

The Exploratory Study of Marketing Capabilities and Export Success: an Investigation of Thai's SMEs

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Abstract. This research examines the role of the relationship between marketing capability and export success. Data was collected by mailing questionnaire to small and medium enterprise (SMEs) in Thailand and a total of 89 qualified observations were collected. The marketing capabilities can be classified into four dimensions namely product capability, distribution capability, price capability, and promotion capability. Among the four dimensions of marketing capability, only price capability and promotion capability are significantly and positively related to export success while product capability has a negative significance with export success. On the other hand, distribution capability is not significantly associated with export success in Thai's SMEs. The results appear to concur with some of the previous studies conducted in other developing nations.

Keywords: marketing capabilities, export success, SMEs, Thailand.

1. Introduction

Marketing is an important managerial function in a business firm. Its contribution to the firm's performance has been widely acknowledged. Capabilities in implementing marketing activities are equally crucial in the firm's venture into international markets. Marketing covers all aspects of activities which can help a company to create customer value. The competency in planning and implementing a marketing program that aims to create customer value is one of the keys to success in not only domestic but also in international markets. Additionally, marketing has its roots in the advanced industrialized nations. This explains the dominance of the firms from these nations in markets across the globe. The catch-up pattern in newly industrializing nations has posed new challenges in marketing at the international level. Also, Thailand is aggressively promoting its products in international markets. The economic growth is dependent on the ability of the firms at micro level to compete with firms from other newly industrializing nations for a slice of the global trade. This study is undertaken to assess the marketing capability of Thai exporters and its relationship with export success. This paper presents the finding of a survey on the perceived marketing capability of SMEs in Thailand.

2. Literature Review

The ability to exploit international opportunities is dependent on the firm's possession of valuable resources and competencies (Barney 1991). According to Daft (1983) the resource-based view is the concept of "enterprise resource". These include the assets, skill, capabilities, organizational processes, attributes, information or knowledge that is under an enterprise's control and that can be used to develop competitive strategies. The resource based theory of strategy linking between the resources and capabilities is available to

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an organization and their impact on strategic options. According to Grant (1991) resource-based view suggested that the ability to make a rate of profit above the cost of capital depends on both the industry attractiveness and on the corporation of supportable competitive advantage. There are two related types of resources that are necessary for creating competitive advantage namely assets and capabilities (Day, 1994). Marketing capability is the cornerstone of the firm's competitive advantage (Cavusgil and Zou, 1994).

Substantial empirical research has been undertaken to identify the contribution of marketing to export success (Leonidou, Katsikeas and Samiee, 2002). The integrative review of export literature concluded that a well-designed export marketing strategy can indeed determine export success. Market segmentation, product quality, pricing strategy, dealer support, and advertising were found to be significantly associated with export performance. This positive relationship is particularly stronger in recent researches conducted in Europe.

The importance of marketing is also prevalent in studies involving small and medium-sized (SMEs) exporting firms. Export success of UK SMEs in the agro-food sector is attributed to the marketing capabilities (Ibeh, Ibrahim and Panayides, 2006). In addition, marketing capability is positively associated with an export venture performance in Turkish SMEs (Zehir, Acar and Tanverdi, 2006). Besides, the dimensions of marketing capability, distribution network capability and promotion effort capability are emerged as significant contributors to the Greek manufacturing exporting firm's export performance (Katsikeas, Piercy and Ioannidis, 1996).

The success of ASEAN exporters is dependent on marketing. Evidence from Malaysia showed that successful exporters are more planning oriented, emphasized product quality improvement and adaptation, and maintain effective communication with their distributors. The success factor in expanding into regional market is dependent on the capability to manage product-mix, ability to target and segment the market, and manage the export process (Osman, Ramayah and Kim-soon, 2008). Additionally, product management capability and pricing management capability have been identified to explain the performance of Indonesian exporters (Sefnedi, Osman and Daing, 2007).

The study of Ratanasithi et al., (2006) showed that there was a positive association between product adaptation capability and export performance in Thailand's firms. Nevertheless, Julian and O'Cass (2002) indicated that to be successful in export marketing Thai exporters need to emphasize: first, the firm's characteristics consists of firm competencies second, firm commitment and the export environment consist of competition intensity third, export market characteristics contribute significantly to the variation in the export marketing performance of Thai export ventures. Furthermore, the level of sophistication in the markets marketing infrastructure, degree of adaptation required with respect to the product's packaging, the extent of government intervention, and degree of adaptation required for the product's positioning strategy are very important for successful export marketing performance. In addition, the construct of Thai export marketing strategy needs to investigate the determinant of export success.

Based on the literature review, this study has sought to answer the following research question, which marketing capabilities contribute to export success of Thai SMEs? These relationships are presenting in Figure 1.



Fig. 1: Conceptual Framework

3. Methodology

This is a cross-sectional study using mail survey. The highly structured survey instruments were mailed to managers listed in Exporter Directory of Department of Export Promotion (DEP) Thai. A total of 89 usable responses, from Small and Medium Enterprise (SMEs) in Thailand were returned. The instrument

identified by the literature intended to measure marketing capability and export success. Marketing capability is defined as integrative processes for applying the collective knowledge, skills, and resources of the firms to the market and business needs in order to add value to its goods and services and meet marketing mix elements which create a competitive advantage. In this study, the measurements of marketing capability were adopted from (Katsikeas, Piercy and Ioannidis, 1996). The respondents were requested to rate the level of each capability on a 5-point likert scale ranging from 1 = major disadvantage to 5 = major. Furthermore, items about export success measure were adopted from Shamsuddoha and Ali (2006).

3.1. Goodness of Measures

The procedures for testing the goodness of measures must be utilized prior to any analysis, including factor, validity and reliability analysis. Factor analysis was used to determine the construct validity based on the rotated component matrix in four dimensions of marketing capabilities. The total variance can be explained by these four dimensions of marketing capability factors is 74.90 percent. Measure of Sampling Adequacy (KMO) is .79. The Cronbach's alpha for product capability is .83, for distribution capability is .83, for price capability is .73, and for promotion capability is .71. There is an internal consistency of measurement instruments which has been seen as an indicator of good construct validity (Hair et al., 2006). The responses to two items measuring export success the mean value for perceived export success is 2.49 and achievement of export objectives is 2.48 are average. The overall mean is 2.49 with a standard deviation .96. Thai's SMEs are rather modest in describing their export success.

4. Results and Discussion

The findings of multiple regressions analysis on the relationship between marketing capability and export success are presented in Table 1. In Model 1, export experience and separate export department which were treated as control variables were regressed on export success. The model is statistically significant and shows that 19 percent of export success is explained by control variables.

Table 1 Result of Multiple Regressions of Marketing Capabilities and Export Success

Variables	Beta Standardized	
	Model 1	Model 2
Control Variables		
Export Experience	.23**	.10
Separate Export Department	-.35***	-.25**
Marketing Capabilities		
Product Capability		-.25**
Distribution capability		-.06
Price Capability		.45***
Promotion Capability		.27**
R²	.19	.40
Adj. R²	.17	.35
R² Change	.19	.21
F-Change	9.85***	6.62***

Note: *** Sig .at p<.01 ** Sig .at p<.05 * Sig .at p<.10

In Model 2, the addition of the four dimensions of marketing capabilities has resulted in R² and has explained 40 percent. This R² changes .21 and it is significant (p<.01). The significance of F-statistics (p<.01) suggested that the proposed model is adequate. According to the second regression model, it can be observed that price capability ($\beta = .45, p<.01$) and promotion capability ($\beta = .27, p<.05$) are statistically significant and has a positive relationship with export success while product capability ($\beta = -.25, p<.05$) is statistically significant but negatively related to export success. The distribution capability does not have significant relationship with export success.

One of the conditions which can lead the firms to achieve superior export success is to adopt a market driven approach in export activities. The findings of this study show that in terms of marketing capability, the Thai's SMEs rated the capability in managing price and promotion as their competitive strength in export success. The positive association between capability in managing price and export performance appears to

concur with a general view. It means that export price competitiveness has become a crucial factor among newly industrializing nations (Sefnedi, Osman and Daing, 2007).

Accordingly, this lends support to other findings that pricing is one of the success factors to be intermediary in overseas markets; moreover, Leonidou, Katsikeas and Samiee (2002) noted that price adaptation and ability to offer lower prices (i.e. penetration pricing strategy) positively correlated with the export performance. According to Ibeh, Ibrahim and Panayides (2006) price competency is statistically significant predictor of the firm's export performance. Specifically, this finding lends support to Kasikorn Research Center in Thailand that price capability in Thailand's manufacturing exporting firm is important for the price competitiveness in the export market.

The previous studies emphasized the importance of promotion capabilities including advertising, sales promotion, personnel selling, and promotion adaptation which had a strong positive relationship with export performance (Katsikeas, Piercy and Ioannidis 1996; Leonidou, Katsikeas and Samiee 2002; Shamsuddoha and Ali, 2006). The findings also appear to be consistent with Francis and Collins-Dodd (2004) who indicated that export promotion has a positive impact on export performance. The study has been supported by Ibeh, Ibrahim and Panayides (2006) promotion capability is an important and influential explanation for success in international market. Similarly, the present study's results confirm previous findings that promotion adaptation can match better the firm's offering to export customers' expectations and should lead to better with performance (Killough, 1978). Promotion capabilities, in term of trade promotional support to oversea market and managing export sales promotion of activity, influence the implementation of an effective export strategy to achieve a better performance in Thailand's manufacturing exporting firm.

Furthermore, the previous studies emphasized the importance of product in export market. It was found that product capability is correlated with export performance (Leonidou, Katsikeas and Samiee 2002; Ratanasithi et al., 2006; Ibeh, Ibrahim and Panayides 2006). However, the finding of the study reveals that product capability negatively related with export success in statistics. The negative association between product capability and export performance is not surprising. The results of the study concur with Kaynak and Kuan (1993) product adaptation has a negative effect on export performance; nevertheless, the negative correlations may be explained by the cost of adaptation. In fact, product differentiation, product design, product adaptation, and brand position do not give any advantages to Thailand manufacturing exporting firms. It is because almost products were made to order form customers and used with buyer brands for exporting. As far as product capability is concerned, the finding of the study has shown that managers of Thailand manufacturing exporting firms should make effects to adapt their products to meet the needs of the local market to achieve success in the marketing performance of their export venture. Specifically, the culture-specificity and the degree of uniqueness of the firm's products and the extent of the patent were enjoyed by the products which required management's attention.

Appointed agents or distributors must be continuously motivated through promotional efforts. This relational aspect of marketing is particularly crucial to convince the channel partners and the market in order to strengthen the firm for the long haul. The finding of the study lends to support other findings in developing countries (Sefnedi, Osman and Daing, 2007) that distribution competency does not significantly influence export performance. The insignificant effect of distribution capability on export performance is that the tasks of distributing the products in Thailand manufacturing exporting firms are often the domain of their importers.

However, the most important result of the present study is that marketing capability namely price capability and promotion capability are the key decision makings of marketing strategy of Thai's SMEs exporting for competitive advantage in international market.

5. Conclusions

The findings of the study provide evidence on the importance of marketing capability to export success. Exporters from new industrializing nations are capable of producing products that satisfy the requirements of foreign markets. The investigation for alternative sources of supplies by buyers from industrialized nations may have indirect effect on firms' product launch from new industrializing nations into international markets.

The capability in ensuring, that the company's offer is effectively communicated to the market place, is more crucial. As channel members in overseas markets are ambassadors of the company, marketing support via various promotional activities must be planned and implemented. The direct effect of price capability and promotion capability lead us to conclude that they are the sole basis of achieving export success. Managers who intend to expand their company's business horizon to international markets and increase the contribution of export sales to total sales should take notice of the importance of upgrading their capability in managing pricing and promotion aspects. The study focused on the Thai's SMEs. Actually, there are more manufacturing exporting firms in Thailand who are not members of Department of Export Promotion (DEP), their name lists do not show in the listed of Exporter Directory. The respondents of the study are limited.

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