

# MARKETING CAPABILITIES FOR YOUNG EXPORTERS

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## INTRODUCTION

Young firms during internationalization face uncertain market environment and fight liabilities of newness (Stinchcombe, 1965), smallness (Aldrich, Auster, 1986), foreignness (Zaheer, 1995) and outsidership (Johanson, Vahlne, 2009). The key challenge for young exporting firms is to identify the international market opportunity and develop the appropriate value proposition. Firms need to expand their knowledge, interact with the market, engage their customers and partners in value proposition validation. What is the role of marketing in internationalization process? When firms enter new markets, their marketing strategies, product positioning and brand strategy may change significantly under the influence of market factors (Zahra, 2005). While knowledge is accumulated and partnerships created, new objectives can emerge during exporting (Sarasvathy, 2001). Thus, young exporter needs specific marketing capabilities which foster learning about the markets, help building relationships with export partners, engaging customers in the value proposition creation process. Young firms need marketing capabilities which will enable to acquire relevant knowledge faster and validate value proposition through interaction with the market.

The aim of the research is to identify the specific marketing capabilities that support the process of internationalization in young firms and to develop the model that links marketing capabilities to the export performance.

According to Puke (2021) marketing capabilities can be classified as strategic and cultural ones. Strategic capabilities entail strategic marketing processes which are related to information, planning, implementation, inter-functional and inter-organizational processes. Strategic marketing capabilities included in the research model are market sensing, customer engagement, partner linking, product development and strategic creativity and they have positive effect on export performance. Cultural marketing capabilities reflect the behavior of the firm in the market and attitude towards the market processes and changes. Export cultural marketing capabilities included in the research model are adaptivity, agility, proactivity and experimentation; they enhance strategic marketing capabilities and present positive effect on export performance.

## CONCLUSION, CONTRIBUTION AND NOVELTY

Marketing process in young exporting firms is focused on extending available knowledge, development and validation of the value proposition. Firms need to develop specific marketing capabilities to improve export performance.

This study reinforces the prominent role of marketing in internationalization process and identifies unique marketing capabilities which enhance the export results in young firms.

Limitations: the data was gathered in Latvia. The firm age was 2-10 years after registration.

## RESULTS

Figure 1. Research model

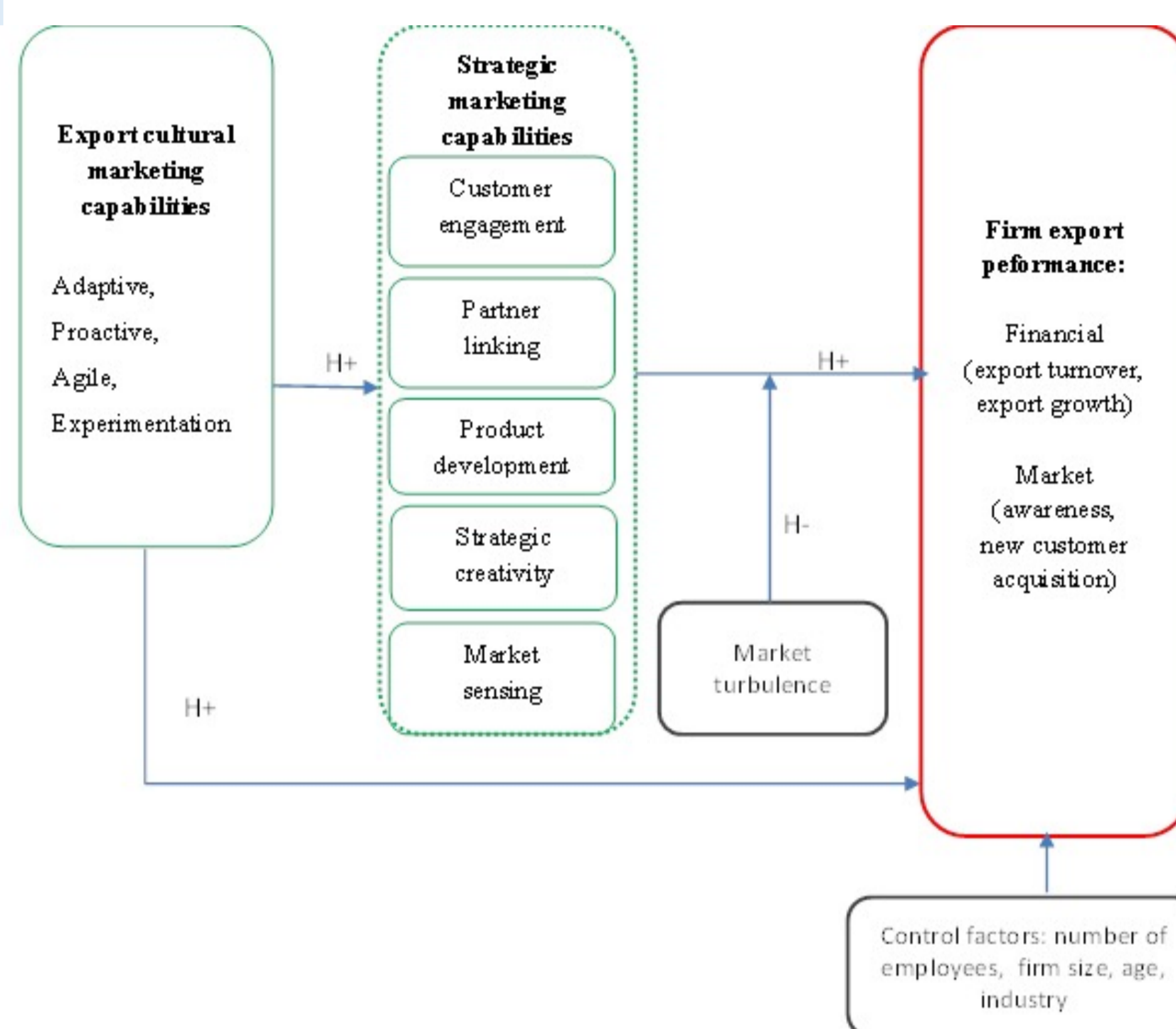


Table I. Hypothesis conclusions

Hypotheses	Finding	Conclusion
H1 Market sensing capability has positive effect on export performance	Yes (beta = 0,039, p<0,05)	Supported
H2 Customer engagement capability has positive effect on export performance	Yes (beta = 0,266, p<0,001)	Supported
H3 Partner linking capability has positive effect on export performance	Yes (beta = 0,130, p<0,002)	Supported
H4 New product development capability has positive effect on export performance	Yes (beta = 0,093, p<0,004)	Supported
H5 Strategic creativity capability has positive effect on export performance	Yes (beta = 0,044, p<0,014)	Supported
H6b Marketing capability that embodies adaptive, proactive, agile behavior and openness to experiments has positive effect on export performance:	Yes (Proactive, experiments: beta = 0,319, p<0,00) Adaptive, agile: beta = 0,100, p<0,003)	Supported
H6a Marketing capability that embodies adaptive, proactive, agile behavior and openness to experiments has positive effect on strategic marketing capabilities	Yes (see Figure 2)	Supported
H7 Market turbulence positively moderates the influence of strategic marketing capabilities on export performance.	No: not significant	Not supported

\*Betas represent coefficients of direct and indirect effects combined.

Strategic marketing capabilities that have positive effect on export performance are: customer engagement (the largest effect), partner linking, market sensing, new product development and creativity. Firms need to adopt behavior that is agile, proactive, adaptive and open to experiments in the marketing process. This type of behavior has a positive effect on export results and enhances the level of strategic marketing capabilities.

## METHODOLOGY

Author explored the marketing process in young firms, conceptualized the specific capabilities and export performance variables for conceptual model and tested it within young exporting SMEs sample in Latvia. We used a mixed method approach, combining 15 in-depth semi-structured face-to-face interviews of owners and export managers (2017), and quantitative computer-assisted telephone interviewing (CATI) of 200 young exporting firms (2020).

The study used unique data set of manufacturing and service exporter firms, which was provided by the Central Statistics Bureau of Latvia and Central Bank of Latvia specifically for the purpose of this research; it altogether comprised of 1628 firms. The sampling frame consisted of economically active firms with at least 10 000-euro export sales in the last year, firm age was from 2 to 10 years, yearly overall export turnover from 10 000 euro to 50-million-euro, number of employees from 1 to 249, operates in manufacturing or service industry.

Data was analyzed using factor analysis and structural equation modeling with PLS-SEM.

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