The Impact of Exporter Small-Business Enterprise Factors on their own Export Performance and Costs

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Abstract

The main purpose of this study is to examine the impact of exporter company factors on cost advantage and export performance. The study is based on the hypothesis that the capability of market information use capacity, experiential knowledge, and distribution capability factors have a positive impact on reducing the costs of the company and provide cost advantage for the company and thus, financial performance of the exporter company increases. Use of market information, experiential knowledge, distribution capability are discussed as the factors affecting cost advantage and export performance. In order to test the relationship between these factors resource-based views (RBV) were used and a model was developed to measure the effect of company factors in export markets, costs and export performance. During the experiments, a questionnaire was administered to senior executives of exporter companies in Turkey and the hypothesis was thus, supported. The results of the study revealed that increasing the distribution capacity does not ensure cost advantage but it does increase export performance; and that experience-based knowledge provides both cost advantage and increases export performance. The study includes the rest of the results obtained as well as discussions.

Keywords: Use of market information, experiental knowledge, distribution capability, low -cost advantage, firm performance

1. Introduction

Globalization and increasing competition in foreign markets has required companies to export (Leonidou and Katsikeas, 1996). National governments perceive foreign trade as an opportunity for economic growth, financing balance of payments and employment (Czinkota and Ronkainen, 1995). In today's world, the importance attached to international trade has increased quite a lot for the above mentioned reasons. The increase of world export trade from $5 trillion annually (e.g., World Bank, 2001) in 2001 to $13.8 trillion in 2007 mirrors the importance attached to exporting. In Turkey, export volume increased from $27.7 million in 2000 to $117.1 million in 2010 (e.g., TUIK, 2009). A large part of this export volume is done by SMEs. There are differences in the classification of SMEs from one country to another. In the USA, while companies employing between 500-1499 workers are defined as medium-sized and those employing 1-499 workers are defined as small-sized companies (Akgemici, 2001) in Japan companies employing 20- 299 workers are accepted as Small and Medium Sized Enterprises. In Turkey, companies employing 1-49 workers are small-sized enterprises and companies employing 50-199 workers are accepted as medium-sized enterprises (e.g., KOSGEB, 2009). In general, these companies make up 40%- 80% of total employment and 30%- 60% of the GNP of their countries (Srodes, 1998). These companies easily adapt to technological innovations and environmental changes (Keng and Jiuan, 1989; Yaprak, 1985).

Penetrating export markets and competing in those markets is quite difficult. There are various bottlenecks such as (1) lack of information on foreign markets and connections; (2) complexity of documentation in export and (3) uncertainities in entering into new markets (Bilkey and Tesar, 1977; Rabino, 1980 Bilkey, 1978) in penetrating new markets. Although there are serious difficulties in entering into export markets companies and governments see research in this field as necessary for reasons such as growing liberalization, increasing competition and opportunities in foreign markets (Haahti, Madupu, Yavas and Babakus, 2005). Entering into new export markets and thus, increasing export performance have become an attractive and focused issue in literature (e.g. Katsikeas, Leonidou and Morgan 2000; Cavusgil and Zou 1994; Katsikeas, Piercy, N.F. and Ioannidis, 1996;Aaby and Slater, 1989; Toften, 2005;Ling-yee,2004; Robertson and Chetty, 2000; Kaynak and Kuan, 1993; Grimes, Doole and Kitchen, 2007; Toften and Olsen, 2003). Although export performance has been an attractive issue in literature, export performance is a highly-focused and discussed issue, but is still an issue not yet implicitly defined (Leonidou, Katsikeas, and Piercy 1998). Making reliable and valid predictions of export performance as well as evaluations (Kaynak & Kuan, 1993) is a sophisticated issue and to make this evaluation, the effect of various variables on export performance has been tested (e.g. knowledge to export performance Ling-yee (2004); providing business practitioners to export performance Robertson et al. (2000); Dichtl et al. (1990); firm size to export performance (Katsikeas et al. 1997); export market planning to export performance and export knowledge to export performance (Toften 2005); Export knowledge to export performance (Toften and Olsen 2003); export marketing capabilities to export performance (Aaker 1991); market information use to export performance (Richey et al 2001);delivery capability to export performance (Stanley et al. 1997); quality and cost to export performance (Stanley et al.2000); Low-cost advantage and branding advantage to export performance (Shaoming Zou et al.2003). Knowledge intensity to export performance (Antti Haahti 2005); Product Adaptation Strategy to export performance (Roger J. Calantone et al 2006); Export Market Orientation to export performance (Catherine Dodd 2005). Much attention in literature focuses on the importance of firm costs and its influence on firm performance (e.g Stanley et al.,2000; Shaoming Zou et al.,2003; Leonidou and Katsikeas, 1996; Leonidou and Adams-Florou, 1999). These studies show that there is a positive relationship between the firm’s low-cost advantage and export performance. Export costs are important elements affecting the export performance of a company. Exporting provides a company with cost effectivity (Leonidou and Adams-Florou, 1999). Uncertainities in entering into foreign markets, lack of information on foreign markets (Rabino, 1980 Bilkey, 1978), strong competition in foreign markets and expectations of buyers increase the risks of export markets and therefore, increase firm costs. This study relates to both theoretical and administrative point of views. In the past, studies on export performance companies in Turkey and their administrative points of view have not been much discussed. The continously growing Turkish business market attracts international investors. In this regard, this study reflects the ideas of Turkish business managers. The purpose of this study was to examine whether marketing capabilities, use of market information, export knowledge and distribution capability elements, as defined in literature, bring down the export costs of Turkish firms and thereby increase their export performance, using a resource-based view (RBV). To find the answers to these and other similar questions, a structural equation methodology was applied to data gathered from an industry sample of top managers. Export performance was assessed (Davis et al.,2002) using two measures of profitability; return on assets (ROA) and return on sales (ROS). In literature, profitability and increase in sales revenue are accepted as a good performance criteria (Dean et al., 2000).

This study includes six sections: In the first section, the overall scope of the study is set out and the methodology used in the literature is explained. In the second section, the studies in the field are summarized. In the third section, a model is developed. In this section, dependent and independent variables regarding export performance are included. Also, in this section (a) modeling and data collection and (b) statistical analysis are discussed. The results of the study are covered in the fourth section and in the fifth section, the discussions regarding the results of the study are included. Finally, the sixth section presents a closing discussion on the limitations of the study and on future research.

2. Literature Review and research hypotheses

2. 1. Conceptual framework

With the recent increase in the importance of exporting business, researchers working on firm performance have started to show more interest in resource-based view (RBV) studies (e.g Morgan et al., 2006). RBV export market context suggests two types of assumptions ideally (Zou et al., 2003). One is the resource heterogeneity and the other is resource immobility (Barney 1991). As Morgan et al (2006) stated, resource-based view is an applicable method for setting the theoretical environment in industrial export performance studies. The concepts examined in this study are use of market information, experiential knowledge, distribution capability, firm low-costs and export performance. In previous conceptual articles (Stanley E. et al.,2000; Shaoming Zou et al.,2003) it has been stated that export market information use affects both export cost and export performance, export knowledge (Antti Haahti et al.,2005; Kjell Toften,2005) and product development (Shaoming Zou et al.,2003). Utilizing this resource-based view (RBV) the model in Fig. 1 was developed. This conceptual framework is based on the opinion that the capability of using market information, experiential knowledge and distribution capability affect the decrease of the company’s expenses positively, bring a cost advantage and thus, the financial performance of the exporter increases. The results of this study revealed that the behavioral factors and cost advantage factor of the company impact export performance positively.

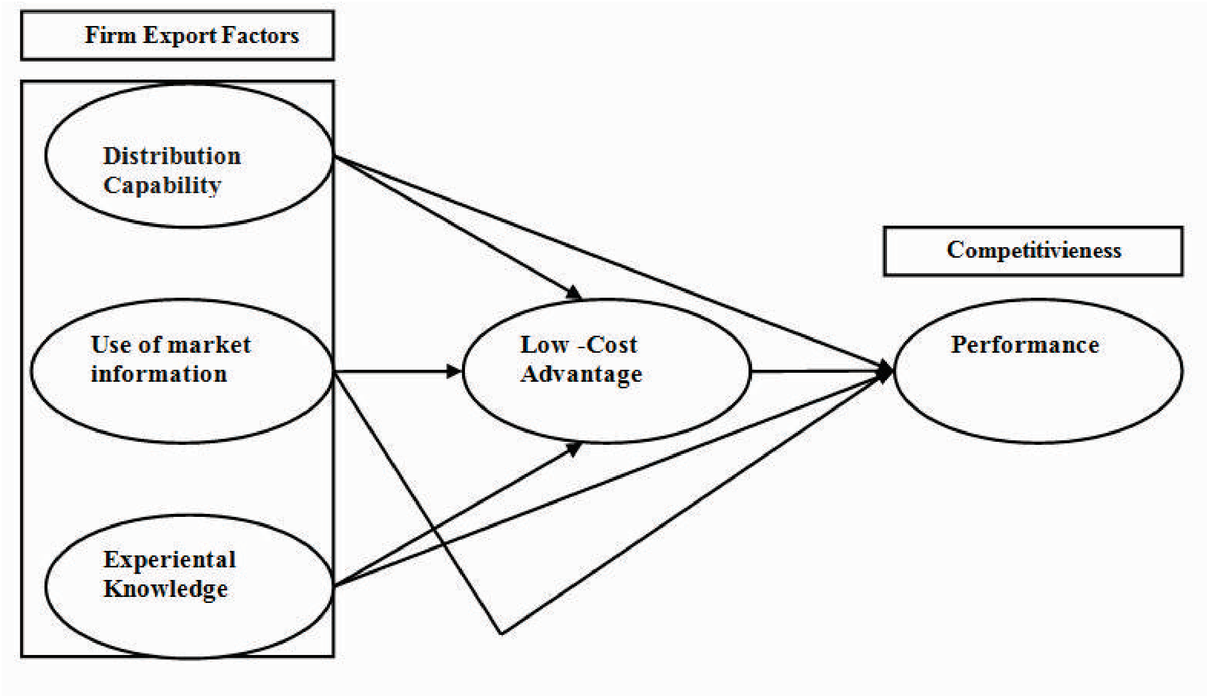

Fig. 1. Resource model

2. 2. Export performance

Although there are various theoretical definitions of export performance (e.g Morgan et al., 2006), which is a highly discussed issue, (Robertson and Chetty, 2000; Kaynak and Kuan, 1993; Morgan et al., 2004; Morgan et al., 2006; Antti et al., 2005),export performance refers to the outcomes of the firm's activities (Katsikeas et al., 2000). Use of market information, experiential knowledge, distribution capability, firm low-costs, firm export factors (FEF) affect export performance as company factors (Stanley et al., 1997; Catherine, 2005; Ling-yee, 2004; Grimes et al., 2007; Fraering, 1996; Katsikeas et al., 1996; Zou et al., 1998; Diamantopoulos et al., 2003; Aaker, 1991; Richey and Myers, 2001). Performance provides both efficiency in reaching organizational objectives as well as increasing environmental changes (Katsikeas et al., 2000). Some studies focus on direct and indirect actions impacting export performance (Rose and Shoham, 2002) while others directly focus on export performance rather than how willing companies are to export (Rose and Shoham, 2002) and others focus on the hypothesis that export performance is related to both internal and external factors (Calantone et al., 2006). Previous studies (Dean et al., 2000) have defined export performance as an increase in export profits, ratio of export profits to total profits, increase of importance of export to total business, acceptance of product by export distributor, etc. factors. It is expected that subjective decisions are more valid in measuring export performance and determining a style in which export performance is related to administrative decisions (Katsikeas et al., 2000). By taking risks and comprehending environmental changes clearly (Evangelista, 1994) exporters tip the scales in their own favor. Thus, environmental opportunities provide a positive impact on export performance (Rose and Shoham, 2002). The low-cost advantage strategy (LCAS) discussed in this study is based on the study of Zou et. Al. 2003, who offer this study with a structural model based on Day and Wensley's (1988) framework. In this model, they relate export marketing capabilities (pricing capability, Distribution Capability, communication capability, Distribution Capability) with low-cost advantage and relate this advantage to performance. They suggest a positive relationship between pricing capability, distribution capability, communication capability and low-cost advantage; and between low-cost advantage and export financial performance. This study, on the other hand, incorporates the factors of use of market information, experiential knowledge, distribution capability, which are used as low-cost advantage.

2. 3. Low-cost advantage

Low-cost advantage is often discussed in the context of Porter's (1980) strategy of cost leadership, which suggests that the company should focus on a low-cost position compared to their competitors to gain cost advantage. Cost advantage provides efficiency to the exporter and is also a strong element of profitability (Miller, 1988). Exporter companies bear various costs, primarily those of equipment, general production and labor. These costs increase over time and also lead to a loss of capital (Cassar and Craig, 2009). Labor costs affect the profitability of the company (Acs and Audretsch, 1987). In addition, lack of export information on foreign markets, not getting information on the market and low distribution capacity increase these costs. As the companies engage in export business, they will gain highly-efficient cost-effective penetration of foreign markets. (Leonidou and Adams-Florou 1999). In this case, the company will lower its costs by increasing its production. It would be appropriate for companies to follow a strategy for cost-efficiency, which should provide a competitive advantage to the company. There are two types of distinctive competitive advantage (Bharadwaj et al., 1993). One of these advantages is cost advantage (company offers a low price) and the second one is differentiation advantage (Day and Wensley, 1988). A company with a cost advantage offers its products and services at lower prices because of its lower costs. Lower cost results in a higher sales volume. As the sales volume increases, the costs of the goods produced will decrease and thus, the sales revenue of the company will increase. In order to have a low-cost advantage and increase their financial performance in this way, companies should have a low-cost marketing strategy (Li and Li, 2004). Low-cost advantage can be gained by reducing production, supply, distribution etc. costs. Low-cost enables lower prices to be quoted in foreign trade and creates outstanding value (Kaleka, 2002). Cost advantage not only increases the efficiency of the company (Piercy et al., 1998) but also provides value for the company. Increasing the capability of the exporter company and thus improving inter-company relationships can be established by gaining a low-cost advantage (Zou et al., 2003) and offering low-costs. Exporting companies with super financial resources, on the other hand, will be in a strong position compared to other companies and thereby will ensure their own cost reduction (Kaleka, 2002). The low-cost advantage of the exporter company impacts its financial performance positively (Zou et al., 2003). Cost saving significantly impacts sales and profitability positively (Hultman et al.,2009) and depending on the low-cost advantage of the companies, it brings significant profitability in financial capitals (Marris, 1967). Cost-advantage of an exporter company will not only increase profitability but also the sales revenue. Thus;

H1. An exporter's low - cost advantage positively affects its financial performance in the export market.

2. 4. Distribution capability

Technological innovations, increasing competition and demographic change have increased the importance of coordination of the distribution channels of companies (Anderson et al., 1997). Distribution is of capital importance in supplying the clients with export products. Today, based on distribution in export markets, various strategies have been developed (Grimes et al., 2007). Companies can gain competitive advantage through distribution (Day and Wensley, 1988; Bharadwaj et al., 1993). In order to get a competitive advantage through distribution it is necessary to increase distribution capacity. Providing low-cost advantage can be regarded as a distinctive competition strategy (Day and Wensley, 1988). Ways must be found to increase distribution capacity in order to gain this advantage,. Distribution capacity is the ability to provide superior support to export distributors and to establish close relations with those distributors (Zou et al., 20003). Effective communication with these distributors will ensure on-time delivery of goods and enable measures to be taken against unanticipated costs. With efficient planning, exporters not only decrease their distribution costs but also set up an information network between in-country channel members (Richey and Myers, 2001). As Richey and Myers(2001) stated, if efficient distribution control is desired, a shorter distribution chain should be found and thus, costs will be controlled. In order to realize all these activities, executives should develop projects regarding the market estimations on export markets and effective distribution channels should be supported. Mistakes in export markets often arise from inadequate market analysis and inefficient distribution (Ogbeuhi et al., 1994). Distribution is the element of marketing strategy that has attracted the most research attention (distribution adaptation and dealer support) and pricing (Leonidou et al., 2002). As Zou et al. (2003) stated distribution capability provides an export venture with a low-cost advantage in the export market. As the distribution capability increases, the company will make faster and on-time deliveries. These on-time deliveries will contribute to lowering the costs of the seller and thus, the distribution capability and the financial performance of the company will increase. So;

H2. An exporter's distribution capability positively affects its financial performance in the export market.

H3. An exporter's distribution capability positively affects its low- cost advantage in the export market.

2. 5. Use of market information

Information is of critical importance in determining the right activities (Song et al., 2002). Toften (2005) suggested that the use of export market information affects both export performance and export knowledge. Use of market information is crucial in export decisions (Richey and Myers, 2001; Burridge and Bradshaw, 2001; Toften and Olsen, 2003; Toften, 2005; Porter and Millar, 1985). In order to collect and use export market information, it is necessary to develop good direct and indirect relationships with clients (Bello and Urban, 1991). These relationships positively affect the decisions of the company. The company analyzes the viewpoints of its customers regarding its product, and consequently, the company discontinues behaviours which do not contribute to the company in any way, in other words, which do not lower the costs or increase sales revenue. In addition, using this market information, companies that foresee the expectations in the export market will not produce goods or services, which are non-advantageous. Thus, with the cost advantage based on using the obtained market information, the situation of not selling the products will not arise. Obtaining export information can be quite difficult (Katsikeas, Leonidou, and Morgan 2000). However, companies need this information to have a cost advantage. Increasing information sources can be counted among the sources of having a cost advantage (Souchon and Diamantopoulos, 1996). Increasing the competitive capabilities of the companies also depends on the ability to monitor competitive products in export markets (Seringhaus and Cunningham, 1995). Market information is helpful in channel arrangements and market adaptation (Richey and Myers, 2001). As Myers (1997) stated, what is more difficult than distribution and promotional activities in export markets is collecting efficient market information. Lack of information about the market can be said to be one of the bottlenecks in penetrating into a new market (Bilkey and Tesar, 1977). Performance can be measured according to the information gained (Porac and Thomas, 1990). Information is highly important to succeed in marketing and to make the right decisions (Song et al., 2002).Exporters should therefore recognize the importance of relationship management in achieving superior export performance (Leonidou and Kaleka 1998). Companies need serious market information to increase their performance (Calantone et al., 2006). Accountants indicate that there is a strong relationship between the level of information and customer satisfaction (Barker, 2008). Obtaining new information increases international competitiveness of the company (Shan and Song, 1997). The more the company uses this information at both a national and international level, the more it will avoid unnecessary costs and thus;

H4. An exporter's use of market information positively affects its low - cost advantage in the export market.

H5. An exporter's use of market information positively affects its export financial performance in the export market.

2. 6. Experiential knowledge

Accessing information and turning this information into experience (Leonidou et al., 2002) is of crucial importance in the world today. Exporting is essential to increase the revenue of a company. In this sense, it is necessary to collect export market information and increase sales opportunities. Export decision-makers try to determine how much time is required for market information and market resource research (Chetty, 1999). As stated by Morgan et. al.(2004) policy makers should provide information for the company to ensure executives gain direct experience and are able to organize their participation in various business trips and organizations and thus paving the way to increase their export experience. Experiential knowledge is significantly important for companies because it is through experience that the company makes fewer mistakes and thus, works with lower costs. A company's specific foreign market information level (Ling-yee, 2004; Katsikeas and Morgan, 1994; Blesa and Ripollés, 2008) is related to the diversity of its foreign market information, awareness of the export environment (Wang and Olsen, 2002;) and the effect of this information on export performance. As Barney (1991) stated, information as a means of creating crucial value, plays an important role in achieving superior company performance. As this acquired information background will contribute to the differentiation of dos and don'ts, it may ensure fewer wrong activities and more gains in the export market. This will also be shown as low-cost and and higher financial performance. The company might access information from various environments. This information is classified by the departments of the company and improved in global production and marketing network fields (Stanley et al., 1997). Export knowledge is further suggested to affect export performance (Toften, 2005). Executives make critical decisions using their experiences (Porac and Thomas, 1990). Limited knowledge about foreign partners (Leonidou and Kaleka 1998) or competitors is a big disadvantage for the company. Adequacy in market capacity depends on the customers (Blesa and Ripollés, 2008) and adequacy of market information. International experience, as an organization factor, has indirect effects on export performance (Cavusgil and Zou, 1994). With experience-based market information, opportunities in the market can be better utilized and new knowledge that enhances its international competitiveness can be developed (Shan and Song, 1997). By adding new information to the background knowledge gained by continuous practice and repetition in the export market, the number of mistakes resulting from operational malfunctions will decrease and thus, extra costs will be prevented. As a result, decreasing costs will increase the financial performance of the company.

H6. An exporter's Experiential Knowledge positively affects its low-cost advantage in the export market.

H7. An exporter's Experiential Knowledge positively affects its financial performance in the export market.

3. Research Method

3. 1. Data collection and analytical method

This study examines the elements that affect the export sales revenues of manufacturing companies engaged in exports. In the study, the elements that contribute positively to the company's export performance are examined. Tested variables from international literature that impact export performance were used and hypothesized. In order to examine the hypotheses and to evaluate the results of the models established, a questionnaire was administered to export companies. Companies with a production and marketing department were prioritized for this study and these were selected from the lists of Undersecretariat of the Ministry for Foreign Trade. The chosen businesses are mostly located in the western part of the country and are listed as Small and Medium Sized Enterprises (SMEs). The data collection method was by questionnaire, which is a widely used method both in Turkey and worldwide. The questionnaire questions were translated from English into Turkish. The scales in the questionnaire were prepared in detail including internationally accepted questions with tested reliability and validity, using scales in articles published in international journals. The translations were then given to language experts at the university and any necessary amendments were made. When preparing these questionnaires, the opinions of experienced executives of firms were also taken into account. Trial questionnaires were administered face-to-face and any questions which were not clear were amended to produce the final version. Postal delivery and collection of the questionnaires was not approved as it can be time-consuming and unreliable. Therefore, 40 questionnaires were sent to businesses via e-mail, and 140 questionnaires were administered face-to-face.. The face-to-face meetings increased the questionnaire feedback rates. Some of the questionnaires were administered face-to-face by 30 summer interns (five questionnaires each). The respondents to the questionnaires were business executives and business owners. 30 questionnaires were considered invalid since they were incomplete, thus, giving a total of 150 questionnaires for evaluation at a response rate of around 61%. A 5-point Likert scale was applied on all parts of the questionnaire.

3. 2. Measurement model

Use of market information (INFRM) (1 = strongly disagree disagree; 5 = strongly agree), was measured in 2 questions adapted from Richey et al.(2001). Export experience (EXPRNC) (1- very poor, 2-poor, 3-fair, 4-good, 5- excellent) was measured in 3 questions adapted from Morgan et al.(2003). Distribution capability (CPBLTY) (1=Much Worse; 5=Much Better) was measured in 3 questions adapted from Zou et al.(2003). Low-cost advantage (COST) (1=Much Worse; 5=Much Better) was measured in 2 questions adapted from Zou et al.(2003 Export financial performance (PRFRMNC) (1 = Not satisfied at all; 5 =Extremely satisfied) was measured in 5 questions adapted from Lages and Montgomery (2004).

4. Analysis and results

To analyze the data in this research, SPSS 17.0 statistics program was used. As a result of factor analysis, Cronbach's alpha reliability test was found to be sufficiently high (the lowest 77%). Correlation analysis and regression analysis including the average and standard deviations of the variables were made. The results of the analyses are shown below:

Table 1. Factor loading scores for the items

	Factors		
Measurement item	EXPRNC	CPBLTY	INFRM
Export Experience			
Company experience with operating in this export market	0,836		
International orientation of our company's culture	0,810		
Company's international experience	0,792		
Distribution Capability			
Satisfying the needs of distributors in this export market		0,851	
Adding value to distributors' businesses		0,772	
Closeness in working with distributors/retailers in this market		0,789	
Use Of Market İnformation			
Our information gathering technique is very sophisticated			0,902
We use salesforce reports and distributor feedback extensively in our channel decisions			0,911
Cronbachs' alpha	0,800	0,774	0,801
Declared total variance			%62,40

Method of Analysis: Principal Components Analysis.

Rotation Method: Varimax with Kaiser Normalization. Rotation was concluded in 4 iterations.

INFRM: use of market information; **EXPRNC**: export experience; **CPBLTY**: Distribution capability; **COST**: low-cost advantage; **PRFRMNC**: export financial performance

Table 2. Measurement items

		Factors	
Meassurement items	COST	PRFRMNC	
Low-Cost Advantage			
Actual selling price	0,836		
Payment and credit terms	0,810		
Channel margins given	0,792		
Export Performance			
Export sales volume (unit sales)		0,772	
Export sales revenue		0,772	
Exporter profitability		0,772	
Market share in the main importing market		0,789	
Overall export performance		0,902	
Cronbachs' alpha	0,338	0,774	0,886
Declared total variance			%77,40

Method of Analysis: Principal Components Analysis.

Rotation Method: Varimax with Kaiser Normalization. Rotation was concluded in 4 iterations.

To observe the factorial distribution and loads of three independent variables where there are features belonging to export companies a set of factor analysis was carried out and the following results were obtained. The questions were seperated into three factors as expected, and the factorial loads occurred over 0.5. The declared total variance was 62.40%. In Cronbach's alpha reliability test, which was done after cross-checking the validity of the scales, the coefficients occurred over 0.60. Accordingly, export experience is 0.800, distribution capability is 0.774, use of market information is 0.801. These values are above the 0.60 value stated by Bagozzi and Yi (1988). The results of factorial distribution, factorial loads and reliability analysis are shown in Table 1. The results of factorial and reliability analysis of dependent variables are shown in Table 2. It can be seen that total declared variance in factor analysis is 77.40% and that factor loads are satisfactorily loaded to the related variables. Alpha reliability coefficient occurred as below: Low-Cost Advantage occurred as 0.338 and Export Performance occurred as 0.886.

Table 3. Means, standart deviations and pearson correlation of variables

Measure	Mean	S.D.	F1	F2	F3	F4	F5
1.Distribution capability	**3.77**	**0.727**	**-**				
2.Use of market information	**3.62**	**0.416**	**.168****	**-**			
3.Venture experiental knowledge	**3.90**	**0.741**	**.391****	**.081**	**-**		
4.Low-Cost Advantage	**3.31**	**0.678**	**.270****	**.239****	**.404****	**-**	
5.Export Performance	**3.81**	**0.751**	**.451****	**.213****	**.404****	**.361****	**-**

* Significant at p <0.05. (two-sided)

** Significant at p <0.01.(two-sided)

In the correlation analysis in Table 3, the correlations between the variables were analyzed and the results mentioned below were obtained. Positive correlations were found between use of market information and distribution capability (β=16.8*), low-cost advantage and venture experiential knowledge (β=27.0**), export performance and Distribution capability (β=%45.1**), low-cost advantage and use of market information (β=%23.9**), export performance and use of market information (β=%21.3**), export performance and venture experiential knowledge (β=%40.4**), export performance and low-cost advantage factors (β=%36.1**) double asteriks indicating .01, single asteriks indicating .05 significance level.

Table 4. Regressions results

Independent Variables	Standardized Coefficients β	t	Sig.	Dependent Variable
Experiental knowledge	,201	2,070	,041	Model 1: **Low-Cost Advantage**
Distribution capability	,092	1,566	,120	
Use of market information	,131	3,486	,001	
R^2: *0,253; F: 11,735***				
Experiental knowledge	,179	2,089	,039	Model 2: **Export Performance**
Distribution capability	,241	2.843	,005	
Use of market information	,099	1,206	,231	
Low-Cost Advantage	,372	4,306	,000	
R^2: 0,445; F: 20,658**				

* Significant at p <0.05.
** Significant at p <0.01.

The theoretical model of the study was analyzed with a double-stage hierarchical regression model and the results are shown in Table 4. In the model in which low-cost advantage was the dependent variable R^2 value was found to be 0.253 and F value 11.735**. It can be said that this regression equation is significant. Accordingly, Experiential knowledge (β=0.20) with (Sig.=0.041**) significance level and use of market information (β=0.13) with (Sig.=0.001**) significance level positively impact exporters in providing them with a low-cost advantage. No significant relationship was found between distribution capability and cost advantage. In line with these results, H4a and H6a hypothesis were approved, however H3a was rejected. In the second model in which export performance of the exporter was the dependent variable, R^2 value was found to be 0.445; and F value 20.658**. Although this regression equation is also significant, the F value is rather high compared to the first model. In this model, it was found that experiential knowledge (β=0.17) (Sig.=0.039*), distribution capability (β=0.24) (Sig.= (0.005*) and low-cost advantage (β=0.37) (Sig.= 0.000**) variables contribute positively to export performance. No significant relationship was found between use of market information and export performance. Accordingly, H7b, H1b and H2b hypothesis were approved and H5b hypothesis, which related to the use of market information variable and export performance, was rejected. As can be clearly seen in Table 4, when the effects of all the discussed variables on export firm growth were examined, experiential knowledge, distribution capability and low-cost advantage, all of which significantly affect performance, occurred as (beta =.179; p <0.05), (beta =.241; p <0.05), (beta =.372; p <0.01), respectively. Use of market information has an effect of .099.

Table 5. Regressions results

Independent Variables	Standardized Coefficients β	t	Sig.	Dependent Variable
Experiental knowledge	,201	2,070	,041	Model 1: Low-Cost Advantage
Distribution capability	,092	1,566	,120	
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Experiental knowledge	,179	2,089	,039	Model 2: Export Performance
Distribution capability	,241	2.843	,005	
Use of market information	,099	1,206	,231	
Low-Cost Advantage	,372	4,306	,000	
R^2: 0,445; F: 20,658**				

* Significant at p <0.05.
** Significant at p <0.01.

Fig. 2. Path Analysis Results

5. Discussion and implications

This study aimed to analyze the effects of use of market information, experiential knowledge, and distribution capability on low-cost advantage and consequently on the exporter company's performance. In addition, the relationship between low-cost advantage and export performance was tested. The results of the study showed that two (use of market information and experiential knowledge) of the three behaviours, which are use of market information, experiental knowledge, distribution capability, provide cost advantage and increase efficiency (e.g., ROS and ROA), while the third behaviour, distribution capability, does not contribute to providing cost advantage to the company. Thus, in lowering the costs of exports, if a company has more market information and increases its knowledge based on experience, the export costs will decrease. While distribution capability has no positive advantage in gaining cost advantage, it is seen that increasing distribution capability increases sales and thus, profitability also increases. Therefore, although distribution capability does not provide a cost advantage, it contributes to the firm's performance as it increases performance. So, the more distribution capability is increased, the more the financial performance increases. This result conforms with previous studies (Day and Wensley, 1988; Richey and Myers, 2001). As is shown in Table 4, the effects on exporter company's performance of the use of market information, experiential knowledge, distribution capability,and low -cost advantage were examined. In this analysis, it was found that the use of market information variable has no positive contribution to export performance. Gathering and using market information and working to increase experience provides a cost advantage to the company. That is because increasing export experience and the ability to use market information will lower the company's communication and coordination costs, labor and staff costs, operational and management costs and additionally, inventory costs. In this respect, the results obtained are significant. On the other hand, the finding that increasing distribution capability to lower company costs does not provide a cost advantage to the company is a result to be discussed. Normally, increasing distribution capability ensures taking measures to deliver the products of the exporter on time and to prevent unanticipated costs; it can also lower distribution costs by efficient planning (Richey and Myers, 2001). The result that these two factors are not significant in providing a cost advantage to the exporter company can be explained by use of market information and experiential knowledge variables being prominent and overshadowing these factors. Cost advantage is seen as the most prominent factor in increasing export performance. The finding that use of market information and experiential knowledge have a lower significance level although they are expected to be higher is an interesting finding. Accordingly, it can be said that companies place emphasis on the cost advantage they can get instead of having and using market information and they attach more importance to it financially and prioritise it. Another important result of the study is that experiential knowledge not only provides cost advantage but also increases financial performance (Toften, 2005). This result reveals how important market experience is. Consequently, having and using export knowledge is of importance to the exporter. From the time this knowledge is gained, generalized behaviors and action plans are made as a result of using this information and this situation provides not only a cost advantage to the company but also increases financial revenue by cost cutting.

6. Limitations and Conclusion

Previous studies have tended to analyze performances of companies in developed economies. To contribute to the generalization of the findings or to set forth any differences, it would be useful to make similar studies in developing countries such as Turkey. One of the results of this study is that cost-advantage is of great importance for companies. Selling price, payment and credit terms and channel margins advantage are seen as the advantage elements that companies encounter in export markets. In this regard, to increase their export performance, it is necessary for companies to plan what kind of behaviors provide what kind of advantages to them and plan accordingly. New research can be made by adding various variables such as firm orientation, export planning, product development capability and the study can be extended. Thus, including these variables to the model and analyzing them together will contribute to the generalization. In this study, cost advantage is limited to the company's own behaviors. However, other external elements that affect a company's costs and competitive power, should also be considered. Government foreign trade and incentive policies (Czinkota and Ronkainen, 1995) are of vital importance to company behaviors. Legal encouragement or hindrances impact foreign trade performance. In this sense, the foreign trade quotas of countries should also be considered in future research. On the other hand, this study was conducted on machine, textile and furniture exporter companies in the Marmara and Aegean regions of Turkey. To generalize the results of this study, further research is required in the other regions of the country and including other production industries. Thus, experiential knowledge, use of market information, distribution capability variables, which have a positive effect on a company's cost advantage and financial performance will once again be tested. In conclusion, it can be said that increasing market information, experience and distribution capacity in order to increase export sales volume, revenue and profitability, in short the overall export performance of the company, will contribute to increasing financial performance.

Note

1-http://www.kosgeb.gov.tr/kos.htm; http://www.die.gov.tr

2-http://www.tuik.gov.tr/Start.do

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