

# The Effects of Export Market Prioritization on Superior Financial Performance: A Focus on Propositional Development

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*Received 30 Aug 2019, Revised 16 Sep 2019, Accepted 24 Sep 2019*

## Abstract

Whether export-market prioritization is effective on financial performance is a controversial issue. Nevertheless, few studies have addressed this issue. The present study attempted to explicate the effects of exporters' market prioritization on their superior financial performance. Based prominently on the market-segmentation theory and the relationship-marketing theory, the current study developed propositions of whether export-market prioritization is economically reasonable. It is posited that export-market prioritization positively influences buyer satisfaction in a primary market; that export-market prioritization negatively affects on buyer satisfaction in a secondary market; that export market prioritization reduces costs in relation to export marketing and sales; that buyer satisfaction positively influences buyer loyalty for both buyers in primary markets and ones in secondary markets; that buyer loyalty positively influences share of wallet for both buyers in primary markets and ones in secondary markets; and that share of wallet positively influences sales per buyer for both buyers in primary markets and ones in secondary markets. Thus, exporters should identify suitable export-market segments and prioritize export markets. The present study suggested that exporters monitor market profitability, assess the quality of buyer information, and conduct selective organizational alignment in order to develop a prioritization strategy.

**Keywords:** Export, Market Prioritization, Relationship Marketing, Segmentation, Superior Financial Performance

**JEL Classifications:** F23, M16, M31

## I . Introduction

An exporter can prioritize an important market by focusing its marketing efforts on

the market. This strategy of market prioritization relies logically on the assumption that exporters can develop vigorous relationships with buyers in

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primary markets that ultimately drive sales and profits (Zeithaml, Rust and Lemon, 2001). In line with this logic, an exporter selects a critical market according to buyers' current and/or potential bargaining volume and implement a differentiated use of export-marketing instruments for the market (Bolton, Lemon and Verhoef, 2004; Homburg, Droll and Totzek, 2008; Hunt, Arnett and Madhavaram, 2006; Lacey, Suh and Morgan, 2007; Oh, 2015; Zeithaml, Rust and Lemon, 2001). This differentiation of export-marketing efforts enable exporters to gain high profits in the sense that they can attain effectiveness and efficiency advantages by concentrating their efforts on primary markets (Oh, 2015; Rust, Lemon and Zeithaml, 2004; Smith and Barclay, 1997; Zablah, Bellenger and Johnston, 2004). An exporter, in general, cannot attend all buyers with superior marketing services. In reality, it is impossible or unprofitable to satisfy and to exceed all buyers' expectations (Oh, 2015; Zeithaml, Rust and Lemon, 2001). Buyers in primary markets are likely to have more pronounced intentions of purchase in the future and superior satisfaction with the counterpart than do others (Dreze and Nunes, 2007; Homburg, Droll and Totzek, 2008; Oh, 2015; Lacey, Suh and Morgan, 2007). Accordingly, it is desirable for exporters to assign their export-marketing efforts to primary markets when their resources are limited.

Nonetheless, the efficacy of export-market prioritization is often challenged for several reasons. First, this prioritization can leave buyers in a secondary market unsatisfied (Brady, 2000; Gerstner and Libai, 2006). Unsatisfied buyers could desert and/or

spread negative words-of-mouth, thereby resulting in a decrease in long-run export sales and earnings (Hogan, Lemon and Libai, 2003; Hunt, Arnett and Madhavaram, 2006; Kumar and George, 2007; Oh, 2015; Reichheld and Sasser, 1990). In addition, concentrating differentiated and particular approach on a limited number of buyers might overlook plausible economies of scale (Johnson and Selnes, 2004; 2005). Lastly, an exporter's balanced portfolio of primary and secondary markets may enable the exporter to hedge the risk of certain relationships with primary buyers (Dhar and Glazer, 2003; Homburg, Droll and Totzek, 2008).

Against this backdrop, the present study attempted to explicate the effects of exporters' market prioritization on their superior financial performance. Based prominently on the market-segmentation theory and the relationship-marketing theory, this study develops propositions of whether market prioritization is economically reasonable for exporters.

The remainder of the current article is structured into the following four chapters. In the following chapter, theoretical foundations for export-market prioritization are articulated. Next, propositional development regarding export-market prioritization is presented. Finally, this article concludes with a critical discussion on academic and practical implications in addition to limitations of the current study with future research directions.

## II. Theoretical Foundations

This chapter explicates a review of two relevant theories to export-market

prioritization: the market-segmentation theory and the relationship-marketing theory. This review is a theoretical rationale on which propositions are developed.

### 1. Market-Segmentation Theory and Exporting

In the export-marketing context, market segmentation is conceptualized as identifying groups of potential buyers overseas country-market who may hold distinct needs, wants, and demands (Hunt and Arnett, 2004). Export-market prioritization may underpin the market-segmentation theory in the sense that exporters cannot connect with all customers in the world, which is large, broad, and diverse. In this perspective, the market-segmentation strategy could allow for the vitality of demand heterogeneity, rationalize the reason that exporters should choose to develop and market diverse offerings, and articulate a certain mechanism through which market segmentation may result in superior financial outcome (Hunt, 2000; Hunt, 2002; Hunt, 2010; Hunt and Arnett, 2004). Many approvers of the market-segmentation strategy contend that exporters should recognize segments of demand, target certain segments, and equip certain marketing instruments for every targeted segment in order to attain a competitive advantage and ultimately superior financial outcome (Hunt and Arnett, 2004).

### 2. Relationship-Marketing Theory and Exporting

In the export-marketing context, relationship marketing can be defined as exporters'

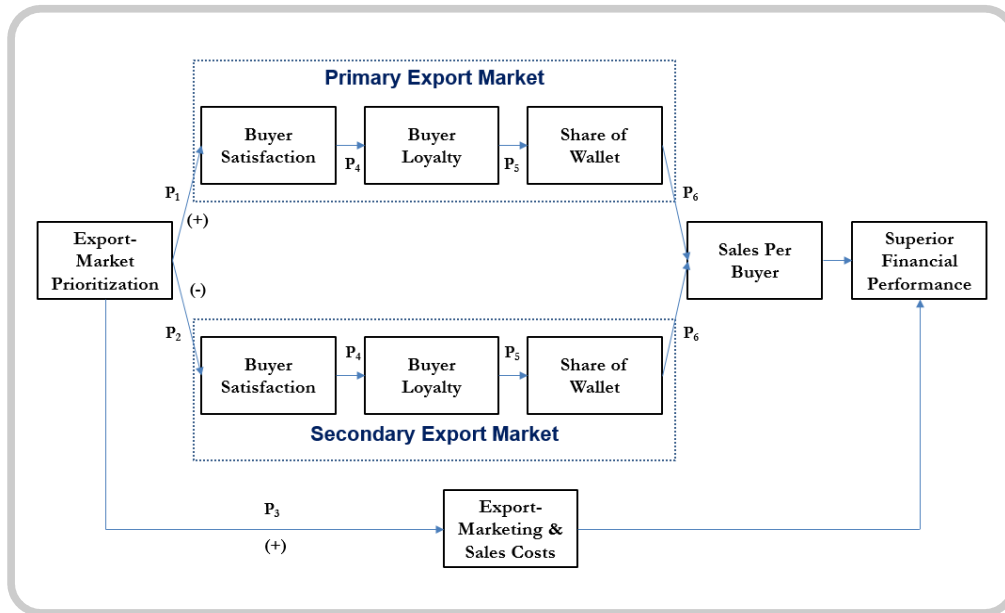
attraction, maintenance, and enhancement of relationships with buyers (Arnett, Macy and Wilcox, 2005; Berry, 1983). Export-market prioritization may underpin the relationship-marketing theory because relationships are intangible, because an exporter cannot buy and sell any relationship in export marketplaces, because each relationship is unique, and because at least one relationship involves cooperation among partners in order for them to compete well. Proponents of the relationship-marketing strategy argue that exporters should identify, develop, and nurture and effectiveness-enhancing and/or efficiency-enhancing portfolio of relationships with buyers in export marketplaces in order to attain a competitive advantage and ultimately superior financial outcome (Arnett, Macy and Wilcox, 2005; Hunt, 2000; Hunt, 2002; Hunt, 2010).

## III. Propositional Development

This chapter presents propositions explicating the effects of exporters' market prioritization on their superior financial performance. These propositions draw prominently on the assumption that exporters can develop vigorous relationships with buyers in primary markets that ultimately drive sales and profits. Figure 1 depicts the summary of propositions developed in this study.

### 1. Buyer Satisfaction and Export-Market Prioritization

In the exporting context, buyer behavior and satisfaction build crucially on the efforts

**Fig. 1.** The Effects of Export-Market Prioritization on Superior Financial Performance

an exporter dedicates to buyers (Bowman and Narayandas, 2004; Kamakura et al., 2002). These efforts can vary through a differentiated usage of export-marketing mixes. In particular, exporters' market prioritization could significantly increase buyer satisfaction in their primary markets through their preferential treatment of product, promotion, place, and price.

### 1.1 Buyer Satisfaction in a Primary Market

It seems a common sense that the customization of market offerings positively influences buyer satisfaction and that higher value drives higher buyer satisfaction (Fornell et al., 1996). In essence, by customizing offerings and by providing additional services, an exporter should create and deliver high value to enhance buyer satisfaction (Yim, Anderson and Swaminathan, 2004). Further-

more, the perceived value of high-prioritized buyers could be enhanced through favorable price conditions and/or very flexible payment targets in the sense that the value-perception of an offering is decisive through the association between the perceived quality of and the paid price for the offering (Fornell et al., 1996). Moreover, salespersons are vital in offering added value for buyers in export marketplaces in the sense that export-market prioritization indicates that an exporter devotes higher levels of sales-force attention to buyers in a primary market than to ones in others (Weitz and Bradford, 1999). Furthermore, a process in creating value is important. Exporters can treat certain buyers preferentially through faster and more flexible deliveries (Grönroos, 2000). Finally, prioritizing in promotion implies that buyers in a primary market receive information that

generates added value such as particular or exclusive know-how of a market. Accordingly, exporters should be able to convey higher value to buyers in their primary markets through various export-marketing efforts. Thus, it is posited that:

**P1:** Export-market prioritization positively influences buyer satisfaction in a primary market.

### 1.2 Buyer Satisfaction in a Secondary Market

Exporters' market prioritization negatively affects buyer satisfaction in their secondary markets. When an exporter suffers from marketing-resource limitation, the exporter may preferentially treat buyers in its primary market and reduce its marketing efforts for buyers in its secondary market to a certain level (Bowman and Narayandas, 2004; Brady, 2000; Kamakura et al., 2002). Accordingly, when exporters devote less effort to satisfying secondary buyers, these buyers need to experience a relatively low degree of value and thereby could present a comparatively low degree of satisfaction. Therefore, it is posited that:

**P2:** Export-market prioritization negatively affects on buyer satisfaction in a secondary market.

## 2. Costs and Export-Market Prioritization

An exporter's market prioritization may affect its costs in relation to export-marketing and sales. Exporters that little prioritize their markets could devote too

much effort to insignificant buyers. This could be inefficient in the sense that small-volume buyers cause higher costs associated with export marketing and sales than high-volume buyers (Niraj, Gupta and Narasimhan, 2001). Accordingly, prioritizing export markets could result in a more efficient usage of marketing resources rather than treating all export markets equally. Thus, it is posited that:

**P3:** Export market prioritization reduces costs in relation to export marketing and sales.

## 3. Buyer Behavior and Export-Market Prioritization

Exporters should estimate the effectiveness that results from average buyer satisfaction to sales per buyer. It is widely accepted that buyer satisfaction is a critical driver of loyalty of buyers (Fornell et al., 1996; Szymanski and Henard, 2001). In addition, devoted buyers would apportion a greater share of wallet to the focused exporter(s) than would other buyers for several reasons. First, an exporter may win new business more easily as it gains a more deep knowledge of overseas buyers' requests and how to fulfill them (Bowman and Narayandas, 2004). In addition, loyal buyers are more willing to develop their current relationship with an exporter than are other buyers (Dwyer, Schurr and Oh, 1987). Lastly, average share of wallet of buyers in primary as well as in secondary markets could positively influence average sales per buyer. Share of wallet is defined as the allotment of categorical purchases one buyer performs with the highlighted

exporter (Homburg, Doll and Totzek, 2008; Verhoef, 2003). In effect, an increase in average share of wallet of buyers in primary markets could result in high total export-sales; higher total sales result in higher average export-sales per buyer. Therefore, it is posited that:

- P4:** Buyer satisfaction positively influences buyer loyalty for both buyers in primary markets and ones in secondary markets.
- P5:** Buyer loyalty positively influences share of wallet for both buyers in primary markets and ones in secondary markets.
- P6:** Share of wallet positively influences sales per buyer for both buyers in primary markets and ones in secondary markets.

## IV. Discussion

This chapter addresses the academic and practical implications of the present study. In addition to these implications, the limitations that the current study may hold and the directions that further studies can seek are discussed.

### 1. Implications

The current study contains interesting academic and practical implications. On one hand, the academic implications are as follows. First, this study established a theoretical basis by incorporating two theories including the market-segmentation theory and the relationship-marketing theory and thereby explicated the effects of export-market

prioritization on superior financial performance. These two theories provided a solid foundation for explaining how an exporter succeed in export marketplaces by means of export-market prioritization. Essentially, the present study partially filled the need for developing of an export-marketing theory. Second, in the current study, export-market prioritization was firstly conceptualized as the level to which an exporter provide different and preferential treatments regarding export-marketing instruments for buyers in a certain export market. Thus, this conceptualization can be a platform for future studies on export-marketing strategy.

On the other hand, the results that the present study provided may suggest practical implications for export marketers as follows. First, export marketers should try to prioritize a certain export market and to develop and sustain principal relationships with buyers in the market who tend to have considerably pronounced intentions of future bargaining and superior satisfaction with the exporter than buyers in other markets (Dreze and Nunes, 2007; Homburg, Droll and Totzek, 2008; Hunt, 2010; Lacey, Suh and Morgan, 2007). These relationships can ultimately drive sales and profits. The results revealed that export-market prioritization enables exporters to substantially reduce costs associated export marketing and sales and thereby to efficiently operate export-marketing resources. Therefore, export marketers should endeavor to improve the efficiency of their export-marketing efforts and enhance export volumes by prioritizing specific markets. Second, exporters should be able to implement a prioritization strategy. This strategy in itself does not necessarily

enable the exporter to attain financial performance. The success of the strategy is based mostly on the ability of an exporter to finely evaluate export-market profitability. Thus, exporters should highlight their plans and controls on an export-market level for the most invaluable buyers and on the appraisal of market profitability. Moreover, exporters need to align their organizational structure to assisting their export-market prioritization. Third, exporters should equip broad and the newest export-market information to appropriately meet their most valuable buyers' needs, wants, and demands. In addition, an exporter should form a new prediction that could help appreciate a new trend at a right time and apply a right strategy to an export market in order to compete successfully if the export market is turbulent.

## 2. Research Limitations and Directions for Further Studies

The current study should be interpreted in the perspective of several limitations, which offer avenues for further studies. First, although this study suggested empirically testable propositions, no empirical tests on

them were performed yet. Therefore, a natural step for a future study is to collect appropriate data and empirically test the propositions developed in the present study. Second, the highlight of the current study is on responding to a question whether export-market prioritization is mostly lucrative. Future research should investigate in greater detail than now whether exporters apply different approaches of export-market prioritization strategy. Some exporters could emphasize prioritization in price while others could emphasize sales. In effect, it is entirely possible that different approaches lead to different outcomes. Third, the present study assessed an exporter's market-prioritization outcomes only on the degree of the entire export-market portfolio. Future researchers could analyze in more details than now how export-market prioritization influences buyer profitability in every marketier. Specifically, further research might analyze whether export-market prioritization increases the profitability of both primary and secondary export markets and whether profitability changes in every single market are caused by sales-effects, cost-effects, and/or both.

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