IMPACT OF EXPORT MARKETING STRATEGIES ON ORGANIZATIONAL PERFORMANCE: EVIDENCES FROM PAKISTANI TEXTILE SECTOR

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Abstract
Export plays a key role in maintaining balance of payment for every country. Textile exports contribute significantly in obtaining foreign exchange for Pakistan. Various researchers have been conducted to explore the relationship between Export Marketing Strategies and its impact on organizational export performance for many countries and various strategies are formulated to identify the right mix to enhance this performance. The research is aimed at identifying role of export marketing strategies in export performance for the case of Pakistani textile sector. Conceptual framework is designed to identify the impact of number of markets served, number of products offered and 4 P’s of marketing on export performance of firm. Personal interviews were conducted to measure export marketing strategy element. Impact of standardization vs. adaptation of product, price, place, and promotion is also reviewed. Export firms who adapt marketing mix elements get competitive advantage and have better returns.

Keywords: Marketing strategies, Export performance, Adaptation

Introduction
Export plays a major role in every economy and it provides opportunity to expand business horizon. According to World Bank data, exports of goods and services contribute 14% to GDP (2010) for the case of Pakistan. Textile sector of Pakistan is considered as one of the best, where its products are demanded throughout the world. Thus textile sector is one of the major sources of revenue which contributes around 55% to total exports of the country (Mirza, 2008). According to Ministry of Textile, Pakistan’s share in Global textile and clothing export is 1.8% (2008). Textile sector not only helps in maintaining balance of payment of Pakistan but also helps in providing job opportunities to millions of people. Therefore, it is imperative for the economy like Pakistan to ensure development of textile sector for economic development.

But despite constituting a major chunk of Pakistan’s export, this sector is not exporting to its potential level. Very few measures are taken for enhancement of export of textile products. In this study researcher’s focus is to examine the association between export performance and export marketing strategy element. There are many international researches conducted on this topic and with the help of which the researcher will examine this relationship for the case of Pakistan.

Research Problem
Internationally it has been observed that organizations which are exporting to foreign markets employ some strategies to attract international buyers of their products. However for the case Pakistan we are interested to find what strategies are used to boost export performance. Data reveals that during the last few years textile exports is declining and usually factors associated are external factors, where as there is a lot of potential to boost textile export volumes through the use of effective marketing strategy.
Therefore the research question is:
What are the factors/reasons which can enhance export performance of any textile firm/sector?

Research Objectives
Following are objectives covered in this research:
- To investigate the link between export performance and marketing strategy
- To identify the variables that impact marketing strategy
- To provide recommendation for strategy formulation to boost export performance

Significance of Study:
This study will help analyze relationship of export performance with export marketing strategy. The study is significant in a manner that very few attempts are made so far to estimate export marketing strategy for the case of Pakistani textile sector. Study will assist as a baseline for future researchers who can work on different variables to explore export performance.

Literature Review
Firm’s export marketing behavior has been analyzed by different researchers during last two decades and many papers with different set of variables explained this phenomenon (Slater and Aaby, 1989). Research efforts are stimulated due to the fact that economies have realized the importance of export in economic and social development of the country. Further, recently lot of economies are facing trade deficit which is also a factor to enhance export. Internationalization also played an eminent role in shifting strategic focus from local penetration to international presence. While reviewing export performance at a firm level, it is imperative to identify reason behind becoming market leader or market challenger; whether it is due to organizational structure or different strategies adopted by that firm. Katsikeas et al. (2000) presented couple of groups of variables that explains how export performance is impacted by various factors. One of these groups includes background variables which indirectly impact export performance while there are few variables which the researcher has defined under the group category of intervening variables which influence export performance directly such as firm’s strategy about marketing and targeting market. Previous research papers has identified influence of marketing mix on export performance however there is a lot of scope as to identify export performance is influenced by which marketing mix’s determinants. Theodsiou and Leonidou (2003) explained that one of the strategic decisions company undertakes is to decide about entering into international market with standardization or adaptation approach as per the local conditions.

Naidu and Rao (1993) were of the view that marketing adaptation plays a key role on export performance. Their study based on Spanish companies, analyzed how marketing strategy elements jointly impact export performance and also argue that market leaders in exporting are those which have strong competitive advantage, which are identified and build upon marketing strategies. They further elaborated that firms which do not perform well in international markets are those who fail to distinguish their advantages which is the result of their lack of strategy formulation or ambiguity in implementation Determinants of Export Marketing Strategy:
Firms entering into foreign markets transform its strategic planning and require effective marketing function (Louter, Ouwerkerk and Bakker’s 1991). Shoham (1999) suggested that different identification of strategies require if firms plan to enter international markets. High performers capitalize on their competitive advantage (Francis and Collins-Dodd 2000, p.90). Previously Porter (1985) had conducted a study on same subject in which he concluded that competitive advantages are marketed through low price option or on the basis of quality attribute through the use of different marketing mix which are designed according to different customer segments and locations. Four variables of export marketing were identified by Cavasguill (1994) in his study, which are as follows:
- Product offering and services
- Distribution channels and its role
- Promotional activities
- Pricing terms/policies

Later on various other researchers, Aulakh, Kotabe and Teegen (2000) also presented the same view; which suggest that high performing exporters in developed countries adopt for pure differentiation strategy rather than cost leadership strategy. They explained that firms aims to create a product which is unique for customers and follow differentiation strategy which comes through customer service, technology and new products. How firms respond to international market has been described by the means of marketing mix adaptation which includes competitive strategies for product, promotion, channel used & pricing (Craig and Douglas 1983; Kleinschmidt and Cooper 1985; Machintosh and Kirpalani 1980).

Product Adaptation:
Over the period of time, different research studies are conducted to identify the impact of adaptation vs standard marketing mix elements on export performance. Besides studying about their joint significance, these elements could also be explained separately. Johnson and Arunthanes (1995) found that product adaptation makes it
easier to get their product accepted in foreign market and enhance export performance not only in early days but also in penetration stage. They further explained that it is of great importance for high exporting firms as they carefully assess the host country’s customer purchase requirement and provide value proposition according to customer needs which provide them competitive advantage over exporters who go with standard product in every market, thus product adaptation strategy strongly helps in growth of firm’s exports. Johnson and Arunthanes (1995) contributed to it by adding that there are various factors on which product adaptation is dependent like characteristics of local market, regulations by government in foreign market, management capabilities, etc.

Distribution Channel:
Next marketing mix element to impact export performance is the distribution channel. In 1991, Bello, Urban and Verhage defined this as “various structural characteristics such as alternative channels modes, administrative contracts and associated relationships, which arise from these channel arrangements”, i.e. transportation of goods between buyer and seller through contracts. Cavusgil (1983) explained that export channel effectiveness depends on type of product, availability of resources and contracts with intermediaries. Research on distribution channels by different researchers, Dominguez and Sequeira (1992) and Louter, Bakker and Ouwkerk (1991) affirms a positive relationship with commitment to exports and high exporting firms have distribution channels dealing directly with the end users. According to Yeoh & Jeong (1995) high performing exporters adopts more flexible distribution channels to enhance their relationship with final buyer. Cost of distribution channel in exports plays a significant role in winning business order and it is a critical element of company’s marketing mix.

Pricing:
Many research findings concluded positive relationship between export performance and pricing (Domingue and Sequeira 1992; Madsen 1989; Reid 1981; Christensen et al. 1987). According to Bilkey (1985), higher prices in international markets provide better returns. Cavusgil and Amine (1986) also confirm affirmative relationship between higher pricing and export penetration. Shoham (1996) added to it that firms based their pricing decisions based on product uniqueness, level of product acceptability and competition level in foreign market. He stated that exporting has associated cost involved which is also a factor of higher pricing but it also provides economies of scale to firms.

Promotion:
In differentiating a product, there are several variables that may influence customer perception and generate willingness to buy. These variables may be service quality or brand awareness among others (Cheok, Wee and Tan 1995). Additionally, Chernatony et al., (1995) showed that, although core brand values may be standardized, the other components of the brand should be adapted locally. Again, invest in creating a product/organization name adapted to the local market requirement requires a long-term business planning that passive exporters do not exercise.

Export Marketing Strategy:
Empirical studies have been conducted by Madson (1987) and Aaby & Slater (1989) to analyze the linkage between export marketing and its impact on export performance but due to different parameters adopted there is no single way of measuring effectiveness of this linkage. They continued that many researchers have tried to investigate on the similar subject yet no acceptable measure has been identified due to limitations in methodology and other practical limitations. Different performance measures can be categorized into two categories: subjective or non-economic and objective or economic measures. Thirkell & Dau (1998) defined objective measure as more quantitative like sales volumes of export, market share the firm has in terms of its export; and the intensity of export, whereas Styles and Ambler (2000) added another component to it which they defined as profitability a firm earns from its exports. On the other side, Thirkell & Dau (1998) further defined subjective measures as non-economic measures which take into account overall export performance, relationship of growth with exports and employ a more customer-oriented approach, which according to Sausa (2004), includes meeting with customer expectations and satisfaction of customers. Cavusgil & Zon (1994) stated that changes in the global markets provides opportunities for domestic players to enter foreign markets and in order to penetrate in foreign markets there is a need to investigate contribution of export marketing on performance and to what extent export performance is influenced by marketing strategy exporters adopt and what are the key elements of marketing mix that influence export levels.

Export Volume & export Performance:
Various studies are conducted to estimate effectiveness of export marketing strategies on export performance. Few studies are summarized to gain better understanding of what variables are taken and what methodology used in estimating export performance. Gomez, Monica. Valenzuela, Ana empirically investigates the elements of company’s marketing strategy that results in high export performance for Spanish firms. Results were obtained using linear regression and multivariate methods. Results confirm positive association between
marketing strategy and firm penetration level in foreign market. Out of the four Ps of Marketing mix, distribution is the most significant element which should be given more emphasis in export policies.

Edward E. Marandu (2009) investigated the differences in strategies adopted between high performing and low performing firms through the survey of 60 firms from Tanzania. Export performance is taken as dependent variables and Macro variables and Micro variables (strategy, structure, and management) are independent variables.

The research of Oyeniyi, Omotayo (2009) is aimed at identifying strategic factors mix which investigates the impact of standardization vs. adaptation of marketing element for Nigerian companies. Questionnaire is used to collect data from a sample of 50 companies. Data analyzed through co-relation, t-test, ANOVA, and F-Test to test hypotheses. Result concludes that marketing strategies are strongly co-related with export performance.

Based on literature review conceptual framework is devised which takes into account company’s performance in terms of number of products the firm is exporting to foreign markets and number of market served and marketing mix components as independent variables and export performance as dependent variable. Research propose conceptual framework and recommend further research to empirically validate the findings.

CONCEPTUAL FRAMEWORK

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Dependent Variable</th>
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<tbody>
<tr>
<td>Number of Markets</td>
<td>Export Performance</td>
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<tr>
<td>Number of Products</td>
<td></td>
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<tr>
<td>4 P’s</td>
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Research Methodology

The study was conducted to find relationship of export performance with various export marketing determinants. Qualitative research is used primarily to examine relationship between variables. Quantitative data is also used to measure few objectives.

Research Design:

Export performance is measured through the use of secondary data by using no of containers exported by firms, while marketing strategy elements are assessed through qualitative data by conducting interviews.

Population:

Since evidence is collected from Textile Sector, therefore, all firms operating in this sector who are directly involved in export of any or all kind of textile products are the target population.

Sample Design:

Sample Size: For Quantitative analysis, secondary data for last 5 years is collected on no of containers exported by all textile companies. For qualitative part, the primary data was collected by conducting structured interviews from 20 firms of textile industry of Pakistan.

Sampling Method: Convenient Sampling

Data Collection:

For this research both primary & secondary data are collected. Existing literature was searched from different research journals & papers, relevant books & internet. Quantitative analysis is based on secondary data available on 500 textile firms on number of total exports per year made by each firm, number of products being exported and countries to which these firms export; this data is used to evaluate export performance of Textile Sector whereas qualitative data is collected through primary sources via interviews to identify marketing strategy elements which have been adopted by various textile firms.

Data sources include world band dataset, custom manifest, meeting with exporters, APTMA etc.

Research Limitations:

There are few limitations with this research.

Data is not available on marketing expenditure

Time constraint to analyze impact of other significant variables which indirectly influences export performance

Variables:

Dependent Variable: Export Performance
Independent Variables: Number of Markets
                    Number of products offered
                    Marketing mix elements (Product, Price, Place, Promotion)

Research Propositions

Following are the propositions that are studied in this research

- Export performance is positively linked with the number of markets served.
- Export performance is positively linked with the number of products offered.
Export performance is positively linked with
a. The extent of product adaptation.
b. Promotional intensity
c. Price attractiveness
d. No of distribution channel

Analysis
In this research we have tried to analyze export performance through the use of secondary data of textile sector’s companies on number of containers exported per year for the past 6 years, whereas in order to explore reasons & ways for performance enhancement of exports interviews with 20 firms belonging to textile sector have been conducted to analyze the role of marketing mix elements in this regard.

Reviewing the overall export volumes, we can see that exports for the textile industry are declining over the period of time. Industry (including all textile companies exporting on large, medium and small scale) was exporting 301329 containers in total in 2006; the number drastically dropped to 250439 containers in 2011 which is a drastic significant decline of 17% in last six years.

Source: Pakistan Customs (2011)

From the list of 20 companies taken as sample for our study, we have classified them in large, medium and small size exporters to understand the similarities in strategies adopted on the basis of size of the firm. Sample companies are heterogeneous in terms of volume and companies having average volume of less than 1000 containers per annum are classified as small scale exporter while companies with an export volume between 1000 to 3000 containers are classified as medium sized exporter and firms having volume of more than 3000 containers are identified as large exporters. This parameter is designed on the basis of secondary data on total export volume of all textile companies where average minimum volume exported by firm is 1 container and highest average number of containers exported in last six years is 6300.

Source: Pakistan Customs (2011)

Our first proposition states that export performance will be high if firms serve higher number of markets. Reviewing the overall textile industry data reveals that there are total 19 international markets served by our textile industry, which are further divided according to region while maximum number of markets served by the top exporters are 10.
The reason for penetrating in higher number of markets is to mitigate risk and currently majority of textile exporters are trying to diversify their export market portfolio due to low orders from their existing buyers. Out of 20 companies, 35% of companies are serving 4-6 markets while 30% of the companies (mostly large scale companies) are serving 9-10 markets, only 15% of companies are exporting to 7-8 markets, while 20% of companies are exporting to 1-3 markets. Result shows that top textile exporters are serving highest number of markets and reason given during interview for this is the use of promotional tools and organizational commitment towards export performance.

While reviewing this proposition in the light of the size of the firms, we found that out of 6 companies that are serving highest number of markets, 3 companies are top exporters while all 4 companies that are serving lowest number of markets are all classified as small size exporters which support our proposition.

In order to measure export performance, number of markets company serve is only one factor which should be reviewed in conjunction with other set of variables. While interviewing we have also come across firms like Naveena Exports which is medium size exporter but serving 7-8 markets. The important factor between export performance and number of market served is the number and type of products company offer which is reviewed in the following section.

Our second proposition states that a positive relationship exists between export performance and the company’s product breadth/range. Textile products are categorized into five major categories which are cotton yarn, C/P goods, garments, hosiery goods and towels, with each category having multiple offerings. C/P Goods constitute around 50% of textile while hosiery goods have a lowest share of 3%.

Reviewing export volumes against the number of products exported, mixed trend was identified, which does not prove the proposition that higher numbers of product offerings are linked with better export volumes. For the case of 20 companies, 35% of companies are offering 3 product categories and 35% companies are offering single product while remaining 30% are offering 2 product categories.

Out of 7 exporters who are serving all 3 product categories, 3 are top exporters while 3 are small size exporters and 1 is medium size exporter which shows a mix result and we cannot validate our proposition.

During our interview we come across different reasons, and found that one of the reasons for offering only 1 product is specialization like for the case of Galaxy knitwear which serve a niche market and produce only specialized fashion garments. Same is the case with towel exporters. Another reason given by small exporters is lack of production facilities and high investment cost to produce different product categories.
Third proposition is linked with Marketing mix adaptation techniques and each element was discussed separately during interviews. While reviewing each marketing mix element, we found that 75% companies are already doing product adaptation for different markets and different buyers while those who are exporting standardized products are exporting either cotton yarn or basic home textiles. Respondents informed that in product adaptation they include availability in variety in size of products and designs. One of the top exporter also informed that producing product according to buyer specification require some changes in production facilities and for which they set a minimum order requirement which varies from 2000 meter to 10,000 meter.

For the case of pricing; adaptation is linked with product, if a firm goes for product adaptation then cost structure changes, which leads to price adaptation. 80% companies charge different prices for different markets on the basis of product specification and freight cost variance.

When asked about promotional techniques used by these firms, we found that for promotion of textiles, most frequent channels used are exhibition, trade discount and tour. Large exporters use all three channels while small and medium size exporters usually use trade discounts and foreign trip. Media advertising is not a common practice in textile export marketing. Out of 20 companies, 20% companies are using all 3 channels and all are top exporters.

While analyzing result for distribution channels, 25% companies are using agent for their distribution, while 55% companies are working directly with buyers, and 20% companies are using both channels. Top exporters prefer to establish contact with direct buyers which give them more control in negotiation and provide better return and same is suggested in literature review. Small and medium size exporters who cannot reach top retailers use agents and are quite satisfied with this distribution channels as they cannot meet timeliness and order requirement of big retailers. Companies like Yunus Textile and Feroze textile have set up their own subsidiaries in foreign markets which give them competitive advantage.

Research Finding
While reviewing the analysis on marketing mix element, following are the main findings of this research:

We can say that product adaptation is widely used practice and price adaption is directly linked with this element.

Companies that go for adaptation strategies gain competitive advantage and get brand premium.

There is not much focus from strategic standpoint on promotion and distribution. However, distribution is an area which can play a great role in gaining strategic advantage as in many cases.

Conclusion
We can conclude that top exporters are serving highest number of markets due to usage of promotional tools and organizational commitment towards export performance. These top exporters are also adapting marketing mix elements more than in comparison to medium and small sized firms in order to enhance their export performance and gain competitive advantage in international markets. However linkage of export performance with the number of the products produced, with respect to the five categories taken in to account in this research,
could not be established as it has been found that many textile companies which are among the top exporters across the country are producing only single product category in which they are specialized and have competitive advantage in the market. But we have found consensus of all firms on a point that in order to increase export performance there is a need to upgrade production facilities and acquire skilled labor which will not only increase product quality but will also increase productivity. Out of the four marketing mix elements, pricing adaptation is the most common tool frequently adopted by textile companies of Pakistan in order to enhance their export followed by product adaptation which most of the companies of this sector have already adopted. For the promotional techniques adopted, Pakistan textiles are of high quality but there is a need to market our products efficiently to get more orders from international buyers. There are other important variables which were not part of this study due to time limitation like organizational structure, investment commitment, strategic focus towards exports, and management capabilities which also influences export performance and should be reviewed in future research papers.

**Recommendations**

Following are the recommendations based on our research:

Pakistan export a lot of raw cotton to Far East and Bangladesh which utilize this raw material and exports finished goods to Europe and Western market hence curtailing Pakistan market share of finished goods. Taking advantage of the availability of quality raw material, exporters should focus more on export of finished goods which provide higher returns rather. The composition of textile sector is heavily dependent on Cotton Polyester goods category and there is a need to focus more on apparel and garment which has a share of only 17% in Pakistan’s textile sector export. By producing high end fashion garment, they should go for differentiation strategy by developing their own brand in foreign markets through the use of advertising and promotion. In order to promote textile sector, support of government is imperative in terms of providing utilities as due to non-availability of gas, productions get delayed which lead to customer dissatisfaction and penalties.
References


