

Marketing Strategy as Driving Force of Export Performance Small and Medium Enterprises - Case of Kosova

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Abstract

Kosovo's private sector business is led by small and medium enterprises and shows a crucial role in the economic development and promoting the growth of this sector. Due to the lack of studies in Kosova, related to marketing strategy and export performance, the research aims to explore growth determinants of SMEs in Kosovo by emphasizing exports, revealing the importance of marketing strategy related to the performance of SMEs. Since exporting is becoming more important, it is necessary to understand all the factors that are involved in this booming trade. This research analyses explore the literature dealing with small and medium enterprises' performance to inspect the traditional and modern academic standpoints on estimating the impact of export performance, based on secondary data of five hundred small and medium enterprises, as trade, manufacturing, and services sectors in Kosovo. The data were analysed using both descriptive statistics and inferential techniques, such as logistic regression analysis, and probit model using the SPSS software. Results show a significant linkage of marketing strategy and export performance; managers and policymakers can take some action to improve export performance. On the other hand, the results measure the impact of price, production, promotion and place in export performance incorporate expected future performance. It is argued that enterprises in Kosovo must pay more attention to strategies, and attempt to design and implement better strategies that will be beneficial for developing international trade, especially exports, as one way of trading by SMEs.

Keywords: small and medium enterprises, Kosovo, marketing, price, place, distribution, export, trade

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1. Introduction

Today trading abroad is a fundamental step for the business, reaching the enlargement competitive advantage in competitor's firms. Paper is organized with theoretical background, research methodology, results, discussion and conclusion.

Analysis and gathered data, combined with theoretical background helped in setting the research questions as well as the discussion on the findings of the thesis. This report was used, that gather data from 500 small and medium enterprises, contribute to describing factors that indicate Small and Medium Enterprises in Kosovo. Probit and Tobit analysis was used to test the correlation between the hypothesized relationships. Empirical research has proposed that export performance is determined by firm size, marketing strategy, financial barriers, the experience of the company, knowledge of the foreign language, IT knowledge. Also, some other factors can be considered to be determinants of export performance. This study contributed to the existing knowledge of foreign trade practices by analyzing the problems engaged in, by SME owners in Kosova who participated in this study. Also, recommendations will help to assist in the export sector that may uphold businesses to reach their goals and indicate economic growth. Performance levels can have an impact on marketing strategy decisions, based on the previous results most of the firms can rethink and react to marketing strategy, to improve, redefine and appoint new branding, communication, and relationship marketing strategies. Case studies as British Airways after its 1999 commercial financial disaster, publicity announced that they started rethinking a new marketing strategy.

2. Theoretical background

Due to the fact that variables of marketing strategy show a positive effect on export performance, in some cases is not significant [12]. The results cannot be generalized, if we do not make comparisons between the different products. Export markets and export performance are directly related to each other [20]. Product adaption strategy is viewed as a factor that directly affects export performance; segmentation strategies and world orientation instead of the nearest neighbor approach [10]. For many years, it has been given considerable attention to the influence on the export performance of various product dimensions [14]. In general, it can be seen that products designs have a significant positive effect on performance. Also, products can be differentiated through some advantages that are derived from their attributes as quality, prestige, luxury. Also, products with specific qualifications are very strongly related to product advantages known in the literature as a major export stimulus [9]. The main reasons why we hypothesis to have the positive relationship between product or brand with export performance are: by serving more customer segments it establishes opportunity increasing sales and all these costs including, administrative, marketing and other can distributed in the whole number of products [4]. Research on pricing strategy focused mostly on the effect of setting low prices. Although term sales play an important role in international business, including details of a contract, transporting, and other responsibilities, one factor pursued by the firm in export transactions is currency

strategy; also, if this price quotation minimizes liabilities of international customers, it can have a powerful competitive advantage. Positive relationship between export intensity and pricing approach [4]. This diversity in pricing is necessary for a firm to remain and survive in the competitive market with price adaption. For better exporting, it is quite important to have a proper channel of distribution, regarding this exporter, can use numerous ways of supporting their sales force training, missionary selling, cooperative advertising, market research assistance, dealers, financing [9]. Great caution must have on the delivery time of the products because for importing firms this plays selection criteria and affects competitiveness and success in the market in which these firms operate [16]. Promotion and their effects on export performance are advertising, sales promotion, personal selling, trade fairs, personal visits, and promotion adaption [12]. With advertising, firms can generate more sales by informing, reminding, and pursuing domestic and foreign customers. Personal selling as a way of promotion was analyzed only research by a small number of studies, even if in some studies it is noted a positive relationship their result should be treated with caution. The use of trade fairs as the promoter of exports has been researched in several studies that found a linkage relationship between them [17]. Nevertheless, all these positive effects should be viewed with caution; it depends on which product/service you are a competitor at that fair. It is unrealistic to look for the same results with the use of the same marketing strategy, in all marketing ventures. All these tools of promotion, including participation in trade fairs or personal visits to export markets, help export managers to pursue standardized promotion strategy across all countries, also adaption with new requirements in the competitive market. Which companies are more likely to be active as exporters? Companies that have formal market planning are more likely to be active while lacking this formal plan causing difficulties achieving their goals [5]. And also, companies that spend much more time in selecting foreign target markets have a higher level of export performance than SMEs that are more ad hoc in this process [5]. Moreover, even though the common extension procedure received does not influence export rate, the choice about whether to institutionalize or adjust the advertising mix components affects. All in all, the work endeavored to tackle the issue emerging from the conflicting outcomes on the impact of export rate predecessors utilizing the resource as the hypothetical establishment. For that reason, the authors investigated mutually the elements proposed as potential determinants in this research. Identifying the marketing technique components that impact export rate has been the subject of sizeable observational research [12]. Be that as it may, discontinuity and decent variety portray the discoveries revealed in writing, constraining hypothesis advancement, and change of management practice in the field. The assessment of [12] based on their assessment stated that: there is no significant relationship exists between export performance and marketing strategy. However, this is irrespective of the reality that a significant correlation exists between the whole export performance and the strategy used for marketing; a significant correlation exists between export performance and geographic center, type of product, and the time it was studied; and the export proportion of sales has a stronger effect on exportation performance. The accomplishment of an effective export rate is at the core of the key basic leadership

process for both corporate and open arrangement chiefs. A firm's goals, both economic and non-economic have a significant effect on the importation rate is due to an international context in a given period and also the export strategies used by the company to deal with the problem of the company's environment. A firm determines which export strategy to be used, and that decision varies between industries, time horizons, national firms, and context. Thus, there are plenty of export rate markers utilized as a part of the exporting writing. For instance, [11], in their analysis of 100 export-related articles recognized 42 distinctive performance markers. All the more as of late, [19], in his investigation of export rate-related articles distributed in the vicinity of 1998 and 2004, recognized 50 different performance indicators. The large exhibit of pointers utilized in the export rate writing is an impression of the troubles in getting to export rate information, and also the ongoing quest for reliable and thorough measures. This makes the studies and approval of the discoveries from various investigations exceptionally troublesome. A diagram of the important writing suggests that a reasonably stable and solid export rate measure ought to satisfy the accompanying criteria. It must be composite and multidimensional, i.e., to incorporate both target and subjective measures; it needs to have an edge of reference, i.e., to be benchmarked against domestic market performance, competitors' performance, or prior performance, [10]. "The objective/subjective divide refers to the type of values used in the export performance assessment, i.e., objective indicators are mainly based on absolute values (e.g., export sales volume, export profit margin, export market share, etc.), while subjective indicators are based on perceptual values (e.g., the manager's perception of success and satisfaction with export sales)." Measures of export performance are usually categorized into two broad groups: financial/economic and non-financial/non-economic measures. The recent astronomical growth of global trade and sales activity in the world, occasioned by social media and other online marketing activities, has increasingly exaggerated the importance of the export business to individuals, estates, and business organizations. The internet, international travel, and other structures portending interconnectedness had blurred the restriction line on the discussions of this magnitude. The whole reveal suggests that the most used financial indicators as measures of export performance are: sales-related indicators. Export sales ratio [6], [9], [13], export sales growth [10], [13]. export sales volume and export sales ratio [14], [2]. Profit-related indicators, such as export profitability, export profitability growth, export profit ratio, and export profit margin [3], [13]. Export intensity (export to total sales ratio), export sales growth, export profitability, export market share, satisfaction with overall performance, and received export success [19]. Faced with the difficulties of acquiring financial data from SMEs, some researchers resort to the use of non-financial/non-economic measures of export performance. This manner advocates the use of perceptual/attitudinal or generic standards of performance, such as perceived export success, achievement of export objectives, satisfaction with export performance, or strategic export performance [21]. Other non-financial measures include product-related and market-related indicators and other miscellaneous actions. Much of the early export performance research has been dominated by single-item measures, either economic or non-economic. Recognizing that export success is "multifaceted and cannot be captured by any single

performance indicator" (Diamantopoulos, 1998: page 3). Recent empirical studies have attempted to develop and validate multi-item measures in the form of more complex and multidimensional performance metrics [12], [7], [21]. Firms that have a developed marketing strategy deem this factor as a driving factor an route for better performance.

3. Research methodology

Identification and measuring the determinants of export performance through the marketing strategy is the main subject of this paper. The data used in this study were obtained from five hundred Small and Medium Enterprises operating in Kosovo, the selected exporting company represents one hundred, which made a total sample of five hundred companies. The respondents were asked for a degree of agreement with a series of statements on an item measure. The LIKERT scale was introduced and deemed to determine the intensity with which respondents feel about asked questions. The descriptive statistics were calculated to give an overview of the distribution, mean, and standard deviation of the data set. Internal consistency and reliability analysis for LIKERT scale variables was performed using Cronbach's Alpha coefficient.

Through these analyses the following hypotheses have been raised, such as:

- The marketing strategy (including price, place, promotion, and distribution) was strongly positively correlated with the export performance of small and medium enterprises.

3.1. Describing the Data used, hypothesis, and Research methods

In this study, the dependent variable is export performance defined by the participation of export in a total sale. The export performance showed a multidimensional formation, validating the complex environment of the structure as suggested by [12], [2], [6].

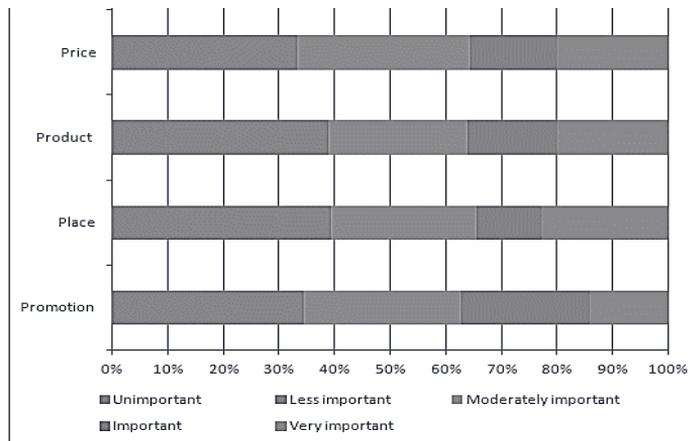


Figure 1. Managers' stated importance for promotion, place, product, price, and innovation

Concerning the marketing strategy, the majority (60.2%) of the interviewed managers perceived marketing strategy as not a less important road map for being engaged in export. Export promotion activities were seen to be important for the export performance of a company. About 66% of the interviewed managers stated that promotion was important to very important for the export of a company. Whereas, less stated importance was given to the place, product, price, and innovation.

Internal factors	Age				Education			
	χ^2	Df	Cramer's V	P-value	χ^2	Df	Cramer's V	P-value
Marketing strategy	19.48	20	0.099	0.491	21.15	12	0.119	0.048
Promotion	37.04	20	0.136	0.012	9.35	12	0.079	0.673
Place	39.38	20	0.140	0.006	17.47	12	0.108	0.132
Product	34.35	20	0.131	0.024	6.42	12	0.065	0.893
Price	40.93	20	0.143	0.004	6.69	12	0.067	0.877

Note: No responses were given for the innovation within the stated category very important.

Table 1. Dependency of the importance of the internal factors with the managers' characteristics

<i>Internal factors</i>	Size of the company (number of employees)			
	χ^2	Df	Cramer's V	P-value
Marketing strategy	77.43	8	0.278	0.000
Promotion	16.36	8	0.128	0.037
Place	14.42	8	0.120	0.071
Product	12.70	8	0.113	0.122
Price	13.68	8	0.117	0.090
<i>External factors</i>				
Infrastructure	11.38	8	0.107	0.181
Financial barriers	6.89	4	0.083	0.141

Table 2. Dependency of the importance of the internal and external factors with the firm size

The probit model was performed to find out the relationship between exporting status of the firm and the other explanatory variables presented in Table 2. In the following table, the results from the estimated probit model are reported.

The marketing strategy variable also displays a positive sign at a 1% level of statistical significance, showing that the probability of exporting increases with a better marketing strategy from a company. Four other explanatory variables such as promotion, place, price, and product were omitted in the best-fitted model as they were not proved to be statistically significant determinants of exporting probability. The marketing strategy was positively correlated with the percentage of the export share in the total sale. According to the estimated model, it was shown that if a

company gives higher importance to the marketing strategy the percentage of the export share in the total sale increases by 5.387% (p-value = 0.0000).

Variables	Coefficient	Coefficient
Marketing strategy	0.194110*	0.219870**
Promotion	0.433186*	Omitted
Place	-0.618407*	Omitted
Product	0.885350**	0.217334*
Price	-0.457142	Omitted
Log-likelihood	-105.35	-110.6780
R-squared	0.581	0.560

Note: Significance is denoted as follows: *P < 0.05; **P < 0.01; ***P < 0.001.

Table 3. Results of probit estimation for initial model and with omitted variables

H1: Firms that have marketing strategies are positively associated with export performance.

This hypothesis tries to describe performance differences between small and medium enterprises, why some of them are successful and some are not. What should they improve in their marketing strategy to raise this level of performance? There are two main groups of explanatory variables describing export performance, intervening variables and background variables. In general, it can be seen that product designs have a significant positive effect on performance. Also, products can be differentiated with some advantages that are derived from their attributes as quality, prestige, luxury. All these advantages indicate in export profit contribution. This progress by the firm will lead to export positional advantage, development, and success [2]. Leading to better export it is quite important to have a proper channel of distribution, regarding this exporter, can use numerous ways of supporting their sales force training, missionary selling [12], [9]. From our research, the importance given to the marketing strategy by surveyed companies was strongly positively correlated with export performance.

4. Research results

The importance given to the marketing strategy by surveyed companies was strongly positively correlated with export performance.

	Variables	Pearson Correlation	P-value	H ₁
Marketing strategy	Export share in a total sale (in %)	0.837**	0.000	Accepted

Note: Significance of variations is denoted as follows: *P < 0.05; **P < 0.01; ***P < 0.001.

Table 4. Correlation of marketing strategy with the export share in total sale

The importance given to the marketing strategy by surveyed companies was strongly positively correlated with export performance.

5. Results

This group of variables, including price, distribution, place, and promotion can directly indicate the export performance. During the last years, firms have been paying considerable attention to developing all these variables. Products design has positive effects on better performance, also differentiation attributes as quality, luxury, and prestige can lead to better performance [11]. All these advantages indicate the contribution of export to total profit. From the conducted research, the magnitude given to the marketing strategy by exporter SMEs surveyed was positively and strongly associated with export performance.

The results of this research open new horizons for future research. Understanding the actual situation of SMEs and the ways how they can reach better performance on exporting, helps to increase the relevance of the study and also to attain new findings. Using data from five hundred SMEs can give the best overall picture of exporting. A future research study can be focused on researching the companies from the preliminary step of the beginning of their export, which can help in reaching a better balance and more significant outcomes. The reason why exporting is important is thoroughly explained, however how to use this way of trading so that the companies can become more competitive in the market and show higher performance, stays behind merely as an optional question for further research.

6. Discussion

Based in literature review, this study provides some valuable insights related to marketing strategy. Findings indicate that marketing strategy including price, promotion, place and distribution and export performance have positive relationship. The conclusion identifies significant linkage for small and medium enterprises in Kosova.

7. Conclusion

This paper includes a summary of the contribution and implications of the study including research questions and research methodology. The personal suggestions of the researcher on this study expedition endow with concluding statements of this investigation. This study explores the relationship between some variables of SMEs as firm size, product innovation, and experience of firms in business that is called the age of industry; knowledge of the market in exporting product/services; marketing strategy including price, product, place, and promotion and export performance. To verify whether exporting is the first step in the process of internationalization, the findings of this study are linked with growing literature on exporting aspects. This also offered a more in-depth understanding of the relationship between variables used in the study and export performance. This paper is summarized with some specific

recommendations for the management of SMEs and for government institutions to increase the export performance in Kosovo.

Exporting companies continue to invest in marketing because it has been shown that the marketing variable, including the price, product, place, and distribution, has a positive impact on export performance. This is an excellent way to be closer to the customers, and as a unique way to continue selling products even abroad.

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