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IMPACT OF EXPORTING MARKET STRATEGY ON THAILAND AGRICULTURAL SECTOR

In the last two decades, firms in emerging economies have played an increasingly important role in an integrated global economy. Many of these firms are in the early stages of the internationalization process in which exporting is the most common mechanism for participating in foreign markets. It is widely accepted that exporting is an attractive foreign market entry mode strategy and expansion alternative method. The global market offers business opportunities in today's business world. One of the attractive strategies to enter international markets is an exporting due to low risk, cost effectiveness, and easy controlling. As Thailand is an export oriented economy and has successfully positioned itself as the "Kitchen of the World", Thai food and agricultural sector has played an important role in the growth throughout its economy history. Therefore, the main purposes of this study are to answer why exporting is really appropriate for Thai agricultural firms, as well as to examine the factors influencing export marketing strategy of Thai agricultural exporters and investigate the relationship between the company's performance and export marketing strategy. In this research, the theoretical background overviews of export marketing strategy with its implementing entry forms and the current situation of Thai agricultural exporting industry are also provided. The results show that almost Thai agricultural firms select the exporting modes as the main strategy to expand their products into foreign markets and there is a relationship between export marketing strategy and the company's performance in terms of growth and profitability.

Key words: agricultural product, entry strategy, exporting market, performance, marketing, efficiency.

Increased globalization and advances in communication technology have encouraged a great number of firms to look for market opportunities internationally, not only to ensure their survival but also to sustain their competitive advantage. In the last two decades, firms in emerging economies have played an increasingly important role in an integrated global economy. Many of these firms are in the early stages of the internationalization process in which exporting is the most common mechanism for participating in foreign markets. It is widely accepted that exporting is an attractive foreign market entry mode strategy and expansion alternative method. This is because of the fact that it does not absorb the resources that overseas site operations generally demand. Thus, it tends to be associated with low risk. For that reason, the increasing importance of export activities has led to increasing scholarly research. Export performance has increasingly gained attention from both academicians and practitioners. The export performance is also a very important concept for managers as they need to make a decision about future multinational commitments based on an evaluation of individual export venture. Moreover, they must compare the performance of export activities to that of domestic ones. The growth in export performance research can also be attributed to the performance difficulties which exporters face because of intense competition in their foreign markets. In this study, the subject of export marketing strategy was chosen due to the significance of role that exporting plays in trade and industry. It can be said that exports lead to faster economic growth by increasing capital formation rate, increasing specialization and expanding the efficiency raising that give benefits to comparative advantage, promoting better economies of scale, offering greater capacity utilization, and improving faster in technological change [1]. Although, Thai agricultural industry plays an important role in Thai economy, it has less intensity of research on the relationship of the export marketing strategy and performance. Therefore, Thai agricultural industry is employed to be the research background. Moreover, this study deals with an evaluation of the factors that contribute to the success of Thailand exporting firms in the agricultural industry. At least three major factors that contribute to the success of the exporting companies include of internal factors such as firm and product characteristics, external

factors such as industry characteristics, and export marketing strategy. Therefore, perspectives of this research are based on exploring and indicating of export market strategies that are reported with many implementations in order to build the characteristics of organization in both of the internal and external factors. Besides that, examining of the relationship between company's performance and the mode of export marketing strategy is investigated.

According to Prasertsakul, exporting is a feasible alternative of international market expansion strategies. It is vital that decisions relating to export markets and export promotion policies are considered cautiously, given their potential impact on a firm's performance. The major factors on international trade expansion are rapid growth in world outputs, reduced trade barriers, more efficient international communication, better transportation methods and greater regional economic integration. Subsequently, international trade has significantly increased in relative importance in most economies. For instance, Thailand is an export oriented economy with exports accounting for around 65 percent of the GDP. The country mainly exports 86 percent of manufactured goods, 14 percent of electronics, 13 percent of vehicles, 7,5 percent of machinery and equipment, and 7,5 percent of foodstuffs, respectively [2]. Major export partners are China, Japan, the United States, and the European Union. Others export markets include Malaysia, Australia, and Singapore.

In Thailand, there are many reasons which account for the diffusion of interest shown towards exporting in recent years. First of all, the economy has suffered from the implications of balance of trade problems. Secondly, owing to the relatively small size of the captive domestic market, the attainment of satisfactory sales turnover and market growth levels is severely undermined. Finally, there is a general lack of financial resource in many Thai firms to pursue a market development strategy that requires direct foreign investment. These problems have led the Thai government to formulate export-oriented trade strategies and develop assistance programs to encourage export sales to flourish. The government offers many support programs to help Thai exporting companies. However, the expansion of exports cannot be accomplished solely by depending on private sector initiative or by Thai government policies; as the weakness in Thai exporting approach has stemmed at least as much from previous public policy as it has from private institutions. In order to develop the effective export promotion program, the Thai government needs to understand the factors that influence the success of export. Even though Thailand has so far been quite successful in leveraging its natural resources and industrial sector to create a powerful agriculture industry, the country still faces a number of obstacles to growth. Long standing government control of the agricultural goods market, in the form of guaranteed farm gate prices and price caps on retail sales, continue to hinder the competitiveness of Thai production on international markets. In a bid to raise Thailand's competitiveness with its global and regional peers, the government and the private sector have been ramping up efforts to help boost domestic agricultural production by tackling such issues as inefficiencies within small-plot farming such as lack of modern technology and knowledge of modern farming techniques and government policies which fail to stimulate competition. Although inefficient government policies may have a negative effect on the export sector, prospects are good for Thailand to maintain its position as a regional center for agriculture. Furthermore, attractive export opportunities bolstered by strong government developing plan and support to boost production levels bode well for future growth.

In the future, demand for agricultural products will increase greatly due to an increasing world population and higher meat consumption per capita. The Food and Agriculture Organization of the United Nations estimates that the world population will increase 35 percent to 9,7 billion people in 2050. The additional population will hike demand for agricultural products greatly. As Heemmuden mentioned that Thailand has the potential to increase its agricultural exports by using new eco-friendly technologies to increase production and meet international food and agricultural product standards [3]. Since the majority of Thai people are connected in some way with agriculture, the agricultural sector has played an important role in the growth of the economy throughout Thai history. The Government has a policy to reform the agriculture sector to ease problems faced by farmers and to contribute to national development. Based on Thailand PRD (2016), the Ministry of Agriculture and Cooperatives is accelerating the development of Thai farmers as smart farmers. The establishment of 882 learning centers is involved in order to increase the efficiency of agricultural production. Thai government encourages local farmers to produce in response to the market demand both for domestic and outbound markets. Thai farmers have been urged to upgrade their products to international standards to make

them more competitive in the world market. In this regard, the government intends to strengthen farmers, along with improve supporting policies for exporting Thai agricultural products.

According to Thailand BOI (2017), Thailand is among the world's top exporters of many agricultural products such as cassava, sugarcane, and rice. The scheme is expected to increase the value of cassava by THB 100 billion (USD 2,9 billion) per year and sugarcane by THB 300 billion (USD 8,6 billion) per year, and increase farmers' incomes by THB 75,000 (USD 2,141) per person per year, by the end of the 10-year program. The government is committed to ramping up the rice mega farm scheme this year. Thai government has been promoting agricultural development with the intention of increasing the value added of agricultural products for exporting. With the improved outlook for the agricultural sector in 2017, Thai agricultural export has grown by 61 percent, amounting to THB 98 billion (USD 2,8 billion) during this year's first five months. Deputy Office of Agricultural Economics disclosed the trade value of Thai agricultural products during the past five months of this year amounted to THB 718,95 billion (USD 20,8 billion), an increase of 2 percent over the same period of last year, while Thai agricultural exports during the five-month period were valued at 552,29 billion (USD 16 billion), accounting for an increase of 8,8 percent. Imports were valued at THB 166,66 billion (USD 4,7 billion), declining by 16 percent. As a result, Thailand has had a trade surplus by THB 385,63 billion (USD 11,2 billion), marking a 24 percent increase from the corresponding period last year, with major export markets being the ASEAN countries which contributed to 26 percent of all export products, including sugar, fruits, and rubber. Other significant export markets for Thailand was China which contributed 16 percent of all agricultural exports, followed by 13 percent from Japan, 11 percent from US, and 9 percent from EU. Thailand's negotiation efforts for trade partners to accept the country's agricultural standards gave the opportunity for Thai products to be exported to new markets such as South Korea where Thailand can resume the export of fresh and frozen chicken meat, valued at THB 91 million (USD 2,6 million) during the first five months this year. The negotiation to export fish and seafood to the Russian market also contributed to THB 179 million (USD 5,2 million) export value, while the export to Mexican market accounted for THB 19 million (USD 0,6 million) [3, p. 223–225].

Generally, the simplest form of entry strategy is exporting using either a direct or indirect method such as an agent and a countertrade. For agricultural industry, almost agricultural exporters, including Thai agricultural firms, choose agents or distributors to manage their outbound marketing for both raw materials and processed products. Most of agricultural firms in Thailand are in rural areas and in forms of small and medium firms. However, many literatures reported that small and medium agricultural firms face bigger difficulty in obtaining the necessary export market information and in obtaining financing than do larger firms [4]. Smaller firms face several barriers to enter foreign markets such as lack of market information, lack of export market budgeting and planning, lack of financing, and perceived export complexities and riskiness. Normally, exporting is done essentially by large firms which are minority part of overall agricultural firms in the country. Hence, assisting these small and medium firms in reaching their export potential is important to the economic well-being of rural regions. Moreover, most studies have concentrated on manufacturing exporters with limited attention to small agricultural exporters that may include food and non-food products. Jensen and Davis discussed that regulatory barriers and import restrictions are problematic for exporting firms. Financial and market risk such as lack of adequate market research or trade leads, exchange rate risk, or inability to obtain financing for export have also been cited as barriers to exporting. Besides that, the transportation costs can impede exports. Furthermore, export market competition from both domestic and foreign suppliers can be a barrier to exporting and buyers' awareness or attitudes about the product in the foreign market can also inhibit exporting. On the export marketing strategy side, several key strategies have been identified and associated with firm characteristics. It can be said that size and export experience may influence the use of competitive pricing strategy. The less product adaptation might be expected from less experienced exporters or smaller firms. On the contrary, large exporters were more likely to have successfully increased exports by providing only low or moderate international promotional support. The non-price promotion and advertising strategies were used more by larger than by smaller exporters.

Foreign Market Entry Modes. Cateora and Graham stated that there are six basic strategies for entering a new market ordering from lowest to highest investment and potential risk return: export/

import, licensing and franchising, joint venturing, consortia, partially-owned subsidiaries, and wholly-owned subsidiaries, respectively.

Foreign Market Entry Motives. Companies enter international competitions and export markets because of different motives such as gaining global reputation, assurance of long term growth, increase of profitability, obtain the economy of scale and for other reasons such as saturation of internal market, intensity of competition in internal market and pressure of governmental rules and regulations [4, p. 215–220].

Export Performance. It has believed that apart from the motive of companies for entering foreign markets, improvement of export performance is their main concern. Normally, the conceptual definitions of export performance given in literature reviews include export efficiency, export effectiveness, and continuous engagement in exporting. Jantunen et al. (2005) mentioned that there are seven different dimensions of performance which have been widely used in prior research. These items included sale volume, market share, profitability, market entry, development of image, development of know-how, and overall performance.

Exporting Strategy. Exporting is the process of selling goods or services produced in one country to other countries. There are two types of exporting which are direct and indirect exports. It is the easiest entry strategy due to it offers the lowest level of risk and the least market control. Moreover, it is no need for the company to invest in a foreign country because exporting does not require that the goods be produced in the target country. Most of the costs associated with exporting take the form of marketing expenses. The main advantages of exporting include of reach customers very quickly, have complete control over production and products, and benefit and learn from the experience of exporting for future expansion. Whereas exporting has some disadvantages such as transportation costs, costs from trade barriers, difficulties in responding to customer's needs and wants, and low performance in potential location economies. Therefore, exporting is appropriate when there is a low trade barrier, home location has a cost advantage, and when customization is not crucial.

Direct Export. A direct export occurs when the exporter sells directly to an importer or buyer located in a foreign market area. The direct export entry forms mainly include of an agent who is a representative that acts on behalf of the exporting company and sells to wholesalers and retailers in the importing country and distributors who are the exclusive representatives of the company and are generally the sole importers of the company's product in their markets. Generally, almost Thai agricultural firms that want to go abroad use agents or distributors for their exporting activities.

Indirect Export. An indirect export occurs when the exporting firm uses independent organizations located in the producer's country to engage in export activities. There are five main entry forms of indirect exporting include of an export buying agent, a broker, an export management company (EMC), an export house (EH), a trading company, and a piggyback [5].

In this study, the main research problems are divided into two questions: 1) why Thai agricultural firms should select exporting strategy as their primary method to enter foreign markets? 2) is there a relationship between export marketing strategy and the company's performance?

Consequently, the main goals of this research are: 1) finding reasonable causes to support that the idea of using exporting strategy for Thai agricultural firms is good and acceptable; 2) examining the factors influencing export marketing strategy of Thai agricultural exporters.

To achieve these research goals, the following objectives have been identified: 1) to study an overall image of Thai agricultural industry and its related exporting activities at the present time; 2) to analyze whether export's advantages and challenges, accompanying exporting modes; 3) to investigate the relationship between the export marketing strategy and company's performance in terms of company's growth and profitability.

The results of this research can be summarized as follows:

1) from the literature and research findings, there was an incomparable of export marketing strategy comparing in the area of foreign market entry strategy;

2) most of Thai agricultural firms select exporting modes as the main strategy to expand their products into foreign markets. Thai agricultural exporters primarily choose direct exports such as foreign agents or distributors from those countries for managing and controlling their exporting activities in international economies;

3) there is a relationship between export marketing strategy and the company's performance in terms of growth and profitability.

It was broadly accepted that exporting marketing strategy is the simplest way to enter international markets due to its competitive advantages such as low risks, low investment, and easy to control. Exporting is one of the most basic and common strategy that suitable for both small and large businesses worldwide. It is appropriate when there is a low trade barrier, home location has a cost advantage, and when customization is not crucial.

From the study, Thai agricultural firms include a great number of small and medium enterprises (SMEs) that face several challenges to expand abroad businesses than large enterprises in which a minority of overall domestic agricultural firms. Besides that, one big part of Thailand's export markets is in Asia region such as ASEAN countries, China and Japan. These results tend to have low trade barriers as many free trade agreements have been used among Asia countries and less transportation costs from the homeland which is one of important hubs in this region. Therefore, it can be discussed that exporting is the best appropriate strategy for Thai agricultural exporters.

From the research findings of Kantapipat [6], Hypotheses A and B tested the relationship between export marketing strategy and the company's performance in terms of growth and profitability respectively. These two hypotheses are accepted when the degree of significant testing level is $p = 0,05$. However, this research is based on the population of firms in Thai agricultural export industry only. In addition, the export marketing practitioner of this study is defined as one who has influences in the decision making stages of exports marketing strategy.

Even though this research attempted to identify the marketing strategic factors influencing export performance, it is important for future researchers to use several indicators to obtain better understanding of the impact of export marketing strategy on company's export performance.

In addition, this study focused on Thai agricultural exporters only. Hence, future researchers should pay attention to investigate exporting firms from other Thailand's industries or other countries in the same region in order to understand a whole picture and compare the difference of marketing strategic factors that influence their export performance.

To conclude, Thai agricultural firms should select an exporting strategy for entering international markets, especially in the beginning of their expanding step. Nevertheless, Thai government should pay more attention and find effective ways to support its agricultural industry in order to compete in today and future's global markets. However, good exporting policies and restrictions from the government should help Thailand to increase its overall export performance. Besides that, it can be also concluded that top management's attitudes and commitments are potential determinants of the firm's export performance. Exporters should realize that successful exporting is truly depended on the managers themselves. This is due to they play an important role in reinforcing the implementation of the business philosophy and strategy. The top management should perceive export activities as the source of company's profitability and future growth. Therefore, managerial characteristics of the management team should be considered. If the firm has a well planning which is established with resource commitments, it will be able to reduce uncertainty and increase company's performance.

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Аңдатпа

Соңғы екі онжылдықта дамушы нарықтардағы фирмалар интеграцияланған жаһандық экономикада маңызды рөл атқарып келеді. Осы фирмалардың көбісі интернационализациялау үдерісінің алғашқы сатысында тұр, онда экспорт сыртқы нарықтарға қатысудың ең таралған механизмі болып табылады. Экспорт сыртқы нарыққа шығудың жағымды стратегиясы және бизнес шекараларды кеңейтудің балама әдісі болып табылатыны белгілі. Әлемдік нарық қазіргі іскерлік әлемдегі бизнес үшін мүмкіндіктер ұсынады. Халықаралық нарықтарға шығудың жағымды стратегияларының бірі – қауіпі төмен, тиімді және басқаруға оңай болып табылатын экспорт. Тайланд экспортқа бағдарланған экономика болып табылады және өзін «әлем тағамы» тұрғысынан көрсеткені үшін тайландтық азық-түліктік және ауылшаруашылық секторы өзінің сан ғасырлық тарихында ұлттық экономиканы дамытуда маңызды рөл атқарады. Осыған байланысты осы зерттеудің негізгі мақсаттары экспорттық стратегия неліктен тайландтық ауылшаруашылық фирмаларына неғұрлым қолайлы екендігі туралы сұраққа жауап табу. Сондай-ақ, мақала тайландтық ауылшаруашылық өнімдерін экспорттаушыларының экспорттық маркетинг стратегиясына әсер ететін факторларды зерттеуге және компанияның тиімділігі мен экспорттық маркетинг стратегиясының арасындағы өзара байланысқа бағытталған. Бұл зерттеуде экспорттық маркетингтік стратегияларының теориялық шолулары тайландтық ауылшаруашылық экспорт саласының енгізілген кіру формалары мен ағымдағы жағдайларын көрсетеді. Зерттеудің нәтижесіне сәйкес, көптеген тайландтық ауыл шаруашылық фирмалары экспорттық режимді өз өнімдерін сыртқы нарыққа шығарудың негізгі стратегиясы ретінде таңдайды, дегенмен экспорттық маркетинг стратегиясы және өнімділігі мен табыстылығы тұрғысынан компанияның тиімділігі арасында байланыс бар.

Тірек сөздер: ауылшаруашылық өнімі, кіру стратегиясы, экспорттық нарық, өнімділік, маркетинг, тиімділік.

Аннотация

В последние два десятилетия фирмы в странах с формирующимся рынком играют все более важную роль в интегрированной глобальной экономике. Многие из этих фирм находятся на ранних этапах процесса интернационализации, в котором экспорт является наиболее распространенным механизмом участия на внешних рынках. Широко признано, что экспорт является привлекательной стратегией входа в рынок на внешнем рынке и альтернативным методом расширения бизнес-границ. Глобальный рынок предлагает возможности для бизнеса в современном деловом мире. Одна из привлекательных стратегий для выхода на международные рынки – экспорт по причине низкого риска, экономичности и простоты управления. Поскольку Таиланд является экспортоориентированной экономикой и успешно позиционирует себя как «кухня мира», тайский продовольственный и сельскохозяйственный сектор сыграл важную роль в развитии национальной экономики на протяжении всей своей многовековой истории. В связи с этим основные цели данного исследования заключаются в поиске ответа на вопрос, почему экспортная стратегия наиболее подходит для тайских сельскохозяйственных фирм. Статья также направлена на изучение факторов, влияющих на стратегию экспортного маркетинга тайских экспортеров сельскохозяйственной продукции, и взаимосвязи между эффективностью компании и стратегией экспортного маркетинга. В этом исследовании широко представлены теоретические обзоры стратегий экспортного маркетинга с внедряющими формами входа и текущим положением тайской сельскохозяйственной экспортной отрасли. Согласно результатам исследования, большинство тайских сельскохозяйственных фирм выбирают режим экспорта в качестве основной стратегии для расширения своей продукции на внешние рынки, при этом существует связь между стратегией экспортного маркетинга и эффективностью компании с точки зрения роста и прибыльности.

Ключевые слова: сельскохозяйственный продукт, стратегия входа, экспортный рынок, производительность, маркетинг, эффективность.