

Effect of Marketing Factors on Export Performance

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Abstract

Exporting reinforcement is one of the main goals of a lot of countries. In Iran, reinforcing the non-oil exporting is one of the strategic goals. Accordingly, investigating the marketing effective factors on the exporting function has a specific position. The purpose of this paper is to examine the marketing factors influencing on export performance of firms in Iran. So in this study, the effect of exporting marketing mix, marketing capabilities on the export performance, customer orientation and competitor orientation on marketing capabilities has been discussed. The sample of this research includes 313 commercial firms in Iran. The data analysis has been done using the LISREL 8.5 and SPSS 16 software. The results indicate that the marketing capabilities and export marketing mix have a positive significant effect on the export performance. On the other hand, the customer orientation has a significant positive effect on the marketing capabilities, while the positive effect of the competitor orientation on the marketing capabilities has not been confirmed. Finally, the results show that at the high

level of export dependence, firms at the higher levels of marketing capabilities achieve a higher performance. At the end, in order to improve the firms' exporting performance some suggestions have been proposed also for the future studies.

Keywords: *exporting performance, export marketing mix, customer orientation, competitor orientation.*

1. Introduction

In recent years, globalization has entailed the commercial firms to search for new opportunities in the international markets alongside their traditional domestic markets. Here, exporting because of having less requirements and obligations than other foreigner markets entrance (joint ventures and ...) is more graceful. On the other side, during the last two decades exporting has had an accelerated progress among other economic activities and also is a vital activity in any economy which has a remarkable share in employment, trade balance, economic development and higher living standard (Ural, 2009).

Because of having an effect on the financial improvement, increasing the efficiency capacity, establishing the higher technological standards and an access to the favorite performance, exporting has a crucial role in access to the stable competitive advantage in the unstable environment today's world (Leonidou & Katsikeas, 1996), and since exporting increasing is followed by economic development, developing the country's industry, and the efficiency progress, it is so important for the governments (Sosa *et al*, 2010). Generally, exporting development at a macro level has a positive effect on economic development and at a micro level has involved the business unit, and consequently finding a way to increase the exporting is a general goal for a lot of countries (Ahmed *et al*, 2006). On the other hand, increasing the micro-macro attentions about the exporting activities has led to an increase of interest in researching on the field of exporting performance (Zou *et al*, 1998).

One of the most basic economic goals in Iran is the subject of non-oil exporting matter. Despite the importance of this issue, Iran's economy is still dependent to oil sources and the major proportion of the currency earnings of this country is gained through oil exporting which this dependency based on this fact that the oil is not reproducible and has a lot of fluctuations in world markets, is not desirable. Accordingly, exporting development is one of the basic goals of non-oil economy, also with respect to the focus of goods exporting indicates that at the national level a little attention has been paid to the firms capabilities in marketing planning and specifically its mix from. On the other side, having not and well information about the exporting issue for organizations, identifying the customers and competitors is another factor for firms exporting weakness. Since decision making about strategic marketing mix codification in the field of international marketing is considered as an essential step, the current study investigates the exporting performance and studies the effects of exporting marketing mix and marketing capabilities on the firms' exporting performance in Iran.

2. Theoretical basics

2.1 *Exporting performance*

Research concerned the exporting performance of the commercial firms have traced back to 1960s and in fact, it was started with Tokey's attempt to introduce the relevant factors about successful exporting (Katsikeas *et al*, 2000). Since the exporting performance involves the staff and institutions and is, discussable from different dimensions and aspects (Lewin & Minton, 1986) is a kind of multi-dimensional structure (Bhargava *et al*, 1994; Mavrogiannis *et al*, 2008).

2.1.1 Exporting performance definition

Despite of a lot of discussions on the exporting performance there is not yet a single definition about it (Katsikeas *et al*, 2000) and up to now during the past years an exact definition which could be acceptable, usable, and applicable widely has not been presented (Lages & Lages, 2004) and the lack of such a definition and its identical understanding is a key issue in the exporting literature (Cavusgil & Zou, 1994). Only a few researchers have presented a conceptual definition of exporting performance which some of these definitions have been presented in table.1.

2.1.2 Measure of Exporting performance

Despite of the great research on the exporting performance, a part of the international marketing scope has left and this is related to the definition problems, conceptualizing, and operationalizing this variable, which often leads to obtaining paradoxical and unstable results (Walters & Samiee, 1990). On this field, Bonuma and Clark have stated that maybe there is no other concept in the short history of marketing that resists such strictly against the conceptualizing, defining, and applying (Lages & Lages, 2004). Two approaches have been defined for measuring the economic performance: first, is objective, criteria such as the firm's capability of profitability, the amount of sale, sale developing; second is subjective, such as managers' understandings. Objective criteria have been used widely in different research (Katsikeas *et al*, 1996). But using these criteria includes some problems. One of these problems is about the research method which is originated from two sources: first, may the firms do not respond clearly about the exporting operations and the amount of selling; second, the capability of comparison is one of the weaknesses of this criterion. For example the rate of selling, market sharing and selling progress may be different in different goods groups and industries and based on the competition the market structure in that industry and the intensity of technology be measured (Katsikeas *et al*, 1996).

In more than half of the research on the exporting performance for measuring, this criterion the subjective criteria have been used (Lages & Lages, 2004). Also, Madsen has pointed that the managers' refusal in giving the objective information is a limitation of using these criteria and leads to use the subjective criteria such as managers' satisfaction with the exporting performance (Madsen, 1998). It is remarkable that, investigating more than 50 researches by Gemondon in 1991 showed that the researchers have only used one criterion (Diamantopoulos, 1999). However, both subjective and objective criteria have some limitations (Yunis Ali, 2004). The findings do not show a remarkable and important difference, which would be, related to the way the exporting performance measuring. Nevertheless, the objective economic criteria both for managers and the presented firms in the industry is significant and important (Baldauf *et al*, 2000). Generally, managers use the objective criteria as the referential points for subjective evaluation of the performance (Yunis Ali, 2004). Regarding this matter, in this study the subjective criteria for evaluating the exporting performance have been used.

2.2 Marketing capabilities

Generally, capabilities have been defined as joining the organizational properties together and developing them in an effective and profitable way (Theodosius *et al*, 2012). Marketing

capability is a unified process in which the firm uses the tangible and intangible properties for understanding the specific demands of the customers, reaching to a relative differentiation for the competition superiority and finally getting the quality of a brand (Song *et al*, 2007). The crucial role of the marketing capabilities in a firm, is trying to get the competitive advantage and the superior performance (Theodosiou *et al*, 2012).

What that makes the capabilities valuable is not merely their formation, but is the rate and the way they affect the performance. In the field of the exporting firms marketing capability is the rate of exporter's capability and competitive advantage in comparison with the major competitors in exporting markets (Narver & Slater, 1990).

The relationship between exporting performance and marketing capabilities has been discussed in a different number of articles. Morgan *et al* (2012) has investigated the effect of marketing capabilities on the financial performance and market performance through implementing the foreign marketing programs and their positive relationship has been confirmed. Tooksoon and Osman Mohammad (2010) have investigated the marketing capabilities on the exporting performance. Vorhies and Morgan (2005) have investigated the marketing capabilities effects on the total firm performance (customer satisfaction, market efficiency, profitability) and it was confirmed. Theodosius *et al* (2012) has confirmed the positive effect of marketing capabilities on the performance too. With respect to the above-mentioned cases:

H1: marketing capabilities have a significant positive effect on exporting performance of commercial firm.

2.3 Strategic orientation

Strategic orientation of business has got the attention of a lot of managers and marketing and entrepreneurial researchers widely, but there is not yet an acceptable single definition about strategic orientation (Hakala, 2011). The orientation word points to a permanent and general strategy of a thought, inclination and interest. In academic texts orientation has been defined in different forms (Hakala, 2011). In a definition, the strategic orientation has been defined as the principles which have navigation and direct influence on the activities of a firm and lead to the behaviors in that firm which guarantee the performance, value, life and preservation of the firm consequently. These principles affect and conduct the firm's activities permanently (Gatignon & Xuereb, 1997). Some other researchers have called this a kind of adapted culture in interaction with its environment (Nobel *et al*, 2002).

Strategic orientation has been classified differently, such as Hakala (2011), Zou *et al* (2005), Hortinha *et al* (2011), and Theodosiou *et al* (2012). With respect to this matter that in these classifications the customer orientation and competitive orientation are important in this study these two orientations are considered. Customer orientation and competitive orientation include all activities that are aimed to data collection related to vendees and competitors in the target market and publishing that information in all of the organization's parts (Narver & Slater, 1990).

2.3.1 Customer Orientation

Customer orientation is the firm's enough understanding of the vendees' goals and establishing the superior value for them (Narver & Slater, 1990). Customer orientation not

only is responsive to the customers' needs, but also covers the hidden needs of the customers and even goes far beyond this and predicts their future needs (Hortinha *et al*, 2011).

Customer orientation has been defined as a degree by which the business firm uses the customers' information and designs and implements the firm's strategy to respond the customers' needs and demands (Tajeddini, 2010).

In his research Hortinha *et al* (2011) has investigated the indirect effect of the customer orientation on the exporting performance through the innovation capabilities. Solberg and Olson (2011) have considered the direct effect of the customer orientation on exporting performance. Theodosius *et al* (2012) has called it effective on the marketing capabilities and its indirect effect on the performance through the marketing capabilities has been investigated. Effective implementation of customer orientation needs appropriate marketing capabilities (Theodosius *et al*, 2012). Regarding the presented discussions:

H2: customer orientation has a positive significant effect on the marketing capabilities.

2.3.2 Competitive orientation

This indicates the firm's ability to understand the short-term weaknesses and strengths, the long-term strategies and capabilities of the competitors (Theodosius *et al*, 2012). Competitive orientation emphasizes the deep and thorough evaluation of a set of selected competitors (Olson *et al*, 2005). Under this strategic orientation, the firm should pay attention to goals, strategies, sources and the capabilities of competitors. Evaluation and comparison of the competitors' activities provide a good view for business firm and work in order to relative understanding of their position in the market environment and evaluating the weaknesses and strengths for effective and appropriate responding to the competitors strategies (Gao *et al*, 2007; Theodosius *et al*, 2012). Strategic implementation of competitive orientation requires appropriate marketing (Theodosius *et al*, 2012). Theodosius *et al* (2012) investigates the effect of competitive orientation on the marketing capabilities. According to the presented subjects:

H3: competitive orientation has a positive significant on the marketing capabilities.

2.4 Export marketing mix

Marketing mix is a set of controllable marketing tools which the firm mix them to respond the target market, or marketing mix covers all of the works which the firm can do to affect the demand rate (for its products). These works can be classified to four identified variables as 4p (Cutler & Armstrong 1999, p80-81). Product includes the product variety, quality, design, features (combinations), brand, size, packing, guarantee, refund, and services. Price includes the list of the prices, discounts, prizes, the period of paying, and credit conditions (credit). Distribution (place) includes channels, covering rate, products combinations, cash amount, transportation, and supplies. Promotion (preferment) includes advertisement, personal selling, increasing selling, and public relationship.

In the exporting literature a great deal of research about marketing mix and its effects on the exporting performance has been done such as studies by Leonidou *et al* (2002), Sousa & Lengler (2009), Koh (1991), Mavrogiannis *et al* (2008), Bourandas & Halikias (1991), O'cass and Julian (2003), Sousa & Bradley (2008). The issue that is discussed here is that

whether the 4p is similar to the domestic markets or has been adapted to the cultural, economic, political and legal conditions of the host country.

From the economic perspective when the foreign target markets behave in a similar method, researchers suggest the standardization strategy (Kustin, 2004). This is the same integration and standardized strategy. On the other side, there is the comparative approach. The marketing mix adaptation is a degree by which the export marketing mix has been adapted and fit to environmental differences of foreign markets (such as the behavior and tastes of the domestic and foreign consumers) (Navarro *et al*, 2009). In the current research in order to evaluate the export marketing mix based on the Mavrogiannis *et al* (2008), Sousa & Bradley (2009) the adapted product, adapted price, the adapted place and adapted promotions have been used. Generally, export marketing mix has a positive effect on the exporting performance (Leonid *et al*, 2002; Mavrogiannis *et al*, 2008). Consequently:

H4: export marketing mix has a significant positive effect on the exporting performance.

2.5 Export dependence

Export dependence has been defined as a regulating factor between marketing capabilities and exporting performance and as the proportion of exporting sale to the total sale (Tooksoon & Osman Mohammad, 2010). In their research, Tooksoon and Osman Mohammad used the export dependency as the regulating factor of the relationship between the marketing capabilities and exporting performance in Thailand exporting firms. In that research the regulating role of the export dependency was confirmed.

H5: at the higher level of dependency, the firms at the higher levels of marketing capabilities reach to a higher performance.

Based on the discussed subjects the conceptual model of the research is show in Figure 1.

3. Research methodology

Concerning the goal and nature, this research is of the applied type and from the perspective of data collection, the hypothesis test, and conclusion is a descriptive one. Since the data collecting instrument is a combination of librarian and field one, the research is conducted in a survey descriptive way.

4. Data collection

The population of the current study includes all of the exporting commercial firms of Iran, which have been active during 2010-2011. The number of samples is 313 exporting commercial firms in 7 Iranian provinces which have been done through the cluster sampling. The level of the research analysis is the level of the firm. The level of the research measuring is also the firm's managing and/or the legal manager's representative. For better description of the society and a better and clearer understanding, the descriptive statistics has been applied. The table.2 illustrates the number and frequency of the related variables to the firm (the type of the firm, type of the activity, the firm's Age, and the firm's manager education level) and also the export dependency and the exporting geographical realm.

With respect to the table.2 it is clear that 75.7% of the studied firms have been private and also the most of the exporter firms were of the productive kinds. Furthermore, this table includes the export dependency (the amount of selling resulted from exporting to the firm's

entire amount of selling). The Arab countries with 30.4% were the first destination of the commercial exporting firms.

5. Scale development

To collect data a questionnaire was used. This questionnaire included 9 demographical questions and 21 questions for measuring other variables. For confirming the questionnaire validity, the Cronbach Alpha was used. The questions sources of the questionnaire and Cronbach Alpha results are illustrated in table.3. According to the table, it is clear that the validity of the questionnaire is desirable.

6. Structural model analysis

6.1 Factor analysis

The research Confirmatory factor analysis is show in Figure 2. According to the presented indices in table.4, it could be stated that the confirming factor analysis of the model has a good reliability. On the other hand, the standardized factor loads are the indicatives of higher correlation of observed variable and the factor under the study. According to figure.2, it is clear that the factor loads are all at an acceptable level, accordingly the correlation between the observed variable and the factor is evident. In addition, the determiner coefficient of the observed variables is at a high level which indicates the appropriate determining of observed variable and factor.

6.2 Hypothesis

In this part the rejection and confirming of the hypothesis based on the aimed model reliability is done that show in figure 3 and 4. Regarding the figures 3, 4, and table.6 it is clear that the reliability of the model is the desirable one and table.5 illustrates that H1, H2, and H4 are confirmed and H3 is rejected.

6.3 Moderating Effect of Export Dependence

The current study's regulating variable is the export dependency which is defined in the form of selling resulted from exporting proportion to the entire sale of the firm. Export dependency regulator is the relationship between marketing capabilities and exporting performance in a way that firms at higher levels of marketing capabilities will reach to higher performance if they have a higher export dependency. In order to measure this variable, the data has been divided into two groups, the firms which 50% or less have the export dependency and the firms which have more than 50% export dependency. In the figures 5, 6, 7, and 8 the export dependency models of 50% more and less, in both situations the significance and standard have been shown. Table.7 illustrates the results from these 4 models.

For comparing the two models their standard coefficients are used. According to table.6 it is clear that when the export dependency is more than 50% in comparison with the time when the export dependency is less than 50% has been increased. At the level of 95%, certainty the H5 is confirmed.

7. Discussion and conclusion

The H1 states that the marketing capabilities have a significant positive effect on the firm's export performance. This hypothesis with t-value: 5.33, has been confirmed at the certainty level of 95% because was out of the interval (-1.96 & 1.96). The results of this hypothesis are conformed to the Theodosius *et al* (2012), Vorhies and Morgan (2005), and Morgan *et al*

(2012).H2 states that the customer orientation has a significant positive effect on the marketing capabilities. This hypothesis with t-value: 6.96, is confirmed at the certainty level of 95% because it is out of the interval (-1.96 & 1.96). This result is conformed to the Hortinha *et al* (2011) results. H3 states that competitive orientation has a positive significant effect on the marketing capabilities. This hypothesis with t-value: -1.00, has not been confirmed because it is in the interval (-1.96 & 1.96). This result is not conformed to the results of the work of Theodosius *et al* (2012). The investigated firms in this research have a low level of export dependency. This means that they have considered their shares are low in export firms; accordingly a low level of investment is done by them for identifying and entering to the markets and consequently paying attention to the competitors, too. Since a low percentage of firm's income is allocated to the amount of exporting, the competitor factor is not an effective factor. According to the aimed firms' amount of the exporting in the current study, this act does not seem logical. H4 states that export marketing mix has a significant positive effect on the exporting performance. This hypothesis with the t-value: 5.80 has been confirmed, because it is out of the interval (-1.96 & 1.96). The obtained result is conformed to the work's result of Mavrogiannis *et al* (2008). Export dependency in the firms was divided into two groups of 50% less than the selling amount (214 firms) and 50% more than the selling amount (99 firms). The standard coefficient in first condition is 0.49 and in second condition equals 0.73. It means that at the certainty level of 95% the role of regulating export dependency has been confirmed, i.e. the firms at the higher levels of marketing capabilities reach to a higher exporting performance level if they have a higher export dependency. The confirmation of this hypothesis is conformed to the results of the work of Tooksoon and Osman 2012. The effectiveness of the marketing mix has been more than the marketing capabilities, but it is important to be mentioned that the marketing capabilities emerge operationally and well enough when they could be integrated with correct and adapted mix and executed simultaneously.

7.1 Suggestions

Firstly, for improving the firms' performance they need the attention to the marketing capabilities. Firms should improve themselves with marketing capabilities. Thus, the customer orientation is so important. So, these firms should eliminate the weaknesses related to communication with customers and through the regular customers' satisfaction examining and identifying their present and future needs improve the customer orientation. Secondly, the firms should pay attention to the export marketing mix and with increasing the investigation and research about the host country's conditions use the adapted and specific export marketing mix of that country. This requires the costs increasing which needs the government support of the firms.

For the future research, it is suggested that a particular industry having a relative advantage for investigating be selected. In this research the small and medium firms have been investigated, which indicate that in future works larger firms could be investigated.

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Appendix

Table 1. Exporting performance definitions

Researcher(s)	Exporting performance definition
Aaby & Slater 1989; Shoham, 1991	Exporting performance has been defined as the effectiveness of exporting activities, exporting efficiency and permanent involvement in exporting.
Cadogan et al	A degree of economic progressing in exporting markets
Cavusgil & Zou 1994	Exporting performance is defined as an extreme in which the firm's goals including economic (profit, sale or expenditure) and strategic (market development, competitive response and increasing the awareness of product) in relation to exporting are obtained through planning and strategic implementation of marketing.
Lags et al 2009	It is possible to be viewed from two dimensions of relational performance (relationship with exporters and distributors) and economic performance which the economic performance indicates the sale amount, exporting market share, and....relational performance indicates the quality of relationship with exporters and their loyalty to the firm.

Table 2. Descriptive Statistics

Variable		percent	Frequency
Type of firms	Governmental	10.2	32
	Private	75.7	237
	Other	14.1	44
Activity	Service firms	12.8	40
	Manufacturing firms	69.3	217
	Mediate firms	17.9	56
Education manager firm	Diploma	25.9	81
	Bachelor	55.9	175
	Master's degree or higher	18.2	57
Percentage of export sales to total sales	Less than 25 percent	27.2	85
	Between 26 – 50 percent	41.2	129
	between 51 – 75 percent	16.9	53
	More than 75 percent	14.7	46
Age of firm	Less than 5 years	10.2	32
	Between 5-10 years	39.0	122
	between 10 -15 year	24.6	77
	between 15 -20 year	13.4	42
	More than 30 year	12.8	40
Export geographic	Persian Gulf littoral states	22.4	70
	Arabic countries	30.4	95
	China	17.6	55
	Subcontinent	9.6	30
	Caucasus and Turkey	5.1	16
	East Asia	9.3	29
	Other country	5.8	18
Total		100	313

Table 3. Cronbach Alpha

Variable	Source	Cronbach Alpha	Number of question
Marketing capabilities (CAM)	Vorhies& Morgan 2003	0.708	4
Customer orientation (CUO)	Theodosiou et al 2012	0.776	3
Competitor orientation (COO)	Theodosiou et al 2012	0.712	3
Export marketing mix (EMM)	Mavrogiannis et al 2008	0.776	4
Exporting performance (EP)	Mavrogiannis et al 2008 and Sousa & Bradley2008	0.905	7
Total questionnaire		0.92	21

Table 4. Confirmatory factor analysis

p-Value	Df	Chi-Square	RMSEA	RFI	IFI	NNFI	NFI	CFI	GFI
0.000	116	5350.4	0.108	0.90	0.96	0.92	0.94	0.96	0.86

Table 5. Model reliability

p-Value	Df	Chi-Square	RMSEA	RFI	IFI	NNFI	NFI	CFI	GFI
0.000	142	708.16	0.113	0.88	0.93	0.90	0.92	0.93	0.82

Table 6. Rejection and confirming of the hypothesis

Hypothesis	Variable	t-value	Standardized coefficients	Result
H1	Impact of marketing capabilities on export performance	5.33	0.42	Support
H2	Impact of customer orientation on marketing capability	9.96	0.65	Support
H3	Impact of customer orientation on marketing capability	-1.00	-0.10	Not Support
H4	Export marketing mix impact on export performance	5.80	0.38	Support

Table 7. Moderating Effect of Export Dependence

export dependence above 50%		export dependence below 50%	
t-value	Standardized coefficients	t-value	Standardized coefficients
4.69	0.73	6.34	0.49

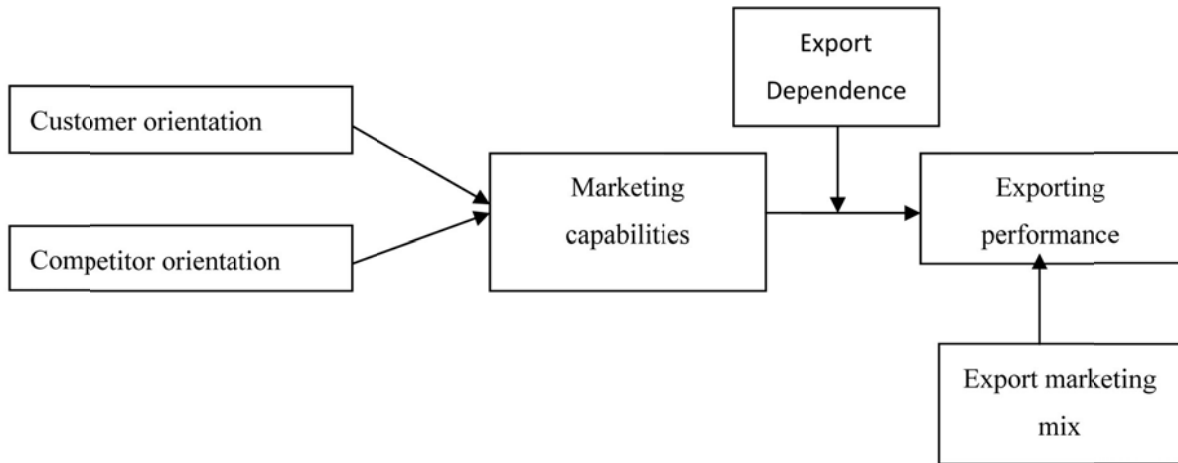


Figure 1. Conceptual Framework

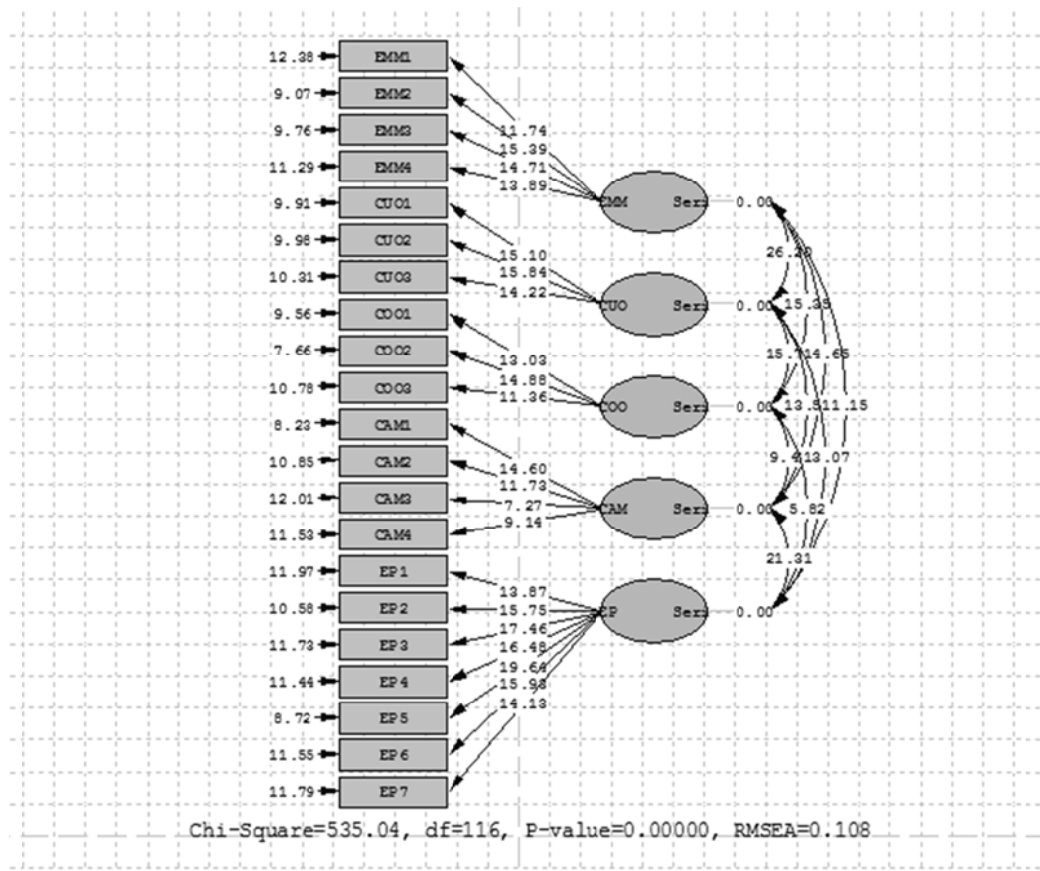


Figure 2. Confirmatory factor analysis

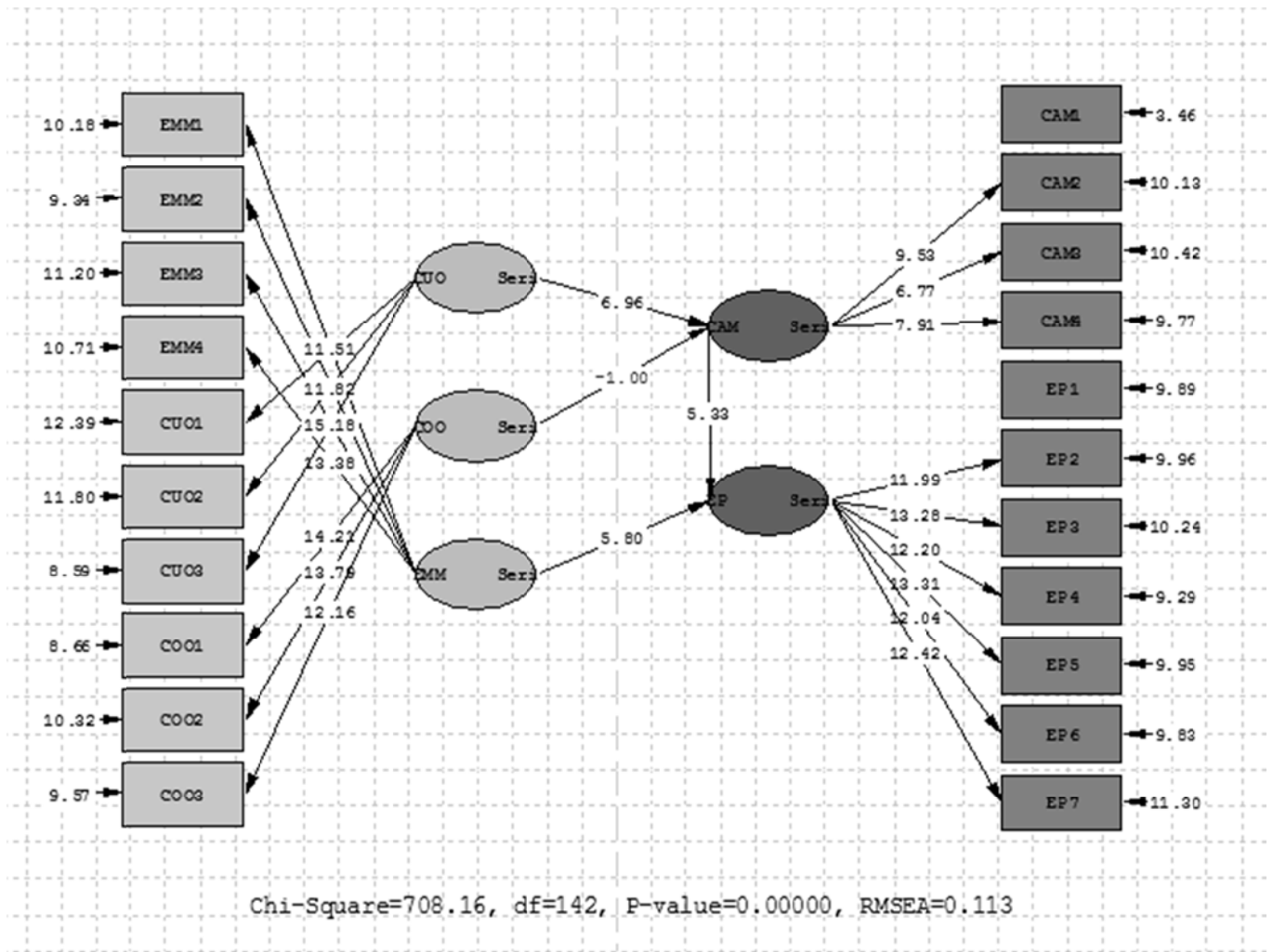


Figure 3. Statistical models in T-value

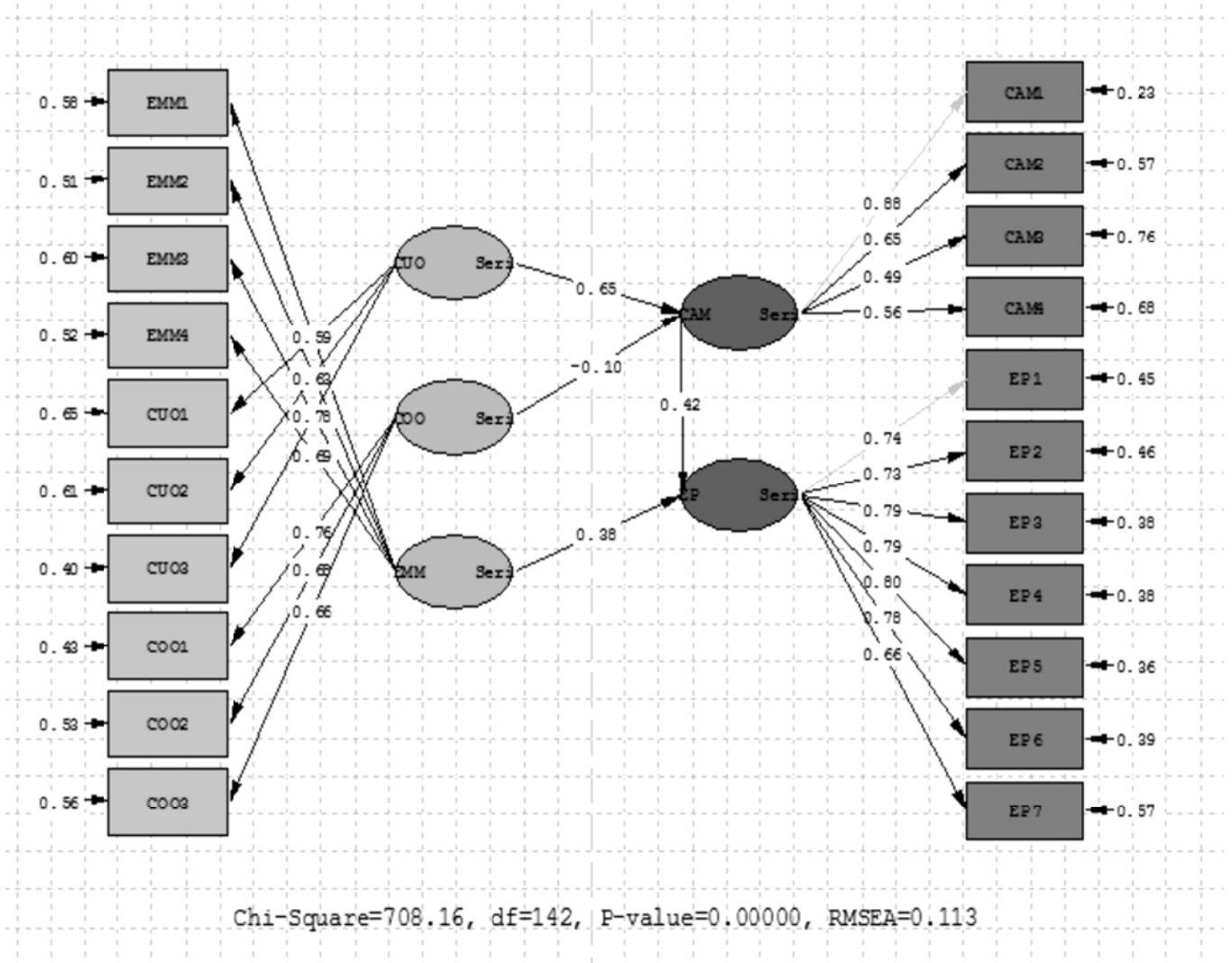


Figure 4. Statistical models in Standardized solution

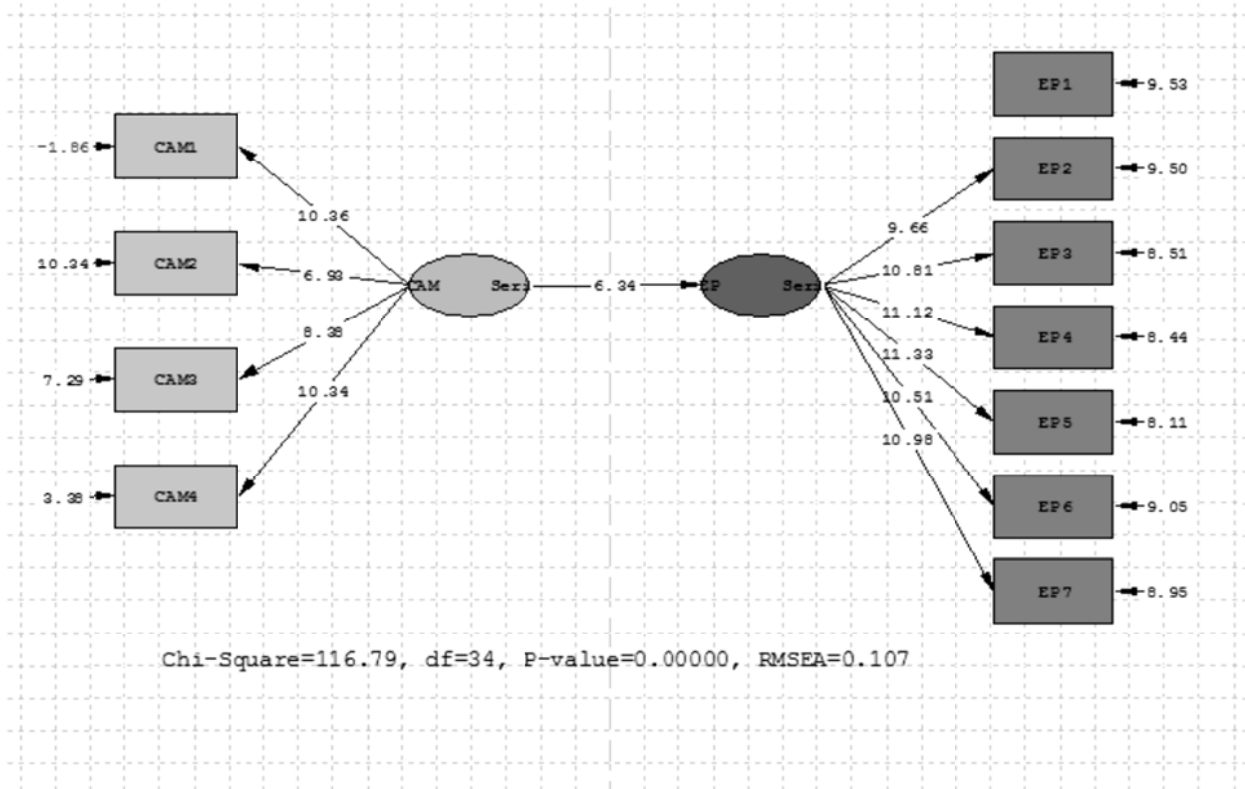


Figure 5. export dependence below 50%, T-value

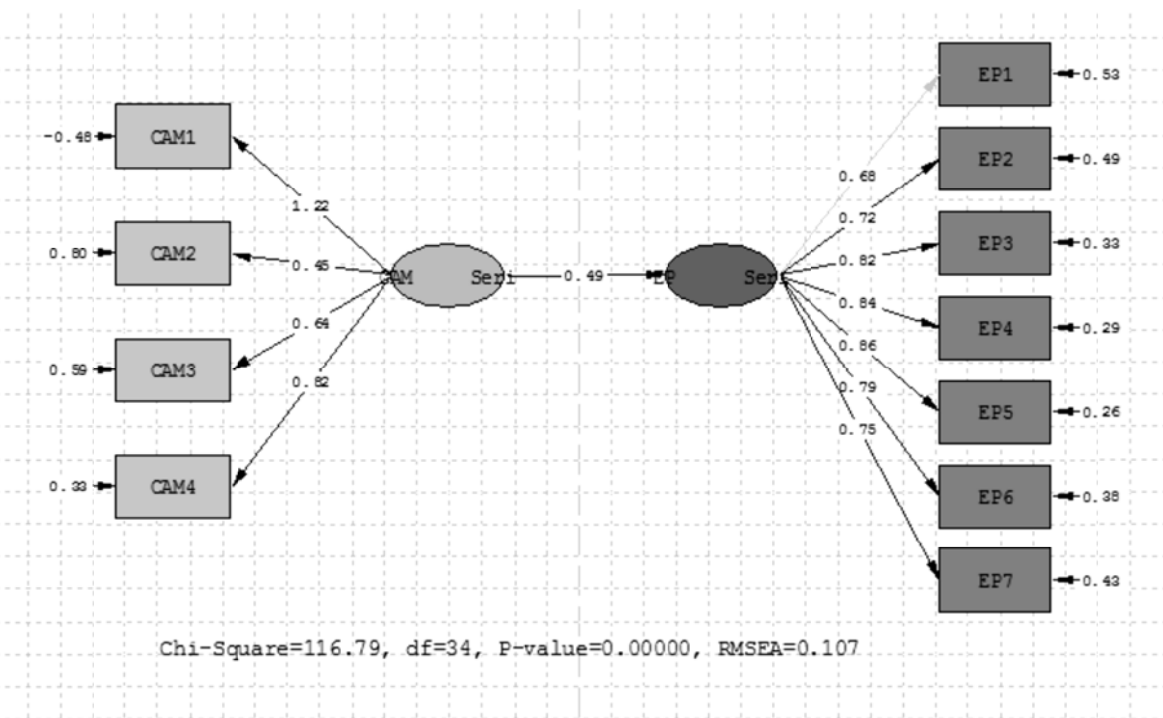


Figure 6. export dependence below 50%, Standardized solution

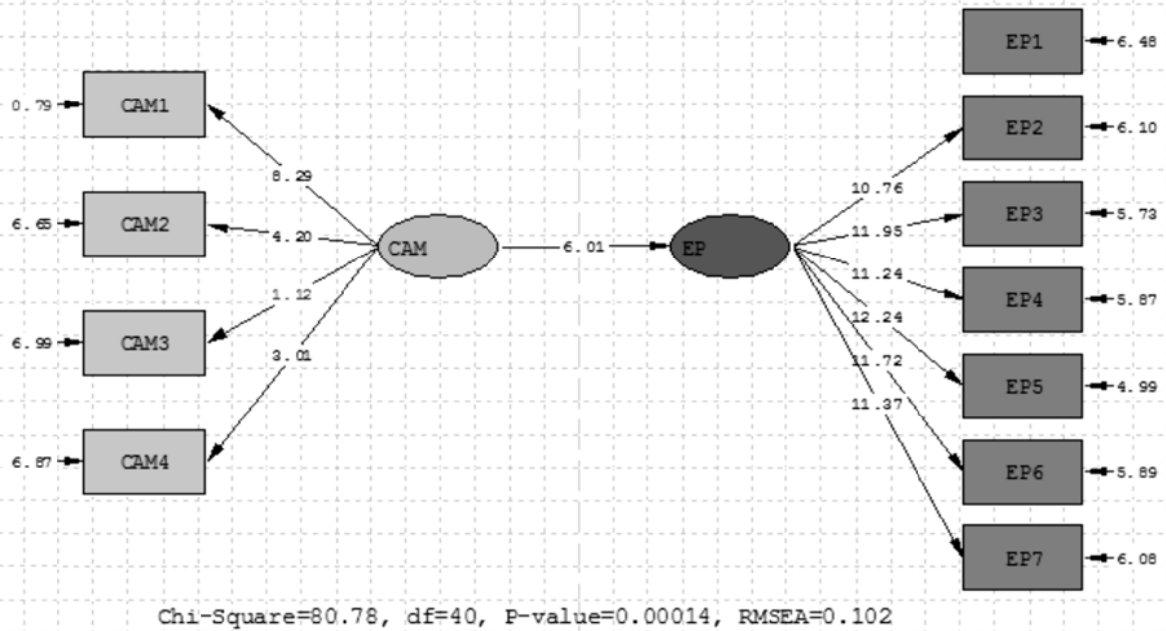


Figure 7. export dependence above 50%, T-value

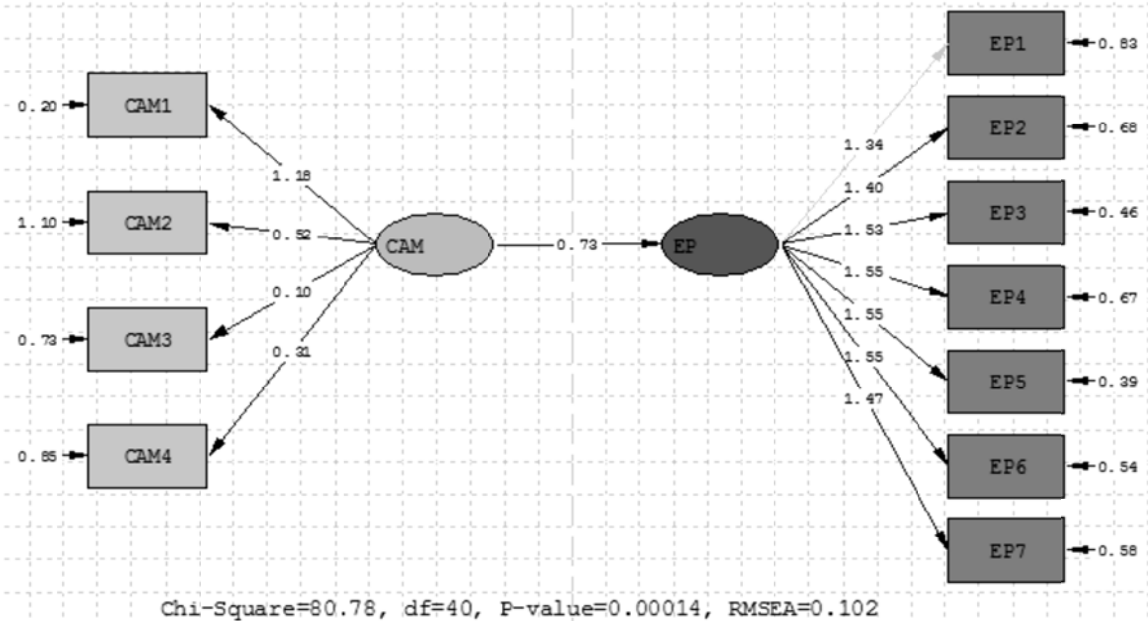


Figure 8. export dependence above 50%, Standardized solution