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EXPORT MARKETING PERFORMANCE: A STUDY OF THAILAND FIRMS

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ABSTRACT

This study identifies the statistically significant predictors of export marketing performance for Thai export firms. The export performance scale developed by Cavusgil and Zou (1994) is refined and tested in Thailand. A set of potential determinants of export marketing performance is considered and the unit of analysis is the individual product-market export venture. The data for this study were collected from a mail questionnaire survey of 1,000 Thai export firms in Thailand. The sample consisted of 151 small to medium sized enterprises (SMEs). The results support the contention that competition, commitment, export market characteristics and product characteristics are the statistically significant predictors of export marketing performance for Thai export firms.

INTRODUCTION

For significant advances in export marketing theory to be achieved a more integrated approach needs to be taken to the conceptualisation and measurement of export marketing constructs (Cavusgil and Zou, 1994). A fundamental part of such an approach is the refinement and validation of measurement scales across different national settings. The validation of measurement scales can play an important part in advancing marketing theory by establishing reliable scales that can be used in more than one country. Therefore, international researchers would be encouraged to use similar measurement instruments and compare findings across national settings, leading eventually to a more systematic and fruitful development of export marketing theory.

The focus of this article is to identify the key factors that influence export marketing performance, a key construct in export marketing research. It reports the process of refining and testing the validity of the export marketing performance scale developed by Cavusgil and Zou (1994). The Cavusgil and Zou (1994) scale was chosen as it can be considered the most comprehensive export marketing performance scale to date in both content and form, as suggested by the literature in strategy, management, marketing, and exporting (Styles, 1998). However, the suitability of the scale for use across different countries has yet to be investigated.

Foreign markets have become increasingly more viable in the 1990's and the 21st century, therefore, it is important to identify the key factors influencing the export marketing performance of export market ventures. Three distinctive features should be noted from the outset. First, the unit of analysis, as with the Cavusgil and Zou (1994) study, is an individual product-market export venture of the firm, which is defined as the marketing of a specific product in a specific export market. The case where a product is marketed in two export markets or two products are marketed in the same export market are considered two export ventures. Second, export marketing performance is determined by the accomplishment of strategic as well as economic objectives. Third, data has been collected through a survey methodology with the survey being directed to the marketing manager of the firm in the sample.

The specific national setting for the examination reported here is Thailand, where interest in marketing performance research among academics is increasing (e.g., Julian and Ramaseshan, 1999). The population used for the validation is small and medium-sized enterprises (SME's), defined as firms with fewer than 500 employees (OECD, 1994; Styles, 1998). Export research focusing on this group of firms is of interest because (1) the potential growth in exports is perhaps the greatest among this group (Walters and Samiee, 1990); and, (2) the suggestion that SME's may operate in quite different ways than larger firms (Carson, 1990) and, therefore, would benefit from being researched separately. The rest of this article is organised as follows: First, an exhaustive literature review on export marketing performance. Second, the design of the study and the methodological procedures are described. Third, the findings of the study are presented and discussed. Finally, a set of managerial implications are drawn.

LITERATURE REVIEW

As markets and competition become globalized, foreign markets have become increasingly viable for growth-oriented firms. Therefore, it is of practical as well as of academic interest to determine if the factors influencing export marketing performance can be empirically verified in different national settings. This issue provides the background for the empirical investigation of export marketing performance reported here.

Previous studies have attempted to identify the key factors that contribute to successful export marketing. Among the key success factors identified in previous studies are export marketing strategy; management attitudes; and other firm, industry, product, and export market characteristics (Aaby and Slater, 1989; Bilkey, 1982; Cavusgil, 1983). The Aaby and Slater (1989) study suggests that export marketing performance is directly influenced by a firm's business strategy. Using factor analysis Cavusgil (1983) demonstrated that marketing decision variables influencing successful marketing could be reduced to (1) basic company offering, (2) contactual link with foreign distributors/agents, (3) export promotion, and (4) pricing.

Though past research has identified the key determinants of export marketing performance, there are at least three issues in previous studies that weaken their findings. The first is the level of analysis. With few exceptions, previous studies have been conducted at the overall firm level. As a result, the determinants of export marketing performance were conceptualised as firm-specific characteristics. An underlying theoretical justification for firm-level studies is the theory of internalisation (Beamish and Banks, 1987; Buckley and Casson, 1985; Rugman, 1981), which states that, in an imperfect market, firms should internalise the firm-specific advantages, both tangible and intangible, to extract maximum economic rent. Because firm-specific advantages are derived not only from the development and marketing of a particular product but also from the total learning process of the firm, export performance could be investigated at the firm level.

Though these studies have contributed to our knowledge of export behaviour, there are notable limitations associated with firm-level investigations of export marketing performance. Considerable variations in export marketing performance often exist across various product-market export ventures of the same firm. It is unrealistic to expect that the same marketing performance results will be achieved in all export market ventures (Douglas and Wind, 1987). Consequently, if export marketing performance is investigated at the overall firm level, aggregating all product-market export ventures, confounded findings are likely to result (Madsen, 1987). Therefore, the position taken in this study, as with the Cavusgil and Zou (1994) study, is that the individual product-market export venture must be taken as the unit of study to obtain a more precise understanding of the factors influencing export marketing performance.

The second issue is the failure of previous studies to incorporate strategic considerations in exporting. Previous studies have viewed exporting simply as a means of realising the economic goals of the firm. Performance has been measured in terms of sales or profits, with no deliberate attempt to relate it to a firm's strategic and competitive goals, such as gaining a foothold in foreign markets or reducing the risk associated with foreign market entry. Given intense international competition, it is believed that export marketing research can be enhanced if exporting inquiries incorporate strategic considerations as well as realising the economic goals of the firm (Cavusgil and Zou, 1994). This implies that

exporting should be viewed as a firm's strategic response to the marketplace and the strategic dimensions of export marketing performance need to be emphasised.

The third issue relates to the diversity of conceptualisation and measurement of export marketing performance and the simplistic nature of research approaches employed in some previous studies. Both Madsen (1987) and Aaby and Slater (1989) observe that export marketing performance was conceptualised and operationalised in many different ways by different researchers. They point out that researchers previously have made little effort to identify measurement difficulties, sampling, validity, or particular technical problems. Data collection methods have ranged from unstructured personal discussions to structured mail surveys to in-depth interviews, and analytical approaches have ranged from simple frequencies to sophisticated multivariate techniques. As a result, confusing and even contradictory findings have surfaced in the literature (e.g., the effect of firm size on export performance). These discrepant findings hinder not only practice, but also theory development in export marketing. Hence, there is a need for an integrated approach to export marketing inquiry. Such an approach must deal with the conceptualisation of export marketing performance, and factors internal and external to the firm. The most comprehensive approach to export marketing performance to date, as suggested by the literature in strategy, management, marketing and exporting is the Cavusgil and Zou (1994) study (Styles, 1998). However, for the Cavusgil and Zou (1994) scale to be accepted as a reliable measure to determine the key factors influencing export marketing performance it needs to be empirically verified in more than one national setting. Therefore, in order to overcome the identified limitations of previous studies and to further attempt to provide an integrated approach to export marketing inquiry this study extends and tests empirically the Cavusgil and Zou (1994) study in Thailand.

METHODOLOGY

Research Design

The setting of the study is Thailand where the subject of export marketing performance is explored through an empirical investigation of domestic Thai firms involved in exporting. The Thai companies came from a wide cross section of industries. The industries represented include agriculture, mining,

light industries, metal-working, electronic, chemical and services industries. The list of companies making up the sample was provided by the Thai Board of Investment (BOI).

The major steps followed to accomplish the research objectives may be briefly outlined as follows. First, the Cavusgil and Zou (1994) research instrument was incorporated into a preliminary questionnaire and pre-tested through a medium of personal interviews to the marketing manager of 20 Thai firms involved in exporting. Finally, the ultimate questionnaire was mailed to a sample of Thai firms involved in exporting. The final, refined instrument contained five groups of variables intended to measure firm, product, export market characteristics, export marketing strategy and export marketing performance. The four groups of explanatory variables, namely, firm, product, export market characteristics and export marketing strategy were measured by five-point bipolar scales. Export marketing performance was measured using a composite scale. From the pre-test seven strategic objectives were preset in the research instrument. Respondents were asked to indicate the relative importance attached to each objective by allocating a constant-sum (100 points) to the individual objectives proportional to their importance. Respondents also were asked to indicate whether these objectives were met. The extent to which the initial strategic objectives were achieved was computed as the weighted-sum of the importance of the initial strategic objectives. Respondents then indicated their perceived success of the export venture on a 10-point bipolar scale (1=unsuccessful, 10=successful). Then they were asked to indicate the annual export sales growth rates over a five-year period of the venture and whether the venture was profitable in each of the five years. Average annual sales growth rates as well as the overall profitability over the five years of the venture were computed to capture the economic measures of export marketing performance. These four indicators were then summed into a composite scale for measuring export marketing performance (Cavusgil and Zou, 1994).

Sample and Data Collection

Having finalised the questionnaire, the method of data collection was that of a self-administered mail survey consisting of both scaled responses and open-ended questions, directed to the marketing manager of the Thai firm. The self administered mail survey consisted of a questionnaire with a covering letter mailed to the respondent from Australia and the return by mail of the completed

questionnaire in the stamped self-addressed envelope provided to a Professorial colleague of the researcher at Bangkok University. As soon as the last remaining questionnaires had been returned the researcher collected the available questionnaires from Bangkok University. Bangkok University was used as the data collection point because the researcher considered that by using a local university to collect the data this would improve the response rate. The covering letter together with each instruction and corresponding statement of the questionnaire had both an English and Thai translation. After the pre-test the researcher realised that it was important to provide both an English and Thai translation of each statement as some of the respondents proved to be Thai nationals and felt more comfortable answering in Thai. Some respondents that were also Thai nationals could not speak any English whatsoever and still other respondents proved to be expatriates that felt more comfortable responding in English. Therefore, in order to accommodate all types of respondents it was deemed necessary to provide both an English and Thai translation of each statement.

The next step in the research process was to select those sample elements from which the information will be collected. In this study the sampling units consisted of Thai firms involved in exporting. As the researcher is interested in SMEs only, firms that had 500 employees or less were included in the sample. The unit of analysis was an individual, domestically based Thai firm that exports a product or a service to one or more countries. The case in which a product or service is marketed in two markets or two products are marketed in the same market is considered two export ventures.

Finally, as far as sample size was concerned, the ultimate questionnaire was mailed to a sample of 1,000 Thai firms involved in direct exporting. The response rate for this survey was acceptable at 15.10 percent (151 questionnaires out of a sample of 1,000 were returned). It should also be acknowledged that this response rate is normal for most mail surveys (Groves, 1990; McDougall, Covin, Robinson, and Herron, 1994).

DATA ANALYSIS

Prior to analysing the primary data the issue of non-response bias is discussed. An 'extrapolation procedure' technique was used to assess non-response bias. This assumes that the groupings of actual

respondents by an identified criterion are similar to the 'theoretical' non-respondents (Armstrong and Overton, 1977). Frequencies and independent *t*-tests were used to determine whether significant differences existed between the sample of 151 Thai export ventures and the target population of 1,000 based on their industry classification. No significant differences were identified between the sample and the target population for this classification variable. Therefore, as the results suggest that there are no significant differences between respondents and non-respondents then the sample can be considered sufficient to draw conclusions about Thai export ventures for the issues under study.

An exploratory factor analysis using the principal components method with varimax rotation was conducted on the independent statements designed to determine the salient factors influencing the export marketing performance of Thai export ventures. With eigenvalues greater than 1, six factors were initially identified (Churchill, 1987). The results of the exploratory factor analysis are summarised in Table 1. The six factors explained 56.689 percent of respondent variation on issues about the export marketing performance of Thai export ventures (see Table 2). A test for reliability for the six factors has resulted in Cronbach's Alpha of 0.85, 0.83, 0.81 and 0.76 for the factors "firm-specific characteristics", "export marketing strategy", "competition" and "commitment" respectively suggesting high reliability. The Cronbach's Alpha for the factors "export market characteristics" and "product characteristics" were 0.66 and 0.65 respectively suggesting moderate reliability.

Put Table 1 here

Put Table 2 here

A multiple regression analysis was conducted to examine the relationship between the export marketing performance of Thai Export ventures as a dependent variable and the six factors: "firm-specific characteristics", "export marketing strategy", "competition", "commitment", "export market characteristics" and "product characteristics." The results of the multiple regression analysis are shown in Table 3. The analysis resulted in an $R^2 = .293$ suggesting that the six factors "firm-specific characteristics", "export marketing strategy", "competition", "commitment", "export market

characteristics” and “product characteristics” together explained 29.3 percent of the variation in the export marketing performance of Thai export ventures as explanatory variables. The results also show only four factors – “competition”, “commitment”, “export market characteristics” and “product characteristics” as having a significant influence on the export marketing performance of Thai export ventures.

Insert Table 3

DISCUSSION AND IMPLICATIONS

The four factors contributing significantly to the variation in the export marketing performance of Thai export ventures were competition, commitment, export market characteristics and product characteristics. The four variables together accounted for 29.3 percent of the variation in the Thai firms’ export marketing performance. Firm-specific characteristics and export marketing strategy were found to have no effect on the Thai firms’ export marketing performance.

It is important for the management of any company to be aware of these factors when contemplating an export venture of any magnitude. As far as firm-specific characteristics were concerned, this study clearly indicated that it is important for managers of export firms to be aware of the firm-specific characteristics that can influence the firm’s marketing performance. The dimensions of firm-specific characteristics identified here confirms that 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 managers are committed to an export venture, 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 (Aaby and Slater, 1989; Christensen da Rocha and Gertner, 1987), leading to better performance (Aaker, 1988).

This study has also shown that it is important for managers of export firms to be aware of the dimensions of export marketing strategy that can influence marketing performance. The dimensions of export marketing strategy identified here confirm that supporting a distributor/subsidiary in the export market can lead to a cooperative partnership between the manufacturer and the distributor/subsidiary. Cooperation in the export channel will lead to effective implementation of marketing strategy and performance (Rosson and Ford, 1982). Similarly, the present study's results confirm previous findings generally that promotion adaptation can better match the firm's offering to export customers' expectations and should lead to better performance (Killough, 1978).

With regard to competition, the study findings have shown that the level of competition in an export market has a direct influence on a firm's marketing performance. The dimensions of competition identified here confirm the importance for the firm to be price competitive in the export market it is operating in if it wishes to be successful in that export market. The firm needs to be aware of this so that the export venture is not undermined by competitors. From the factor of competition identified here it appears that firms were resorting to price as a competitive weapon in the export market they were operating in as a result of market pressures or higher commitment to the venture.

As far as commitment is concerned, the study findings have shown that firms must make commitments to their products/services. By maintaining/servicing its products, through the product's level of exposure in the export market, through resource commitment and through the product's level of establishment within the firm. One of several constructs found to be relevant to performance in international ventures is commitment. Several researchers (Beamish, 1988; Devlin and Bleakley, 1988; Geringer, 1988; Schaan, 1983; Lee and Beamish, 1995) have emphasised the role of commitment to international joint venture (IJV) success. Beamish (1988) found a strong correlation between commitment and performance in IJVs, noting that most of the commitment characteristics in the high performing ventures were related to the MNE's willingness to do something: adapt products, increase employment of nationals, visit and offer assistance, or supply special skills and resources. Therefore, the management of an export firm needs to be committed to its products/services for successful export marketing performance.

With regard to export market characteristics, this study clearly indicated that it is important for managers of export firms to be aware of the market characteristics of a foreign market that can influence a firm's marketing performance. The level of sophistication in the markets marketing infrastructure; the degree of adaptation required with respect to the product's packaging; the extent of government intervention; and, the degree of adaptation required for the product's positioning strategy are very important for successful export marketing performance. Firms intending to be involved in an export market venture need to be aware of the importance of these issues for export marketing performance success.

As far as product characteristics are concerned, the study findings have shown that managers of export firms should make efforts to adapt their products/services to meet the needs of the local market to achieve success in the marketing performance of their export venture. Specifically, the culture-specificity of the firm's products/services, the degree of uniqueness of the firm's products/services, and the extent of the patent enjoyed by the product/service all require management's attention.

The present study has extended the literature on export marketing performance in several areas. First, even though the construct of export marketing strategy was not a statistically significant predictor of export performance the importance of export marketing strategy to export performance has been identified. The strategy variables identified here concern the level of support given to the companies' distributors and the ability of the firm to adapt its promotion strategy to accommodate the requirements of the particular export market. 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. Competition, commitment, export market characteristics and product characteristics have emerged as the key success factors in export marketing. 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 firms' 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 firms'

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-specific characteristics. Finally, the study extended the Cavusgil and Zou (1994) study by identifying price competitiveness in the export market and commitment to the product as important determinants of export marketing success.

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TABLES AND FIGURES

Table 1 – Summary of Exploratory Factor Analysis

Factor/Statement Name	Cronbach's Alpha	Dominant Statements	Factor Loadings
Factor 1 Firm-Specific Characteristics	0.85	The extent of management commitment to this export market venture.	0.82
		The amount of resources the firm has for export development.	0.75
		The amount of international experience the firm has.	0.73
		The extent of careful planning for this export market venture.	0.61
Factor 2 Export Marketing Strategy	0.83	The extent of promotion support provided to the firm's distributors/subsidiaries in this export market.	0.88
		The amount of training given to the sales force of your distributors/subsidiaries in this export market.	0.85
		The degree of adaptation of your promotional strategy for this export market venture.	0.72
Factor 3 Competition	0.81	The degree of price competitiveness in this export market.	0.89
		The extent of price competition in the firm's industry.	0.88
		The competitive intensity of this export market.	0.75
		The extent of foreign competitors in this export market.	0.67
Factor 4 Commitment	0.76	The level of service/maintenance requirements for the products/services of this export market venture.	0.75
		The extent to which the product/service is established within your firm.	0.72
		The extent of resource commitment to this export market venture.	0.68
		The degree of exposure of your product in this export market.	0.56
Factor 5 Export Market Characteristics	0.66	The level of sophistication of the marketing infrastructure in this export market.	0.73
		The degree of adaptation of your product's packaging in this export market venture.	0.69
		The extent of government intervention in this export market.	0.59
		The degree of adaptation of your product positioning strategy in this export market.	0.54
Factor 6 Product Characteristics	0.65	The degree of culture specificity of your product/service in this export market venture.	0.89
		The degree of uniqueness of your product/service in this export market venture.	0.55
		The extent of the patent your product/service enjoys.	0.54

Table 2 - Exploratory Factor Analysis - Final Statistics

Factor/Statement Name	Eigenvalue	Pct of Var	Cum Pct
(1) Firm-Specific Characteristics	6.913	19.203	19.203
(2) Export Marketing Strategy	3.370	9.362	28.565
(3) Competition	3.340	9.278	37.843
(4) Commitment	2.511	6.974	44.817
(5) Export Market Characteristics	2.342	6.506	51.323
(6) Product Characteristics	1.932	5.366	56.689

Table 3 – Multiple Regression Analysis

Variable	Coefficient	T-Statistic	Sig T	Significance at .05
Firm-Specific Characteristics	.126	1.525	.130	No
Export Marketing Strategy	.024	0.286	.775	No
Competition	-.316	-4.327	.000	Yes
Commitment	.197	2.501	.014	Yes
Export Market Characteristics	-.201	-2.635	.009	Yes
Product Characteristics	-.401	-5.004	.000	Yes

R² = 0.293 n = 151 df = 8