The export marketing performance of Australian export market ventures

Craig C. Julian  
*Griffith University*

Aron O'Cass  
*Griffith University*

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Craig Julian and Aron O’Cass, Griffith University-Gold Coast

Abstract

The primary objective of this study was to identify the significant determinants of export marketing performance from an Australian export market venture’s perspective. The unit of analysis was the individual product-market export venture. Data were gathered via a mail survey of firms exporting from Queensland, Australia. The firms comprising the sample came from a wide cross section of industries including agriculture, mining, light industries, metal-working, electronics, chemical and the services industries. The findings support the contention that export marketing strategy, firm characteristics and market characteristics were the significant determinants of export marketing performance.

Introduction

The determinants of export marketing performance have been the focus of much research and theory development over recent years (e.g., Cavusgil and Zou, 1994; Francis and Collins-Dodd, 2000; Styles, 1998; Sundqvist et al., 2000; Thirkell and Dou, 1998; Zou, Taylor and Osland, 1998). However, beyond countries such as the United States, United Kingdom, Canada, New Zealand and various European countries little effort has been expended in examining export performance and the country specific factors that impact on it from an Australian perspective. The performance measures used in previous studies reflect the unique emphasis that different countries place on exporting (Zou, Taylor and Osland, 1998) and previous exporting studies focused primarily on the manufacturing sector (Cavusgil and Zou, 1994; Styles, 1998) whereas Australia is principally an exporter of commodities or primary products (Australian Bureau of Statistics, 2000; Julian, 1995). Furthermore, Australia’s export performance over the last decade has been problematic at best with Australia being a net importer since 1990 (Australian Bureau of Statistics, 2000) with gross imports exceeding gross exports. As such, it is important for Australia as a country to better understand the determinants of export marketing performance success in order to substantially improve its poor export performance (Cooke, 1991; Department of Foreign Affairs and Trade, 1994; Julian, 1995). Therefore, given the composition of its exports, the unique emphasis that different countries place on exporting and the paucity of studies on the determinants of export marketing performance from an Australian perspective we believe there is a need to identify and examine the antecedents of export marketing performance from an Australian perspective. By doing so we can help Australian industry improve its export performance and contribute to the theoretical development of the export marketing literature by examining specific factors that impact the performance of Australian export market ventures. This study focuses on examining the relationship between firm characteristics, product characteristics, export market characteristics, marketing orientation, export marketing strategy and the export marketing performance of firms exporting from Australia.

Literature Review

There is a growing body of research that has examined the factors that influence export marketing performance (Cavusgil and Zou, 1994; Styles, 1998; Styles and Ambler, 1994;
Zou, Taylor and Osland, 1998). Over time, four broad groups of determinants of export marketing performance have been identified, including; firm characteristics (Diamantopoulos and Schlegelmilch, 1994), product characteristics (Styles and Ambler, 1994), market characteristics (Cavusgil and Zou, 1994), and export marketing strategy (Dominguez and Sequeira, 1993).

It is argued that in the context of firm characteristics, a firm’s capabilities and constraints profoundly influence their choice of marketing strategy and ability to execute a chosen strategy (Aaker, 1988). The resources of a firm constitute its sources of sustainable competitive advantage (Day and Wensley, 1988). In export marketing these resources include size advantages, international experience and resources available for export development (Cavusgil and Zou, 1994). Possession of such resources enables an exporter to identify the idiosyncracies in export markets, develop the necessary marketing strategies and implement them effectively, thus impacting positively on export marketing performance (Styles, 1998). As such, it is hypothesised that:

H1: The marketing performance of Australian export market ventures will be positively influenced by firm characteristics.

Specific product characteristics have also been identified as having a significant influence on the marketing performance of a specific venture in an international market (Cavusgil, Zou, and Naidu, 1993). Product attributes affect the positional competitive advantage of a firm (Day and Wensley, 1988), thereby influencing marketing performance. Product characteristics that have been argued to influence marketing performance include culture-specificity, strength of patent, age, unit value, uniqueness and service/maintenance requirements (Cavusgil and Zou, 1994). As such, it is hypothesised that:

H2 The marketing performance of Australian export market ventures will be positively influenced by product characteristics.

Market characteristics, in the sense that foreign markets pose both threats and opportunities for exporting firms, affect performance. A firm must match its strengths with market opportunities to negate market threats and to ensure marketing performance success, and as such, export marketing performance tends to be conditioned by market characteristics (Cavusgil and Zou, 1994). Some of the principal market characteristics likely to influence marketing performance include: the extent of government intervention (Beamish, 1993); the familiarity of customers to the product/service (Cavusgil and Zou, 1994); and the availability of suitable distribution and communication channels (Ganitsky, Rangan, and Watzke, 1991). As such, it is hypothesised that:

H3 The marketing performance of Australian export market ventures will be positively influenced by market characteristics.

The degree of marketing orientation enjoyed by a firm is a proven determinant of business performance success (Ahmed and Krohn, 1994). Marketing orientation being defined as “the degree to which individuals are aware of the needs and wants of one’s customers, and how the firm might best meet those needs and wants” (Ahmed and Krohn, 1994: P.115). Focusing on immediate and long-term consumer contentment is the obvious manifestation of an organisation imbued with marketing orientation. Greater consumer satisfaction, eventual competitive advantage over competitors, and the resultant increase in profits are the likely results of an organisation whose employees have been thoroughly trained in marketing orientation (Ahmed and Krohn, 1994). As such, it is hypothesised that:
H4 The marketing performance of Australian export market ventures will be positively influenced by marketing orientation.

Export marketing strategy is the means by which an export firm responds to market forces to meet its objectives. Strategy involves all aspects of the marketing mix, including, product, pricing, promotion and distribution, and in international marketing, the key determining factor affecting marketing strategy is the decision to standardise or adapt to the conditions of the foreign market (Cavusgil and Zou, 1994; Douglas and Craig, 1989). The degree of adaptation versus standardisation is a function of product, market, organisation and environmental characteristics (Cavusgil, Zou and Naidu, 1993). Therefore, export marketing strategy is evaluated along the standardisation-adaptation continuum (Cavusgil and Zou, 1994). As such, it is hypothesised that:

H5 The marketing performance of Australian export market ventures will be positively influenced by the export marketing strategy adopted.

Methodology

The study was based on an empirical investigation of firms involved in exporting to foreign countries from Queensland, a large Australian state. The sample of firms came from a wide cross section of industries including, agriculture, mining, light industries, metal-working, electronic, chemical and services industries. The list of firms making up the sample was provided by a government department. In order to obtain valid and reliable measures of the variables, previously validated scales were used for all of the constructs in this study. The questionnaire was developed and pre-tested using a small sample of exporters with the final instrument mailed to the sample. All items were measured via five-point bipolar scales with scale poles ranging from strongly disagree (1) to strongly agree (5) (Cavusgil & Zou, 1994).

The instrument contained items tapping specific firm characteristics (Cavusgil and Zou, 1994), product characteristics (Cavusgil, Zou & Naidu, 1993), market characteristics (Styles and Ambler, 1994), marketing orientation (Matsuno, Mentzer and Rentz, 2000), export marketing strategy (Cavusgil and Zou, 1994) and export marketing performance (Zou, Taylor and Osland, 1998). Firm characteristics were measured via items tapping the firm’s relative position in the industry, international experience of the firm, the amount of resources the firm had for export development, the extent of careful planning carried out by the firm and the extent of resource and management commitment of the firm to the export market venture (Cavusgil and Zou, 1994). Product characteristics were measured via items that tapped the extent of patent protection for the product, the degree of uniqueness of the product, the degree of culture-specificity of the product and the service/maintenance requirements of the product (Cavusgil, Zou and Naidu, 1993). Market characteristics were measured via items tapping the accessibility to suitable distribution channels, extent of government intervention, demand potential of the product in the export market, sophistication of the marketing infrastructure, degree of exposure and familiarity of customers to the product in the export market (Cavusgil and Zou, 1994). Export marketing strategy was measured via items tapping the degree of target market specification used, the degree of product and promotion adaptation required and the extent to which the product label was in the local language (Cavusgil and Zou, 1994). Marketing orientation was measured via items tapping the firm’s relationship with its competitors, customers and legal/regulatory environments (Matsuno, Mentzer and Rentz, 2000). Export marketing performance has been measured via the use of economic indicators, strategic indicators and overall satisfaction with performance. As a result, we used a
composite measure of export marketing performance that incorporated all three measures of export marketing performance (Zou, Taylor and Osland, 1998).

After the pilot test the questionnaire was mailed to a purposeful sample of 1,132 firms who were identified as being involved in direct exporting, yielding 304 useable questionnaires being returned accounting for an effective response rate of 26.8 percent and considered to be adequate (Groves, 1990).

Data Analysis

The data were initially analysed using principal components analysis to assess the psychometric properties of the instrument assessing firm characteristics, product characteristics, market characteristics, export marketing strategy and marketing orientation following similar procedures to Cavusgil and Zou (1994). All items loaded appropriately and no cross-loadings above .2 were identified with only factor loadings of above .5 being accepted. The final reliabilities for all scales were greater than .70.

To test the hypotheses a multiple regression analysis was undertaken to examine the effect of “firm characteristics”, “product characteristics”, “market characteristics”, “export marketing strategy” and “marketing orientation” on the export marketing performance of Australian export market ventures. Table 1 indicates that the five factors “firm characteristics”, “product characteristics”, “market characteristics”, “export marketing strategy” and “marketing orientation” together explained 22.8 percent of the variation in the export marketing performance of Australian export market ventures when measured by a composite measure of export marketing performance that included satisfaction with performance, profitability and the achievement of strategic objectives as explanatory variables, with an F statistic of 15.508 which is significant at $p<.001$ indicating that the independent variables do help explain the variation in export marketing performance. The results also show only three factors – firm characteristics ($t$-value 3.53, $p<.001$), market characteristics ($t$-value 2.22, $p<.05$) and export marketing strategy ($t$-value 2.11, $p<.05$) had a significant effect on the export marketing performance of Australian export market ventures.

Overall the results indicate that $H_1$, $H_3$ and $H_5$ were supported, where we found that, the export marketing performance of Australian export market ventures was positively influenced by firm characteristics, market characteristics and the export marketing strategy adopted.

Table 1 – Multiple Regression Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>T-Statistic</th>
<th>Sig T</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm Characteristics</td>
<td>.257</td>
<td>3.53</td>
<td>.001</td>
</tr>
<tr>
<td>Product Characteristics</td>
<td>-.016</td>
<td>-0.25</td>
<td>ns</td>
</tr>
<tr>
<td>Market Characteristics</td>
<td>.154</td>
<td>2.22</td>
<td>.05</td>
</tr>
<tr>
<td>Marketing Orientation</td>
<td>-.026</td>
<td>-0.41</td>
<td>ns</td>
</tr>
<tr>
<td>Export Marketing Strategy</td>
<td>.172</td>
<td>2.11</td>
<td>.05</td>
</tr>
</tbody>
</table>

$R^2 = 0.228$

$F = 15.508, \quad \text{sig} < .001$
Discussion and Implications

The three factors contributing significantly to the variation in the export marketing performance of Queensland export ventures were firm characteristics, market characteristics and the export marketing strategy adopted. As far as firm characteristics were concerned, this study clearly indicated that it is important for managers of export firms to be aware of the firm characteristics that can influence the firm’s marketing performance. Competence in international operations enables firms to select better export markets, formulate suitable marketing strategy, and effectively implement the chosen strategy (Douglas and Craig, 1989). When firms are committed to an export market, they carefully plan the entry and allocate sufficient managerial and financial resources to the venture. With formal planning and resource commitment, uncertainty is reduced and marketing strategy can be implemented effectively leading to better performance (Cavusgil and Zou, 1994). It is important for managers of export firms to be aware of the market characteristics of a foreign market that can influence an export venture’s marketing performance. The level of sophistication in the market’s marketing infrastructure, accessibility to distribution channels, government intervention, demand potential of the product, degree of exposure and familiarity of customers to the export market venture’s products all impact on export marketing performance. Finally, managers of export firms need to be aware of the dimensions of export marketing strategy that can influence marketing performance. The dimensions of export marketing strategy identified here confirm the importance of target market specification for export marketing success. Additionally, the product needed to be adapted to accommodate the specific requirements of the local market for export marketing success and promotion adaptation can better match the firm’s offering to export customers’ expectations and should lead to better performance (Douglas and Craig, 1989).

The present study has extended the literature on export marketing performance in several areas. First, the significance of export marketing strategy to export marketing performance has been confirmed. The strategy variables identified here concern the level of target market specification needed and the degree of product and promotion adaptation required. Second, the constructs developed here can serve as a foundation for further research into export marketing. Third, the study has contributed to a more comprehensive understanding of the success factors in export marketing by examining the factors that impact the performance of Australian export market ventures, a different national setting to previous studies. Firm characteristics, market characteristics and export marketing strategy have emerged as the key success factors impacting the successful performance of Australian export market ventures. Fourth, the study provides empirical support for the Cavusgil and Zou (1994) study in a different national setting. The Cavusgil and Zou (1994) study identified marketing strategy, a firm’s international competence, and managerial commitment as the key success factors. Whilst some variables in the present study loaded onto different constructs and the statistical significance of the constructs varied when compared to the Cavusgil and Zou (1994) study, the underlying dimensions of the data were consistent across both studies in different national settings. For example, a firm’s international competence and managerial commitment were identified as separate constructs in the Cavusgil and Zou (1994) study, however, in the present study they were included as important variables in the construct of firm characteristics. Finally, the study extended the Cavusgil and Zou (1994) study by identifying export market characteristics as a significant determinant of export marketing performance.
References


