

Export Marketing Involvement of African Small and Medium Size Enterprises: Tanzania's Fish Processing Industry*

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Abstract: The extent to which small and medium size enterprises (SME's) are engaged in marketing their products in foreign markets is an important factor that can increase their performance in those markets. This study examined the Export marketing involvement of SMEs from the Least Developed Countries using the case study of SMEs exporters in Tanzania's fish processing industry. Using factor analysis, the study revealed three main dimensions of export marketing involvement of Tanzania's SMEs in the fish processing industry. They are distinguished as foreign product quality intensity, foreign marketing research intensity and foreign market promotion intensity. Firms with higher foreign product quality intensity were found to perform better than others in the export market. Heavy exporters were found to have greater export promotion intensity and experienced firms were found to emphasise on higher export product quality intensity.

INTRODUCTION

Although the contribution of exporting small and medium size enterprises (SME) can make to a developing national economy has been widely known to policy makers as well as researchers, the question of how these African SMEs can compete and perform well in foreign markets has yet to be known. As deregulation and privatisation continue, the developing countries are increasingly dependent on the private sector for economic growth. Since the private sector is still young, it is mainly composed of small and medium size firms. In the face of liberalisation and globalisation these SME have to compete with foreign firms in both their home markets as well as export markets. The question of SME competing with foreign firms thus becomes a necessity.

The literature on internationalisation of the firm has contributed a great deal to understanding international firm behaviour, export processes and factors involved in shaping those processes, but surprisingly this literature has paid more emphasis on the export process of large multinational firms.

Very few of this literature has touched upon the export processes of SMEs (Linguist, 1991; Oviatt, & McDougall, 1994). Furthermore, many of the theories developed in this area have been developed and tested in developed Western economies. It is only very recently, after the emergence of the newly industrialised countries (NICs) of Asia that more empirical studies are now being conducted to explain export behaviour and performance of firms in developing countries. Until then export studies in developing countries were limited to macro-level analysis. Very few of them had analysis at the firm level.

Even studies in the West that have large multinational firms as the unit of analysis, very few of them have focused on the question of international marketing involvement (Gencturk, E., 1995). Interests in international marketing, as a sub-discipline of marketing is a relatively recent phenomenon (Bradley, 1991). International marketing as a field of research has been highly neglected by researchers (Bradley, 1991: 29) "Until today international marketing is still a very

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broad pluralistic and not well integrated field of study." Most studies have looked at export behaviour in general, without referring to the specific area of marketing as the main unit of analysis.

There are number of empirical studies that have been carried out on export marketing in Tanzania. Among those studies include Rutashobya (1990), who made a market study of radiators in Kenya; Lindi (1990), who made a case study of export marketing of Tanzanian blended and packed tea in the Netherlands and Denmark; Rugemarila (1988) who made a study on the export marketing of mango pulp and concentrated orange juice in the Swiss, Danish and Finish markets; Kacholi (1990) who made a study on the export marketing of Tanzanian kitchen and tableware in the Netherlands and the then Federal Republic of Germany; Siria (1987) who made a study on Swedish and Dutch markets for Tanzanian instant coffee. These studies contributed a great deal to understanding foreign markets for the respective products as well as the marketing behaviour of the respective exporting companies. However, these studies were mostly case studies done on product and market specific basis. Besides, these studies did not take up the small firm and medium enterprise as the unit of analysis. Most of these studies were done during the time when Tanzania was still in the centralised control of the economy when most of the companies were run by state-appointed managers which make it difficult to apply findings of those studies in today's competitive environment. On the other hand there is plenty of reviews on empirical studies on SME's and export behaviour from developed countries. Some of the most comprehensive reviews of empirical studies on export behaviour are provided by Philip (1998) as well as Aaby and Slater (1989). These reviews have concluded that there is very little evidence to support that the size of the firm has any impact on export behaviour. On the other hand, Miesenbock (1998) cites 18 studies out of 20 to

support that there is a relationship between firm size and export performance. From this literature however there is no robust evidence to suggest that the smaller the enterprise the less likely it is to be engaged in international marketing.

This study addresses this gap by exploring the international marketing involvement of Tanzania's small and medium size enterprises (SME) in the fish processing industry. This sector has been chosen due to its increasing contribution to the country's nontraditional exports. It is among the most successful industry in Tanzania's export sector. More specifically the study seeks to answer the following questions:

- ♦ What is the extent of marketing involvement of Tanzanian SME exporters in the fish processing industry?
- ♦ What are the underlying measures of export marketing involvement of these exporters?
- ♦ Is there any relationship between marketing involvement and SME characteristics among the exporting SME's in the fish industry?
- ♦ Which dimensions of international marketing involvement contribute to the successful performance of these SMEs in this export sector?

FRAMEWORK AND HYPOTHESIS

This study builds on the above mentioned contributions in the international marketing literature and integrates them into a framework unified by the emerging body of theory known as the resource-based internationalisation framework (Rutihinda, 1996). The framework is based on the assumption that a firm's export marketing involvement is influenced by the firm's resources and capabilities.

Export Marketing Involvement

In this study export marketing involvement follows Gencturk *et. al.*'s (1995) definition of international marketing involvement. It is defined as the degree to which an international firm

engages in cross-national transfer of resources to support marketing activities in a host country. It is the firm's extent of resource commitment towards international marketing: All these three levels of marketing involvement will be analysed in relation to the firm's international marketing policy. Any firm's export marketing policy can be split into the following common marketing functions including international product policy, pricing policy, promotion policy, marketing research and foreign policy.

Export Performance

Export performance will be mapped by looking at the extent to which marketing involvement relates to export performance. Considering the important role that export marketing plays in the success of a foreign venture this study assumes that export involvement will play a significant part towards the export performance of small and medium size enterprises. In other words: (H1) everything else being equal, the higher the export marketing involvement of the SME the higher the export performance

Firm Resources and Capabilities

International Experience

International experience refers to knowledge accumulated through learning-by-doing whereby an understanding of international marketing is enriched by previous experience. According to the RBV, firms tend to accumulate knowledge through path dependent. This knowledge is mainly based on the firms past experiences. The firm internationalisation process literature also assumes that the firm's international experience determines the extent to which a firm is likely to commit resources in foreign markets. This therefore suggests that: (H2) everything else being equal, the more international experience the SME has, the greater will be its export marketing involvement.

Export Orientation

The internationalisation literature has established that firms that are more internationalised are in a better position to have greater resource commitments in the foreign markets. Firms that are more market oriented can also be considered as firms that devote most of their attention to foreign markets. Unlike SMEs that have the domestic market as their main market, SMEs that are entirely dependent on exports are likely to have most of their marketing activities geared towards the export market. This therefore suggests that: (H3) everything else being equal, the more export orientated the SME is the more will be its export marketing involvement

Firm Size

The size of the firm has been frequently used in the internationalisation literature to explain various aspects of its international involvement behaviour. Larger firms have often been found to have easier access to financial resources from lending institutions (Horst, 1972). Unlike small firms, larger firms have been found to have slack resources that can be directed towards export efforts. Larger firms are more likely to have greater ability to assess, manage or bear risk associated with export activity. The limited access to resources of smaller firms may constrain them from pursuing marketing strategies that involve greater resource commitments. This therefore suggests that: (H4) everything else being equal, the larger the SME, the higher is its export marketing involvement.

METHOD

Sampling Procedure

The main sampling frame used to draw the study sample was the database of Tanzanian exporters registered with the Board of External Trade. From this list 80 cases of fish exporters located in Dar-es-Salaam and Mwanza region with not

more than 100 employees were selected. From that list only 50 exporters responded to the interview. Some of the exporters in the list could not be reached and others were out of business.

Data Collection

Data was collected using a structured questionnaire. The questionnaire was filled by the respondents under the guidance of trained field-officers. Prior to visiting the respondents, officers first made telephone calls to arrange for an appointment. The aim of the telephone call was first to identify the most competent person to fill the questionnaire and secondly to ensure that the respondent was prepared and had all the supporting information ready to fill in the questionnaire.

Measurement

Most variables were measured as constructs made up of a number of indicators that have been frequently used in the management literature. Export marketing involvement was measured using the following indicators with a Likert type seven-point scale: The extent of investigation carried out in target export markets; the extent to which products are adapted to individual customer needs; Range of products offered to the target export market; extent of redesigning of promotional material to suit target export market; extent of participation in international trade promotions; extent to which product distribution has been adapted to suit export market; export performance was measured by the extent to which the firm was successful in providing the right price for its products and growth of market share in the foreign market.

Firm size was measured by three open-ended questions frequently used in previous research work. The items include number of employees, total assets and turnover/total annual sales. SME export orientation was measured as the percentage of the firm's export as a percentage of total company's sales. International experience

was measured in terms of the number of years which the SME has been exporting.

Data Analysis

Analysis was made using the statistical software package SPSS. Both univariate and multivariate statistical analysis techniques were used to test and analyse the sample data. Data analysis began with frequency tables to detect any outliers or ambiguous values. Variables were later subjected to correlation analysis to determine relationship between variables. Variables that passed the correlation test were later subjected to factor analysis. Factor analysis was used to determine the underlying factors from the selected indicators. Using the measures for export marketing involvement obtained from factor analysis, regression analysis was used to determine relationship between the constructs and SME characteristics. Cronbach Alpha-test was used to determine the scale reliability of variables. For the regression analysis, several tests were used including the Durbin-Watson test and analysis of variances using the F-statistic.

ANALYSIS AND RESULTS

Figure 1 illustrates the extent of foreign market involvement of the fish export firms in Tanzania. The results show that most of the fish exporting firms paid more emphasis in the marketing processes of packaging and product quality specification when competing in the export markets. The perishable nature of the fish product may have contributed to the greater emphasis on packaging. The stringent quality requirements imposed by importing countries (especially the European Union) may have contributed to the strong emphasis on product quality.

Surprisingly advertisement and distribution channel involvement were given the least emphasis among the Tanzanian fish exporters in the sample. This is mostly due to the fact that many of the small fish exporters were mostly

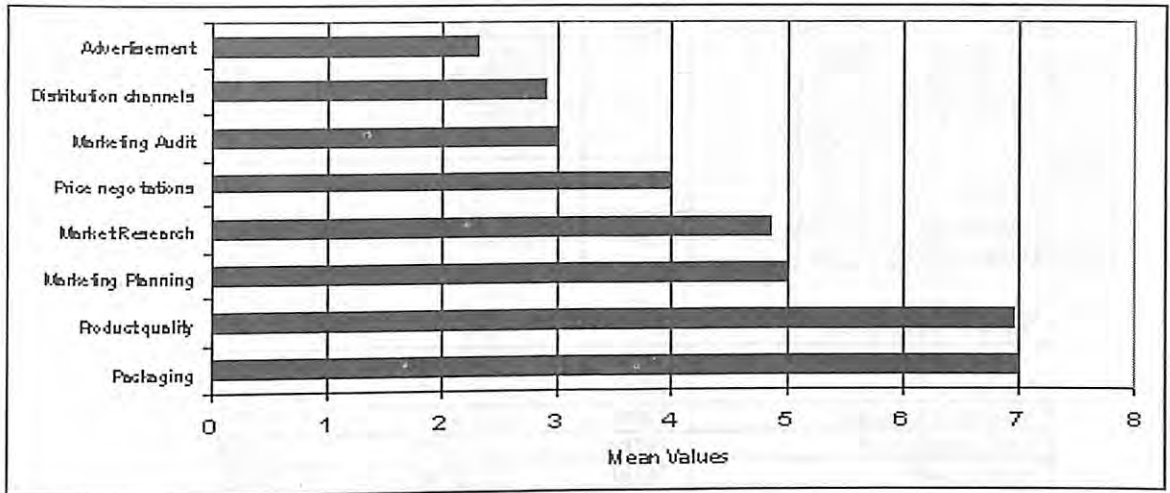


Figure 1: *Marketing emphasis of Tanzanian fish exporters*

exporting to one particular importer who from there on carried his/her own marketing efforts without any involvement of the Tanzanian supplier. The low level of involvement in advertisement also shows the passive nature of the marketing efforts carried out by the exporters. Marketing research and trade fair participation were given substantial emphasis in their marketing efforts. These efforts were normally used to identifying and gaining access to the right importer from.

Factor Analysis

In order to determine the underlying constructs of marketing involvement of the Tanzanian fish exporters, the nine variables used to describe marketing involvement were subjected to factor analysis. Prior to factor analysis, the factors explaining export marketing involvement were correlated. Results of the correlation analysis is as shown in Table 1.

When the nine variable were subjected to factor analysis three unique variables emerged with Eigenvalues greater than 1. The three factors explained more than 80 percent of the total variance. The proportion of variance explained by the three common factors is shown in Table 2.

Table 3 shows results of the rotated factor matrix. Variables under Factor one with loading greater than 0.50 include marketing planning, market research, price negotiations and market audit. This factor can be interpreted as measuring export marketing research involvement. The second factor has variable product quality and packaging having loadings greater than 0.50. This variable therefore measures export product quality marketing intensity and the third factor has the variables distribution channels and advertisement with loadings greater than 0.50. From these loadings it is clear that Factor three is measuring export sales promotion intensity.

SME Characteristics and Export Marketing Involvement

In order to determine the relationship between SME characteristic and export marketing involvement measures of international marketing involvement were subjected to regression analysis against variables measuring company characteristics. Variables measuring SME characteristics in the analysis include export orientation, size of capital, size turnover, international experience and number of employees.

Table 2: Communalities of Variables

Variable	Commuality	Factor	Eigenvalue	% of Variance	Cumulative %
Product quality	.99679	1	3.43232	42.9	42.9
Marketing Planning	.78766	2	1.73085	21.6	64.5
Market Research	.78728	3	1.28207	16.0	80.6
Packaging	.99679				
Market Audit	.59798				
Advertisement	.83142				
Price negotiations	.57881				
Distribution channels	.86851				

Table3: Factor Matrix

	Factor 1	Factor 2	Factor 3
Marketing Planning	.82288	.19096	.27214
Marketing Research	.77693	.16311	.39630
Price negotiations	.74715	-.00971	-.14309
Market Audit	.74250	.05746	.20825
Product quality	.10782	.99060	.06220
Packaging	.10782	.99060	.06220
Distribution channel	.18051	.08432	.91039
Advertisement	.13682	.03199	.90093
Reliability Cronbach Alpha	.856	.8889	.8297

Table 4: SME Characteristic and Export Marketing Research Intensity

Variable in the Equation					
Variable	Beta	SE B	Beta	T	Sign. T
Export Orientation	1.285	7.587	.255	1.694	.00978
Constant	-1.116	.171		-6.78	.5018
Variables not in the Equation					
Variable	Beta In	Partial	Min Toler	T	Sign. T
Size of Capital	-.390711	-.193969	.230338	-1.251	.2184
Turnover	-.401891	-.125089	.090539	-.797	.4299
Experience	.094209	.097061	.992017	.617	.5409
No of Employee	-1.15942	-.096640	.649308	-6.14	.5426
Multiple R = .5578 R Square = .4263 F = 2.87024 Significance F = .00978 Durbin Watson 2.17					

When SME variables were regressed with export market research intensity results of that analysis are as shown in Table 4. From that table we can see that only the relationship between export volume and export market research intensity was significant. The positive relationship indicates that the more the export oriented the SME the more the international market research intensity conducted by the SME. The positive relationship between export orientation and Export marketresearch supports the hypothesis that the

more internationalized the SME is the greater is its export marketing involvement.

Table 5 shows the results for the relationship between export product quality intensity and SME variables. SME experience was the only SME variable that had a significant relationship with export product quality intensity. Firms that had more experience were also found to have greater emphasize on product quality aspects of marketing. This positive relationship supports the hypothesis that the greater the firms experience the greater the export marketing involvement.

Table 5: <i>SME Characteristic and Export Product Quality Intensity</i>					
Variables in the Equation					
Variable	Beta	SE B	Beta	T	Sign. T
Experience	.144237	.037484	.515090	3.848	.0004
(Constant)	-87.461172	74.703087		-3.848	.0004
Variables not in the Equation					
Variable	Beta In	Partial	Min Toler	T	Sig T
Size of Capital	-.010392	-.012104	.996668	-.077	.9394
Export Orientation	.056673	.065855	.992017	.417	.6786
Turnover	.028924	.033720	.998571	.213	.8321
No of Employees	.094001	.109539	.997633	.697	.4898
Multiple R = .51509 R ² = .26532 F = 14.80642 Signif F = .0004 Durbin Watson = 1.43					

Table 6: <i>SME Characteristic and Export Promotion Intensity</i>					
Variables in the Equation					
Variable	Beta	SE B	Beta	T	Sign. T
Export Orientation	1.771	7.270	.355	2.436	.00193
(Constant)	-.1499	.164188		-.914	.3663
Variables not in the Equation					
Variable	Beta In	Partial	Min Toler	T	Sig T
Capital	-.242539	-.124543	.230338	-.794	.4320
Turnover	-.324455	-.104455	.090539	-.664	.5103
Experience	-.033882	-.036107	.992017	-.229	.8204
No of Employee	-.013262	-.011434	.649308	-.072	.9427
Multiple R = .5560 R ² = .3645 F = 5.93485 Significance F = .00193					

To determine the relationship between SME characteristics and export promotion intensity, company characteristic variables were subjected to regression analysis against export promotion intensity as the dependent variable. Results as shown in Table 6 indicate that only export orientation had a significant relationship with export promotion intensity. It shows that firms that are more engaged in export markets are likely to have greater export promotion activities. These results support the hypothesis that the more internationalized the firm is the more it is involved in export marketing.

Export Marketing Involvement and Performance

As indicated earlier the study also wanted to

determine the relationship between SME marketing involvement and export performance. To achieve this, factors measuring export marketing involvement were subjected to regression analysis against export performance as the dependent variable. Results from the regression analysis are shown in Table 7. The factor measuring export product quality involvement was the only variable that had significant relationship with export performance.

Since the relationship between export performance and export quality intensity is positive, we can conclude that SMEs that emphasised on product quality performed better in the export market.

Table 7: Export Marketing Involvement and Performance					
Variables in the Equation					
Variable	B	SE B	Beta	T	Sig T
Product Quality Intensity	.2004	.09350	.31077	2.144	.00377
Constant	6.244	0.9246	67.535		.0000
Variables not in the Equation					
Promotion Intensity	.0973	.102	1.000	.667	.508
Market Research Intensity	-.2197	-.231	1.00	-1.540	.131
$F = 4.59687$ $Signif F = .0037$ $Multiple R = .310$ $R^2 = .310$ $Durbin-Watson Test = 2.710$					

CONCLUSION

In today's global environment where the world is increasingly becoming a smaller village, competing internationally has become a necessity rather than a matter of discretion. This study has made a step towards that direction by measuring the extent of marketing effort made by Tanzanian exporters in the fish processing industry. This empirical study has generated three underlying measures of Export marketing involvement of Tanzanian processed fish exporters. These measures are marketing research intensity, product quality intensity, and promotion intensity.

Export market research intensity and international market promotion intensity was found to be common among SME's that had greater export orientation. On the other hand export product quality intensity was found to be common among SMEs with greater international experience. When these measures were used to determine export performance, only Export product quality intensity was found to determine the performance of these exporting SMEs in the processed fish industry. We can therefore conclude that for fish exporters from LDC to succeed in the foreign markets they will have to lay greater emphasis in their product quality aspects. This research has been limited to exporters in the fish processing industry. Future research could benefit this field of international marketing by extending this framework to SME exporters in other industrial sectors.

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