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**AN EVALUATION OF THE IMPORTANCE OF MARKETING
ACTIVITIES FOR EXPORT SUCCESS OF SMALLER SIZED
NEW ZEALAND COMPANIES**

A thesis prepared in partial fulfillment of the requirements
for the degree of Master of Business Studies
at Massey University

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No nation was ever ruined by trade.

Benjamin Franklin, 1706-1790

Thoughts on Commercial Subjects

ABSTRACT

Various authors, including Porter, have emphasised the need for exporters to pursue activities that can gain a competitive advantage for the New Zealand export business. However, it is important to determine which of those activities are responsible for enhancing export performance. Of relevance to marketers are the marketing components which are more important in international marketing.

Thus, this study tested the hypothesis that there is a positive relationship between marketing activities of planning, information search for opportunities, product adaptation and export success for smaller New Zealand companies. Export success was defined as the ratio of export sales to total sales. Exporters were also classified as per their level of export performance and differences in marketing strategies identified.

To test the hypothesis, a sample of 320 small to medium sized New Zealand exporters was randomly selected from the four product categories of food (excluding meat), apparel, building and electrical. This selection of industries enabled analysis by both consumer and industrial groups.

The results indicated that export intensity can be explained in terms of planning, information search and to a lesser extent product adaptation. In particular, information is a vital asset for exporters. The key appears to be maintaining contact with the export market in the form of company

personnel travelling on fact finding missions or exhibiting products at overseas trade fairs.

The marketing activity which showed a significant difference between high and low performing exporters was planning. The time involved and also the resources allocated to this activity by high performers demonstrated their commitment to exporting.

Overall, this study has demonstrated the importance of certain marketing activities in terms of export success. If New Zealand smaller sized companies are prepared to lay the foundations for their export business in terms of planning and information gathering, then sustainability in New Zealand's export drive may be achieved.

***Knowledge is of two kinds. We know a
subject ourselves, or we know where we
can find information upon it.***

Samuel Johnson, 1709-1784
from Boswell, *Life of Johnson*, 1763

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CHAPTER ONE: INTRODUCTION

1.1 The State of New Zealand Export Business

New Zealand, with its consumer base of a mere 3.4 million (Department of Statistics, 1992), is particularly reliant on international trade. The Hon Don McKinnon stated in *The New Zealand Exporters Handbook 1992*, "New Zealand's economic history is characterised by our dependence on export markets. That dependency will remain with us in the future" (p1). In recent times due to a Balance of Payments deficit there has been a need for more emphasis on exporting. This has resulted in many companies responding to the call for increased internationalisation by the government. A favourable trend is starting to emerge with some industries steadily increasing the value of merchandise goods exported month by month (Department of Statistics, 1992).

Whether this upsurge in international activity will remain long-term is debateable. Amine & Cavusgil (1983) state "when hard-pressed governments attempt to revive sagging economies through an export drive, many businesses groan, make sporadic efforts, and then drift back into business as usual" (p 7). The risk factor and perceived difficulties involved in exporting can lead companies to concentrate on domestic markets.

A recent in-depth investigation by Michael Porter and Associates deplored the state of New Zealand export business and emphasised the need for pursuing those industries that can sustain a competitive advantage (Crocombe, Enright & Porter, 1991). New Zealand firms typically lack an international focus. "Few New Zealand firms possess an intimate knowledge of their foreign customers and competitors. Fewer still use such knowledge actively to develop strategies" (Crocombe *et al*, 1991, p162).

Reasons given for exploring international markets are often one or a combination of the following: a slump in the domestic market, excess production capacity, maturing industries or products, competitive pressures (Cooper & Kleinschmidt, 1985). As well as these 'push' factors companies can be 'pulled' into exporting because of better profit, sales or growth opportunities (Murphy & Enis, 1985).

For New Zealand companies, the deregulation of industries by Government during the 1980s, has 'pushed' companies whose objectives include expansion, into exporting. The increase of imports into the country has resulted in unprecedented competition. With economic survival uppermost, deregulation can spur those previously not interested in exporting to venture further afield (Ganitsky, 1989).

Increasingly, government is turning to export trade as a means of reviving the economy. However, concurrently most incentives, which may have spurred companies into increasing export sales, have been eliminated. Porter denies the advisability of the incentive approach as it only leads to short-term strategies rather than long-term sustainability (Crocombe *et al*, 1991). However, whether companies should be assisted in the international arena remains debateable.

What is important for New Zealand's economic welfare is the ability to continue the export drive. Sustainable success in international markets is often seen to be more likely in companies involved in export-related planning activity (Samiee & Walters, 1990a). Those exporters who are endeavouring to remain competitive in the international market need to take a planned approach.

Planning to be effective requires relative information gathering. Of importance to planning strategies is knowledge of competitors' activities, an understanding of overseas customers, and information on the

uncontrollable environment in which the exporter is competing. Lack of information could mean that export strategies will not be responsive to the inherent dynamics.

Though New Zealand has a high percentage of small companies to those of its trading partners (Love, 1988), size should not be a barrier to trading outside the domestic market. There has been considerable research on the ability of small companies to export successfully (Edmunds & Khoury, 1986; Reid, 1984; Kirpalani & Macintosh, 1980). Most studies show that size is not a constraint. Furthermore, Edmunds & Khoury (1986) emphasise that exports are necessary for growth in small companies.

What is important for New Zealand companies is the need for export planning by companies accompanied by competitive strategies. Ortiz-Buonafina (1991) emphasises that market-oriented strategies are important to increase export profitability. Furthermore these strategies offer long-term sustainability rather than short-term gains (Williamson, 1991).

1.2 Objectives

The overall objective of this study is to investigate whether small- and medium-sized New Zealand companies will perform better with a committed marketing approach than those export companies who do not.

Specifically the following propositions are tested:

- 1 That higher performing companies are more likely to be undertaking market planning
- 2 That higher performing companies are more likely to be undertaking an information search of market opportunities

- 3 That higher performing companies are more likely to be adapting the marketing mix

In order to achieve the above objectives the following central hypothesis is tested:

there exists a positive relationship between export planning, information search and product adaptation and the export performance of New Zealand's smaller sized companies.

1.2 Organisation of the Study

This study is reported in six chapters. An extensive review of relevant export literature is reported and discussed in Chapter 2. The next chapter details the methodology of the study including information on the sample and data collection. Incorporated in this chapter is an experiment to test whether a monetary incentive has any effect on response rate.

Chapter Four provides background information on the respondents. Also included are the results of preliminary statistical tests. The next chapter presents the research findings. Finally, in Chapter Six, the conclusions and implications of the findings are presented. This is followed by the limitations of the study and suggestions for areas for future research.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

In 1977, Wind & Perlmutter discussed the difficulties of conducting international research as originating from: "the complexity of the multinational environment, the considerably higher monetary and time costs involved in multicountry studies, the conceptual problems of comparability across languages and cultures, and the operational difficulties of implementing multicountry studies. It has been much more expedient, therefore, to study domestic marketing problems" (p 131).

However, as the move to globalisation of markets has increased more and more researchers have overcome the obstacles mentioned by Wind & Perlmutter so that now in the 1990s export research is a popular avenue for many academics. Indeed, three major literature reviews of export studies have been published with the first being Bilkey's 1978 integration of the literature on the behaviour of exporters. The second was Albaum & Peterson's 1984 discussion on the empirical research in international marketing from 1976 to 1982. The third, which was a review of the empirical literature from 1978 to 1988, is Aaby & Slater's 1989 discussion on management influences on export performance.

Though there has been a relative "explosion" of research on exporting in recent times the body of knowledge is very fragmented and inconclusive (Kamath, Rosson, Patton & Brooks, 1987). There have been few replication studies to provide support for generalisability of results (Kaynak & Kothari, 1984). Many studies are exploratory in nature and to be useful need to be tested and developed further.

Reid's chapter in *Export Promotion: The Public and Private Sector*

Interaction (Reid 1983a) is controversially titled "Export Research in a Crisis". His main assertion is that "a research area is substantively developed when it contributes to solving practical problems, supports generalisations beyond specific geographic locales, has agreed on central constructs, and can sensibly interpret disconfirmatory findings...export behaviour research has had major difficulty in satisfactorily meeting these criteria" (p129).

The major problem confronting export researchers is methodological flaws. Ford & Leonidou (Paliwoda, 1991) suggest the use of longitudinal studies as these are more appropriate to the dynamic models depicting export behaviour. Farley & Wind (1980) support the view that high quality research in international marketing is lacking. They suggest that rigorous and creative concepts and methodologies are important not only to aid international marketing but to shed light on concepts and approaches for domestic marketers.

Notwithstanding the aforementioned limitations to export research there has been a body of knowledge built up which attempts to elucidate on the behaviour of companies when exporting. A variety of approaches have been pursued to provide an insight into why some companies export and to understand why some are more successful than others. Some studies have compared non-exporters with exporters (Ah Keng & Jiuan, 1989; Burton & Schlegelmilch, 1987) while others have been concerned solely with exporters (Axinn, 1988; Czinkota & Johnston, 1983; Kirpalani & Macintosh, 1980). The various methods of analysing export behaviour is discussed in the following sections.

2.2 The Internationalisation Process

2.2.1 Exporters vs Non-Exporters

Ah Keng & Jiuan (1989) developed demographic profiles to appreciate the differences in exporters compared to non-exporters. Typically, the exporters were larger in terms of employees and sales volume, the exporter decision-maker is better educated than the non-exporter and the company generally has foreign equity. The authors suggest that positive attitudes to exporting can be acquired through training, availability of market information and establishment of assistance schemes.

Whereas the previous study was based in Singapore, Burton & Schlegelmilch's (1987) research utilised data gathered from managing directors in United Kingdom and West Germany. An improvement on the methodology of the previous study was that it was not a simple dichotomous split in the sample, i.e. all exporters versus non-exporters, but rather exporters were further subdivided to differentiate between various degrees of export involvement.

Burton & Schlegelmilch (1987) support the view that exporting companies are characterised by management with a higher level of formal education. Exporters are less short-term oriented and develop new markets and products whereas non-exporters are concerned with consolidating current activities. Results also show that non-exporters have a pessimistic attitude towards the risks, costs and barriers associated with exporting. However, one could argue the tautological implications of this assertion.

2.2.2 Stages Model

A further development to the exporter/non-exporter approach is to differentiate exporters by their degree of internationalisation. The

internationalisation process is the way that companies adopt international business activities (Cavusgil, 1980). Many researchers have referred to the gradual and sequential commitment to business in foreign markets by companies as the "stages" approach. This differentiation offers researchers a means of segmenting companies. Identifying companies in their respective stage of commitment can be a useful tool particularly for policy-makers when targeting exporters with assistance.

Tookey (1969) differentiated between three stages in the development of international operations: exporting, international marketing, and international business. Bilkey & Tesar (1977) proposed a more comprehensive six stage model to represent the behaviour of companies as they move from total disinterest in exporting through to actively expanding into additional countries:

Stage One Management is not interested in exporting; would not even fill an unsolicited export order.

Stage Two Management would fill an unsolicited export order, but makes no effort to explore the feasibility of exporting.

Stage Three Management actively explores the feasibility of exporting (this can be skipped if unsolicited export orders are received).

Stage Four The firm exports on an experimental basis to some psychologically close country.

Stage Five The firm is an experienced exporter to that country and adjusts exports optimally to changing exchange rates, tariffs, etc.

Stage Six Management explores the feasibility of exporting to additional

countries that, psychologically, are further away (p 93).

The model was tested on Wisconsin companies by means of a mail questionnaire. Multiple regression was used with the dependent variable being each stage of the export development process. From the analysis, the authors showed that the export development process of companies does tend to proceed in stages. It was also suggested that the export management needs of companies at one stage may be very different from the needs of firms at another stage.

Czinkota & Johnston (1981) in their study modelled the internationalisation stages closely to those of Bilkey & Tesar. Whereas the latter used very general criteria to classify companies, Czinkota & Johnston's research used a more rigorous approach with quantitative cut-off values for relative and absolute export sales volume, length of export experience, types of countries exported to, number of export customers and export transactions, and manpower committed to exporting.

The classification of their six stages is somewhat similar to Bilkey & Tesar's. The company can be termed as either an unwilling company, an uninterested company, an interested company, an experimenting company, a semi-experienced exporter or an experienced, larger-sized export company. The result of the study supports Bilkey & Tesar's segmentation by stages of international development. After testing four methods for segmenting; by stage of export activity, by managerial attitudes, by size and by service orientation. It was concluded that the stages approach differentiated companies the best.

Cavusgil (1980, p275) identified five similar stages to those of Bilkey & Tesar.

Stage 1 Domestic Marketing: the firm sells only to the home market.

- Stage 2 Pre-Export Stage: the firm searches for information and determine the feasibility of exporting.
- Stage 3 Experimental Involvement: the commencement of limited international activity to some psychologically close country.
- Stage 4 Active Involvement: the firm systematically explores the possibility of expanding international marketing activity.
- Stage 5 Committed Involvement: Allocation of resources dependent on international opportunities.

Greater uncertainty, higher costs of information, and lack of experience in foreign marketing activities may mean that companies move progressively slowly through the stages from domestic marketing to various levels of exporting (Cavusgil, 1980). Johanson & Vahlne (1977, p23) note that "internationalisation is the product of a series of incremental decisions". They argue that the internationalisation process is in reality a model of knowledge development and increased foreign market commitment.

Implicit in the internationalisation stage model is that foreign business activities equate to high uncertainty and as such management are reluctant to commit more than the minimal amount of resources. However, as experience builds up, so does the level of export commitment (Moon & Lee, 1990).

Ortiz-Buonafina (1991, p47) added another dimension to the stages approach. She expanded the model by the following additional three stages to depict the export marketing activities undertaken by the company.

- 1 Unsolicited Exporting: the firm begins to look at overseas markets by responding to foreign unsolicited orders, mostly selling surpluses

and filling orders on an experimental basis.

- 2 Limited Marketing: the firm starts to export on a regular basis and starts to introduce marketing procedures to respond to inquiries from abroad.
- 3 Extensive Marketing: the firm now commits resources to develop export markets and develops a marketing strategy to best serve and meet the needs of foreign customers.

The results of the study will be discussed later, but, what is important is that the stages identified do support the view that export marketing activities of companies at different stages in their internationalisation should be different. This theory also adds support to the study of small exporters and stages of development undertaken by Vozikis & Mescon (1985). The conclusion is that export is essentially a developmental function in the form of a learning sequence or discrete stages (Piercy, 1981).

In a study to develop a model of a company's pre-export behaviour Wiedersheim-Paul, Olson & Welch (1978) incorporated those companies who did not export but were considering doing so. The authors note that "domestic internationalisation" i.e. the experience gained from expanding within the domestic market, plays a major role in the decision to export. Thus, it might be prudent to add to Bilkey & Tesar's model another stage labelled extraregional expansion between the existing stage two and three. This expansion within the domestic market adds to experiential knowledge in the same vein as the other stages proposed by Bilkey & Tesar.

It was noted by Ursic & Czinkota (1984) that if the stages approach is a correct assumption then older companies, due to their having had more time to progress through the export stages, should export more than

younger companies. Their study rejected this hypothesis - younger companies do export a larger percentage of their sales than the older companies. Overall, they have a more positive attitude towards exporting. This result supports the finding by Bilkey (1982), that, as the longer companies export, the lower the relative profitability they perceive from exporting. That there maybe a negative relationship between age and export behaviour stage, contradicting the stages approach, is worthy of further investigation.

2.2.3 Innovation

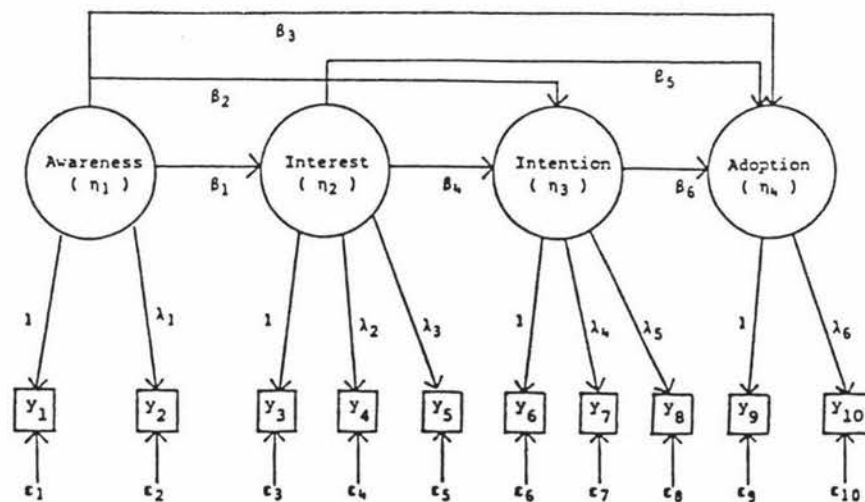
It has been proposed that the export adoption process can be viewed from the perspective of diffusion of innovation theory (Lee & Brasch, 1978). Thus, the initial involvement in exporting can be classified as an innovation (Thomas & Araujo, 1985). When considering Bilkey & Tesar's export development model, the critical stage is stage four which is the point where a high risk factor and level of commitment first exists. This stage, it is argued, can be regarded as "adoption" as it is not until stage four that the company experiments with exporting via solicited orders (Lee & Brasch, 1978).

In their study of 35 Nebraska-based manufacturing exporters Lee & Brasch (1978) tested the hypothesis that among export adopting companies the problem-oriented adoption process is more common than the innovation-oriented process. The results provide evidence that the group were more likely to be innovation-oriented rather than initiating exports due to internally perceived problems or needs. To be innovation-oriented the impetus to adopt exporting as a strategy is either precise knowledge of the existence of foreign market opportunities or the acquiring of technical knowledge of exporting. Thus, the study added support to the validity of defining export initiation as an innovative strategy.

Reid (1981) also likened the decision to initially export and the expansion of export as an innovation-type behaviour. He suggested that export adoption moved through six stages. The stages being export awareness, export intention, export trial, export evaluation through to export acceptance which is the point where the adoption of the innovation takes place. Reid concludes that export adoption can begin with either a problem or an opportunity.

Lim, Sharkey & Kim (1991) developed a synthesis of existing innovation-adoption models to incorporate the construct of interest. The stages of innovation adoption were thus; awareness, interest, intention and adoption. A questionnaire was mailed to two industries with export growth potential and a traditional export industry in Ohio to determine the model's ability to explain the export behaviour of a company.

Figure 2.1 Conceptual Model of Innovation (Lim, Sharkey & Kim, 1991, p54)



Awareness

- Y1 : Extent of secondary information search on export opportunities
- Y2 : Extent of primary information search on export opportunities

Interest

- Y3 : Interest in exporting products to foreign markets
- Y4 : Interest in doing business with overseas customers
- Y5 : Interest in exploring foreign market opportunities

Intention

- Y6 : Likelihood of becoming a major exporter in the industry
- Y7 : Probability of beginning exporting
- Y8 : A firm's willingness to export

Adoption

- Y9 : Status of a firm with regard to export adoption
- Y10: Export intensity

Each stage in the model was measured by multiple indicators. For awareness determinants were the extent of both primary and secondary information search on export opportunities. Interest was depicted as interest in exporting products to foreign markets. Interest in doing business with overseas customers and interest in exploring foreign market opportunities. Intention was determined by the likelihood of becoming a major exporter in the industry, the probability of beginning exporting and the company's willingness to export. Finally, adoption was measured as status of a company with regard to export adoption and export intensity of the company.

The study provides evidence that there is a direct causal path from awareness to interest, from interest to intention and from intention to adoption. Lim *et al* (1991) demonstrated the usefulness of the innovation adoption framework to export decision-making. However, as the sample was Ohio-based and limited to three industries the results may not be generalisable until replication studies have been undertaken.

2.2.4 Dichotomous Classifications

Various dichotomies have been used to distinguish between exporters rather than the stages approach. Classifying exporters as reactive or active has been common (Suzman & Wortzel, 1984; Piercy, 1981). Active exporters were those for whom the main source of growth for the company was their exports. Reactive exporters consisted of those companies where exports are mainly unsolicited orders or where exporting constitutes surplus production (Piercy, 1981). This method of classification has severe limitations as there remains a group of exporters who are unaccounted for i.e. those who actively seek export orders but for whom, at the same time, the domestic market is their main source of growth. More importantly the classification assumes that to exporters, growth is central to decision-making. Thus it should be noted that this method of measuring

internationalisation is relatively crude.

Diamantopoulus & Inglis (1988) differentiated between exporters by their level of involvement. Involvement being the extent to which a company was dependent upon export activity for its business. This was defined as the proportion of turnover accounted for by export sales. If the company had a greater than 50 percent export to total sales ratio then they were classified as "high-involvement" and the remainder as "low-involvement" exporters.

Similar to the active/reactive dichotomy for classifying exporters is that of passive or aggressive (da Rocha, Christensen & da Cunha, 1990). Passive being those exporters who had exported unsolicited orders while aggressive were those companies that had taken the initiative to export to at least one foreign market. This method of division is superior to that of the reactive/active proposed earlier by Piercy (1981) in that the categories are exhaustive.

There are many problems inherent with these taxonomies. They use a static system of classification, changes over time are ignored. As well, an exporter is determined as being in one or the other category when in reality the exporter could be classified in both states depending on which product line or market was under consideration. The inability of a dichotomous classification to withstand rigorous statistical analysis was demonstrated by da Rocha *et al's* (1990) study.

Unexpected results obtained included the lower degree of export involvement of aggressive companies when compared to passive companies. In the study export involvement was measured by the export percentage of total sales. Aggressive companies would be expected to have a higher degree of export involvement but it is possible that the contradictory finding is due to the measurement of 'aggressive'. Wide disparity due to

the classification system exists e.g. compare the following two scenarios - a company who initiated 100% of their export sales is defined similarly to the company which sells 99% of its exports by unsolicited means while a mere 1% of exports was initiated by the company. Both are termed 'aggressive' yet the probable difference in the decision-makers' attitudes and strategies is worth being aware of.

2.3 Barriers to Exporting

Among the export literature there have been many studies in which impediments to exporting have been identified (Axinn, 1988; Kaynak & Kothari, 1984; Cavusgil & Nevin, 1981; Rabino, 1980). Problems that inhibit export initiation and those encountered in the process of exporting are both of importance. The rationale for researching export barriers is that a government could stimulate exporting activity by removing them (Bilkey, 1978).

Most of the research does support the theory that increased export activity is a consequence of experiential knowledge which is implicit in the stages approach. Exporters tend to perceive few obstacles whereas non-exporters due to their unfamiliarity with exporting and overseas markets perceive more barriers to exporting (Samiee & Walters, 1990a; Yaprak, 1985).

Rabino (1980) noted that there were five major perceived barriers to exporting: lack of exposure to other cultures, the large domestic market, lack of staff time, the paperwork and management of export operations and different safety and quality standards. Cao (1980) also acknowledged standards on safety, health, design specifications, marking and labelling, and testing procedures can differ from country to country. Until there is a unifying agreement on international regulation codes the inconsistencies across borders will remain a barrier to exports.

Negative perceptions concerning risk and the potential for export are substantial barriers to initiate export activities (Axinn, 1988; Roy & Simpson, 1981; McConnell, 1979). However, it was shown that those companies who have indulged in export behaviour have a more positive view of the risk factor (Roy & Simpson, 1981).

Kaynak & Kothari (1984) identified the following as reasons for non-involvement in exporting by manufacturing companies; foreign competition, lack of information on foreign markets, lack of staff time and service difficulty in foreign markets, large domestic market, foreign distribution and paperwork involved.

For those undertaking exporting Kaynak & Kothari (1984) noted in their study of Texas and Nova Scotia companies, that government barriers i.e. customs/tariffs were the main obstacle to be faced by both countries. Competition and distribution were also a major factor on the exporting operations. Nielsen (1959) stressed that language can be a major barrier particularly in industries which have considerable technical jargon. The terms used are often not in dictionaries and this can make communication a very real problem. Czinkota & Johnston (1983) in their study of three U.S. industries also found communication to be the most important problem. This was followed by sales effort. The problem of handling documentation was significantly worse for small-sized companies than medium sized.

Smaller companies are also handicapped by lack of financial and managerial resources (Tookey, 1964). Bauerschmidt, Sullivan & Gillespie (1985) and Christensen, da Rocha & Gertner (1987) agree that inadequate financial incentives are a serious obstacle. Coupled with this they included as barriers strong international competition, and the need to service the domestic demand.

The characteristics of management have been identified as the real barriers to exporting by Cavusgil & Nevin (1981). The reluctance of companies to export is largely attributable to top management's lack of determination to export. If management does not have an international orientation then this will prevent exporting. This barrier of 'psychic distance' has also been proposed by Dichtl, Leibold, Koglmayr & Muller (1983).

Transportation can be a barrier to exporting (Kaynak & Kothari, 1984). Results from a University of Otago marketing research show that transportation is the most important problem for New Zealand exporters. As well as being isolated from trading partners, the types of products New Zealand exports tend to be large, bulky and low value, which makes transportation costs a large proportion of the total cost (Management, 1990).

A study of 252 New Zealand exporters by Akoorie & Enderwick (1990) found that the most important handicap faced in operating overseas is the exchange rate volatility and the value of the exchange rate. This is supported by more recent research in New Zealand in which exporters listed the value of the New Zealand dollar when it is strong as the major impediment to international trade (Chaney, 1991).

2.4 Export Success Factors

Cunningham & Spigel (1971) studied the export activities of a sample of U.K. companies that had won the Queen's Award to Industry for export achievement. The most important factors contributing to the companies efficient and successful exporting were: design and quality of product, the international outlook of upper management coupled with long-term planning, market knowledge and effective use of agents. Of importance to these heralded companies is the 'human' factor. Persistence, involving

personal visits and the before and after sales service ranked very highly.

However, a more recent study of Queen's Award export winners reveals disparate results (McFarlane, 1978). The exporters were typically found wanting in the area of after-sales service. Most only paid lip-service to the importance of market research and overall their attitudes to exporting were very negative. The fact that there appeared to be no 'success' factors could be a result of the state of the economy prevailing in 1978. The domestic market was still a viable option for the companies.

Those who are successful exporters tend to have a stronger quality control function. In a study of Peruvian exporters, Daniels & Robles (1982) established that product quality was a key competency. Others concur with this finding (Christensen *et al*, 1987; Burton & Schlegelmilch, 1987; Cunningham & Spigel, 1971).

It has been suggested that the attitude of management is the key to success in exporting (Suzman & Wortzel, 1984; Czinkota & Johnston, 1983). The ability to diagnose opportunities and act upon them is a major success determinant. In discussing the Japanese export strategies, Johansson & Nonaka (1983) state that moves by competitors can and should be anticipated. The Japanese approach can be likened to a military strategy where analysis must pinpoint not only weaknesses in the opposition but also must develop manoeuvres to exploit these weaknesses. This implies a need for considerable effort in gathering marketing intelligence and maintaining a continuous information flow between all parties concerned in the operations.

The role of the decision-maker is vitally important both in exporting and in the decision to export. Reid (1981) provides evidence that the decision-maker's attitude, experience, motivation and expectations are primary determinants as to whether a company adopts exporting. That the top

management's desire to export is a success factor is evidenced in a study by Christensen *et al*, (1987).

Reinforcing the decision-maker's importance, Cavusgil (1984a) notes that management's attitudes toward risk-taking and their desire to develop new markets impacts on the consideration of not only initiating exporting but also in export expansion. Dichtl, Leibold, Koglmayr & Muller (1984, p58) also refer to the importance of managers in the export process, "managers displaying a positive attitude towards foreign countries are more likely to perceive certain stimuli as incentives than others".

2.5 The Impact of Size on Export Behaviour

There is general disagreement as to the effect that size has on a company's export behaviour. A common hypothesis is that there are size-related advantages that aid a company to export more effectively. The assertion that being a large size usually has a positive influence on export behaviour has been supported by many studies (Christensen *et al*, 1987; Burton & Schlegelmilch, 1987; Denis & Depelteau, 1985; Cavusgil & Nevin, 1981; Piercy, 1981; Tookey, 1964).

One would expect a positive relationship between size and export performance due to economies of scale. Also large companies tend to have more resources available for research which can lessen the all important risk-factor involved in foreign trading.

However, there have been mixed conclusions in the research literature as to the size factor in export behaviour (Bilkey, 1978). Several studies provide little support that there is a strong relationship between company size and export behaviour (Cooper & Kleinschmidt, 1985; Czinkota & Johnston, 1983; Bilkey & Tesar, 1977). Cavusgil (1984a) suggests that since company size does not correlate significantly with export activity it

has limited usefulness for use as a segmentation method.

The results from the study by Bilkey & Tesar (1977) of 423 small- and medium-sized Wisconsin manufacturing companies indicate that both sized companies can export successfully. Exporting is not limited to large companies. Size was relatively unimportant when one took into account the quality and dynamism of management. Edmunds & Khoury (1986) support this claim in their survey of 32 small- and medium-sized Californian companies. They suggest that well motivated and enlightened small business management can export profitably.

In a study of small- and medium-sized U.S. and Canadian companies Kirpalani & Macintosh (1980) revealed size was not significantly associated with success. The conclusion made was that regardless of size any company has a chance to compete in exporting successfully. Czinkota & Johnston (1983), in their research of small- and medium-sized exporting U.S. companies, agree that size does not deter export activity. The results show that overall, small- and medium-sized companies are quite similar in their export behaviour.

Hirsch & Adar (1974) researched several hundred companies from six industries in Denmark, Holland and Israel to confirm that the larger the firm, the higher the ratio of exports to total sales. It was demonstrated by simple regression equations that export performance of the large companies was superior to that of the small companies. O'Rourke (1985) also revealed that small companies export a smaller share of their sales than the larger companies. However, this has been rationalised by the fact that "since a firm will tend to be smaller in the early phase of its corporate life, the lower exporting performance of firms that are presently small gives no indication of potential future export performance" (p, 28).

Reid (1983a, p135) concludes " since there is substantial heterogeneity in

firm size variables, which is not accounted for by researchers, it is difficult to establish any definitive relationship between size of firm and export behaviour. What is clear is that some size factors provide access to knowledge and contribute to the firm's ability to use this knowledge in foreign markets". Company size, then, can serve as a proxy for the previously mentioned advantages associated with size.

Methods of defining what constitutes small and medium sized companies are diverse. Brady & Bearden (1979) in their study of exporting methods defined small companies as those with less than 250 employees. This definition was also used in a study of small Texan and Canadian manufacturing companies (Kaynak & Kothari, 1984). However, 100 full-time employees has been used as the cut-off point for the division of small and larger companies (Samiee & Walters, 1990a; Martin, 1983;).

Sales volume was used for two studies with small companies having \$1 million or less and medium-sized companies having \$50 million or less (Czinkota & Johnston, 1983; Lee & Brasch, 1978). Kirpalani & Macintosh (1980) used a size parameter of less than \$30 million annual sales for small and medium sized companies.

Number of employees is the most often means of differentiating size. However the following have been used: total sales volume; export sales volume; number of employees engaged in exporting; value of firm assets; average size of the export order. Considering the various parameters used it is possible that the reason empirical findings on size are contradictory is due to this lack of commonality in measurement. With such a mixture of definitions for size it is obvious there will be inconsistencies in the results.

The question may be asked as to why be concerned with size? While statistics show that larger companies are often active in exporting, the

smaller companies tend to remain domestic orientated. This means that governments under the stress of trade deficits will want to induce those companies not actively exporting to do so. If small companies do indeed have a high propensity to export and are able to do so successfully then policy-makers have reassurance that targeting is likely to be effective.

As Moon (1981) states:

"if more ... firms from the small business community would enter into foreign trade, particularly exporting, several positive effects could be predicted for our economy: employment would increase; the effects of recessions could be lessened; and the rate of inflation could be reduced." (p4)

If Moon's assertions are correct then, New Zealand with its high percentage of small companies, would have a more prosperous economy if the small companies were to increase their export drive.

2.6 Export Performance

A common dependent variable in the exporting literature is "export performance" usually measured as a ratio of export sales to total sales. Lall & Kumar (1981) employed the use of the previous two years sales, with a measurement of exports as a percentage of sales. A combination of measures to denote export performance was used by Kirpalani & Macintosh (1980). Sales growth over the previous five years and the level of export activity relative to competition were both incorporated to provide for both objective and subjective assessment.

The notion of relative profitability was also proposed by Bilkey (1982, p40). In his study, profitability was measured on the following 5-point scale:

- 5 = Exporting the product to that country is much more profitable than selling it within the U.S.
- 4 = Exporting the product to that country is slightly more profitable than selling it within the U.S.
- 3 = Exporting the product to that country is about equally profitable as selling it within the U.S.
- 2 = Exporting the product to that country is slightly less profitable than selling it within the U.S.
- 1 = Exporting the product to that country is much less profitable than selling it within the U.S.

The assumption is that a company has only two alternative strategies i.e. selling domestically and exporting. The problem identified with this measure is that many companies would not have readily available financial statistics regarding the profitability levels of a product both domestically and in regard to exporting. A certain degree of subjectivity is inevitable in such cases.

More recent studies have also used Bilkey's perceived relative probability of exporting measure as a surrogate for measuring performance (Koh, 1991; Koh & Robicheaux, 1988). The rationale proposed was that only those organisational characteristics and marketing strategies relating to the company's exporting activities will impact on the company's export performance. As well it was suggested that companies who are often reluctant to provide absolute profitability figures are more likely to respond to a request for ratios.

2.7 The Role of Market Research

The importance of market research i.e. understanding what your customers want, is implicit in the marketing concept (Rosson & Reid, 1987). Thus, market research is a necessary ingredient for any company to operate successfully. Research is even more important for exporters as they trade in uncertain environments.

As Cavusgil (1985, p28) states:

"few of us know even simple facts about the geography, culture, and economics of countries other than our own. Even fewer people have at their fingertips details that tell whether their goods will sell in a particular market."

Effective use of information can overcome many of the barriers perceived in exporting. Nielsen (1959) states "it is through use of a research approach that costly errors in foreign marketing can be avoided" (p, 405). As well as overcoming these negatives it has also been proven that close monitoring of the market can positively affect export growth (Madsen, 1989).

As exporters move through the various stages of the internationalisation process, their information needs tend to change from being general to specific. A company in stage two of Bilkey's model (unsolicited orders) is interested in the process of exporting from one country to another. Whereas, a company in stage six (explores other destinations actively) is more concerned with acquiring specific foreign market knowledge. In addition, when a company moves through the internationalisation stages, information changes from a limited number of sources to a more varied, multitude of sources (Cavusgil, 1984b).

Sources of information include government agencies, chambers of commerce and industry associations, personal management contacts, export intermediaries e.g. distributors and agents, visits to foreign markets and various publications. Most companies, due to financial constraints, are likely to make more use of secondary information. However, Samiee & Walters (1990a) in a study of small and larger U.S. exporters found that only limited use is made of readily available information. It was suggested that there is a widespread ignorance of many sources and also that the information provided may not be what is required by the exporter. Lack of information on the mechanics of exporting and lack of information on foreign markets, business practices and competition, have been highlighted as major reasons why exporters do not maximise their foreign potential (Cavusgil, 1984b).

Many companies regard desk research e.g. corporate information data bases, foreign brokerage houses, international telephone books and periodicals, as being the only feasible method of collecting market information on which to base plans (McFarlane, 1978). This may lead to the company trying to serve customers blindly but when considering limited resources, desk research can provide valuable strategic and tactical information on international competitors (Fuld, 1988).

Those who take a long-term perspective find that travelling abroad helps support 'desk research'. This personal source of information is often preferred to documentary ones (Bodur & Cavusgil, 1985; Walters, 1983; Cullwick & Mellalieu, 1981). In a study of Queen's Award winners for export excellence it was noted that personal visits by executives to overseas markets is rated as the most important factor in the success of their export marketing. Channels e.g. distributors and agents who are another source of valuable information, are considered vital by small- and medium-sized companies (Cunningham & Spigel, 1971).

Keegan (1977) states:

"If you really want to find out about an area, you must see people personally. There is no comparison between written reports and actually sitting down with a person and talking. A personal meeting is worth four thousand written reports" (p122).

The role of information services for New Zealand exporters was studied by Cullwick & Mellalieu (1981). It was revealed that the provision of information on overseas market opportunities and market conditions is both the responsibility of the company and the government. The importance of government, particularly the Trade Development Board, in providing information assistance, was reinforced by Chaney (1991). The Trade Development Board's information services was ranked highest well ahead of industry and private organisations' services as a facilitating export factor (Chaney, 1991).

Regardless of the importance of information for devising and adapting strategies, Kch & Robicheaux (1988) reveal that international marketing research is not actually undertaken by the majority of companies, or, if it is, the research is on an ad hoc basis. A constant update of customer and competitor trends can be simply achieved by incorporating into the distributor's contract the requirement that these be conveyed to the exporter (McIntyre, 1977).

Information search is important not only for the established exporter but also for the company considering export entry. Reid (1984) studied eighty-nine small companies in Canada who were planning to make an export entry decision. Findings confirm the hypothesis that small companies discriminately use alternative sources to acquire export market information and assistance. As well, this information gathering via government export programmes, international readership, participation in

international trade fairs and membership in industry associations, was found to be highly associated with export market entry.

2.8 Export Marketing Strategies

Many studies have emphasised the importance of marketing activities and in doing so have identified a strong relationship between marketing effort and export success (Burton & Schlegelmilch, 1987; Christensen *et al*, 1987; Cooper & Kleinschmidt, 1985). As Cavusgil (1980) states:

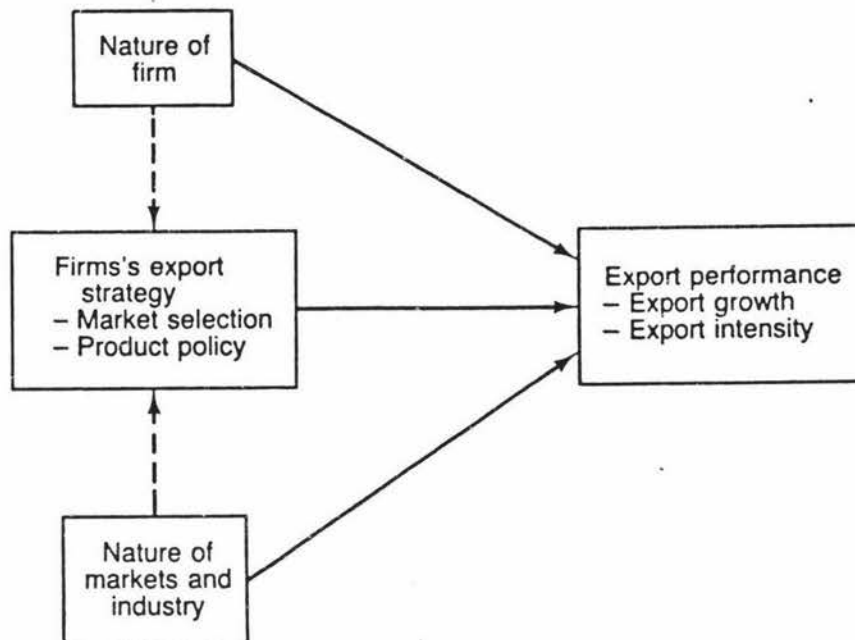
"competence in managing the elements of the marketing mix is a major determinant of the firm's long-run performance and commitment to international marketing. On the whole, entry and survival in foreign markets are more risky and difficult than operating in domestic markets. In the presence of greater uncertainty and stakes, careful manipulation of each aspect of the mix becomes necessary" (p 278).

Ortiz-Buonafina (1991) expanded on previous research by incorporating the stages of the internationalisation process into her study of U.S. exporters. Export marketing activities were investigated in order to determine whether there are differences in the type of marketing activities that are undertaken by companies in each different stage. It was revealed that assessment of competitors' marketing strategies and the development of export marketing strategy are crucial factors in differentiating companies that are in different stages of the process. Most importantly, export development requires an increased marketing involvement.

The conceptual framework illustrated in Figure 2.2 (page 29) was developed by Cooper & Kleinschmidt (1985) with the assumption that export performance is a function of: the nature of the company, the nature of the company's industry and markets, and the export strategy the

company chooses.

Figure 2.2: How Export Performance is Affected (Cooper & Kleinschmidt, 1985, p39)



Export marketing strategy was defined as consisting of three dimensions: degree of product adaptation; countries exported to (neighbour versus world); and level of market segmentation. A strong association between strategy and performance was revealed. Results showed that the 'world marketer' company, so named as it adapts products and segments markets and markets to the world, had a significantly higher export growth rate (188% annual growth rate, compounded over three years) than any other marketing strategy employed.

The 'world marketer' was profiled as being the youngest companies with the least years in export experience. They knew the value of marketing as they spent the most on research and development and on information. They also undertook the most extensive export planning activities. Size of

company as denoted by annual sales had little effect on the type of strategy chosen.

Implicit in the marketing concept is that market segmentation and adapting products specifically to meet target market segments' needs is an appropriate strategy (Barksdale & Darden, 1971). Cooper & Kleinschmidt (1985) provide evidence that this holds true not merely for domestic marketers but also those involved in international operations. Exporters who adapt products for specific markets are to more likely have a higher growth in export sales.

The need to adjust the marketing mix variables to each foreign market has been cited by Ricks (1983). He states:

"many mistakes... have been made because managers have failed to recall that buyers differ from country to country. Buyers, influenced by local economic constraints and by local values, attitudes, and tastes, differ in what they buy, why they buy, how they buy, when they buy, where they buy, and who makes the purchasing decisions" (p6).

Levitt (1983) suggested that truly global companies pursue a standardised approach to marketing, selling the same things the same way to every country. However, as Terpstra (1987) states:

"Levitt's world of globally homogenised products is not just around the corner. We are likely to enter the year 2001 with many products still requiring nationalised adaptation" (p, 54).

To determine whether companies do modify their products, vary their domestic pricing strategies for export markets and whether export promotion budgets are similar to domestic budgets, Seifert & Ford (1989)

mailed questionnaires to industrial goods manufacturers. Exporters were segmented by two methods; either smaller or larger exporters and as either less experienced or more experienced exporters.

When the data from the group of 'all exporters' was analysed it was revealed that companies only made modifications to products less than one-third of the time. These modifications were generally minor. However, packaging appeared to be modified more than the product itself. This could be due to country specifications regarding labelling rather than any attempt to willingly address inter-country differences.

For these industrial companies the extent of product modification did not depend on size. Also, the relationship between exporting experience and product modification was vague. Considering the pricing strategies, it is interesting to note that regardless the size or the exporting experience of the company, export prices were similar to the domestic prices. Thus, the results suggest that exporters of industrial products do undertake a rather standardised approach to marketing.

Although the larger companies and also those with more exporting experience tended to have a larger promotional budget, what is important is that overall much less was spent on promotion for export than for the same products in the domestic market. Those large companies that did spend more on promotions were more satisfied with their exporting performance than all other companies. Previously, Kirpalani & Macintosh (1980) had revealed that both pricing and promotional effort, rather than advertising, are significantly associated with success. Though it must be noted that price was identified as a 'package' of price, discount and credit relative to the competitors.

The final marketing mix factor considered here is distribution. The differentiating factor in distribution channels in domestic as opposed to

international marketing is the 'distance' which exists between the two interdependent companies (Rosson & Ford, 1982). The term 'distance' relates to the prevention of information flow and understanding between parties. Bilkey (1978) points out that distribution management and inadequacies can be a major barrier to exporting behaviour. Finding suitable foreign agents and distributors is a primary issue of concern particularly for those companies in the experimenting stage of the internationalisation process (Samiee & Walters, 1990b; Cavusgil, 1984b).

A number of studies have established a positive relationship between distribution strategy and export performance (Bilkey, 1982; Rosson & Ford, 1982; Rabino, 1980). Distribution, delivery and service are perceived by management to be important export success factors (Aaby & Slater, 1989).

Few empirical studies have been undertaken on how companies select export channel strategies (Reid, 1983b). Some studies have extolled the advantages of the use of export management companies to the smaller companies who tend to have severely limited resources (Brasch, 1981; Brasch, 1978) though exporters perceive higher profitability when using their own export department rather than an export agent from the home country (Koh, 1991). Other studies have identified the use of agents and distributors as a more popular method of distribution (Moore, 1991; Rosson & Reid, 1987). Cunningham & Spigel (1971) showed that effective use of agents was considered more highly as a success factor for small companies than for very large companies.

The results of studies on distribution as well as the other marketing mix variables previously discussed have been mixed. Hirsch (1971) in his study of six manufacturing industries confirmed that Dutch exporters and Israelis prefer to sell to final users. Danish companies who have a higher export performance, sell to intermediaries. What makes this finding surprising is that generally exporters perceive better export performance

when they sell directly to final end-users (Koh & Robicheaux, 1988). Bilkey (1982) and Koh (1991) conclude that exporters of industrial products are more likely to sell directly to final-end users.

To have any chance of success exporters need to build up a good relationship with their intermediaries. A contractual relationship is important to determine what the intermediaries are required to do. McFarlane (1978) note that many exporters are not even sure what the agents are doing let alone what they should be doing. Too often relationships are handled very badly.

The study by Rabino (1980) ranked selecting a reliable distributor as the second worst problem associated with exporting.

Rabino (1980) states:

"finding a reliable distributor who will represent the company adequately was viewed as very difficult. In one incident, a reputable distributor, selected after a long search, went into bankruptcy, retarding the firm's operation for some time" (p70).

Exporters stress that finding and maintaining a good intermediary is often easier said than done (Martin, 1983). More recently, Samiee & Walters' study (1990a) listed it as the foremost problem of concern.

For New Zealand companies, who are generally more distanced from the export destination than their competitors, the distribution channels play an important role. In one New Zealand study of exporters over 90% had used an overseas agent or distributor or both (Devlin, 1985). Only for those companies classified as small (less than \$1 million total turnover) was there any interest in the use of a New Zealand based trading house. A further New Zealand study revealed that successful exporters used some

form of intermediary whereas those companies that had tried but were unsuccessful in exporting had used a direct customer approach. The approach, having come from the customer or, in other words, an unsolicited order (Stening, 1974).

2.9 Export Market Planning

Strategic planning has been undertaken by companies to improve profitability for a quarter of a century (Pearce, Freeman & Robinson, 1987). During this time there have been numerous studies of the effect of planning but they mainly consider domestic operations (Al-Bazzaz & Grinyer, 1980; Burt, 1978; Higgins & Finn, 1977; Camillus, 1975). Researchers of export behaviour have shown little interest in studying the degree of and impact of planning on export operations (Schlegelmilch, 1986; Walters, 1985). Considering the attention corporate planning has received generally in management and marketing literature it is imperative this imbalance is addressed.

For the few studies concerned with the extent of the planning process in exporting companies differences have been noted. In a study of Turkish companies Bodur & Cavusgil (1985) revealed that exporters lacked a planned and systematic approach to their export activity. Walters (1985) in a study of the forest products sector in the U.S., evaluated the degree of planning undertaken for export operations. Exporting appeared to be very much an unplanned activity and was more than likely an ad hoc response to problems in the domestic market. Rarely was it the result of well-defined goals and strategies.

However, McIntyre (1977) when discussing the impact of the economic situation internationally stated:

"...many of these companies are ... establishing an effective

marketing planning process in order to more accurately identify long-term growth potential markets" (p88).

Madsen (1989) in a study of small- and medium-sized Danish exporters tested for a relationship between export marketing policy and performance. Results highlight the significance that planning and control intensity have on the export performance of the company. Michell (1979) concurs that exporters need to develop marketing strategies and plans responsive to international market conditions in order to be successful. Sustainable success in international markets is often seen to be more likely in companies involved in export-related planning activity (Samiee & Walters, 1990a).

If one considers exporting as a series of stages moving from unsolicited order-taking to the exploration of new destinations, then degree of commitment is a differentiating factor. A corollary to this is that export market planning activity should also be more developed as the company moves through each stage. Cavusgil (1984b) provided evidence that companies classified as "committed" exporters differed from "active" or "experimental" exporters, in that they frequently analysed foreign market opportunities by a formalised process with written reports. "Committed" exporters also had formal sales and payment policies in place.

In conclusion, this chapter has reviewed relevant literature on the export behaviour of companies. The insights gained enabled the objectives of this study to be formulated.

CHAPTER THREE: METHODOLOGY

The key purpose of this chapter is to outline the methodology for the study. It provides a discussion on the sample selection, data collection method and statistical techniques used to analyse the data. Also included are the results of a test for a methodological issue raised in the literature.

3.1 Sample Selection

The New Zealand Business Who's Who (1991) was used to draw a random sample of three hundred and twenty small- and medium-sized exporters involved in selling food, apparel, building and electrical goods. Predetermining the product categories provided some control for variations by industry.

Those companies with one hundred or fewer employees were classified as 'small' and those companies with more than one hundred and fewer than two hundred and fifty employees were 'medium'. The rationale for focusing on smaller companies is that statistics reveal that small businesses account for 99% of all enterprises, and, of those companies that both export and import goods and services, 92% have fewer than 100 employees (Department of Statistics, 1990).

3.2 Data Collection

Primary research was undertaken by means of a mail questionnaire after a pre-test with two Palmerston North exporters to ensure all questions were comprehensible (refer Appendix A, page 106). Using mail questionnaires as a means of data collection is a frequently used method of obtaining data for empirical research. An investigation of the previously

referenced studies¹ on export behaviour highlights the dependence researchers have on this means of data collection. Table 3.1 shows the importance of mail surveys as opposed to telephone or personal interviews. Overall, from the 54 studies reviewed in Chapter Two, 57% used mail questionnaires, 39% relied on face to face interviews and only 4% telephoned respondents.

Table 3.1: Data Collection Methods for Export Studies

METHOD	N	%
Telephone	2	4
Face-to-Face	21	39
Mail	31	57
TOTAL	54	100

This emphasis by export researchers on mail questionnaires for data collection is understandable as it offers many advantages over other methods. Of importance is the low cost involved. The cost of mailing questionnaires compares very favourably when compared to contacting respondents personally. This is especially so when a large sample is preferred.

As well as cost factors, reduction in any bias is also important to

¹Included are only those studies where methodology i.e. data collection method and response rate, was clearly discernible.

researchers. Mail questionnaires, by their very nature, eliminate interaction between parties thus avoiding interviewer bias. Coupled with this is the fact that compared to personal and phone interviews, mail questionnaires require less skill to administer and control can be maintained more easily.

Export research generally focuses on companies from the entire country rather than, as is sometimes the case in consumer research, from a select geographic segment of the country. As the companies are widely dispersed it makes economic sense to post questionnaires, as well as for speed considerations. As a corollary to this, business people, being the target of export research, have very little time for personal interviews or are unsure when their time is freely available. Questionnaires posted enable busy executives to reply at their leisure rather than being forced to a particular day and hour.

Mail questionnaires also facilitate the gathering of sensitive information (Luck, Wales, Taylor & Rubin, 1982). In the case of companies it is often crucial to analysis to obtain what might be considered confidential information e.g. turnover and profit figures. When confronted verbally for this information respondents can be reticent. However, mail questionnaires could make it easier to extract this information as there is a degree of anonymity afforded by this method.

The main disadvantage of mail surveys is that they are particularly prone to non-response. This is a major problem in survey research as refusal to cooperate can inherently cause bias. In a literature review of techniques utilised to increase rates it was noted that mail questionnaires are by far the least superior form for generating responses (Yu & Cooper, 1983). Refusal rates are often as high as 80% (Green, Tull & Albaum, 1988; Chisnall, 1981; McGown, 1979). The mean response rate of the 54 studies referred to in Table 3.1 (page 37) was ascertained to be a mere 32%

denoting a 68% refusal rate.

This issue of non-response is not a new phenomenon. The impending seriousness of non-response was highlighted even as far back as 1973 by Hackler & Bourgette:

"The amount of empirical research being undertaken today is rapidly assuming gigantic proportions. It is only a matter of time until the efforts of researchers begin to tax the patience of the public at large" (p281).

With non-response potentially causing bias, it is important to focus on ways of increasing response rates. Suggested methods include follow-up, personalisation, prenotification and incentives in the form of lottery, gifts or money (Brennan, Hoek & Astridge, 1991; Gajraj, Faria & Dickinson, 1990; James & Bolstein, 1990; Harvey, 1987; Yu & Cooper, 1983; Kanuk & Berenson, 1975; Armstrong, 1975; Wotruba, 1966; Kimball, 1961). Even the promise of sharing the information can be an incentive in itself (Kimball, 1961). This study, therefore, offered the respondent a copy of the results in an effort to increase the response rate.

Research has highlighted that the two most effective means of increasing the response rate are (1) to send a follow-up letter with a replacement questionnaire and (2) to enclose incentives with the initial mailing (Yu & Cooper, 1983; Kanuk & Berenson, 1975; Blumberg, Fuller & Hare, 1974). The drawback with follow-ups is that they are time consuming and in cases where a timely response is important to the study, the incentive is the better alternative.

Money is an ideal form of incentive as it is easier to obtain and post and useful to all recipients (Kanuk & Berenson, 1975). There is evidence that reductions in non-response are substantial (Armstrong, 1975). Table 3.2

provides a list of studies that confirm the significance of using money with the first mailout.

Table 3.2: Studies Involving Monetary Incentives

AUTHOR	SAMPLE	TREATMENT	RESPONSE RATE	SIGNIFICANCE (to control)
Kimball, 1961	electronic technical staff	control	28%	highly sig.
		10c	47%	
Newman, 1962	magazine subscribers	control	29%	sig. sig.
		25c	47%	
		\$1	53%	
Watson, 1965	magazine subscribers	control	30%	not reported not reported
		10c	40%	
		25c	48%	
Wotruba, 1966	urban householders	control	18%	sig.
		25c	40%	
Hackler & Bourgette, 1973	mothers of school children	control	39%	sig. (.0001)
		\$1	71%	
Blumberg, Fuller & Hare, 1974	students	control	20%	sig. (.001)
		\$1	30%	
James & Bolstein, 1990	cable television subscribers	control	54%	sig. (.05) sig. (.05) sig. (.001) sig. (.001)
		25c	63%	
		50c	63%	
		\$1	73%	
		\$2	78%	
Gajraj, Faria & Dickinson, 1990	customers of major public utility	control	34%	sig. (.0001)
		50c	62%	
Brennan, Hoek & Astridge, 1991	New Zealand residents	control	25%	n.s. sig. (.01) sig. (.05)
		20c	27%	
		50c	46%	
		\$1	42%	

Though money incentives have shown to be effective in increasing response rates, they also have the potential to increase the cost. When determining which monetary value to use as an incentive it is important to consider the cost per return. Kanuk & Berenson (1975) caution that researchers should consider the cost to benefit of using values that are larger than 25 cents.

In studies to determine the 'ideal' value Gajraj *et al* (1970) found that, when considering each response, it cost \$2.50 for the control group whereas it was less for the 50 cent incentive group at \$2.18. James & Bolstein (1990) showed that the \$1 incentive is more cost beneficial than the use of \$2 or even 25 cents and 50 cents.

More recently, Brennan *et al* (1991) found 50 cents to be the most cost effective amount (control = \$3.99, 20 cents = \$4.40, 50 cents = \$3.21 and \$1 = \$4.08). This result is particularly important as the 50 cent group was the only group consistently significantly different when compared to the control group (0.01 level of significance).

From the previous discussion it is evident that even amounts less than one dollar have sufficient value to the potential respondents to effectively increase the response rates. However, all the aforementioned studies have focused on consumer responses while companies have tended to be overlooked. The Kanuk & Berenson review, covered over 50 studies of which only four focus on industrial populations (Jobber, 1986). The experiment incorporated into this present study of New Zealand export companies is an attempt to address this imbalance.

3.3 Results of Monetary Incentive on Response Rate

To test the effectiveness of monetary incentives on company managers, the sample of 322 was divided into three. The first company was assigned to the control group i.e. no monetary incentive enclosed, the next on the list

was allocated to the 50 cent group and the third company was allocated to the \$1 group. This control, 50 cents, \$1, control, 50 cents, \$1 sequence of allocation was continued for the entire sample. The control group were sent a covering letter explaining the importance of the study (refer Appendix B, page 113). The two incentive groups were also sent the letter but with the inclusion of the following "As a token of appreciation for your help, I have enclosed the attached coin" (refer Appendix C and D, pages 114-115).

The incentive was included in the initial mailout only. At day 16 a follow-up letter with a replacement questionnaire was mailed to non-respondents. The effective response rates per group are shown in Table 3.3.

Table 3.3: Response Rates by Treatment

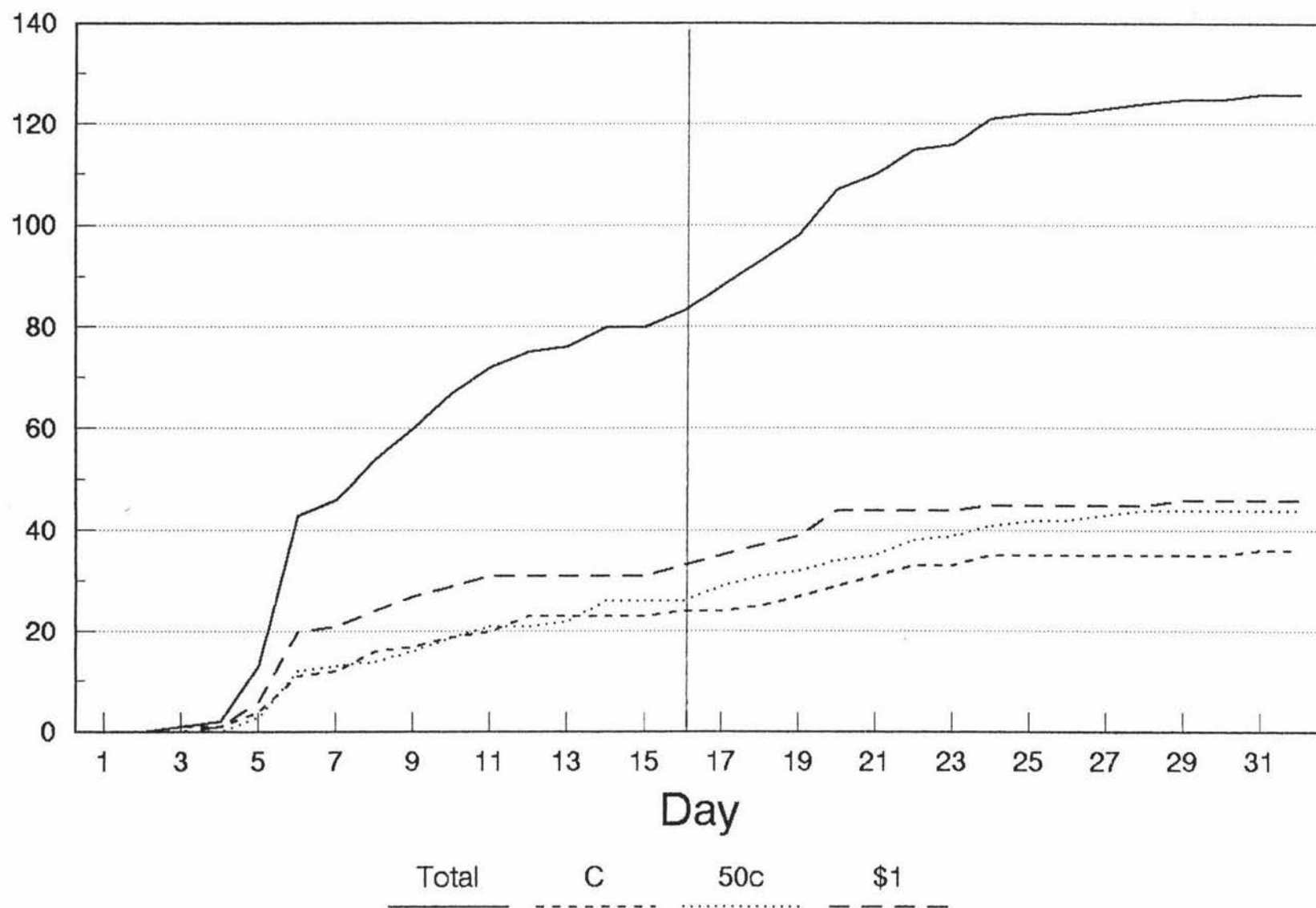
TREATMENT	N ¹	r.r. ² (at day 16)	r.r. (Final)
control	108	23.7%	39.5%
50c	107	28.5%	57.1%
\$1	107	35.8%	55.4%

1 number of initial mailouts

2 usable returns as percentage of mailouts

The graph on the following page highlights the daily response pattern for each group. The effect of the follow-up is rather marked for the \$1 group (refer Figure 3.1, page 43, day 19). This may be in response to a guilt feeling by those who had kept the \$1 without completing the questionnaire.

Figure 3.1: Timeline of Responses



It can be seen that at day 6 the \$1 group's response was approximately twice that of the control and the 50 cents groups. However, by the end of the time period for collection of data the 50 cent and \$1 groups had responded similarly.

The graph shows the control group remained steadily below the incentive groups. However, it can be seen in Table 3.4 (page 45) that after analysis by means of difference between proportions, there is in reality no significant difference between the control and the 50 cent group. Nor is there any significant difference between the control and the \$1 group (refer Table 3.4, page 45). As the results between incentive groups and the control group were insignificant a test between the 50 cent and \$1 groups is redundant.

The non-significance noted in Table 3.4 is in contrast to the studies referenced in Jobber (1986) which had found a significant (at .05 level) difference for values ranging from 10 cents to \$1. The results of this study do not uphold the hypothesis that monetary incentives will significantly increase response rates for industrial groups. This anomaly with Jobber's findings is difficult to explain. It may be that New Zealand companies have not been as "over-researched" as those in countries such as America, Canada and the United Kingdom. Therefore they are generally willing to comply with requests to complete questionnaires without the inducement of money be it 50 cents or \$1.

The final effective response rate of 50% in the present study was a pleasing result considering a number of companies in the sample frame were non-exporters. This was determined both from comments on returned non-completed questionnaires and by telephoning a random sample of non-respondents. These companies reported being listed in the export section with the intention of gaining an unsolicited order and were not active exporters.

Table 3.4: Results of the Statistical Tests

DAY	CONTROL ¹	50c ¹	\$1 ¹	TOTAL	Z SCORE Control vs 50c	Z SCORE Control vs \$1
3	1	0	0	1		
4	1	0	1	2		
5	4	3	6	13	0.3780	0.6325
6	11	12	20	43	0.2085	1.6165
7	12	13	21	46	0.2000	1.5667
8	16	14	24	54	0.3651	1.2649
9	17	16	27	60	0.1741	1.5076
10	19	19	29	67	0.0000	1.4434
11	20	21	31	72	0.1562	1.5403
12	23	21	31	75	0.3015	1.0887
13	23	22	31	76	0.1491	1.0867
14	23	26	31	80	0.4286	1.0887
15	23	26	31	80	0.4286	1.0867
16 ²	24	26	33	83	0.2828	1.1921
17	24	29	35	88	0.6868	1.4321
18	25	31	37	93	0.8018	1.5240
19	27	32	39	98	0.6509	1.4771
20	29	34	44	107	0.6299	1.7556 ³
21	31	35	44	110	0.4924	1.5011
22	33	38	44	115	0.5934	1.2536
23	33	39	44	116	0.7071	1.2536
24	35	41	45	121	0.6882	1.1180
25	35	42	45	122	0.7977	1.1180
26	35	42	45	122	0.7977	1.1180
27	35	43	45	123	0.9058	1.1180
28	35	44	45	124	1.0126	1.1180
29	35	44	46	125	1.0126	1.2222
30	35	44	46	125	1.0126	1.2222
31	36	44	46	126	0.8944	1.1043
32	36	44	46	126	0.8944	1.1043

- 1 Cumulative total of usable returns
 2 Second mailout sent on Day 16
 3 Significant at 10% level

3.4 Statistical Analysis

The sample of 126 New Zealand exporters who responded to the questionnaire was analysed as a total then divided into industrial and consumer product categories as these two sectors could exhibit different characteristics. Seifert & Ford (1989) pointed out the inadequacies of previous export studies as some have focused only on industrial goods companies while others were solely concerned with consumer goods companies. Until research focusing on both industrial and consumer goods companies in the same population is undertaken then comparative generalisations will be inaccurate. The following is therefore an analysis of both groups of companies - industrial and consumer - selected from the same sampleframe.

Correlation and multiple regression was undertaken to analyse the relationship between the dependent variable 'export success' and the independent variables; market planning, information search and product adaptation. The correlation coefficient gave an indication of the simple association between the variables and multiple regression builds on this by developing a theoretical model to explain the behaviour of the dependent variable (Kirpalani & Macintosh, 1980).

Thus, a correlation matrix was produced to determine the relationship between all the variables, both dependent and independent. The results would determine whether principal components was viable to reduce the number of independent variables. An examination of the correlation matrix is also important to identify multicollinearity. Multiple regression analysis results can be highly influenced and lead to unstable coefficients when the independent variables exhibit an excessively high correlation among themselves (Green, Tull & Albaum, 1988). High correlations i.e. 0.9 or above, indicate substantial collinearity (Hare, Anderson, Tatham & Black, 1992). However, lack of any high correlation values does not

guarantee the absence of collinearity as it may be due to three or more of the independent variables.

While examining the correlation matrices has merit, a further check for multicollinearity was undertaken to ensure a greater level of accuracy. Examination of the tolerance value is a more sophisticated means. The SPSS statistical package automatically checks the tolerance value using 0.0001 as the default for excluding a variable. This value normally keeps variables from entering the equation which are likely to cause multicollinearity problems. Thus, by means of both the correlation matrices and the tolerance values, the existence of multicollinearity has been determined and adjusted for.

The regression analysis was undertaken by the stepwise method using the percentage of export intensification as the dependent variable 'export success'. Thus, intensity of exports was measured as:

the export sales as a percentage of total sales based on the average figures from 1990 and 1991.

The independent variables of market planning, information search and product adaptation were measured by various means:

Market planning

- * The number of people involved in the planning of the export operations
- * The time spent planning the export operations
- * The budget allocation for export planning
- * The time frame for export plans

Information search

- * Amount of time spent on desk research per week
- * Number of commissioned research in last two years
- * Cost of the commissioned research
- * Number of visits to export destinations in previous two years
- * Number of weeks spent visiting export destinations
- * Degree of information provided by the distributors
- * Number of visits by distributors to New Zealand company in previous two years
- * Number of trade fairs product had been exhibited at in previous two years

Product adaptation

- * Degree product is adapted for export market
- * Degree packaging (including labelling) is adapted for export market

Data analysis was carried out using the SPSS (Statistical Package for the Social Sciences) package. In addition to correlation and regression analysis, t-tests were undertaken where applicable.

CHAPTER FOUR: RESEARCH FINDINGS - INFORMATION ON RESPONDENTS

This chapter will initially provide a summary of the characteristics of the sample. This will explain the product categories of the companies involved in the study, their main export destinations and the size of the companies. Background information obtained for each of the possible regression input marketing variables, will be presented. Following on from this will be the results of the bivariate test on the variables for selection in the regression analysis.

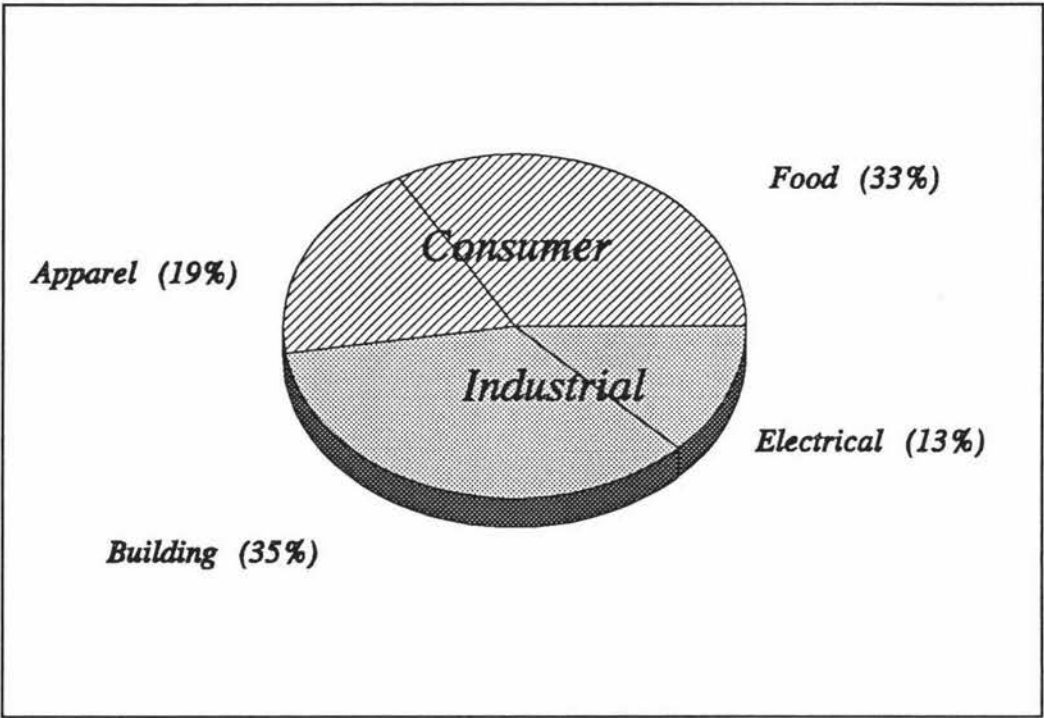
4.1 Characteristics of the Sample

The total number of respondents was 126. This was categorised into companies by product group with 52% being consumer goods companies and 48% being industrial goods companies. The consumer goods companies, selected from the two product groups of food (excluding meat products) and apparel, comprised 33% and 9% of the sample respectively. The industrial goods companies were building and electrical related companies and these were 35% and 13% respectively as a percentage of the total sample.

Table 4.1: Companies by Product Group

Product Group	n	%		n	%
Food	42	33			
Apparel	24	19	Total Consumer	66	52
Building	44	35			
Electrical	16	13	Total Industrial	60	48
			TOTAL	126	100

Figure 4.1: Chart of Industries of the Sample



4.2 Size of Companies

The sample comprised both small (81%) and medium sized companies (19%). Small was defined as those companies with less than 100 employees and medium, those companies with 100 to 250 employees. When all the respondents were divided as either consumer or industrial goods companies, the percentage in each size category reflected the total sample. The fact that there was a very high percentage of small sized companies ensured the sample was representative of the population of New Zealand companies (refer Table 4.2, page 51).

Table 4.2: Respondents by Size of Company

Size of Company	n	%
Small ¹	102	81
Medium ²	24	19
Total	126	100

1 Small is defined as those companies with less than 100 employees.

2 Medium is defined as those companies with 100 to 250 employees.

4.3 Financial Data

Many questionnaires were returned without completion of the financial figures. It was vital for determining the intensity and growth ratios that respondents supplied their export and total sales figures. Only 67% of respondents were willing to do so. The reason given for non-response was due to confidentiality, even though it was stressed in the questionnaire that individual company figures would not be disclosed.

As regards the information on profits, the respondents were even more reticent, with only 44% stating these. For those that had stated 'bottom line' figures, 29% had actually made a loss (25% for the consumer group and 32% for the industrial group). For 23%, the profit figure was less than \$100,000. The majority (79%) earned less than \$500,000 (89% for the consumer group and 75% for the industrial group).

When considering the intensification of exports, it can be seen in Table 4.3 (page 52) that the percentage of exports to total sales is at most 20% for half the companies. This denotes these small to medium sized companies are not intensive exporters. Only in 22% of cases are export sales greater

than domestic sales (26% for the consumer group and 19% for the industrial group).

Table 4.3: Export Intensity Level of Companies

Intensity Level ¹	n	%
1 - 10%	35	44
11 - 20%	10	13
21 - 30%	8	10
31 - 40%	3	4
41 - 50%	6	7.5
51 - 60%	3	4
61 - 70%	3	4
71 - 80%	4	5
81 - 90%	1	1
91 - 100%	6	7.5
TOTAL	79 ²	100

1 Measured as the export sales as a percentage of total sales using the average of the 1990 and 1991 figures.

2 The total does not equate to the sample size of 126 as 47 companies (37%) refused to provide this information.

4.4 Main Destination of Exports

A dependency on geographically close markets is evident within the sample (refer Figure 4.2). Australia, the nearest neighbour, is the main export market for 58% of the respondents. The Pacific Islands is next in importance with 9% stating it as the destination where the majority of exports are sent. Moving further afield, the United States was listed by 7% as their main export market. This is followed by 6% using the United Kingdom, South East Asia or Japan as primary export destinations. Europe, as a main destination, is used by only 3% of the export companies at this point in time. However, this could be expected to change with the dismantling of trade boundaries throughout Europe.

Figure 4.2: Main Destination of Exports

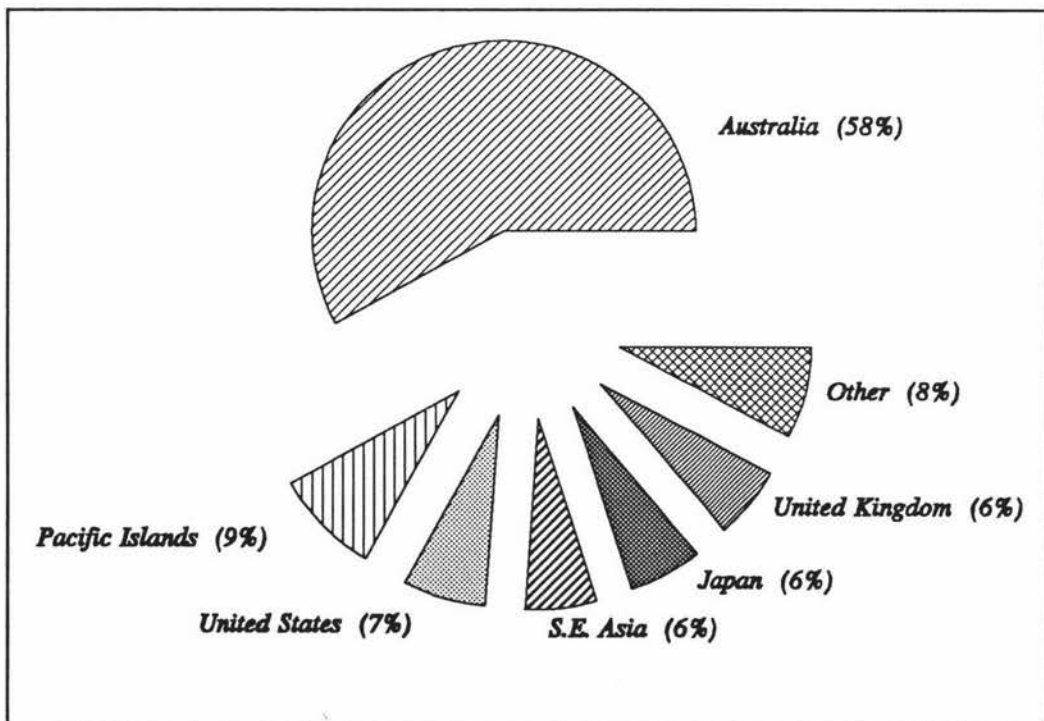
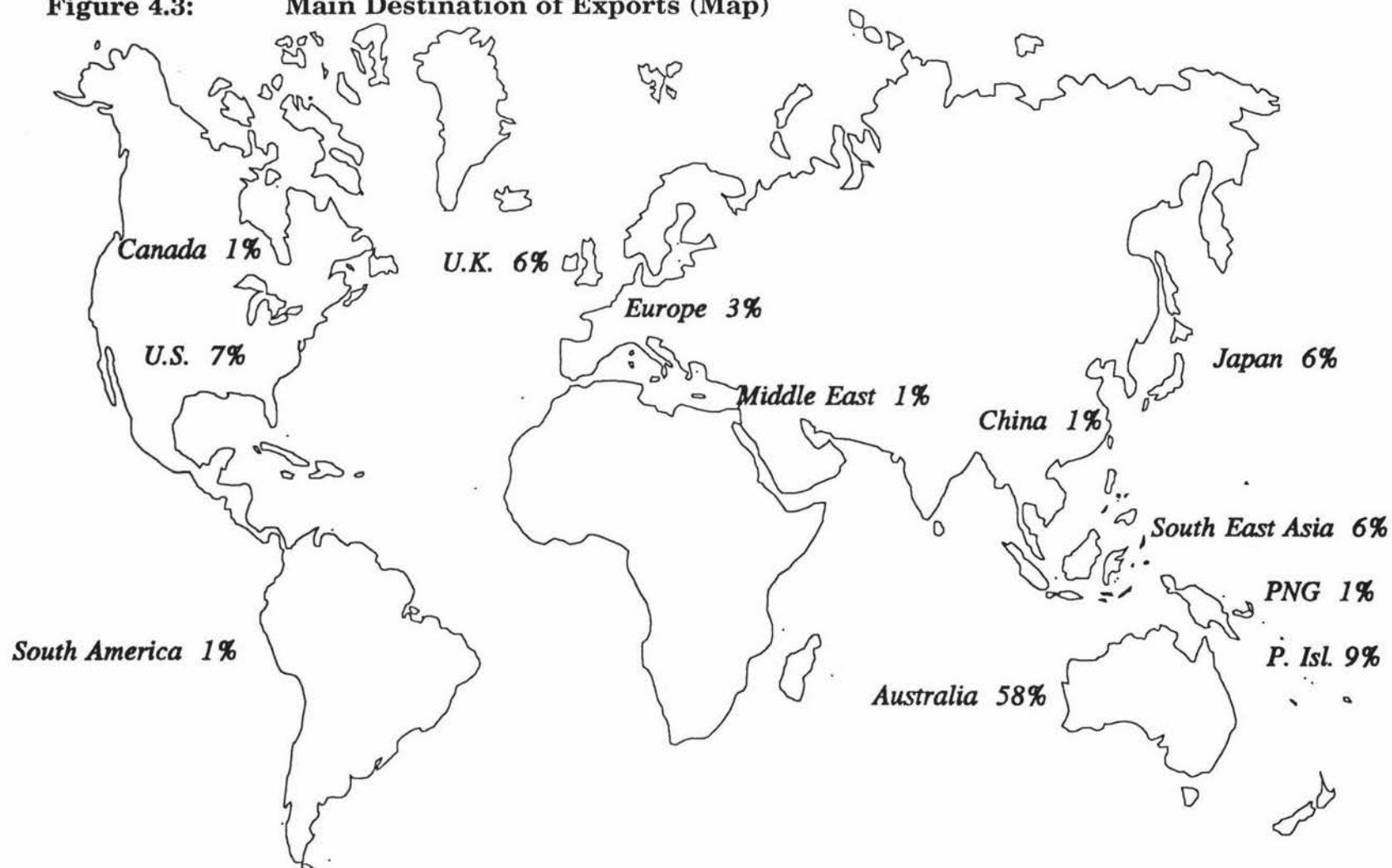


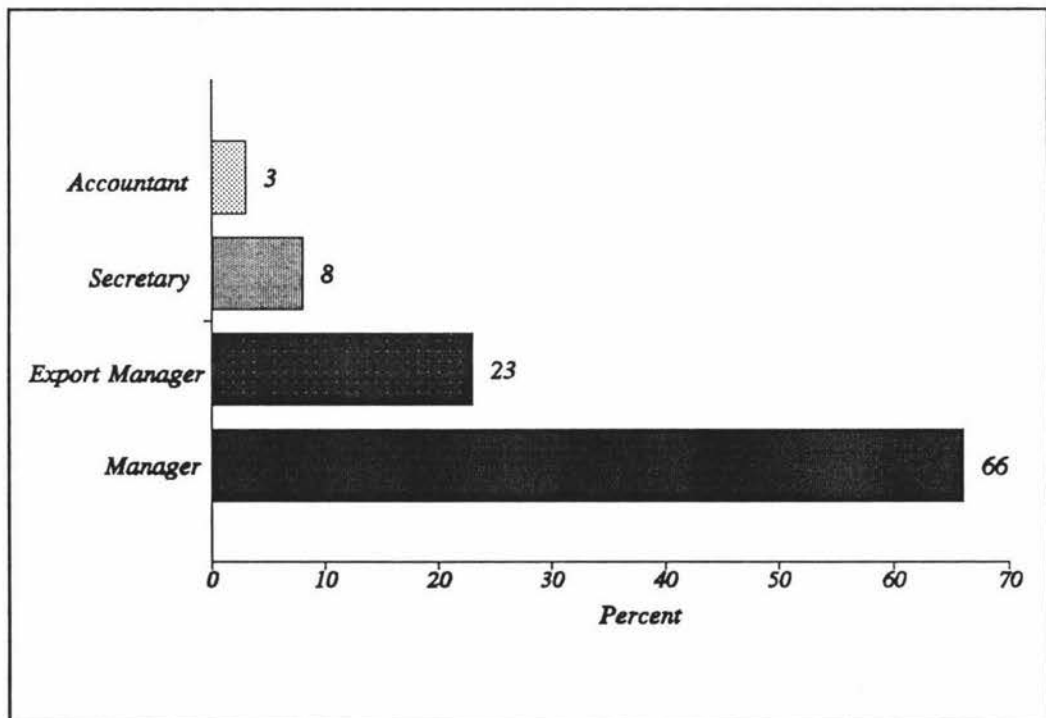
Figure 4.3: Main Destination of Exports (Map)



4.5 Position Held by Respondent

The questionnaire was addressed to the Export Manager. However, the position of those who completed the questionnaire varied somewhat (refer Figure 4.4). The majority (66%) were termed Managers. Secretaries accounted for 8% while 3% were Accountants. It is interesting to note that there were 23% with the title Export Manager. Identifying themselves as Export Managers assumes that people are solely responsible for the export operations. If this is correct, then the companies must be structured divisionally by export and domestic business. This suggests a commitment to exporting in these companies.

Figure 4.4: Title of Respondent



The following findings provide background information on the export marketing behaviour of the companies. Only those marketing variables controllable by the decision-makers have been analysed.

4.6 Planning

In seven percent of cases planning was not undertaken at all (refer Table 4.4, page 57). For 65% there were only one or two people involved in planning, which may be a reflection of the small size of the companies. The average number of hours spent planning per month was, for the majority, only twelve. Budget allocation for export planning was non-existent for 43%. For those that do plan, 71% reported a short planning time frame, this being a mere twelve months.

4.7 Information Search

Desk research (defined as reading newspapers, journals, trade magazines, telephone books, foreign databases and periodicals) was undertaken by 78% (refer Table 4.4, page 57). Of these, 81% spend five hours per week or less on acquiring information from this method. The more formal (and costly) means of information search i.e. commissioning research had not been sought in the last two years by 54%. Of those companies that had commissioned research, 56% had spent upwards of \$5000.

Personal information gathering in the form of visits by company personnel to export destinations was undertaken by 84%, in the last two years. The majority (61%) spent ten weeks or less overseas. Information obtained by the exporter from the distributor, measured on a Likert scale (1 = not at all, 5 = to a very great extent) revealed that 79% obtained information from distributors. Further, 11% stated that distributors provided information to a very great extent.

Agents visiting New Zealand premises can also help maintain the information flow (refer Table 4.4, page 57). In all, 75% of companies reported that distributors had visited their premises in the last two years. The majority (71%) had been host to their distributors four times or less,

during that period.

Table 4.4: Planning, Information Search and Product Adaptation by Companies

Planning:	Percentage
No planning	7
One or two people involved	65
12 hours or less spent planning per month	51
No budget allocation for planning	43
Twelve month planning time frame	71
Information Search:	
Desk research undertaken	78
Five hours or less spent on desk research per week	81
No commissioned research	54
\$5000 or less spent on commissioned research	56
Personal visits to export destinations	84
Ten weeks or less spent overseas	61
Information provided by distributor	79
Information provided by distributor to a very great extent	11
Companies who had distributors visit N.Z.	75
Those who had been host four times or less	71
Exhibiting of products at trade fairs	38
One or two trade fairs where products exhibited at	62
Product Adaptation:	
Adapting of product	78
Completely change product	6
Adapting of packaging (including labelling)	75
Minor changes to packaging	43
Completely change packaging	27

The number of trade fairs where products were exhibited at was also included as a means, not only of promotion, but also fact gathering. Table 4.4 (page 57) indicates that less than half (38%) stated they had exhibited products in the last two years. Of these, 62% reported they had participated in only one or two trade fairs, during that period.

4.8 Product Adaptation

Most (78%) stated that they adapted their domestic product for export markets. Of these, 6% reported that they completely changed the domestic product for exporting. As regards packaging adaptation, which includes labelling, three quarters of companies exported with the domestic packaging changed. Of these, 27% changed their packaging completely, and another 43% made only relatively minor adjustments (refer Table 4.4, page 57).

The previous discussion provided background information on both the characteristics and the marketing activities of the small and medium sized companies in the sample.

The following results relate to the hypothesis test which will be restated:

Ho: there exists a positive relationship between export planning, information search, product adaptation and the export performance of New Zealand smaller sized companies.

Prior to testing the hypothesis for industrial and consumer groups and the sample as a total, a t-Test was carried out for the difference between means. This determined whether there was any statistically significant difference between the mean responses of both groups. The results are as follows in Table 4.5 (page 59).

Table 4.5: Results of Univariate Analysis: t-test for Difference Between Means

MARKETING STRATEGY	CONSUMER MEAN ¹	INDUSTRIAL MEAN ²	SIG. ³
Number of people in company export planning	3.6	2.2	n.s.
Number of hours spent export planning	41.53	44.55	n.s.
Annual planning budget for export operations	\$19858.69	\$12048.47	n.s.
Time frame for export plans (in months)	13.4	14.1	n.s.
Desk research undertaken (in hours per week)	3.29	3.06	n.s.
Number of research studies commissioned in last 2 yrs	1.29	1.42	n.s.
Cost of commissioned research	\$4378.12	\$5340.17	n.s.
Number of visits to export destinations	8.75	7.02	n.s.
Number of weeks visiting export destinations	8.5781	12.5085	n.s.
Number of agents' visits to N.Z. company	3.0545	2.2545	n.s.
Degree distributors provide information ⁴	3.0038	2.5965	0.05
Number of trade fairs exhibited at (last 2 yrs)	1.2188	1.0333	n.s.
Extent products adapted for exporting ⁵	2.6769	2.6949	n.s.
Extent packaging adapted for exporting ⁵	3.1077	2.8103	n.s.

Note: 1: N = 65 for consumer goods companies

2: N = 58 for industrial goods companies

3: Level of significance

4: Measured by Likert Scale; 1 = not at all, 5 = to a very great extent

5: Measured by Likert Scale: 1 = same as domestic, 5 = completely change

The results of the univariate analysis provide little support to differentiate the respondents based on these criteria, by the classifications of industrial and consumer companies. The degree that distributors provided information on the export market was the only export marketing strategy, which indicated a significant difference between the two groups.

The results suggest that all exporters, regardless of who their customers are and what their products are, exhibit very similar marketing behaviour. This result is somewhat surprising as the two groups might be expected to be different on a number of characteristics. The industrial group were expected to have products of more conformity both in actual product and the packaging (Seifert & Ford, 1989). The fact that both groups are very close to the midpoint on the scale, i.e. adapting products and packaging to some extent, may be a reflection of the size of the companies in the sample. That is, small and medium sized companies may not alter product and packaging whereas the larger companies may be more prepared to do this as they are more likely to have the financial means to do so.

Even though the evidence points to little difference in the export behaviour of industrial and consumer companies, it was decided to undertake the multiple regression analyses by these groupings. Whereas the t-Test is a univariate technique, multiple regression is a multivariate analysis. As such, differences in export behaviour might be observed in the regression results due to hitherto unassessed interaction between variables.

4.9 Correlations

Initially, the correlation matrices were examined for high correlations (Tables 4.6, 4.7, 4.8, pp62-64). On the whole, the correlation figures were very low. This result meant that there was no basis for performing principal components to reduce the number of measures for both planning and information search. The only variables to show any strong degree of relationship were the 'number of hours spent planning' and the 'budget for planning' export operations for the Industrial group. The correlation figure was 0.9092. This high figure was not surprising as both variables are, in their own way, a measure of the extent of commitment to planning within the company. It was decided to omit the variable 'number of hours spent planning' from the regression analysis for the Industrial group as no

information was gained from retaining it.

Due to low correlation figures evident in the matrices the risk posed by multicollinearity was nullified. The tolerance value check inherent in SPSS verified the absence of multicollinearity.

Table 4.6: Correlation Matrix for Total Sample Incorporating Intensity

	People Involved In Planning	Hours Spent Planning	Budget For Planning	Time frame For Planning	Hours Spent On Desk Research	Number Of Commis. Research	Commis Research Cost	Weeks Spent Overseas	Info. from Distrib.	Adapt Product	Adapt Package	Trade Fairs Visited	Number of Overseas Visits	Agents to N.Z.	Intensity
People Planning	1.000	.1847	.4072*	.0444	.1591	.2891	.2818	.4951**	.1170	.1418	.0358	.3411*	.2411	.1414	.3457*
Hours Planning	.1847	1.000	.8561**	.0088	.6831**	.1445	.0109	.2362	-.0263	-.0225	-.0265	.6436**	.1619	.0750	.3736*
Budget Planning	.4072*	.8561**	1.000	.1374	.6985**	.3932*	.2418	.4502**	.0783	.1593	.1327	.5328**	.3843*	.3089	.5076**
Time frame Planning	.0444	.0088	.1374	1.000	.2670	.4837**	.3581*	.3510*	.1397	.2714	.1143	.0520	.4075*	.5142**	.2327
Desk Research	.1591	.6831**	.6985**	.2670	1.0000	.3600*	.2848	.3652*	-.0418	.0916	.1289	.4067*	.3146	.3805*	.3199
Research Number	.2891	.1445	.3932*	.4837**	.3600**	1.0000	.6154**	.5111**	-.0442	.2302	.0481	.0762	.5074**	.4332*	.2612
Research Cost	.2818	.0109	.2418	.3581*	.2848	.6154**	1.0000	.5589**	-.0051	.2861	.1436	.0861	.5435**	.3037	.1743
Weeks Overseas	.4951**	.2362	.4502**	.3510*	.3652*	.5111**	.5589**	1.0000	-.0528	.1683	.0139	.3006	.7812**	.4193*	.4171*
Info. From Distributor	.1170	-.0263	.0783	.1397	-.0418	-.0442	-.0051	-.0528	1.0000	.2001	.0859	.1441	-.0223	.3808*	.0421
Adapt Product	.1418	-.0225	.1593	.2714	.0916	.2302	.2861	.1683	.2001	1.0000	.5047**	-.1241	.1750	.3637*	.0742
Adapt Package	.0358	-.0265	.1327	.1143	.1289	.0481	.1436	.0139	.0859	.5047**	1.0000	-.1836	.0506	.3928*	.0375
Trade Fairs Exhibited	.3411*	.6436**	.5328**	.0520	.4067*	.0762	.0861	.3006	.1441	-.1241	-.1836	1.0000	.3281	-.0650	.4465**
Overseas Visits	.2411	.1619	.3843*	.4075*	.3146	.5074**	.5435**	.7812**	-.0223	.1750	.0506	.3281	1.0000	.3893*	.3974*
Agents To N.Z.	.1414	.0750	.3089	.5142**	.3805*	.4332*	.3037	.4193*	.3808*	.3637*	.3928*	-.0650	.3893*	1.0000	.3779*
Intensity	.3457*	.3736*	.5076**	.2327	.3199	.2612	.1743	.4171*	.0421	.0742	.0375	.4465**	.3974*	.3779*	1.0000

* means significant at .01

** means significant at .001

Table 4.7 Correlation Matrix for Consumer Companies Incorporating Intensity

	People Involved In Planning	Hours Spent Planning	Budget For Planning	Time frame For Planning	Hours Spent On Desk Research	Number Of Commis. Research	Commisa Research Cost	Weeks Spent Overseas	Info. from Distrib.	Adapt Product	Adapt Package	Trade Fairs Visited	Number of Overseas Visits	Agents to N.Z.	Intensity
People Planning	1.0000	.3784	.5794*	-.0962	.2903	.0427	.2457	.5948*	.2789	.0070	.2094	.3830	.1238	.2298	.2396
Hours Planning	.3784	1.0000	.7504**	.1113	.5980*	.2638	.1500	.1812	.2162	-.0853	-.1660	.6798**	.2607	.2144	.2904
Budget Planning	.5794*	.7504**	1.0000	.2804	.7431**	.3650	.4534	.4216	.3840	.0731	.1986	.4275	.3285	.4845*	.3098
Time frame Planning	-.0962	.1113	.2804	1.0000	.3806	.6287**	.2899	-.0365	.1423	.2153	.2438	-.1828	-.1742	.5747*	.2744
Desk Research	.2903	.5980*	.7431**	.3806	1.0000	.5169*	.1429	.1812	.1702	.0519	.1277	.1498	.0128	.5791*	.3123
Research Number	.0427	.2638	.3650	.6287**	.5169*	1.0000	.4552	-.1086	.1147	.0327	.0887	-.1079	-.2071	.5205*	.0278
Research Cost	.2457	.1500	.4534	.2899	.1429	.4552	1.0000	.2097	.3112	.3147	.2755	-.1502	.0019	.4546	-.1529
Weeks Overseas	.5948*	.1812	.4216	-.0365	.1812	-.1086	.2097	1.0000	-.0192	-.1651	.0409	.1700	.3782	.2046	.3115
Info. From Distributor	.2789	.2162	.3840	.1423	.1702	.1147	.3112	-.0192	1.0000	.2534	.1083	.2949	-.1179	.4318	-.0147
Adapt Product	.0070	-.0853	.0731	.2153	.0519	.0327	.3147	-.1651	.2534	1.0000	.5783*	-.2146	-.4145	.2512	-.0590
Adapt Package	.2094	-.1660	.1986	.2438	.1277	.0887	.2755	.0409	.1083	.5783*	1.0000	-.1662	-.0532	.2964	.1646
Trade Fairs Exhibited	.3830	.6798**	.4275	-.1828	.1498	-.1079	-.1502	.1700	.2949	-.2146	-.1662	1.0000	.3710	-.0914	.4507
Overseas Visits	.1238	.2607	.3285	-.1742	.0128	-.2071	.0019	.3782	-.1179	-.4145	-.0532	.3710	1.0000	-.0610	.3922
Agents To N.Z.	.2298	.2144	.4845*	.5747*	.5791*	.5205*	.4546	.2046	.4318	.2512	.2964	-.0914	-.0610	1.0000	.4578
Intensity	.2396	.2904	.3098	.2744	.3123	.0278	-.1529	.3115	-.0147	-.0590	.1646	.4507	.3922	.4578	1.0000

* means significant at .01

** means significant at .001

Table 4.8: Correlation Matrix for Industrial Companies Incorporating Intensity

	People Involved In Planning	Hours Spent Planning	Budget For Planning	Time frame For Planning	Hours Spent On Desk Research	Number Of Commiss. Research	Commiss Research Cost	Weeks Spent Overseas	Info. from Distrib.	Adapt Product	Adapt Package	Trade Fairs Visited	Number of Overseas Visits	Agents to N.Z.	Intensity
People Planning	1.0000	.1116	.2954	.2038	.0958	.5665*	.4471	.5541*	-.1552	.3804	-.2445	.3198	.3829	.0050	.4892*
Hours Planning	.1116	1.0000	.9092**	-.0419	.7246**	.0932	-.0223	.2403	-.1322	.0092	.0651	.7309**	.1280	.0284	.5245*
Budget Planning	.2954	.9092**	1.0000	.0728	.7056**	.4235	.2592	.4906*	-.1647	.2641	.0822	.6934**	.4251	.1937	.7311**
Time frame Planning	.2038	-.0419	.0728	1.0000	.1816	.3818	.3965	.5013*	.2203	.3473	.0213	.2600	.6250**	.5220*	.2506
Desk Research	.0958	.7246**	.7056**	.1816	1.0000	.2532	.2970	.4080	-.1245	.1269	.1769	.6462**	.3971	.3077	.4227
Research Number	.5665*	.0932	.4235	.3818	.2532	1.0000	.7187**	.7718**	-.1237	.4560	.0360	.2366	.7831**	.4147	.5644*
Research Cost	.4471	-.0223	.2592	.3965	.2970	.7187**	1.0000	.5982*	.0349	.4036	.2124	.1335	.5963*	.4235	.4107
Weeks Overseas	.5541*	.2403	.4906*	.5013*	.4080	.7718**	.5982*	1.0000	.0191	.4369	.0356	.4036	.8781**	.6426**	.6420**
Info. From Distributor	-.1552	-.1322	-.1647	.2203	-.1245	-.1237	.0349	.0191	1.0000	.1765	-.0033	.0371	.1034	.2743	.0249
Adapt Product	.3804	.0092	.2641	.3473	.1269	.4560	.4036	.4369	.1765	1.0000	.4026	.0149	.5949*	.5594*	.3344
Adapt Package	-.2445	.0651	.0822	.0213	.1769	.0360	.2124	.0356	-.0033	.4026	1.0000	-.1848	.1504	.4994*	-.2022
Trade Fairs Exhibited	.3198	.7309**	.6934**	.2600	.6462**	.2366	.1335	.4036	.0371	.0149	-.1848	1.0000	.3377	.0088	.5114*
Overseas Visits	.3829	.1280	.4251	.6250**	.3971	.7831**	.5963*	.8781**	.1034	.5949*	.1504	.3377	1.0000	.7040**	.5401*
Agents To N.Z.	.0050	.0284	.1937	.5220*	.3077	.4147	.4235	.6426**	.2743	.5594*	.4994*	.0088	.7040**	1.0000	.2448
Intensity	.4892*	.5245*	.7311**	.2506	.4227	.5644*	.4107	.6420**	.0249	.3344	-.2022	.5114*	.5401*	.2448	1.0000

* means significant at .01

** means significant at .001

CHAPTER FIVE: RESEARCH FINDINGS - RESULTS OF REGRESSION ANALYSES

This chapter reports the findings of this study. The results of the central hypothesis test will be provided and discussed. This will be followed by a discussion of other important aspects relevant to the hypothesis.

5.1 Regression Model for Total Sample

To test the central hypothesis of the study a stepwise regression was run for the sample as a total. The dependent variable was the export intensification ratio and the independent variables were the various measures of market planning, information search and product adaptation (refer pages 47-48).

Table 5.1: Regression Results for the Total Sample

Independent Variables	B	Beta	Sig. t
Budget for Planning	0.0003	0.339	*
Number of Trade Fairs Exhibited at	8.615	0.468	***
Number of Agents' Visits to NZ	5.792	0.526	***
Information from Distributors	-5.574	-0.265	*
Hours spent on Desk Research	-2.412	-0.319	*

*** significant at 1%
 * significant at 10%

R²: 0.47
 Adj. R²: 0.40
 Sig F: 0.0001

For the total sample, five variables explain 47% of the variation in intensity of exports (refer Table 5.1, page 65). The coefficients for 'number of trade fairs exhibited at' and 'the number of visits agents made to New Zealand' are both highly significant. 'Budget allocation for planning', 'information from distributors' and 'the number of hours spent on desk research' are significant at the 10% level. However, even though the latter two are significant they both have a negative effect on intensity of exports. This seems to indicate that businesses that use these two information sources, decide to reduce their export activities in favour of domestic activities.

Further analysis was undertaken to determine whether those who rely on these forms of information solely are less intensive in exporting than those who use these methods combined with more formal information search. It was determined that the companies that relied solely on either desk research or information from their distributors as their only method of information gathering had a mean intensity value of 10%. In comparison the remainder of the respondents had a mean intensity value of 28%. Thus, when companies make use of primary information sources to acquire knowledge on the export market they are likely to be more export intensive than those companies that rely solely on secondary sources. This helps to explain the negative effect encountered for 'information from distributors' and 'hours spent on desk research' in the regression model.

All variables, except 'budget for planning', are information based predictors. The two most significant ('the number of trade fairs exhibited at' and 'the number of times agents have visited New Zealand') are sources of information which emphasise the role personal communication plays in export performance. It is obvious that continual contact with the market personally is extremely important to 'success'.

5.2 Regression Model for the Consumer Companies

Table 5.2: Regression Results for Consumer Companies

Independent Variables	B	Beta	Sig. t
Number of Agents' Visits to NZ	11.490	0.945	***
Number of Trade Fairs Exhibited at	15.874	0.856	***
Information from Distributors	-11.905	-0.517	***
Number of Hours Planning	-0.180	-0.388	**
Cost of Commissioned Research	-0.002	-0.292	**
Number of Visits to Destinations	2.075	0.247	*
Adaptation of Product	4.294	0.180	ns

*** significant at 1%
 ** significant at 5%
 * significant at 10%

R²: .84
 Adj. R²: .77
 Sig F: .0000

For the Consumer group (food and apparel industries), seven variables explain 84% of the variation in intensity of exports (refer Table 5.2). Adapting the product for the export market was not found to be a significant factor in explaining the export intensity of this group of export businesses. However, the coefficients for two variables, 'the number of visits made by agents to New Zealand' and 'the number of trade fairs

exhibited at', are highly significant. These are all information sources which, again, highlight the importance of maintaining personal contact with the overseas market. As in the previous regression for the total sample, information received from distributors is significant but has a negative effect on export intensity. This was analysed further.

It was revealed that in no cases have consumer companies relied solely on information from the distributors. An explanation for the negative effect in the model is that the distributors have provided information that is considered by exporters to be very pessimistic. As a result, exporters may have decided not to expand their overseas operations and instead focus increasingly on the home market.

As with 'information from distributors' the two variables 'time spent on planning' and 'cost of commissioned research' are both significant, but show a negative effect on export intensity. The information obtained from primary research appears to deter consumer products' companies from intensifying their exports. It is rather perplexing that both planning and market research tend to switch a company's sales from export markets to the domestic market. However, the obstacles revealed by planning and research may appear somewhat too difficult to overcome for these smaller companies. It seems that the more the companies become involved in exporting, the more the domestic market seems to be the better 'bet'.

Furthermore, research information alone may be inadequate to 'move' the Consumer companies into export intensification. Something else may be needed as well as this to counteract the export intensification barriers in smaller companies which can include a lack of managerial skills, a risk averse approach and uncertainty in international trade. The personal contacts of overseas fact finding missions and exhibiting at trade fairs may be necessary, after obtaining market research, as an impetus to intensifying exports.

Visits to export countries also contribute to export intensity for this group with a significance level of 10%. Personal fact finding as opposed to planning, market research and information from distributors, may be responsible for instilling a more positive attitude to exporting in the consumer goods companies. Regardless of what information and planning is undertaken while in New Zealand, it cannot replace the value obtained from the personal communication methods of agents visiting New Zealand, company personnel visiting export destinations and obtaining first hand information while exhibiting products overseas.

5.3 Regression Model for the Industrial Companies

Table 5.3: Regression Results for Industrial Companies

Independent Variables	B	Beta	Sig. t
Budget for Planning	0.0005	.5704	***
Number of Weeks Visiting Destination	0.8773	.3714	**
Adaptation of Packaging	-4.9391	-.2623	**

*** significant at 1%

** significant at 5%

R²: .84
 Adj. R²: .71
 Sig F: .0000

For the Industrial companies, three variables explain 84% of the variation in intensity of exports (refer Table 5.3). The coefficient for 'budget for planning' is highly significant emphasising that the financial commitment that companies make to exporting does pay dividends. The more companies

devote resources to planning the higher will be their export sales to domestic sales.

Time spent overseas by company personnel also explains export intensity significantly. The fact that companies need to obtain first hand knowledge is very important. Sitting behind a desk in New Zealand will not expand export operations as significantly as actually getting a 'feel' for the market personally. Companies will learn more from making personal visits than merely reading secondary sources such as trade journals. Again, as with budget for planning, the company has to be prepared to commit financial resources for overseas visits if they wish to intensify their export operations.

'Adaptation of packaging' while being significant has an inverse effect on intensity of exports. Further investigations revealed that those companies which completely changed their packaging were in the low intensity bracket i.e. their intensity percentage was less than 50%. This result is interesting as it was expected that a company has committed itself to increasing the export trade when it retools for a change to the packaging. However, the cost involved in altering packaging for each individual market can be very high. Economies of scale which exist if the market is treated homogeneously, are lost when exporters adapt the packaging to meet each market's requirements. Any significant increase in export sales may not be realistic in the short term. Thus, with costs incurred adapting the packaging, companies could be more inclined to initially focus on the domestic market to recoup the expenditure.

The difference in strategies between the high and low performing companies will be discussed next.

5.4 Marketing Strategies of High and Low Performers

Initially, the respondents were divided into categories based on their degree of intensity and their growth rate. The medians obtained for both intensity and growth were used as the cut-off point in determining categories. Thus, those companies that achieved simultaneously at least a 14% intensity ratio and an 18% growth rate were classified as 'high performers'. All other companies were 'low performers'.

Table 5.4: Classification of High and Low Export Performers

	Low Growth Rate ¹	High Growth Rate
Low Intensity Rate ²	LOW PERFORMERS <i>n</i> = 109 86%	
High Intensity Rate		
		HIGH PERFORMERS <i>n</i> = 17 14%

1 The median of 18% was used as the cut-off for growth rates.

2 The median of 14% was used as the cut-off for intensity ratio.

Only 14% of the respondents excelled in exporting according to both criteria refer Table 5.4. The remaining 86% were below the median for either their intensity ratio or growth rate. It was not sufficient to be a high performer on merely one criteria. Utilising the two dimensions of performance incorporates both a static (intensity) and a dynamic (growth) measurement.

In the following analyses those variables under the control of the marketing department are discussed in terms of the high performers and low performers. Differences in the two groups as regards planning,

information search and the marketing mix components were, where possible, subjected to a t-Test for significant differences. Initially, the percentage of high performers for each industry was assessed.

Table 5.5: High and Low Performers by Product Group

	Food n	Apparel n	Building n	Electrical n	Total n
Low Performers	34	21	40	13	108
High Performers	7	3	4	3	17
% of High Performers to Total	17%	13%	9%	19%	14%

Both the food and the electrical industries have a higher percentage of high performers than that computed for the entire sample (refer Table 5.5). The apparel industry is similar to the sample as a total, however, the building industry has a considerably lower percentage of high performers (9% compared to 14%). This low percentage may be due to perceived or real obstacles to increasing exports. This as a result of the nature of the products being bulky and more difficult and costly to transport to overseas destinations.

5.4.1 Planning

The degree of commitment to planning the export operations was measured by four methods; the number of people involved in the export planning, the

number of hours spent planning, the budget allocation for planning and the time frame for planning (refer Table 5.6).

Table 5.6: The Degree of Planning Undertaken by High and Low Performers

	Performance Level	Mean	S.D. ¹	n	Sig.
<i>Number of People Involved in the Export Planning</i>	low	3.028	8.175	106	n.s
	high	2.706	1.490	17	
<i>Number of Hours Spent Planning</i>	low	34.467	58.976	107	.10
	high	96.294	167.529	17	
<i>Budget Allocation for Planning Exports</i>	low	13625.895	22431.045	86	.10
	high	40000.000	45049.179	8	
<i>Planning Time Frame in Months</i>	low	13.333	12.477	108	n.s
	high	16.235	11.766	17	

1 S.D. means standard deviation.

Both the number of hours spent planning and the budget allocation for planning export operations were significantly higher (10% level) for the high performers. Thus, it is confirmed that commitment of both time and finances is very important to the success rate of the exporter in New Zealand. The more the company actually considers where it is at, what its goals are and how it intends attaining these, the more likely it is to achieve a high export performance.

By their very nature the management of small companies is usually comprised of a very few people who are responsible for the entire operations, be it domestic or export business. The day to day managing of the company involves much of their time with little left for long term planning.

The number of people involved in export planning is actually slightly smaller for high performers. This is an important finding as it implies that the smaller companies can achieve export success provided those at the management level are prepared to set aside some of their valuable time for the purposes of planning.

The time frame for which plans are drawn up is generally longer for the high performers, though the mean of 16 months is still a somewhat short time frame. Maybe if these small companies were prepared to plan further into the future, evaluating periodically, then their performance might increase.

As noted previously, small companies generally do not have a separate division solely concerned with the export operations. Thus, it is vital that management takes a proactive stance and allocates time for planning if the ultimate aim is to grow and intensify. Waiting for unsolicited orders is not likely to make a company a high performer.

5.4.2 Information Search

The various sources of information referred to in the export literature as being important to export performance were assessed (refer Table 5.7, page 76). Six of the seven methods of gathering information were more intensively used by the high performers. Both primary and secondary sources of market research i.e. desk research and commissioned research, had a higher mean for the high performers.

Personal sources of information collection were also important. The means for visiting overseas markets in both measures of number of times the destination was visited and how much time was spent there, is higher for the high performers. The other form of personal contact, information from distributors also appears to aid exporters.

The only measure of information search to reject the proposition that higher performing companies are more likely to be undertaking an information search of market opportunities, is the number of times agents/distributors have visited the New Zealand company. However, the means for each performance level are very similar and no significant difference between them was detected.

Thus, what these results indicate is that, overall high performers are likely to be investigating the export market to a greater extent than low performers.

Table 5.7: Degree of Information Search by High and Low Performers

	Performance Level	Mean	S.D. ¹	n	Sig.
Number of Hours For Desk Research	low	2.9528	4.198	106	n.s.
	high	4.6471	5.396	17	
Commissioned Research Number	low	1.2596	1.859	104	n.s.
	high	1.9412	2.221	17	
Commissioned Research Cost	low	4720.8738	13675.349	103	n.s.
	high	5470.5882	8078.657	17	
Number of Weeks At Destinations	low	10.2358	16.163	106	n.s.
	high	11.8824	12.119	17	
Number of Visits to Destinations	low	7.7802	10.743	91	n.s.
	high	8.7500	7.123	16	
Information from Distributors²	low	2.8381	1.395	105	n.s.
	high	3.0000	0.894	16	
Number of Agents' Visits to N.Z.	low	2.6632	2.781	95	n.s.
	high	2.6000	2.473	15	

1 S.D. means standard deviation.

2 Measured by Likert Scale: 1 = not at all, 5 = to a very great extent.

5.5 Marketing Mix

5.5.1 Product

The elements of the marketing mix i.e. product, place, price and promotion, were considered in terms of the performance level, high and low, of the companies. The results for product and packaging adaptation are displayed in Table 5.8.

Table 5.8: Extent of Product and Packaging Adaptation by Level of Performance

	Performance Level	Mean	S.D. ¹	n	Sig.
<i>Degree of Product Adaptation²</i>	low	2.6827	1.286	107	n.s.
	high	2.7059	1.263	17	
<i>Degree of Packaging Adaptation^{2,3}</i>	low	2.9252	1.528	107	n.s.
	high	3.2500	1.183	16	

1 S.D. means standard deviation.

2 Measured by Likert Scale: 1 = same as domestic market, 5 = completely changed.

3 Packaging includes labelling.

Adapting products to meet individual markets' needs is implicit in the marketing concept. Thus, it was expected that those exporters who are more successful would adapt their product and their packaging more than the low performers. The results in Table 5.8 provide confirmation of this, though they are not statistically significant.

The marketing literature generally suggests that those companies that are willing to adapt their product and their packaging should be more successful than the companies that export their merchandise in a similar form to the domestic market. When considering their product strategies, companies need to be aware that those who act proactively will more likely be the companies to excel.

5.5.2 Promotion

The promotional strategies of the high and low performing companies were assessed. As agents and distributors were the medium for reaching the target market, it was important to evaluate the level of assistance exporters had given to these intermediaries. The other more proactive form of promotion, exhibiting products at trade fairs was also assessed.

Table 5.9: Extent of Promotional Activity by Level of Performance

	Performance Level	Mean	S.D. ¹	n	Sig.
<i>Advertising Contribution²</i>	low	1.4907	1.286	108	n.s.
	high	2.0000	1.275	17	
<i>Trade Fairs Exhibited at</i>	low	1.0467	2.071	107	n.s.
	high	1.6471	2.060	16	

1 S.D. means standard deviation.

2 Measured by Likert Scale: 1 = not at all, 5 = all of the costs paid to distributors.

The high performers were more inclined to contribute to the advertising costs incurred by the intermediaries with a mean of 2.000 whereas the low performers had a mean of 1.4907. The fact that the high performers' mean for contribution level was below the midpoint on the scale suggests that improvements to performance may be possible if financial resources are allocated to advertising.

The direction of causality could be debateable in this case however. Are companies contributing more to become more successful, or, are they contributing because they are more successful and are more satisfied with the distributors' performance? The following section on the marketing mix variable 'Place' highlights the general dissatisfaction with distributors by the high performing companies. Thus, it is suggested that the direction of causality is possibly from advertising contribution to success, rather than the reverse.

Exhibiting products overseas at trade fairs is a direct method of communicating with the market and it was anticipated that companies would regard this promotional technique seriously by attending at least one per year. The results show that the high performers did, on average, exhibit at more of these events (1.6471) than did the low performers (1.0467) in the last two years. Thus, the rate of attendance for the successful companies did not extend to even one trade fair per year. This method of promotion may be out of the grasp of many of the smaller companies. The commitment involved may appear too great to be considered cost effective.

Whether companies were involved in other forms of promotion was assessed by means of an open question (refer Table 5.10, page 80). The percentage who stated they did use other promotional techniques, apart from advertising and exhibiting at trade fairs, was higher for the more successful companies (41% as opposed to 33% for low performers).

To step outside the mainstream promotional tactics shows an innovative approach by the high performers. The techniques utilised included fashion shows (for the apparel group), television chat shows, restaurant tasting (for the food group), free samples for trial, gifts to clients, point of sale material in the form of brochures, posters, and catalogues. Direct marketing was used by many, which is not surprising considering export markets are geographically distanced from the companies.

Table 5.10: Whether Other Forms of Promotion Have Been Undertaken

Performance Level	%	n
low	33%	34
high	41%	7

5.5.3 Place

The destination where the bulk of each company’s exports were shipped to was assessed by performance level (refer Table 5.11, page 81). Results show that Australia is the main destination for both the high and low performers. This is not surprising as Australia is the main destination for the exports of New Zealand as a whole (*New Zealand Official 1992 Year Book*, 1992). The Australia-New Zealand Closer Economic Relations Trade Agreement underpins this strong relationship.

Table 5.11: Main Destination of Exports of High and Low Performers

High Performers		Low Performers	
Destination	%	Destination	%
Australia	41	Australia	61
United Kingdom	18	Pacific Islands	9

The percentage using Australia as the main market is smaller for the high performers, many export to far-off United Kingdom. This is in contrast to the low performers where a close neighbour, the Pacific Islands, is rated second. The low performers appear to rely on the markets that are geographically close. This may be a result of the extra initial cost involved in both understanding distanced markets and shipping to further afield.

5.5.3.1 Distributors

Agents and distributors are necessary to the flow of export goods. However, finding a distributor where the goals of both the exporter and distributor are in alignment can be a difficult task. The difficulty level in finding suitable intermediaries can be seen in Table 5.12 (page 82).

Table 5.12: Degree of Difficulty in Finding Suitable Agents/ Distributors

	Performance Level	Mean	S.D. ¹	n	Sig.
Difficulty in Finding Suitable Agents/ Distributors ²	low	3.3298	1.355	94	.10
	high	4.1250	1.025	16	

1 S.D. means standard deviation.

2 Measured by Likert Scale: 1 = not difficult, 5 = extremely difficult.

All exporters consider finding suitable agents a difficult task. The high performers rate it closer to the extremely difficult end of the scale than do the low performers, with figures of 4.1250 and 3.3298 respectively. The difference between the two means is significant at the 10% level.

Distributors' performance in each of the destinations was evaluated by the companies. It was expected that the high performers would be more satisfied with the performance of their distributors. However, this was not the case for six out of seven destinations (refer Table 5.13, page 83). The more successful export companies were less satisfied with their distributors in Japan, Asia (excluding Japan), United States, Canada, Australia and the Middle East. This implies an ambitious mentality on the part of the high performers. They may not be satisfied with the *status quo* but will continue to strive for improvement.

In particular, Canada stands out as the destination where distributors are not performing satisfactorily. Both low and high performers have rated these distributors very close to the midpoint on the scale i.e. neither satisfied nor dissatisfied. The performance of Australian distributors is

rated the highest by all the companies with high and low performers rating them 3.4 and 3.6 respectively. This is not surprising as personal contact can be made more often due to geographical proximity.

Table 5.13: Satisfactory Level with Distributors in Each Destination¹

Destination	Performance Level	Mean	S.D. ²	n	Sig.
Japan	low	3.5238	1.078	21	n.s.
	high	3.0000	1.069	8	
Asia (excl Japan)	low	3.0541	0.780	37	n.s.
	high	3.0000	1.247	10	
United States	low	3.3704	1.079	27	n.s.
	high	2.7500	0.886	8	
Canada	low	2.9333	1.033	15	n.s.
	high	2.5000	1.378	6	
Europe	low	3.2593	1.023	27	n.s.
	high	3.5000	1.354	10	
Australia	low	3.6000	1.103	75	n.s.
	high	3.4000	0.910	15	
Middle East	low	3.3750	1.061	8	n.s.
	high	2.6667	1.528	3	

1 Measured by Likert Scale: 1 = very dissatisfied, 5 = extremely satisfied.

2 S.D. means standard deviation.

5.5.4 Pricing

Pricing policies of the exporters were determined by their level of performance (refer Table 5.14). Quotations as C.I.F. (cost, insurance, freight) was the predominant form with a slightly higher percentage of high performers quoting by this means than low performers. The fact that C.I.F., rather than F.O.B. (free on board), is the more often used quotation method is important as it signifies a marketing orientation (Terpstra, 1987).

Table 5.14: Pricing Methods

	Performance Level	Yes %	No %
<i>C.I.F. Quoted</i>	low	76	24
	high	82	18
<i>F.O.B. Quoted</i>	low	44	56
	high	38	62
<i>Cost Determines Price</i>	low	40	60
	high	29	71
<i>Market Determines Price</i>	low	76	24
	high	82	18
<i>Quotes in \$NZ</i>	low	48	52
	high	53	47
<i>Quotes in Foreign Currency</i>	low	74	26
	high	77	24
<i>Options for Fluctuations</i>	low	23	77
	high	35	65

This market focus is again reflected in the percentage of companies who determine their price by assessing demand in the market rather than by merely a cost-plus measurement. It is interesting to note, that the percentage of companies who undertake two forms of marketing orientation i.e. market determines price and C.I.F. quotations, is considerably higher than the percentage of companies who use C.I.F. quotes and cost-plus pricing.

The currency of quotations is more often than not foreign. Australian dollars is the usual foreign currency which is not surprising as Australia is the predominant market for these companies. As well as quoting in foreign currency, exporters can make use of Options through Merchant Banks. A higher percentage of successful exporters than low performers stated they made use of Options to smooth out the fluctuations in the exchange rate (35% and 23% respectively).

Credit terms was also assessed as it can be important in the pricing policy of companies (refer Table 5.15). The high performers are, though not significantly, slightly more lenient with their credit terms, offering, on average, 42 days compared to the 38 days offered by the low performers. Extending the credit terms further might result in short term sales gains but at the risk of a long term reduction in profit.

Table 5.15: Number of Days Credit Offered to Importers

Performance Level	Mean	S.D. ¹	n	Sig.
low	38.4245	29.468	106	n.s.
high	41.5625	33.750	16	

1 S.D. means standard deviation.

5.6 Concluding Remarks

The results obtained indicate that for small and medium export businesses involved in food, apparel, building and electrical products, information is the most important variable contributing to export intensification, followed by planning, although to a lesser extent. Even though product adaptation is not shown to be a significant factor in currently intensifying exports, this will become more important as the exporters diversify their markets beyond Australia. Thus, the research findings indicate that, at present, small and medium exporters, particularly in those product categories investigated here, are able to achieve their export intensification by concentrating on information and planning.

The analyses show that overall those companies that are more intensive in their export sales and have also grown at a higher than 18% rate, are more committed to planning. They are also more intensive in their information search for their export operations. As regards the marketing mix, high performers are striving more towards a marketing orientation.

CHAPTER SIX: SUMMARY AND CONCLUSIONS

This last chapter is comprised of three sections. The first provides an overview of the results of the study detailing the major findings. The second section considers the conclusions in relation to policy implications. Finally, the limitations of the study are discussed and suggestions for future research proposed.

6.1 Summary of the Study

The results from the regression analyses with Intensity as the dependent variable indicate that information is a vital asset for exporters. Whether the information is obtained from agents and distributors visiting New Zealand or whether the company personnel actually travel on fact finding missions to export destinations or for trade fairs, the key appears to be maintaining contact. Those companies which consider secondary sources of information as sufficient for their export operations could further improve if they made personal visits.

Planning, too, is important, particularly when considering the budget allocation. It is presumed that information search is a sub segment of planning and the two in unison will foster intensity of exports. Overall, the third hypothesised variable of product adaptation appears to be a relatively minor influence on the percent of exports to total sales. This could be a reflection of the fact that, for the majority of those questioned, Australia is the most important export market. Hence, product adaptation is not critical for those businesses, since the Australian market is viewed as being similar to New Zealand's.

The high performers were more involved in planning than the low performers. The time and the resources allocated to this activity were

significantly greater for the successful companies. High performers also plan for a longer time period denoting a commitment to the export business.

When considering the degree of information search by all companies, on all but one component the high performers had undertaken more intensive fact-finding than the low performers. Both the less costly secondary research and primary research were carried out to a greater extent by successful companies.

With respect to the marketing mix, differences in strategies were evidenced. High performers are more likely to adapt their product, packaging and participate more in various forms of promotions. They are also less satisfied with their distributors' performance and find it significantly more difficult to find a suitable distributor. This signifies the successful exporters do not have an apathetic approach to exporting, but, rather they are striving to extend their performance.

The pricing policy of high performers shows a tendency to be more marketing orientated by predominantly quoting C.I.F. and determining price by what the market can bear. Furthermore, the successful companies are more likely to counteract fluctuations in the exchange rate by making use of Options.

Overall, export intensification can be explained in terms of planning, information search and to a lesser extent product adaptation. The hypothesis is supported due to the high R^2 obtained for both the industrial products group and the consumer products group ($R^2=0.84$). This result denotes a somewhat more predictive ability of the model than Dau's 1991 study of New Zealand exporters which obtained an R^2 value of 0.53. In that study it was hypothesised that marketing orientation was a function of export success. The independent variable that was most important in Dau's

study was visiting foreign markets. The facilitative effect personal contact provides is also a major conclusion from this present research.

It appears that a 'committed' approach to exporting is vital to sustainable success. Companies, even those that are small sized, should allocate time and resources to planning their export operations. To plan effectively it is important to familiarise oneself with the export environment. This can be achieved more effectively by personal fact-finding missions and maintaining a communication link with the export market. Those companies which are successful are planning more and researching the market by more extensive means. The individual components of the marketing mix signify a more marketing orientation i.e. adapting products and packaging, innovative promotions, quoting C.I.F. and pricing by determining each individual market.

Thus, the propositions advanced in Chapter Two have been supported. Higher performing companies are more likely to be undertaking market planning and an information search of market opportunities and also more likely to be adapting the marketing mix. The central hypothesis that there exists a positive relationship between export planning, information search and product adaptation, and the export performance of New Zealand's smaller sized companies, has been proved.

6.2 Policy Implications

The research findings have implications for public policy. Policy makers can ensure that business travel remains a tax deductible expense as exporters are more likely to be successful if they travel overseas to their export markets. Furthermore, the proposed demise of business meals as a 100% tax deductible expense should be reconsidered. The conducive surroundings provided by dining can facilitate communication flow between exporters and intermediaries. Maintaining entertainment costs as

an expense is also extremely relevant to exporters who trade, or anticipate trading, to destinations where the culture expects this hospitality.

Policy makers can also indirectly contribute to the sustainability of New Zealand exporting by ensuring managers have the necessary skills to effectively plan their export operations. This can be achieved through the central source of the Trade Development Board. Seminars detailing the procedure for analysing market opportunities and developing market plans would pay dividends to, not only the export company, but the country as a whole.

6.3 Limitations of This Study and Suggestions for Future Research

Even though the results are pleasing the generalisability of the findings must be tempered due to certain limitations inherent in the study.

The sample frame chosen was, to the researchers' knowledge, the only available means of obtaining a list of exporters. However, as discussed in Chapter Three, page 44, many of those companies in the export section of *The New Zealand Business Who's Who* were not active exporters but were listed with the intention of gaining an unsolicited order. Thus, only a small sample size (126) was achieved which, then, resulted in only seventeen exporters being classified as high performers (refer Table 5.4, p71). This meant comparisons of performance levels by industry was unable to be undertaken. A future study with a larger sample size would add a further dimension to the results obtained in the present study.

Another limitation to the study was the reluctance of many to provide financial data due, possibly, to a fear of releasing sensitive information. These incomplete questionnaires had to be eliminated from the analysis which could, thus, have caused bias. A measure of export performance that

does not require actual financial figures e.g. Bilkey's (1982) perceived relative probability of exporting, might be necessary to avoid this problem in future studies.

Future research could explore in more detail the individual variables of planning, information search and product adaptation. In-depth interviews may be necessary to understand exactly what exporters' goals are and what strategies they employ to achieve these. Face-to-face probing to ascertain the managers' attitudes may be necessary to reveal their level of commitment to their export markets.

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APPENDIX A: QUESTIONNAIRE

CONFIDENTIAL
Department of Marketing
Massey University

A Survey of New Zealand Exporters
August 1992

The purpose of this questionnaire is to determine the effect of marketing variables on export performance. The following questions relate to planning your export operations, your methods of information search and your marketing mix decisions. From the results, companies will have a benchmark for assessing how well they are performing compared to their relevant industry.

This Section Relates to Planning for Your Export Operations

1. How many people are involved in planning your export operations?

_____ Number of People

2. On average, how many hours in total are spent on planning your export operations per month?

_____ hours

3. What is the annual budget for planning your export operations?

\$ _____

4. When considering your export operations what timeframe do you devise plans for?
Tick the most appropriate.

No plans	[]	3 years	[]
6 months	[]	4 years	[]
1 year	[]	5 years	[]
2 years	[]		

This Section Relates to Your Methods of Information Search

5. On average how many hours per week are spent by your company personnel on "desk research" for export information? ("Desk research" includes reading newspapers, journals, trade magazines, telephone books, foreign databases, periodicals)

_____ hours /week

6. How many pieces of research for your export operations have been commissioned in the last two years?

_____ number

7. How much in total has been spent on the commissioned research in Question 6?

\$ _____

8. How many weeks have been spent by company personnel visiting export destinations in the last two years?

_____ weeks

9. Do your distributors/agents provide information on your export destination?
Circle the number on the following scale that is most appropriate.

Not at all

*To a very
Great Extent*

1

2

3

4

5

The Following Questions Relate to Your Marketing Mix

10. To what extent do you adapt your main **product** for export markets?
Circle the number on the following scale that is most appropriate.

*Same as
Domestic*

*Completely Change
The Product*

1

2

3

4

5

11. To what extent do you change your **packaging**, including labelling, for your main product for export markets?
Circle the number on the following scale that is most appropriate.

*Same as
Domestic*

*Completely Change
The Packaging*

1

2

3

4

5

12. To what extent do you contribute to the costs of agents'/distributors' advertising for your products? Circle the number on the following scale that is most appropriate.

Do not do Advertising *Not at all* *All of the Costs*
 0 1 2 3 4 5

13. In the last two years how many overseas trade fairs have you exhibited products at?

14. How many overseas trade fairs, that you are aware of, were available for you to exhibit your products at in the last two years?

15. Do you undertake any other promotional activity for your exports?
Tick the appropriate box.

no []

yes [] -> please list the promotional activities

16. In the last two years how many times have you visited overseas agents/distributors?

<i>Destination of Exports where Agent was Visited</i>	<i>Number of Times Visited in the Last Two Years</i>

17. In the last two years how many times have agents/distributors visited you in New Zealand?

Generally, how satisfied are you with your agents'/distributors' performance in the following destinations?

18. JAPAN:
very dissatisfied *extremely satisfied*
 1 2 3 4 5 *Not Applicable*
19. ASIA (excluding Japan):
very dissatisfied *extremely satisfied*
 1 2 3 4 5 *N/A*
20. U.S.
very dissatisfied *extremely satisfied*
 1 2 3 4 5 *N/A*
21. CANADA:
very dissatisfied *extremely satisfied*
 1 2 3 4 5 *N/A*
22. EUROPE:
very dissatisfied *extremely satisfied*
 1 2 3 4 5 *N/A*
23. AUSTRALIA:
very dissatisfied *extremely satisfied*
 1 2 3 4 5 *N/A*
24. MIDDLE EAST:
very dissatisfied *extremely satisfied*
 1 2 3 4 5 *N/A*

25. If you had the choice would you change your distributor/agent in the following destinations?

	yes	no		yes	no
Japan	[]	[]	Europe	[]	[]
Asia (excl Japan)	[]	[]	Australia	[]	[]
U.S.	[]	[]	Middle East	[]	[]
Canada	[]	[]			

26. How difficult is it to find an agent that is suitable for your product?
not difficult *extremely difficult*
- 1 2 3 4 5

This Section Relates to Your Methods of Pricing for your Main Export Product

27. In general do you have a choice as to whether price is quoted C.I.F. or F.O.B.?

Yes []
 No []

28. What form of pricing is quoted?

C.I.F. []
 F.O.B. []

29. How is price determined?

By a cost plus measurement []
 By assessing Demand and
 Competitive Situation in
 Destination []

30. Do you quote in N.Z. currency for any exported product?

No []
 Yes [] -> for which destinations? _____

31. Do you quote in foreign currency for any exported product?

No []
 Yes [] -> for which destinations? _____

32. Do you make use of Options through Merchant Banks to take advantage of currency fluctuations?

Yes []
 No []

33. In general how many days credit is given to the importer?

_____ (days)

The Following Section is Background Information on Your Company

33. Please fill out the following table for the **five main products** you export:

Product (By product I mean fruit juice, wine, women's clothing, baths etc)	What % does this product represent of your total export sales?	Major Destination of Product	What % of this product's total exports goes to this destination?

34. Please fill out the following table regarding the percentage of **total exports** to destinations.

Export Destinations of Your Products	Percentage of Total Exports to the Destination	Since 1989, what is the % increase or decrease of exports to this destination?

To ensure complete confidentiality, the results will only be published as industry averages. Individual company figures will not be released to any person or company.

35. What was the total export turnover of your company for the following years?

1989 \$ _____

1990 \$ _____

1991 \$ _____

36. What was the total turnover (include domestic and export sales) for the following years?

1990 \$ _____

1991 \$ _____

37. What were your company pre-tax profits for the following years?

1990 \$ _____

1991 \$ _____

38. How many employees do you currently have?

less than 100 []

100 - 250 []

more than 250 []

39. What is your position in the company? _____

Thank you for taking part in this survey. Please place your completed questionnaire in the reply-paid envelope provided and post it back to me. If you would like to receive a copy of a summary of the results (sometime in November 1992) please fill out the following:

Name: _____

Address: _____

APPENDIX B: COVERING LETTER TO CONTROL GROUP



**MASSEY
UNIVERSITY**

Private Bag 11222
Palmerston North
New Zealand
Telephone 0-6-356 9099
Facsimile 0-6-350 5608

**FACULTY OF
BUSINESS STUDIES**

DEPARTMENT OF
MARKETING

26 August 1992

Dear Sir/Madam

Exporters are increasingly seen by many as the saviour of New Zealand's economic troubles. The export led recovery has been touted by many but whether companies can sustain this by having in place sound marketing practices has never been assessed. More importantly, the differences between specific manufacturing industries have been ignored.

As there is a lack of quantitative evidence to support the sustainability of the export led recovery I am undertaking Postgraduate research to determine what is actually happening at the company level of small to medium sized businesses. Export statistics can give us a very general overall picture but, what is of concern for many industries, is how companies will be able to cope in the future.

To this end I have devised a brief questionnaire which I would appreciate you completing and returning in the enclosed reply paid envelope. Instructions are included where necessary to guide you. If you do not have an export manager, as such, please give the questionnaire to the person who has most responsibility for the export operations.

The answers will be completely confidential and results will only be available in summary form. If you would like a copy of the results please let me know by supplying the appropriate details on the last page. Please return the completed questionnaire by 16 September. Should you have any queries regarding this study please contact me at the following phone number - (06) 356-9099 extn 8082.

Thank you in anticipation of your valuable time.

Yours faithfully

Isabella Chaney

APPENDIX C: COVERING LETTER TO 50 CENT INCENTIVE GROUP



**MASSEY
UNIVERSITY**

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New Zealand
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**FACULTY OF
BUSINESS STUDIES**

DEPARTMENT OF
MARKETING

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As a token of appreciation for your help, I have enclosed the attached coin.

Thank you in anticipation of your valuable time.

Yours faithfully



Isabella Chaney

APPENDIX D: COVERING LETTER TO \$1 INCENTIVE GROUP



**MASSEY
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Facsimile 0-6-350 5608

**FACULTY OF
BUSINESS STUDIES**

DEPARTMENT OF
MARKETING

26 August 1992

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Yours faithfully



Isabella Chaney