Implications of the Marketing Strategy for Exporting MSEs from developing economies

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Abstract
Globalization and liberalization has required firms of all size to start operating internationally. For micro and small enterprises (MSEs), the favorable mode of entry in international markets is exporting. Some MSEs have benefited from this process while most of them have encountered many challenges during the process or even before starting. This paper reviews the literature on export performance and identifies main marketing challenges which are faced by MSEs. The adjustments of these challenges have been proposed also from the literature, in order to overcome them. The paper also utilizes competence and network literature and proposes some of their benefits and implications in adjusting the marketing strategies in order for MSEs specifically form a developing economy, to improve their export performance.

Key words: Micro and Small Enterprises; Marketing mix variables; Export performance; Competence; Networks

JEL classification: M31; F23

Introduction

The rapid and increasing liberalization of the world's trading system has obliged firms of all sizes (micro, small, medium and large) to participate in the international trading system. These enterprises need to be very competitive in order to participate successful in this system. For most Micro and Small enterprises (MSEs), with an exception of born global firms, the favorable international market entry mode is exportation (Burca, Fletcher et al. 2004; Kordestani 2008). Some reasons provided for this selection are greater flexibility, less human and financial resources requirement, incremental market learning and low risk for the exporter. Furthermore, export brings income to the exporting enterprise, and therefore contributes to the exporting country's balance of payments (Miesenbock 1988). Despite these advantages, previous research (Katsikeas, Piercy et al. 1996; Leonidou 2004; Wilson 2006; Hussein 2009) indicates that there are a number of constraints to export which MSEs suffer. These constraints have been classified as internal to the firm and external. External constraints are the ones stemming from the home and host environment within which the firm operates, and these may include but not limited to national and international administrative rules and regulations as well as formal and informal trade constraints. Internal constraints are the ones associated with organizational resources/ capabilities and company approach to export business such as cultural differences, lack of information, knowledge and skills (competence), insufficient networks and language barriers (Aaby and Slater 1989; Katsikeas, Piercy et al. 1996; Leonidou 2004; Wilson 2006; Hussein 2009).

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Because of these constraints, Most MSEs especially from developing economies; often opt for indirect exporting, whereby they use foreign intermediaries or other intermediaries which are different from the conventional (Eowpittayakul 2007). For example: to aggregate their procurement or sales they form cooperatives and they use "agents" (cooperatives, NGOs etc) to handle the complex parts of the export process. This implies that the intermediaries (or other independent organizations) are given a lot of power while the producer (firm) remains with very little control over the marketing and sale of products in other countries. Products may be sold through inappropriate channels, with poor servicing or sales support and in adequate promotion or be under or overpriced. All these can damage the reputation or the image of the product or service in foreign markets (Hollensen 2001; Williams 2007) which may result in poor export performance of the firm.

On the other hand, successful exportation needs strategic marketing decisions (Davidson 1983). For MSEs to make these decisions, they need knowledge and control of the products and the market. Having none of these (knowledge and control) implies that they have to delegate and sometimes to operate in "the dark" which may increase the chances of being unsuccessful.

Furthermore, previous research indicates that there are very few firms which have less than 50 employees (which is a category for MSEs) who have internationalized, including exporting (Leonidou, Katsikeas et al. 2002; Wilson 2006). These studies have also concluded that size is one of the factors that hinder MSEs Internationalization (Majocchia, Bacchiocchib et al. 2005). On the other hand, there are studies which have found out size was not a factor and that being micro and or small does not prevent the enterprise from internationalization (Zucchella 2000; Okpara and Kumbiadis 2008), there are other challenges as mentioned above, and more specifically the marketing challenges which hinder the MSEs to internationalize and if these challenges can be faced and solved, the MSEs can successful improve their export performance. This paper therefore intends to review the export literature and identify the marketing challenges faced by exporting (intending to export) MSEs, and discuss how best these enterprises can adjust their marketing strategies variables to fit the foreign markets and improve their export performance.

This paper is organized as follows; review on marketing strategy and export performance is discussed next. This is followed by analysis of marketing challenges faced by exporting (intending to export) MSEs and some recommendations for adjusting the marketing strategies. Next section presents a discussion on competence and networks as additional strategies for solving the challenges and improving the export performance of MSEs. The proposed conceptual framework, conclusion and future research are presented at the last section.

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Marketing Strategy and Export Performance

Marketing Strategy

Marketing strategy can generally be defined as "the optimal positioning of a firm in a market along with the plans to get there". In export performance literature, export marketing strategies are often discussed in terms of marketing mix variables (Fillis 2000; Leonidou, Katsikeas et al. 2002; Leonidou 2004; Nazar and Saleem 2009). It is important to note that, marketing strategy is broader than the marketing mix variables. However for the purpose of this paper, the focus of the marketing strategies is on the selected marketing mix variables.

Kotler et al. (2005), defines marketing mix as a set of controllable tactical marketing tools that the firm blends to produce the response it wants in the target market". The selected variables within the marketing mix includes product, price, place (distribution) and promotion and are famously called 4Ps. (Leonidou, Katsikeas et al. 2002) conducted a meta analysis of marketing determinants of export performance and concludes that product was the element of the mix which has attracted the most research attention, followed by distribution, pricing and promotion.

Having many studies conducted in product is not surprising because product or service decision is among the first decisions that any manager, MSEs' including is supposed to make in order to develop export marketing strategies. In doing this decision, it is necessary to examine first what contributes to the "total" offer. (Hollensen 2001) mentions three dimensions of products which are to be taken into consideration. These dimensions have various aspects which includes not only the core physical properties but also additional elements. Three dimensions are Core product benefits (include aspects like functional features, perceived value, image and technology), Product attributes (brand name, quality, design, packaging, size and color) and support services (delivery, installation, guarantees, after sale services, customer service). These dimensions have different levels of standardization, with high standardization for core product benefits, medium standardization (need adaptation) for product attributes and low standardization for support services. Support services need high adaptation in order to tailor the product to international customers.

Furthermore, in most studies, product aspects which dominate are product design, quality standards, product strength, warranty, customer services and adaptation. Results show that the presence of these aspects is positive related to export performance (Miesenbock 1988; Zou 1998; Leonidou, Katsikeas et al. 2002; Mohamed, Ahmed et al. 2002; Nazar and Saleem 2009).

Pricing decision is very important of all the elements of the mix. All other three elements lead to costs (Zou 1998; Hollensen 2001). The only source of profit to the firm comes from revenue, which inturn is dictated by the pricing policy. For most MSEs in developing economies, pricing decisions are based on the relatively straighforward process of alocating the total estimated cost of production, managing and marketing a product and adding an appropriate profit margin. Problems for these firms arise when costs increase, and sales do not materialize or when competitors undercut them. Furthemore pricing decisions in international markets are more complex, because they are affected by additional number of external factors such as fluctuations in exchange rates and accelerating inflation. For example, which currency can be used in transaction, importer's, exporter's or a strong

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international currency. Other aspects of pricing include pricing method, sales terms, credit policy, discount policy and pricing adaptation. Any selection has some implications and complecities in pricing decisions.

Studies by (Williams 2007; Bello 2009) shows that MSEs which are able to adopt their pricing strategies to the international market have high success in exportation comparing to those which do not. The studies also explain that MSEs which are able to gain economies of scale in production, are able to lower their cost structure and sell their products at lower prices. This implies that these enterprises will be able to penetrate easily (penetrating pricing strategy) in international markets especially in markets where the customers are more sensitive to prices. These results were supported by (Leonidou, Katsikeas et al. 2002; Nazar and Saleem 2009).

The other mix element is place or channel of distribution. This refers to an organised network of agencies that link and make products or services available to target customers (Frazier 1999). A channel is useful as it makes a product or service available in a convenient location to the customer (place), makes the product available when the customer wants it (time), packages or reprocess the product into a form that a customer can use (form), and advises the public about the product and its attributes (information) (Styles 1994).

Distribution channels when operating internationally, can be a basic source of competitive advantage on one hand and a cause of problems on the other. This is because many MSEs have difficulties in establishing effective channels to disribute their products in the international markets and for those managed to get reliable ones, it become a big advantage for them. In addition, channels involve relationships, and skill at managing these relationship will determine the success of enterprise's export market efforts. It is therefore important that the right channel be established in the international market because when goods cross borders, title is transferred to persons in another country, control is more difficult to exercise and the competitive environment is fiercer.

As mentioned earlier, MSEs mostly use indirect export when they start going international, this implies that products enter the foreign market using export intermidiaries who can either be export merchants, export agents or export cooperative. Merchants are the ones who buy the merchandise from the producer (MSE) and subsequently export them. In this case the MSE will be operating locally. Agents on the other hand, export goods on behalf of the firm (MSE) and receive commision. In cooperatives, MSEs export using specific agencies established to market international products in their category. This has been used frequently in exporting agricultural products especially from less developed countries (Burca, Fletcher et al. 2004). Piggybacking is also common in indirect export where by an inexperienced exporter uses facilities and channels of the more experienced exporter to get access to enter the international market. In all cases where an export intermidiary is involved, the producer have little influence over the final price or control of the marketing of the international products. The advantage is that the MSE management does not have to spend time developing international markets.

In case of direct export, the MSE itself contacts the international buyers and either sells direct to the end user or arranges for firms in the international market ot act as agents or distributors

for its products. This can be a costful process for MSEs becasue of their resource constraints, but its future returns will be high comparing to the current returns obtained when using indirect esport. Also the control of product marketing and agents/distributors is on the firm itself right from the beginning of the export process.

A study by (Williams 2007) for MSEs in Jamaica, report the results that majority of MSEs sell their products through foreign distributors rather then developing their own channels. Results further indicates that the foreign distributors are often the ones who initiate the export orders, and because of the perception of MSEs that foreign sales have higher returns, these owners tend to willingly accept distributors' offers without going through professional negotiation channels. This leaves the disributors with tremendous power over the marketing and sale of the products. These kind of findings were also reported by (Wortzel and Wortzel 1981). On the other hand, a study conducted by (Bello 2009) in Cameroonian MSEs indicates that MSEs who were previously using indirect export have moved to using direct export mechanisms, and they are performing much better than before. The study also points that these firms are now using distribution networks which involve local and communication facilities which are tailored to the requirement of the internation market environment. These studies implies that if MSEs can learn to use direct export as their means of distribution, their performance in terms of export will improve.

Promotion as a final element in this context, is a major form/means of communication in international business where by it is the transmission of a message from the exporter to the importer (Hollensen 2001). International communication as a part of promotion, has a role of communicating with audience to achieve desired outcomes. Communication strategy used can be in terms of four elements; advertising which means, non personal presentation through any paid medium; public relation which is non personal form of communication based on conveing mesage to the public; personal selling which involves direct communication between buyer and seller and sales promotion which is a technique to stimulate short term response (Burca, Fletcher et al. 2004). The substantially researched element is adverising (Leonidou, Katsikeas et al. 2002). However, of recent there has been studies and evidence which indicates that attending trade fairs and international visits can play an important role in promoting firms' products and can have positive results in export performance. Also sales promotion such as coupons, samples, premiums has been resulted in high export performance particularly in low income countries (Leonidou, Katsikeas et al. 2002).

All discussed mix variables have important implications for MSEs who need to develop their export marketing strategies. Some studies have also argued that product and price adaptations are key strategies while distribution and promotion are supplementary strategies of the former (Wortzel and Wortzel 1981). We argue that the four are all important strategies and they should be given equal weight and consideration if the firm wants to have high export performance in a long term perspective.

Export Performance

Evaluation of firm performance in export markets can be done based on two issues; the mode of performance assessment and the choice of performance dimensions. The mode of performance assessment is related to objective modes; based on financial records such as sales level and subjective modes; based on intuition such as managers' perceptions. Both

modes are important though the vast majority of research use objective mode (Chetty 1993; Katsikeas, Piercy et al. 1996). These may have a problem because of the resistance of getting financial information from the firms; different accounting methods used by companies and things like that may lead to unrepresented picture of the export performance of firms. Relying on subjective measures may reveal a clear picture as to how managers perceive their performance in terms of exports though the problem with these measures is that there are not figures involved. The measure only captures the performance based on perception which may also be more or less valid than the figures in the financial statements.
Choice of performance dimension advocates to assess the export performance based on the achievement of firms' export objectives (Aaby and Slater 1989; Katsikeas, Piercy et al. 1996). This is because different exporting firms (MSEs) are likely to set different export performance targets, depending on the nature of their export marketing strategies. The vice versa is also possible that different export targets set can lead to adoption of certain marketing strategies.

We argue here that export performance should be assessed based on objective, subjective and firms export objectives. Objective mode will require uses of financial figures, subjective would need to use perceptions of managers on their export performance and how their objectives have been met. This will show a clear picture of the export performance and would reduce some problems related to using one mode per se. Also export decision makers are often guided by their subjective evaluations of firm performance in export markets, rather than by objective absolute performance ratings (Katsikeas, Piercy et al. 1996). More importantly, the firms here are micro and small, and the decision making is highly done by its owner/manager. This person might rely on the information he gets from his networks which are operating in international market. He can then, based on that subjective information start exporting activities.

In summary, export performance is how effectively and/or efficiently a firm is in exportation. This can be determined using different measures/indicators mentined above depending on the objective of the exporter. MSEs may have different export objectives at different time. For example an export starting firm may set the objective which is related to market entry. When assessing the export performance of this firm, the market entry related measures should be used in order to match the objectives, and the perceptions of managers on how they have performed in this objective should also be assessed. This has also implication on the marketing strategies adopted in term of mix variables. It may be usefull to have low pricing strategies and medium product standardization.

The table below give an overview of some export objectives with selected export performance indicators which can be assessed in terms of figures (numbers) and or perception as to how the firm performed in each dimension. This table can be very important criteria for assessing the challenges faced by MSEs, where by analyisis of firms export objectives (if they have) can be done especially for the firms which are exporting, and fit the objectives with the marketing mix variable components they have been using. It might come out that, the business had a different objective, and was using a different aspects of mix variables and that is why it is facing a certain challenge.

Table 1: Export objectives and performance assessment/dimensions

Export Objective	Assessment/dimensions
Sales related	Export sale volume
	Export sales growth
	Export profit level
Profit related	Export profit contribution margin
	Export profit before tax
	Export profit margin growth
	Export market share
Market related	Export market share growth
	Market divesification
	Gaining foohold in the market
	Meeting expectations
Overall performance	How competitors rate export performance
	Export contribution to the growth of the firm

Source: Literature Review

Challenges faced by MSEs

Challenges related to marketing strategy are the most prominent barriers faced by MSEs (Fillis 2000; Leonidou 2004; Lloyd-Reason, Damyanov et al. 2004). Literature also indicates that marketing strategies have direct relationship with export performance and therefore if the firm faces problems with its marketing strategies, it has high chances of failing in international markets and therefore poor export performance. Therefore it is very important to identify and discuss the marketing challenges and find ways of circumventing them. This section therefore, discusses the marketing mix challenges faced by MSEs in general as obtained from the literature and specifically from the empirical studies of small business and internationalisation.

Product related challenges

Developing New (unique) Products to suit Foreign Markets

It has been found out that many small firms consider exporting as a marginal business activity, whereby excess production can be absorbed (Leonidou 2004; Williams 2007). This makes the MSE's management reluctant to develop entirely new products for specific foreign market needs and wants. The problems become worse when the products face customers with different preferences across countries (Bauerschmidt, Sullivan et al. 1985). A study by (Fillis 2000) found out that many exporters do not follow the demand from their customers instead they produce what they want, believing that some products have arts which do not need to be seen from the customer's point of view but the producers' view. This attitude of not developing new and innovative international products is also contributed by lack of managerial expertise, absence of research, development capabilities, and limited financial resources (Leonidou 2004; Williams 2007). To reduce this problem, MSEs with their smallness need to form strategic alliances and networks with other firms who have expertise in this area, and develop innovative products. Through these alliances, the enterprise will also learn on how to be innovative and it can later start doing it successful. This process can take

time but it will assist in solving this problem of inability to produce innovative products for the foreign markets.

Product Quality Standards and Specifications

Ability to meet quality standards and specification is another challenge faced by MSEs during exportation. Most international markets have different quality standards which have been put in order to protect their customers (on certain categories of products) and also in order to protect their home enterprises. There are regulations, for example, which are put by the international market's government; aiming to protect the health and safety of the host country's population, with which the exporter is compelled to comply at extra cost (Sullivan and Bauerschmidt 1989). This makes a challenge because as mentioned earlier, many MSEs would like to export same products they have in their home market, and they would not like to make any adjustment. Facing this challenge, may however make the enterprise decide to improve the quality of its products though at a cost, but this will improve the quality of the enterprise as well, and they will be able to build the competitive advantage. The proactive MSE manager should take advantage of this challenge in order to have good export performance (Bello 2009).

Product Design and Style

International markets differ in many ways comparing to the home market. Different markets have different products usage, variations in purchasing power, dissimilar consumer tastes, and diverse socio-cultural settings. All these favor the adaptation of the enterprise's product design and style to the habit of each foreign market. This pose a challenge because for a firm to be able to adapt its product design, it has to first face the following problems: a rise in unit costs due to lack of economies of scale which is faced by small businesses; weak organization and control of exporting operations; and variations in marketing support activities abroad (Leonidou 2004). On the other hand, if the firm is able to adapt its product design, it will easily gain product acceptance and increasing its sales. Therefore it is advised for MSEs to use a contingency approach, weighing the advantages and disadvantages of product design adaptation in each market rather than standardizing it in all markets (Eowpittayakul 2007). It may happen that other markets need very low (or none) adaptation and others need high adaptation, in this case, it is better to start with the low (or none) adaptation market, learning from there and move to other markets later.

Product Quantity Specification

Some MSEs are able to develop and meet all requirements of product design, uniqueness and style. The problem is when they are given big orders to supply the same kind of products to international markets. This is because they are small, they may have talents but do not have enough staff and capacity to produce same quality in big quantities. This may lead to a failure in supplying the order and eventually loosing the customer. One way of solving this problem is by forming alliances with other MSEs which are doing similar business. In strategic words, it is "cooperating with your competitors". This will enable the firm to handle big orders and to retain its customers. However, it is important for the firm which is forming the alliance to find out if the quality to be offered by its competitor is the same and it meets the order specifications so that the whole order is in the same quality.

Packaging and Labeling

As part of the requirement and regulation in international markets, many products to be sold must be packaged in a certain way for safety during transportation, storage, and handling. A study by (Ramaseshan and Soutar 1996) found that most products were deteriorated during transportation and this was because of poor packaging. Moreover, instructions contained inside or on packaging must be written in a particular language(s) and must incorporate specific information required by the host country, such as the expiry date, type of ingredients, and net weight. This was also evidenced and discussed by (Miesenbock 1988; Ramaseshan and Soutar 1996) study whereby it was found that language was important and for other markets, being fluent in English language can improve the export performance in terms of packaging and the ability to communicate the message. Furthermore, symbols, pictures, and colors appearing on the label should be adapted to meet foreign tastes and preferences. For most MSEs, these alterations are too time consuming and very expensive, although important to achieve access and success in international markets.

Providing Technical, Customer care and after sales Service

These services are important for the better performance of the enterprise and they serve as guides to keep and maintain customers. However, the large geographic distance separating exporters from their foreign customers causes difficulties and delays in offering these services, and worse enough, it increases costs when the firm attempts to offer them (particularly for consumer durables and industrial goods). This is because firm's personnel (manager) have to visit international markets at regular intervals, set up service stations in strategic locations, and maintain large quantities of spare parts. Moreover, variations in conditions of use, competitive practices, and physical landscape require adjustment in the mode of after-sales service across different countries, thus making the situation even more complicated and costly. Again for most MSEs, this is very difficult because of limitations in terms of human and financial resources. However, if a firm is able to make few visits to international markets, the advantage obtained will be higher especially in its future export activities. The manager will not only be able to offer these services, but will learn the environment, get new customers and establish networks which will be of high value in the firm's future export performance. Many studies have shown that international experience has a positive influence on firms' export performance (Miesenbock 1988; Katsikeas, Piercy et al. 1996; Okpara and Kumbiadis 2008).

Pricing related challenges

Charging Satisfactory Prices to Customers

There are costs which are associated with exportation such as costs to product adaptation as mentioned earlier, higher administrative and transportation costs, extra tariffs /taxes and costs of distribution (Terpstra and Sarathy 2000). Apart from these costs, the MSEs because of their size, are likely to face difficulties in achieving economies of scale (Williams 2007) and this implies they produce at high unit costs. All these are supposed to be added to the price which is to be charged to international customers. However, in many cases these prices will be very high and may lead to low sales of products especially for price sensitive customers, which will result in low performance for the firm. Again depending on export objective, low pricing strategy can be adopted when the firm wants to enter the market. But it is important to note that the low pricing may kill the whole business so managers should weigh the costs and benefits of doing so. An attempt to reduce the problem of high pricing can be done by

trying to use marginal cost-pricing techniques, more direct distribution methods, cheaper product versions and having unique products for a certain niche. The literature argue that the main tool for small firms to have a competitive advantage is their ability to develop unique products which will enable them operate in niche markets and charge higher prices (Moen 1999; Fillis 2000).

Credit Policy

Some international customers buy products on credit and are expected to pay after a certain period of time. Small firms face difficulties in determining which policy to offer their international debtors. Having debtors also implies that the firm should have a way of financing the debts (managing working capital) which most of the firms do not have enough funds to do so. Furthermore, credit risks tend to be greater for customers who are much far away, have no past experience with the firm, and come from countries with unstable political and economic environments (Korth 1991). This problem can be alleviated to some extent by using less risky payment methods or by seeking the assistance of specialized government agencies. Networks can also play a role here where by a firm can rely on its networks abroad to assist them in handling the debtors. Furthermore, previous studies have hypothesized that if firms are able to offer competitive credit policies, they will have a high chance of getting high profit by generating larger and better satisfied customer base (Leonidou, Katsikeas et al. 2002).

Difficulty in Matching Competitors' Price

Matching competitors' prices in international markets is another severe problem, faced by MSEs. This problem can be a result of a number of controllable factors such as strict adoption of a cost-plus pricing method and/or uncontrollable factors like existence of unfavorable foreign exchange rates factors (Katsikeas, Piercy et al. 1996). It also can be the result of country differences in cost structure of production, distribution, and logistics. As stated earlier, other countries have put regulations and high taxes for the imported products in order to protect their home producers. If the enterprise is able to overcome these barriers, it will have to charge high prices in order to compensate the costs, which will find itself charging more than its competitors and therefore loose sales. To alleviate this problem, again is for the small exporters to try and operate in niche markets and competing on non-price considerations.

Currency problems

Small firms face a challenge of currency when exporting their products. Whether products are priced in the exporter's home currency, its customer's currency, or a third currency, has different implications (Leonidou, Katsikeas et al. 2002). In most instances, importers prefer quotations in their own currency for two major reasons. First, host market pricing avoids the foreign exchange risk inherently associated with the depreciation of the importer's currency and, second, this pricing approach makes it easier for importers to compare offers from various foreign and national suppliers. On the other hand, if prices are based on importer's currency, the exporter might get loss if his currency is stronger than the importer's and also he might have to charge low prices in order to attract the importer not to opt for other alternatives.

Distribution related challenges

Getting Access to Export Distribution Channels

MSEs which use direct export are confronted by the problem of gaining access to distribution channels in international markets (Leonidou 2004; Williams 2007). They usually find some channels of distribution which are already occupied by other firms, mostly their competitors, or they find that the length of the channel is too costly to manage. Some ways of bypassing this problem are by piggybacking on an already established system by another exporter selling complementary goods, by seeking the assistance of export management companies, or by setting up direct distribution channels where by exporter find affordable means of delivering products to the final buyer. Previous studies indicate that the use of direct channels have positive relationship with export performance so if the firm manages to set its own channels, it should expect to improve its export performance in the long run.

Complex Local and Foreign Distribution Channel

This is also common for firms which use direct export because they require services of foreign distribution channels. These firms who use foreign channels face different systems in different markets. International markets of developing economies for example, are characterized by smaller area size of retailing outlets. Also in some countries, distribution channels consist of many layers while in others direct distribution systems are more prevalent. The range and quality of the services offered by distribution members varies substantially across countries (Terpstra and Sarathy 2000). All these variations create serious difficulties for the small direct exporting firm because they have to adjust their distribution methods according to the idiosyncrasies of each foreign market. The problems become acute for firms which use indirect export. In this case, they need to adhere to the cooperatives or agents at their home country before exporting the products and meet the complexities of foreign channels.

Control of Foreign Middlemen

This is an obvious problem which is faced by exporting firms, and it is because of the distance. Geographic and cultural distances make exporters losing much of their control over middlemen in foreign markets (Williams 2007). The situation becomes worse when there is greater dependence on the middleman due to binding legal agreements. The problem can also be attributed by difficulties in finding other middlemen in the market as replacements because of various reasons such as reliability and unavailability. A firm can reduce this problem by offering certain incentives, such as competitive profit margins, market research assistance which these are however not easily managed and afforded by many MSEs. It is also very important to enhance communication links, especially in the form of frequent personal visits to the international markets.

Efficiency delivery time

Most small firms, because of other complexities, face a problem of delivering products on time. Efficiency in delivery time is one of the key international supplier selection criteria used by importing firms as it affects competitiveness and success in the market in which the importers operate (Leonidou, Katsikeas et al. 2002). This is more common for small firms which have direct contact with the buyers (established their direct channels). They have to make sure that the products reach their customers on time. Problem becomes when there are delays in the exporter's country due to export tariffs and transportation complications. If the

firm fails to deliver on time, there are high chances of losing its customers. To reduce this problem, it is better for both parties (the exporter and importer), to agree on some flexibilities regarding the delivery time, and most importantly the exporter to make enough follow ups on the consignment so that it cannot take longer than expected.

Promotion related challenges

Adjusting promotional Activities

Advertising is one of the most widely used means of communication in international markets. However for small firms from developing economies, it is difficult to have formal and adapted advertisement because of costs and cultural differences. Problems which are associated with advertisement are such as variations in the composition of the target audience; inappropriate content of the advertising message and unavailability or different use of advertising media. Others are restrictions in the frequency/duration of advertising; and insufficient means to assess advertising effectiveness across countries. With these complexities, it is better for MSEs to opt for other forms of communication like word of mouth, personal selling, internet marketing, participation in trade fairs and personal visits.

Previous studies have indicated that, participation in trade fairs and personal visits can be a source of not only promoting the products, but also getting access to international markets, getting potential customers, recruiting candidates for distribution, gaining international experience and networking (Terpstra and Sarathy 2000). International experience and networks can be very important strategies to be adopted in adjusting all the marketing mix challenges and will be discussed in the next section for more clarification.

Competence and Networks

The challenges and some adjustments explained above can play as a basis for a firm to continuing exporting and expand to more international markets. This is because, at each step and challenge the firm encounters, it is a learning process of which if faced and fixed, the possibility of success in export is greater. Firms with owners and managers who are more proactive are more likely to accept the challenges, solve them and improve their performance. On the other hand, if managers are highly reactive in behavior, they are likely to give up from participating in export activities or not even to start the process (Okpara and Kumbiadis 2008; Bello 2009). This section discusses two other strategies which are associated with proactiveness and how they can play an important moderating role in adjusting the export marketing strategies and improve firm's export performance. These are competence and Networks.

Competence

Management competencies are essential to sound export performance. This is particularly so in relation to marketing issues because of challenges associated with exportation and adverse competitive environment the firm face when going international. MSEs, because of their limitations, must rely heavily on developing suitable and appropriate competencies for export marketing strategies (Chetty 1993).

A competency by definition, is an underlying characteristic of a person which results in effective and/or superior performance in a job (Klemp 1980); also it is a combination of

knowledge, skills and attributes which are given reference in the task environment. This implies that a competency is both an attribute and a skill. Generally, competencies may be described in terms of being either technical or those associated with management decision-making. Technical competencies relate to the operational aspects of the firm's marketing activity such as the products' technical dimensions like crafting (Fillis 2000). Decision-making competencies are more specific to the roles and issues important to MSE's overall management decision-making and more specifically the export decisions (Carson and Gilmore 2000). These include but not limited to: conceptual competence, described as the mental ability to co-ordinate all of the firm's interests and activities (Carson and Gilmore 2000); human competence, which is the ability to work with, understand and motivate other people, both individually and in groups; and political competence which can include the ability to enhance the company's position, build a power base and establish the right connections.

It is clearly important that both technical and management decision-making types of competence are and can be possessed by MSE owner-managers. Both competence types need to be balanced and harnessed effectively if they are to make a meaningful contribution to the performance of their export through marketing strategies. However, it is important to note that some owner-managers may be more competent in one or both aspects than others; some may be naturally good at marketing and others may not. But as in other walks of life, it is the majority of people between the two extremes of very good and very bad, who may not be 'born to the task' but who have the ability to learn to do the task better. This will be directly related to their capacity for learning, the availability of training opportunities and their willingness and enthusiasm for learning (Carson and Gilmore 2000; Gilmore, Carson et al. 2006).

The rationale here is that, core competencies may be acquired in order to provide a basis for building and developing further refined and specific competencies for a particular business. The core competencies acquired for MSE marketing related decision-making consist of knowledge, experience, judgment and communication (K+E+C+J) (Carson and Hill 1992). Competency in these four attributes should enable an MSE owner-manager to perform well within the domestic market and internationally, and these competencies could be used as a basis for building more specific competencies as dictated by the firm's specific situation and its motivation to continue expanding in other international markets. Development of these four attributes can achieve Experiential Learning (K+E+C+J=EL) (Carson and Gilmore 2000). The argument here is that the four competencies can be developed over time by learning from experience in making marketing decisions when going international. This is not formal learning, but learning by experiencing the trials, tribulations, highs and lows of combative and competitive marketing strategy decision-making. It is the ability, degree and pace at which Experiential Learning can be achieved which is crucial to successful marketing strategy decisions in regard to export performance.

Knowledge is the common sense 'knowing' of owner/managers. From marketing and exportation views, this can be described from the current firm's situation; for example how the firm exports, which products, at what price and what are challenges faced at that particular time. This is often based on some years of working in the same or similar environment, building a general familiarity with the process and executing some marketing

decisions and operational activities. Knowledge in marketing therefore, is about the market in which the firm exists; knowledge of competitors and the threats they represent; knowledge of key informants and networks within the market; knowledge of the firm's strengths and opportunities (Carson and Gilmore 2000).

Experience is more difficult to describe and assess. Although owner-managers' experience can be counted in years, in effect their experience could sometimes be described as "one year repeated several times". In this paper, we refer experience as an international experience. How owner managers have been exposed to international environment not only in business but also in other settings such as vacations and previous employment if they had any. Previous studies have indicated that international experience have positive relationship with export performance (Miesenbock 1988; Leonidou, Katsikeas et al. 2002). Owner managers can try to attend trade fairs, go for vacations and conferences. This helps in knowing how the other markets looks like in terms of products preferred, price regulations and strategies, which channels are available and reliable and what means of promotion works better. International experience can be stimulated by taking the opportunity to experiment, try out new ideas, learn from experience and having the ability to develop and expand own experience to build to the future. The variety of experience is also important in order to develop vision in the context of seeing and understanding other possibilities within their own firm's situation.

Communication competence is about knowing which communications work best locally as a facilitator of international activities and internationally; what emphasis to give, when and to which audience; and how to glean information from key sources (Carson and Gilmore 2000). Communication competence is highly linked to the role of establishing and utilizing networks when operating internationally. This will be discussed in detail on the network part of this paper.

Judgment competence is determined by the ability to bring all other features of K+ E+ C together and 'judge' how best to take a decision and which decision is best in a specific circumstance. From the three attributes, the firm can make a decision on whether to standardize its products in certain markets and to adopt in other markets or what distribution channel can the firm use based on their general knowledge of the channels, international experience of such a market and communication which have been done in that market and in the home country.

In this section we are arguing that all these attributes are important in leading a firm to make better marketing strategy decisions when they want to go and to expand internationally. What an individual or the firm has learned in one situation becomes an instrument of understanding and dealing effectively in other situations in the future. Therefore the adjustments needed in their variable mix can highly meet the international markets requirements if they can make them based on these attributes. As earlier indicated that these attributes are summed to what we call "experiential learning" which in simple words is learning from experience. So the marketing challenges faced can be adjusted to fit the international markets and improve the export performance based on experiential learning. This is the reason we argue that competence (experiential learning) has a moderating role in the relationship between mix

variables adjustments and firm's export performance. Moderating role here refers to the strong contingent effect on the other two relationships.

Networks

Most of marketing mix adjustment proposed would require the firm to establish or be in relationship with other MSEs or even big firms. In this case, relying on relationships and networking with others is almost a necessity when striving for a share in international markets. The other important thing to note is that most MSEs are operating far from their customers, and in order to succeed in international markets, they need to know the marketing environment of these other countries. Because of their resource constraints, it is difficult for these firms to know the international environment they are operating. Also since the environment keep on changing and so as customer preferences, it is often difficult for MSE managers to travel more often to visit the international markets.

Relying on networks can be one of the best strategies to circumvent these problems and the marketing mix challenges. A network by definition is a set of long-term contacts between people or organizations in order to get information and building resources (Aldrich and Zimmer 1986). A network is made up of people tied together by work, friendship, influence or communication relations. It can be either formal (prescribed) or informal (emergent). A formal network is composed of a set of formally specified relationships whereas an informal or emergent network involves more discretionary patterns of interaction where the content of relationships may be work-related, social, or a combination of both (George, D. et al. 2001). Business and social networks are also prescribed in relation to formal and informal networks. A business network is a set of two or more connected business relationships, in which each exchange relation is between business firms that are conceptualized as collective actors. Connected means the extent to which "exchange in one relation is contingent upon exchange (or non-exchange) in the other relation"(Anderson, Hakansson et al. 1994).

Social networks on the other hand are defined as web of personal connections and relationships for the purpose of securing favors in personal and/or firms' action. In firm's settings, social networks may involve social relationships among individuals embedded in the formal structure of business connections such as buyer seller relationship or strategic alliances, but also it can be based on informal structure of personal relations bounded in geographical, social or institutional space. Such networks are characterized as personal ties and connection that are built upon goodwill and trust (Zhou, Wu et al. 2007). Moreover, two connected relationships of interest themselves can be both directly and in- directly connected with other relationships that have some bearing on them, as part of a larger network

All these imply that MSE managers can establish and use networks through communications with other people or firms in related businesses, attending trade fair exhibitions and other social events. These networks will help MSEs by exposing them to new opportunities, obtain knowledge, learning from experiences of others and benefit from the synergistic effect of pooled resources' (Chetty & Holm, 2000).

However for the MSE managers to position themselves in networks or develop network strategies for international operations, they need to understand how to use networking in a

practical way. They can start by asking their international experienced networks abroad and at home and get an understanding of what products can be exported, at what price, which channels to use and what can be major means of communication. Furthermore, information about new markets and foreign business opportunities are commonly acquired via relationships of the MSE manager. Networks also facilitate screening and evaluating potential alliance and distribution partners (George, D. et al. 2001; Zhou, Wu et al. 2007). In other words, using social and business ties helps in the searching process and reduces the costs of, for example, market research.

Previous empirical studies show that networks, if used correctly can contribute to high export performance and that many small businesses especially in developed countries are using their networks when operating internationally (Braga 2003; Okpara and Kumbiadis 2008; Bello 2009). For example, a study by (Gilmore, Carson et al. 2006) found out that MSEs who were doing proactive networking had Sophisticated marketing strategy which meant that they were customer orientated; carried out marketing planning and had integrated programs of promotional activity which improved their export performance. This was also evidenced by (Komulainen, Mainela et al. 2004; Zhou, Wu et al. 2007) whereby they both found that social networks are efficient means of helping internationally oriented MSEs to go international more rapidly and profitable. This implies that MSEs in developing economies need to learn to establish and utilize networks in order to be able to adjust their mix variables at less cost and operate profitably in international markets. In other words, it is the individuals' (MSE's) contact networks which can influence what kind of business relations to evolve and what international market opportunities to be identified and reacted to.

Conclusion

This paper attempted to review the literature in order to identify the marketing challenges faced by MSEs from developing economies. The adjustments of the marketing mix variables were discussed and we argue that if MSEs manage to overcome these challenges, they will end up with an increased strength to face the international markets. These beneficial effects can be explained by the following example. Initially, the firm improves its quality to adapt it to the requirements of international markets; generally, the international opening makes it to become aware of the importance of the problems of quality, this one being a fundamental weapon of defense against the firm's competitors. Secondly, this search for quality leads to an increased flexibility, both at the technological level (use of more varied production processes, seeking strategic partners) and at the commercial level (greater creativity in adjusting marketing strategies through knowledge of the distribution systems and pricing strategies). Lastly, the export of international market required product at accepted price and through reliable channels. This would generally lead to high export performance in both short and certainly long term. In general, as the MSE takes ages in international activities, it becomes more skillful, acquire more competences and develop more experiential learning.

In addition, networking is very important business dimension given the resource constraints and limitations MSEs work within. These networks can serve as sources of critical information about international markets, business opportunities and potential international partners. Therefore MSEs need to utilize these relationships in order to reduce costs and increase their export performance.

This review has made possible to suggest a conceptual model for export performance based on marketing strategies, competence and networks. In this model, we suggest a positive relationship between adjusted mix variables and export performance. We also suggest that the strength of this relationship can be affected by networking and competence strategies whereby we hypothesize that high levels of competence and proactive networking will strength the relationship between marketing strategies and export performance.

Proposed Model
This is a conceptual framework with regard to marketing strategy adjustment to enhance export performance….

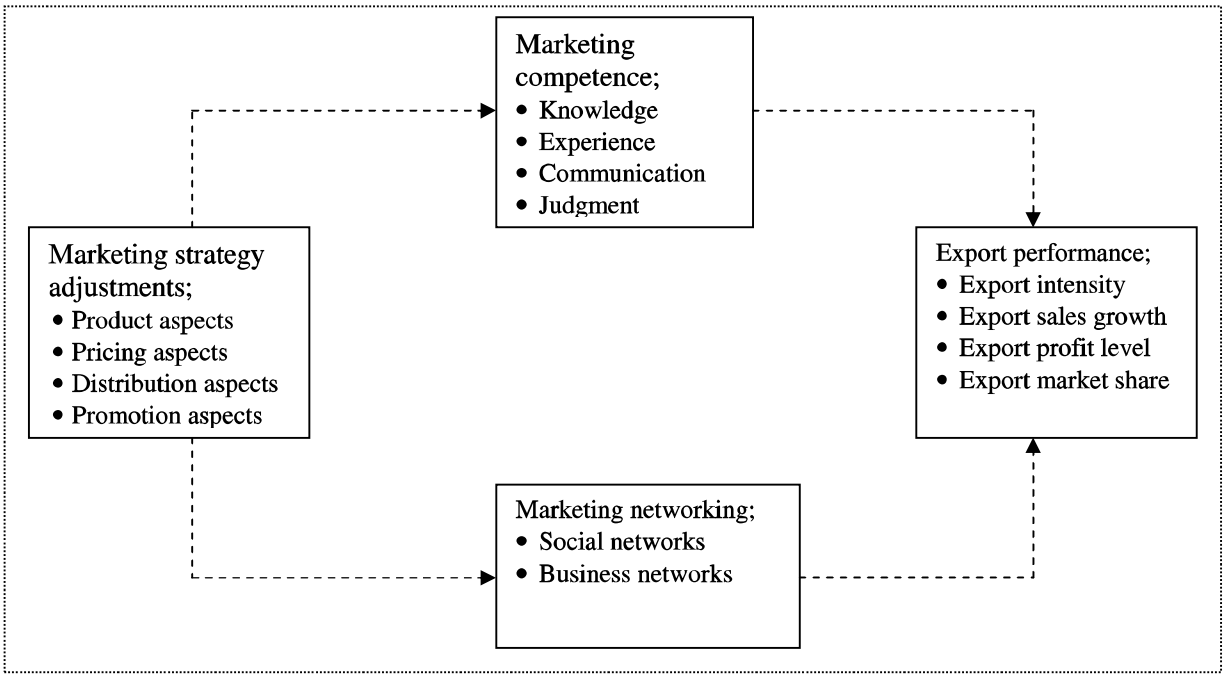


Figure 1: Conceptual Framework
Note: The dotted arrows indicate the moderation strategies (variables).

This model can be used as a framework for conducting empirical research on the relationship between marketing strategies, competence, networks and export performance. In previous studies, all these three strategies were tested individually with export performance, so it will be interesting to combine and see if the results will show substantial differences.

Also the model has practical implication for MSE managers from developing economies. Because it is a synthesis of previous studies on export performance, it can help them in understanding on what they can do in order to have good export performance. For example, with their size, they can opt to rely on networks to overcome some constraints. They can also set certain export goals and adjust the strategies based on the objectives and utilize their capacity to learning more every time they see that kind of opportunity because all these will contribute to their export performance.

On a final note, MSE managers should always take into consideration the cultural differences which are in different international markets and therefore they should always be careful when attacking these markets. But again, experiential learning and network utilization are important aspects of marketing strategy adjustments of which will result in high goo export performance.

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