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Investigating different factors for regional market entrance

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C H R O N I C L E

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A B S T R A C T

This paper presents an empirical investigation to study the effects of different factors for regional market entrance. The population of this survey includes all producers who are involved in export of industrial goods in city of Tehran, Iran. The study designs a questionnaire in Likert scale and distributes it among some randomly selected experts who were involved in production and export of different products. Cronbach alpha was calculated as 0.856, which is well above the minimum acceptable level. Using principal component analysis, the study has detected seven factors including product development, government support, strategic orientation, customer satisfaction, competitive pressure, organizational capabilities and distribution strategies influencing on product development. In addition, the implementation of structural equation modeling has determined that product development, government support, strategic orientation and competitive pressure maintained the highest effects on product development.

1. Introduction

The ability of business marketers to carefully monitor, adopt and manage advanced technologies is an essential predictor of long-term competitiveness. Ghingold and Johnson (1998) developed a framework linking the technical knowledge of an organization's managers to its capability to gain and hold competitive advantage. They presented the proposition that market driven companies with technically knowledgeable managers need to be better positioned to gain and hold competitive advantage. Export is the basis of market development for more developing countries (Albaum et al., 2008; Pettersson & Galdo Nogales, 2002). Chetty and Campbell-Hunt (2004) identified the consequences of rapid international growth, referred to as "the gusher," among some companies and the destabilizing effects of the experience as the company was taken in unexpected directions. They reported that the born-global model had much in common with the internationalization of small entrepreneurial companies and that their most distinctive elements could lie in the framework's relevance to an increasingly globalized world economy and in the more aggressive learning strategies, which were required to follow this path. They also used the business network perspective to determine how small to medium-sized manufacturing companies in a small isolated economy such as New Zealand could deal with the

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issues of success and rapid growth as a result of their internationalization efforts. Suárez-Ortega and Álamo-Vera (2005) investigated the particular organizational and managerial determinants of the various characteristics of a firm's export development process: intention, propensity, and intensity. Kaleka (2002) adopted a resource-based view and used it to industrial goods' manufacturers engaged in exporting activities. The notion of organizational process was also implemented as a filtering mechanism for the development of a classificatory scheme for organizations' sources of competitive advantage in export markets. Various combinations of export-related resources and capabilities were detected as drivers of expense, service, and product advantage. However, the ability to build enduring relationships with customers emerged as essential in reaching all three kinds of export competitive advantage. Rettie et al. (2002) reported for the first time that identification of pioneer status was associated with actual purchase of that brand. Pavic et al. (2007) gave some insight about e-business, competitive advantage and their roles in the UK SMEs. Salavou and Halikias (2009) investigated different types of exporting firms featuring strategy orientations and profitability of differential emphasis. Köksal and Özgül (2010) determined the export competitive advantage differences between high- and low-performing companies in Turkey. They specifically analyzed the companies' export resources, export skills, and export competitive advantages in order to determine the discrimination effects of each variable. According to Progoulaki and Theotokas (2010), resource-based view (RBV) may contribute to the confrontation of the hindrances that shipping firms may face in the management of their human resources, and to the formation of sustainable competitive advantage. They analyzed the findings of a field study, regarding the various human resource and crew management practices applied by Greek-owned shipping firms. They also proposed an integrated framework for managing human resources in the shipping industry in a way, which could lead to the formation of sustainable competitive advantage. According to Awuah and Gebrekidan (2008), a firm's highly valued performance, an indication of its strong position or competitive strength, has its roots in its regular and intensive interaction with some substantial actors in its network. Čater and Čater (2009) contributed to the body of knowledge on the antecedents of a firm's competitive advantage and performance by proposing a conceptual model. They reported that a cost advantage was positively influenced by financial resources and customer capital, while a differentiation advantage was positively influenced by financial resources and all three components of intellectual capital. Barney (2001) investigated some of the implications of positioning the resource-based view relative to these other two literatures. Vlahvei et al. (2013) identified the online strategies and the web sites features implemented by the Greek food exporting SMEs in order to establish a strong brand identity in the global market.

2. The proposed study

This paper presents an empirical investigation to study the effects of different factors for regional market entrance. The population of this survey includes all producers who are involved in export of industrial goods in city of Tehran, Iran. The study designs a questionnaire in Likert scale and distributes it among some randomly selected experts who were involved in production and export of different products. The sample size is calculated as follows,

$$n = \frac{N \times z_{\alpha/2}^2 \times p \times q}{\varepsilon^2 \times (N-1) + z_{\alpha/2}^2 \times p \times q}, \tag{1}$$

where N is the population size, $p = 1 - q$ represents the yes/no categories, $z_{\alpha/2}$ is CDF of normal distribution and finally ε is the error term. Since we have $p = 0.5, z_{\alpha/2} = 1.96$ and N=856, the number of sample size is calculated as n=250. In our study, we first distributes 40 questionnaire among some experts. . Cronbach alpha was calculated as 0.856, which is well above the minimum acceptable level. Fig. 1 demonstrates personal characteristics of the participants.

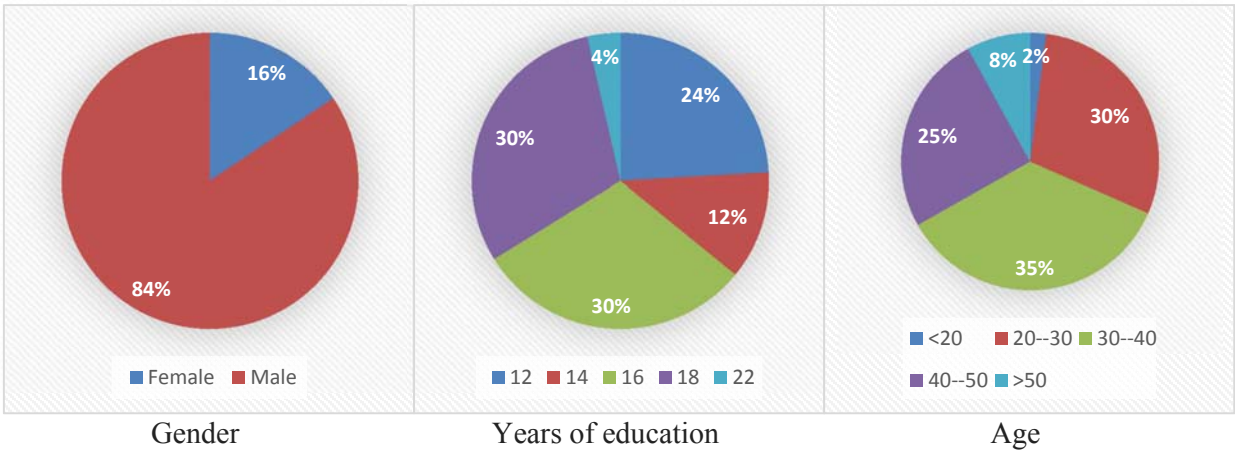

Fig. 1. Personal characteristics of the participants

As we can observe from the results of Fig. 1, most participants are male with good educational background. In addition, they were mostly middle aged people. The proposed study of this paper uses factor analysis using Varimax method. Table 1 demonstrates the results of our survey.

Table 1
The summary of factor analysis

Factor	Initial values			Extracted values			Extracted values After rotation		
	Total	%Variance	%Accumulated	Total	%Variance	%Accumulated	Total	%Variance	%Accumulated
1	7.198	19.453	19.453	7.198	19.453	19.453	4.242	11.464	11.464
2	3.793	10.252	29.705	3.793	10.252	29.705	3.174	8.577	20.041
3	2.719	7.349	37.054	2.719	7.349	37.054	2.52	6.81	26.852
4	1.815	4.905	41.959	1.815	4.905	41.959	2.298	6.211	33.063
5	1.643	4.44	46.399	1.643	4.44	46.399	1.945	5.256	38.319
6	1.427	3.857	50.256	1.427	3.857	50.256	1.847	4.992	43.311
7	1.283	3.467	53.722	1.283	3.467	53.722	1.817	4.911	48.223
8	1.204	3.254	56.977	1.204	3.254	56.977	1.815	4.906	53.129
9	1.127	3.047	60.024	1.127	3.047	60.024	1.792	4.843	57.971
10	1.057	2.858	62.882	1.057	2.858	62.882	1.597	4.315	62.287
11	1.017	2.75	65.631	1.017	2.75	65.631	1.238	3.345	65.631
12	0.899	2.429	68.061						
13	0.829	2.24	70.301						
14	0.811	2.192	72.492						
15	0.781	2.11	74.602						
16	0.71	1.92	76.522						
17	0.678	1.834	78.355						
18	0.656	1.772	80.127						
19	0.638	1.726	81.853						
20	0.631	1.707	83.559						
21	0.549	1.484	85.044						
22	0.541	1.463	86.506						
23	0.513	1.387	87.894						
24	0.501	1.355	89.248						
25	0.486	1.312	90.561						
26	0.44	1.19	91.751						
27	0.418	1.13	92.881						
28	0.392	1.059	93.94						
29	0.383	1.036	94.976						
30	0.365	0.988	95.963						
31	0.347	0.937	96.901						
32	0.317	0.856	97.757						
33	0.254	0.688	98.445						
34	0.227	0.614	99.059						
35	0.168	0.453	99.512						
36	0.101	0.272	99.784						
37	0.08	0.216	100						

In addition, we have also used Scree plot to extract the important factors and Fig. 2 demonstrates the results of our survey. As we can observe from the results of Fig. 2, there are seven factors, which could be used for analyzing the export. Table 2 demonstrates the results of seven factors along with its components.

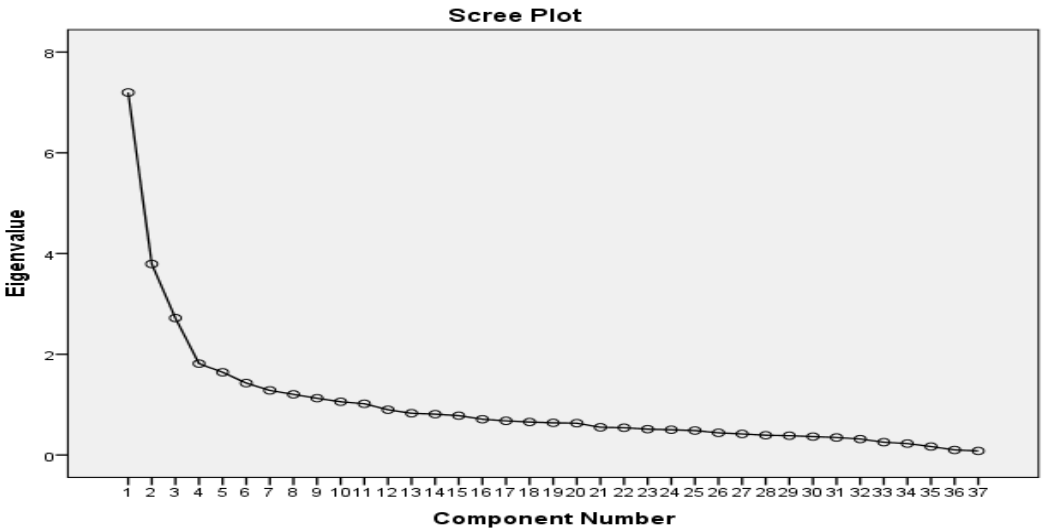

Fig. 2. The results of Scree plot

Table 2
The summary of factors and their components

Factor	Question	Description	Factor loading
Product development	q3	Research and development	0.729
	q6	Innovation in production	0.705
	q7	Product life cycle	0.699
	q2	Applying advanced technologies	0.686
	q1	Quality of products	0.646
	q5	Compatibility of product with market	0.629
	q4	Product diversity	0.562
	q8	Packaging	0.497
Governmental support	q22	Customs	0.792
	q23	Giving subsidy for producers	0.724
	q19	Tax exemption	0.693
	q20	Government support	0.685
	q18	Currency policy	0.594
Strategic orientation	q25	Taking part in international exhibitions	0.86
	q13	Strategic merger	0.747
	q26	Integrated marketing	0.586
	q14	Pricing strategy	0.561
Customer satisfaction	q33	After sales services	0.731
	q37	Customer relationship channels	0.644
	q34	Market segmentation	0.562
Competitive pressure	q16	International competition	0.655
	q15	Number of competitors	0.584
	q9	Market share	0.476
Organizational capability	q38	Marketing research	0.715
	q39	Management commitment for export	0.713
	q40	Human resource management	0.581
Distribution strategy	q30	Foreign sales representative	0.731
	q29	Distribution ownership	0.591
	q31	E-commerce	0.575

Using principal component analysis, the study has detected seven factors including product development, government support, strategic orientation, customer satisfaction, competitive pressure, organizational capabilities and distribution strategies influencing on product development. We have also applied structural equation modeling to examine the effects of various factors detected in this section. After making some changes on the primary model, the final model has been modified and Fig. 3 demonstrates the results of our survey. In our survey, all statistical observations were within acceptable levels and therefore, we may use the results of the model.

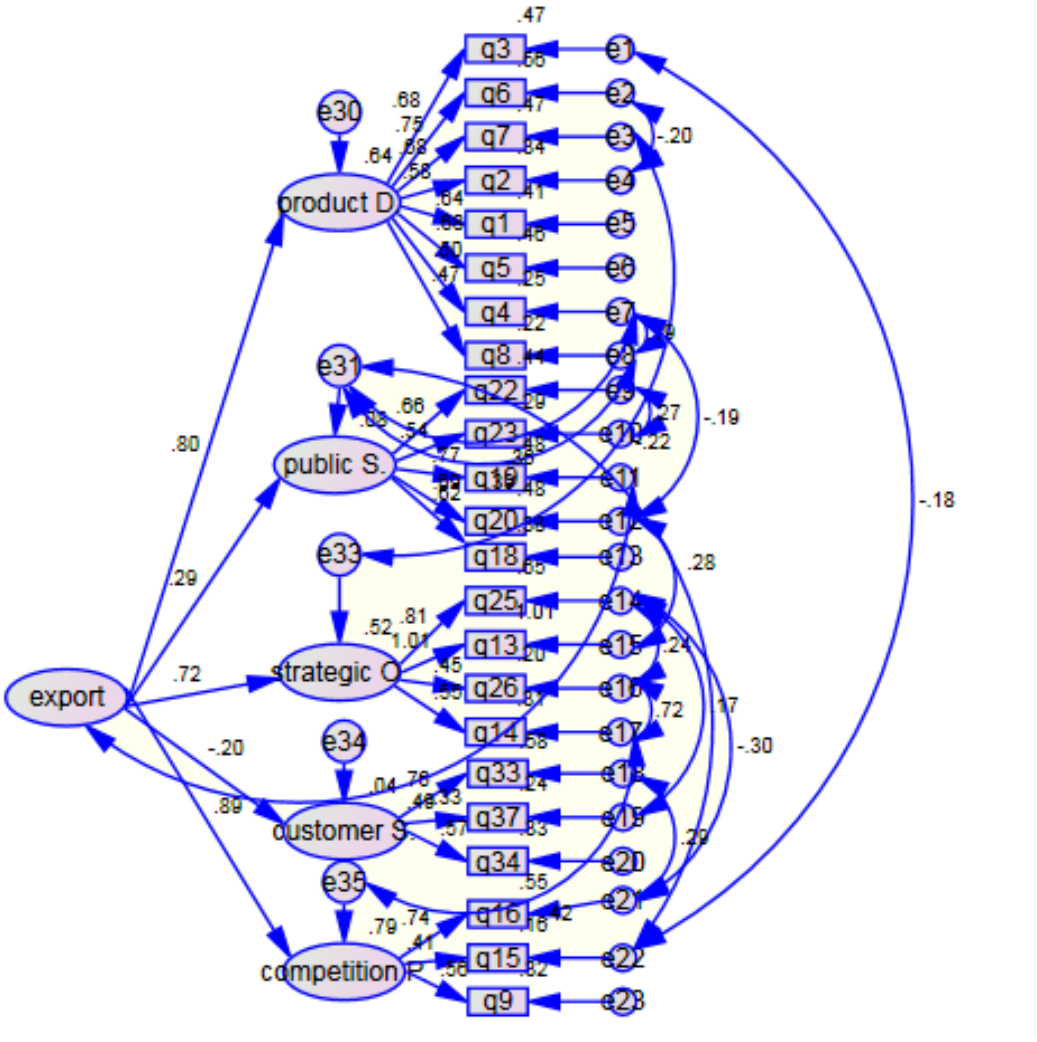

Fig. 3. The results of standard coefficients on structural equation modeling

As we can observe from the results of Fig. 3 product development, government support, strategic orientation and competitive pressure have maintained the highest effects on product development.

3. Conclusion

In this study, the role of entry into regional markets in the realization of the brand promise in Iranian industries have been examined. Using principal component analysis, the study has detected seven factors including product development, government support, strategic orientation, customer satisfaction, competitive pressure, organizational capabilities and distribution strategies influencing on product development. In addition, the implementation of structural equation modeling has determined that product development, government support, strategic orientation and competitive pressure maintained the highest effects on product development. Based on the results of this survey, we may recommend the experts who wish to promote export to invest on their research and development. They need to have appropriate data gathering system to collect the necessary marketing information. In fact, production must be aligned with market demand. We also need to setup appropriate macro strategies to develop market in regional market. These days, product life cycles may be influenced by various factors such as the change on people's interests, habits, etc. It is important for experts to learn more about customs and people's tendencies to prepare better marketing strategies.

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