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**“THE INFLUENCING FACTORS BEHIND  
EFFECTIVE EXPORT MARKETING STRATEGIES  
IN INDIAN AUTO COMPONENT INDUSTRY”**

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# “The Influencing Factors Behind Effective Export Marketing Strategies in Indian Auto Component Industry”

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**Abstract –** The study aimed at evaluating the impact of the factors influencing the formulation of an effective export marketing strategy in Indian Auto Component Industries. There has been a significant increase in the quantity and quality of international and export marketing research with respect to effective solutions towards export performance (Amit Banerji, Maulana Azad, 2012) However, an investigation on the impact of marketing strategy and export performance in a single industry is lacking. In addition, the influence of environmental factors to moderate the relationship between export marketing strategy and export performance has received little agreement. This research aims to investigate the relationship between export marketing strategy and export performance in auto component industry in India, as well as the influence of moderating role of environmental factors on the relationship between export marketing strategy and export performance. Personal interview, literature review methods were used to measure export marketing strategy. The objective of this study is to check the relationship between export marketing strategy and export performance. Uniquely, the moderating effect of certification appeared to moderate a few relationships between product and promotion adaptation, distribution strategy, design strategy and target market specification on export performance. Managerial implications and suggestions for future research were also discussed.

**Keywords –** Export Marketing, Environmental Factors, Strategies, Export Performance.

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## INTRODUCTION

The Indian auto component industry started out small in the 1940, supplying components to Hindustan Motors and Premier Automobiles. In the 1950, the arrival of Telco, Bajaj, Mahindra and Mahindra led to steadily increasing production. In India, the vehicle industry till the 1980s was characterized by an oligopoly structure, small-scale operations, high cost of production, technological obsolescence and numerous government regulations. In these periods, there was a tendency for vehicle manufacturers to produce parts and components in-house and components manufacturers started mainly to cater to replacement demand. It was however in the 1980, with Maruti, that growth suddenly accelerated and the industry came of age. Before entry of Maruti, majority of the components were produced in house by vehicle manufacturers leaving uneconomic volumes and lower profits margins. But the entry of Maruti Udyog Ltd (MUL) in mid 80s led to a paradigm shift in the auto ancillary sector. Boon time for the auto components industry started with the arrival of India's people's car. This gave birth to a variety of new age auto components manufacturers who manufactured components that combined the best of technology with

quality. With the success of Maruti, the paths of Indian auto component industry took an upswing with the climbing of export figures as a result of low cost of labour and material. The giant players in automobile industry encouraged and facilitated growth of auto component industry around their units.

The next turn in the auto and auto component industry came with the onset of liberalization policies. The growing urbanization and increasing purchasing power, coupled with liberalization process set in motion since 1991, has made industry circle, predict India is going to be the largest market in the automotive field in the Asian region. After liberalization and with the consequent opening up of the auto sector in 1992-93, the license raj ceased to exist. have significantly changed the scenario in the automobile sector, particularly passenger vehicles sector. Similar developments have been taking place in the field of manufacturing of commercial vehicles including LCV sector, with most of the international names having some tie-ups in India. The entry of major internationals has caused new manufacturing capacities to come up in the Indian automobile components sector in collaboration with world leaders. Indian automotive component manufacturing

industry in keeping itself fully in tune with the technological advances being made all over the world. This has helped them to develop their export base. Some of the automotive component manufacturers in India have already emerged as major global players by tying up with several well-known OEMs overseas as component suppliers. Indian auto component industry has entered into nearly 450 overseas technical collaborations and more than 50 component companies have already secured ISO 9000 accreditation. However the auto components industry went overboard with huge capacity expansion and modernization programs. Similarly, the global auto giants soon realized that the Indian market was not as big as it appeared to be. Their targets went haywire, inventories piled up and bookings were cancelled. This also coincided with a general slowdown in the Indian economy in the last one or two years. The auto component industry in India, which is driven by domestic demand, also faced sluggish growth. Following growth of around 20% between 1993–1997, the industry is now experiencing a slow down across almost all segments (except the two wheeler segment). This is due partly to the overall slowing down of the world economy but domestic fiscal policies have also added to this situation. However, the industry is still expected to grow at around 10% pa. The automotive industry currently accounts for around 5% of domestic industrial output. Some Indian companies have used the interim period to trim down by cutting costs and improving productivity. Several companies have entered into technological collaboration and equity partnership with world leaders in auto components. They have not only adopted their systems but also their work ethics and management practices. Strict quality controls, sound technology and high volumes will enable the Indian auto component industry to chart greater progress in the coming future. By global standards, there is a fairly well developed component and ancillary industry with some suppliers already meeting global technical and quality standards, particularly at Tier 1 level but many other lack such competence. Pressure is on suppliers to raise the quality of their products to remain competitive. Exports are expected to increase as a result of overcapacity in the domestic car industry and the government's policy to bring in a more liberal regime on the foreign exchange front. The flood of new entrants into the car industry as a result of liberalization has led to a complete transformation of the sector. These far reaching changes will also leave a permanent mark on the auto component industry.

Since performance is better measured by multiple indicators, the relationship of the indicators to the underlying export performance construct has to be examined. In a reflective measurement perspective, the observed items are considered or assumed to be effects of an underlying latent construct, whereas in a formative measurement perspective, the items are assumed to cause, or determine a latent construct.

Research on export performance has discovered several influencing variables, but the type and

magnitude of the impacts have not been determined. The picture gets more complex when considering that the impact of a given factor may depend on the specific measure of performance used, but none of the existing measures has reached universal acceptance. Moreover, there are probably many simultaneous relationships and feedback effects, not only between influencing factors and export performance but also among the influencing factors themselves. This paper aimed at presenting and testing an integrative model of the influence of variables of the external environment, firm characteristics and firm strategy on the export performance of Indian auto component manufacturers. After this brief introduction, a review of the literature on the determinants of export performance is presented. Next the conceptualization and operationalization of the focal construct are addressed, followed by the conceptual model of the study. Methods and data, as well as respective measures of the constructs of the study, are then exhibited. Results are then presented and discussed, with some conclusions given.

**Table 1**

**Indian Auto Components Industry**

<i>Financial Year</i>	<i>Annual Sales (in US\$ Billions)</i>	<i>Exports (in US\$ Billions)</i>	<i>Investments (in US\$ Billions)</i>
2004-2005	8.70	1.70	3.75
2005-2006	12.00	2.47	4.40
2006-2007	15.00	2.68	5.40
2007-2008	18.00	3.52	7.20
2008-2009	19.00	3.80	7.30
2009-2010	22.00	4.30	9.00
2010-2011	26.00 (estimated)	5.00 (estimated)	12.00 (estimated)

Source:<http://www.ibef.org/industry/autocomponents.aspx>, retrieved on March 07, 2011 and “Indian Auto Component Industry on Overview, Auto Component Manufacturers Association of India (2011). [www.acmainfo.com](http://www.acmainfo.com), retrieved on March 07, 2011

**FIRM CHARACTERISTICS**

The characteristics of a firm's product have been identified as having a significant influence on export marketing performance (O'Cass, A & Julian, CC 2003). The product's attributes are argued to affect the positional (marketplace) competitive advantage of a firm, thereby influencing marketing performance (Luis Filipe Lages 2000). Product characteristics that have been argued to influence marketing performance include culture-specificity, strength of patent, and uniqueness (Rajesh K. Singh, Suresh K. Garg 2007). A unique product provides a firm with a differentiation advantage that other firms in a competitive market may find difficult to challenge or overcome resulting in higher performance than a standardized product. This differentiation advantage may result from better quality and reliability, or more durability, or they may be backed by better service, or have superior design or better performance (Giedre Dzemydaiten et al 2012). It is argued that in the context of firm-specific characteristics, a firm's capabilities and constraints

(strengths & weaknesses) influence their choice of marketing strategy and ability to execute a chosen strategy (Leonidas C. Leonidou, Neil A. Morgan 2000). The resources of a firm constitute its sources of sustainable competitive advantage and in export marketing these resources include size advantages, international experience and resources available for export development (Edward E. Marandu 2009). Possession of such resources enables a firm to identify the idiosyncrasies in the export markets, develop the necessary marketing strategies and implement them effectively, thus achieving higher export marketing performance.

Maktoba Omar and Derick Boyd states that, in relation to the firm's international experience, the more internationally competent a firm is the more likely it is that standardization alone will not lead to optimal results. A competent firm, because of its international experience knows the differences in environmental conditions and is more likely to select the most attractive market for the venture and adapt the marketing strategy to accommodate the specific needs of the market (Demetris Vrontis, Alkis Thrassou 2007). An inexperienced firm seeks the closest match between its current offerings and foreign market conditions so that minimal adaptation is required (Shaoming Zou and David M 1997). When a product can meet universal needs, a standardized strategy is facilitated, however, if a product only meets unique needs, greater adaptation of product and promotion will be required to meet customers' product use conditions and to educate customers in using and maintaining the product (Jarma Larimo and Minnie Konthananen 2008).

In relation to resources, the export venture's distribution network is seen as a necessary resource for successful participation in foreign markets (Oyeniya, Omotayo 2009). Therefore, when the export market is competitive, supporting the distributor/subsidiary is particularly important to ensure that the distributor/subsidiary performs adequate promotion, timely delivery, and proper maintenance and services enhances the firms export performance (John R. Darling & Hannu T. Seristo 2004). Furthermore, in technology-intensive industries, because of the inherent complexity of technology incorporated in the products, manufacturers must provide adequate training support to the foreign distributors/subsidiaries so that the product can be handled, marketed and serviced properly (Jorge Carneiro and Angela da Rocha 2011).

In relation to resource commitment of the firm, when managers are committed to an export venture, they carefully plan the entry and allocate sufficient managerial and financial resources to the venture (Henry F.L. Chung, (2012). With formal planning and resource commitment, uncertainty is reduced and marketing strategy can be implemented effectively

(Christopher May 2006). Product uniqueness (patents), firm experience (in exporting), support (training provided to intermediaries and type of relationship formed with channels) and resource commitment (financial, time and physical) are all identified as elements of firm specific characteristics (Constantine S. Katsikeas, Leonidas C.2000). Competence in international operations enables firms to select better export markets, formulate suitable marketing strategy, and effectively implement the chosen strategy. As far as the legal and regulatory policies of host country governments are concerned, frequently when a developing country is involved, the host country government may exercise influence over the choice of suppliers and over marketing (Sachin Borgave and Chaudhari J.S.2010). Or it may impose exchange controls, which can have an important impact on reinvestment, financing and repatriation decisions. As a result, laws or pressure from the host government can play a significant role in the marketing performance of the venture by increasing or reducing firm capacity and effectiveness (DSRI Report 2008).

## **PRODUCTION COMPETENCIES**

Production competencies entail a portfolio of skills relevant to new product development or modification of existing products (Dann R. Johnson and Yanli Rachman 2007). The scope of production competencies also extent to skills pertinent with adoption of new methods and ideas in the production and manufacturing processes (Maria Jesus Ruiz-Fuentsanta 2010). In the perspective of exporting, production competencies enable the firm to develop, combine and transform resources into value creating offerings for the export market. It follows that production competencies are a precursor of a firm's capacity to meet export market demand and/or expand production quickly in order to meet export orders and opportunities as they unfold (Henry F.L. Chung, 2012).

The importance of production competencies particularly in conditions of increasing competition, fast changing consumer needs and wants, and shorter product life cycles (Samson Nip 2004). They argued that firms under such conditions need skills to modify products that meet market requirements.

The conceptualization of export marketing as a critical ingredient in the customer value-creation process of firms (IBEF Report 2010). Following this insight, it is logical to conjecture that growth in export sales, profitability, market share, and the like, largely depends on the ability of the exporter to conceive, plan, execute and control marketing and sales efforts better than the competition.



Cognizant of the above issue, prior studies have documented several abilities that comprise the marketing and sales competency domain (John R. Darling & Hannu T. Seristo 2004). Notable among them include marketing planning, market analysis, and niche marketing; the ability to acquire information, manage distribution and develop contacts in foreign markets; as well as research and monitoring, pricing, distribution and customized marketing practice (Rajesh K. Singh, Suresh K. Garg and S.G 2007). Due to limited availability of clear empirically demonstrated findings, it is considered appropriate to propose that.

## **INFORMATIONAL COMPETENCIES**

Informational competencies comprise a portfolio of abilities that enable an exporter to collect, analyze and interpret significant market information. Market knowledge, whether objective (acquired through formal market research) or experiential (because of foreign market operations) is closely associated with export performance (Mehmet Haluk Koksak 2008). Thus, firms with enhanced knowledge on customers, competitors, marketing practices (including desired products, pricing systems, and promotion and distribution practices) and the general environment tend to develop a positive perception of export opportunities (Rajesh K. Pillania 2008). Conversely, inexperienced exporters often perceive considerable uncertainty, which in turn adversely affects their perceptions of potential risks and/or returns about overseas markets and most of the SMEs simply do not make the effort (Maktoba Omar et al, 19997), or are afraid of tackling international markets; but some of them limit their international activities because of their poor control of these activities, mainly as a result of a lack of information (Katsikeas, C. S 1994).

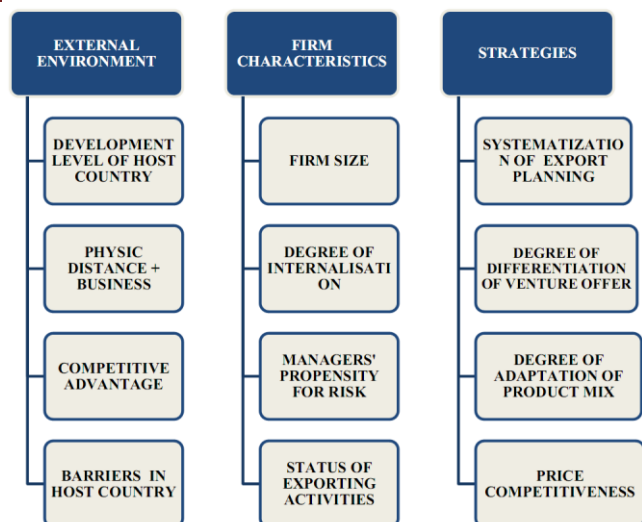
## **ENVIRONMENTAL CHARACTERISTICS**

Along with firm characteristics such as resources, capabilities, commitment and specific product dimensions, environmental characteristics have also been argued to be important (Oyeniyi, Omotayo 2009). In this sense foreign markets pose both threats and opportunities for exporting firms which are argued to significantly affect marketing performance. As such, a firm must match its strengths with market opportunities to negate market threats, to ensure better marketing performance (Luis Filipe Lages 2000). Therefore, export marketing performance tends to be conditioned by environmental characteristics such as the extent of competition, the legal and regulatory policies of host country governments (Sylvie K. Chetty 1999), the availability of suitable distribution and communication channels and, customer familiarity with the product. Additionally, in a competitive export market, a high degree of product adaptation also is needed due to intense competitive pressure, because product adaptation can help gain a competitive superiority over rivals (Tallinn and Estonia 2008), As far as access to suitable distribution channels is concerned, inaccessibility to distribution channels has been widely

cited as the reason behind the failure of many foreign market ventures (Christopher May 2006). Furthermore, success in export markets is often equated with the export venture's ability to initiate and sustain strong and mutually beneficial relationships with their foreign partners (Noor Hasmini Abd. Ghani 2012). This is because market knowledge is likely to reside with the local partner or distributor. When an unstable political and economic environment is perceived to influence the export market, many export market ventures rely heavily on their local partners or distributors to help reduce the risk. In relation to customer familiarity with the product, export customers familiarity with a brand of a particular product can ease the entry of the product into the export market (Craig Julian and Aron O'Cass 2002). Therefore, a familiar brand requires a lower degree of promotion adaptation in the export market than an unfamiliar one, because familiarity can translate into a favorable attitude, which then forms brand equity ultimately enhancing performance ( Nargundkar & Bajaj 2002). There are four environmental characteristics that are important. These include,

- i) Firstly, competitive intensity, involving the extent of price competition and the number of competitors in the market.
- ii) Secondly, the legal-political environment involving the legal, political and regulatory nature of the market and the extent of government intervention into the operation of the export market venture (Azizi H J. Abdul Adis 2008).
- iii) Thirdly, channel accessibility, involving access to distribution channels, number of customers and the demand potential of the product in the market.
- iv) Finally, customer exposure, involving access to customers, customer familiarity with the product and exposure of customers to the product in the market (Shailendra Kale et al 2011).

The intensity of competition in the export market could force firms to seek a high degree of product and promotion adaptation to gain a competitive advantage over rivals, because adaptation of product and promotion can broaden the local market base and be geared to specific local preferences thereby enhancing marketing performance (Tatiana Lishchenko 2011). Similarly, a competent firm understands the idiosyncrasies of the export market and is able to respond to the local conditions by an adaptation strategy (Edward E. Marandu 2009). Finally, export customers' familiarity with the brand can ease the entry of the product into the export market. Therefore, a familiar brand requires a lower degree of adaptation than an unfamiliar one.



## EXTERNAL FACTORS

Just like a company's internal factors can influence its activity abroad, a company's macro environment has impact on its performance. The factors coming from outside the company include forces that can affect both the firm and its actors (Lilin Huang et al, 2013). These forces are determined as political, economic, and technological factors. A firm can hardly influence them and sometimes even depend on the home country's foreign politic and international agreements towards the host country. A number of researches have been conducted to find a connection between these forces, regarded as export barriers, and export performance. The bureaucracy and competition on a foreign market are regarded as obstacles for export. Companies, facing such barriers as tariffs have negative effect on export attitude, leads to low export activity. Russia is an attractive market for foreign enterprises whether it regards establishing business with Russian partners, export or import. Still, different factors, existing on the Russian market can have certain influence on the export.

## POLITICAL ENVIRONMENT

Political environment in a host country is significant for the exporting company in that sense that the country can apply different means which lead to complicated import. Among such political factors there are tax regulations, tax rates, government stability, labor legislation or political interference in form of bureaucracy and corruption (Czinkota and Ronkainen, 2010). Political factors can influence import in that ways that they create a kind of regulation which foreign companies have to follow (Jobber, 2007). Political situation in a country can impact attitudes towards the country on the international market.

Export of foreign companies to Russia can be influenced by a number of tariff and nontariff barriers, unfair and prohibitive charges and fees, discriminatory

licensing and a system of registration and certification, applied by the host country. According to Wild et al. (2008) some non-tariff barriers are quotas, embargoes, local content requirement, currency control and administrative delays. The last ones imply different kinds of controls and bureaucratic rules that foreign companies often have to face in connection to customs procedures. Inconvenience and complicated customer procedures, regarded to that, lead to unnecessary expenditures for foreign exporters. Custom clearance for certain goods is possible only in ports or airports. Such ill-considered decisions with understaffed customs offices and absence of appropriate infrastructure cause logistical troubles. It happens that documents, required to export goods, are often interpreted in different ways. Contradictory requirements cause quite often astonishment at foreign firms. Such inconsistency is caused by differences between legislative framework, regulation of subsidiary companies and administrative rules (Your guide to cracking world markets, 2011). Overgrown bureaucracy can complicate foreign companies' export to Russia. The reason for that are a numerous papers, required from different government agencies. For exporting companies the main issue here is operations connected to custom clearance, how much time it will take and what documents are demanded. Still, bureaucracy will not be an obstacle to enter a foreign market if the company is compensated by possibility for large profit on that market (Wild et al, 2008).

## ECONOMICAL ENVIRONMENT

The economic environment of the host country can influence pricing decisions in several ways, as it determines demand potentials for a particular product and has also a significant impact on a firm's cost structure. On the demand side, the overall level of economic and industrial development of a country determines customers' priorities in terms of the products they consider essential or desirable, in addition to the prices they can afford and are willing to pay for certain products (Whitelock and Pimblett 1997). For instance, a product considered essential in a developed country may be viewed as less necessary or even as a luxury item in a lesser developed country (Hill and Still 1984). Moreover, demand for a product at different price levels is a function of the purchasing power of targeted customers, determined by the level of economic development of the country (Jain 1989). On the cost side, the economic environment of the host country determines the cost of raw materials, labor, energy, and other resources which a firm needs to purchase or hire in order to be able to carry out its every day operations. Obviously, the level of such costs has a direct impact on the overall cost structure of local subsidiaries. Thus, the pricing policy pursued by an

international firm in a particular foreign market should reflect these factors.

## TECHNOLOGICAL ENVIRONMENT

Globalization is having a major impact on the automotive industry. A study of the automotive industry in emerging economics by Mukherjee and Sastry (1996) explains that in the case of Asia other than Japan, countries like South Korea, China and India adopted different paths for technology development in the automobile sector. In case of Korea, the technology development has focussed to become world class and global and the Korean companies invest heavily on R&D. The emphasis of Chinese policy has been to meet domestic demand and JV route has been widely adopted. On the other hand, facilitation of growth has been a key driver of technology policy in case of India. A benchmarking study of the auto component supply chain in India and China by Sutton (2004) reveals that the auto industry supply chain has proceeded very rapidly in both the countries at the level of auto manufacturers and tier-1 suppliers. The main weakness of the supply chain, however, lies in the fact that best practice techniques are transferred very slowly to the tier-2 suppliers. Collaborative strategies for innovation have proved to be beneficial and a framework has been suggested by Momaya (2008) taking into consideration the organizational boundary and the geographic scope. Case studies of technology management in the automobile and auto component industry in India explain the technology management practices in select organizations. It has been observed through the case studies that organizations have followed different approaches for technology capability building in India. Also, there is a linkage between OEM technology requirement and auto component manufacturer technology acquisition and development. Based on the requirement of automobile manufacturers, auto component manufacturers have acquired technology through international collaborations.

**Table 2**

### Annual Car Sales and Auto Parts Exports

Financial Year	Annual Car Sales (Units)	Exports of Auto Parts (in US \$ billions)
1997-1998	401002	0.33
1998-1999	390355	0.35
1999-2000	574369	0.46
2000-2001	517907	0.63
2001-2002	564052	0.58
2002-2003	608851	0.76
2003-2004	843235	1.27
2004-2005	1027858	1.69
2005-2006	1112542	2.47
2006-2007	1322728	2.87
2007-2008	1521813	3.62
2008-2009	1516967	3.80
2009-2010	1926484	4.30

Source: Industry Statistics of vehicle and auto components, “Indian Auto Component Industry an Overview.” Retrieved from [www.acmainfo.com](http://www.acmainfo.com) on 09.03.2011

## MARKETING STRATEGY

In response to such external forces and in recognition of internal forces firms develop and implement an export marketing strategy. Export marketing strategy is the means by which a firm responds to market forces to meet its objectives, via all aspects of the marketing mix, including, product, price, promotion and distribution, and in international marketing, the key determining factor affecting marketing strategy includes the decision to standardize or adapt to the conditions of foreign markets. The degree of adaptation versus standardization is a function of firm and environmental characteristics. Therefore, export marketing strategy can be seen as the degree of adaptation or standardization of the marketing mix required in the foreign market, thus, directly influencing marketing performance. The more internationally experienced a firm is, the more likely it is that standardization alone will not lead to optimal results. A competent firm, because of its international experience knows the differences in environmental conditions and is more likely to select the most attractive market for the venture and adapt the marketing strategy to accommodate the specific needs of the market. An inexperienced firm seeks the closest match between its current offerings and foreign market conditions so that minimal adaptation is required.

A systematic approach to foreign market entry translates in strategic planning and an effective organizational structure for the marketing function. Planning for international markets results in the identification of strategies that enhance export performance. Even more, high performing exporters



have a “desire to capitalize on the firm’s competitive advantages”. Therefore, exporting companies will design their marketing strategy in order to build sustainable competitive advantages. These advantages are communicated to the customer through a low price (low cost) or a non-price differentiation implemented using specific marketing mix programs for the different segments and countries. Moreover, exporting companies following “pure differentiation strategies” have been found to outperform those with “cost leadership strategy”, especially in the case of exporters in developed country markets. Firms following a differentiation strategy aim at creating a product or service that customers see as unique. This is usually accomplished through such means as a superior brand image, technology, customer service or innovative products. Presumably, high performing exporters confront and respond to the foreign country task environment more effectively. They do so through a strategic planning process that develops and implements unique strategies based on differentiating competitive advantages. In addition, export performance should also be related to the level of importance of the marketing variables. Firstly, high export performance has been found to be positively associated with export marketing budget allocations and export marketing. Additionally, product adaptation, selling force efficacy and service levels have been identified as determinants of exporting performance.

Four different groups of significant variables in determining exporting marketing activity:

1. Company offering: quality, image, and after-sale service.
2. Role of distributors and agents: incentives.
3. Promotional function: trade promotions, trade fairs, word of mouth.
4. Price / selling terms: competitive prices, credit lines, and warranties.

Product adaptation, promotion adaptation, channel development and competitive pricing strategies have been described as the means by which firm’s efficiently responds to the idiosyncrasies of foreign markets. In terms of the product variable, product adaptation enhances performance both in initial market entry and subsequent penetration success. The product adaptation is heavily influenced by governmental regulations, infrastructure differences and local market characteristics. One of the main benefits of product adaptation is that it reflects a customer-orientation position because the exporter systematically evaluates buyer behavior and host market characteristics. Therefore, product adaptation becomes especially important for high performing

exporters. Secondly, another key dimension that is expected to relate to the company’s performance is export channel structure. Export channel structure refers to various structural characteristics such as alternative channels modes, administrative contracts and associated relationships, which arise from these channel arrangements. The relationship between exporting behavior and distribution depend on product nature, available resources, and type of intermediary. Previous research has found that distribution strategies, including the use of intermediaries and strategic partnerships, are related to export commitment. Committed exporting is dependent on ongoing distribution arrangements and frequent visits to foreign representatives. High performing exporters are better off with an export channel structure that emphasizes flexibility and collaborative efforts between the exporting firm and foreign intermediaries so that closer relationships with the final consumer can be established. Particularly, direct dealing with the end-user or final point of the distribution chain best explains high exporting performance. In other words, distribution agreements set the company’s extent of internationalization. This has been defined as “microinternationalization”. Finally, ownership of distribution channels assures access, increases control and reduces the cost of monitoring agent’s behavior. Cooperation in the export channel also leads to more effective implementation of marketing strategy. Multiple studies have denoted a positive relationship between active exporting and price competitive offerings. Furthermore, being able to hold higher relative prices in international markets is highly correlated with positive returns. Pricing decisions are contingent on the level of product uniqueness, cultural specificity of the product, level of competition in the export market and the firm’s international competence. Thus, higher relative exporting prices require either investing in increasing product differentiation or carefully prospecting markets to identify favorable competitive situations.

In differentiating a product, there are several variables that may influence customer perception and generate willingness to buy. These variables may be service quality or brand awareness among others. A positive correlation between brand value and large market shares in international markets (Nargundkar& Bajaj 2002). Core brand values may be standardized, the other components of the brand should be adapted locally. Again, investing in creating a brand adapted to the market conditions require a certain level of long-term business planning that passive exporters do not exercise. Pre and post-sale service quality (courtesy, communication, security, tangible considerations, responsiveness, etc.) is another differentiating component of an exporting company’s marketing strategy. Past research showed that service orientation became more important with high performing exporting. Resources deployed on customer service require high involvement in the



market. Furthermore, socioeconomic and cultural factors are the main determinants of the need of a high service level.

Programmed promotional campaigns are a natural consequence of marketing strategic planning and a long-term involvement in a particular country-market.

**Table 3: Individual Vehicle Category (Numbers)  
Exports**

Category	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
Passenger Vehicles	129291	166402	175572	198452	218401	335729	446146
Commercial Vehicles	17432	29940	40600	49537	58994	42625	45007
Three Wheelers	68144	66795	76881	143896	141225	148066	173282
Two Wheelers	265052	366407	513169	619644	819713	1004174	1140184

Source: <http://www.siamindia.com/scripts/export-trend.aspx>, retrived on March 22, 2011

## RESEARCH METHODOLOGY

Our investigation targeted studies examining environmental variables related to export performance. The bibliographic search covered all studies published from the inception of this stream of research up to the present. These were identified in 103 articles published in literature sources in the fields of marketing (16), general management (7), international business (5), and economics (5). Articles on export performance followed a geometric progression, with the 1990s comprising 70 percent of the total publication output. Articles were examined to identify and eliminate study duplication (use of same data set). Ten articles were excluded on this basis, leaving 93 studies fulfilling all eligibility criteria. A well-defined, theoretically sound framework was designed to evaluate export performance. This framework was based on a comprehensive review of the organizational effectiveness literatures, where business performance assessment has received focal research attention. Table 1 presents the major evaluation categories and specific criteria, as well as the literature sources from which these were extracted.

## MEASUREMENT OF EXPORT PERFORMANCE

Export performance is considered the outcome of a firm's activities in export markets contends that a firm's export performance is a composite of its international sales, profitability and export growth. The construct of export performance is important to both firms and nations alike. At firm level, a better understanding of export performance is important because exporting improves utilization of productive capacity, improves financial performance and competitive edge as well as provides a foundation for future international expansion. At the national level, a better understanding of export performance is important because exporting enhances accumulation of foreign exchange reserves, improves employment levels and productivity in addition to driving economic growth.

Although there is consensus on the importance of export performance, there is no unified framework for studying export performance particularly of SMEs. Some previous studies, however, have found support for the effect of firm factors, including competencies on export performance. The value embedded in firms determines their export capability, which in turn influences their conduct of exporting activities and ultimately, export performance.

## ECONOMIC MEASURES OF EXPORT PERFORMANCE

Sales-related measures were most often used to assess export performance, examined by two in every three studies. Fourteen different indicators were found to measure the volume, intensity, or growth of export sales, at either the corporate or product level. The most common measure in this category (as well as among all other categories) is export sales intensity, which, however, has been heavily criticized on the grounds that it can be affected by factors other than better exporting operations and does not reflect.

The competitive dimensions of export success (Kirpalani and Balcome 1987). Another widely used and practically useful indicator is export sales growth, which may overstate performance because of price escalation and market growth, or understate performance because of experience curve effects and deteriorating demand (Kirpalani and Balcome 1987). Also important are profit-related measures, with export profitability and growth most researched and often cited as the export firm's ultimate goal (Aaby and Slater 1989). Export profit contribution (percentage of company profits due to exports) received some empirical attention, although this measure suffers from shortcomings similar to those of export sales intensity, while export profit margin and growth were rarely examined due to measuring difficulties. Broadly, this set of measures is open to criticism in that export-related profits may not be known with certainty, especially when firms utilize marginal cost pricing (Samiee and Anckar 1998).

Market share-related measures (export market share and growth) were rarely researched. Although these measures can indicate the firm's competitive prowess rather than increased export business due to a growing market (Kirpalani and Balcome 1987), they have been criticized on the ground that actual market share is often difficult to measure, especially among small companies operating in niche markets.

## NON-ECONOMIC MEASURES OF EXPORT PERFORMANCE

Among noneconomic measures of export performance, market-related measures were widely examined, although overall they are seldom researched. Five performance measures were identified here, with the number of export countries/markets most widely studied. However, there

is persisting debate on export market expansion, suggesting that the number of foreign markets is not an end in itself but is contingent on the specific company, product, market, and marketing factors (Piercy 1982). Product-related measures refer to the number of new products exported, the proportion of product groups exported, and the contribution of exports to product development (Jeen-Su Lim; Sharkey 2006). Although rarely employed, these measures are justified on the grounds that the product and its performance are key to any export marketing strategy.

Finally, several miscellaneous noneconomic measures were also used, each reported in a single study. These measures include the contribution of exporting to economies of scale and company reputation, the number of export transactions, and the projection of export involvement.

**Generic Measures** Some researchers chose more collective approaches to export performance measurement. One common measure is based on export managers' degree of satisfaction with overall export performance to determine the net outcome of their respective companies' export activities. Other generic measures are perceived export success and the degree to which export objectives have been fulfilled. Obviously, these are crude measures of export performance, as they cannot adequately capture the construct's domain. Analysis of export performance indicators yields two sets of studies: those using a single indicator and those employing multiple measures of performance, sometimes used for developing a composite index of the construct. Use of multiple measures was more popular, as different measures of export performance capture different facets of the strategic and operational phenomena that underlie it. Moreover, increasingly more export marketing academics and practitioners now believe that performance indicators are more complementary than mutually exclusive (Shoham 1998).

## CONCLUSION

The objectives of the study is to understand the environmental factors effect on export marketing of Indian auto component manufacturers which further impact on framing export marketing strategies. The strategies in export marketing can be defined in terms of degree of standardization and the degree of adaptation in international marketing mix elements. Most of the researches reveal that there is an ambiguity in measuring the export performance. The effort has been put to bring out the possible variables of export marketing environment, marketing strategy components and the variables for export measurement in the study.

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