demonstrated that products and other marketing efforts used in developing the home market have been employed successfully in developing many foreign markets in different areas such as West Europe, the Middle East, Africa, and Asia.

The study also indicated that although marketing factors are universally applicable, the importance of these factors in achieving success in exporting varies from one market to another, due to environmental differences prevailing between world markets. As mentioned earlier, superior quality was ránked as more important in contributing to success in selling to developed rather than developing markets and the converse was true for lower price. This, in turn, indicates that a degree of adaptation to customer needs would be needed when selling to overseas markets.

The results of this study showed that adaptation to suit the local requirements of export markets was strongly correlated with success in exporting. As such, this study contributes to the literature of export marketing on this issue, and this can be claimed as one of its implications.

In terms of export profitability, contrary to the current claim in business circles, the study demonstrated that export sales were more profitable than home sales. A major implication of this finding is that not only can exports provide valuable, profitable business for a firm, but a substantial export business acts as a stabilising factor for its profitability during periods of recession in the home market. Being so, it follows that companies should give attention to exporting more than, or at least equal to, that given to selling at home.

Study's Limitations

This study, like any, has its limitations. First of all it was applied to manufacturing industries, and as such, the applications of its results to service industries cannot be claimed. The second limitation is that the study has used export sales ratio and export profitability criteria for measuring export success. Although these criteria are widely accepted as measures of export success, we cannot claim that they are the most appropriate ones. In fact, there is still a major difficulty in determining a general common criterion of export performance. Usually these criteria differ from one firm to another, and even from one situation to another, and there might be another criterion which may be more appropriate than the ones used here.

The third limitation is that the study has focused only upon the various aspects of marketing. Undoubtedly, examining other factors such as company policies and characteristics, export organisation, export planning and control, management commitment to exporting and government aids may explain the unexplained variance (i.e.36%) in export success showed by this study.

Taking account of these limitations, we can recommend alternative areas for further research.

Suggestions for further Research

The present study has focused on the relationship between the various aspects of marketing and success in exporting. Several areas remain either unexplored or in need of further study. For example, much needs to be known about the attitudes of management to exporting and export performance. Especially, it would be valuable to incorporate in such a study data on financial profitability of different exporting firms in order to be able to relate the attitudes of export management to the firm's profitability in export markets.

Further research in exporting can be undertaken by relating company expansion policies into export markets to its export performance. Such a research could focus on examining the contribution of selling the current products of the firm in new export markets to its performance in exporting.

Alternatively, such a research could focus on a specific product which has not diffused yet in the current markets and measure the extent to which the selling of such a product could contribute to the export performance of the firm.

A third possibility would be to focus on a new product which is already being sold in new export markets and measure the extent to which such a policy could contribute to higher export performance.

Other alternative areas of further research in export marketing can be suggested from the results of the present study as follows:

(1) In this research we have observed the importance of overseas visits in establishing a good relationship with foreign customers. It is of interest to relate the exporter-importer interaction to individual exporting firm performance. As Baker(4) argued, "It is the development of such a relationship over time which now requires investigation, ... so that we can monitor both the general relationships of a supplier and his customers, as well as the particular reaction to any innovation the supplier may introduce".

(2) In this present research we have observed that a number of exporting firms had a separate organisation for both home and export sales. It would be useful if a research study could take another group of firms with an integrated organisation to selling at home and abroad and relate this type of organisation to the export performance of these firms.

(3) As mentioned earlier, this present study was applied only to manufacturing industries. So, it would be of interest if a study could be done to examine the extent to which marketing factors examined here would contribute to success in selling services to foreign markets. An area, and this is our view, which needs

more attention from those who are concerned with increasing British exports.

(4) As the results of this study indicated that the high inflation rate existing in the U.K. and fluctuation in exchange rate were among the reasons behind the steady decline in the British competitiveness in export markets, it would be useful to relate the current efforts made by the British government in order to overcome the recession in the home market to the current competitiveness of British products in the world market.

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APPENDICES

(A) Names and principal products of the 1980 Award Winners

(B) Covering and follow-up letters

(C) Questionnaire

APPENDIX A

Names and principal products of the 1980 Award Winners

Company	Principal Products or Activity
Aero-Print	Airline documentation
Alcan Plate	High technology aluminium plate
Allied Colloids	Chemicals
Ames Crosta Babcock	Water and sewage treatmant plant
Amey Roadstone Construction	Road and airfield construction
W.S. Atkins Group	Engineering, planning and management consultants
Babcock Woodall-Duckham	Engineering and process plant contractors
Binne & Partners	Consulting engineers
Bostwick Doors (UK)	Commercial and industrial doors
Brickhouse Dudley	Iron and steel products for building and civil engineering industries
Bristol Packaging Machines	Wrapping and packaging machines
British Airways Engine Overhaul	Air engine overhaul
British Nuclear Fuels	Nuclear fuel cycle services
Capper-Neill International	Engineering process plant
J.H. Clossold & Son	Wool and wool/polyester fabrics
Cojana International Fashions	Ladies' fashion
Coline	Oscilloscope probes for electronics industry
Davy McKee (Minerals & Metals)	Engineering and construction
Detexomat Machinery	Clothing manufacture machinery
The Byron International Division of Dobson Park (Engineering)	Children's typewriters, sewing machines and cash registers
Dowty Mining Equipment	Hydraulic roof support systems for mines
Dowty Rotol	Aircraft equipment

Appendix A (continued)

Company	Principal Products or Activity
Drallim Telecommunications	Pressurisation equipment for cables
The Drum Engineering Company	Road tanker discharge equipment
Electroheating (London)	Tube welders and induction heat equipment
S. & S. Ellis	Wedding and evening wear
The Financial Times	Newspaper, newsletter and other publications
Frankel Microfilm Holdings	Microfilm equipment
GEC Turbine Generators	Steam turbines for power stations
GTS Flexible Materials	Electrical laminates and adhesive tapes
Gardners Transformers	Transformers and electronic power supplies
Gemmill & Dunsmore	Yarn machines
James Gentles & Son	Quantity surveyors
Hardy Spicer	Joints and drive shafts
Healey Mouldings	Plastic mouldings
Hobourn-Eaton	Pumps
Hughes Tool Company	Rock drill bits
I.D.M. Electronics	Precision sliding contact devices
Jackstone Froster	Freezing equipment
Kearney & Trecker Marwin	Machine tools
Lamcoat Papers	Textile wall coverings
Lansing Bagnall	Fork lift trucks
Lee Howl & Co.	Pumps
Lewmar Marine	Winches for pleasure craft
Linotype-Paul	Electronic equipment for phototype-setting and graphic arts industries
R.A. Lister & Co.	Diesel engines
Loewy Robertson Engineering Company	Plant for metals industries
McCain International	Potato processing
Macdonald Greenlees	Whisky

Appendix A (continued)

Company	Principal Products or Activity
Sir M. MacDonald & Partners	Consulting engineers
Manesty Machines	Tabletting machine for chemical and pharmaceutical industries
Marconi Radar Systems	Air defence and naval radar systems
J. Marr & Son	Fishing, fish oil
The Mars Money System Division of Mars	Automatic coin machine equipment
The Mercantile & General Reinsurance Co.	Insurance
The Electrical Division of Engineers	Generators
Norman Magnetics	Computer tape equipment
Oilfield Inspection Services	Oilfield equipment inspection
Peboc	Vitamin production
Pinneys Smokehouses	Smoked fish
Quantel	Digital equipment for broadcasting
Racal-Datacom	Electronic encryption units
Racal-Redac	Computer systems
The Rank Taylor Hobson Division of Rank Precision Industries	Precision measuring equipment
Rank Xerox	Copying machines
Raychem	Wires and cables
Redifon Simulation	Simulators for airlines
Redier Conveyors	Conveyors and elevators
Reynolds Medical	Electrocardiography equipment
Stewart Ross & Co.	Well drilling equipment
Round Oak Steel Works	Carbon and alloy steel bars
The Ryvita Co.	Crispbread
The Aircraft Division of Short Brothers	Aircraft
A.O. Smith Harvestore Products	Agricultural structures

Appendix A (continued)

Company	Principal Products or Activity
Sodastream	Soft drink machines
Sony (UK)	Colour TV sets
Standard Chartered Bank	Banking
Trusthouse Forte	Motels and catering
J.G. Turney & Son	Whisky
The Design and Projects Division of Vickers	Capital equipment contracts
The Howson-Algraphy Group of Vickers	Lithographic printing plates
John Walker & Sons	Whisky
Wearwell	Clothing
Josiah Wedgwood & Sons	Ceramic and glassware
Westall Richardson	Knives and knife blades
Whatman Biochemicals	Diagnostic enzyme production
Wimet	Cutting and mining tools

Source: The Financial Times, 21st April, 1980.

APPENDIX B

Covering and follow-up letters

Professor Michael J. Baker TD BA BSc(Econ) DBA
Professor J. M. Livingstone MA MSc PhD
Visiting Professor A. C. Emmerson MA

University of Strathclyde

Department of Marketing

Stenhouse Building, 173 Cathedral Street, Glasgow G4 0RQ
Tel: 041-552 4400

26th November 1980

Dear

In conjunction with a research student I am conducting a survey into various aspects of marketing and export performance - a subject which has stimulated much comment and advice, but surprisingly few hard facts.

As the winner of a Queen's Award for Export Performance I know you must receive many requests for information, the provision of which must take up valuable executive time, but I would be most grateful if you or a senior colleague could spare 30 minutes or so to complete the enclosed questionnaire. All replies will be treated in the strictest confidence and no reference made to individuals or their companies.

In return for your help we shall be pleased to send you a personal copy of the summary of findings prior to publication. I do hope you will be able to participate and look forward to hearing from you.

Yours sincerely,

M. J. Baker
Professor of Marketing

Professor Michael J. Baker TD BA BSc(Econ) DBA
Professor J. M. Livingstone MA MSc PhD
Visiting Professor A. C. Emmerson MA

University of Strathclyde

Department of Marketing

Stenhouse Building, 173 Cathedral Street, Glasgow G4 0RQ
Tel: 041-552 4400

12th February 1981

Dear

Some time ago I wrote inviting you to participate in a survey into various aspects of marketing and export performance. To date the response has been most encouraging, with over 60 per cent of the firms receiving a Queen's Award and contacted by us agreeing to participate.

As yet we have not received a reply from your own company, and the purpose of my letter is to ask if you could find the time to respond to our enquiry. We appreciate that the questionnaire itself is not entirely suited to all industries and, in the particular, may give the impression that we are not interested in services. This is not the case, and if you are able to spare the time we would be most grateful if you would complete the questionnaire in so far as it seems appropriate, and qualify any responses which you think may be misleading if not interpreted in the context of your own business.

On the assumption that you may have mislaid the original questionnaire, I am enclosing a further copy, and hope that you will be able to assist us.

Yours sincerely,

M. J. Baker

M. J. Baker

APPENDIX C

Questionnaire

Your firm may have different products, some of which sell in more than one foreign market competing with many foreign products. The questions in this box are intended to let us know your type of products, your principal markets, and your principal competitors. All the remaining questions should be answered in terms of your major product and market, i.e. we wish to document your normal experience in exporting.

Which of the following types of products does your firm sell overseas? (Please tick all that apply)

(1)		(2)		(3)	
Industrial	☐	Consumer durable	☐	Consumer non-durable	☐

What are your principal overseas markets?

____

____

____

What countries are your principal competitors (e.g. Germany, Japan, France, etc)?

____

____

____

(1) Industrial goods mean products which are destined for use in producing other goods or rendering service as contrasted with goods destined to be sold to ultimate customer (e.g. raw materials, equipment, components, and maintenance, repair, and operating equipment).

(2) Consumer durable goods are those destined for use by ultimate consumer and usually are purchased less frequently and are of higher unit value (e.g. refrigerators, washing machines, cars and television sets).

(3) Consumer non-durable goods refer to those which are purchased frequently and immediately by ultimate consumer with the minimum of effort, and are of low unit value. These include a wide range of household products (e.g. foods, clothes and cigarettes).

The next three questions apply to British industry generally, not necessarily your own firm.

Q.1 Do you think that there has been steady decline in UK export competitiveness in general in recent years (i.e. decline in the UK's share of world trade during the last 30 years)? (Please tick one box below)

Yes	☐
No	☐
Don't know	☐

If Yes, please continue with Question 2 and 3, otherwise skip the next two questions and go to Question 4.

Q.2 Please indicate the importance you attach to each of the following factors as a reason behind this decline. (Please circle the most appropriate number on the scale).

Reasons	Very Important	Important	Unimportant	No effect	Don't know
1. Failure to innovate	1	2	3	4	5
2. Reluctance to adapt products to meet foreign needs	1	2	3	4	5
3. Disposing of products for which the home market is declining	1	2	3	4	5
4. Disposing of any excess production necessary to achieve maximum production economies at home	1	2	3	4	5
5. Inadequate after sales service	1	2	3	4	5
6. Higher price than competitors	1	2	3	4	5
7. Poor promotional efforts	1	2	3	4	5
8. Missing delivery dates	1	2	3	4	5
9. Other (Please specify)					
____________	1	2	3	4	5
____________	1	2	3	4	5

Q.3 How important is each of the following factors in maintaining the competitiveness of British exports in the world market? (Please circle the most appropriate number on the scale).

Factors	Essential	Very Important	Important	Fairly Important	Not Important
1. Increasing investment in technological innovation in the area of high technology products (i.e. technology push).	1	2	3	4	5
2. Selling low technology products to developing countries.	1	2	3	4	5
3. Improving product quality and manufacturing cost-effectiveness.	1	2	3	4	5
4. Providing efficient after sales service	1	2	3	4	5
5. Achieving the lowest possible price	1	2	3	4	5
6. Paying more attention to the promotional efforts (e.g. advertising, sales promotion, and personal selling)	1	2	3	4	5
7. Meeting delivery dates	1	2	3	4	5
8. Making what the foreign customer wants rather than selling what the British manufacturer can make.	1	2	3	4	5
9. Other (Please specify) ______	1	2	3	4	5
______	1	2	3	4	5

Q.4 Turning now to the contribution of marketing factors to success in exporting, does your firm research the foreign market before it decides to sell in it?
(Please tick one box below).

Yes	☐
No	☐
Not applicable	☐

If Yes, please continue with Q.5, otherwise to to Q.6.

Q.5 A. Which of the following methods does your firm use in researching the foreign market?
(Please rank all that apply in order of importance assigning (1) to the most important, (2) to the second and so on, but leaving blank any that do not apply).

Methods	Rank in Importance
1. Your own export division	☐
2. Your own market research department	☐
3. Your sales force	☐
4. Specialised market research agencies	☐
5. Foreign agents and distributors	☐
6. Government agencies (e.g. BOTB)	☐
7. Chamber of Commerce	☐
8. Other (Please state)	☐

B. Which of the following activities do you use in market research?
(Please rank all that apply in order of importance).

Activities	Rank in Importance
1. Providing the required information about foreign markets	☐
2. Selecting these markets which provide more potential for your firm's products	☐
3. Identifying the necessary adaptation required to meet the needs of these markets	☐
4. Determining the expected profitability from making such adaptations	☐
5. Other (Please give details)	☐

Q.6 How do you compare your products in terms of the degree of design and quality sophistication as opposed to that of competing products?
(Please circle the most appropriate number on the scale).

Your principal products	Your products compared with these competing products				
	Significantly more sophisticated	Slightly more sophisticated	About the same level	Slightly more unsophisticated	Significantly more unsophisticated
German	1	2	3	4	5
Japanese	1	2	3	4	5
French	1	2	3	4	5
American	1	2	3	4	5
Italian	1	2	3	4	5
Other (Please state)					
	1	2	3	4	5
	1	2	3	4	5

Q.7 Which of the following bases do you use in pricing your products to foreign markets?
(Please tick all the appropriate bases and write in the markets in which each is being applied).

Bases		Markets (Please write in)
1. Full cost-plus policy	☐	------------------------
2. Marginal cost price	☐	------------------------
3. Competitor's price	☐	------------------------
4. Price that the market will bear	☐	------------------------
5. Other (Please specify)	☐	------------------------
______________________		
______________________	☐	------------------------

Q.8 In general how do you rate your prices as opposed to those of your principal competitors?

Your principal competitors	Your prices compared with those of your competitors				
	Very Expensive	Expensive	Equal	Relatively inexpensive	Cheap
German	1	2	3	4	5
Japanese	1	2	3	4	5
French	1	2	3	4	5
American	1	2	3	4	5
Italian	1	2	3	4	5
Other (Please state)					
______________	1	2	3	4	5
______________	1	2	3	4	5

Q.9 To what extent has the U.K.'s inflation affected your Company's ability to compete overseas?
(Please circle the most appropriate number on the scale)

Increase greatly	Increase slightly	No Effect	Decrease slightly	Decrease greatly
1	2	3	4	5

Q.10 Does your firm actively promote its products in export markets?

Yes ☐
No ☐
Don't know ☐

If Yes, please continue with Q.11, otherwise to to Q.12.

Q.11 Which of the following methods does it use for each type of market?
(Please tick all that apply)

Methods	Markets: W. Europe	E. Europe	N. America	S. America	Caribbean	Japan	Australia	S. Africa	Africa (Excl. S. Africa	Middle East (Incl. Egypt)	Other (Please state)		
Advertising													
Personal selling													
Publicity													
Sales Promotion													

Q.12 Do you visit your overseas markets?
(Please tick one box below)

Yes ☐ No ☐

If Yes: Generally which of the following benefits do you gain from visiting these markets?
(Please rank in importance all that apply)

Benefits

1. Selecting, motivating and controlling agents ☐
2. Identifying and solving distribution problems ☐
3. Establishing a good relationship with foreign customers ☐
4. Identifying the market needs ☐
5. Identifying the market size ☐
6. Other (Please specify)

_______________________ ☐

_______________________ ☐

Q.13 Approximately what percentage of your firm's exports is made by each of the following methods in each of its markets? (Please indicate the percentage of each type of methods in your most important markets).

Markets

Methods	W. Europe	E. Europe	N. America	S. America	Caribbean	Japan	Australia	S. Africa	Africa (Excl. S. Africa)	Middle East (Incl. Egypt)	Other (Please state) ______
Agents(1)	%	%	%	%	%	%	%	%	%	%	%
Distributors(2)	%	%	%	%	%	%	%	%	%	%	%
Salesmen (Based in U.K.)	%	%	%	%	%	%	%	%	%	%	%
Your Sales branch in overseas markets	%	%	%	%	%	%	%	%	%	%	%
Government importing companies (Socialist countries)	%	%	%	%	%	%	%	%	%	%	%
Other (Please state) ______	%	%	%	%	%	%	%	%	%	%	%
______	%	%	%	%	%	%	%	%	%	%	%
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

(1) Agents are those intermediaries who sell your products in all or part of an export market on an agreed basis, generally a commission on value of sales.

(2) Distributors are those intermediaries who buy, stock and resell your product, in their local markets.

Q.14 If agents or distributors are the main distribution methods of your firm's sales, how satisfactory is the relationship with them?
(Please circle the most appropriate number on the scale).
If they are not go to Q.15.

Markets	Very satis-factory	Quite good	Satis-factory	Rela-tively unsatis-factory	Very unsatis-factory
W. Europe	1	2	3	4	5
E. Europe	1	2	3	4	5
N. America	1	2	3	4	5
S. America	1	2	3	4	5
Caribbean	1	2	3	4	5
Japan	1	2	3	4	5
Australia	1	2	3	4	5
S. Africa	1	2	3	4	5
Africa (Excl. S. Africa)	1	2	3	4	5
Middle East (Incl. Egypt)	1	2	3	4	5

Q.15 Which of the following marketing factors have helped you to achieve success in exporting?
<u>(Please rank in importance from 1 to 8 all that apply for each of your most important markets)</u>

Markets

Factors	W. Europe	E. Europe	N. America	S. America	Caribbean	Japan	Australia	S. Africa	Africa (Excl. S. Africa)	Middle East (Incl. Egypt)	Other (Please state)
a. Adequate market research											
b. Superior quality											
c. Adequate after sales service											
d. Lower price than competitors											
e. Adequate promotional efforts											
f. Visiting overseas markets											
g. Satisfactory relationship with agents or distributors											
h. Meeting delivery dates											

Q.16 Turning now to the strategy that you might adopt in exporting please indicate which of the following strategies best contributes to your success in exporting and write in markets in which it can be applied.

Strategy		Markets in which it can be applied (Please write in)
1. Standardisation strategy, i.e. selling a standard product to different foreign markets and seeking to get as many customers as possible with one uniform marketing mix.	☐	--------------------- --------------------- --------------------- ---------------------
2. Adaptation Strategy, i.e. changing your products and other marketing elements to meet the differing needs of overseas markets (Having different marketing mixes)	☐	--------------------- --------------------- --------------------- ---------------------
3. Concentration Strategy, i.e. grouping foreign markets according to a regional or developmental classification (e.g. E. Europe, Middle East, N. America, etc. or developed and developing markets) and using a standard marketing mix in selling to each group. This mix may be the one you use at home or may be quite different.	☐	--------------------- --------------------- --------------------- ---------------------
4. Matching Strategy, i.e. using the same marketing mix employed at home in selling to a group of foreign markets, which are similar in their characteristics to your domestic market.	☐	--------------------- --------------------- --------------------- ---------------------

Q.17 In the case of using any strategy(ies) other than adaptation, which of the following reasons are behind this? (Please tick all that apply).

1. We are selling to foreign markets which are similar to the domestic market ☐
2. Our marketing methods are geared to the needs of the home market and we find it difficult to change them to meet foreign needs ☐
3. We have not enough financial resources to make such adaptation ☐
4. We have not the management resources to make adaptation ☐
5. Our product is of a 'standard nature', i.e.it meets the different needs of many foreign countries (e.g. medical goods and basic materials, such as steel, etc.) ☐
6. Other (Please specify)

   ______________________________ ☐

   ______________________________ ☐

Q.18 How important do you think each of the following markets will be to your firm's export opportunities in the next five years? (Please circle the most appropriate number on the scale for all that apply)

	Very Important		Important		Not Important
W. Europe	1	2	3	4	5
E. Europe	1	2	3	4	5
N. America	1	2	3	4	5
Japan	1	2	3	4	5
Australia	1	2	3	4	5
Middle East (Incl.Egypt)	1	2	3	4	5
Africa (Excl. S.Africa & Egypt	1	2	3	4	5
S. Africa	1	2	3	4	5
India	1	2	3	4	5
China	1	2	3	4	5
Other Asian countries (Please write in)					
______________________	1	2	3	4	5

Q.19 Finally, please check the answer which most closely approximates your involvement in exporting, your export sales, your profit from exports.

(i) How many years has your firm been actively engaged in exporting?
(Please tick one)

- Less than 5 years ☐
- 5 to 10 years ☐
- 11 to 20 years ☐
- 21 to 30 years ☐
- 31 to 50 years ☐
- over 50 years ☐

(ii) What percentage of your firm's sales was made in overseas markets in the last year?
(Please tick one)

- Under 10% ☐
- 10% - under 20% ☐
- 20% - under 40% ☐
- 40% - under 60% ☐
- 60% - under 80% ☐
- over 80% ☐

(iii) In general the proportion of your profit which comes from exports compared with that of home sales is:
(Please tick one)

Higher ☐
Equal ☐
Lower ☐

(iv) If your answer is 'lower', to what extent does this make you pay less attention to exports compared with home sales?
(Please circle the most appropriate number on the scale)

To a great extent				To very little
1	2	3	4	5

Any other comments you would care to make would be appreciated.

Thank you for your co-operation.

Name of Company:

Name of respondent:

Position in company:

Date:

Please return to:

Professor M.J. Baker,
Dean of School of Business Administration
and Head of Marketing Department,
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GLASGOW G4 ORQ.

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