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THE ROLE OF FOREIGN MARKET INFORMATION IN
THE EXPORT PERFORMANCE OF SMALL HIGH TECHNOLOGY FIRMS

A Research Report

by

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Au

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Rapport de recherche

rédigé

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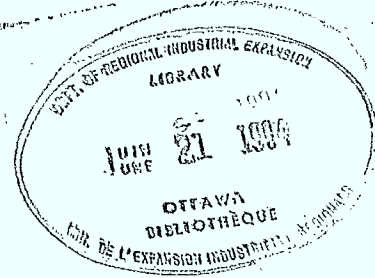
RÉSUMÉ

Le rapport ci-joint résume un projet de recherche d'une année qui s'est concentré sur le rôle des sources extérieures d'information sur les résultats d'exportation des petites sociétés de haute technologie. Comme première étape, les auteurs ont mis au point un modèle conceptuel du problème général fondé sur les connaissances actuelles. Ce cadre identifie l'interaction entre les sources d'information, les stratégies fondamentales de l'entreprise et les obstacles de commercialisation perçus à l'échelon international sur les résultats globaux à l'exportation. À partir de ce modèle, les auteurs ont rédigé un questionnaire de onze pages (annexe A) à utiliser pendant des interviews personnelles. Cet instrument lui-même a été conçu pour tester le cadre proposé et permettre une analyse statistique des réponses. Cet instrument a été ensuite utilisé pour interviewer 85 entreprises de haute technologie en Ontario qui avaient en moyenne des dépenses moyennes de 7,8 millions \$ et 100 employés.

L'enquête cherchait à obtenir les réponses des clients à un certain nombre de questions spécifiques : au total 15 sources extérieures possibles d'information ont été testées par rapport à l'ampleur de leur utilisation. Les répondants ont ensuite identifié dix problèmes importants relatifs à ces sources particulières qui sont classés par ordre. Les résultats existants à l'exportation des entreprises de l'échantillon ont été mesurés d'après le niveau de croissance et le degré d'intensité. Dans le domaine des stratégies générales de l'entreprise, l'étude a classé les pratiques courantes selon deux lignes fondamentales : l'orientation des débouchés sur le marché mondial ou chez le voisin le plus proche et une approche acheteur/vendeur. Comme prolongement de cette politique, les entreprises échantillonnées ont également été priées de relier l'utilisation des sources d'information à des secteurs clés du processus de prise de décisions. Les entreprises échantillonnées ont également répondu à une liste de douze obstacles possibles relevés dans la documentation existante et ont également donné une liste de 23 problèmes de mise en marché perçus qui, selon elles, entravent leurs résultats à l'exportation. Ces réponses sont mentionnées et classées dans le rapport.

Enfin, les auteurs énoncent les conclusions importantes tirées d'une corrélation des réponses entre tous les éléments du modèle - les résultats, les sources d'information utilisées et les problèmes constatés avec les données disponibles, les stratégies utilisées et les problèmes et obstacles de mise en marché perçus. Bon nombre de relations importantes ont été découvertes et elles sont mentionnées tout au long de l'étude.

To
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EXECUTIVE SUMMARY

The enclosed report summarizes a year-long research project which focussed on the role of external information sources on the export performance of smaller high-technology companies. As a first step the authors developed a conceptual model of the general problem based upon existing knowledge. This framework identifies the interaction between sources of information, basic firm strategies, and perceived international marketing problems and barriers on overall export performance. With this model as a basis, the authors developed an eleven page questionnaire (appendix A) for use during personal interviews. The instrument itself was designed to test the proposed framework and to allow for detailed statistical analysis of the responses. This instrument was then utilized in interviewing 85 high-tech firms in Ontario who, on average, have sales of \$7.8 million and 100 employees.

The investigation sought the client responses relative to a number of specific questions: A total of fifteen possible external sources of information were tested relative to extent of use. Respondents then identified ten major problem areas with these particular sources which

are rank ordered. The existing export performance of the sample firms was measured on both the level of growth and degree of intensity. In the area of general firm strategies, the study classified the existing practices along two fundamental lines - world versus nearest neighbor market orientation and a marketer versus seller approach to the market. As an extension of this policy issue the sample firms were also asked to tie the use of information sources to key areas of the decision-making process. The sample companies also responded to a list of twelve potential barriers based on the existing literature and also offered a list of twenty-three perceived marketing problems which they feel inhibits their export performance. These responses are noted and rank ordered in the report.

Finally, the authors outline the significant findings from a correlation of the responses between all the elements of the model - performance, information sources used and problems seen with data available, strategies employed, and perceived marketing problems and barriers. A large number of important relationships were uncovered and are reported throughout the study.

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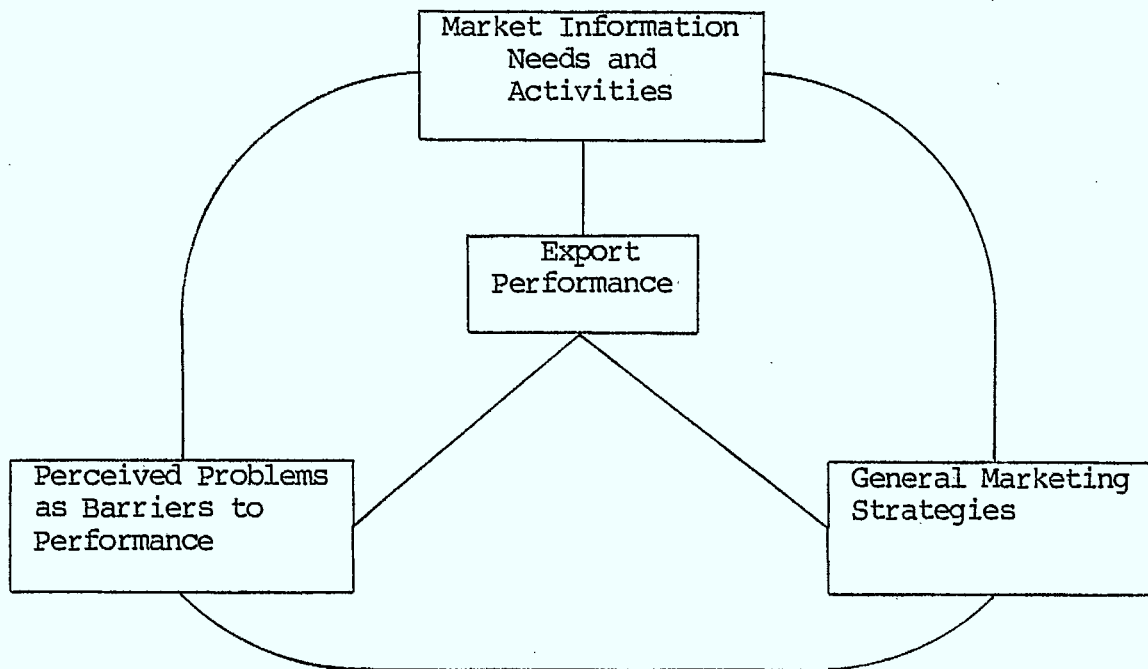
INTRODUCTION

This study was undertaken to seek answers to a number of questions related to export performance by small high-technology Canadian firms. It is felt that exporting success is essential for high-tech firms due to the limited size of the Canadian market for these kinds of goods. Because world markets are competitive and dispersed, information on these markets becomes crucial for success.

In addition, past work clearly indicates that two other major conditional areas are involved in both export performance and the use of information. One is the general strategy which is employed by the company. And the other is the existence of perceived marketing problems which act as barriers to improved export performance. Conceptually, a model of interaction such as the following can be portrayed.¹

¹Related empirical studies would include: Alexandrides, (1971), Cavusgil (1976), Cunnigham (1971), Hirsch (1970, 1971), Kleinschmidt (1983), McDougal and Stening (1975), Neidell (1965), Philpot (1975) and Tookey (1964).

THE EXPORTER'S WHEEL



In developing the research instrument the authors drew upon the existing literature to develop the issues to be tested in each of these categories. A brief overview of some of this past research will serve to introduce the reader to many of the issues to be discussed later in the report.

Market Information Needs and Activities

Cavusgil (1979) sees the extent to which these activities are carried out as an indication of the relative significance the company attaches to foreign markets. The sources of information can be exceptionally varied. Executive trips to foreign markets (Hirsch, 1971;

McDougal and Stening, 1975; Khan, 1978), governmental and trade publications and export support services (Neidell, 1965; Cunningham and Spigel, 1971) are but a few sources mentioned. Kleinschmidt (1983) identified 14 different external sources used by firms in the Canadian electronics industry.

Naor and Cavusgil (1981) show that the more a firm exports the more information it desires, that active exporters desire more specific types of information, and that primary information is more crucial than secondary. Czenkota and Johnston (1983) indicate that the most successful exporters spend a great deal of time collecting it. Sekely (1982) found that overseas dealers, representatives and agents are the most important sources of information. Piercy (1981) found that the commonest sources are largely qualitative, frequently subjective, and restricted to existing markets. And many studies have found that small firms tend to be unaware of sources and are reluctant to invest in information.

General Marketing Strategies

Motivation appears to play a crucial role in export success. Cavusgil and Nevin (1981) found that management's aspirations relative to

market growth and their expectations for export success were crucial in separating the successful firms. Similarly Rieth and Ryan (1981) found that small firms who believed that one could gain profits from abroad, saw growth as critical, and did not see foreign sales as being only for large firms were successful in their exporting.

The Uppsala School argues that exporting tends to begin with the psychologically closest country, and then extends progressively to countries more-and-more distant (Wiedersheim-Paul, Welch, and Olson, 1975; Johanson and Vahlne, 1975). Similarly, Tesar (1975), in a study of Wisconsin firms, found that those exporting only a small percentage of their total sales tended to derive most of their export earnings from Canada, whereas heavy exporters tended to derive most of their export earnings from Western Europe. And Carlson (1975) concluded that firms producing technology-intensive products are more influenced by psychological distance than producers of other products, and that small firms are more influenced by psychological distance than are large firms.

Perceived Problems as Barriers to Performance

Kleinschmidt (1983) found that perceived barriers were related to export performance -- particularly if performance was expressed as export

level. The types of obstacles perceived tend to vary by industry (Pinney, 1971) and by firms' export stages (Tesar, 1975). General cross-sectional studies indicate that nonexporting firms perceived significantly more obstacles than did exporting firms (Alexandrides, 1971, Simpson, 1973; Rao and Winrauch, 1974; Bilkey and Tesar, 1975). This appears to be particularly true for firms that have made an export attempt and then withdrew.

Also involved here is the issue of firm size and thus availability of internal resources. Empirical findings on this issue have been mixed. Four studies show a positive cross-sectional relationship between firm size and the percent of firms that export (Perkett, 1963; Tookey, 1964; State of Minnesota, 1975). Three studies have determined that no meaningful relationships exist (Snavelly, et. al., 1964; Doyle and Schommer, 1976; Bilkey and Tesar, 1975). Two other studies have concluded that very small firms tend not to export, that beyond some point exporting is not connected with size, and that between these two points exporting seems correlated with firm size (Hirsch, 1971; Cavusgil, 1976). Certainly the relationship may be complicated by a possible

intercorrelation of firm size and the quality of management.

The final element in the conceptual model is the dependent factor itself - export performance. In this study we measured performance in two ways: export intensity (exports to total sales ratio) and export growth (percent growth in export sales). Most export performance research has used export intensity as the only indicator of export success. Work done by other researchers (Cunningham and Spigel, 1971; Fenwick and Amine, 1979) has shown that reliance on export intensity might result in conclusions that are too narrow. In addition, empirical results of a study by Kleinschmidt (1983) showed that both measures are uncorrelated and that the factors explaining performance differ between the two measures. In turn, this allows a more complete identification of the influence of select firm factors on export performance.

We have, then, a general model which attempts to explain the various issues underlying exporting behaviour. This study applies this model to a select sub-set of Canadian industry -- namely relatively small, high-technology firms. The objective of the research is to identify the existence of the many contributing factors in relation to specific measures of past performance. In so doing, the authors have

attempted to test both existing knowledge and the extent to which the results of past research are applicable to this selected sample base. Finally, an attempt will be made to draw attention to certain findings which may have policy implications for the department in its efforts to encourage the exporting activities of this industrial sector.

RESEARCH METHOD

Managers in a total of 85 firms in Southern Ontario were personally interviewed to obtain data on export performance, export strategies, market information activities and export barriers. The 85 firms were selected from three listings:

1. The CATALOG (Canadian Advanced Technology Association, 1982);
2. AIAC (Aerospace Industries Association of Canada, 1982);
3. Canada in the world of electronics, (ITC, 1982).

Many of the firms are listed in two or even in all three sources.

The sample is a regionally concentrated sample due to time and budget constraints. Therefore generalizations of findings may have to be approached with some caution.

A total of 132 firms were originally contacted by telephone to request cooperation. Those that did not export were excluded (19 firms). Another eight firms could not be interviewed due to other reasons (e.g., late cancellations of interview dates). Twenty firms refused cooperation for different reasons (e.g., "never participate in research" or "never give out such information", or contact person not available).

An extensive questionnaire was used to collect the data. This

questionnaire was pretested with the firms regarding semantic clarity. To administer the final questionnaire took between 45 to 60 minutes. A copy of the questionnaire can be found in appendix A. Of the 85 respondents, 24 (or 28.3%) were presidents or general managers, 32 (or 37.6%) were VP's of marketing, sales or production and the rest (29 or 34.1%) were international marketing -, marketing - or sales managers.

The average firm in the eventual sample had annual sales of \$7.8 million and 99.9 employees. It was originally intended to interview only companies with no more than 100 employees. However, because the sample size would have been too small, somewhat larger firms were also included. Of the 85 firms, 54 firms have 100 or less employees and only 9 firms are over 200, with the biggest firm having 310 (for more details see Table 1). The average age of the firm is 22.8 years and the average export experience (continuous years of exporting) is 14.5 years with 50% of the companies having not more than 13 years of export experience. Within the sample, 76.5% or 65 of the firms are Canadian owned, and 24.5% (or 20 firms) are foreign owned (see also Table 1).

TABLE 1

SIZE, AGE, EXPORT EXPERIENCE AND OWNERSHIP OF THE INTERVIEWED FIRMS

Size of Firm

a) by no. of employees	# of firms	% of all firms	
< 20	14	16.7	
> 20 < 50	17	20.2	mean: 99.9
> 50 < 100	23	27.4	std. deviation:
> 100 < 200	21	25.0	93.1
> 200	9	10.7	range:min: 3
			max: 310

b) by total sales (\$mil)	# of firms	% of all firms	
< 1	14	16.4	mean: \$7.38mil
> 1 < 3	19	22.4	std. deviation:
> 3 < 10	27	31.8	range min:
> 10 < 25	22	25.9	\$200,000
> 25	3	3.5	max: \$65 mil

Age of firm

years	# of firms	% of all firms	
< 5	3	3.5	mean: 22.8yrs
> 5 to < 10	16	18.8	std. deviation:
> 10 to < 20	25	29.4	16.6
> 20 to < 30	22	25.9	range min: 3yrs
> 30	19	22.4	max: 101 yrs

Export Experience

years	# of firms	% of all firms	
< 5	13	15.5	mean: 14.5 yrs
> 5 to < 10	17	20.2	std. deviation:
> 10 to < 20	39	46.4	10.8
> 10	15	17.9	range min: 0
			max: 78 yrs

Ownership	# of firms	% of all firms
Canadian	65	76.5
Foreign	20	24.5

During the interview, managers were asked about their export performance and their export marketing strategies, namely the countries exported to (and proportional importance of exports by country), the nature and number of segments catered to, and product adaptation practices. A nearest neighbor exporter (versus world exporter) was defined as a firm which exported more than 67% of its exports to one country¹ (in this case, the U.S.). Firms that sold to two or more market segments within their foreign markets were classed as multi-segmenters (versus single segment). Product adapters were defined as firms which adapted their products beyond the minimal requirements for export markets.²

The sample of firms was then categorized into the eight possible export strategies. The resulting strategy groups are defined in terms of "world" versus "nearest neighbor" approach and a "marketing" versus "selling" orientation. Here a "marketer" practices both product adaptation and market segmentation concurrently; in contrast, a "seller"

¹Note: that on average 67% of Canadian manufactured exports are destined to U.S. markets (excludes Autopact).

²In order to classify firms as product adapters (or non-adapters) and segmenters (or non-segmenters), Likert type multi-item scales were used: five items for the product adaptation dimension and four items for the market segmentation dimension.

neither adapts his products nor practices market segmentation; and a third category, falling between the two extremes, the quasi-marketer, practices either product adaptation or segmentation, but not both concurrently. The definition and frequency of these resulting six strategy types is shown in Table 2. The smallest proportion of firms elected the strategies of a world oriented marketer, (7.1%), and the nearest neighbor seller (9.4%). Only 29.5% practiced a marketing approach while almost half (49.4%) had a world orientation.

TABLE 2

DEFINITION AND FREQUENCY OF STRATEGY TYPES

	World	Nearest Neighbor
Marketer	Adapts products and segments markets and markets to the world. 7.1% of firms	Adapts products and segments markets, and markets mainly to nearest neighbor. 22.4 of firms
Quasi-Marketer	Either adapts products or segments markets, but not both; exports to the world. 24.7% of firms	Either adapts products or segments markets, but not both; exports mainly to nearest neighbor. 18.8% of firms
Seller	No product adaptation and no market segmentation, and sells to the world. 17.6% of firms	No product adaptation and no market segmentation, and sells mainly to nearest neighbor. 9.4% of firms

GENERAL RESULTS

Export Growth and Export Intensity

Export growth and export intensity, the export performance measures, can be summarized as follows for the firms in the sample:

- . Export growth¹: 33.4% over 3 years, 28.7% over 4 years, 31.8% over 5 years;
- . Export intensity²: 51.3% last year reported, 49.8% over 3 years³, 47.8% over 5 years.

Export growth was measured as the compounded annual export sales growth and export intensity was measured as export sales as a percent of total sales. Both performance measures are uncorrelated.⁴ Annual export sales growth of over 30 percent for the period under investigation (1978-1982) speaks of a solid sales performance for smaller high-tech companies in Canada. Equally, the reliance on foreign markets for the last year

¹Note that the Pearson correlation between the three growth indicators (compounded annual growth in export sales) was never lower than 0.80, making all three measures closely identical. Therefore, whenever growth is mentioned, the export sales growth measured over 3 years is reported.

²Note that the Pearson correlation between the different forms of measuring export intensity is never lower than 0.97 making all three measures virtually identical. This means that any measure could be used. The export intensity of last year reported was chosen.

³Weighted export intensity over 3 and 5 years with higher weights for more recent years. Method as used by Hirsch, 1971.

⁴The actual Pearson correlation between the two measures is $r=0.14$ and is not significant at the $p=0.10$ or better level.

reported (export intensity of 51.8%) indicates the increasing importance of foreign markets, which have become more important than domestic markets.

The small firms investigated have highly concentrated product offerings. They rely, on average, on less than two products as indicated by the product concentration index of 60.6% (a Herfindahl index as developed by Hirsch and Lev, 1974). An index value of 100% means that all sales are achieved through one product, 50% means that two products account equally for total sales, etc. A value between 50% and 100% means that one product accounts for the majority of all sales and another (or a few) for the rest.

The export market concentration index of 62.7% (the export market concentration index measures the degree of market dispersion for export sales over world markets) reveals, to no surprise, that exports are concentrated on U.S. markets. As can be seen from figure 1, 61.9% of all exports are destined for the U.S. (nearest neighbor market) and 12 firms (or 14.1% of all firms) concentrate entirely on U.S. markets. Nearly half of all firms (42.1%) export to five or less countries. The second most important market is the EC (11.9%) followed by other developed

countries (ODC=8.8%) consisting of New Zealand, Australia and South Africa. Developed countries receive at least 85.6% of all exports.⁵ This figure is considerably larger than world exports between OECD members, which is approximately 72%.⁶ (For more details see Figure 2).

Use of External Information Sources

External information sources represent an important but only secondary source of information for export marketing decisions. Based on estimates by the 85 firms interviewed, internal data collected (through visits, telephone, letter) accounts for 60.5% of data input for international marketing decisions and external sources for 39.5%.

Based on the literature surveyed⁷, recent empirical findings (Kleinschmidt, 1983), and contact with firms, fifteen external information sources were identified. Firms were asked to what extent they used each source (5-point scale question from 'never used' to 'used

⁵Exports to Asia and Middle East (A&M) are heavily weighted towards Israel, Japan, Hong Kong and Singapore, countries comparable to developed countries. If they are included approximately 90% of all exports is destined for developed countries.

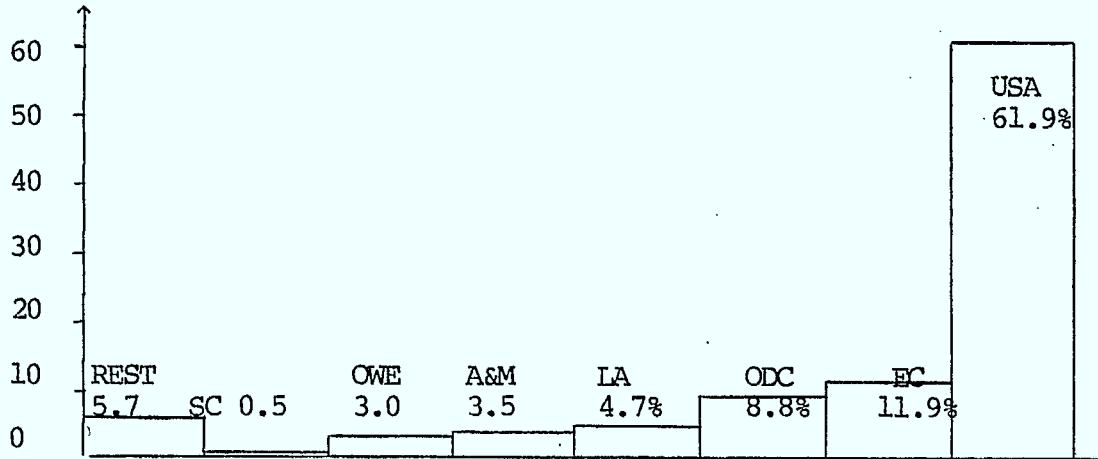
⁶U.N. Yearbook, 1980.

⁷For example: Tookey 1964; Neidell, 1965; Mayer and Flynn, 1973; Daniels and Goyburo, 1976; Fenwick and Amine, 1979; Kleinschmidt, 1983.

FIGURE 2

EXPORT DESTINATIONS AND NUMBER OF EXPORT RECEIVING COUNTRIES

% of total
export received



USA = USA
 EC = European Community
 ODC = New Zealand, Australia, South Africa
 LA = Central & South America
 A&M = Asia & Middle East
 OWE = Other West Europe
 SC = Socialist Countries
 REST = rest of World

# of Export Markets (Countries)	# of firms	% of all firms
1	12	14.1
2 to 5	24	28.2
6 to 10	19	22.4
11 to 20	20	23.5
> 20	10	11.8
		100.0%

all the time') and how important each source is compared to others - thermometer scale, 100 points distributed over all sources proportional to their importance (for further details see appendix A, p. 5).

The most important⁸ information sources are:

1. Foreign agents and distributors,
2. Customers,
3. Foreign trade fairs,
4. ITC trade commissioner service,
5. Trade journals.

The outstanding external information source by far is 'foreign agents and distributors'. This source alone accounts for 33% of all information of the fifteen identified sources. Also of interest is the fact that the first three sources (and most important sources) are information sources that are closely linked to a firm in a marketing sense, compared to the next two sources (ITC and trade journals). In other words, the three most important sources are company specific and not of a general nature.

The three least important information sources are (by rank):

- . domestic and foreign banks (rank 13),
- . brokers and forwarders (rank 14),
- . U.N. and international trade statistics (rank 15).

⁸The information sources are ranked by multiplying extent of use with importance. As can be seen from Table 3 the two highest and lowest ranked sources do not change between the different measures. On the other hand there are some rank differences between use and importance for middle range sources. A combined scale is thought to reflect more accurately the overall impact.

Worthy of note is the low importance (or impact) of banks (and this means primarily domestic banks, because foreign banks seemed to be rarely used based on responses of participants). It seems that Canadian banks, in the eyes of smaller firms, are irrelevant as in international marketing information source. (For further details see Table 3).

Problems with External Information Sources

An open ended question was asked regarding problems with external information sources. Ten problems were identified and ranked by frequency of mentioning (see Table 4). Fourteen firms indicated that they had no problems with external data. Excluding this set, the four most important data problems are:

1. data is too general;
2. data is out of date/not timely;
3. data is not available or difficult to get;
4. data is misleading, unreliable, not accurate.

All ten problems were grouped into four general areas, firms were assigned to an area based on their responses and further analysis was conducted on each group (see pages 41-47). The four areas are:

TABLE 3

USE AND IMPORTANCE OF EXTERNAL INFORMATION SOURCES: RANKED BY
COMBINED IMPORTANCE

Source	Use ¹ Rank	Importance ² Rank	Combination ³ Rank
Foreign Agents & distributors	3.77 1	27.9 1	126.2 1
Customers	3.55 2	11.8 2	50.2 2
Foreign Trade fairs	2.97 4	9.6 3	38.7 3
IIC trade commissioner service	2.96 5	9.4 5	37.2 4
Trade journals	3.16 3	9.5 4	36.4 5
Other companies	2.47 7	4.9 7	17.4 6
Canadian Government publications	2.67 6	5.4 6	16.8 7
Trade and industry associations	2.17 8	4.9 8	15.6 8
Consultant	1.78 13	3.2 9	11.4 9
Foreign government and their trade related services	1.98 10	2.1 10	6.3 10
Intern. trade listings	2.17 9	1.7 12	6.3 11
Suppliers	1.93 11	1.8 11	5.2 12
Domestic and foreign banks	1.81 12	1.6 13	4.9 13
Brokers (foreigners)	1.65 14	0.9 14	2.7 14
UN and international trade statistics	1.44 15	0.7 15	1.6 15
Others ⁴	1.72	4.5	20.7

1. Average use on a 5-point scale from 'Never Used' to 'Used all the time'.
2. Average importance weight out of 100 points distributed over all information sources
3. Multiplication of use and importance.
4. 'Others' includes external information sources only used once by individual firms, non-identified sources by firm (e.g., "we use other sources, but can't give examples") and some 'gray areas' (e.g., "we consider information from our foreign head quarters or affiliate as external").

1. no major problems,
2. data too general,
3. data problems,
4. information problems because of small size of firm.

Firms were also asked how many mandays they annually spend visiting foreign markets (converted into a percent of total mandays available for a firm based on total employment) and what proportion of the visiting time was allocated to visiting existing markets as compared to new or potential markets.

The average firm spends 0.206%⁹ of all mandays available visiting foreign markets. Of this time, slightly more than half (or 55.7%) was spent visiting existing markets. This means, again for the average firm with 100 employees, that approximately 4 weeks a year (or less than 10% of one employee's working time) is spent visiting new or potential export markets. One may conclude that relatively little time is spent on visiting foreign markets. Given that external information sources have

⁹For a firm with 100 employees working an average of 240 days (or 48 weeks with 5 days/week) 0.206% of mandays available represent 49.6 mandays (or approximately 10 weeks) spent annually in foreign markets.

TABLE 4

PROBLEMS WITH EXTERNAL INFORMATION SOURCES

Problem	Frequency ¹	Rank
1. Data is too general	36	1
2. Data is out of date/not timely	25	2
3. Data is not available or difficult to get	14	3
4. No major problems with data	12	4
5. Data is misleading, unreliable, not accurate	8	5
6. Do not use external sources	3	6
7. Lack of awareness that sources exists	2	7
8. Data is not for a small firm	1	8
9. Lack of internal resources	1	8
10. Others	1	8

1: A firm can mention more than one problem. For the frequency count all firms that mentioned a specific problem are included, which means multiple counting. For grouping purpose only the first named problem is used.

- Groupings:
1. No major problems (#4)
 2. Data too general (#1)
 3. Data problems (#2,3,5)
 4. Info. problems because of size of firm, (#6,7,8,9,10)

less impact on export market decisions than internally collected data, one gets an appreciation of the limited impact of external information sources on the international marketing activities of the firms represented in this sample in light of the very small amount of time spent even collecting primary data.

Major International Marketing Problems

Two more open-ended questions were asked. The first was aimed at identifying major international marketing problems. Each respondent was requested to rank the three most important international marketing problems his firm has encountered. In a second question the respondent was asked to list the three major marketing problems due to information obstacles. Table 5 lists the major international marketing problems mentioned by the respondents and Table 6 details the international marketing problems due to information constraints.

The five most important international marketing problems, out of a total of 23 mentioned, are (ranked by decreasing frequency):

1. Internal resource constraints (largely time and manpower);
2. Communication problems;
3. High cost of doing international business;

TABLE 5

INTERNATIONAL MARKETING PROBLEMS

Problem ¹	Frequency of Ranked 1st	Frequency of Ranked 2nd	Frequency of Ranked 3rd	Overall Ranking ²
1. Internal resource constraints (largely time and manpower)	15	15	12	25.75
2. Communication problems-customer awareness, spread of info, general marketing intelligence	8	14	2	17.25
3. High cost of doing int'l business	9	8	9	14.25
4. Distribution, representation, service	8	6	10	13.5
5. Trade barriers	8	3	2	10.0
6. Non-tarrif barriers	6	4	2	8.5
7. Currency fluctuations	3	7	2	7.0
8. Pricing to competition & general competition	4	1	2	5.0
9. Corporate constraints	4	1	0	4.5
10. Market size - small, fragmented	3	6	0	4.5
11. Payment problems	3	1	4	4.5
12. Product adaptation	2	3	2	4.0
13. Lack of top management support	2	2	2	3.5
14. Inadequate government aid	2	1	3	3.25
15. Funds availability in foreign markets	2	1	0	2.5
16. No problems	2	0	0	2.0
17. Marginal business	1	0	3	1.75
18. Poor world economic situation	1	0	1	1.25
19. Others	1	0	1	1.25
20. Paperwork problems	1	0	0	1.00
21. Scarcity of raw material input	0	0	2	0.5
22. Shipping problems	0	1	0	0.5
23. Political problems as barriers	0	0	1	0.25

1. All firms mentioned at least one marketing problem, 77 firms mentioned at least 2, and 64 firms ranked three problems.
2. For overall ranking purpose, the first rank has been weighted as 1, the second rank as 0.5 and the third rank as 0.25. The frequency of each specific problem has been multiplied by the weights and summed.

- Groupings:
1. Marketing problems (#2,4,10,12,17,18): (23 firms)
 2. Financial problems (#3,7,8,11,14,15): (23 firms)
 3. Internal constraints (#1,9,13): (21 firms)
 4. Barriers (#5,6,20,18): (16 firms)
 5. Others: (? firms)

4. Distribution, representation, service;
5. Trade barriers.

Of interest is the fact that of the first five most important problems, only one (trade barriers) is external, all others reflect internal limitations. A grouping of all the problems (first rank only) by content similarity produced four major problem areas:

1. marketing problems (23 firms);
2. financial problems (23 firms);
3. internal constraints (21 firms);
4. barriers (e.g., tariff and non-tariff barriers) (16 firms).

Again, one can see that internal problems dominate by far when compared to general economic barriers.

The five most important international marketing problems due to information constraints are (see Table 6):

1. Information not specific enough/not available;
2. no problems;
3. lack of knowledge of sources;
4. lack of proper contacts with distributors and governments;
5. lack of internal resources - including corporate constraints.

Noteworthy is the fact that 16 (or 18.9%) firms see no marketing problems due to information constraints. Except problem #5 (lack of internal resources) the major problems mentioned are problems with information, but not marketing problems per se. This may be interpreted as meaning that while firms have problems with information sources, such problems are not necessarily perceived as creating important international marketing problems. This line of thought is further supported when grouping all 18 mentioned problems by similarity into four major problem areas. They are:

1. No problems (16 firms)
2. Information not available/unknown sources (20 firms);
3. Problems with data (35 firms);
4. Internal problems (11 firms).

Except the last (and smallest) group, the vast majority of firms mentioned problems with data, but not marketing problems due to data.

Export Marketing Barriers

Export marketing barriers were assessed by the respondents relative to their potential to limit their export marketing endeavors.

TABLE 6
INTERNATIONAL MARKETING PROBLEMS DUE TO INFORMATION
CONSTRAINTS

Problem ¹	Rank 1	Rank 2	Rank 3	Overall Ranking ²
1. Information not specific enough/not available	14	5	2	17.0
2. No problems	16	0	0	16.0
3. Lack of knowledge of sources	8	1	3	9.25
4. Lack of proper contacts with distributors and governments	6	5	0	8.5
5. Lack of internal resources-incl. corporate constraints	8	0	0	8.0
6. Lack of info/timing/outdated	6	1	2	7.0
7. Finding proper contacts in foreign markets for information	5	4	0	7.0
8. Language, terminology	4	5	1	6.75
9. Problems with info from Canadian governmental sources	4	3	2	6.0
10. Reliability of information	4	0	2	3.5
11. Self-reference attitudes	2	2	2	3.5
12. Cost of communicating	1	3	1	2.75
13. Lack of competitors information	1	2	0	2.0
14. Proper medium selection	1	1	0	1.5
15. Political (communist) environment	1	0	1	1.25
16. Duty/customs information	1	0	0	1.0
17. Others	0	1	1	0.75
18. Foreign fairs not sufficient used	0	1	0	0.5

- 82 firms mentioned at least one international marketing problem due to information constraints, only 34 mentioned at least two, and only 17 were able to rank three.
- For overall ranking purposes the first rank has been weighted by 1, the second rank by 0.5 and the third rank by 0.25. The frequency of each specific problem has been multiplied by the weights and summed.

Groupings: 1. No problems (#2): 16 firms
 2. Info not available/unknown source (#3,4,7,14,18): 20 firms
 3. Problems with data (#1,6,8,9,10,13,15,16): 35 firms
 4. Internal problems (#5,11,12,17): 11 firms

Twelve barriers were selected from existing literature¹⁰ and discussions with representatives of the firms. The respondents were asked to agree or disagree (on a 5-point Likert type scale) with specific barriers as major impediments to their export activities and to distribute 100 points amongst the barriers proportional to their importance. These two scales were combined (multiplicative) to arrive at an overall impact measure (see Table 7). Based on that measure the four most important barriers are:

1. Inadequate representation;
2. Locating potential markets and determining demand;
3. Tariff and non-tariff barriers;
4. Lack of trained and experienced international marketing personnel.

The three least important barriers are:

10. Shipping, transportation, and documentation requirements;
11. Product adaptation requirements;
12. Lack of production capacity.

¹⁰Neidell, 1965; Cavusgil, 1976; Khan, 1978; McGinness, 1978, Kleinschmidt, 1983.

TABLE 7

EXPORT MARKETING BARRIERS

Barrier	Presence of barrier ¹	Importance ²	Combination ranking ³
1. Inadequate representation	2.63	20.67	88.01
2. Locating potential markets and determining demand	2.20	12.79	51.98
3. Tariff and non-tariff barriers	1.60	11.40	44.54
4. Lack of trained and experienced international marketing personnel	1.75	10.72	42.43
5. Currency fluctuations and restrictions	1.46	6.99	27.41
6. Relative high costs of products	1.33	6.45	24.19
7. Credit requirements and collection of currency	1.13	5.82	23.63
8. Lack of inhouse financial means	1.12	5.80	23.22
9. Limited size of markets abroad	1.10	5.66	18.34
10. Shipping, transportation and documentation	1.12	4.72	17.00
11. Product adaptation requirements	0.86	4.33	16.14
12. Lack of production capacity	0.79	3.45	13.59

1. 5-point scale, disagree (1) to agree (5) that specific barrier is a major barrier for export marketing.
2. Distribution of 100 points among the 12 barriers proportional to perceived importance.
3. Combination of the two scales (multiplication) for an overall impact ranking.

Of the four most important barriers, all but one (tariff and non-tariff barriers, rank 3), are marketing related barriers. In combination these three marketing barriers account for nearly half (47.0%) of the total responses over all twelve barriers. Export barriers in an economic sense (tariff and non-tariff barriers), are of some importance but their overall impact is considerably less than inhouse marketing problems.

Of particular interest is that for the firms investigated product adaptation is a minor problem. This could be interpreted as follows:

- 1) the nature of the products (high-tech) is such that the products are universal;
- 2) product adaptation for high-tech products is relatively easily accomplished;
- and 3) product adaptation is not perceived as a problem by the firms.

The question of the role and significance of product adaptation for export markets needs further elaboration. One can see from the performance results across strategy groups that the export strategy elected has little influence on the static measure of export performance - export intensity. On the other hand the dynamic measure, export growth, is significantly different between sellers (no product adaptation

and no market segmentation) with low growth and more marketing oriented firms (marketers and quasi-marketers) with high export sales growth. One may conclude from this that underestimation of the importance of product adaptation can have a detrimental effect on export growth. Considering that high performers perceive product adaptation as a strategic variable, one may conclude from the overall low impact of product adaptation as a barrier that the actual activity of adapting the product is relatively easily implemented, if it is indeed attempted. But for those firms that do not consider product adaptation of strategic importance, the perception that product adaptation is not an export barrier is detrimental to export performance if performance means export sales growth.

INFORMATION SOURCES FOR DECISION MAKING

The sample firms were asked to indicate the most important single source of information for making decisions over a wide range of marketing activities. We hoped that by isolating the various key decision areas, we would be able to identify the major sources of information utilized by these firms and this would allow us to determine the relative importance of the major potential sources of information. The following summarizes the responses received.

<u>Decision Area</u>	<u>Percentage of Responses*</u>
1. Price	63% - On-site competitive analysis 30% - Internal costs
2. Promotional methods	27% - Advertising houses & agents 25% - On-site competitive analysis 22% - Channel representatives 21% - Customers
3. Distribution margins	39% - Industry standard 20% - Corporate policy 17% - On-site competitive analysis 15% - Distributor
4. Channel choice	34% - On-site competitive analysis 28% - Standard policy - e.g. direct 22% - Customer requests
5. Credit terms and collection	40% - Standard policy 26% - D & B, banks 21% - Experience - start with cash or L.C.
6. Product adaptation	67% - Customer requests 17% - On-site experience 11% - Channel representatives

7. Installation, service,	65% - Standard policy/industry stand- and guarantees and warranties 27% - Customer requests
8. Salesforce selection	53% - Product technology - standard policy 45% - On-site experience - buyers' needs
9. Logistics	53% - Customer requests 21% - Internal-based on value of goods
10. Border clearance	64% - Brokers 17% - Customers
11. Form of market entry	35% - On-site analysis 33% - Internal policy - volume of business 13% - Customer requests
12. Method of payments	95% - Cash or L.C. only

*Percentage based on number of firms responding in each category. May not total 100 since only major responses reported.

General Comments:

These responses carry a very clear message -- when the firm is making its key marketing decisions there is very little use of secondary and/or institutional sources of information. Rather, the firm relies on primary data from the market, follows standard internal policy, or simply avoids the problem in cases such as payments.

RELATIONSHIPS FOUND BASED UPON GENERAL STRATEGIES FOLLOWED

On the basis of past research¹, we have sought to identify firm strategies along two fundamental lines: Whether the firm is oriented towards world markets or concentrates on the U.S. And, whether the firm is marketing oriented or is simply a seller. In this context we defined the sets, with a "quasi" option added for ease of categorization, as follows: (note: percentages represent sample breakdown):

TABLE 8
DEFINITION AND FREQUENCY OF STRATEGY TYPES

	World	U.S.
Marketer	Adapts products and segments markets, and markets to the world. 7.1% of firms	Adapts products and segments markets, and markets mainly to nearest neighbor. 22.4% of firms
Quasi-Marketer	Either adapts products or segments markets, but not both; exports to the world. 24.7% of firms	Either adapts products or segments markets, but not both; exports mainly to nearest neighbor. 18.8% of firms
Seller	No product adaptation and no market segmentation, and sells to the world. 17.6% of firms	No product adaptation and no market segmentation, and sells mainly to nearest neighbor. 9.4% of firms

In analyzing the data, we identified a number of significant² differences between these groups. True to the definition of marketer

¹Kleinschmidt and Cooper (1983)

²In what follows in the next sections of this report, only those associations showing significant statistical levels will be dealt with.

versus seller, world marketers are the most diversified in their product offerings, see product adaptation as an insignificant barrier to export performance, and, in the case of the U.S. marketer, show the highest levels of formal export planning. On the other hand, the sellers (U.S.) have the narrowest product offerings - close to being one product firms, and see product adaptation as a major barrier to export sales.

A further set of differences is also seen in that the marketer (U.S.) sees proper representation as a major barrier to export performance, whereas the seller (U.S.) sees proper representation as an unimportant barrier to export sales. And, the world marketer uses customers as an information source the most, while the U.S. seller uses them the least. These splits are easily understandable given the differences in approach to the serving of markets characterized by the two definitions.

The split between a world vs U.S. market orientation also produced a number of significant insights. Those firms dedicated to world markets use ITC as an information source the most, use international trade stats (e.g. U.N.) the most, and, whether a marketer or seller, tend to use

trade fairs the least. The information gathering of those firms concentrating on the U.S., however, show these profiles - the U.S. marketer uses ITC the least, and uses international trade stats the least. And in the case of the U.S. seller, he uses trade fairs and journals as sources of information the most.

The two groups also differ in their perception of competitive ability. Whereas the world seller sees high costs of production of little importance as a barrier to export performance, the U.S. seller sees these high costs as the major barrier. For these firms, the widely discussed issue of cost competitiveness appears to be isolated to U.S. competition much more than the rest of the world.

Thus whether a firm is marketing versus selling oriented and whether it is world versus U.S. market oriented will produce a large number of different market approaches, the use of different information sources, and different perceptions of problems and barriers. And those firms that are market oriented show the highest levels of export sales growth (twice as high on average) compared to the sales oriented firm which has the lowest growth records.

PERCEIVED BARRIERS TO EXPORT PERFORMANCE

The firms in the sample were asked, in an open-ended fashion, to identify the various international marketing problems which they felt severely limited the growth of their export operations. Their responses were summarized in Table 5, p.25 in the GENERAL RESULTS chapter. (also see Table 9).

For purposes of variance analysis we grouped this rather extended list as previously indicated, under four broad headings:

- (1) Marketing problems (Nos: 2,4,10,12,17,18);
- (2) Financial problems (Nos: 3,7,8,11,14,15);
- (3) Internal firm Constraints (Nos: 1,9,13);
- (4) Barriers (Nos: 5,6,20,18) .

These four groups were analyzed to ascertain whether any significant associations existed between perceived barriers and information sources utilized and general characteristics of the firms. As a first step, the information source differences among the four groups (Table 9), followed by an identification of differences regarding export marketing barriers and several firm characteristics (Table 10). General observations based on these tendencies are reported after each table.

Table 9

PROBLEM GROUPS RELATED TO USE OF EXTERNAL INFORMATION SOURCES

Problem Group	Information Source
(1) Firms with Marketing Problems (23 firms)	<ul style="list-style-type: none"> - little¹ use of banks; - little use of associations; - little use of consultants; - little use of other companies - little use of fairs; - little use of customers.
(2) Firms with Financial Problems (23 firms)	<ul style="list-style-type: none"> - highest¹ use of banks; - low¹ use of associations; - low use of other companies; - highest use of fairs.
(3) Firms with Internal Constraints (21 firms)	<ul style="list-style-type: none"> - tendency to use agent and distributors less than other groups; - lowest use of associations; - highest use of consultants; - highest use of other companies; - highest use of customers.
(4) Firms with Tariff and Non-tariff Barriers (16 firms)	<ul style="list-style-type: none"> - lowest use of banks; - highest use of associations (e.g., CMA, CEA); - lowest use of consultants; - lowest use of other companies; - lowest use of other companies; - lowest use of fairs.

¹ 'little' or 'low' means that compared to other groups the specific group uses a particular information source significantly less, but is not the lowest in that group. 'High' and 'highest' has the reversed meaning (based on Oneway ANOVA results with Duncan multiple range tests).

General Observations:

The above suggests a few comments:

1. Firms' use of information sources tend to be related to the problems they see. Thus firms with high financial constraints turn to banks, firms with internal resource constraints turn to others for second-hand information that can be gotten at minimum costs, and firms with marketing problems seem to ignore information sources that may help to reduce such problems (e.g., fairs and customers).
2. Firms who are concerned with barriers are also high level users of association data. These associations have traditionally dealt with barriers as a key issue. It thus appears to be something of a self-fulfilling prophecy -- the firm reads about barriers and then perceives them to be significant. The obvious question is: Do they really exist at a major operational level?

Table 10

PROBLEM GROUP RELATED TO EXPORT BARRIERS AND GENERAL FIRM CHARACTERISTICS

Problem Group	Export Barriers as a Corporate Constraint	Firm Characteristics
(1) Firms with Marketing Problems (23 firms)	-lowest ¹ on tariff and non-tariff barriers -highest ¹ on limited size of export markets -low ¹ on lack of trained personnel	-lowest export concepts action -highest on mandays spent on marketing research & planning -lowest on perceived efforts for marketing research & planning
(2) Firms with Financial Problems (23 firms)	-low on tariff and non-tariff barriers -highest on product adaptation -highest on high costs of products	-lowest U.S. concentration -oldest firm
(3) Firms with Internal Constraints (21 firms)	-low on tariff and non-tariff barriers -lowest on limited size of export markets -highest on lack of trained personnel	-youngest firms -low on mandays spend on marketing research & planning -low on perceived efforts for marketing research & planning
(4) Firms with Tariff and Non-Tariff barriers (16 firms)	-highest on tariff and non-tariff barriers -lowest on lack of trained personnel	-highest concentration U.S. markets and export markets -lowest on mandays spent on marketing research & planning -highest on perceived efforts for marketing research & planning

¹ For discussion on 'low', 'lowest', 'high' and 'highest' see footnote on Table 9.

General Observations:

The above relationships suggest a few conclusions:

1. Export performance (export sales growth and intensity) is unrelated to the major areas of international marketing problem as perceived by the firms. Equally, there are no significant size differences (employment and sales) across the groups.
2. The firms who are primarily concerned with barriers (trade, tariff, non-tariff), tend to concentrate their efforts in the U.S. They are also those firms which think they do more formal information gathering and analysis but actually spend the least mandays on such efforts. That is, the barriers may well be a function of general beliefs and attitudes.
3. The other relationships appear to follow naturally from their respective category - with one exception. We are unable to adequately explain why older firms tend to perceive financial problems as major impediments to improved export performance. Issues such as older products requiring higher levels of financing, or deeper market penetrations requiring greater credit extension, do come to mind. However, our data does not allow us to investigate these possible connections.

RELATIONSHIPS FOUND BASED UPON PERCEIVED INFORMATION PROBLEMS

As discussed in the section on GENERAL RESULTS, the sample firms clearly indicated that primary sources of data (agents, customers, fairs, See Table 3, p. 19) are the most crucial and that information provided by institutions are generally seen as being of limited value.

Additionally, as was previously shown (see Table 4, p. 21), the firms in the sample were asked to indicate the major problems they found with information supplied from external sources. For purposes of analysis these complaints were grouped under four general headings:

No problems (12 firms);

Data too general (25 firms);

Data problems (39 firms); and

Information Constraints based on size of firm (8 firms).

These four groups were then analyzed to ascertain what significant relationships could be found against the other general responses of the sample firms. These responses were broken down by: Use of external information sources, perceived barriers to improved export performance, and general characteristics of the sample firms.

Relationship Between the Information Problem Groups and Types of External Information Sources Used

Significant associations that were identified are listed below, followed by general observations:

- (1) No Problems with External Sources (12 firms)
 - low use of ITC;
 - highest journal use;
 - no use of general statistics - e.g., U.N.;
 - lowest use of associations;
 - low on use of consultants;
 - overall uses external sources the least.

- (2) Data too General (25 firms)
 - highest use of ITC;
 - lowest use of consultants.

- (3) Data Problems/Reliability (39 firms)
 - average use of each specific external information source;
 - overall uses all information sources the most;
 - spends the most mandays travelling to export markets;
 - spends least on telephoning foreign markets.

- (4) Data Problems because of Small Size (8 firms)
 - least use of ITC;
 - least use of journals;
 - most use of general U.N. statistics;
 - highest use of consultants (probably result of piggy-backing on major projects);

- tendency to rely most on internal data for decision making.

General Observations:

The above set of information sources versus perceived information problems would seem to point to the following:

1. Those firms who do not use external sources see no problem. Those who do use them see many!
2. Even if the firms perceive major problems with the quality of data, they nevertheless continue to use it - in combination with internally generated information.
3. Firms thinking that they are constrained by their resources do tend to utilize the cheapest sources of data. However, they use ITC the least, which would appear contradictory, yet probably reflects the screening process employed by ITC staff overseas.

Relationship Between the Four Information Problem Groups and Perceived Barriers to Improved Export Performance

Major associations that were found are listed below, followed by general observations:

- | | |
|---|--|
| (1) No Problem with External Sources (12 firms) | - by far highest on documentation problems; |
| | - lowest on limitations due to size of export markets; |
| | - highest on problem of cost competitiveness; |
| | - lowest on perceived lack of trained personnel; |
| | - lowest on representation. |

- (2) Data too General (25 firms)
 - low perception of documentation as a barrier
 - highest on limited market size as a constraint;
 - highest on internal financial constraints;
 - low on problems due to lack of trained personnel.

- (3) Data Problems/Re-liability (39 firms)
 - low on cost of product problems;
 - lowest on internal financial limitations;
 - high on representation.

- (4) Data Problems because of Small Size (8 firms)
 - no documentation problems at all;
 - lowest on cost of product problems;
 - by far highest on lack of trained personnel;
 - no credit and money barriers;
 - highest on representation.

General Observations:

The above set of perceived barriers versus perceived information problems suggests the following:

1. There appear to be no major identifiable trends across the groups. However, the more a firm experiences constraints to its export expansion (market size, representation), the more this will also be accompanied by the belief that available external sources of information are simply not good enough. That is, the deeper and more complex the needed information is, the less likely the firm can acquire it from existing external sources.

2. Those firms that see no problems with external data sources see also little problems with export marketing barriers (need for representation, market size limitations, and need for trained personnel). Because those firms tend to have also the lowest export intensity, one may indeed conclude that the relationship is more due to a lack of expert experience.
3. Firms that think they have external data problems because of small size perceive some export marketing barriers that may be a result of small size (e.g., lack of trained personnel, highest problems with foreign representation). On the other hand they see nearly no credit requirements or money collection problems. In addition they are of average size and definitely not the smallest firms. In other words perceived problems because of small size are perceptions held by management of such firms and not actual size problems.

Relationships Between the Four Information Problem Groups and General Firm Characteristics

The following outlines the significant associations for the four groups that were identified. General observations are listed thereafter:

- 1) No Problems with External Information Sources (12 firms)
 - tending to be lowest on export intensity;
 - low on mandays spent for marketing research and planning;
 - spends most on foreign telephoning;
 - uses overall external information sources the least;

- least use of top management for visiting foreign markets.
- (2) Data to General
(25 firms)
- low long term export sales growth;
 - tendency of highest export intensity;
 - smallest firm by employment and sales;
 - low export market concentration;
 - highest on visits to foreign markets;
 - most mandays spent on marketing research & planning;
 - lowest on formal export market planning;
 - high on structured approach to collecting data..
- (3) Data Problems/
Reliability
(39 firms)
- highest long term export sales growth;
 - largest firm by employment and sales;
 - highest export market concentration;
 - lowest on visits to foreign markets (mandays);
 - highest level of top management visits;
 - least spent for foreign telephoning;
 - overall uses external information most;
 - highest on structured approach to collecting data.
- (4) Data Problems
because of Small
Size (8 firms)
- lowest long term export sales growth;
 - average export intensity;
 - lowest export and U.S. market concentration
 - tend to sell to world;

- lowest on structured approach to data collection;
- lowest on amount (mandays) of market research and planning.
- is of average size (not the smallest firm)

General Observations:

The above set of firm characteristics versus perceived information problems lead these writers to the following general conclusions:

1. Size of firm is not a real issue. To the extent that there is a problem it is based upon perception.
2. The more formalized the information gathering, the more the firm appreciates that the information available has quality problems.
3. The more the firm exports or the higher the export sales growth, the greater are the information problems.
4. Export market concentration is not related to perceived data problems. One would expect that having a low export market concentration (exporting to many countries) would increase data problems. This applies to the group 'Data too General' but is reversed for the group 'Data Problems/Reliability'. Both are groups with data problems but opposing export market concentration indices.
5. Firms following a sales oriented strategy tend to see no problems with external data and world marketers, because of their greater requirements, have major problems with external data.

SUMMARY AND CONCLUSIONS

This study had, as its main purpose, the investigation of the relationship between the use of external information sources and export success by a group of relatively small high-tech firms. The sample base consisted of eighty-five firms in Ontario. These firms have experienced major growth from exports, while concentrating their efforts on limited product offerings directed, in the majority of cases, at the U.S. market.

The survey also sought to ascertain whether information use and other key performance factors were at all related to basic marketing strategy. The issue of strategy was dealt with on the classic basis of whether the firm was marketing versus seller oriented and whether the firm chose to approach the world market or concentrated its efforts on the U.S. The analysis of these differences produced a number of interesting conclusions: The marketer experienced higher growth rates than the seller, while the added factor of U.S. market concentration also appears to yield higher levels of export growth for this particular sample of firms. It was also shown that this strategy format led to a number of significant differences in the types of information sources used, the types of perceived marketing problems encountered, and in the

level of sophistication in planning and conducting market research. Certainly this study supports the use of this type of strategic framework in appraising firms relative to export activities.

In the area of information collection and use, the study produces some very clear conclusions. Internally collected data, rather than information provided by secondary sources, represents the clear majority of information used. The types of information used is tied to the amount of internal resources available - with the exception of ITC. When the question of information use is tied to specific decision making areas, the type of data required becomes very clear. The firm needs information which is both specific to its particular operations and the market in question. As a result, the most important sources of information lie within the sales channel in the export market - the agents, distributors and customers. Providing support to allow for this type of direct collection certainly represents a major public policy issue.

The study also established what the users see as the major problems with existing external sources of information. In relation to these problems, we were able to uncover a number of significant

relationships. Some of the more interesting were: The firms who see the greatest weaknesses also tend to continue to use them the most. Information problems are not related to the size of firm. The more sophisticated the firm's data collection and analysis is, the more problems with available information are cited. The more successful the firm is, and the more detailed his information needs become, the more he believes that existing sources can not provide him with relevant data. These conclusions are certainly in line with earlier findings by the UCTAD/GATT group in Geneva and thus their approach of undertaking commissioned studies based on narrow product lines in specific markets.

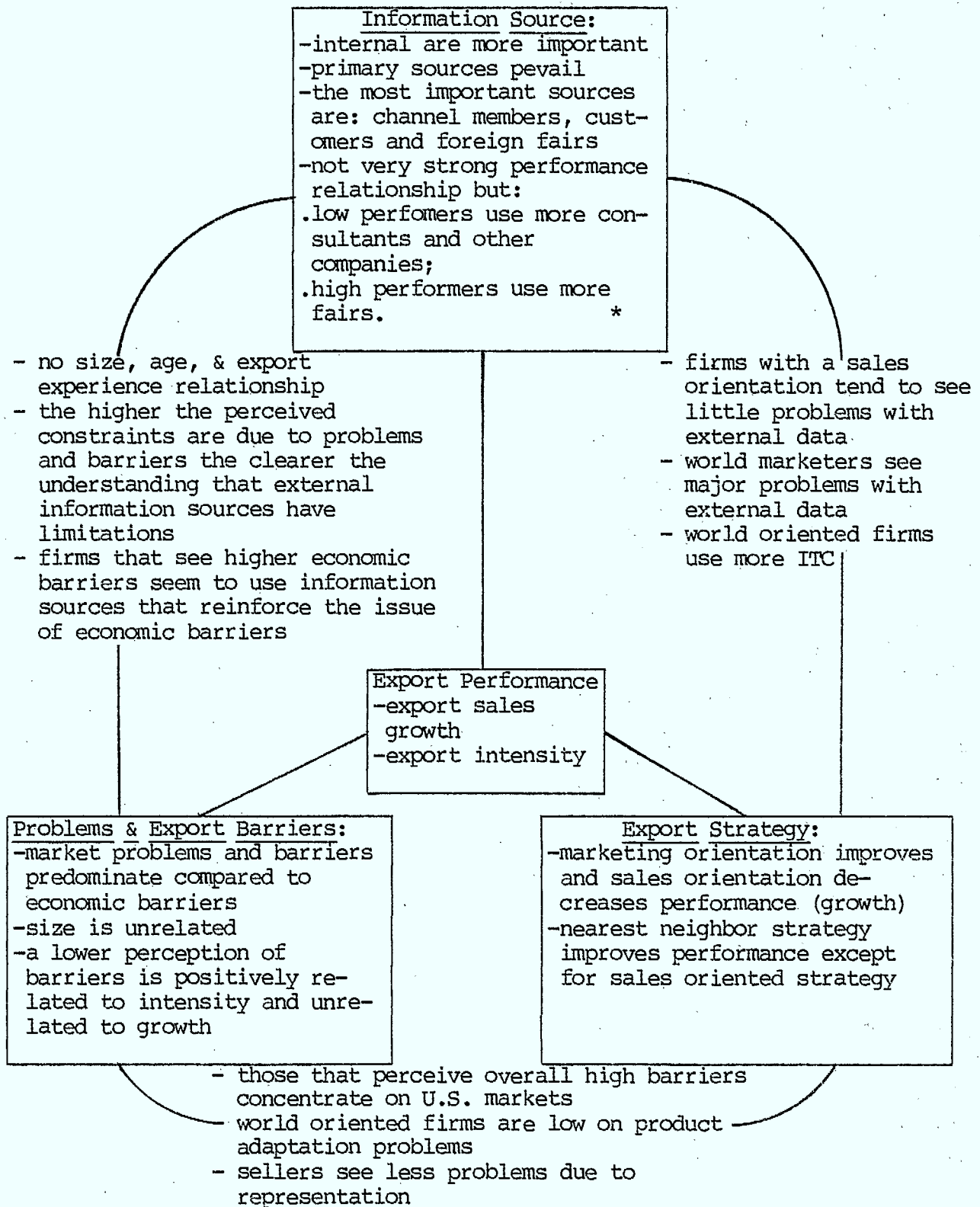
Finally the study sought to identify what this particular sample of firms saw as the major problems that are acting as barriers to improved export performance. Of particular note is the finding that the major barriers are market related rather than economic (tariff and non-tariff). These perceived problem sets were shown to be significantly influenced by such factors as U.S. market concentration, the level of sophistication of data collection, and the types of information sources used. Certainly problems are highly connected to the amount of information gathered - that is, ignorance is bliss! On the other hand,

the recognition of problems does not overly influence actual export success directly.

Finally, in the introduction, we proposed a conceptual model of the exporting process that this study was designed to investigate. The following figure attempts to summarize some of our major findings within that proposed structure. We believe that this research has been able to show that the model is sound as an explanatory tool and that the individual findings are of significant long-term value.

Figure 3

THE INFORMATION/BARRIERS/STRATEGY INTERFACE WITH EXPORT PERFORMANCE: SUMMARY



* Notes in boxes connected to performance and area of concern.

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APPENDIX A

THE RESEARCH QUESTIONNAIRE

QUESTIONNAIRE

I. General

1. Your name _____ 2. Your title _____
3. Your company's name _____
4. Your business phone _____
5. Status of your firm: Canadian domestic company foreign owned
 Canadian owned multinational
6. If foreign owned: U.S.A. others (country: _____)
7. Approximate number of people employed in your company _____
8. Age of company _____
9. When did your company start exporting continuously? Year _____

10. Please list your company's major product lines in broad categories and indicate their contribution (in percentage) to total sales and export sales.

Product category	Percent of total sales	Percent of total export sales
(1) _____	_____	_____
(2) _____	_____	_____
(3) _____	_____	_____
(4) _____	_____	_____
(5) _____	_____	_____
(6) _____	_____	_____
(7) _____	_____	_____
(8) _____	_____	_____
	100%	100%

11. Your company's approximate annual sales over the last 5 years

1982 _____
 1981 _____
 1980 _____
 1979 _____
 1978 _____

12. Approximate size of exports for the last 5 years (percent of total sales).

_____%
 _____%
 _____%
 _____%
 _____%

12. Destination of your exports by country or region and percent of exports received.

Today	% of exports	5 years ago	% of exports
U.S.A.	_____	_____	_____
EEC: U.K.	_____	_____	_____
France	_____	_____	_____
Germany	_____	_____	_____
Italy	_____	_____	_____
other EEC	_____	_____	_____
Other West Europe	_____	_____	_____
Japan	_____	_____	_____
South East Asia	_____	_____	_____
Australia/N.Z.	_____	_____	_____
Middle East (inc. Egypt)	_____	_____	_____
South Africa	_____	_____	_____
U.S.S.R.	_____	_____	_____
Eastern Europe	_____	_____	_____
Mexico	_____	_____	_____
South America	_____	_____	_____
Rest of world (if large percentage, specify countries)	_____	_____	_____
	100%		100%

13. Total number of countries receiving exports:

Today: _____ 5 years ago _____

II. Specifics

A. The following questions deal with the way your company exports with special emphasis on your product and market selection policy.

A1. Considering your export products, please indicate your agreement or disagreement with the following statements as they describe your overall approach. Note: read the next 6 statements together, before you give your answers.

	<u>Strongly Agree</u>			<u>Strongly Disagree</u>		
1. We sell the same identical and unchanged products to all markets.	1	2	3	4	5	6
2. We adjust our products to meet local standards and requirements as necessary (e.g. 50 cycles vs. 60 cycles).	1	2	3	4	5	6
3. We change our products to meet local market requirements beyond compulsory adjustments, as long as major changes are not involved.	1	2	3	4	5	6
4. We generally tailor our products to local market requirements even if it means that the tailored products can't be sold elsewhere.	1	2	3	4	5	6
5. We develop a totally new products that are specific to the local requirements in export markets.	1	2	3	4	5	6
6. We develop and sell products that are specific to the demands in world market segments which transgress national boundaries (may include demands in the domestic market).	1	2	3	4	5	6

A 2. When you look at your choice of markets for each of your major product lines in export markets (countries) please indicate your agreement or disagreement with the following statements as they describe best your overall approach. Note: read the next 4 statements together before you give your answers.

	<u>Strongly Agree</u>			<u>Strongly Disagree</u>		
7. We sell each product line exclusively to only one market segment in all countries (e.g. we offer our major line of products only to the military market in any country)	1	2	3	4	5	6
8. We concentrate on one specific market segment for each product line, but will sell to other segments if so asked.	1	2	3	4	5	6
9. We concentrate on one specific market segment for each product line but always try to find demand in other segments in the export receiving countries.	1	2	3	4	5	6
10. In each country, we consciously search for and sell to different market segments our basic product categories.	1	2	3	4	5	6

B. The following questions deal with international (export) market information.

1. How many of your employees visit export markets in marketing related tasks? _____
2. Approximately how many mandays did members of your firm spend last year on marketing related tasks in foreign markets? _____
3. The highest levels of our management are actively involved in visiting export markets in marketing related tasks.

<u>Strongly</u> <u>Agree</u>				<u>Strongly</u> <u>Disagree</u>
1	2	3	4	5
4. What is the proportion of time spent visiting existing markets (and customers) as compared to potential markets (and customers) out of the total time spent in marketing related tasks in foreign markets?
Proportion: _____
5. Annual expenditures for cross-border long distance call:

6. We would now like to know to what extent you use external information sources in international markets. Please, indicate your use of the following external information sources:

	<u>External Information Source</u>					
	<u>Never Used</u>	<u>Infre- quently Used</u>	<u>Mode- rately Used</u>	<u>Fre- quently Used</u>	<u>Used all the time</u>	
(1) Foreign agents and distributors	1	2	3	4	5	<input type="checkbox"/>
(2) Canadian Government publications (Give some examples: _____)	1	2	3	4	5	<input type="checkbox"/>
(3) Canadian commercial attaches and consular officials (includes ITC's Trade Commissioner service)	1	2	3	4	5	<input type="checkbox"/>
(4) Trade journals (includes monthly news letters) (Give some examples: _____)	1	2	3	4	5	<input type="checkbox"/>
(5) Domestic and foreign banks (Give some examples: _____)	1	2	3	4	5	<input type="checkbox"/>
(6) UN publications and international trade statistics (Give some examples: _____)	1	2	3	4	5	<input type="checkbox"/>
(7) Trade and industry associations, Chamber of Commerce (Name some: _____)	1	2	3	4	5	<input type="checkbox"/>
(8) Foreign governments and their trade related services (Name some: _____)	1	2	3	4	5	<input type="checkbox"/>
(9) Consultants	1	2	3	4	5	<input type="checkbox"/>
(10) Other companies	1	2	3	4	5	<input type="checkbox"/>
(11) Foreign trade fairs (Give some examples _____)	1	2	3	4	5	<input type="checkbox"/>
(12) Customers	1	2	3	4	5	<input type="checkbox"/>
(13) International trade listings (incl. Yellow pages)	1	2	3	4	5	<input type="checkbox"/>
(14) Suppliers	1	2	3	4	5	<input type="checkbox"/>
(15) Brokers (forwarders)	1	2	3	4	5	<input type="checkbox"/>
(16) Others Please specify: _____	1	2	3	4	5	<input type="checkbox"/>

100

7. Now, please distribute a total of one hundred points among the listed external sources proportionately to their importance to your firm.

8. What, in your opinion, are the major shortcomings of information generally provided in the public domain.

	<u>Strongly Agree</u>				<u>Strongly Disagree</u>
9. We regularly use many of the discussed external information sources	1	2	3	4	5
10. We are not familiar with most of the listed external information sources.	1	2	3	4	5
11. External information sources provide us with information of little value to us.	1	2	3	4	5
12. We are proud of our extensive working contact with external information sources.	1	2	3	4	5
13. We rarely contact external information sources.	1	2	3	4	5
14. Our usage of external information sources is not well developed.	1	2	3	4	5
15. Please look at your international marketing decisions regarding choice of countries receiving your exports, which of your products to export and how to export e.g., direct or through agents. In regard to such decisions what is the proportion of decisive information that your firm obtained through direct contacts (information on international markets and customers through visits, telephone calls and letters) compared to information you received through third parties (external information sources).					

Proportion internal/external: _____

	<u>Strongly Agree</u>				<u>Strongly Disagree</u>
16. Sound information gathering is requested (and supported) by top management	1	2	3	4	5
17. We have a special department (or at least specifically designated personnel) in charge of collecting and interpreting foreign market information.	1	2	3	4	5
18. We have a formal structure and instrument for collecting international marketing data.	1	2	3	4	5

C. The following questions probe other aspects of your international marketing information approach.

- | | <u>Strongly</u>
<u>Agree</u> | | | | <u>Strongly</u>
<u>Disagree</u> |
|--|---------------------------------|---|---|---|------------------------------------|
| 1. Before entering a new foreign market, extend into a new segment, or increase involvement in existing markets in a foreign country, as well as exporting new products, we always collect extensive information needed for such export marketing decisions. | 1 | 2 | 3 | 4 | 5 |
| 2. Before entering a new foreign market, extend into a new segment, or increase involvement in existing markets in a foreign country, as well as exporting new products, we carry out <u>formal market research</u> , i.e. we produce a <u>written</u> report. | 1 | 2 | 3 | 4 | 5 |
| 3. How many people are involved (full time or equivalent) in marketing research and marketing planning in your company?
<div style="margin-left: 100px;">in general: _____</div> <div style="margin-left: 100px;">for export markets only: _____</div> | | | | | |
| 4. On average how much time (in mandays) do people involved in marketing research and marketing planning spend on such activities?
<div style="margin-left: 100px;">mandays: _____</div> | | | | | |
| | <u>Strongly</u>
<u>Agree</u> | | | | <u>Strongly</u>
<u>Disagree</u> |
| 5. We are proud of our frequent marketing research studies carried out for our markets. | 1 | 2 | 3 | 4 | 5 |
| 6. We enter our markets without carrying out marketing research on these markets. | 1 | 2 | 3 | 4 | 5 |
| 7. We have personnel specifically assigned to carry out marketing research on our markets. | 1 | 2 | 3 | 4 | 5 |
| 8. We have no budget provisions for undertaking marketing research in our markets. | 1 | 2 | 3 | 4 | 5 |
| 9. All levels of management are involved in our marketing research studies. | 1 | 2 | 3 | 4 | 5 |
| 10. Marketing research is an ad-hoc activity in our firm. | 1 | 2 | 3 | 4 | 5 |

	<u>Strongly Agree</u>			<u>Strongly Disagree</u>	
11. We are well known for our formal marketing planning.	1	2	3	4	5
12. Our marketing planning is done on an ad-hoc basis whenever time permits.	1	2	3	4	5
13. We develop formal and detailed annual budgets for our markets.	1	2	3	4	5
14. The establishment of detailed long term plans for our markets is not well developed in our firm.	1	2	3	4	5
15. Our annual expenditures for marketing planning is considerable.	1	2	3	4	5
16. Detailed marketing planning is a well established part of our managerial activities.	1	2	3	4	5
17. Marketing planning in our firm takes up little time.	1	2	3	4	5
18. Our marketing planning is very informal.	1	2	3	4	5
19. Highest levels of management are actively involved in marketing planning in our firm.	1	2	3	4	5
20. Our firm has highly developed long range marketing plans (2-5 years).	1	2	3	4	5
21. We carry out export marketing planning on an overall level (all export markets together).	1	2	3	4	5
22. We carry out separate export marketing plannings for our main markets eg., U.S., EEC, South East Asia.	1	2	3	4	5
23. We carry out export marketing planning for each specific country receiving exports.	1	2	3	4	5
24. We have a <u>formal</u> export marketing plan (annual budget or plan) on an overall level.	1	2	3	4	5
25. We have separate formal export marketing plans for our main markets.	1	2	3	4	5
26. We have separate formal export marketing plans for each specific country receiving exports.	1	2	3	4	5

PROBLEMS AND BARRIERS:

1. Please list the three most important international marketing problems of your firm.

Problem 1: _____

2: _____

3: _____

2. Please list the three most important international marketing problems that are due to information obstacles (information not available, too difficult to get, etc.)

Problem 1: _____

2: _____

3: _____

3. Could an improved information gathering approach overcome the above problems?
Please elaborate:

D. The statements below deal with possible problems in export marketing. Please indicate your level of agreement or disagreement with each statement.

	<u>Strongly Agree</u>					<u>Strongly Disagree</u>					
1. Existing import restrictions of foreign countries (e.g. tariff and non tariff barriers) are a major barrier for our firm to expand exports.	1	2	3	4	5						<input type="checkbox"/>
2. Currency fluctuations and restrictions hamper greatly our exporting efforts.	1	2	3	4	5						<input type="checkbox"/>
3. Locating potential markets and determining demand are major obstacles to exporting for our firm.	1	2	3	4	5						<input type="checkbox"/>
4. Inadequate representation in foreign markets is a major problem to our export efforts.	1	2	3	4	5						<input type="checkbox"/>
5. Shipping, transportation, and documentation problems are major obstacles for achieving our full potential in export markets.	1	2	3	4	5						<input type="checkbox"/>
6. Credit requirements and collection of money for export transactions are reducing greatly our exporting potentials.	1	2	3	4	5						<input type="checkbox"/>
7. Limited size of markets abroad are a major barrier to our exporting.	1	2	3	4	5						<input type="checkbox"/>
8. Product adaptation requirements of foreign markets restrict considerably our exporting.	1	2	3	4	5						<input type="checkbox"/>
9. The relative high costs of our products makes exporting very difficult.	1	2	3	4	5						<input type="checkbox"/>
10. a) Lack of in-house financial capabilities hinders greatly our exporting efforts	1	2	3	4	5						<input type="checkbox"/>
b) Lack of trained and experienced personnel for international marketing tasks hinders greatly our exporting efforts.	1	2	3	4	5						<input type="checkbox"/>
c) Lack of production capacity hinders greatly our exporting efforts.	1	2	3	4	5						<input type="checkbox"/>

100

Please, distribute a total of 100 points among the listed barriers proportionally to their importance as barriers to exporting to your firm.

11. You indicated that some of the previously listed barriers are not much of a problem. Why is that so? Please elaborate: (refer by No.):

13. These are the last questions. Please look at the following marketing activities. Now, for each listed activity give the single most important source of information you use in making decisions on these activities.

Most important information source

- | | |
|---|-------|
| (1) price setting | <hr/> |
| (2) promotional method | <hr/> |
| (3) distribution margins | <hr/> |
| (4) channel choice | <hr/> |
| (5) credit terms and collection | <hr/> |
| (6) product adaptation | <hr/> |
| (7) installation, service agreements,
guarantees and warranties | <hr/> |
| (8) salesmen requirements (a) type of person
(b) frequency of calls | <hr/> |
| (9) logistics | <hr/> |
| (10) border clearance | <hr/> |
| (11) selection of export partners for larger
projects (consortium project) | <hr/> |
| (12) choice of form of entry (agent and distributor,
own sales offices, joint venture, overseas
assembly, overseas packaging, overseas
warehousing, direct investment) | <hr/> |
| (13) method of payments (e.g., barter, swap
transactions) | <hr/> |

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