Export strategy and pricing policies in medium-sized manufacturing firms in the north of England with particular reference to the effect of sterling floatation

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EXPORT STRATEGY AND PRICING POLICIES IN MEDIUM-SIZED MANUFACTURING FIRMS IN THE NORTH OF ENGLAND, WITH PARTICULAR REFERENCE TO THE EFFECT OF STERLING FLOATATION

VOLUME 2

(2 VOLUMES)

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PRIMARY RESEARCH DESIGN

4.1 AIMS AND HYPOTHESES

The general aims of this study were established in Chapter 1 as being the analysis of export strategy, particularly export price policies, emphasising the ways in which these may be related and the effect on them of factors including the firm's export objectives, the stage of internationalisation, the availablility of marketing information, the role of non-price competition, and especially the impact of currency floatation.

These general aims were to be met through a study of medium-sized manufacturers in the North of England, in the Clothing, Furniture, Chemicals and Scientific Instrumentation industries.

Specific operational hypotheses were developed through a detailed study of the extant literature, case material and survey evidence, which was presented in Chapter 2 and 3.

These operational objectives and hypotheses are summarised below.

Objective 1: Export Objectives

The first objective is to compare the objectives pursued by management in export and domestic markets. It is hypothesised:

1(a) That exporters may be classified into active exporters, with a major commitment to export and reactive exporters, who respond to outside stimuli and short-term volume needs.

1(b) That export and domestic marketing involve the pursuit of different objectives.

1(c) That export objectives tend to be volume oriented.

1(d) That domestic market objectives tend to be profit oriented.

Objective 2: Export Strategy

The second objective is to measure the number of markets served by exporters and to isolate the factors contributing to the decision to pursue market spreading rather than concentration. It is hypothesised:

2(a) That exporters typically deal with large numbers of markets.

2(b) That there is a positive relationship between the number of markets served and the proportion of the firm's turnover provided by exports.

2(c) That exporters do not limit the number of markets they serve.

2(d) That the pursuit of volume objectives in exporting is associated with market spreading and the pursuit of profit objectives with market concentration.

2(e) That active exporters pursue market concentration and reactive exporters pursue market spreading.

2(f) That exporters consider that dealing with a large number of markets reduces the total risk faced more than dealing with a limited number of markets.

2(g) That market information available to exporters comes mainly from qualitative, subjective and intelligence sources in existing markets.

2(h) That exporters lack the market information needed to make key market choices.

2(i) That exporters rate price low as a competitive weapon in the domestic market and high in the export market.

2(j) That there is a negative association between the availability of market information and the rating of price as a competitive weapon.

2(k) That exporters relying on price competition are more likely to pursue market spreading than market concentration.

Objective 3: Export Price Levels

The third objective is to examine the establishment of export price levels for different markets. It is hypothesised:

3(a) That export prices are based on UK prices.

3(b) That exporters tend to charge the same prices in all export markets.

3(c) That reactive exporters tend to charge different prices in different markets.

3(d) That exporters pursuing market spreading are more likely to charge the same prices in all markets, than firms pursuing market concentration.

3(e) That firms with more market information tend to charge different prices by market and firms with little market information tend to charge the same price in all markets.

3(f) That those exporters rating price highly in exporting will tend to charge the same price in all export markets.

Objective 4: Export Pricing Methods

The fourth objective is to examine the methods of pricing used for exports. It is hypothesised:

4(a) That exporters normally use full-cost pricing methods.

4(b) That exporters use the same pricing methods in domestic and export markets.

4(c) That exporters pursuing profit objectives in export tend to use cost-based methods of pricing and exporters pursuing volume objectives tend to use market-based methods.

4(d) That active exporters tend to use cost-based pricing methods and reactive exporters tend to use market-based methods.

4(e) That firms pursuing market spreading are more likely to use cost-based pricing methods and firms pursuing market concentration are more likely to use market-based methods.

4(f) That firms with more market information tend to use market-based pricing methods and firms with less market information tend to use cost-based methods.

4(g) That firms rating price highly in exporting will tend to use market-based methods of pricing and those rating price low will tend to use cost-based methods of pricing.

Objective 5: Export Invoice Currency Strategy

The fifth objective is to assess the determinants of export invoice currency choice and its effect on export price levels. It is hypothesised:

5(a) That the main currency of invoicing exports is Sterling.

5(b) That the choice of Sterling as invoice currency is deliberate and conscious, rather than reflecting a lack of awareness of the options faced.

5(c) That invoice currency is regarded as long-term and strategic, rather than a short-term tactical weapon.

5(d) That UK exporters choose to invoice in Sterling because of the uncertainty involved in currency movements in floatation.

5(e) That customer pressure acts against the adoption by the UK exporter of local currency invoicing.

5(f) That overseas distributor pressure acts against the adoption by UK exporters of local currency invoicing.

5(g) That UK exporters choose to invoice in Sterling for their own administrative ease.

5(h) That reactive exporters invoice in Sterling more than do active exporters.

5(i) That exporters pursuing market spreading invoice in Sterling more than do those pursuing market concentration.

5(j) That exporters with less marketing information invoice in Sterling more than do those with more marketing information.

5(k) That exporters emphasising price competition invoice in Sterling more than do those emphasising non-price competition.

5(l) That exporters invoicing in Sterling do not allow importer prices to fall when the pound floats down.

5(m) That exporters invoicing in Sterling do allow importer prices to increase when the pound floats up.

5(n) That exporters invoicing in local currencies maintain importer prices when the pound floats down.

5(o) That exporters invoicing in local currencies reduce importer prices when the pound floats up.

Objective 6: Invoice Currency and Market Strength

The sixth objective is to analyse the relationship between local market currency strength and exporter discretion in invoice currency choice, particularly in terms of the exporter's ability to exploit currency floatation. It is hypothesised:

6(a) That where local currency invoicing is attractive for UK exporters, market power acts against its implementation, and where local currency invoicing is relatively unattractive for the UK exporter, then market power leads to its implementation.

6(b) That markets with relatively weak currency offer the UK exporter the opportunity to invoice in local currency.

6(c) That markets with relatively strong local currency offer little opportunity for the UK exporter to invoice in local currency.

4.2 RESEARCH METHODS

4.2(a) Universe Definition

The universe from which respondents were to be drawn was defined as all firms meeting all the following criteria:

medium-sized firms - defined as having between 100 and 2,000 employees at the operating unit concerned,
exporting firms - defined as selling goods overseas from the UK to independent users, agents, distributors or importers, excluding transfers within a company or group,
manufacturing firms - excluding service organisations and distributors,
Northern - defined as the operating unit concerned being located in the Registrar-General's Standard Regions: Northern, Yorkshire and Humberside, or North West,
in a chosen industry - as discussed below.

The industries chosen for study represent consumer and industrial (or institutional) markets, and in each of these, durable and non-durable products. The industries are as defined in the Kompass directory (304) and are described here as: Clothing, Furniture, Chemicals and Scientific Instrumentation.

The process of cross-referencing to produce the required universe listing, and details of the geographical and industry coverage are given in Appendix VIII, together with certain reservations about the validity of the listing.

4.2(b) Sample Design

Sample Selection

The universe described in (a) above consisted of the following numbers of firms:

	No. of firms
Clothing	155
Furniture	130
Chemicals	112
Instrumentation	122
	519

In view of the small universe size, it was decided to conduct a census rather than to select a sample, that is, contact was to be made with all firms listed in the universe.

Sampling Units

The sampling units were named executives in charge of export, marketing or sales, or the named Chief Executive, or the unnamed Chief Executive or Marketing Manager.

Further details of the sample design are given in Appendix VIII.

4.2(c) RESEARCH VARIABLES

from the hypotheses to be tested, and thus the required tabulations, the variables to be measured were identified as:

1(a)	The number of countries to which the company exports
1(b)	The policy pursued on limiting market numbers
1(c)	The policy pursued on market concentration
1(d)	The reasons for any lack of key market concentration
2	The ranking of marketing mix elements in the context of firstly the home market and secondly the export market
3(a)	The existence of geographical market price discrimination
3(b)	The degree to which export prices are built from UK prices
3(c)	The pricing methods used firstly in the home market and secondly in the export market
3(d)	The export invoice currency
3(e)	The reasons for the choice of Sterling as export invoice currency, where appropriate
3(f)	Price changes because of Sterling movements by Sterling invoicers
3(g)	Price changes because of Sterling movements by foreign currency invoicers
4(a)	The corporate objectives recognised, firstly in the home market and secondly in the export market
4(b)	The company's stage of internationalisation

5(a) The sources of export market information used

5(b) The sources of export market information considered most important

6(a) The proportion of the company's turnover contributed by exports

6(b) The size of the company or operating unit in terms of employee numbers.

The definition of the research variables provided the basis for designing the postal questionnaire.

4.2(d) DATA COLLECTION TECHNIQUES

The main data collection technique for the hypothesis testing stage of the research was a postal survey of the companies selected in the process described above.

This method was chosen to enable a relatively broad view to be taken of medium-sized exporters' policies, rather than the alternative of a very much smaller number of case studies, and because of the inherent resource limitations in the project.

Depth Interviewing

Before the larger survey mentioned above, a small number of depth interviews, lasting approximately one hour each, were conducted with executives in firms representative of the industries to be studied. These interviews were structured around a questionnaire based on the research variables listed earlier.

The interviews had the objectives of firstly, refining and clarifying the hypotheses to be tested, and secondly, an initial piloting of the postal questionnaire.

Six depth interviews were held and the interview questionnaire is shown in Appendix VI, the results are given in Appendix VII and are discussed in 5.1 below.

Pilot Postal Survey

After the depth interview stage and the resulting amendments were made, the revised postal questionnaire was piloted with a postal sample of 50 companies drawn from the industries chosen.

This piloting was carried out in October 1979, and at the end of five weeks 17 replies had been received, of which 15 were useable, giving a 30% response rate, with no reminder stimulus being used.

No major amendments appeared to be needed to the questionnaire, and the final version is shown in Appendix IX.

Postal Survey

The main survey was carried out in December 1979 and January 1980.

The structure and timing of the responses is shown in Appendix X, together with other details.

4.2(e) Field Work

The depth interviewing was carried out in September and October 1979, followed by the pilot survey in October and November.

The mail-out of the main survey took place on 3rd December 1979. All firms received a covering letter and questionnaire and a printed, reply-paid return envelope. Respondents were offered a copy of the results of the survey as an incentive to reply.

A reminder letter and second questionnaire and reply envelope were sent to non-respondents on 3rd January 1980.

A cut-off point was introduced at 4th February 1980.

At the cut-off point the total number of replies received was 300 of which 250 were useable. This latter figure gives an effective response rate of 48%.

The response rate by industry, the timing of replies and other data about the pattern of responses are given in Appendix X.

4.2(f) DATA ANALYSIS

An analysis using the SPSS* programs was tested in the NUMAC system on the pilot questionnaires in November 1979, and applied to the main survey in March 1980, to produce the required frequency distributions, cross-tabulations and statistics.

The editing and checking of the questionnaires was carried out in February 1980, followed by the coding of responses for punching.

The two open-ended questions were subjected to a content analysis of the type described by Oppenheim**, to allow coding.

The results of the survey form the basis of Chapter 5, where the hypotheses discussed above are tested and discussed. Some additional material from the survey is given in Appendix X.

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* Nie, N.H., Hull, C.H., Jenning, J.G., Steinbrenner, K. and Bent, D.M. Statistical Package for the Social Sciences. (New York: McGraw-Hill, 1975)

** Oppenheim, A.N. Questionnaire Design and Attitude Measurement. (London: Heinemann, 1972) pp 227-240.

CHAPTER 5

RESULTS

INTRODUCTION

The primary element of the research consisted of a small number of depth interviews with executives of local exporting firms, followed by a pilot postal survey, leading to the main postal survey.

This section summarises, firstly, the results of the depth interviews, and then the findings of the main postal survey.

5.1 DEPTH INTERVIEWS

The first primary work was a small number of depth interviews held with senior executives in medium sized firms exporting from the local area of Tyne and Wear. The purpose of this work was to clarify the research objectives and the problems faced in collecting the information necessary to test the hypotheses formulated earlier.

These interviews were structured around a questionnaire, and lasted approximately one hour each, taking place in September 1979.

The questionnaire and the full results are shown in Appendices VI and VII, and a summary is provided here.

5.1(a) The Companies

A total of six interviews were held, and the major characteristics of the responding companies are summarised below:

Company	Respondent	Industry	No. of Employees	Export Contribution
1	Marketing Executive	Clothing	200	30%
2	Managing Director	Furniture	180	55%
3	Marketing Director	Carpets	600	50%
4	Sales Director	Chemicals	700	30%
5	Sales Director	Scientific Instruments	300	80%
6	Export Manager	Electronics	1,000	40%

5.1(b) Export Strategy

The number of markets served varied from 8 to 30, and the two firms with less than 20 markets were those with the smallest export contributions to total sales (i.e. 30%). In both cases where market numbers were less than 20, attempts were being made to increase market numbers.

There appeared to be a fairly clear correlation between market numbers and the proportion of sales contributed by exports, as shown in Figure 1 below, although naturally the small numbers limit the wider validity of this observation.

Broadly, it seemed that three of the firms were aiming to sell to as many markets as possible, these being the firms with less than 40% of sales from exports. The three firms with 50 - 80% of sales from exports claimed that they sold to more than twelve markets, but not to all the markets possible. None of the firms claimed to limit their market numbers to twelve or less, although one had halved its markets from 40 to 24. However, four of the five with large market numbers claimed that most management and marketing attention was devoted to a small number of the most important countries.

Of the firms with large market numbers, only one was attempting to reduce, the others stressing the need for volume and the reduction in seasonality as the reasons for market spreading, together with the need to meet competitors in all significant markets.

5.1(c) Export Competition

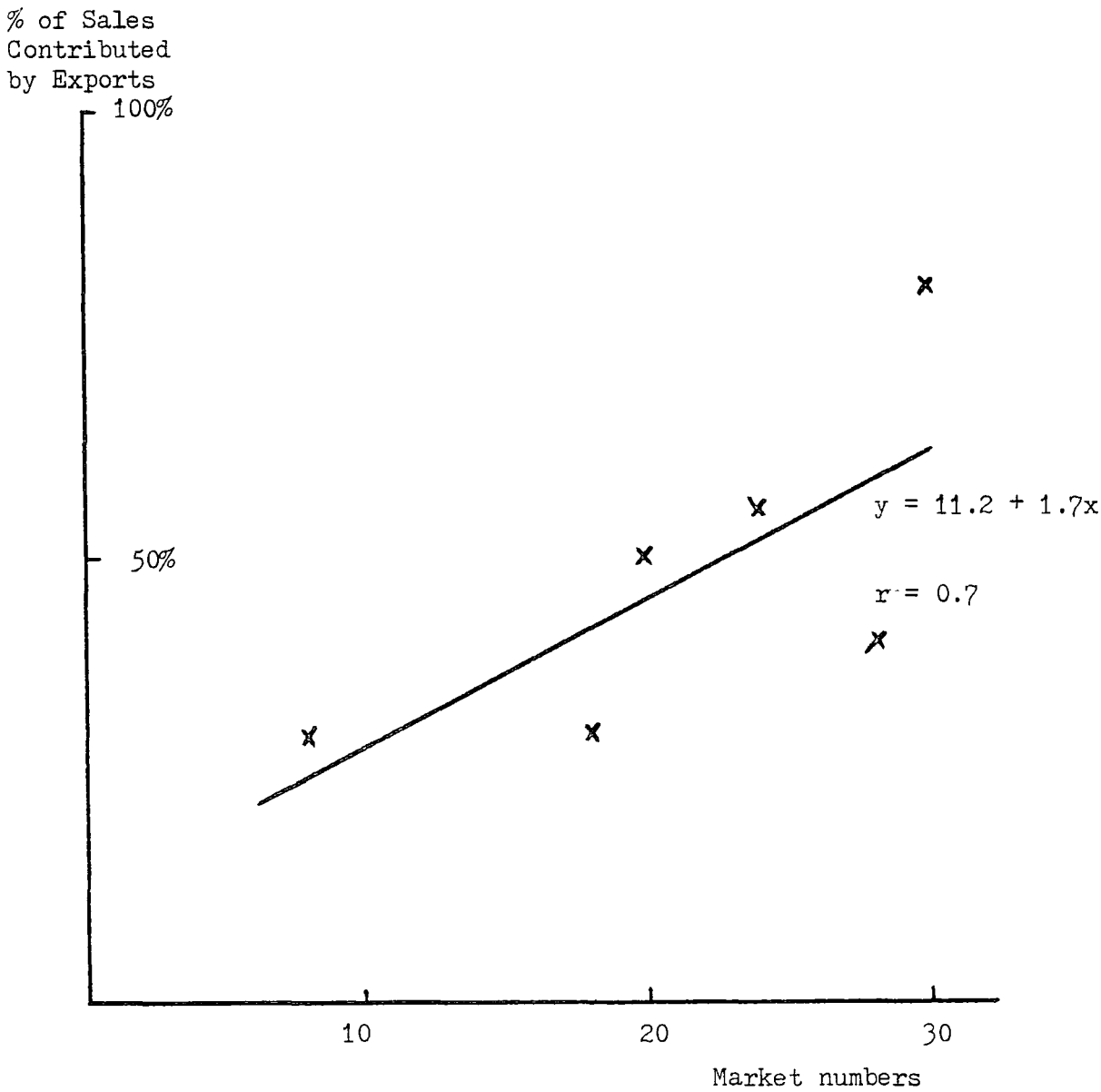
In all cases emphasis was placed on product quality and design as the major competitive weapons, with some mention of other factors.

The four firms with the highest export contributions saw no difference in competing in exporting as opposed to the UK, although one mentioned the need for product adaptation and one a greater pressure on price in some markets.

One respondent saw product quality and design as even more important in exporting, in view of the lack of advertising and promotion carried out by agents.

FIGURE 1

DEPTH INTERVIEW SAMPLE: MARKET NUMBERS AND EXPORT CONTRIBUTIONS



One respondent emphasised the nationalistic preferences of buyers, both in the UK and abroad, with the results of increased pressure on price in exporting.

Of the six firms, only the chemicals manufacturer found price more important in export than in the UK, since the other companies stressed product differentiation, quality and premium pricing.

5.1(d) Export Pricing

Only one firm attempted to maintain a worldwide price list, all the others having different market prices, although in most cases (all except one) export prices were built up from the UK list price.

In two cases export prices were sometimes lower than the UK, although the other four did not allow this to happen.

5.1(e) Pricing Methods

In all cases emphasis was placed on market pricing, although in two cases cost-plus formulae were applied.

Five of the six considered that there was no difference between export and domestic pricing methods, the exception being the firm using a traditional cost-plus formula, where it was found that export prices were kept less rigidly to the formula price.

5.1(f) Invoice Currencies

The three firms with the highest number of markets and the highest export contributions invoiced entirely in Sterling.

Two firms used local currencies in their major markets and Sterling or a third currency elsewhere.

Only the smallest newest exporter, with a small number of markets, used local currency in all markets.

5.1(g) Reasons for Sterling Invoicing

Respondents mentioned various types of advantage associated with Sterling invoicing: administrative ease, gains in floatation down and worldwide price consistency, but the other explanations for Sterling invoicing were market-based: customer and distributor pressure and a strategy of sharing the benefits of floatation.

5.1(h) Currency Induced Price Changes

The pattern throughout was that prices were held constant to customers, usually for a year, and did not fluctuate with the movement of Sterling.

In one case the agent was expected to absorb floatation costs and benefits, although in most cases the effects were shared either by invoice adjustment or annual negotiation.

5.1(i) Export Objectives

Overall, it seemed that UK objectives were satisfactory profits most commonly, while export objectives were for volume and growth, although usually with a profit constraint.

Views on the relative profitability of the domestic and export markets varied between firms.

5.1(j) Company Attitudes to Export

All the companies visited claimed a major commitment to export, rather than a more passive or reactive attitude.

This probably reflects the fact that the companies were established exporters and in a number of the cases faced declining or stable home markets for their products.

There is also the possibility that executives are reluctant to see export as other than a major activity, particularly in the context of a research interview.

5.1(k) Export Marketing Information

The major emphasis was on salesman and agent reports and secondary sources of statistics and intelligence, and the most important source of market information was personal visits to markets by sales and management personnel.

Little use had been found for formal market research, or other primary research, and a number of disparaging remarks were made about Government sources of export information.

5.1(l) Depth Interview Conclusions

While no genuine conclusions can be drawn from such a small number of responses, the results seemed broadly in line with the hypotheses formulated.

As expected, there was little evidence of market numbers being limited, except in one case, although there was evidence of concentration of efforts within large market numbers, which is of some interest in undermining the assumption that market concentration can meaningfully be equated with the number of country-markets to which goods are exported.

The role of price in export competition was seen as secondary to product issues, although additional comments showed some signs of extra pressure on price in exporting, for example to overcome local buyers' nationalistic preferences for local suppliers.

There was a reasonable amount of price discrimination in exporting, although a surprisingly rigid dependence on UK prices as the base. The pricing methods amounted to adjustable cost-plus.

Predictably Sterling was the major pricing currency, although it was of some note that this was partly in single currency exporting and partly in multiple currency exporting, overcoming in the latter cases the suggestion that Sterling is used through a lack of ability to process local currency deals.

There did appear to be some relationship between the number of markets served and the use of Sterling for pricing.

The reasons for Sterling use fall into the two categories of company preferences of various kinds and then pressure from the markets.

In view of the earlier discussion of price stability in managed pricing, it was not surprising to find short-term price stability in floatation, usually with a periodical adjustment negotiated.

Export objectives and UK objectives seemed to fit the classical analysis of being respectively volume and profit.

All the companies appeared to be committed exporters, although this may reflect the limitations of the sample.

As expected, the sources of information used were mainly subjective, intelligence types from existing markets.

At the end of the interviewing stage and the review of results a postal questionnaire was designed around the issues covered to test the hypotheses against a large sample.

5.2 POSTAL SURVEY

5.2(a) RESPONDENT PROFILES

Responses by Industry

As noted in 4.2 above, in the discussion of the primary research methodology, at the postal survey cut-off point, the total useable response rate was 48%, but Table 1 shows the variations in response rates by industry groups.

The lower response rate for the Clothing industry is significantly different (see Appendix XI.1), which is thought to represent the impact of Christmas trading on the ability and willingness of executives to participate in the survey. This hypothesis is supported by the facts shown in Appendix X, where the response of Clothing firms to the original mail-out is low, while the response to the reminder in January 1980 is higher than that of the other industry groups.

While this reservation is important to the conclusions to be drawn from the survey results, the response rate is regarded as satisfactory for the four industries included.

Respondent Company Size

Table 2 shows the distribution of respondent companies in size categories, measured by the number of employees. It can be seen that three-quarters of the respondents had less than 500 employees. A Chi-square test suggests no evidence of any significant difference between the size distributions in the four industries (see Appendix XI.2).

Respondent Company Export Contributions

Table 3 shows the distribution of respondent companies by the contribution of exports to total company or operating unit sales. A Chi-square test suggests that the differences between the industries are significant (see Appendix XI.3).

In particular, it can be seen that the proportion of respondents in the Chemicals and Instruments industries gaining more than 40% of their total sales from exports is in the range 40-45% of the firms, compared to the range of 5-10% for Clothing and Furniture companies reaching the same level of export success.

The greater dependence on exports for volume, and to some degree the greater degree of export success, is significant to the interpretation of industry to industry variations in export behaviour to be analysed.

TABLE 1

POSTAL SURVEY RESPONSE RATES

	INDUSTRIES				
	Clothing	Furniture	Chemicals	Instruments	TOTAL
	No.	No.	No.	No.	No.
Mail-out	155	130	112	122	519
Useable responses	60	69	60	61	250
Response rates	39%	53%	54%	50%	48%

TABLE 2

RESPONDENT COMPANY SIZE BY NUMBER OF EMPLOYEES

NUMBER OF EMPLOYEES	INDUSTRIES									
	Clothing		Furniture		Chemicals		Instruments		TOTAL	
	No.		No.		No.		No.		No.	
100 - 200	26	43%	29	43%	23	40%	30	50%	108	44%
201 - 500	22	37%	20	30%	14	24%	17	28%	73	30%
501 - 1000	9	15%	11	16%	9	16%	9	15%	38	15%
1001- 2000	3	5%	7	11%	12	20%	4	7%	26	11%
TOTAL	60		67		58		58		245	

TABLE 3

RESPONDENT COMPANY EXPORT CONTRIBUTIONS

CONTRIBUTIONS OF EXPORT TO SALES	INDUSTRIES				
	Clothing	Furniture	Chemicals	Instruments	TOTAL
	No.	No.	No.	No.	No.
0 - 10%	24 40%	25 37%	12 20%	12 20%	73 30%
11 - 20%	19 32%	15 22%	12 20%	10 17%	56 23%
21 - 30%	6 10%	15 22%	12 20%	11 18%	44 18%
31 - 40%	6 10%	5 8%	7 12%	9 15%	27 11%
41 - 50%	1 2%	3 3%	5 9%	5 8%	13 5%
51 - 60%	0 -	3 4%	1 2%	3 5%	7 3%
61 - 70%	2 3%	1 2%	4 7%	1 2%	8 3%
71 - 80%	0 -	1 2%	3 5%	5 8%	9 3%
81 - 90%	2 3%	0 -	2 3%	3 5%	7 3%
91 - 100%	0 -	0 -	1 2%	1 2%	2 1%
TOTAL	60	67	59	60	246

5.2(b) EXPORT OBJECTIVES AND INTERNATIONALISATION

This part of the survey was concerned with the first of the primary research objectives, which was to compare the objectives pursued by management in export and domestic marketing.

This element of the study examines the overall purpose of exporting perceived in respondent companies, as measured by a scale question (Question 4(b)), contrasting unsolicited orders as the basis for exporting, the disposal of surplus capacity through exports, and a more active reliance on exporting as the source of growth for the firm.

This section additionally relies on the direct measurement of the specific objectives perceived by respondents (Question 4(a)). As noted earlier, this direct questioning on objectives has limitations and the analysis is therefore largely restricted to the broad categories of objectives, in terms of profit or volume orientation, and most particularly the differences emerging between objectives in UK and export marketing.

Hypothesis 1(a) That exporters may be classified into active exporters, with a major commitment to export, and reactive exporters, who respond to outside stimuli and short-term volume needs.

Table 4 shows the division of respondents into the reactive or passive types of exporting in response to unsolicited orders and exporting mainly to dispose of surplus capacity, and the more active exporters seeing this as the main source of growth for their companies.

In the total sample, some 44% of the firms saw their stance as reactive or passive, while 56% took a more active view.

This supports the descriptive hypothesis that firms can be classified in this way.

Table 4, however, also shows industry variations in attitudes to exporting, and these industry to industry differences were just significant at the 90% level of confidence (see Appendix XI.4).

Most notably, in the cases of Clothing and Furniture, less than half the companies reported exporting as their main source of growth, while with the Chemicals and Instruments companies this proportion was nearly 70%. This appears to be positively associated with the dependence on exports noted earlier, and compatible with the suggestion that the reactive and active exporter groups differ in relative size between industries. Certainly, taking the proportion of the consumer sector and that for the industrial sector (that is, Clothing and Furniture compared to Chemicals and Instruments), of firms in the passive or reactive mode of exporting, the difference is significant at a 99% level of confidence (see Appendix XI.5).

The exporting type and company size relationship is shown in Table 5. Broadly, the most passive attitude to exporting (exporting mainly as unsolicited orders) is associated largely with small companies, while the most active attitude (export as the main source of growth) is associated more with larger companies. This difference is significant at the 95% confidence level (see Appendix XI.6).

Lastly, there is some interest in exporting types and the contribution of exports to total sales. It seems clear that a high export ontribution to total sales is positively related to active inter-.ationalisation and that the more passive concepts of exporting are associated with lower export sales contributions, although the direction or degree of causality cannot be inferred. This difference is significant at the 99% level of confidence (see Appendix XI.7).

TABLE 4

INTERNATIONALISATION OF RESPONDENT COMPANIES BY INDUSTRY

TYPE OF INTERNATIONALISATION	INDUSTRIES Clothing No.	Furniture No.	Chemicals No.	Instruments No.	TOTAL No.
Exports are mainly unsolicited orders from abroad	11 20%	19 29%	8 15%	12 21%	50 22%
Exporting is primarily to make up sales volume that cannot be sold in the UK	17 32%	17 26%	9 16%	8 14%	51 22%
Export is the main source of growth	26 48%	29 45%	38 69%	37 65%	130 56%
TOTAL	54	65	55	57	231

TABLE 5

INTERNATIONALISATION OF RESPONDENT COMPANIES BY COMPANY SIZE

TYPE OF INTERNATIONALISATION	NUMBER OF EMPLOYEES 100-200 No.	201-500 No.	501-1000 No.	1001-2000 No.	TOTAL No.
Exports are mainly unsolicited orders from abroad	28 28%	17 26%	3 8%	1 4%	49 22%
Exporting is primarily to make up sales volume that cannot be sold in the UK	23 23%	14 21%	8 22%	6 24%	51 23%
Export is the main source of growth	49 49%	35 53%	25 70%	18 72%	127 55%
TOTAL	100	66	36	25	227

TABLE 6

INTERNATIONALISATION OF RESPONDENT COMPANIES BY EXPORT CONTRIBUTIONS

TYPE OF INTERNATIONALISATION	EXPORT CONTRIBUTIONS 0-10% No.	11-20% No.	21-40% No.	More than 40% No.	TOTAL No.
Exports are mainly unsolicited orders from abroad	30 45%	9 18%	7 11%	3 7%	49 22%
Exporting is primarily to make up sales volume that cannot be sold in the UK	19 29%	18 35%	14 21%	0 -	51 23%
Export is the main source of growth	17 26%	24 47%	45 68%	42 93%	128 55%
TOTAL	66	51	66	45	228

Hypothesis 1(b) That export and domestic marketing involve the pursuit of different objectives.

Table 7 shows the contrast made by respondents in describing their major objectives in UK and export marketing.

The differences observed in export objectives compared to those for the UK market are statistically significant at a 99% confidence level (see Appendix XI.8), and hypothesis 1(b) is therefore accepted.

In particular, it can be seen that smaller proportions of export objectives were to maximise long-run profit or to earn satisfactory profits and higher proportions emphasised sales objectives.

Further to this, Tables 8 and 9 analyse objectives by industry in marketing to the UK and overseas markets.

In Table 8, there are some variations between industries, but a Chi-square test suggests that there is no highly significant variation shown (see Appendix XI.9).

Similarly, while there are industry variations in export objectives in Table 9, there are none large enough to enable conclusions to be drawn (see Appendix XI.10).

TABLE 7

OBJECTIVES IN UK AND EXPORT MARKETING

MAJOR OBJECTIVES	In the UK No.	In exporting No.
To earn the maximum short-run profit	0 -	4 2%
To earn the maximum long-run profit	58 26%	42 18%
To earn a satisfactory rate of profit	118 53%	110 47%
To gain the highest possible market share	17 8%	17 7%
To sell as much as possible	25 11%	45 19%
To sell surplus capacity not taken by the UK market	N/A	9 4%
Others	5 2%	8 3%
TOTAL	223	235

TABLE 8

OBJECTIVES IN UK MARKETING BY INDUSTRY

MAJOR OBJECTIVES	INDUSTRIES				
	Clothing	Furniture	Chemicals	Instruments	TOTAL
	No.	No.	No.	No.	No.
To earn the maximum short-run profit	0 -	0 -	0 -	0 -	0 -
To earn the maximum long-run profit	9 17%	22 34%	19 37%	8 15%	58 26%
To earn a satisfactory rate of profit	32 60%	33 51%	25 48%	28 53%	118 53%
To gain the highest possible market share	3 6%	5 8%	3 6%	6 11%	17 8%
To sell as much as possible	8 15%	5 8%	5 10%	7 13%	25 11%
Others	1 2%	0 -	0 -	4 8%	5 2%
TOTAL	53	65	52	53	223

TABLE 9

OBJECTIVES IN EXPORT MARKETING BY INDUSTRY

MAJOR OBJECTIVES	INDUSTRIES				
	Clothing	Furniture	Chemicals	Instruments	TOTAL
	No.	No.	No.	No.	No.
To earn the maximum short-run profit	1 2%	2 3%	1 2%	0 -	4 2%
To earn the maximum long-run profit	7 14%	12 18%	13 22%	10 17%	42 18%
To earn a satisfactory rate of profit	31 60%	32 49%	19 33%	28 48%	110 47%
To gain the highest possible market share	3 6%	3 5%	6 10%	5 9%	17 7%
To sell as much as possible	8 15%	15 23%	12 21%	10 17%	45 19%
To sell surplus capacity not taken by the UK market	1 2%	2 3%	5 9%	1 2%	9 4%
Others	1 2%	0 -	2 3%	5 9%	8 3%
	52	66	58	59	235

Hypothesis 1(c) That export objectives tend to be volume oriented.

Hypothesis 1(d) That domestic market objectives tend to be profit oriented.

The responses shown in Tables 7, 8 and 9 were re-coded into the broad types of objectives, to test hypotheses 1(c) and 1(d).

The objectives of long- and short-run profit maximisation and earning a satisfactory rate of profit were coded as profit objectives, while those aims such as gaining the maximum market share or maximum sales volume and disposing of surplus capacity overseas were coded as volume objectives, leaving a small number of minor objectives provided by respondents as fitting neither category.

The results of this analysis are shown in Table 10.

In both export and UK marketing the majority of responses emphasised profit objectives, although the greater stress on profit objectives in the UK (80% in the UK compared to 68% of firms in export) was significant at a 95% level of confidence (see Appendix XI.11). Similarly, substantial minorities of companies were pursuing volume objectives, but this group was a higher proportion in export than UK marketing (31% in export compared to 19% in the UK), which again was significant (see Appendix XI.12).

Hypothesis 1(c) is rejected since the majority of exporters gave profit objectives as their major targets, although as noted a significantly higher proportion gave volume aims than was the case in UK marketing.

Hypothesis 1(d) is accepted since UK objectives were clearly dominated by profit aims, and a relatively small proportion of firms emphasised volume targets.

Lastly, there was some interest in the differences between UK and export marketing objectives at the individual company level, that is, within the individual company, rather than at the aggregated level discussed above.

The combinations of export and UK objectives within companies are summarised in Table 11.

It can be seen that the majority of firms claimed that they pursued profit objectives above all else in both UK and export marketing, and other companies were approximately equally divided between those emphasising profit in the UK and volume in export, and those stressing volume in the UK and exporting.

Perhaps of greatest note is the small proportion of firms fitting the classical model of pursuing profit at home and volume in exports. The Chemicals industry provided an exception, since almost a quarter of the firms in this sector aimed at profit at home and volume abroad.

TABLE 10

PROFIT AND VOLUME OBJECTIVES IN UK AND EXPORT MARKETING

OBJECTIVES	In the UK No.	In exporting No.
Profit	176 80%	157 68%
Volume	42 19%	72 31%
Others	3 1%	3 1%
TOTAL	221	232

TABLE 11

COMBINATIONS OF PROFIT AND VOLUME OBJECTIVES

IN UK AND EXPORT MARKETING

COMBINATIONS OF OBJECTIVES	INDUSTRIES				
	Clothing	Furniture	Chemicals	Instruments	TOTAL
	No.	No.	No.	No.	No.
Profit in UK and Volume in Export	2 4%	10 15%	12 23%	7 14%	31 15%
Profit in UK and Export	35 73%	45 69%	31 61%	29 59%	140 66%
Volume in UK and Export	9 19%	9 14%	8 16%	9 19%	35 16%
Volume in UK and Profit in Export	2 4%	1 2%	0 -	4 8%	7 3%
TOTAL	48	65	51	49	213

5.2(d) EXPORT MARKET NUMBERS STRATEGY

This part of the survey was concerned with the second of the primary research objectives, which was to measure the numbers of markets served by exporters and to isolate the factors contributing to the decision to pursue market concentration or market spreading.

The questionnaire asked executives to show the number of country-markets to which they exported directly, their approaches to limiting market numbers and their degree of concentration on a small number of markets, and lastly the reasons for selling to twenty or more markets (where this question was appropriate).

Hypothesis 2(a) That exporters typically deal with large numbers of markets.

Table 12 shows that in the total sample, 55% of firms dealt with twenty or fewer markets and only 18% sold to more than 50 markets.

While the judgement of "large numbers" is subjective, hypothesis 2(a) is rejected on the grounds that the majority of firms in the sample export to 20 markets or fewer. If small market numbers is taken as 5 markets or fewer, then the hypothesis should be accepted, since the majority of exporters sell to more markets than this, and the largest single category is 6 to 20 markets.

It is, however, noteworthy that while the hypothesis is rejected for the whole sample, it can be accepted for the Chemicals and Instruments industries, where 62% and 55% of the firms sell to more than 20 markets. This industry variation is significant at the 99% level of confidence (see Appendic XI.13).

This central issue of the number of country-markets to which firms export may be compared at this point with other empirical findings to determine if any significant differences emerge from the findings in this research.

The recent Barclays Bank report by ITI Research (271) gave the following results for UK exporters, which may be compared to figures taken from Table 12.

Market numbers	Barclays Bank Report UK Exporters No.		This survey No.	
Less than 50 markets	41	34%	204	82%
50 to 100 markets	31	26%	37	15%
More than 100 markets	48	40%	7	3%
	120		250	

The difference between the two results is highly significant (see Appendix XI.14), and suggests a much smaller number of companies in the sample used in this research deal with large numbers of markets, than was the case with the Barclays Bank study sample.

Indeed, in the Barclays Bank study, German exporters are held up as the leading example of limiting market numbers, and yet the following comparisons can be made between those figures for German exporters and the UK exporters studied in this survey.

Market numbers	Barclays Bank Report German Exporters No.		This survey No.	
Less than 50 markets	60	50%	204	82%
50 to 100 markets	36	30%	37	15%
More than 100 markets	24	20%	7	3%
	120		250	

Clearly, the difference is again highly significant (see Appendix XI.15) suggesting that this sample of UK exporters concentrates to a greater extent than the ITI sample of German exporters.

However, the importance of this difference is perhaps diluted when it is borne in mind that the ITI sample was chosen on a non-probability basis, and is claimed to represent mainly large companies and "successful" or "committed" exporters, that is, those with export sales of more than 25% of total sales.

As noted earlier in this paper, this random sample of UK exporters finds that more than 50% of exporters in the four industries studied have export contributions of less than 20% of total sales.

A comparison between the medium sized companies in the Barclays Bank study, and the larger, more successful exporters in this present work produces the following results.

	Barclays Bank Report Medium Sized UK Exporters		This survey Companies with more than 20% of sales from exports, and more than 1000 employees	
Market numbers	No.		No.	
Less than 50	18	46%	14	41%
51-100 markets	7	18%	16	47%
More than 100 markets	14	36%	4	12%
	39		34	

Even with this constraint, there remains a significant difference between the ITI findings and those of this survey (see Appendix XI.15a).

It seems that similar proportion of exporters of this type are found to export to less than 50 markets. However, of the remainder, with more than 50 markets: in this survey the bulk deal with fewer markets than was found by the ITI study and the proportion dealing with very large market numbers is much less than was found by ITI for Barclays Bank.

Thus, the strength of the Barclays Bank study findings, and particularly their representativeness, may still be challenged. This line of argument will be pursued in Chapter 6.

Further, an approximate comparison may also be made with the earlier work by Tessler, published as the BETRO report (62): "Concentration on Key Markets".

The sampling in this study was again (apparently) of a non-probability type and the sample was biased towards large, "above-average" exporters, which as a group accounted for 25% of British exports of manufactures.

The BETRO estimates of market numbers may also be compared with those measured in this present research.

BETRO Report Market numbers	No.		This survey Market numbers	No.	
1 - 30	38	31%	0-20	138	55%
31- 60	35	29%	21-50	68	27%
61-100	20	16%	51-100	37	15%
Over 100	29	24%	More than 100	7	3%
	122			250	

The differences in the frequency class definitions mean that only a general comment is justified, which again must be that there is a far greater degree of concentration in this sample than that taken in the BETRO study, or at least that there is less evidence of market spreading.

Lastly in this section, comparisons may be made with the Industrial Market Research studies of exporting (263, 264, 265).

The sampling in the IMR studies was random, taking all manufacturing industries as the sampling frame, and was therefore more compatible with the methodology used in this present research.

The market number estimates for UK exporters in the IMR studies is compared below with the figures for this research.

Market numbers	IMR Report UK Exporters No.		This survey No.	
1 - 20	152	56%	138	55%
21 - 50	67	25%	68	27%
51 - 100	37	14%	37	15%
Over 100	14	5%	7	3%
	270		250	

Testing shows no significance between the two results (see Appendix XI.16), that could not be explained by sampling error, and in fact the figures are remarkably similar.

At the aggregated level this study appears to replicate the IMR findings.

Further, a comparison may be made between the market numbers for UK exporters in this present study and the sample of German exporters taken in the IMR research.

Market numbers	IMR Report German Exporters No.		This survey No.	
1 - 20	164	60%	138	55%
21 - 50	76	28%	68	27%
51 - 100	23	8%	37	15%
Over 100	11	4%	7	3%
	274		250	

A Chi-square test suggests that there are significant differences between the results in this survey of UK exporters and the IMR survey of German exporters (see Appendix XI.17).

However, testing the difference between proportions for firms selling to less than 20 markets (the majority in both cases) shows no significant difference (see Appendix XI.18).

On the other hand, testing the difference between proportions selling to 51-100 markets suggests that there is a significant difference at the 95% confidence level (see Appendix XI.19).

Thus, it seems that almost the same proportions of German and UK exporters sell to a small number of markets (less than 20), although a higher proportion of UK exporters sell to a large number of markets (51-100 countries).

Returning to the internal analysis of the results of this survey, Table 12 shows that the patterns of market numbers differ by industry. A Chi-square test confirms that this is significant (see Appendix XI.20).

Most notably, in Clothing and Furniture two-thirds of the firms export to less than 20 markets, while in Chemicals and Instruments approximately two-thirds of the firms export to more than 20 markets.

If this is put in the context of the earlier point that Clothing and Furniture firms obtain mostly less than 20% of turnover from exports while two-thirds of the Chemical and Instruments firms obtain more than 20% of turnover from exporting, then it leads directly to hypothesis 2(b) below.

TABLE 12

MARKET NUMBERS BY INDUSTRY

NUMBER OF COUNTRY MARKETS	INDUSTRIES Clothing No.	Furniture No.	Chemicals No.	Instruments No.	TOTAL No.
0 - 5	23 38%	18 26%	7 12%	7 11%	55 22%
6 - 20	20 33%	26 38%	16 27%	21 34%	83 33%
21 - 50	12 20%	19 27%	19 31%	18 30%	68 27%
51 -100	4 7%	6 9%	16 27%	11 18%	37 15%
More than 100	1 2%	0 -	2 3%	4 7%	7 3%
TOTAL	60	69	60	61	250

Hypothesis 2(b) That there is a positive relationship between the number of markets served and the proportion of the firm's turnover provided by exports.

Table 13 shows the relationship found between export market numbers and the contribution of exports to sales in the firms in the sample.

The difference in market numbers between firms with differing export contributions is highly significant (see Appendix XI.21).

Hypothesis 2(b) is therefore accepted.

This point will be pursued further in drawing conclusions about the market number strategies followed by UK exporters in Chapter 6.

TABLE 13

MARKET NUMBERS AND EXPORT CONTRIBUTIONS

NUMBER OF COUNTRY MARKETS	EXPORT CONTRIBUTIONS 0-10% No.	11-20% No.	More than 20% No.	TOTAL No.
0 - 5	41 56%	11 20%	3 3%	55 22%
6 - 20	28 38%	19 34%	34 29%	81 33%
More than 20	4	26 46%	80 68%	110 45%
TOTAL	73	56	117	246

Hypothesis 2(c) That exporters do not limit the number of markets they serve.

The issue of market concentration is approached in two ways.

Firstly, there is the question of whether firms limit market numbers and, if so, the degree to which they limit; and secondly, there is the partly independent question of the selective application of efforts to a small number of markets, either as a group or possibly within a larger group.

Table 14 presents the data relevant to the first of these issues: whether firms limit the number of markets to which they sell, to a greater or lesser extent, or whether they sell to as many as possible.

The overall pattern suggests that approximately one quarter of the firms actually limit markets to less than 12, approximately one-fifth sell to more than 12 markets but not to all possible markets, but that the majority sell to as many markets as possible.

Thus, hypothesis 2(c) is accepted on the grounds that the majority of exporters appear not to limit markets at all.

However, Table 14 also shows industry to industry differences, which are significant at a 95% level of confidence (see Appendix XI.22).

Most notably, it seems that fewer firms in the Chemicals and Instruments sectors limit markets to less than 12, than in the other industries, and more sell to as many markets as possible. The hypothesis being tested therefore seems more valid for the mainly industrial markets than the mainly consumer markets studied. This should be interpreted in the light of the greater dependence of the Chemicals and Instruments samples on exports, and the suggestion that a large number of markets may be needed to attain this success in exporting.

The second dimension of the key market issue is the application of efforts selectively to a small number of markets.

Table 15 shows the proportions of those firms selling to 20 or more

countries, firstly, concentrating most attention on 12 or fewer markets, and secondly, giving a similar amount of attention to most of those markets. It seems that the division is such that approximately two-thirds of the respondents concentrate attention and one-third spread attention evenly between markets.

There is some variation observed between industries, but a Chi-square test suggests that this could easily be explained by sampling error (see Appendix XI.23).

Having separated the issues of market number limitation and the selective application of efforts between markets in exporting, these may be combined to reach a generalised description of those firms pursuing market concentration and those pursuing market spreading, as shown below.

Market Limitation Policies	Market Concentration Policies	Export Strategy
Limiting the number of markets to a small number (i.e. less than 12)	-	Market Concentration
Selling to more than 12 markets but not the maximum	Concentrating most attention on a small number of markets	Market Concentration
Selling to as many markets as possible	Concentrating most attention on a small number of markets	Market Concentration
Selling to more than 12 markets but not the maximum	Giving a similar amount of attention to most markets	Market Spreading
Selling to as many markets as possible	Giving a similar amount of attention to most markets	Market Spreading

Table 16 shows the division of firms into these categories, and it can be seen that nearly two-thirds of the companies exhibit some degree of concentration and one-third spread efforts.

Table 17 compares the division of firms into the concentration and spreading categories between industries. Some variation is observed, but a Chi-square test suggests that any such differences could easily be explained by sampling error (see Appendix XI.24).

Thus, the hypothesis that exporters do not limit markets is accepted, although more strongly for some industries than others. However, combining the issues of market limitation and the concentration of efforts suggests that the majority of exporters in this sample do concentrate to some significant degree.

This division, although crude, provides a lever for the analysis of other export policies, particularly in pricing.

TABLE 14

MARKET LIMITATION POLICIES BY INDUSTRY

LIMITATION POLICIES	INDUSTRIES Clothing No.	Furniture No.	Chemicals No.	Instruments No.	TOTAL No.
Limiting the number of markets to a small number (i.e. less than 12)	20 33%	21 30%	7 12%	10 16%	58 23%
Selling to more than 12 markets, but not the maximum	6 10%	13 19%	13 22%	16 26%	48 19%
Selling to as many markets as possible	34 57%	35 51%	40 66%	35 58%	144 58%
TOTAL	60	69	60	61	250

TABLE 15

MARKET CONCENTRATION POLICIES BY INDUSTRY

CONCENTRATION POLICIES (of firms selling to more than 20 markets)	INDUSTRIES				
	Clothing	Furniture	Chemicals	Instruments	TOTAL
	No.	No.	No.	No.	No.
Concentrate most attention on a small number of markets (12 or less)	16 57%	24 69%	29 63%	22 54%	91 61%
Give a similar amount of attention to most markets	12 43%	11 31%	17 37%	19 46%	59 39%
TOTAL	28	35	46	41	150

TABLE 16

EXPORT STRATEGY: MARKET CONCENTRATORS AND MARKET SPREADERS

MARKET LIMITATION POLICIES	MARKET CONCENTRATION POLICIES	EXPORTING STRATEGY	No.
Limiting the number of markets to a small number (i.e. less than 12)	-		
Selling to more than 12 markets but not the maximum	Concentrate most attention on a small number of markets	MARKET CONCENTRATION	150 60%
Selling to as many markets as possible	Concentrate most attention on a small number of markets		
Selling to more than 12 markets but not the maximum	Give a similar amount of attention to most markets	MARKET SPREADING	99 40%
Selling to as many markets as possible	Give a similar amount of attention to most markets		
			249

TABLE 17

EXPORT STRATEGY BY INDUSTRY

EXPORT STRATEGY	INDUSTRIES Clothing No.	Furniture No.	Chemicals No.	Instruments No.	TOTAL No.
Market Concentration	34 58%	46 67%	37 62%	33 54%	150 60%
Market Spreading	25 42%	23 33%	23 38%	28 46%	99 40%
TOTAL	59	69	60	61	249

Hypothesis 2(d) That the pursuit of volume objectives in exporting is associated with market spreading and the pursuit of profit objectives with market concentration.

The data in Table 18 suggest that this hypothesis cannot be accepted, since it seems that the majority of exporters in this sample pursue profit objectives, in both the market concentration and market spreading groups.

There is some suggestion that firms pursuing concentration may emphasise profit objectives even more than those firms pursuing market spreading (72% compared to 61%), while market spreaders stress volume objectives more (37% compared to 27%), but testing finds that this difference is significant only at the 90% level of confidence (see Appendix XI.25).

The argument that market concentration and spreading are associated with different marketing objectives is thus weak, and hypothesis 2(d) cannot be accepted.

TABLE 18

EXPORT STRATEGY AND OBJECTIVES

OBJECTIVES	EXPORT STRATEGY		
	Market Concentration	Market Spreading	TOTAL
	No.	No.	No.
Profit	100 72%	56 61%	156 68%
Volume	38 27%	34 37%	72 31%
Others	1 1%	2 2%	3 1%
TOTAL	139	92	231

Hypothesis 2(e) That active exporters pursue market concentration and reactive exporters pursue market spreading.

Table 19 summarises the relationship found between firms' attitudes to exporting and export strategy.

While some variation can be seen, most notably the surprisingly high proportion of market concentrators exporting primarily to make up surplus capacity, a Chi-square test indicates that this difference could relatively easily be explained by chance and cannot be assumed significant.

The evidence does not therefore allow hypothesis 2(e) to be accepted.

TABLE 19

EXPORT STRATEGY AND COMPANY INTERNATIONALISATION

EXPORT STRATEGY	TYPE OF INTERNATIONALISATION: Exports are mainly unsolicited orders from abroad — No.	Exporting is primarily to make up sales volume that cannot be sold in the UK — No.	Exporting is the main source of growth — No.	TOTAL — No.
Market Concentration	26 52%	36 71%	75 58%	137 60%
Market Spreading	24 48%	15 29%	54 42%	93 40%
TOTAL	50	51	129	230

Hypothesis 2(f) That exporters consider that dealing with a large number of markets reduces the total risk faced more than dealing with a limited number of markets.

The reasons for dealing with large market numbers were assessed through an open-ended question, requiring a qualitative content analysis, which is summarised below.

Reasons for Market Spreading

Respondents in companies exporting to more than 20 markets were asked:

> "What are the reasons for pursuing this policy, rather than the alternative of concentrating efforts on a small number of "key" markets?"

This question was answered by 110 executives, out of the 112 firms in the appropriate category (of exporting to 20 or more markets).

This open-ended form of questioning required a content analysis, before responses could be coded, as described by Oppenheim*.

The answers were grouped into seven main themes for coding purposes. These themes are summarised in Table 20, and then each is discussed and illustrated, before returning to the hypothesis to be tested.

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* Oppenheim, A.N. op. cit.

TABLE 20

EXPORT STRATEGY: REASONS FOR MARKET SPREADING

REASONS	No.	
Concentration plus other markets	32	29%
Product specialisation	24	22%
Sales volume maximisation	22	20%
Risk reduction	14	13%
Small markets are future potential	7	6%
Small shares gained at low cost	3	3%
Lack of control	1	1%
Other reasons	7	6%
TOTAL	110	

1. Concentration plus other markets

The commonest single catgeory of responses may be summarised as the claim that companies did concentrate on a limited number of markets, but that they also accepted available business from other markets, for volume, producing a situation where large market numbers and concentration policies were not seen as mutually exclusive.

A number of respondents (approximately one-third of the group) stressed particularly this last point, for example:

> "although we sell in over 20 markets, we limit our marketing to 8-10 key markets"
>
> "we do concentrate on a small number of key markets, but this in no way precludes our selling to over 20 countries. It is not an 'either or' situation"
>
> "the two are not mutually exclusive - we concentrate heavily on key markets (i.e. where goods have maximum acceptance) but at the same time we try to sell to all markets where merchandise is acceptable."

Secondly, in this category, a number of respondents (again approximately one-third of the group) emphasised that they concentrated on key markets, but sought additional volume through other markets, for example:

> "Key markets are the most important but other markets do generate substantial turnover"

and other firms described the segmentation of marketing efforts:

> "We have identified the markets where our products have acceptance and overseas selling efforts are devoted there ... however, a certain amount of business is available worldwide and this is chased as a 'desk operation'"
>
> "Exporting is concentrated on a small number of key markets, 80% of all foreign travel is to these four countries, but a lot can be and is achieved by visiting and selling to many more countries in the remaining 20% of the available time."

The third, and marginally larger, group of responses in this category was closely related to the second, but was differentiated by the degree to which a limited number of key markets were said to be active marketing targets, while a more passive attitude (and in most cases less direct effort) was adopted towards other markets, particularly in the sense of responding to unsolicited orders from abroad.

To begin with, a number of respondents drew attention to the differences in intensity and type of marketing efforts in key markets and others:

> "We do concentrate on a small number of key markets with our own direct sales force, and we serve a large number of other markets through distributors."
>
> "Through agencies, selling certain products in a large number of markets is relatively easy and such sales are in small quantities. Bulk sales of a few key products are concentrated in 4 or 5 countries and receive closer, more personal attention."
>
> "a certain amount of export business can be obtained from many other countries but they do not merit the same intensity of effort as the main markets."

Other firms emphasised that business from marginal markets was generated without direct marketing expenses, for example as the result of technical reputation and word of mouth recommendation, the influence of tradition in supply sources, and the general category of unsolicited orders for other reasons:

> "We concentrate sales effort in a small number of specific export markets ... Orders from other countries are received basically as a result of the company's worldwide reputation."
>
> "as we deal in a specialised field our name tends to be known"
>
> "our selling efforts are concentrated on key markets. Other markets exist from previous supplies or advertising.

The issue of unsolicited orders seemed particularly important to some respondents, for example:

> "we never fail to quote against enquiries of interest from markets outside our key markets"
>
> " we do not turn down orders from small overseas countries with which we have been trading for years."

Others noted that they responded to small markets as opportunities arose or orders arrived, in an essentially passive way:

> "we concentrate on 'key' markets, but receive regular business for specialised products from others. Where we believe that further significant attention would not bring corresponding results, we sell what we can and give our attention to the big markets."
>
> "we sell to more than 20 markets because we receive unsolicited orders."

> "we concentrate on about 8-10 countries and follow others where enquiries are received."

This category then consists of those claiming that market concentration could and did exist within large market numbers. In such cases the majority of attention was concentrated on key markets, but other business was sought, or more commonly accepted, as it arose for various reasons, most notably unsolicited orders.

2. Product specialisation

The second largest category of responses was made up of those stressing product rather than market specialisation and concentration.

The most important theme in this area, common to the largest number of respondents, was that the specialised nature of products (and thus their market segments) led to a large number of small markets to be competed worldwide, none large enough singly to provide the exporter with adequate volume.

For example, respondents pointed out:

> "Our equipment is specialised and therefore there are insufficient needs in any particular marketplace to justify concentrated efforts at the expense of other areas."
>
> "there are limited outlets for our specialised products in a limited market"
>
> "we have a highly specialised product with relatively small numbers of potential users."
>
> "markets are known worldwide and our products are used only in one type of industry."
>
> "being suppliers to industry, there is a limit to the sales that could be made to any one market, therefore to increase exports it is necessary to open up new territories."

Another argument put forward in the same area was that firms with broad (sometimes diversified) product mixes, found that different products were concentrated in different markets, thus giving a large total number of markets for the company, rather than the product.

This point was made by respondents in various ways:

> "we have a very broad product range ... different markets look for different types of carpet."
>
> "our 'commodity' products go to the developing nations, whilst our 'performance' or 'technical' products compete in the ten most lucrative markets."
>
> "due to a wide range of products, which are not necessarily competitive in some areas (e.g. linseed oil in Holland and West Germany) but competitive in other areas (e.g. Far East and Middle East)."
>
> "we concentrate on certain products in different markets."

Lastly in this area, a small number of companies argued that they were competing in a world market for specialised products, for example the sales of pharmaceuticals and capital equipment into the international market, and that it was this single world product-market that was significant rather than the individual countries within it.

3. Sales volume maximisation

Firms in this group emphasised the availability of volume in large numbers of markets, and the consequent need to service them to gain adequate volume from export sales:

> "not enough business in a small number of markets"
>
> "to maximise sales"
>
> "we are trying to establish a base level of exports at 45% of total production, as soon as possible ..."
>
> "competition is great in overseas markets and we would not derive sufficient success if we limited the areas to which we were willing to sell."
>
> "the requirements for our product are worldwide"
>
> "because we want to sell as much to as many as possible"
>
> "we are 'opportunity' exporters prepared to operate anywhere we can make a profit."

Whether it is caused by small specialised markets, high levels of competition or entrenched competitors in the most attractive markets, the common element to this group of responses was that adequate volume entailed large market numbers.

4. Risk reduction

A significant group of companies emphasised the argument that a larger

number of markets offered a greater degree of safety, in terms of factors such as political and economic changes and the concentration of the highest levels of competition in the major, "key" markets.

For example, respondents commented that:

> "exporters of consumer goods particularly have seen so many markets closed over recent years due to local manufacture and economic restrictions etc., that they simply have to 'cast their net'."
>
> "Experience has proved that markets open and close with monotonous regularity due to import restrictions, tariffs etc."
>
> "In export activity for any product it can be most unwise to concentrate on just a few key markets when political and economic change can take place with great rapidity."
>
> "Our major export markets are Third World and in any given year at least 2-3 markets are at risk in terms of reduced business, a total block on exports or an inability to pay."
>
> "we prefer to insure against the failure of key markets e.g. Nigeria, Iran - by spreading sales over a large number of markets."
>
> "markets go up and down every five years. When goods sell in one market they may not be selling in others."

A smaller number of executives were concerned with the level of competition in key markets and the consequent impact on their export sales:

> "Key markets are invariably highly competitive, high volume and low margin, while minor markets are the converse."
>
> "we wish to spread commercial risk because of the highly competitive nature of major markets."

The cohesiveness of this category lies in an apparent aversion to the risks perceived in concentration, in terms mainly of choosing key markets which fail, or attract the highest levels on international competition.

5. Small markets are future potential

A small number of firms justified their large market numbers on the grounds that their future growth was likely to come from markets which were currently small, but were likely to grow in the future.

For instance, two respondents noted:

> "In education markets, small markets can become big markets due to international projects, e.g. World Bank."
>
> "If we are to continue growing at the rate established over recent years (say, 25% per annum average) we must prepare by establishing a presense in developing markets."

Others noted that maintaining their position in established markets was relatively economical, so efforts were directed towards developing smaller markets for the future.

This may be closely related to the earlier question of volume maximisation and that of key markets being supplemented by smaller markets.

6. Small shares gained at low cost

This was a small but distinct category, where executives stressed the low incremental costs of dealing with additional markets. The comments made included:

> "Certain fringe markets can provide us with valuable business, sometimes with better than normal margins, at not too much cost (travelling, administration) to ourselves."
>
> "it is easier to get 10% of a market than 90% of the same market."
>
> "more business with little effort"

It seems likely that this category is a variant of the much larger theme of concentrating on key markets but taking other available business, but is treated separately because of the explicit emphasis on cost and profit advantages of marginal markets.

7. Lack of control

Only one respondent suggested that his large market numbers (51-100 markets) were undesirable and arose from "poor marketing policy", which in this case the company was trying to remedy.

8. Other reasons

There were a small number of responses of a different kind.

For example, among the firms involved in the pharmaceuticals and medical instrumentation fields some considered themselves bound by policy considerations to service any markets existing:

> "we are specialists in the health care field and feel that it would be wrong to limit the demand for our products ..."

> "policy is dictated by the product - there are only 10-15 suppliers in the world of a product for which demand exceeds supply and which is a medical necessity, i.e. morally we must sell everywhere."

The remainder of this category of responses was concerned with the impact of group policies on exporting. For example, servicing a large number of markets in the interests of:

> "making optimum use of the existing group sales organisation worldwide".

In other cases, the allocation of markets to subsidiaries left respondents servicing large numbers of smaller markets as a group policy.

Analysis of Reasons for Market Spreading

The content analysis described above does not provide great support for hypothesis 2(f), that large market numbers are associated with risk aversion, since only one-eighth of those firms with more than 20 export markets gave this as their reason for market spreading. The hypothesis is supported, but only weakly.

The analysis suggests that the prime consideration in explaining large market numbers is volume, either is taking available business as a supplement to key markets (29%) or in maximising sales volume through large market numbers (20%). Closely related to this was the issue of product specialisation as opposed to market specialisation, with the implications of competing a world market, possibly composed of a large number of small national markets (22%).

Table 21 compares the results by industry, but no significant variations in reasons for market spreading are apparent.

Table 22 compares the reasons for market spreading with the market numbers for each firm. No significant differences are obvious,

although it can be seen that 34% of firms selling to 20-50 markets claim to concentrate within their total market numbers, compared to 21% of those selling to more than 50 markets. This difference, however, fails a significance test, even at a 90% level of confidence (see Appendix XI.27).

Table 23 shows the division of reasons for market spreading among firms with different degrees of export success, as measured by the contribution of export to total sales.

It appears that concentration on key markets within a larger total number of markets may be associated with a relatively limited export contribution, since 32% of those with less than 40% of sales from exports gave this reason, compared to 20% of those with more than 40% of sales from exports. This difference is, however, significant only at an 84% confidence level and could fairly easily reflect sampling error (see Appendix XI.27a).

Table 24 shows the reasons for market spreading classified by exporter company size, measured by employee numbers. While some variations can be seen, for example the high proportion of 501-1000 employee firms emphasising product specialisation and the high proportion of 1001-2000 employee firms stressing risk reduction, these differences do not appear significant.

Table 25 compares the reasons for market spreading and the export strategy adopted.

This suggests that market spreading is associated with risk reduction (since 18% gave this reason compared to 9% of market concentrators) but this difference could easily be attributed to chance and cannot be accepted (see Appendix XI.28a).

It also seems that market spreading may be associated with maximising sales volume (31% of market spreaders compared to 11% of market concentrators) and in this case the differnce is significant (see Appendix XI.28b).

Table 26 shows the reasons for market spreading classified by the type of internationalisation of the firm.

To begin with, there is some suggestion that concentration within large market numbers is associated with active exporters (30% compared to 19% of passive and reactive exporters), although this difference is not significant at a 95% level of confidence (see Appendix XI.28c).

Similarly, it appears that active exporters may be more associated with sales volume maximisation (21% compared to 12% of passive and reactive exporters), but again this difference was not significant at the 95% level of confidence (see Appendix XI.28d).

TABLE 21

REASONS FOR MARKET SPREADING BY INDUSTRY

MARKET SPREADING REASONS	INDUSTRIES Clothing No.	Furniture No.	Chemicals No.	Instruments No.	TOTAL No.
Concentration plus other markets	6 43%	7 28%	11 29%	8 24%	32 29%
Product specialisation	5 36%	4 16%	6 16%	9 28%	24 22%
Sales volume maximisation	2 14%	4 16%	9 24%	7 21%	22 20%
Risk reduction	0 -	5 20%	6 16%	3 9%	14 13%
Small markets are future potential	1 7%	0 -	3 7%	3 9%	7 6%
Small shares gained at low cost	0 -	2 8%	0 -	1 3%	3 3%
Lack of control	0 -	1 4%	0 -	0 -	1 1%
Other reasons	0 -	2 8%	3 8%	2 6%	7 6%
TOTAL	14	25	38	33	110

TABLE 22

REASONS FOR MARKET SPREADING BY MARKET NUMBERS

MARKET SPREADING REASONS	MARKET NUMBERS 20-50 No.	51-100 No.	Over 100 No.	TOTAL No.
Concentration plus other markets	23 34%	8 22%	1 14%	32 29%
Product specialisation	14 21%	9 25%	1 14%	24 22%
Sales volume maximisation	13 19%	6 17%	3 44%	22 20%
Risk reduction	8 12%	5 14%	1 14%	14 13%
Small markets are future potential	4 6%	3 8%	0 -	7 6%
Small shares gained at low cost	1 2%	2 6%	0 -	3 3%
Lack of control	0 -	1 2%	0 -	1 1%
Other reasons	4 6%	2 6%	1 14%	7 6%
TOTAL	67	36	7	110

TABLE 23

REASONS FOR MARKET SPREADING BY EXPORT CONTRIBUTIONS

MARKET SPREADING REASONS	EXPORT CONTRIBUTIONS 0-20% No.	21-40% No.	More than 40% No.	TOTAL No.
Concentration plus other markets	9 31%	15 33%	7 20%	31 29%
Product specialisation	5 17%	9 20%	10 28%	24 22%
Sales volume maximisation	6 21%	9 20%	7 20%	22 20%
Risk reduction	5 17%	4 9%	5 14%	14 13%
Small markets are future potential	1 3%	3 7%	3 9%	7 6%
Small shares gained at low cost	1 3%	1 2%	1 3%	3 3%
Lack of control	1 4%	0 -	0 -	1 1%
Other reasons	1 4%	4 9%	2 6%	7 6%
TOTAL	29	45	35	109

TABLE 24

REASONS FOR MARKET SPREADING BY COMPANY SIZE

MARKET SPREADING REASONS	NUMBER OF EMPLOYEES 100-200 No.	201-500 No.	501-1000 No.	1001-2000 No.	TOTAL No.
Concentration plus other markets	10 29%	8 26%	9 35%	5 26%	32 29%
Product specialisation	8 23%	6 19%	8 31%	2 11%	24 22%
Sales volume maximisation	6 18%	9 29%	2 7%	5 26%	22 20%
Risk reduction	4 12%	3 10%	3 11%	4 21%	14 13%
Small markets are future potential	1 3%	3 10%	1 4%	2 11%	7 6%
Small shares gained at low cost	0 -	1 3%	2 8%	0 -	3 3%
Lack of control	0 -	0 -	0 -	1 5%	1 1%
Other reasons	5 15%	1 3%	1 4%	0 -	7 6%
TOTAL	34	31	26	19	110

TABLE 25

REASONS FOR MARKET SPREADING AND EXPORT STRATEGY

MARKET SPREADING REASONS	EXPORT STRATEGY Market Concentration No.	Market Spreading No.	TOTAL No.
Concentration plus other markets	29 45%	3 7%	32 29%
Product specialisation	13 20%	11 24%	24 22%
Sales volume maximisation	7 11%	14 31%	21 20%
Risk reduction	6 9%	8 18%	14 13%
Small markets are future potential	3 5%	4 9%	7 6%
Small shares gained at low cost	2 3%	1 2%	3 3%
Lack of control	1 2%	0 -	1 1%
Other reasons	3 5%	4 9%	7 6%
TOTAL	64	45	109

TABLE 26

REASONS FOR MARKET SPREADING AND COMPANY INTERNATIONALISATION

MARKET SPREADING REASONS	TYPE OF INTERNATIONALISATION: Exports are mainly unsolicited orders from abroad — No.	Exporting is primarily to make up sales volume that cannot be sold in the UK — No.	Exporting is the main source of growth — No.	TOTAL — No.
Concentration plus other markets	1 11%	4 23%	23 30%	28 27%
Product specialisation	3 33%	4 23%	16 21%	23 22%
Sales volume maximisation	1 11%	2 12%	16 21%	19 19%
Risk reduction	0 -	3 18%	11 14%	14 14%
Small markets are future potential	1 11%	1 6%	5 7%	7 7%
Small shares gained at low cost	0 -	1 6%	2 3%	3 3%
Lack of control	0 -	1 6%	0 -	1 1%
Other reasons	3 33%	1 6%	3 4%	7 7%
TOTAL	9	17	76	102

5.2(d) EXPORT MARKETING INFORMATION

Respondents were asked to indicate the sources of marketing information that they used at all, choosing from a checklist including salesman reports, distributor/agent reports, market research surveys, test marketing, Government information services, bank information services, press reports, and any other sources to be specified by the respondent.

These data have some interest in their own right, but also in an attempt to distinguish between exporters in terms of the availability of marketing information to influence decisions.

Hypothesis 2(g) That market information available to exporters comes mainly from qualitative, subjective and intelligence sources in existing markets.

Table 27 shows the information sources used by responding companies. Almost all the firms used the marketing intelligence sources of salesman and agent reports, three-quarters claimed the use of secondary statistical sources and almost half apparently used some form of primary research.

With some reservations hypothesis 2(g) is accepted, on the grounds that by far the commonest source of information is salesman and agent reports, which are assumed to be closest to the criteria specified in the hypothesis in most cases. In other words, it is assumed that data from salesmen and distributors will tend to be frequently of a qualitative and subjective nature, and often concentrated in existing markets, since this is where salesmen and agents normally operate. The degree to which these assumptions are challenged in the individual firm weakens the acceptability of the hypothesis.

Additionally, there is some interest in the level of use claimed by this sample of exporters for the major categories of information. For example, a comparison may be made with the Industrial Market Research Ltd. survey data given in Appendix II (263).

The IMR survey also asked exporting firms to indicate their usual and most important sources of marketing information. The results of this survey and the present research are contrasted below.

IMR Survey Information Sources	No. of Co.'s	Highest No. per Group		This Survey	No.	
Government services	64					
Trade associations	54			Secondary		
Press reports	32	64	23%	Sources	188	77%
Banks	29					
Local press	20					
Sales force feedback	61	61	22%	Intelligence	237	97%
General knowledge	44					
Test marketing	5	5	2%	Primary	111	45%
	N=281				N=245	

This would seem to suggest a significantly much higher use of both available and primary information sources than was the case in the IMR survey.

It should, however, be noted that while both the IMR survey and this work used multiple choice questions (and therefore led respondents to some degree), the IMR survey did not include distributor or agent feedback in its checklist, while both were used in the question wording here, since they were stressed by executives in the depth interview element of the study. It should be accepted though that the term "market research" in the non-academic setting includes exploratory and observational studies, particularly by personal visits, as well as formal survey techniques, which was also apparent in the use of the term by respondents in the depth interviews.

Lastly, it must be said that this survey measured a slightly different variable: use of an information source at all, rather than the usual or most valueable information sources measured in the IMR studies. The values measured would therefore be higher because of this difference.

Table 27 also shows some industry to industry variations in the use of the different categories of marketing information, principally that the Clothing industry firms used both primary and secondary information less than the other companies, and this difference was found to be statistically significant (see Appendix XI.28).

Table 28 contrasts the marketing information sources used by companies of different sizes, and it can be seen that the use of intelligence sources is common to firms of all sizes, but that the use of primary and secondary statistical sources increases with company size. This is, predictably, so with primary research, where only one-third of the smallest firms claim use, compared to two-thirds of the largest firms. These differences were statistically significant (see Appendix XI.28e and XI.28f).

Correspondingly, Table 29 shows the number of information sources used by companies of different sizes, and again there seems to be a clear positive relationship between company size and the number of information sources used, the differences being significant (see Appendix XI.28g).

TABLE 27

MARKETING INFORMATION TYPES BY INDUSTRY

MARKETING INFORMATION TYPES	INDUSTRIES Clothing No.	Furniture No.	Chemicals No.	Instruments No.	TOTAL No.
Intelligence (Salesmen reports, agents, etc.)	55 95%	63 94%	59 98%	60 100%	237 97%
Secondary (Government statistics, press, banks, etc.)	35 60%	54 81%	51 85%	48 80%	188 77%
Primary (Market research surveys, test marketing)	21 36%	33 49%	30 50%	27 45%	111 45%
NUMBER OF COMPANIES	N=58	N=67	N=60	N=60	N=245

TABLE 28

MARKETING INFORMATION TYPES BY COMPANY SIZE

MARKETING INFORMATION TYPES	NUMBER OF EMPLOYEES 100-200 No.	201-500 No.	501-1000 No.	1001-2000 No.	TOTAL No.
Intelligence	102 96%	70 99%	35 95%	25 96%	232 97%
Secondary	78 74%	51 72%	33 89%	22 85%	184 77%
Primary	36 34%	33 46%	22 59%	18 69%	109 45%
NUMBER OF COMPANIES	N=106	N=71	N=37	N=26	N=240

TABLE 29

NUMBER OF MARKETING INFORMATION SOURCES BY COMPANY SIZE

NUMBER OF SOURCES OF INFORMATION USED	NUMBER OF EMPLOYEES 100-200 No.	201-500 No.	501-1000 No.	1001-2000 No.	TOTAL No.
1 - 3	56 53%	34 48%	12 32%	3 12%	105 44%
4 - 6	39 37%	27 38%	20 54%	17 65%	103 43%
7 - 9	11 10%	10 14%	5 14%	6 23%	32 13%
TOTAL	106	71	37	26	240

Hypothesis 2(h) That exporters lack the market information needed to make key market choices.

Table 30 lists the number of information sources that the companies claimed to use, with firms classified into those pursuing market concentration and those pursuing market spreading.

The proportions of firms claiming the various numbers of information sources are very similar and a Chi-square test suggests that no significant difference can be claimed (see Appendix XI.29).

It seems therefore that hypothesis 2(h) cannot be accepted, since there is no evidence that those pursuing market spreading have fewer sources of information available.

Considering Table 31, showing the use by market concentrators and market spreaders of the different types of marketing information, indicates that the use of marketing intelligence and secondary data is almost identical between the two groups. There is, however, a significant difference in the use of primary information, that is, use by 53% of the concentrators compared to 37% of the market spreaders (see Appendix XI.30).

This finding may support hypothesis 2(h), in the sense that firms with primary information are associated more with market concentration, so it might be inferred that a lack of primary marketing information is linked with market spreading, so firms may reject market concentration due to a lack of information. However, this case is weakened by the argument that primary data collection may itself arise through market concentration, and that in any case the better-informed group of concentrators is in the majority. The support offered for the hypothesis is therefore extremely weak.

TABLE 30

EXPORT STRATEGY AND NUMBER OF MARKETING INFORMATION SOURCES

NUMBER OF SOURCES OF INFORMATION USED	EXPORT STRATEGY		
	Market Concentration	Market Spreading	TOTAL
	No.	No.	No.
1 - 3	63 42%	43 45%	106 43%
4 - 6	67 45%	39 41%	106 43%
7 - 9	19 13%	13 14%	32 14%
TOTAL	149	95	244

TABLE 31

EXPORT STRATEGY AND TYPES OF MARKETING INFORMATION

MARKETING INFORMATION TYPES	EXPORT STRATEGY		
	Market Concentration	Market Spreading	TOTAL
	No.	No.	No.
Intelligence	142 99%	94 99%	236 99%
Secondary	114 79%	74 78%	188 79%
Primary	76 53%	35 37%	111 46%
NUMBER OF COMPANIES	N=144	N=95	N=239

5.2(e) PRICING IN EXPORT STRATEGY

This part of the work was concerned with the assessment of the perceived role of price in the export marketing mix, arising out of the earlier discussion of the differences between price and non-price competition in the international marketplace.

Respondents were asked to rank in order of importance marketing factors including product quality, product design, price, personal selling, advertising, distribution and any other factors that respondents wished to specify. This ranking was to be completed firstly for selling to the UK market and secondly for selling to export markets.

Hypothesis 2(i) That exporters rate price low as a competitive weapon in the home market and high in the export market.

Table 32 shows the rankings of the marketing mix elements by respondents for UK and export marketing.

Predictably, the factor most frequently rated as most important was product quality, in both UK and export marketing, followed at some distance by product design and price in both cases. It is of note that marketing communications, distribution and other factors were relegated to a low level of importance by almost all respondents.

From Table 32, the following numbers of respondents gave these rankings of price in export and UK marketing.

Ranks	UK No.	Export No.
1st	46 24%	67 30%
2nd	52 27%	62 27%
3rd or lower	93 49%	97 43%
	191	226

This suggests that a greater proportion of respondents saw price as the most important factor in exporting than was the case in UK marketing, and a greater proportion placed price in the lowest positions for the UK than was the case in export marketing. A Chi-square test suggests that the difference between the frequency distributions is significant at the 95% level of confidence (see Appendix XI.31).

Hypothesis 2(i) is supported in the sense that the rating a price is more often high in export and low in the UK, and is accepted, although with the additional comment that the contrasting role of price at home and in exports is far from dramatic.

TABLE 32

RANKING OF MARKETING MIX ELEMENTS IN UK AND EXPORT MARKETING

RANKING	MARKETING MIX ELEMENTS						
	Product Quality	Product Design	Price	Personal Selling	Advertising	Distribution	Others
	No.	No.	No.	No.	No.	No.	No.
IN UK MARKETING							
1st	105 50%	47 25%	46 24%	9 5%	1 1%	4 2%	4 11%
2nd	62 29%	53 28%	52 27%	27 14%	0 -	12 7%	10 29%
3rd or lower	45 21%	87 47%	93 49%	157 81%	164 99%	154 91%	21 60%
TOTAL	212	187	191	193	165	170	35
IN EXPORT MARKETING							
1st	108 48%	39 19%	67 30%	12 6%	1 1%	3 2%	5 13%
2nd	62 27%	54 27%	62 27%	22 11%	1 1%	20 10%	9 24%
3rd or lower	58 25%	110 54%	97 43%	169 83%	172 98%	167 88%	23 63%
TOTAL	228	203	226	203	174	190	37

Hypothesis 2(j) That there is a negative association between the availability of market information and the rating of price as a competitive weapon.

Table 33 combines the data on the ranking of price in export and the UK with the availability of marketing information measured by the number of information sources used by the firm.

These data provide no support for the hypothesis, in UK or export marketing, since Chi-square tests show no significant differences in the frequency distributions for firms with different levels of marketing information availability (see Appendix XI.32 and XI.33).

Hypothesis 2(j) cannot therefore be accepted.

TABLE 33

RANKING OF PRICE AND NUMBER OF MARKETING INFORMATION SOURCES

RANKING OF PRICE	NUMBER OF MARKETING INFORMATION SOURCES 1-3 No.	4-6 No.	7-9 No.	TOTAL No.
IN EXPORT MARKETING				
1st	25 28%	31 30%	10 31%	66 30%
2nd	24 27%	27 26%	10 31%	61 27%
3rd or lower	39 45%	45 44%	12 35%	96 43%
TOTAL	88	103	32	223
IN UK MARKETING				
1st	22 25%	16 17%	7 27%	45 22%
2nd	18 20%	24 26%	8 31%	50 24%
3rd or lower	48 55%	53 57%	11 42%	112 54%
TOTAL	88	93	26	207

Hypothesis 2(k) That exporters relying on price competition are more likely to pursue market spreading than market concentration.

Table 34 presents data which apparently support hypothesis 2(k), since 27% of the market concentrators rate price as the most important marketing factor, compared to 34% of market spreading exporters.

However, this difference is not significant at the 95% level of confidence (see Appendix XI.34), and overall a Chi-square test suggests that the differences between the frequency distributions are not significant (see Appendix XI.35).

Thus, hypothesis 2(k) cannot be accepted.

TABLE 34

RANKING OF PRICE IN EXPORT MARKETING AND EXPORT STRATEGY

RANKING OF PRICE IN EXPORT	EXPORT STRATEGY		
	Market Concentration	Market Spreading	TOTAL
	No.	No.	No.
1st	37 27%	30 34%	67 30%
2nd	37 27%	25 28%	62 27%
3rd or lower	64 46%	34 38%	98 43%
TOTAL	138	89	227

5.2(f) EXPORT PRICE LEVELS AND DISCRIMINATION

This part of the work was concerned with Objective 3 of the primary research, which was to study the establishment of export price levels for different markets.

Respondents were asked to indicate the relationship between their UK and export prices, and whether they charged the same ex-works prices in export as in the UK, and in all of their export markets.

Hypothesis 3(a) That export prices are based on UK prices.

Table 35 shows that almost two-thirds of the companies reported that ex-works prices for exports were based on UK prices, so hypothesis 3(a) is accepted, since a 99% confident estimate can be made that more than half the companies of this type base export prices on their UK prices (see Appendix XI.36).

However, a major exception within this total is the Chemicals industry, where the relationship was reversed, and more than two-thirds of the sample claimed that export prices were not based on UK prices.

From what has already been noted about the Chemicals industry segment of the study: a greater dependence on exports, a more central role for international sales, larger market numbers, and the interview held with a Chemicals manufacturer, it may be hypothesised that Chemicals prices are particularly oriented towards market levels, especially for example compared to the Clothing industry segment.

TABLE 35

UK PRICE BASE FOR EXPORT PRICES

EXPORT PRICES ARE BASED ON UK EX-WORKS PRICES	INDUSTRIES				
	Clothing	Furniture	Chemicals	Instruments	TOTAL
	No.	No.	No.	No.	No.
Yes	43 80%	44 64%	18 30%	39 66%	144 60%
No	11 20%	25 36%	41 70%	20 34%	97 40%
TOTAL	54	69	59	59	241

Hypothesis 3(b) That exporters tend to charge the same prices in all export markets.

While hypothesis 3(a) was concerned with the use of UK prices as the base for export prices, in this case the issue was whether this had the effect of producing ex-works export prices which were the same as UK prices.

Table 36 shows that only one-third of the sample had the same ex-works prices for export as the UK, giving a 99% confident estimate that the majority of exporters of this type do not charge the same prices in export as the UK (see Appendix XI.37).

Again the Chemicals industry stands out, although on this occasion because such a high proportion of respondents had different export prices to the UK.

Table 37 shows that only one-third of the sample charged the same export prices in all markets, giving a 99% confident estimate that the majority of firms of this type do not charge the same prices in all export markets (see Appendix XI.38).

As before, this is even truer of the Chemicals industry sample than of the others.

Hypothesis 3(b) is rejected on the grounds that although most firms see UK prices as the base for export prices, the majority discriminate between the UK and export markets and between different export markets on price. The Chemicals industry stands out from the others as relating export prices less often to the UK price and discriminating more frequently on price.

TABLE 36

EXPORT AND UK PRICE LEVELS

EX-WORKS PRICES ARE THE SAME FOR EXPORT AS THE UK	INDUSTRIES				
	Clothing	Furniture	Chemicals	Instruments	TOTAL
	No.	No.	No.	No.	No.
Yes	18 30%	27 40%	9 15%	28 47%	82 33%
No	41 70%	41 60%	51 85%	32 53%	165 67%
TOTAL	59	68	60	60	247

TABLE 37

EXPORT PRICE DISCRIMINATION

EX-WORKS PRICES ARE THE SAME IN ALL MARKETS	INDUSTRIES				
	Clothing	Furniture	Chemicals	Instruments	TOTAL
	No.	No.	No.	No.	No.
Yes	27 46%	26 41%	8 14%	24 40%	85 35%
No	32 54%	38 59%	51 86%	36 60%	157 65%
TOTAL	59	64	59	60	242

Hypothesis 3(c) That reactive exporters tend to charge different prices to different markets.

Table 38 shows the numbers of firms discriminating on price between the UK and export markets, classified by the type of internationalisation of the firm, as measured earlier.

These data show that the majority of those exporting mainly through unsolicited orders charge the same prices in export as the UK, while this proportion falls to one-third of those exporting surplus capacity and one-quarter of those taking a more active view of exporting.

A Chi-square test suggests that these differences are significant (see Appendix XI.39).

Hypothesis 3(c) is rejected for UK prices compared to export prices, since the majority of the most reactive exporters tend to charge the same prices in export as the UK, and the vast majority of active exporters tend to discriminate on price.

The second aspect of price discrimination is that between different export markets, as shown in Table 39.

Again the majority of exporters reacting to unsolicited orders charge the same prices in all markets, while the majority of active exporters charge different prices. These differences are significant (see Appendix XI.40).

Hypothesis 3(c) is rejected for pricing to export markets, since the majority of the most reactive exporters charge the same prices in all export markets and the majority of active exporters discriminate on price between different export markets.

TABLE 38

EXPORT AND UK PRICE LEVELS AND COMPANY INTERNATIONALISATION

EX-WORKS PRICES ARE THE SAME FOR EXPORT AS THE UK	TYPE OF INTERNATIONALISATION			
	Exports are mainly unsolicited orders from abroad	Exporting is primarily to make up sales volume that cannot be sold in the UK	Exporting is the main source of growth	TOTAL
	No.	No.	No.	No.
Yes	26 52%	18 35%	34 26%	78 34%
No	24 48%	33 65%	95 74%	152 66%
TOTAL	50	51	129	230

TABLE 39

EXPORT PRICE DISCRIMINATION AND COMPANY INTERNATIONALISATION

EX-WORKS PRICES ARE THE SAME IN ALL MARKETS	TYPE OF INTERNATIONALISATION			
	Exports are mainly unsolicited orders from abroad	Exporting is primarily to make up sales volume that cannot be sold in the UK	Exporting is the main source of growth	TOTAL
	No.	No.	No.	No.
Yes	27 56%	20 42%	33 26%	80 36%
No	21 44%	28 58%	95 74%	144 64%
TOTAL	48	48	128	224

Hypothesis 3(d) That exporters pursuing market spreading are more likely to charge the same prices in all markets, than firms pursuing market concentration.

Table 40 shows the price discrimination in export prices compared to the UK, by firms pursuing market concentration and spreading.

Some 44% of the market spreading firms charge the same price in export as the UK compared to 26% of the market concentration exporters. This difference is significant at the 95% level of confidence (see Appendix XI.41).

Thus, hypothesis 3(d) is accepted for export prices versus UK prices, since almost twice as many of the firms pursuing market spreading have export prices the same as UK prices. It is, however, still the case that the majority of firms discriminate on price, regardless of the strategy pursued.

Table 41 shows price discrimination between different export markets by market spreaders and concentrators.

In this case 43% of firms pursuing market spreading charge the same prices in export as in the UK, compared to 30% of market concentration exporters. This difference is just significant at the 95% level of confidence (see Appendix XI.42).

Thus, hypothesis 3(d) is accepted for price discrimination between export markets, since substantially more of the firms using market spreading charge the same prices in export as the UK. Again, the qualification to be expressed is that in both cases the majority of exporters do appear to discriminate on price between different export markets.

TABLE 40

EXPORT AND UK PRICE LEVELS AND EXPORT STRATEGY

EX-WORKS PRICES ARE THE SAME FOR EXPORT AS THE UK	EXPORT STRATEGY		
	Market Concentration	Market Spreading	TOTAL
	No.	No.	No.
Yes	39 26%	43 44%	82 33%
No	110 74%	54 56%	164 67%
TOTAL	149	97	246

TABLE 41

EXPORT PRICE DISCRIMINATION AND EXPORT STRATEGY

EX-WORKS PRICES ARE THE SAME IN ALL MARKETS	EXPORT STRATEGY		
	Market Concentration	Market Spreading	TOTAL
	No.	No.	No.
Yes	45 30%	40 43%	85 35%
No	103 70%	53 57%	156 65%
TOTAL	148	93	241

Hypothesis 3(e) That firms with more market information tend to charge different prices by market and firms with little market information tend to charge the same price in all markets.

Table 42 compares price discrimination between the UK and export with the number of marketing information sources that firms claim they use.

The proportion of firms charging the same price in export as the UK seems to fall as the number of marketing information sources increases. A Chi-square test suggests that a significant difference exists at a 95% confidence level (see Appendix XI.43).

Thus, hypothesis 3(d) is accepted for UK prices compared to export prices, since the frequency of price discrimination appears to be particularly associated with those exporters with more market information.

Table 43 compares price discrimination between export markets and the number of marketing information sources available to the exporter.

Similarly, the proportion of firms charging the same price in all export markets seems to fall as the number of marketing information sources used increases. A Chi-square test suggests a significant difference at the 95% level of confidence (see Appendix XI.44).

Thus, hypothesis 3(d) is accepted for price discrimination between export markets, since the frequency of price discrimination appears to be particularly associated with those exporters with more market information.

TABLE 42

EXPORT AND UK PRICE LEVELS AND NUMBER OF MARKETING INFORMATION SOURCES

EX-WORKS PRICES ARE THE SAME FOR EXPORT AS THE UK	NUMBER OF MARKETING INFORMATION SOURCES			
	1-3	4-6	7-9	TOTAL
	No.	No.	No.	No.
Yes	42 40%	31 30%	6 19%	79 33%
No	63 60%	74 70%	26 81%	163 67%
TOTAL	105	105	32	242

TABLE 43

EXPORT PRICE DISCRIMINATION AND NUMBER OF MARKETING INFORMATION SOURCES

EX-WORKS PRICES ARE THE SAME IN ALL MARKETS	NUMBER OF MARKETING INFORMATION SOURCES			
	1-3	4-6	7-9	TOTAL
	No.	No.	No.	No.
Yes	42 40%	36 34%	4 13%	82 35%
No	61 60%	67 64%	27 87%	155 65%
TOTAL	103	103	31	237

Hypothesis 3(f) That those exporters rating price highly in exporting will tend to charge the same price in all export markets.

Table 44 shows price discrimination in export prices compared to UK prices, analysed by the ranking of price in the export marketing programme.

In every case, virtually one-third of companies had the same prices for UK and exporting, regardless of the importance of price.

Thus, in the case of export prices versus UK prices, there is no support for the hypothesis that price discrimination is negatively related to price ranking.

Table 45 compares price discrimination in different export markets with the ranking of price in exporting.

In this case, exporters ranking price as the most important marketing variable seem to discriminate on price more often than do those forms placing a lower emphasis of price in exporting. This difference is significant at a 95% confidence level against all lower ratings of price (see Appendix XI.45) and those rating price as the third most important factor or lower (see Appendix XI.46).

In the case of price discrimination between export markets, hypothesis 3(f) is rejected, since the data appear to support an alternate hypothesis: that exporters rating price highly tend more frequently to charge different prices in different export markets.

TABLE 44

EXPORT AND UK PRICE LEVELS AND RANKING OF PRICE

EX-WORKS PRICES ARE THE SAME FOR EXPORT AS THE UK	RANKING OF PRICE IN EXPORT MARKETING			
	1st	2nd	3rd or lower	TOTAL
	No.	No.	No.	No.
Yes	21 31%	20 33%	32 33%	73 33%
No	46 69%	41 67%	64 67%	151 67%
TOTAL	67	61	96	224

TABLE 45

EXPORT PRICE DISCRIMINATION AND RANKING OF PRICE

EX-WORKS PRICES ARE THE SAME IN ALL MARKETS	RANKING OF PRICE IN EXPORT MARKETING			
	1st	2nd	3rd or lower	TOTAL
	No.	No.	No.	No.
Yes	15 23%	23 38%	40 42%	78 36%
No	49 77%	37 62%	55 58%	141 64%
TOTAL	64	60	95	219

5.2(g) EXPORT PRICING METHODS

In this section of the results, the interest centres on Objective 4 of the primary research, which was to study the pricing methods used for exports.

Respondents were asked to identify the major approach to pricing used, from a checklist, firstly, in the UK market, and secondly, in exporting.

It was recognised that this form of constrained questioning had clear limitations, but it is defended on the grounds that the primary interest here lies in the broad approaches to pricing, and particularly the differences between export and domestic pricing, rather than the specific methods used.

Hypothesis 4(a) That exporters normally use full-cost pricing methods.

Tables 46 and 48 show the responses describing UK and export pricing methods.

For the total sample, Table 46 shows that full-cost methods are used by 41% of exporters, (that is, using cost-plus and target methods), so hypothesis 4(a) cannot be accepted.

However, there is substantial variation between the industries. In the Clothing and Furniture industries, full-cost methods account for two-thirds and almost half the companies, while this proportion falls to 12% for the Chemicals manufacturers. Correspondingly, the Chemicals and Instruments firms particularly emphasised competitive pricing and the most important single approach was pricing by judgement of what the market would bear.

Hypothesis 4(a) could then be accepted for the sample of Clothing exporters and perhaps Furniture manufacturers, but not for the Chemicals and Instruments firms.

The broad differences in pricing methods in exporting are summarised in Table 47. A Chi-square test finds the differences between the frequency distributions significant at a 99% confidence level (see Appendix XI.47).

From Table 47, it is concluded that hypothesis 4(a) should be accepted for Clothing manufacturers and might be tenable for the Furniture sample, it cannot be accepted for the Instruments exporters and is rejected for the Chemicals firms, where the major emphasis is on market-based approaches.

TABLE 46

EXPORT PRICING METHODS BY INDUSTRY

PRICING METHODS	INDUSTRIES Clothing No.		Furniture No.		Chemicals No.		Instruments No.		TOTAL No.	
Adding a % to full costs (cost-plus)	22	41%	22	35%	5	9%	15	26%	64	28%
Pricing for a target rate of return on investment	11	21%	8	13%	2	3%	9	15%	30	13%
Pricing on direct or marginal cost	6	11%	5	8%	9	16%	4	7%	24	10%
Following a market leader	-		-		-		-		-	
Pricing by reference to competitors' prices	0	-	7	11%	13	22%	13	22%	33	14%
Pricing by investigation of customer reaction	2	4%	2	3%	4	7%	1	2%	9	4%
Judgement of what the market will bear	12	23%	19	30%	25	43%	16	28%	72	31%
Others	-		-		-		-		-	
TOTAL	53		63		58		58		232	

TABLE 47

EXPORT PRICE DETERMINANTS BY INDUSTRY

PRICE DETERMINANTS	INDUSTRIES Clothing No.	Furniture No.	Chemicals No.	Instruments No.	TOTAL No.
Full costs	33 63%	30 48%	7 12%	24 41%	94 41%
Marginal costs	6 11%	5 8%	9 16%	4 7%	24 10%
Market forces (competitors, customers, etc.)	14 27%	28 44%	42 72%	30 52%	114 49%
TOTAL	53	63	58	58	232

TABLE 48

UK PRICING METHODS BY INDUSTRY

PRICING METHODS	INDUSTRIES Clothing No.	Furniture No.	Chemicals No.	Instruments No.	TOTAL No.
Adding a % to full costs (cost-plus)	29 58%	22 37%	10 19%	19 35%	80 37%
Pricing for a target rate of return on investment	8 16%	19 32%	7 13%	11 21%	45 21%
Pricing on direct or marginal cost	6 12%	6 10%	4 8%	4 7%	20 9%
Following a market leader	-	-	-	-	-
Pricing by reference to competitors' prices	1 2%	3 5%	14 26%	4 7%	22 10%
Pricing by investigation of customer reaction	2 4%	1 1%	2 4%	3 6%	8 4%
Judgement of what the market will bear	4 8%	9 15%	16 30%	13 24%	42 19%
TOTAL	50	60	53	54	217

Hypothesis 4(b) That exporters use the same pricing methods in domestic and export markets.

Table 49 contrasts the cost- and market-based pricing methods used in export and UK pricing, and leads to the conclusion that two-thirds of UK prices are based on cost methods, while half export prices use a cost base. This difference is significant at a 99% level of confidence (see Appendix XI.48).

This suggests that hypothesis 4(b) is unacceptable, since more firms use cost-based pricing in the UK than in exporting, but is far from conclusive since among other things it ignores differentiation of domestic and export pricing decisions at the individual company level.

Table 50 shows the differentiation made by companies between UK and export pricing methods.

These data show that while respondents report a wide variety of pricing methods, in some two-thirds of the firms no difference is seen between export and UK pricing methods.

On the grounds that the majority of companies pursue the same pricing method in the UK and exporting, hypothesis 4(b) is accepted.

TABLE 49

COST AND MARKET PRICING IN UK AND EXPORT MARKETING

	UK MARKETING No.	EXPORT MARKETING No.
Cost based pricing	145 67%	118 51%
Cost-plus Target Marginal cost		
Market based pricing	72 33%	114 49%
Market leadership Competitive Customer Market bears		
TOTAL	217	232

TABLE 50

DIFFERENTIATION OF UK AND EXPORT PRICING METHODS

		No.	
PRICING METHODS THE SAME FOR UK AND EXPORT			
Cost plus		53	
Market judgement		31	
Target return		21	
Marginal cost		17	
Competition		11	
Customer		4	
Others		-	
			137 64%
PRICING METHODS DIFFERENT FOR UK AND EXPORT			
In UK Market	In Export Market		
Cost plus	Market judgement	15	
Target	Market judgement	15	
Cost plus	Competition	8	
Market judgement	Competition	7	
Competition	Market judgement	5	
Target return	Compatition	4	
Target return	Cost plus	3	
Others		21	
			78 36%

Hypothesis 4(c) — That exporters pursuing profit objectives in export tend to use cost-based methods of pricing and exporters pursuing volume objectives tend to use market-based methods.

Table 51 summarises the relationship found between export pricing methods and marketing objectives.

These data appear to support hypothesis 4(c), since the majority of those pursuing profit objectives use cost-based pricing methods and the majority of those emphasising volume use market-based pricing.

However, the difference between pricing methods used by firms with different main objectives is not significant at a 95% confidence level, so hypothesis 4(c) cannot be accepted (see Appendix XI.49).

TABLE 51

EXPORT PRICING METHODS AND MARKETING OBJECTIVES

PRICING BASE	EXPORT OBJECTIVES		
	Profit	Volume	TOTAL
	No.	No.	No.
Cost	78 52%	32 46%	110 50%
Market	72 48%	37 54%	109 50%
TOTAL	150	69	219

Hypothesis 4(d) That active exporters will tend to use cost-based pricing methods and reactive exporters will use market-based methods.

Table 52 shows the relationship between export pricing methods and the type of internationalisation of the firm.

Of those exporting primarily in response to unsolicited orders, 64% use cost-based pricing, compared to 45% of those viewing exporting as the major source of growth. This difference is significant (sse Appendix XI.50).

The difference in the use of cost-based methods by those responding to unsolicited orders and those disposing of surplus capacity (64% compared to 54%) is not significant at a 95% confidence level (see Appendix XI.51).

However, the comparison between the general category of reactive and passive exporters (those responding to unsolicited orders and disposing of surplus capacity) and active exporters is significant (see Appendix XI.52).

On these grounds, hypothesis 4(d) is rejected, since the data appear to support an alternative hypothesis: that active exporters tend to use market-based pricing methods and reactive exporters tend to use cost-based methods.

TABLE 52

EXPORT PRICING METHODS AND COMPANY INTERNATIONALISATION

PRICING BASE	TYPE OF INTERNATIONALISATION Exports are mainly unsolicited orders from abroad No.	Exporting is primarily to make up sales volume that cannot be sold in the UK No.	Exporting is the main source of growth No.	TOTAL No.
Cost	29 64%	27 54%	54 45%	110 51%
Market	16 36%	23 46%	67 55%	106 49%
TOTAL	45	50	121	216

Hypothesis 4(e) That firms pursuing market spreading are more likely to use cost-based methods of pricing and firms pursuing market concentration are more likely to use market-based methods.

Table 53 summarises the relationship found between export pricing methods and the export strategy pursued.

The data suggest that hypothesis 4(e) should be accepted since 57% of the market spreading firms use cost-based pricing compared to 47% of the firms pursuing market concentration.

However, a significance test suggests that this difference could relatively easily be attributed to sampling error and is significant only at an 86% level of confidence (see Appendix XI.53).

The support for hypothesis 4(e) is therefore weak and the hypothesis cannot be fully accepted.

TABLE 53

EXPORT PRICING METHODS AND EXPORT STRATEGY

PRICING BASE	EXPORT STRATEGY Market Concentration No.	Market Spreading No.	TOTAL No.
Cost	66 47%	51 57%	117 51%
Market	75 53%	39 43%	114 49%
TOTAL	141	90	231

Hypothesis 4(f) — That firms with more market information tend to use market-based pricing methods and firms with little market information tend to use cost-based methods.

Table 54 shows the relationship between export pricing methods used and the number of marketing information sources available to the firm.

The division between cost and market based pricing is equal and the same regardless of the number of marketing information sources used.

Hypothesis 4(f) is rejected on the grounds that the data appear to support an alternative hypothesis: that firms are divided equally between cost and market pricing, whatever the marketing information available.

TABLE 54

EXPORT PRICING METHODS AND NUMBER OF MARKETING INFORMATION SOURCES

PRICING BASE	NUMBER OF MARKETING INFORMATION SOURCES			
	1-3	4-6	7-9	TOTAL
	No.	No.	No.	No.
Cost	48 50%	51 50%	15 50%	114 50%
Market	48 50%	51 50%	15 50%	114 50%
TOTAL	96	102	30	228

Hypothesis 4(g) That firms rating price highly in exporting will tend to use market-based methods of pricing and those rating price low will tend to use cost-based methods.

Table 55 shows the relationship between the export pricing methods used and the ranking of price in the export marketing programme.

Only one-third of those rating price highly in exporting use cost-based pricing methods, compared to two-thirds of those firms ranking price relatively low.

This difference is significant at a 95% level of confidence (see Appendix XI.54).

Hypothesis 4(g) is accepted, since it appears that those ranking price highly most frequently use market-based pricing, and those ranking price low most frequently use cost-based pricing.

TABLE 55

EXPORT PRICING METHODS AND RANKING OF PRICE

PRICING BASE	RANKING OF PRICE IN EXPORT MARKETING			
	1st	2nd	3rd or lower	TOTAL
	No.	No.	No.	No.
Cost	23 36%	33 55%	55 61%	111 52%
Market	41 64%	27 45%	35 39%	103 48%
TOTAL	64	60	90	214

5.2(h) EXPORT INVOICING CURRENCY

This section of the results is concerned with the sixth of the primary research objectives, which was to assess the determinants of export invoice currency choice and its effect on export price levels.

Respondents were asked to indicate whether they invoiced wholly or partly in Sterling, customers' currencies or third country currencies, and in the case of multiple currency exporting, the countries involved.

There was also an open-ended question directed at those companies invoicing in Sterling, asking the reasons for this policy, as opposed to invoicing in the customers' currencies.

Hypothesis 5(a) That the main currency of invoicing exports is Sterling.

Table 56 shows the invoice currencies used by both single-currency and multiple-currency exporters.

Virtually all the single-currency exporters invoice in Sterling, as do 93% of the multiple-currency exporters, that is, out of 249 exporting companies, 240 export in Sterling to some extent, compared to 86 invoicing in customers' currencies.

Hypothesis 5(a) is therefore accepted, on the grounds that almost the whole sample use Sterling as an invoice currency, and the majority use only Sterling.

The pattern shown in Table 57 of invoice currencies in the four industries indicates that approximately 60% of exporters in all four sectors invoice solely in Sterling, while 40% invoice in multiple currencies, where the largest category is a mix of Sterling and some customers' currencies.

The pattern of currency use in invoicing is remarkably similar across the industries, although 23% of the Chemicals and Instruments sectors use US dollars, compared to 9% of the Clothing and Furniture sectors, perhaps reflecting such factors as the impact of a world marketplace and tradition. This differences is significant at a 99% confidence level (see Appendix XI.54a).

TABLE 56

EXPORT INVOICE CURRENCIES

INVOICE CURRENCIES	SINGLE CURRENCY EXPORTERS No.	MULTIPLE CURRENCY EXPORTERS No.	ALL EXPORTERS No.
Sterling	146 99%	94 93%	240 96%
Customers' Currencies	2 1%	84 83%	86 35%
US $	- -	33 33%	33 13%
Other	- -	16 16%	16 6%
NUMBER OF COMPANIES	N=148	N=101	N=249

TABLE 57

EXPORT INVOICE CURRENCIES BY INDUSTRY

INVOICE CURRENCIES	INDUSTRIES Clothing No.	Furniture No.	Chemicals No.	Instruments No.	TOTAL No.
A - SINGLE CURRENCY EXPORTERS					
Sterling	35	44	31	36	146
Customers' Currencies	-	-	-	-	-
US $	-	1	1	-	2
Others	-	-	-	-	-
	35 58%	45 65%	32 54%	36 59%	148 59%
B - MULTIPLE CURRENCY EXPORTERS					
Sterling	23	24	26	24	97
Customers' Currencies	22	23	22	20	87
US $	6	4	14	12	36
Others	3	-	4	1	8
	N=25	N=24	N=27	N=25	N=101
C - ALL EXPORTERS					
Sterling	58 97%	68 99%	57 97%	60 98%	243 98%
Customers' Currencies	22 37%	23 33%	22 37%	20 33%	87 36%
US $	6 10%	5 7%	15 25%	12 20%	38 15%
Others	3 5%	- -	4 7%	1 2%	8 3%
	N=60	N=69	N=59	N=61	N=249

Invoice Currency Decisions

The testing of hypotheses 5(b) to 5(g) is dependent on the analysis of an open-ended question on the reasons for and influences on the choice of Sterling as an invoice currency, and this analysis is shown below, before considering the hypotheses to be tested.

Respondents whose companies invoiced all or some of their exports in Sterling were asked:

> "please show here the reasons for pursuing this policy, rather than the alternative of invoicing in the customer's own currency."

This question was answered by 217 respondents out of the 146 companies invoicing all exports in Sterling and the 94 invoicing some exports in Sterling and some in other currencies.

The form of question was open-ended and required a content analysis to code responses, following the methodology described by Oppenheim*.

A number of respondents gave two or more separate reasons for their choice of Sterling, either generally or in different circumstances, and these were given equal weight to the single reasons given by others. The responses and their distribution are summarised in Table 58 below, and the content of each category is described in more detail.

More detail on the combinations of responses is given in Table X.4 in Appendix X.

Oppenheim, A.N. op. cit.

TABLE 58

REASONS FOR STERLING INVOICING

REASONS	No.	
Risk avoidance	88	41%
Administrative ease and economy	81	37%
Customer pressure	48	22%
Tradition	22	10%
Company preference	14	7%
Sterling strategy	11	5%
Local currencies not possible	8	4%
Agent pressure	6	3%
Other reasons	4	2%
	N=217	

1. Risk avoidance

The largest category of reponses centred on the avoidance of risk and uncertainty of various kinds.

There were four major themes in this category and one more minor issue. The major elements were concerned firstly, with the avoidance of uncertainty regarding the exporter's income and to a lesser extent prices, by accepting stability in Sterling prices. The second and third themes were closely related, being concerned respectively with the specific avoidance of risk of loss through exchange rate moves, and the avoidance of fluctuations more generally, particularly in the latter case those associated with long contracts. The fourth strand was made up of comments of varying hostility towards the speculative nature of foreign currency invoicing. Lastly, a small number of exporters simply regarded Sterling as the "safest" currency.

The division of responses into these themes within the larger category of risk avoidance, is shown in Table 59 below, and then illustrated in more detail.

Avoidance of risks of exchange loss - Respondents in this area emphasised the risk of loss associated with invoicing in and handling foreign currencies. In almost all cases, explicit mention was made of the risk of loss and no mention of possible gains.

For example, respondents commented:

"Money is not stable enough, and profits could be lost too easily."

"... to cut out the chance of losing on fluctuating exchange rates."

"this eliminates losses on our side"

"the main reason is losses incurred in currency fluctuations."

"... to remove the possibility of exchange losses"

"The risk of currency loss is eliminated"

"To minimise trading risk from currency fluctuations"

"Invoicing in Sterling eliminates risk".

This group appeared to be characterised by a high anticipation of losses from currency movements and a high aversion to such risks.

TABLE 59

RISK AND UNCERTAINTY AVOIDANCE IN STERLING INVOICING

ELEMENTS OF RISK AVOIDANCE	No.	
Stability of Sterling income and prices	24	27%
Avoidance of the risk of exchange losses	24	27%
Avoidance of the uncertainty of currency movements	22	25%
Rejection of "speculation"	14	16%
Sterling is a "safe" currency	4	5%
	88	

Stability of Sterling income and prices - The avoidance of uncertainty in export income was described variously as the reason for choosing Sterling invoicing:

> "all exports are invoiced in £ Sterling to ensure that whatever rate of exchange exists at the time of payment the company receives the Sterling market price for the product."
>
> "we try whenever possible to avoid dealing in foreign currency .... We prefer to know exactly what our profit margins are on sales."
>
> "£ payments guarantee the return on each transaction"
>
> "by invoicing in Sterling we know precisely how much our return will be on invoice settlement."
>
> "... to be sure how much we will get from the customer."

To a lesser extent there were some respondents linking this stability of income to stability in export prices:

> "pricing policy is based on cost-plus, and therefore we normally price in Sterling .... we are able to keep Sterling prices more stable."
>
> "... assurance of price stability is within the control of the supplier."
>
> "prices and margins are not subject to currency variations."

This issue of price stability was, however, in this context linked to income stability, rather than customer requirements for stable prices.

Avoidance of uncertainty of currency movements - This group is similar to the first, but differentiated by an emphasis on uncertainty, rather than a high perception of risks of losses, and was particularly concerned with the influence of the time period between quotation and order or payment.

Respondents aversive to floating currencies generally, noted for example:

> "This policy protects us against fluctuating exchange rates ... "
>
> "with world currency fluctuations, Sterling is the most practical to be paid in"
>
> "... we are not affected by the movement of exchange rates."
>
> ".... avoids currency variances"
>
> "there has been a relatively high rate of fluctuation in recent months in Sterling rates relative to many overseas currencies."
>
> "... as an insurance against fluctuating exchange rates."

Those concerned with the influence of long time periods between quotation and payment made such comments as:

> "Original quotes are always prepared in Sterling, and due to the ultimate time it may take to place an order, it is easier for us to keep a check on the price quoted without the added problem of fluctuating currency."
>
> " ... because of the problem of trying to forecast exchange rates when our product is on average 8 months delivery time from date of ordering."
>
> "the fluctuation in exchange rates between negotiation and settlement is too wide."

Rejection of "speculation" - Perhaps the most surprising group in this area was that rejecting the risk and nature of speculation, in some cases vehemently.

The comments made in this area were, for example:

> "We don't gamble."
>
> "We are equipment manufacturers, not currency speculators."
>
> "We are not in business to speculate on currency fluctuations."
>
> "We are not in the money game."
>
> "We are not currency speculators and providing the customer will go along with it we prefer him to take the risks."
>
> "We invoice in Sterling and so avoid any charge of seeking to make a profit on exchange ..."
>
> "As exporting maufacturers our prime requirement is to make a profit on the sale of the actual good manufactured."

Sterling is a "safe" currency - A small number of respondents expressed the reasons for their choice of Sterling in terms of the attraction of a "relatively safe currency" compared to foreign currencies, with no additional information.

2. Administrative ease and economy

The second most common response type was in the category of explaining the use of Sterling as invoice currency because of the attractions of administrative ease.

The themes overlapped to some extent but were firstly, the accounting and administrative convenience of single-currency invoicing, secondly, the general ease and simplicity of Sterling invoicing compared to foreign currency invoicing. Thirdly, there was a group of responses stressing the related economies of single-currency invoicing in Sterling, and fourthly a small number of executives mentioned the control problems associated with multiple-currency operations. Lastly there were the issues of ease of pricing and quoting in Sterling and the impact of large market numbers on the feasibility of multiple-currency invoicing.

The division of companies between the themes in this category is shown in Table 60 below, and discussed in more detail.

Administrative and accounting simplicity - Various issues were raised here, although they were closely linked. Some respondents stressed the general question of export administration, for example:

"Sterling gives least problems in Export Administration"

"Ease of administration of customers' letters of credit"

"(ease of preparation of) shipping documents"

"ease of invoicing and processing".

Another group was more specific regarding the accounting problems of foreign currency invoicing, suggesting that Sterling invoicing:

"avoids excessive cross-postings"

"easier for accounting in relation to the costs of production"

"reduces errors in invoicing"

"variations in exchange rates would necessitate additional financial procedures to avoid losses."

"easier for the Accounts Department".

Lastly, a smaller group of firms emphasised that their systems were

TABLE 60

ADMINISTRATIVE EASE IN STERLING INVOICING

ELEMENTS OF ADMINISTRATIVE EASE	No.	
Administrative and accounting simplicity	28	34%
Generally easier and simpler	22	27%
Administrative economy	12	15%
Management control is facilitated	8	10%
Pricing and quoting is easier	7	9%
Too many markets for local currency invoicing	4	5%
	81	

geared to Sterling and that change was not apparently envisaged:

> "Our export invoicing system is integrated with the UK system"
>
> "Accounting systems are geared to Sterling and we do not have the staff to specialise in foreign currency pricing."
>
> "We do not have a large export department and as most export enquiries are handled by our Home Sales Office it is easier for them to deal in Sterling."
>
> "the accounts department is not large enough to cope with several currencies."

Generally easier and simpler - This group was characterised by the short statements that Sterling was used for reasons such as: "convenience", "simplicity", and because it was "easier". Others were more specific regarding the expertise and resources required for non-Sterling invoicing:

> "a lack of time and expertise to watch ... various currencies"
>
> "as our exporting is unpredictable, we tend to take the easy way out"
>
> "we avoid the forward buying of currency".

Administrative economy - Some respondents also considered that Sterling invoicing was preferable on administrative grounds, but stressed the economies in administering single-currency marketing, rather than simply ease or convenience.

Most notably, emphasis was placed on the limited scope and role of exporting in a company as a constraint on the specialised administrative support available, for example:

> "While appreciating that forward buying of foreign currency can be advantageous we are only a small company and the benefits in practice would be limited. With a large export department ... it could be worthwhile."

Management control is facilitated - A small number of respondents justified Sterling invoicing interms of the greater ease in exercising control:

> "When supply is all ex-UK, control of costs and cover of costs is much simplified."
>
> "we need to maintain comparisons across several markets"
>
> "Invoicing in foreign currency requires sophisticated control systems in order to be used effectively"
>
> "ease of control".

Pricing and quoting is easier - Some executives used as justification for Sterling invoicing the claim that operating in a single currency facilitated pricing and qoting, particularly in selling from price lists and catalogues:

> "a lack of expertise in the company to prepare price lists in foreign currencies"
>
> "convenience in fixing prices in negotiations"
>
> "the complexity of printing price lists in different currencies".

Too many markets for local currency invoicing - Lastly, a small number of respondents explained the use of Sterling invoicing as a result of the large narket numbers with which they dealt:

> "Ease of operation in view of the many markets we deal with"
>
> "Relatively small amounts of money in many different currencies would provide excessive administrative difficulties."

3. Customer pressure

The third largest group of responses was that concerned with customer factors of various kinds as influences on the choice of Sterling as export invoice currency.

The major theme in this area was that exporters had to accept customer preferences, and in some cases demands, for Sterling invoicing. Also included is the more passive view that customers accepted Sterling invoicing, or at least had not requested any change from the practice. Lastly, there was the question of the need for consistency in exporting to multinational customers.

The division of responses within this category is shown in Table 61 below, and then illustrated in more detail.

Customers prefer or exert direct pressure - To begin with, the commonest statements were those reflecting a general customer preference, with different degrees of perceived strength, for Sterling in export invoices. For example:

> "Most export customers seem to prefer Sterling"
>
> "The majority of our customers prefer to be invoiced in Sterling"
>
> "the customers in the countries to which we export prefer this"
>
> "Export customers tend to want to be invoiced in Sterling"
>
> "Sterling is requested by most of our overseas customers"
>
> "Some customers demand to deal in Sterling".

Others saw this more explicitly as a reflection of the opportunity for importers to take advantage of the weakness of Sterling against local currencies, for instance:

> "Sterling invoicing ... where customers wish to take advantage of the weakness of the pound"
>
> "customers have shown preference for Sterling, particularly since the pound floated and became progressively weaker."

Further to this, some noted geographical differences in customer preferences for currencies:

TABLE 61

CUSTOMER PRESSURE IN STERLING INVOICING

ELEMENTS OF CUSTOMER PRESSURE	No.	
Customers prefer or exert direct pressure	31	65%
Customers accept Sterling invoicing	8	17%
No requests for local currencies	7	14%
Price consistency between markets	2	4%
	48	

"Many Middle East customers prefer Sterling invoices"

"Sterling is used for Japan, at the request of the customer's UK agent"

"Sterling is applied mainly in the most distant markets"

"A French retailer wants to know the price he has to pay without adding costs onto FOB prices, conversely an experienced importer may have no objection to paying pounds Sterling."

Customers accept Sterling invoicing - This group of responses was relatively more passive, and perhaps by implication reactive, and reported simply that their customers had no objection to Sterling invoicing. For example, typical responses were:

"most markets accept invoices in £ Sterling"

"Invoicing in Sterling is acceptable in most of our export markets"

"Export customers rarely question this"

"Our customers are prepared to accept this".

It should be noted that many of these respondents pointed out that they would invoice in a local currency if so requested by a customer.

No requests for local currencies - This group is clearly and closely related to the last, but explained their policies more explicitly in terms of an absense of market demand for local currency invoices. For example:

"Except for USA and certain US oriented markets we are not under any pressure to invoice in customers' own currencies."

"No preference has been shown by the customer to invoice in their currency"

"We have never been asked to quote in any other currency".

Price consistency between markets - Lastly, mention was made of the problem of maintaining a single price for multiple markets in the case of foreign currency invoicing, particularly where there is a multinational customer making price comparisons, with the result that Sterling invoicing:

"ensures consistency in all markets"

"maintains one price for a customer with factories in different countries."

4. Tradition

Some 10% of the respondent companies explained and justified Sterling invoicing in terms of standing practice in the company, making such comments as:

> "we have always quoted in Sterling..."
>
> "no reason (for Sterling invoicing) other than past custom and practice"
>
> "historical reasons"
>
> "long standing arrangement".

Closely related to this, although looking more outside the company, were executives describing the Sterling invoice practice as "tradition" or "custom". In particular, this tended to be associated with particular types of business:

> "Sterling has been established as the traditional invoicing arrangement in our market."
>
> "The countries to which we export are used to Sterling invoicing"
>
> "a standard procedure in our trade"
>
> "a trade practice".

Lastly, another group of respondents associated a traditional practice of Sterling invoicing with particular markets:

> "Our traditional overseas markets were the Commonwealth countries, where our first approach is in £"
>
> "our only exports in Sterling are ... close Commonwealth countries"
>
> ".... usually by custom or practice, particularly in Commonwealth countries".

5. Company preference

This category included a number of themes, some not appearing particularly satisfactory as explanations for Sterling invoicing.

To begin, a small number of respondents invoiced in Sterling on the grounds that they paid their own costs in Sterling:

> "I pay my bills in Sterling"
>
> "All materials, labour and on-costs are based and paid for in Sterling".

This reasoning may be based on administrative ease or the risk-aversion discussed earlier, but was presented by some respondents as the sole reason for Sterling invoicing.

Another group of companies passed Sterling invoicing off as a "policy" matter, apparently not subject to change, with general comments, such as:

> "it is an established policy"
>
> "Standard company policy which has proved successful over many years".

Additionally, there were references to the impact of policies decided at a main board level on exports by subsidiaries:

> "Group policy discourages us from quoting in other currencies"
>
> "Laid down group policy"
>
> "Parent company policy".

A few respondents saw Sterling invoicing as the preferred course, either until customers requested something different or as an imposition on customers:

> "We prefer Sterling - but will meet custmers' wishes"
>
> "limited supplies force customers to accept our preference for Sterling payments".

Finally, a few respondents simply saw no advantage in foreign currency invoicing, for instance:

"we feel that there is nothing to be gained by invoicing in customers' own currency"

"... we mainly leave it to the customer".

The link between these themes is that they are associated with internal exporter company pressures: for a single buying and selling currency, a company or group "policy", a simple "preference", or because no advantage to the company is seen in other courses of action.

6. Sterling strategy

This small category is made up of those claiming that they use the relative strength or weakness of Sterling and foreign currencies as a lever to profit, leading to some markets being invoiced in Sterling.

For example, it was noted:

> "we monitor the Sterling exchange rate - with a weaker currency than the pound, we quote in Sterling i.e. Spain, Italy etc."
>
> "At present the strength of Sterling gives us a distinct advantage, whereas some 2-3 years ago we quoted in US dollars when the pound was weakening."
>
> "Where the buyer's currency is weak and subject to large fluctuations in exchange rates - we will operate in £ Sterling, US $ or DM."
>
> "£ Sterling is used for markets where fluctuations are likely (our judgement)"
>
> "the relative strength or weakness of the customer's currency is the major factor."

This group represents those apparently pursuing the economic advantage to the exporter of invoicing in the stronger rather than the weaker of the buyer's and seller's currencies.

A few respondents in this group were also attempting to take advantage of relative currency values, although in a less positive way than that apparent in the larger category above. For example, it was said of Sterling invoicing that:

> "We have quoted in local currency in the past but recently we experienced a loss due to the strength of the pound. Belgium was the market concerned."

Essentially, the link between these responses was that of attempting to use relative currency strengths for gain, although apparently not always successfully.

7. Local currencies not possible

This group was made up mainly of those firms pursuing multiple-currency invoicing, where in certain markets local currency invoicing is not technically or legally possible. For instance:

> "Most of our exports are to areas where currency is non-convertible, e.g. Poland."
>
> "... we use Sterling in non-convertible currency markets."
>
> "in selling to India and Poland we can quote only in Sterling."
>
> "in the case of India, payment in a foreign currency is a statutory requirement."

In addition, there were a few companies regarding some local currencies as undesirable:

> "only certain foreign currencies are acceptable to our group"
>
> "In many cases our customers' own currencies are not acceptable e.g. Zaire, and in dealing with markets where the transfer of hard currency is unreliable, it is difficult to use the foreign exchange market."

The central link between these responses was the technical and statutory problems making local currency dealing either literally impossible, or at least highly unattractive for the exporter.

8. Agent pressure

Only a small number of companies mentioned the role of the agent in influencing invoice currencies. Where the agent was given attention it was mainly in the context of Sterling invoicing to agents who sell to end-users in local currency as a traditional, expected channel arrangement. For example, it was said:

> "we deal mainly through established agents who are used to this method ... we have very little contact with the end-user."
>
> "we invoice agents in £ Sterling and the agents receive payments from customers in local currency."
>
> "(we give) freedom to the agent to fix his own selling price."
>
> "We supply distributors mainly and they are happy to be invoiced in £ Sterling."

In all very little mention was made of the question of channel power in the financial aspects of export pricing.

9. Other reasons

Lastly, a small number of responses could not be allocated to any of the major categories established.

Of these two admitted that:

> "The advantages and disadvantages of pricing in customers' currencies have never really been analysed."
>
> "... no good reason".

In all it seems that the choice of Sterling as invoice currency is primarily influenced by the exporters' wishes to avoid the risks perceived in local currency deals and to maintain the stable Sterling income and prices, and the administrative simplicity and convenience of single-currency exporting in the same currency as home operations.

After these dominant factors, internal to the company, a group of market factors are significant. This includes active pressure from customers for Sterling invoices and passive acceptance (at least in certain circumstances), the custom and tradition of some markets (both product and geographical markets), and the influence of established channel arrangements where agents are invoiced in Sterling and sell in their local currencies as a distributive function.

Lastly, there were a number of more minor groups of responses, ranging from general company preferences for Sterling invoicing, the lack of analysis of options in the company, and markets where local currencies could not be used, to a small number of companies actively using Sterling invoicing as part of their marketing.

Analysis of Reasons for Sterling Invoicing

It is now possible to consider hypotheses 5(b) to 5(g), which are concerned with various aspects of the choice of Sterling by exporters as the favoured currency of invoicing.

Hypothesis 5(b) That the choice of Sterling as invoice currency is deliberate and conscious, rather than reflecting a lack of awareness of the options faced.

Only two executives made comments admitting a lack of consideration of the invoice currency problem, and since there was such a high response rate from those qualified to answer the question (90%), the evidence apparently supports hypothesis 5(b), in the sense that the vast majority of companies had explicit reasons for the use of Sterling. However, certain reservations remain.

For example, the claim that Sterling is used for administrative convenience or company preferences may well obscure a lack of real analysis of the options faced. If many of the reasons given by executives for the use of Sterling for export pricing are dismissed as rationalisation, then this might lead to the rejection of hypothesis 5(b).

However, the data are not adequate to allow this to be expressed as more than a reservation, arising out of the necessary crudeness of the data collection techniques available.

Hypothesis 5(b) is accepted on the basis of the data collected.

Hypothesis 5(c) That invoice currency choice is regarded as long-term and strategic, rather than a short-term tactical weapon.

Very few of the executives questioned were attempting to take advantage of currency value changes to exploit floatation. The majority of reasons for Sterling invoicing centred on factors such as "policy", the avoidance of uncertainty, tradition, administrative ease and

similar issues. Together these arguments indicate explicitly or implicitly that invoice currency is regarded as largely fixed, rather than a short-term profit lever.

The data therefore provide support for hypothesis 5(c), and it is accepted.

Hypothesis 5(d) That UK exporters choose to invoice in Sterling because of the uncertainty involved in currency movements under floatation.

The largest group of responses, representing 41% of all respondents, was that concerned with the avoidance of risk and uncertainty. Within this large category, more than three-quarters of the responses were concerned with explaining the use of Sterling invoicing in terms of maintaining the stability and knowledge of Sterling income from exports, avoiding the uncertainty of currency movements, and avoiding the risks associated with exchange losses.

Hypothesis 5(d) is accepted on the groups that a substantial proportion of respondents explained the use of Sterling as invoice currency explicitly in terms of the avoidance of exchange uncertainty.

Hypothesis 5(e) That customer pressure acts against the adoption by UK exporters of local currency invoicing.

Some 48 firms noted customer reasons as factors leading to the use of Sterling in invoicing, and this was the third largest group of responses.

Customer pressure, direct and indirect, seems to be one of the major influences on the use of Sterling, so hypothesis 5(e) is accepted.

Hypothesis 5(f) That overseas distributor pressure acts against the adoption by UK exporters of local currency invoicing.

Only 6 managers, or 3% of the sample, explicitly noted the impact of agent or distributor preferences on invoice currency. While bearing in mind that there may well be reluctance to recognise and admit to

the potency of such power in the channel of distribution, the support for this hypothesis is apparently weak.

The weakness of this support means that hypothesis 5(f) cannot be accepted on the basis of these data.

Hypothesis 5(g) That UK exporters choose to invoice in Sterling for their own administrative ease.

The second largest group of responses, representing 37% of the total sample, was that which explained the use of Sterling as invoice currency in terms of administrative ease and economy of various kinds: primarily simplicity, ease, economy, better control and the existence of too many markets for local currency invoicing.

Hypothesis 5(g) therefore finds substantial support from the data and the hypothesis is accepted.

Lastly in this section of the results, the differences between different groups of exporters in their reasons for the choice of Sterling as export invoice currency may be analysed briefly.

Table 62 compares the frequencies of the reasons for Sterling invoicing classified by industry.

Few large differences are apparent between the industries, and in all cases risk avoidance and administrative ease and the major explanations given.

It is noted that internal, company reasons, rather than external, market reasons are of particular importance to Clothing exporters compared to the rest (particularly the combined importance of risk avoidance and ease and economy), which may reflect the other comparative characteristics of the industries' exporters discussed earlier. It may also be of interest that the role of tradition seems of particular impact to Chemicals firms (17% giving this reason compared to 7% of the other firms).

Table 63 compares the reasons given for Sterling use, with the market numbers involved, but little systematic difference emerges. It does seem that exporters selling to more than 50 markets claimed to use Sterling strategy as a weapon significantly more than the other firms (17% compared to 2% of the others), as shown in Appendix XI.55.

Table 64 compares the reasons given for Sterling invoicing with the export objectives pursued, but no differences of interest are apparent, and the pattern of responses is remarkably similar between those pursuing profit or volume aims.

Table 65 analyses the reasons given for Sterling invoicing by the contribution of exports to total company sales.

It seems that risk avoidance may be particularly associated with firms with smaller export contributions (that is, 43% of those with less than 40% of sales from exports gave this reason, compared to 33% of those with a higher export contribution to sales) but this difference was not found to be significant (see Appendix XI.56).

There is also some suggestion that customer pressure may be more important where firms have a small export contribution (25% of those with a 0-20% contribution gave this reason compared to 18% of those with larger export contributions) but again this difference was not statistically significant (see Appendix XI.57).

Lastly, it seemed that those with a small export contribution emphasised ease and economy more than those with larger export contributions (42% of those with a 0-20% contribution gave this reason compared to 32% of the others) but again this failed to meet a 95% confident significance criterion (see Appendix XI.58).

Table 66 compares the reasons for Sterling invoicing with company size, measured by the number of employees, and relatively little contrast is apparent.

It did seem that larger firms use a Sterling strategy more than smaller (12% of those with more than 500 employees against 3% of the rest) which is significant (see Appendix XI.59).

TABLE 62

REASONS FOR STERLING INVOICING BY INDUSTRY

REASONS FOR STERLING INVOICING	INDUSTRIES Clothing No.	Furniture No.	Chemicals No.	Instruments No.	TOTAL No.
Risk avoidance	22 44%	24 40%	22 41%	20 38%	88 41%
Administrative ease and economy	26 52%	23 38%	18 33%	15 28%	82 38%
Customer pressure	9 18%	18 30%	12 22%	9 17%	48 22%
Tradition	3 6%	4 7%	9 17%	5 9%	21 10%
Company preference	1 2%	5 8%	2 4%	6 11%	14 6%
Sterling strategy	3 6%	2 3%	2 4%	4 8%	11 5%
Local currency not possible	0 -	2 3%	3 6%	3 6%	8 4%
Agent pressure	0 -	2 3%	1 2%	3 6%	6 3%
Other reasons	0 -	2 3%	1 2%	1 2%	4 2%
	N=50	N=60	N=54	N=53	N=217

TABLE 63

REASONS FOR STERLING INVOICING AND MARKET NUMBERS

REASONS FOR STERLING INVOICING	MARKET NUMBERS 0-20 No.	21-50 No.	More than 50 No.	TOTAL No.
Risk avoidance	49 43%	25 41%	13 32%	87 40%
Administrative ease and economy	39 34%	27 44%	16 39%	82 38%
Customer pressure	27 23%	13 21%	8 20%	48 22%
Tradition	11 10%	5 8%	5 12%	21 10%
Company preference	7 6%	4 7%	3 7%	14 6%
Sterling strategy	1 1%	3 5%	7 17%	11 5%
Local currency not possible	3 3%	1 2%	4 10%	8 4%
Agent pressure	4 3%	1 2%	1 2%	6 3%
Other reasons	3 3%	1 2%	0 -	4 2%
	N=115	N=61	N=41	N=217

TABLE 64

REASONS FOR STERLING INVOICING AND EXPORT OBJECTIVES

REASONS FOR STERLING INVOICING	EXPORT OBJECTIVES Profit No.	Volume No.	TOTAL No.
Risk avoidance	53 38%	27 43%	80 40%
Administrative ease and economy	56 40%	23 37%	79 39%
Customer pressure	30 22%	16 25%	46 23%
Tradition	14 10%	7 11%	21 10%
Company preference	7 5%	5 8%	12 6%
Sterling strategy	8 6%	1 2%	9 4%
Local currency not possible	4 3%	4 6%	8 4%
Agent pressure	4 3%	2 3%	6 3%
Other reasons	2 1%	2 3%	4 2%
	N=139	N=63	N=202

TABLE 65

REASONS FOR STERLING INVOICING AND EXPORT CONTRIBUTIONS

REASONS FOR STERLING INVOICING	EXPORT CONTRIBUTIONS 0-20% No.	21-40% No.	More than 40% No.	TOTAL No.
Risk avoidance	46 42%	29 45%	13 33%	88 41%
Administrative ease and economy	46 42%	18 28%	15 38%	79 37%
Customer pressure	28 25%	12 19%	7 18%	47 22%
Tradition	12 11%	5 8%	4 10%	21 10%
Company preference	4 4%	3 5%	7 18%	14 7%
Sterling strategy	3 3%	5 8%	3 8%	11 5%
Local currency not possible	2 3%	3 5%	3 8%	8 4%
Agent pressure	5 5%	0 -	1 3%	6 3%
Other reasons	2 2%	1 2%	1 3%	4 2%
	N=110	N=64	N=40	N=214

TABLE 66

REASONS FOR STERLING INVOICING AND COMPANY SIZE

REASONS FOR STERLING INVOICING	NUMBER OF EMPLOYEES 100-200 No.	201-500 No.	501-1000 No.	1001-2000 No.	TOTAL No.
Risk avoidance	41 43%	22 36%	14 42%	10 42%	87 41%
Administrative ease and economy	25 26%	34 56%	12 36%	10 42%	81 38%
Customer pressure	23 24%	11 18%	6 18%	6 25%	46 22%
Tradition	10 11%	3 5%	3 9%	4 17%	20 9%
Company preference	9 9%	3 5%	1 3%	0 -	13 6%
Sterling strategy	4 4%	0 -	5 15%	2 8%	11 5%
Local currency not possible	3 3%	2 3%	1 3%	2 8%	8 4%
Agent pressure	3 3%	3 5%	0 -	0 -	6 3%
Other reasons	3 3%	1 2%	0 -	0 -	4 2%
	N=95	N=61	N=33	N=24	N=213

Hypothesis 5(h) That reactive exporters invoice in Sterling more than do active exporters.

Table 67 shows the invoice currencies used by exporters, compared to the type of internationalisation described by the company.

Since virtually every responding company invoices in Sterling for all or some of its exports, hypothesis 5(h) is rejected on the grounds that no difference exists between active and reactive exporters in the degree to which they offer Sterling as invoice currency. This is, of course, not to say that the proportion of exports actually invoiced in Sterling will be the same.

However, perhaps of more interest is the alternative hypothesis: that reactive exporters use foreign currencies less than do active exporters.

This hypothesis gains support on the grounds that 16% of those exporting in reaction to unsolicited orders invoice in the customer's currency, compared to 40% of all more active exporters. This difference is highly significant (see Appendix XI.60), so the alternative hypothesis is accepted.

Correspondingly, it may be noted that 82% of those firms reacting to unsolivited orders invoice only in Sterling compared to 55% of all other more active exporters.

TABLE 67

EXPORT INVOICE CURRENCIES AND COMPANY INTERNATIONALISATION

INVOICE CURRENCIES	Exports are mainly unsolicited orders from abroad	Exporting is primarily to make up sales volume that cannot be sold in the UK	Exporting is the main source of growth	TOTAL
	No.	No.	No.	No.
A - SINGLE CURRENCY EXPORTERS				
Sterling	39	28	70	137
Customers' Currencies	1	1	-	2
US $	-	-	-	-
Others	-	-	-	-
	40 82%	29 57%	70 54%	139 60%
B - MULTIPLE CURRENCY EXPORTERS				
Sterling	9	21	58	88
Customers' Currencies	7	20	51	78
US $	3	5	22	30
Others	2	3	11	16
	N=9 18%	N=22 43%	N=60 46%	N=91 40%
C - ALL EXPORTERS				
Sterling	48 98%	49 96%	128 98%	225 98%
Customers' Currencies	8 16%	21 41%	51 39%	80 35%
US $	3 6%	5 10%	22 17%	30 13%
Others	2 4%	3 6%	11 8%	16 7%
	N=49	N=51	N=130	N=230

Hypothesis 5(i) That exporters pursuing market spreading invoice in Sterling more than do those pursuing market concentration.

Table 68 shows that since virtually all exporters invoice some or all of their exports in Sterling, there is no difference apparent between market spreaders and market concentrators, so hypothesis 5(i) is rejected.

Again, however, the alternate hypothesis is of interest: that market spreaders invoice less in foreign currencies than do market concentrators.

From Table 68, 40% of market concentration exporters invoice in customers' currencies, compared to 26% of those pursuing market spreading.

This difference is significant (see Appendix XI.61), so the alternate hypothesis is accepted.

TABLE 68

EXPORT INVOICE CURRENCIES AND EXPORT STRATEGY

INVOICE CURRENCIES	EXPORT STRATEGY: Market Concentration No.	Market Spreading No.	TOTAL No.
A - SINGLE CURRENCY EXPORTERS			
Sterling	83	63	146
Customers' Currencies	2	-	2
US $	-	-	-
Others	-	-	-
	85 57%	63 64%	148 60%
B - MULTIPLE CURRENCY EXPORTERS			
Sterling	61	33	94
Customers' Currencies	58	25	83
US $	21	12	33
Others	11	5	16
	N=65 43%	N=35 36%	N=100 40%
C - ALL EXPORTERS			
Sterling	144 96%	96 98%	240 97%
Customers' Currencies	60 40%	25 26%	85 34%
US $	21 14%	12 12%	33 13%
Others	11 7%	5 5%	16 6%
	N=150	N=98	N=248

Hypothesis 5(j) That exporters with less market information price in Sterling more than do those with more market information.

In this case, Table 69 again shows that virtually all exporters invoice in Sterling, so hypothesis 5(j) is rejected.

There is some possibility of sustaining an alternate hypothesis: that exporters with less marketing information invoice less in foreign currencies than do those exporters with more marketing information.

Some 32% of firms with 1-3 information sources invoice in customers' currencies, compared to 37% of those with more information sources. However, this difference is small and is not significant at a 95% level of confidience, so the alternate hypothesis cannot be accepted in this case.

TABLE 69

EXPORT INVOICE CURRENCIES AND NUMBER OF MARKETING INFORMATION SOURCES

INVOICE CURRENCIES	NUMBER OF MARKETING INFORMATION SOURCES 1-3 No.	4-6 No.	7-9 No.	TOTAL No.
A - SINGLE CURRENCY EXPORTERS				
Sterling	68	57	18	143
Customers' Currencies	2	0	0	2
US $	-	-	-	-
Others	-	-	-	-
	70 65%	57 54%	18 56%	145 59%
B - MULTIPLE CURRENCY EXPORTERS				
Sterling	34	44	14	92
Customers' Currencies	32	39	12	83
US $	12	17	4	33
Others	7	7	1	15
	N=37 35%	N=48 46%	N=14 44%	N=99 41%
C - ALL EXPORTERS				
Sterling	102 95%	101 96%	32 100%	235 96%
Customers' Currencies	34 32%	39 37%	12 38%	85 35%
US $	12 11%	17 16%	4 13%	33 14%
Others	7 7%	7 7%	1 3%	15 6%
	N=107	N=105	N=32	N=244

Hypothesis 5(k) That exporters emphasising price competition invoice in Sterling more than do those emphasising non-price competition.

Table 70 shows that the use of Sterling as an invoice currency is almost universal among exporters, so hypothesis 5(k) is rejected on the grounds that almost all exporters invoice in Sterling regardless of their attitude to price and non-price aspects of competition.

Again, the alternate hypothesis is that exporters emphasising price competition invoice in foreign currencies less than do those firms emphasising non-price competition.

Some 31% of those ranking price first as an export marketing factor invoice in customers' currencies, compared to 38% of those ranking price 3rd or lower in export marketing.

This difference is relatively small and does not meet a 95% confident significance criterion (see Appendix XI.63), so the alternate hypothesis cannot be accepted in this case.

TABLE 70

EXPORT INVOICE CURRENCIES AND RANKING OF PRICE IN EXPORT MARKETING

INVOICE CURRENCIES	RANKING OF PRICE IN EXPORT MARKETING 1st No.	2nd No.	3rd or lower No.	TOTAL No.
A - SINGLE CURRENCY EXPORTERS				
Sterling	41	34	55	130
Customers' Currencies	1	0	0	1
US $	-	-	-	-
Others	-	-	-	-
	42 63%	34 55%	55 57%	131 58%
B - MULTIPLE CURRENCY EXPORTERS				
Sterling	24	28	38	90
Customers' Currencies	20	22	37	79
US $	9	7	15	31
Others	1	7	7	15
	N=25 37%	N=28 45%	N=42 43%	N=95 42%
C - ALL EXPORTERS				
Sterling	65 97%	62 100%	93 96%	220 97%
Customers' Currencies	21 31%	22 35%	37 38%	80 35%
US $	9 13%	7 11%	15 15%	31 14%
Others	1 2%	7 11%	7 7%	15 7%
	N=67	N=62	N=97	N=226

5.2(i) EXPORT PRICES AND CURRENCY MOVEMENTS

In order to assess the short-term effects of Sterling movements on export prices, respondents were asked to indicate their price reactions (if any) to movements of floating currencies, distinguishing between exports invoiced in Sterling and those invoiced in foreign currencies.

Hypothesis 5(1) — That exporters invoicing in Sterling do not allow importer prices to fall when the pound floats down.

Table 71 shows executives' responses describing price reactions by firms invoicing in Sterling.

It appears that 82% of the firms invoicing in Sterling do not allow Sterling prices to change (in the short-term) when the pound floats down, with 3% reducing Sterling prices and 9% increasing them.

The acceptance or rejection of hypothesis 5(1) hinges on whether importer prices are taken as invoice face-values (in Sterling) or real importer costs (in the appropriate local currency).

If the concern were with importer invoice values in Sterling, clearly the hypothesis would be accepted since some 91% of the sample either held prices constant or increased them, so that Sterling prices did not fall.

However, the major marketing interest must lie in the impact of these actions on real costs, in their own currencies, to importers. These implications are shown diagrammatically below:

Price action in downward Sterling float	Sterling invoice value	Importer costs in local currency	% of Respondents
£ price held constant	Same	Reduced by the amount of the float downwards	82%
£ price increased	Increased	EITHER: (a) Reduced - if the % float down is greater than the % Sterling price change, OR (b) Same - if the % float down is the same as the % Sterling price change, OR (c) Increased - if the % float down is less than the % Sterling price change.	8% (19% for Chemicals)
£ price reduced	Reduced	Reduced by the amount of the float downwards plus the Sterling price decrease.	3%

Taking importer costs in own currencies, hypothesis 5(1) must be rejected, since in the vast majority of cases real importer costs have been allowed to fall (at least in the short-run), when the pound has floated down against local currencies.

An exception worthy of note is that the Chemicals industry sample of exporters off-set floatation downward to some degree by increasing Sterling prices in almost 20% of cases.

Hypothesis 5(m) That exporters invoicing in Sterling do allow importer prices to increase when the pound floats up.

From Table 71, it can be seen that more than 90% of exporters hold Sterling prices constant, or reduce them, when the pound floats up. This apparently contradicts hypothesis 5(m).

However, as before the main interest in marketing terms lies in the real costs to the importer, which may be distinguished diagrammatically:

Price action in upward Sterling float	Sterling invoice value	Importer costs in local currency	% of Respondents
£ price held constant	Same	Increased by the amount of the float upwards	85%
£ price reduced	Reduced	EITHER: (a) Increased - if the £ float up is greater than Sterling price change, OR (b) Same - if the £ float up is the same as the Sterling price change, OR (c) Reduced - if the £ float up is less than the Sterling price change	6%
£ price increased	Increased	Increased by the amount of the float upwards plus the Sterling price increase.	2%

On these grounds hypothesis 5(m) is accepted, since it can be seen that the vast majority of exporters appear to allow importer costs to increase in an upward Sterling float (at least in the short-run).

It is noted that an exception is provided by the Chemicals firms, where 10% of the companies off-set upwards floatation by reducing Sterling prices, compared to 5% of other firms, although this difference is not large enough to be significant in statistical terms (see Appendix XI.70).

Hypothesis 5(n) That exporters invoicing in local currencies maintain importer prices when the pound floats down.

Table 71 shows that 66% of the group of local currency exporters held local currency prices stable in downward Sterling floatation, while some 13% increased them (most notably 21% of the Chemicals firms).

The implications of these findings may be summarised diagrammatically:

Price action in downward Sterling float	Importer price in local currency	Sterling income to exporter	% of Respondents
Local currency price held constant	Same	Increased by the amount of the float down	66%
Local currency price reduced	Reduced	EITHER: (a) Increased - if the % float down is greater than the local currency price change, OR (b) Same - if the % float down is the same as the local currency price change, OR (c) Reduced - if the % float down is less than the local currency price change.	10%
Local currency price increased	Increased	Increased by the amount of the float down plus the local currency price increase	13% (21% for Chemicals)

Thus, hypothesis 5(n) is accepted on the grounds that two-thirds of the sample of exporters invoicing in local currencies appear to hold local currency prices constant in downward Sterling floats.

It should, however, be noted that a significant minority claimed that they increased the local currency price (particularly in the case of Chemicals firms), and a number reduced local currency prices, thus sharing to some degree the benefits of devaluation.

As in the case of Sterling invoicers, it is notable that the major part of this effect arises from price stability (at least in the short-term), although it is clear that the proportion of local currency invoicers holding prices constant when the pound floats down (that is, 66%) is significantly less than the 82% of Sterling invoicers holding prices constant.

This difference may have arisen through differing characteristics of firms choosing to invoice in Sterling or local currencies, but it might be hypothesised that since Sterling price stability represents real cost reductions to importers and local currency price stability does not, the difference may arise through market pressure being exerted on local currency invoicers. Certainly, the evidence does not contradict this hypothesis.

Hypothesis 5(o) That exporters invoicing in local currencies reduce importer prices when the pound floats up.

Table 71 suggests that in the majority of cases, local currency prices are held constant in an upward Sterling float (in the short-term).

The implications may again be summarised diagrammatically:

Price action in upward Sterling float	Importer price in local currency	Sterling income to exporter	% of Respondents
Local currency price held constant	Same	Reduced by the amount of the float upwards	65%
Local currency price increased	Increased	EITHER: (a) Reduced - if the % float up is greater than the local currency price increase, OR (b) Same - if the % float up is the same as the local currency price increase, OR (c) Increased - if the % float up is less than the local currency price increase.	17% (39% for Furniture)
Local currency price decreased	Reduced	Reduced by the amount of the float up plus the amount of the local currency price change.	6%

Hypothesis 5(o) is rejected since in the majority of cases local currency prices are held constant or even increased, probably to off-set the floatation, and in only 6% of the reported cases are local currency prices reduced in the short-term in an upward Sterling float.

By way of summarising the reactions of exporters to floatation in terms of export prices, the commonest actions are shown in the matrix below.

	£ FLOATS DOWN	£ FLOATS UP
£ INVOICERS	£ PRICE CONSTANT (82%) LOCAL CURRENCY PRICE REDUCED	£ PRICE CONSTANT (85%) LOCAL CURRENCY PRICE INCREASED
LOCAL CURRENCY INVOICERS	LOCAL CURRENCY PRICE CONSTANT (66%) £ INCOME INCREASED	LOCAL CURRENCY PRICE CONSTANT (65%) £ INCOME REDUCED

This suggests that for Sterling invoicers, in the vast majority of companies the effect of floatation is primarily on local currency costs for importers, with no direct impact on Sterling income or the measured profitability of exports. Surprisingly, this appears to conform with the classic economic model of devaluation and revaluation, although as noted it is by definition brought about through price stability by the exporter.

The effect of floatation appears more mixed for local currency invoicers, although again the majority of firms kept local currency prices constant, producing the situation where the impact of Sterling movements is felt primarily on Sterling income rather than prices paid by customers. The position is less clear-cut for local currency invoicers, since one-third of the firms do not conform to the general pattern , and there are some large industry to industry variations.

TABLE 71

EXPORT PRICE REACTIONS TO CHANGES IN STERLING VALUES

	INDUSTRIES				
	Clothing	Furniture	Chemicals	Instruments	TOTAL
	No.	No.	No.	No.	No.
A - EXPORTS INVOICED IN STERLING					
	WHEN THE £ FLOATS DOWN, EXPORT PRICES IN £ ARE:				
Reduced	2 4%	2 3%	1 2%	2 4%	7 3%
Held the same	47 89%	59 89%	35 69%	45 80%	186 82%
Increased	0 -	5 8%	10 19%	4 7%	19 9%
Varies	4 7%	0 -	5 10%	5 9%	14 6%
	53	66	51	56	226
	WHEN THE £ FLOATS UP, EXPORT PRICES IN £ ARE:				
Reduced	2 4%	4 6%	5 10%	2 4%	13 6%
Held the same	46 87%	59 89%	41 80%	45 83%	191 85%
Increased	2 4%	1 2%	0 -	2 4%	5 2%
Varies	3 5%	2 3%	5 10%	5 9%	15 7%
	53	66	51	54	224
B - EXPORTS INVOICED IN FOREIGN CURRENCIES					
	WHEN THE £ FLOATS DOWN, EXPORT PRICES IN THE FOREIGN CURRENCY ARE:				
Reduced	2 8%	5 18%	1 3%	3 10%	11 10%
Held the same	18 72%	20 71%	22 67%	15 54%	75 66%
Increased	2 8%	3 11%	7 21%	3 11%	15 13%
Varies	3 12%	0 -	3 9%	7 25%	13 11%
	25	28	33	28	114
	WHEN THE £ FLOATS UP, EXPORT PRICES IN THE FOREIGN CURRENCY ARE:				
Reduced	1 4%	2 7%	2 6%	2 7%	7 6%
Held the same	20 80%	15 54%	24 75%	15 54%	74 65%
Increased	1 4%	11 39%	3 10%	4 14%	19 17%
Varies	3 12%	0 -	3 9%	7 25%	13 12%
	25	28	32	28	113

5.2(j) EXPORT INVOICE CURRENCY DETERMINATION AND MARKET STRENGTH

This section of the results is concerned with Objective 6 of the primary research, which was to analyse the relationship between local currency strength in a market and the exporter discretion in invoice currency choice, in terms of the exporter's ability to exploit currency floatation.

Respondents using multiple currency invoicing were asked to show the countries to which they exported in Sterling and foreign currencies.

The amount of data collected in this area was reduced as a result of the depth interviews and the piloting of the draft questionnaire. This fact, and the low response rate in this part of the questionning means that analysis in this area is severely limited, and the rigourous testing of the hypotheses established is not possible.

Hypothesis 6(a) — That where local currency exporting is attractive for UK exporters, market power acts against its implementation and where local currency invoicing is unattractive for the UK exporter, then market power leads to its implementation.

Hypothesis 6(b) — That markets with relatively weak currency offer the UK exporter the opportunity to invoice in local currency.

Hypothesis 6(c) — That markets with relatively strong local currency offer little opportunity for the UK exporter to price in local currency.

Local Currency Invoicing by Market

Relatively few respondents were prepared to identify the specific country-markets associated with local currency or Sterling invoicing.

The results which are available from Question 3(d)ii are shown in Table 72 below.

From these data it seems that the commonest areas for local currency invoicing are USA and Canada and in inter-European business.

Even fewer respondents specified the countries to which they priced exports in Sterling, but the results available are shown in Table 73.

As in the data describing local currency invoicing, the importance of inter-European business is clear, but the outstanding difference is the high proportion of these companies invoicing in Sterling to the Commonwealth bloc and to a lesser degree the Far and Middle East.

Some 25 respondents specified the third-party currencies they used, and these data are shown in Table 74.

Table 74 suggests that, predictably, US dollars are the commonest third-party currency, followed at some distance by Deutschmarks.

The geographic analysis of Sterling and local currency invoicing is expanded into Table 75 and Figure 2 , with the suggestion that local currency and Sterling invoicing tend to associated with different countries and areas.

In particular, it seems that local currency invoicing is associated mainly with European, Scandinavian and American exports, while Sterling invoicing appears still significant in dealing with Europe, but is concentrated in the Commonwealth countries and areas like the Far and Middle East, Eastern Europe and South America.

If it is then accepted that there are differences in the geographical pattern of the concentration of local currency and Sterling invoicing, then the concentration of Sterling invoicing may be compared to the reasons for Sterling invoicing analysed earlier.

The results of this comparison are shown in Table 76.

It should be noted firstly, that this analysis is severely hampered by the small number of responses available, and secondly, that this group shows a significantly different pattern of stated reasons for Sterling invoicing than the total sample of all those invoicing in Sterling.

Specifically, this group of responding companies gave lower emphasis to risk avoidance and administrative ease (perhaps because they are all multiple-currency invoicers in any case), and significantly higher emphasis to the role of tradition and Sterling strategy. These differences are all significant at the 95% level of confidence (see Appendix XI.65-68).

It also seemed that this group recognised customer pressure leading to Sterling invoicing more than the total sample (38% compared to 22%), but this did not pass a 95% confidence criterion (see Appendix XI.69).

These differences are serious enough to suggest that this group of respondents which gave detailed information on the geographical division of invoicing practices is not typical of the total sample. This may be explained by mundane factors of self-selection bias, or reflect a bias in this group towards firms and managers with established, more highly structured policies, formed through interaction with the marketplace.

Accepting that this sub-sample is not representative of the whole sample, the following observations can be made of the geographical analysis of the reasons for Sterling invoicing.

Firstly, the use of Sterling in exporting to Western Europe and Scandinavia is largely to conform with tradition and customer requirements. The pursuit of a currency exploitation strategy exists

in this area, but in exporting to Italy and Spain, rather than to stronger currency areas like Belgium and West Germany.

Secondly, for non-European marketing: in exporting to India and Pakistan and Eastern Europe, the use of Sterling is unavoidable; the pursuit of an active currency strategy is significant in the Commonwealth and South America; and customer preferences for Sterling are notable in Japan, the Commonwealth and the Far and Middle East. The role of tradition and administrative ease seems divided between the areas with no pattern.

These data are not adequate to test the hypotheses, as noted earlier. However, it does seem that there are geographical differences in the concentration of local currency and Sterling pricing, and that market factors are significant determinants in terms of customer pressure, the force of custom and tradition, and the impossibility of using local currencies in dealing with some markets.

The data do not permit any meaningful judgement to be formed on the degree to which this works to the exporter's disadvantage.

TABLE 72

LOCAL CURRENCY INVOICING BY COUNTRY

COUNTRIES	No.
USA and Canada	16 40%
France	12 34%
West Germany	11 31%
Switzerland	6 17%
Netherlands	5 14%
Belgium	5 14%
Sweden	3 9%
Australia	3 9%
Japan	3 9%
Austria	2 6%
Denmark	2 6%
Italy	1 3%
Spain	1 3%
Norway	1 3%
Finland	1 3%
Europe/EEC	7 20%
	N=35

TABLE 73

STERLING INVOICING BY COUNTRY

COUNTRIES/AREAS	No.	No.	
Commonwealth	5		
Africa	3		
Canada	1		
Australia	2		
India	4		
		15	83%
Italy	3		
West Germany	1		
Belgium	2		
France	1		
Spain	1		
Netherlands	1		
		9	50%
Scandinavia		2	11%
Far East		3	17%
Middle East		3	17%
South America		2	11%
USA		1	6%
Japan		2	11%
Eastern Europe		2	11%
		N=18	

TABLE 74

THIRD-PARTY CURRENCY INVOICING

THIRD-PARTY CURRENCIES	No.
US $	16 64%
Deutschmarks	5 20%
Swiss Francs	3 12%
Swedish Krone	3 12%
French Francs	1 4%
Yen	1 4%
Currency Basket	1 4%
	N=25

TABLE 75

GEOGRAPHICAL COMPARISON OF LOCAL CURRENCY AND STERLING EXPORT INVOICING

	INVOICING IN LOCAL CURRENCIES		INVOICING IN STERLING	
	No.		No.	
USA/Canada	16	46%	2	11%
Western Europe	27	77%	7	39%
Scandinavia	5	14%	2	11%
Japan	3	9%	2	11%
Commonwealth (excluding Canada)	3	9%	13	72%
Far East	-		3	17%
Middle East	-		3	17%
South America	-		2	11%
Eastern Europe	-		2	11%
	N=35		N=18	

FIGURE 2

GEOGRAPHICAL COMPARISON OF LOCAL CURRENCY AND STERLING EXPORT INVOICING

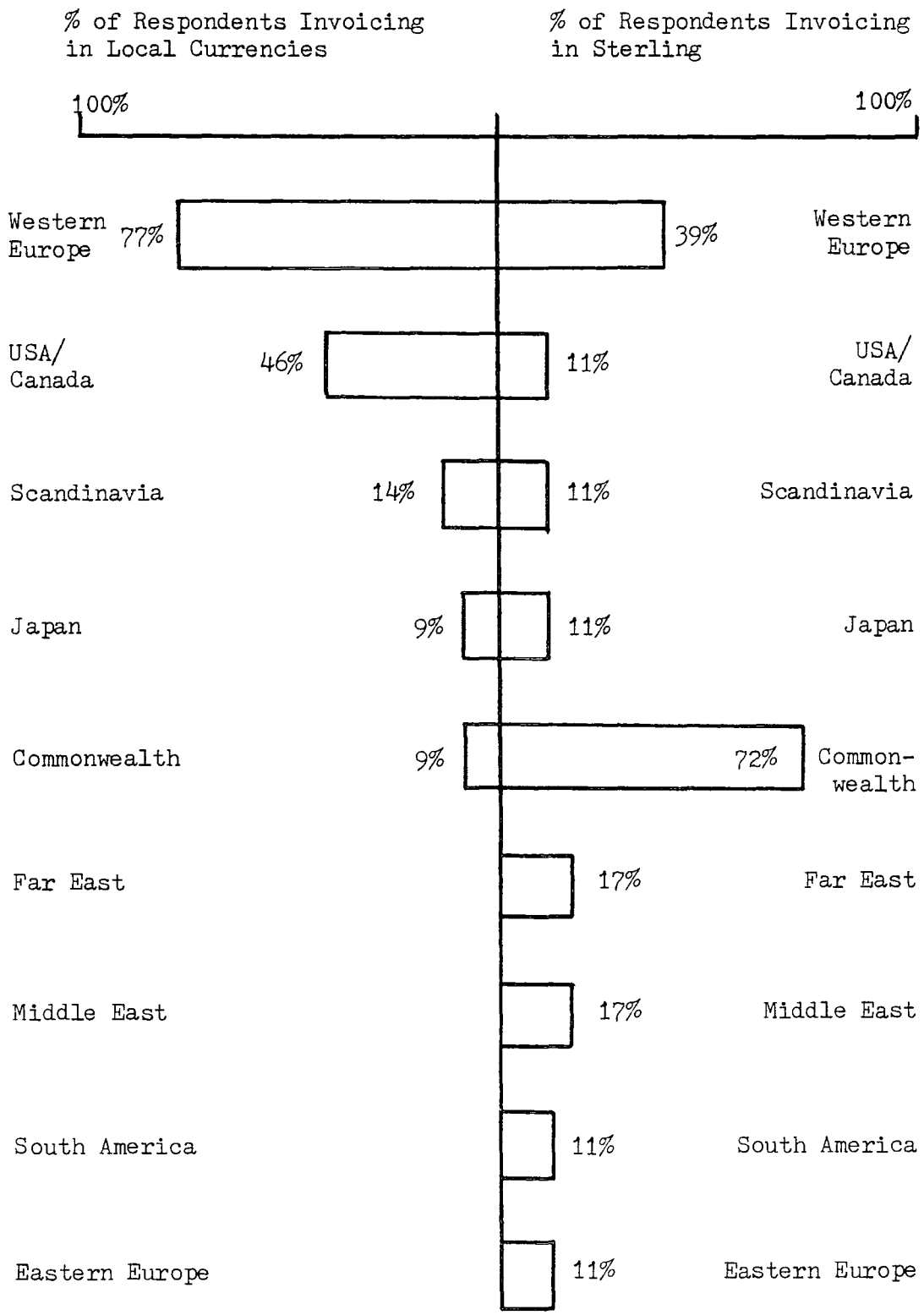

TABLE 76

REASONS FOR STERLING INVOICING BY GEOGRAPHICAL MARKETS

REASONS FOR STERLING INVOICING	GEOGRAPHICAL MARKETS						TOTAL ALL RESPONDENTS
	West Eur. & Scandi-navia	USA/ Can-ada	Common wealth	Japan	Others	TOTAL	
	No.	No.	No.	No.	No.	No.	No.
Risk avoidance	2	1	2	-	-	5 16%	88 41%
Administrative ease and economy	3	2	1	-	-	6 19%	81 37%
Customer pressure	4	1	2	2	3	12 38%	48 22%
Tradition	7	-	2	-	2	11 34%	22 10%
Company preference	-	-	-	-	1	1 3%	14 6%
Sterling strategy	4	-	5	-	4	13 41%	11 5%
Local currency not possible	-	-	2	-	2	4 13%	8 4%
Agent pressure	-	-	-	-	-	-	6 3%
Other reasons	-	-	-	-	-	-	4 2%
	N=10	N=2	N=11	N=2	N=7	N=32	N=217

CHAPTER 6

CONCLUSIONS

INTRODUCTION

This chapter attempts to determine what conclusions may be tenable from the empirical data in Chapter 5, and the significance in a broader sense of any such findings.

This significance is judged against the criteria defined in the Introduction to this study: that there should be a contribution to the understanding of the export process in smaller firms; a benchmark should be provided for managers to assess their export strategy and pricing decisions against those made by others; and there may be a predictive function in measuring export characteristics associated with particular strategies and pricing behaviour.

The structure of this chapter parallels that developed to report the empirical findings in Chapter 5, plus a summary of industry export characteristics.

By way of summary, it should be noted that the empirical findings are based on the study of a sample of 250 medium-sized manufacturers exporting from the North of England, in the Clothing, Furniture, Chemicals and Scientific Instrumentation industries. The data were collected by a postal questionnaire survey with a 48% response rate.

The context of the conclusions is provided by noting that three-quarters of the respondents had between 100 and 500 employees, and that more than three-quarters of the companies obtained less than 40% of their turnover from exporting, and more than half of them received less than 20% of their business from abroad.

6.1 EXPORT OBJECTIVES AND INTERNATIONALISATION

6.1(a) EXPORT DEVELOPMENT AND INTERNATIONALISATION

It was argued in Chapter 2 (pages 72-75) that exporting is far from being an unambiguous concept, but that a working definition is the sales of goods produced in the UK to independent distributors and users overseas. The function was thus differentiated from international or global business.

The implication drawn from this was that there are very different degrees of development of exporting in the firm, and different export objectives, depending on the role defined by management for exporting, either explicitly or implicitly.

The concept of different stages or types of internationalisation was drawn from various sources. For example, Bilkey (66) and Bilkey and Tesar (67) saw the development of export activity as a sequence of stages, while others like Simmonds and Smith (491) and Lee and Brasch (326) emphasised the innovatory aspects of the development of exporting in the firm. Lastly, certain researchers see the development of export business as the unsystematic response to external stimuli, particularly in the form of unsolicited orders from abroad, as in Simpson and Kujawa (497), Arpan (24), Day (138) and Wiedersheim-Paul et al (572).

This led to the hypothesis that exporters could be classified into active exporters, with a major commitment to exporting, and reactive exporters, who respond to outside stimuli and short-term volume needs.

In the survey, the concept of varying degrees of commitment to export was supported implicitly by the data describing export contributions to company sales in Table 3 (page 29). These data showed that in the sample taken, more than half the firms obtained less than 20% of their total sales from export business and more than three-quarters derived less than 40% of sales from this source.

However, these proportions varied substantially between the industries, for example, in the Clothing firms three-quarters obtained less than 20% of business from exports, while this was true of only one-third of the Scientific Instruments firms.

This produces a picture of limited commitment to exporting and limited export success in medium-sized companies, but with substantial variations between the industries included.

More explicit support for the concept of variations in internationalisation was provided by direct questioning.

In Table 4 (page 32), it is found that firms were divided approximately equally into those exporting in response to unsolicited orders from abroad, together with those exporting mainly surplus capacity, as a group of reactive or passive exporters; and into those taking an active exporting stance, where this part of the business was the main source of growth for the future.

There was variation between the industries in this area as well. For example, two-thirds of the Chemicals and Instruments firms appeared to be active exporters, compared to less than half the Clothing and Furniture companies.

In terms of the types of companies involved in the different forms of internationalisation, various generalisations are possible.

It seemed that the proportion of firms adopting the most active stance increased with company size and the proportion associated with the most passive stance (exporting mainly in response to unsolicited orders) fell dramatically with larger firm (Table 5, page 33).

It was also found that reactive exporting was mainly associated with low export contributions to sales and active exporting with higher contributions (Table 6, page 34).

The importance of this lies in the hypothesis developed in Chapter 3 (page 79) that if firms may be classified in terms of differing roles

exports play in the business, then this may provide a lever for analysing the strategic decisions made, particularly in pricing, and in assessing the situational rationality of decisions made.

It was found in Chapter 5 that this tool met with mixed success in analysing the sample of exporters taken here.

In Table 19 (page 62), the proportions suggested that market concentration strategies were pursued by active exporters and market spreading by reactive exporters, but this finding was not statistically significant at an acceptable level.

Similarly, in Table 26 (page 79), it seemed possible that active exporters were particularly associated with the concentration plus marginal markets and sales maximisation reasons for market spreading, but this failed a significance test.

However, there was more success in other areas.

In Tables 38 and 39 (pages 102-103), it was shown that active exporters discriminate on price in exporting against UK prices and between export markets more than reactive exporters, who tend to charge the same prices in all markets.

In the consideration of export pricing methods, Table 52 (page 124) suggested that active exporters tended to use market-based pricing methods, while reactive or passive exporters relied on cost-based export pricing.

Further, in the pricing area, while all firms offer Sterling invoicing, to a greater or lesser extent, active exporters used foreign currency invoicing to a much greater extent than did reactive exporters (page 165).

It is concluded that even using a relatively crude measurement device, it is possible to distinguish between exporters in terms of the type of internationalisation that they pursue, although the approach adopted here does not permit any conclusion that this reflects a sequential model of the type proposed by others.

Once this distinction is made, it offers some insight into the export policies adopted in different types of exporting firm, which is important in explaining the choices made and attempting to predict their behaviour in different circumstances and in response to different types of outside stimuli.

In summary the data suggest that reactive or passive exporters selling overseas mainly in response to unsolicited orders or to dispose of surplus capacity, tend to be smaller firms, and have a relatively low contribution of exports to sales. There was no clearly confident conclusion on the export strategy adopted, but in export pricing reactive exporters seemed to be those charging the same prices in all markets, relying on cost-based pricing and invoicing primarily in Sterling.

On the other hand, active exporters tended to be larger and to have a higher export contribution to sales, and to discriminate on price between markets, adopting market-based pricing policies and using foreign currency invoicing more often.

It is suggested therefore that the internationalisation concept has some power in distinguishing between exporting firms, and perhaps ultimately explaining the pursuit of apparently sub-optimal policies in some situations.

6.1(b) EXPORT OBJECTIVES

The question of export objectives in the firm was considered in Chapter 3 (pages 79-83), following the more general assessment of business objective and their formulation in Chapter 2 (pages 59-61).

While it is possible to talk in descriptive terms of export objectives as matching resources with opportunities (538) and the aims of reaching a broader marketplace (138), there appears no clear picture on the operational objectives that exporters actually pursue.

Studies carried out at different times, under various sets of economic conditions and with different types of exporters have reached a number of conclusions in the field of export objectives, which may be

contrasted as those emphasising volume objectives in exporting and those emphasising profit objectives.

For example, Hague (227) found considerable evidence of volume objectives among exporting firms, although often with a profit constraint, while Tookey (540) relates the early stages of internationalisation, in his sequential model, to volume targets and reactions to volume shortfalls. This reflects earlier views, such as that in the P.E.P. report (428) that export objectives were mainly for greater volume. More recently, the BETRO report (62) found volume to be the decisive factor in market choice.

On the other hand, some research suggests that exporting is associated primarily with the pursuit of profit, for example, Simpson (496) and the recent Barclays Bank study (271).

This debate is qualified to some extent by Hunt's findings (260) that smaller firms tend to lack explicit export objectives and by Bilkey's suggestion that export objectives reflect variations in economic conditions (66).

Certain reservations were also noted in Chapter 2 as to the validity of direct measurement and questioning of business objectives. In this survey these objections were overcome by constraining respondent choice to the major objective pursued, to avoid Baumol's claim that executives will agree to any reasonable objective (59), and by summarising the data into broad categories: export and UK objectives and volume and profit objectives.

This review led to the hypothesis that exporting is characterised by volume objectives compared to the dominance of profit objectives in the domestic market.

Both the depth interviews and the postal survey found that export objectives were primarily associated with profit, although a higher proportion of firms were pursuing volume objectives than was the case in domestic marketing (Table 10, page 41). In fact, two-thirds of the exporters chose a profit objective and one-third a volume aim.

Some variation was found between the industry groups: there was no difference between the balance of UK and export objectives in the Clothing and Instruments firms, but for Furniture and Chemicals significantly greater emphasis was placed on volume in export.

Table 11 (page 42) showed that in the majority of firms in all four industries firms pursued the same objectives in the UK and exporting, mainly profit in the UK and export or volume in the UK and export. A relatively small group fitted the classic model of pursuing profit in the home market and volume overseas.

The survey confirms some division among exporters in the major objectives perceived at the time of the research. This was used as a further lever for analysing export strategy and policies.

In fact, export objectives, as measured here, did not provide a very powerful tool of analysis.

There was some suggestion that a major emphasis on profit in export was associated with market concentration (Table 18, page 61) although the evidence was weak, and that profit orientation was further associated with cost-based pricing (Table 51, page 122), larger firms (Table X.5, page 282), those exporting actively or reacting to unsolicited orders (Table X.6, page 283), those using price discrimination less often (Tables X.7 and X.8, pages 284 - 285) and those putting a low rank on price competition in exporting (Table X.9, page 286), although in each of these cases the differences fail to meet a 95% confidence significance criterion.

On the other hand, a major emphasis on volume in exporting was weakly associated with market spreading (Table 18, page 61), and with market-based pricing (Table 51 , page 122), smaller firms (Table X.5, page 282), those exporting primarily to dispose of surplus capacity (Table X.6, page 283), those more commonly using price discrimination (Tables X.7 and X.8, pages 284 - 285) and those placing a high ranking on price competition in exporting (Table X.9, page 286), although as before these latter points failed significance testing at a 95% level of confidence.

It seems thus that the findings confirm the conclusion that there is a division between profit and volume objectives in exporting, which varies between the industries studied.

To a limited degree this provides a lever to analyse policies pursued in different circumstances, but with less power than was found with the internationalisation model.

6.2 EXPORT MARKET NUMBER STRATEGY

Chapter 3 examined the elements of export marketing strategy and views on the key factors in export success, and focussed attention on the central issue of the number of export markets with which the firm should deal (pages 88-111).

The most widely propagated view is that firms should concentrate export efforts on a limited number of export markets. This argument is based simply on various aspects of the benefits of specialisation, and is traceable most recently to the BETRO report (62) and the Barclays Bank report (271) produced by Tessler, although similar prescriptions may be found in Robinson's earlier work (451) and the concentration argument is found in many of the sources of export theory and advice offered to exporting firms: Day (138), Tookey (538), Midland Bank export publications (359), Wilson and Lockhart (579) and others.

A detailed analysis of the foundations and assumptions of this body of prescriptive theory suggested conceptual and practical weaknesses.

This attack was based firstly on the weakness of the assumption that concentration was causally linked to superior export performance, which did not appear to be supported by the data available; secondly, on the emergence of evidence to challenge the comparative statement that German exporters concentrate significantly more than British exporters; and thirdly, on the case that could be logically argued for an alternative policy of market spreading. This last theme rested on the work of researchers like Hamermesh at al (233) highlighting the possible strengths of low market share business, and Hirsch and Lev (251) who recognise the range of policies open to the exporter.

A comparison was made between the key market concentration prescription offered to exporters and the more general analysis of marketing segmentation available, for example, in Kotler (307). In particular, the development of international segmentation models, for example by Boyd (77), Jaffe (272), Sethi (475) and Terpstra (532), suggests the weakness of conceiving the object of concentration to be purely a

country-market, rather than assessing markets in terms of such characteristics as location, culture, economic development and political climate.

This review led to various hypotheses being formulated. Firstly, it was argued that exporters would tend to deal with large numbers of markets, or at least that they would not deliberately limit numbers, and that the growth in export contribution to sales was likely to be associated with increased market numbers. Further, it was suggested that market concentration might be associated with active exporting and market spreading with reactive exporting, and that market spreading would be associated with volume objectives. Lastly, a case was made for claiming that large market numbers were pursued by firms to reduce the perceived risks in exporting.

The survey assessed the nymber of countries to which firms exported directly, the degree of limitation and concentration in market strategy, and the reasons for pursuing large market numbers, where this was the case.

6.2(a) MARKET NUMBERS

It was found that the majority of companies in this sample exported to 20 markets or fewer.

There were large variations between the industries studied, since while in the Clothing and Furniture industries more than two-thirds of the companies exported to 20 markets or fewer, in the Chemicals and Instrumentation areas the majority of companies exported to more markets than this.

It seems that this finding, together with the interview data, implies that companies of this type export to significantly fewer markets than was suggested in the BETRO (62) and Barclays Bank (271) studies and elsewhere.

The size of the difference between the findings of this study and earlier research is assumed to reflect methodological differences between the studies, particularly in the area of sample design.

The difference in market numbers is diluted by restricting the comparison to the largest, most successful exporters in this survey, since the Barclays Bank sampling claims to represent "above-average", "successful", "committed" exporters. However, even with this qualification, a significant difference remains.

The conclusion reached is that the non-probability sampling procedures used in earlier studies reduces the representativeness of their findings, and in fact, the number of markets to which most exporters sell has been exaggerated.

This conclusion is reinforced to some extent by the similarity between the findings of this survey and recent work by Industrial Market Research Ltd. (263) which also employed probability sampling methods.

In particular, it is suggested here that if the published and widely reported data reflect large company practices, then they may well be invalid as either descriptions of, or prescriptions for, smaller and medium-sized businesses.

This is related to the finding in this study that export market numbers increase with export sales contributions to total turnover, in the sense that the BETRO and Barclays Bank samples may show high market numers simply because the firms included do more export business than a random sample of all exporting firms. (It may also be that those industries where UK export success is concentrated may be those where the world market consists of many small national segments, although this argument is not pursued here.)

At the end of this, there is almost a temptation to turn the "concentration on key markets" argument on its head: if samples of successful exporters (with large export contributions) show large market numbers, while sample of less successful exporters (lower export contributions) have smaller market numbers, it may follow that increasing market numbers is a factor in export success, and it is this which should be prescribed.

However, this temptation is resisted, since the argument is founded on the same assumptions as the key market philosophy itself, and these assumptions have been attacked here.

It is concluded that the existing data may have over-estimated the market numbers approached by exporters, particularly small and medium-sized businesses which export. The reason for this is thought to be traceable to the sample selection and sampling units in earlier studies.

6.2(b) CONCENTRATION AND LIMITATION

The question of the key market concentration strategy was approached in two ways: firstly, the degree to which firms limited the number of markets to which they sell, and secondly, the degree to which they apply efforts selectively to some markets.

The case pursued is that while firms may both limit markets and apply efforts selectively, and thus implement a concentration strategy, it may be that the pursuit of selectivity without limitation may also offer the advantages of concentration.

To begin with, there is the question of the limitation of export market numbers.

In this study, and the earlier interviews, the majority of exporters claimed that they sold to as many markets as possible, with the remainder restricting markets to less than a dozen (limitation) or selling to more than a dozen but not the maximum possible (semi-limitation) as shown in Table 14, page 55. There were some variations in policies between industries, but this was mainly in the balance between full and semi-limitation, and in all industries a half to two-thirds sold to as many markets as possible.

It is concluded therefore that the majority of firms of this type do not pursue market limitation.

Secondly, however, there is the issue of the selective application of efforts to some markets rather than others.

The majority of the executives in the depth interviews and the main study, claimed that in practice they concentrated efforts on a small number of markets (a dozen or less), compared to a minority of firms where efforts were spread evenly over all markets (Table 15, page 56).

There were some variations between the industries, but not significant enough to over-turn the finding that approximately two-thirds of exporters appear to concentrate efforts on a relatively small number of markets.

Thus, it seems that concentration may exist without market limitation, and this theme was also apparent in the reasons given by firms for dealing with large market numbers, in a more explicit way.

For the purposes of further analysis, companies were grouped into those pursuing market concentration and those involved in market spreading, where the extremes were those limiting markets to a small number as opposed to those selling to as many markets as possible and spreading efforts in a non-selective way, but with intermediary groups allocated on the basis of some degree of concentration, as shown on page 53 .

This grouping gave two clusters of exporters: those with a strategy of market concentration, accounting for 60% of the total sample, and those with a strategy of market spreading, providing the remaining 40% of the study (Table 16, page 57).

This leads to the conclusion that market concentration may be more usual in practical exporting than was earlier supposed, if it is accepted that a simple measurement of country-market numbers may be invalid as a criterion of concentration.

The differences found in the characteristics and policies of market concentration and market spreading strategists may be summarised.

Firms pursuing market concentration were found to explain large country market numbers (where appropriate) by the concentration plus marginal markets argument (defined below) as in Table 25, page 78 , to use

significantly more primary marketing research information (Table 31, page 88), to use significantly more price discrimination (Tables 40 and 41, pages 105 and 106) and to use foreign currency invoicing significantly more (Table 68, page 167). Weaker support was given to the claims that market concentrators pursue profit more than do market spreaders (Table 18, page 61), tend to be active rather than reactive exporters (Table 19, page 62), tend to use market pricing more (Table 53, page 126) and to place a lower emphasis on price than do market spreaders (Table 34, page 95).

Conversely, firms adopting a market spreading stance explain their large market numbers more by sales volume maximisation and risk reduction (defined below) as in Table 25, page 78, use significantly less primary marketing information than do market concentrators (Table 31, page 88), apply price discrimination less frequently in exporting (Tables 40 and 41, pages 105 and 106) and use foreign currency invoicing less often (Table 68, page 167). Weaker support was found for the contentions that market spreaders pursued volume objectives more than did market concentrators (Table 18, page 61) and tended more often to be reactive exporters (Table 19, page 62). Lastly, there was some suggestion that market spreading firms used cost-based pricing more (Table 53, page 126) and gave price a higher ranking in exporting (Table 34, page 95).

Thus, it is found that while the majority of firms do not limit export market numbers, they do appear to apply efforts selectively, in something approaching a key market philosophy. This leads to the conclusion that the majority of exporters in this sample are pursuing market concentration, while nearly half are genuinely market spreading.

There appear to be differences, of varying degrees of significance, between those pursuing market concentration and spreading, in terms of such factors as: strategy reasons, availability of marketing information, the degree of price discrimination used in exporting and the use of foreign currencies for export pricing. There was weaker support for differentiation in export objectives, the type of internationalisation, the ranking of price in exporting and export pricing methods.

6.2(c) REASONS FOR LARGE MARKET NUMBERS

Questioning managers on the reasons for exporting to 20 or more markets led to the isolation of four major themes of explanation and justification, together with a number of more minor issues, which confirm to a large extent the rationale for market spreading advanced in the analysis of the literature.

The largest category, making up nearly one-third of the companies selling to more than 20 markets, was that where firms argued that they concentrated within a large number of markets, or in other words the case was made that concentration and large market numbers were not mutually exclusive in practical terms.

Some managers noted here the selective application of efforts to major markets, but with the qualification that business from other markets was rarely or never turned away. In certain cases this represented the selective application of low-level marketing, while in others simply meeting market demand stimulated through reputation and recommendation leading to unsolicited orders.

The second major category of explanation for large market numbers was built on a foundation of product specialisation. The thesis pursued by managers in this group was that specialised products had a large number of small geographical markets throughout the world, which it was necessary to compete in order to exist in an international market. A more minor point made here was that for the firm with a broad product-mix, there might well be large market numbers for the firm, but not for the individual product.

The linking theme here was that the product-market was seen as more fundamental than the country-market in managing exports.

The third major element of reasoning was simply that large market numbers were necessary to gain adequate or maximum volume. These comments should perhaps be interpreted in the light of the earlier comments regarding the real potential facing the smaller exporter in the face of strong international competition.

The last of the major groups argued that large market numbers represented a greater degree of security, in terms of a policy of risk reduction. This was based on such factors as the instability of export markets, and the problems of forecasting, and represents simple risk spreading or satisficing.

Smaller numbers of managers explained large market numbers in terms of the cultivation of small markets for the future, gaining low-cost exports through a low market share strategy, a lack of control in the company and various kinds of policy considerations.

Thus, it is concluded that the major consideration in explaining the large market numbers approached by exporters, is volume, either in taking available business as a supplement to key markets (29% of firms) or in maximising sales volume through large market numbers (20% of firms). Closely related to this is the question of product specialisation, with the implications of competing a world market, possibly composed of a large number of national markets (22% of firms). A smaller proportion emphasised the risk-reduction and risk-aversion characteristics associated with large market numbers (13% of firms). Other reasons were put forward by a small number of firms.

This is put forward with the arguments in Chapter 3 as a justification or logic for market spreading and a rejection of the country-market number criterion to assess export strategy.

6.3 EXPORT MARKETING INFORMATION

The question of the availability and nature of export marketing information for decision making was discussed in Chapter 3 (page 103) in the context firstly of the ability of firms to rationally adopt concentration strategy, and then more generally in market selection.

Examples were given of the many sources of international marketing information of both secondary and primary types, but note was taken of the existence of barriers to the practical use of such data

In particular, attention was drawn to the search and awareness problems and the impact of the costs on information.

A certain amount of evidence was presented to suggest that the use of marketing information is relatively limited in exporting firms, particularly in the small and medium-sized categories.

This led to hypotheses that exporters obtained their information largely from qualitative, subjective intelligence sources in existing markets and that therefore exporters tended to lack the market information required to make key market choices, the availability of which tends to be assumed by the supporters of the market concentration philosophy.

In terms of the type of marketing information available in the exporting companies studied in the survey, it was found that almost all firms used Intelligence sources (salesman and agent reporting), three-quarters appeared to use Secondary sources (mainly Government statistics, press reports, bank reports and the like) and some 45% claimed the use of Primary sources (such as market research and test marketing).

There were some industry to industry variations, for example the Clothing firms appeared to use all information sources less than the companies in other industries.

These data offer some support for the notion that market information in exporting tends to be dominated by qualitative, subjective Intelligence sources in existing markets, in the sense that Intelligence data are the commonest, and these are likely by their nature to consist of subjective, frequently qualitative estimates, which are likely to come from existing sales territories.

However, there was a relatively high claimed use of Secondary and Primary data sources, giving the impression that their use may be more common than was suggested by earlier studies, and weakening the strength of the conclusion advanced above.

This suggestion is qualified to some extent by differences in survey methodologies, and the ambiguity of the term "marketing research" in the practical setting. (It was clear from the depth interviews that executives understood market research in a more general way than the meaning given the term by technical academic or professional definitions.)

In terms of the availability of marketing information to choose between market concentration and market spreading, it was found that firms pursuing market concentration and spreading used the same numbers of information sources (Table 30, page 87), and that there was no difference in the use claimed for Intelligence abd Secondary data sources. However, it was found that market concentrators used primary marketing research significantly more than did market spreaders (Table 31, page 88).

It is not possible to infer the sequence or causality: for example, whether those concentrating do so because they have more information to choose the best markets, or whether they do more market research because they have specialised in certain areas; but there is support for the conclusion that firms associated with market concentration are better informed in the sense of having more primary research data.

While the survey data collection approach was necessarily crude in this area, certain general conclusions are proposed.

It seemed clear, perhaps not unexpectedly, that the number of information sources used and the frequency of use of Primary and Secondary sources increased with company size (Tables 28 and 29, pages 84 and 85). It was also found that a higher use of Primary information was found among firms pursuing market concentration (Table 31, page 88), and lastly, it seemed that export price discrimination was positively associated with the number of information sources used (Tables 42 and 43, pages 108 and 109).

6.4 PRICING IN EXPORT MARKETING STRATEGY

The issue of the role of pricing in export strategy was introduced in Chapter 3, in the context of the key marketing factors in exporting (page 86), where there is some disagreement as to the power of price compared to other bases of competition.

This element of the argument was pursued in a more general examination of the sources of international competitiveness and comparative pricing policies.

The concern here was with the current debate on the relative strengths and characteristics of price and non-price competition, which in most analyses leads to the suggestion that non-price competition has advantages in gaining and maintaining market position. The foundation of this argument may be compared to the decision maker viewpoint on the key factors in competing and the marketing view of price as one marketing mix element among others, which were considered in Chapter 2.

The hypotheses on the role of price in export marketing developed from these parts of the literature were, firstly, that exporters would rate price low as a competitive factor in the home market and high as a factor in exporting, based on the influence of such problems as buyer resistance to imports and the uncertainty and unfamiliartity associated with them, and particularly the influence of the availability of market information and the number of markets to which the firm exports.

The survey found that significantly more companies rated price as the most important factor in exporting than in the UK, and that conversely more put price as a factor of low importance in marketing to the UK than was the case in exporting (Table 32, page 91).

It should, however, be noted that only a quarter to a third of responding firms considered price to the the most important factor and that in both UK and export marketing product quality and design was given the highest emphasis overall.

It is also noteworthy that factor like personal selling, advertising and distribution were relegated to minor importance by most firms for export and UK marketing.

Thus, price is found to be more important in exporting than in the home market, but in both cases is less significant than the product itself, but more important than other factors in the marketing mix.

This conclusion appears compatible with the IMR survey findings cited (264) and, indeed, the earlier, general work on a similar theme by Udell (554) and others like Pass (418).

The data did not support the notion that the rating of price would fall as more marketing information was available (Table 33, page 93) and there was only weak support for the contention that firms pursuing market spreading placed a higher emphasis on price than those pursuing market spreading (Table 34, page 95).

However, it was found that firms placing a high weight on price tended to discriminate on price significantly more frequently (Table 45, page 112) and to use market rather than cost-based export pricing (Table 55, page 130), and there was weak support for the idea that such firms tended to invoice more frequently in customers' currencies (Table 70, page 171).

6.5 EXPORT PRICE LEVELS AND DISCRIMINATION

Chapter 3 offered a summary of the general issues in export pricing, and gave some detailed attention to the relationship between home market and export prices, in terms of their respective levels and price differentiation.

As far as the relationship between UK and export prices was concerned it was found that the available evidence was mixed, but that it seemed that, while there was little conceptual rationale for such a policy, the use of UK price as the base for export prices was likely.

This was compared to the earlier consideration of the reasons for the use of cost-plus pricing in a more general context, particularly in view of the constraints on the export price decision arising from a lack of market information, possibly large numbers of markets, and the type of internationalisation of the firm.

It was hypothesised from this that export prices would be found to be based on UK prices in most firms.

Closely related to this question is that of uniform pricing compared to discriminatory pricing.

Various pieces of evidence were found to suggest that export prices were normally the same as domestic prices, for example, Isard (269), BETRO (62), the Barclays Bank report (271), Duguid and Jaques (150), Amano (11) and Brown (83).

There are, on the other hand, claims that this view may not be universally valid, on the grounds that product differentiation increases the scope for price discrimination (383) particularly in the absense of perfect market information among buyers.

It was hypothesised, in accordance with the bulk of the available evidence, that exporters tend not to discriminate between markets on price, and that where discrimination does take place, it is by

reactive exporters, with their limited reliance on export success; by market concentrators, with their selective application of efforts to individual markets; by firms with more market information; and by those placing a low emphasis on price competition.

As expected from the small number of interviews, the survey findings were, firstly, that for the majority of exporters, ex-works export prices were based on UK prices (Table 35, page 97).

However, one major variation was that for the Chemicals firms, only one-third based export prices on the UK price list. The suggestion which emerged was that Chemicals are subject to a greater extent to the influence of world prices.

In terms of discrimination between UK and export business in price, it was found that only one-third of the firms charged the same ex-works prices in export and the UK (Table 36, page 99) although this proportion varied from only 15% of the Chemicals firms to 47% of Instrumentation manufacturers.

The second aspect of price discrimination, that between different export markets, found again that only one-third of the exporters charged the same ex-works prices worldwide (Table 37, page 100), although this varied from 14% of Chemicals firms to 46% of Clothing suppliers.

This leads to the conclusion that the majority of exporters do discriminate on price to some extent, but with considerable industy to industry variations.

It appeared in the more detailed analysis that reactive exporters tended to discriminate less on price than do active exporters (Tables 38 and 39, pages 102 and 103), and that firms pursuing market concentration tend to discriminate on price significantly more than do those pursuing market spreading (Tables 40 and 41, pages 105 and 106).

It was also found that firms with more sources of information discriminated on price significantly more than those with less data (Tables 42 and 43, pages 108 and 109), and lastly, that firms placing a high emphasis on price competition tended to discriminate between markets less on price (Tables 44 and 45, pages 111 and 112).

It is concluded that with exporting firms of the type studied here, the UK price acts as the base for export prices, although there is enough variation between the industries to highlight differences in the impact of world prices and market factors.

More surprisingly, it was apparent that price discrimination between the UK and export, and between different export markets, was to be found in the majority of firms studied, although here again there were large industry to industry variations.

It was found that price discrimination, or differentiation, in exporting was particularly associated with active exporters, with market concentrators, with firms with a greater access to marketing information, and with those exporters competing mainly on non-price grounds.

6.6 EXPORT PRICING METHODS

The sources of price theories and their interaction with models of business operation were considered in detail in Chapter 2, which involved distinguishing between concepts drawn from economics, finance and accounting, the behavioural sciences, marketing theory and management theory, to arrive at a statement of the optional pricing methods available and evidence of practices adopted.

These theories were approached in a situational manner by then relating them to business objectives, the types of pricing decision faced in practice and the constraints acting on pricing decisions.

This theme was brought into play in Chapter 3 in an examination of the more specialised topic of export pricing and the methods of pricing used by exporters.

To begin in this area, some have emphasised in a traditional way the impact of world prices, for example Silberston (490), Amano (11) and Barten and d'Alcantara (57), suggesting that exporters are essentially price takers and have very limited price discretion.

This may be compared to the classical economic model of the relationship between prices and demand, analysed in Chapter 2.

However, as in the general pricing model, the introduction of variables like the scarcity of information, product differentiation, multiple corporate goals and the trade-off between price and other marketing weapons, suggests that in some circumstances price discretion in exporting may be considerable.

It was concluded that there are the same dangers in a uni-dimensional approach to export pricing as there are in such an approach to the domestic market price.

Ginsburgh and Zang (207) have summarised this debate in a model of single, sequential price taking and price making by exporters.

In terms of the methods used in export price setting, the debate falls traditionally into cost and market arguments.

The literature concludes that full cost, cost-plus pricing is the commonest approach to the export pricing decision, for example, by Robinson (451), BETRO (62), Hovell (256), Hunt (259, 261) and the recent Barclays Bank study (271). As in the case of domestic pricing, theorists criticise full-cost approaches and recommend incremental cost methods and a more market-oriented philosophy.

Others emphasise the determination of export prices by demand and competition, for example, Kahler and Kramer (282), Amano (11), Barten and d'Alcantara (57) and others.

The review of the application of these theories to export pricing led to the formulation of various hypotheses. Broadly, it was anticipated that exporters would be found to rely on full-cost pricing methods and that there would be no differentiation between methods of setting export and domestic prices. Given the overhead recovery argument commonly put in defence of cost-plus pricing, it was expected that those emphasising profit objectives in export would use cost-based pricing, while those seeking volume would rely on market-based prices. For similar reasons, it was expected that cost-based pricing would be associated with active exporters, with market spreading strategies, with a low use of marketing information, and with a low rating of price as a competitive weapon.

The survey finding on the question of export pricing methods was that the largest group of exporters used cost-plus methods, but this was nearly equalled in size by those seeing market and competitive conditions as the major determinants of their prices (Table 46, page 115).

In fact, there was considerable industry to industry variation: in three of the industries full-cost methods accounted for at least half the companies, while this was the major approach for only 12% of the Chemicals firms, which appeared to base prices mainly on competitors' prices and what the market would bear (Table 47, page 116).

It was concluded that full-cost pricing was the dominant export method for the Clothing firms (and perhaps also the Furniture companies), while market forces were the major factor for the Chemicals industry (and to some extent the Scientific Instruments).

This is compatible with the argument put forward in the literature review for recognising both price taking and price making in export marketing in different circumstances.

In terms of the differentiation by companies between the export and domestic price decision, the evidence was mixed.

It was found that cost-based pricing was used overall in UK pricing more than it was used in export pricing, and conversely that export prices were more often market-based (Table 49, page 119).

However, this total picture is in danger of obscuring the position in the individual company, where is two-thirds of the firms there was no differentiation between export and domestic price decisions, since the same methods were used, whether they were cost or market based (Table 50, page 120).

It is perhaps worth adding that where there was a distinction made by respondents between the export and UK price decision, this usually involved cost-based pricing in the UK combined with market-based export pricing.

It seems therefore that this leads to the seemingly paradoxical conclusion that export pricing tend to be more market-based than UK pricing, but that on the majority of companies the same methods are used for export and domestic pricing.

It is possible to draw some general conclusions about the pursuit of cost-based and market-based pricing.

Firms adopting cost-based pricing were found to be more frequently reactive exporters rather than active (Table 52, page 124), and those placing a low emphasis on price as a competitive factor (Table 55, page 130). Weaker support was given to the suggestion that cost-based

pricing was more associated with market spreading than market concentration (Table 53, page 126) and with profit objectives rather than volume (Table 51, page 122).

On the other hand, firms emphasising market-based pricing were found to be active exporters (Table 52, page 124) and to rate price more highly as a competitive weapon (Table 55, page 130). More weakly, market-based pricing seemed to be associated with volume objectives in exporting (Table 51, page 122) and market concentration rather than spreading (Table 53, page 126).

6.7 EXPORT INVOICING CURRENCY

The structure of the decision on the currency to be used in export pricing was assessed in Chapter 3 (pages 173-190).

The importance of this decision to the exporter lies in the determination of the impact of floatation and devaluation on export income and effective prices, and under modern market conditions this influence may be substantial.

The choice faced in essence is between invoicing and pricing in the exporter's own currency, the importer's currency, or in some third-country currency. Most attention here has been directed towards the first and second of these options.

The advantages and disadvantages of either of these main courses of action have been analysed by many, for example Gooding (213), Baron (52, 53), Kahler and Kramer (282) and Paulden (424).

Broadly, invoicing in own-currency offers the exporter reduced exchange risk at the cost of increased demand risk, and offers the importer potential gains if the exporter's currency is weak.

On the other hand, invoicing in the local currency offers the exporter stable local prices and potential gains in Sterling income if Sterling is weak, but at the cost of assuming the exchange risk. The importer gains local price stability, the comvenience of dealing in his own currency, and avoids exchange risks.

It is noted, however, that this analysis is static and omits the possibly powerful influences of customer demands and distributor intervention.

The prescriptive literature in this field almost universally favours local currency invoicing for exporters, either generally, as in Day (138), Sharman (481) and Syrett (527) for example, or it is favoured for those markets where the local currency is thought to

be stronger than Sterling, for example Barnes (49), Hague (227), Paulden (420, 421, 423, 424), Rule (459) and Upstone (555).

In fact, case and statistical data suggest that UK firms tend to invoice mostly in Sterling, to the extent currently of 75% of exports by value.

However, evidence from overseas suggests that exporters in other countries also tend to invoice in their own currencies, which gives what has been described as "a fundamental symmetry in international payments patterns" (218).

Evidence was found of own-currency pricing preferences among exporters in West Germany (265, 202, 216, 217), Sweden (216, 217, 218), and Demark (216), leading Grassman to conclude that there were grounds for assuming the existence of this pattern internationally.

A review of the literature to establish the reasons for UK Sterling invoicing preferences found mention of such factors, in different sources, as a desire to transact in a familiar currency (49, 218, 410), to avoid exchange risks (453), to maintain the status quo (282, 583), and a need to conform with market pressures (271, 372, 410). Lastly, some made a case for arguing that customer and distributor preferences for Sterling invoicing might be significant.

However, these suggestions did not resolve the problem posed by the paradox that under conditions of floating currencies the economic advantage from invoice currency strategy varies over time and between markets. For example, the exporter from a hard currency country selling to a weaker currency country gains advantage from invoicing in his own currency. On the other hand, for the exporter whose own currency is weak compared to the buyer's, there is potentially gain from invoicing in the buyer's local currency.

It is arguable, at the risk of over-simplification, that in the mid-1970's German exporters gained economic advantage from Deutschmark invoicing, while UK exporters lost potential advantage from Sterling invoicing.

This literature review led to the establishment of various hypotheses, based on the contentions that Sterling was the main invoice currency and that this was a deliberate strategic choice reflecting an aversion to uncertainty, a reaction to customer and distributor pressure from the marketplace, and a desire for administrative convenience. It was further suggested that Sterling invoicing was associated with reactive exporting, a lack of marketing information, and with an orientation to price competition.

The survey findings distinguished between single-currency exporters, providing almost two-thirds of the total sample, and multiple-currency exporters. In both cases, virtually all firms exported in Sterling. In the case of multiple-currency invoicing the commonest pattern was to price in Sterling and some customers' currencies.

This pattern was common to all four industries studied, the only significant variation being that there was a higher use by the Chemicals and Instruments firms of US $ as a third-party currency.

The dominance of Sterling invoicing meant that there was no difference in the frequency of own-currency invoicing between firms with different types of internationalisation, different export strategies, different amounts of marketing information or placing varying degrees of emphasis on price competition.

However, there were differences in the use of local currency invoicing.

It was found that local currency invoicing was associated significantly more with active exporters than reactive (Table 67, page 165) and with firms pursuing market concentration rather than spreading (Table 68, page 167). Weaker support was found for the possibility that local currency invoicing is commoner among firms with more marketing information (Table 69, page 169) and among those placing a low emphasis on price competition (Table 70, page 171).

Secondly, in this area, an attempt was made to assess the reasons for the use of Sterling as invoice currency, rather than pricing in customers' currencies, in so many firms.

The major reason given for Sterling invoicing by nearly half the managers responding was that of risk avoidance. This included maintaining the stability of Sterling income and prices, avoiding the risk of exchange losses and the uncertainty of currency movements, and the rejection of the "speculation" or "gambling" associated by some with local currency invoicing.

More than a third of the respondents justified the use of Sterling invoicing in terms of various aspects of administrative ease and economy. This was described variously and included the benefits of accounting convenience, simplicity, economy, the facilitation of management control, ease of making quotations and dealing with too many markets to cope with local currency invoicing.

More than 20% of the companies explained Sterling invoicing as the result of customer pressure. The majority of these cases were where customers actively preferred to be invoiced in Sterling or exerted direct pressure, but also included the acceptance by customers of Sterling in a more passive sense, and for somewhat different reasons the need for price consistency between markets. In addition, a small number of managers noted that they were subject to pressure from distributors to invoice in Sterling.

The last of the major elements of the argument was that Sterling invoicing was favoured by custom and tradition in some markets, both geographical and product markets, which accounted for some 10% of the companies.

It seemed that only 5% of the firms were pursuing what could be described as an active Sterling strategy of exploiting the relative strengths and weaknesses of Sterling and different local currencies.

In a small number of cases, 4% of the companies, local currency invoicing was not possible in certain markets for statutory and technical reasons.

Lastly, a number of respondents simply expressed a general preference for dealing in Sterling, in the sense of single-currency buying and

selling and group policies, and a few companies had never considered any alternative to Sterling exporting.

In summary, it was concluded that the choice of Sterling as export currency is primarily influenced by the exporters' wishes to avoid the risks they perceive in local currency deals and to maintain the stability of Sterling income and prices. Together with this there was an apparent desire to retain the administrative simplicity and convenience of single-currency invoicing in the same currency as that used for the domestic operation.

After these dominant factors, which are essentially internal to the company, a group of market factors became significant. This includes active pressure from customers for Sterling prices and invoices, the custom and tradition of some markets and the influence of established channel arrangements where agents are invoiced in Sterling and sell in their local currencies as a distributive function.

Lastly, there were a number of more minor groups of responses, ranging from general preferences for Sterling invoicing, the lack of analysis of options in the company, and markets where local currencies could not be used, to a small number of companies actively using Sterling invoicing as part of pricing strategy.

A more detailed analysis was completed around various bases. It was found that there was little industry to industry variation in the reasons given for Sterling invoicing, although the Clothing exporters seemed particularly influenced by factors internal to the company and Chemicals firms by the impact of market custom and tradition (Table 62, page 159).

There was little difference in the reasoning offered by firms with different market numbers, although firms with more than 50 markets used an active Sterling strategy more than other exporters (Table 63, page 160).

In examining firms' export contributions there was weak support for

claiming that risk avoidance, customer pressure and administrative ease are particularly associated with firms with smaller export contributions, but these differences were not significant at a high level of confidence (Table 64, page 161). It did seem that the pursuit of an active Sterling strategy was associated with larger rather tha smaller companies (Table 66, page 163).

There do not therefore seem any clear conclusions possible on the differences between firms in the reasons for Sterling invoicing, that are supported by the data.

6.8 EXPORT PRICES AND CURRENCY MOVEMENTS

Chapter 3 (page 165) discusses the impact of devaluation and floatation on export pricing, as described by the available literature and published empirical studies.

It is found that the classical model of devaluation is that where the price competitiveness of exports is improved, leading to increased export sales and market shares, although eventually offset to some degree by the increased prices of imports, as concluded in various sources: 113, 114, 223, 224, 269, 270.

Alternatively, it has been argued that if prices are maintained at a pre-devaluation level, then export income and profitability will improve, perhaps leading ultimately to improvements in non-price competitiveness in the international market.

However, less coverage in the literature is given to the floating currency problem from the exporter's point of view, where changes in relative currency values may be small, continuous and produce both devaluation and revaluation against different countries' currencies.

Arising from the earlier discussion, it is apparent that the effect of devaluation or floatation will be mediated to some extent by the currency in which goods are priced, as argued, for example, by Baron (52) and Page (410).

Challenges to the traditional analysis have been made by claims that reactions to currency movements are less certain that has been supposed [Clague and Grossfield (104), NEDO (383), Sharman (481)], and that decision makers may exert a pressure towards price stability [Dunn (151), Artus (25), Hovell (256)]. Further, it has been suggested that there are delays in managerial reactions to currency changes because of decision time and other related factors [Junz and Rhomberg (279), Artus and Sosa (27)], and that price changes are inevitably associated with adjustment costs which firms may seek to avoid [Hovell (256), Ip (261)] and with competitive reactions in oligopolistic markets [Rosendale (457)] regardless of the cause of the price change.

In addition, it is noted that in the practical setting, customers and distributors are well aware of the implications of floatation and may exert pressure on manufacturers responses to currency movements to share the profit or price benefits and avoid profit or price penalties as currencies move against each other [Fox and Katz (180), Gooding (213), NEDO (383)].

This review led to the establishment of various hypotheses, mainly developed around the contention that the resultant effect of all the factors involved would be that in downward Sterling floatation, exporters tend to take the benefit in improved export profitability, while in upward floatation of Sterling the effect is felt on the prices paid by importers.

The conclusions drawn are restricted to short-term reactions to floatation, in view of the limitations of the data collection methods used.

The survey findings were analysed around upward and downward Sterling floatation and separated Sterling and local currency invoicing.

Firstly, in the case of Sterling invoicing with a downward Sterling float, it was found that the vast majority of firms held their Sterling prices constant, with the effect that real importer costs were reduced by the amount of the float, as in the classical model of devaluation.

Only some 10% of the exporters increased Sterling prices to offset the price effect of the downward float to some degree, although this was done by almost 20% of the Chemicals firms.

Secondly, in the case of Sterling invoicing in an upward Sterling float, the finding was again that the majority of firms held their Sterling prices constant with the effect that real importer costs in local currency were increased, again as in the classical model of revaluation.

A small number of firms reduced their Sterling prices to offset the revaluation effect, but this accounted for only 6% of the total (although rising to 10% of the companies in the Chemicals sector).

Thirdly, in the case of local currency invoicing during a downward Sterling float, it was found that two-thirds of the firms held local currency prices constant, thus increasing their Sterling income.

Some 10% of the firms reported that they reduced local currency prices to share to some degree the "benefits" of devaluation, although surprisingly 13% reported that they increased local currency prices (rising to 21% of Chemicals firms).

Lastly, there is the case of local currency invoicing at a time of upward Sterling floatation. As before, two-thirds of the firms held local currency prices constant, with the effect of reducing their Sterling income by the amount of the float up.

In this case a sizeable minority of firms increased their local currency prices to offset the impact of Sterling strength on their export income, which accounted for 17% of firms (increasing to almost 40% of the firms in one industry).

These reactions are summarised in the matrix below.

	£ floats down	£ floats up
£ invoicers	£ PRICE CONSTANT (82%) = LOCAL CURRENCY PRICE IS REDUCED	£ PRICE CONSTANT (85%) = LOCAL CURRENCY PRICE IS INCREASED
local currency invoicers	LOCAL CURRENCY PRICE IS HELD CONSTANT (66%) = £ INCOME IS INCREASED N.B. LOCAL CURRENCY PRICE INCREASED (13%) LOCAL CURRENCY PRICE DECREASED (10%)	LOCAL CURRENCY PRICE IS HELD CONSTANT (65%) = £ INCOME IS REDUCED N.B. LOCAL CURRENCY PRICE INCREASED (17%) LOCAL CURRENCY PRICE DECREASED (6%)

It is concluded that for Sterling invoicers the effect of floatation, as far as short-term impact is concerned, conforms to the traditional analysis of devaluation and revaluation, since the effect of currency movements is on local currency costs to importers.

On the other hand, with local currency invoicers, the effect of floatation appears to be felt on Sterling income by most exporters, although in this case there is a more substantial minority changing prices to offset currency changes, particularly in downward floatation.

In all cases, the dominant effect is one of exporter price stability, perhaps reflecting the general phenomenon of price rigidity, or perhaps the specific problems of constant currency adjustments and different currency movements in different markets.

6.9 EXPORT INVOICE CURRENCY DETERMINATION AND MARKET STRENGTH

A further concept developed from the discussion of the reasons for export pricing currency choices in Chapter 3, was that there was a relationship between buyer bargaining power and the ability of the exporter to choose the most advantageous currency to him for invoicing.

The underlying reasoning was that local buyers may be able to insist on invoices and prices in the weaker currency when dealing with UK suppliers (particularly where such suppliers are competing mainly on price), but are prepared to accept invoicing in the stronger currency when dealing with suppliers from countries like West Germany (particularly where such suppliers are competing mainly on non-price grounds).

It was suggested on this basis that, if this thesis is generally valid, it is likely that it is importers whose currency is generally stronger than Sterling who are most likely to insist on UK exporters pricing in Sterling, and importers whose currency is generally weaker than Sterling who are most likely to favour local currency invoicing by exporters.

This produced the specific hypotheses that where local currency invoicing is attractive to the UK exporter, market power acts against its implementation, and where local currency invoicing is relatively unattractive for the UK exporter, then market power leads to its implementation.

Unfortunately, the findings in this area were restricted by the limitations placed on the questions which could be included in the main survey, and a very low response to those that were included.

Broadly, it seemed that local currency invoicing was commonest in marketing to USA/Canada, Western Europe and Scandinavia, while Sterling invoicing was most usual in exporting to the Commonwealth countries, the Far and Middle East, Eastern Europe and South America. Sterling pricing was significant in inter-European business, but mainly in dealing with Italy and Spain.

It was clear that there were significant differences in the pattern of reasons for Sterling invoicing by the respondents to this part of the survey, compared to the total sample.

However, it seemed that Sterling pricing to Western Europe and Scandinavia was mainly to conform with tradition and customer requirements. The use of an active Sterling strategy existed here, but mainly in selling to Italy and Spain.

In non-European marketing: the use of Sterling was unavoidable for areas like India, Pakistan and Eastern Europe, the use of an active currency strategy was significant with the Commonwealth and South America, while customer requirements for Sterling deals were notable in Japan, the Commonwealth and the Far and Middle East.

Conclusions are not tenable on the basis of the very limited data available on this issue. It may, however, be noted that these data do not contradict the hypotheses, and the impact of market factors on the possibility of exploiting currency differences in export pricing may be highly significant.

6.10 EXPORTING POLICIES BY INDUSTRY

In view of the four-industry stratification of the sample, there is some interest in the differences between the industries, for whatever additional insights may be provided and for any reservations which may be necessary to the conclusions drawn.

This summary concentrates on differences rather than similarities.

Response Rates

The only significant difference was that the Clothing industry provided a lower response rate, probably because of the timing of the survey (Table 2, page 28).

Export Contributions

The Clothing and Furniture samples had significantly lower contributions of exports to total sales, with the majority gaining less than 20% of sales from this source. Two-thirds of the Chemicals and Instruments firms gained more than 20% of sales from exports (Table 3, page 29).

Internationalisation

More than half the Clothing and Furniture exporters fell into the reactive category, whereas two-thirds of the Chemicals and Instruments manufacturers were active exporters (Table 4, page 32).

Export Objectives

While profit objectives dominated in all industries, it was found that three-quarters of the Clothing and Furniture firms emphasised profit in exporting, compared to 40% of the Chemicals and Instruments companies which emphasised volume (Table 9, page 38).

Export Market Numbers

The Clothing and Furniture companies exported to fewer markets than the Chemicals and Instruments firms, which is compatible with the finding that export market numbers increase with export sales contributions (Table 12, page 49).

It is also noted that one-third of the Clothing and Furniture exporters claimed that they limited export markets to less than twelve, while this was the case for only 12-16% of the industrial sector firms.

Export Marketing Information

The Clothing industry appeared to display significantly less use of secondary or published information sources, and primary research data (Table 27, page 83).

Export Price Determination

The bulk of the Clothing firms (80%) based export prices on UK prices, compared to two-thirds of the Furniture and Instruments firms and in contrast to the Chemicals industry where only one-third of the respondents found this relationship between UK and export prices.

In terms of export prices being the same as UK prices, this was the case for one-third of the Clothing firms, 40% - 50% of the Furniture and Instruments firms, but only 15% of the Chemicals companies.

Similarly, in terms of export prices being the same to all markets, this proportion was 40% - 50% for three of the industries, but fell to 14% for the Chemicals firms.

Export Pricing Methods

Cost-based pricing was used by three-quarters of the Clothing firms and approximately half the companies in the Furniture and Instruments industries, but only 18% of the Chemicals companies, where market pricing dominated.

Invoice Currencies

There were few differences apparent in invoice currencies used and in all cases administrative ease, risk avoidance and customer factors were the major reasons given for the use of Sterling invoicing.

It was found that the Chemicals and Instruments firms used US $ more as a third-party currency than did the other sector.

Price Changes and Sterling Floatation

With Sterling invoicing under a downward float, price stability was reported by 90% of the Clothing and Furniture companies, falling to 69% in Chemicals, where almost 20% of firms increased prices to offset the impact of floatation.

There were no large differences in Sterling invoicer behaviour in upward floats, although price stability did seem marginally more common in the Clothing and Furniture industries.

In the case of local currency invoicing in a downward Sterling move, price stability was again commonest in the Clothing and Furniture industries. The only large difference in local currency invoicers in upward Sterling floats was that almost 40% of the Furniture firms increased local currency prices to offset the impact of the float on their Sterling income.

Industry Differences

The industry differences are summarised in the chart below.

Variables	Clothing Industry	Furniture Industry	Chemicals Industry	Instruments Industry
Export contribution	Low	Low	High	High
Internationalistion	High proportion of reactive exporters	High proportion of reactive exporters	High proportion of active exporters	High proportion of active exporters
Export objectives	Profit	Profit	Profit and volume	Profit and volume
Export market numbers	Fewer markets	Fewer markets	More markets	More markets
Export marketing information	Lower use of secondary and primary data sources			
Export price discrimination	80% of export prices based on the UK	64% of export prices based on the UK	30% of export prices based on the UK	66% of export prices based on the UK
	30% have same price in export and UK	40% have same price in export and UK	15% have same price in export and UK	47% have same price in export and UK
	46% have same price in all export markets	41% have same price in all export markets	14% have same price in all export markets	40% have same price in all export markets
Export pricing methods	74% cost-based	56% cost-based	18% cost-based	48% cost-based
Invoice currencies			More use of US $ as third party currency	More use of US $ as third party currency
Price changes in floatation:				
£ Invoicing + £ floats down	90% prices stable	90% prices stable	19% increase price	80% prices stable
£ Invoicing + £ floats up	-	-	-	-
Local currency invoicing + £ floats down	72% prices stable	18% reduce prices	67% prices stable 21% increase prices	54% prices stable 10% reduce prices
Local currency invoicing + £ floats up	80% prices stable	39% increase prices	75% prices stable	14% increase prices 25% policy varies

It seems that there are differences between the two sectors: consumer and industrial, and the four industries, in terms of the commitment to exporting and dependence of export volume, which appears to be reflected in differences in export market number strategy and pricing policy. In the latter area the Chemicals industry stands out as using market pricing and being subject to competitive price pressures more than the other industries.

6.11 SUMMARY OF CONCLUSIONS

Export Objectives and Internationalisation

The exporters were divided into reactive exporters selling in response to unsolicited orders or to dispose of surplus capacity, and active exporters, where exporting was central and the major source of growth.

Differences found in export policies between reactive and active exporters are shown below.

Variables	Active Exporters	Reactive Exporters	Table	Strength of Support
Company size	Large	Small	5	Strong
Export contribution	High	Low	6	Strong
Export strategy	Market concentration	Market spreading	19	Weak
Export price discrimination	More discrimination	Less discrimination	38 & 39	Strong
Export pricing method	Market-based	Cost-based	52	Strong
Export pricing currency	More foreign currency invoicing	Less foreign currency invoicing	67	Strong

This area was also concerned with the contrasts in the marketing objectives perceived in exporting compared to the UK. It was found that profit objectives were dominant in both export and the UK, although volume objectives were stressed more in exporting. The type of objective, however, provided only a weak tool of analysis as summarised below.

Variables	Profit Objectives	Volume Objectives	Table	Strength of Support
Company size	Large	Small	X.5	Weak
Export strategy	Market concentration	Market spreading	18	Weak
Export pricing method	Cost-based	Market-based	51	Weak
Export price discrimination	Less discrimination	More discrimination	X.7 & X.8	Weak
Export price rank	Low	High	X.9	Weak

Export Market Number Strategy

It was found that the majority of companies exported to less than 20 markets, leading to the conclusion that earlier studies may have exaggerated the market numbers pursued by the normal exporter.

While the majority of firms sold to as many markets as possible, there was substantial evidence that firms applied efforts selectively within large market numbers. It was concluded that the number of country-markets was not valid as the sole criterion for strategy definition.

On the basis of the selective application of efforts, in addition to market limitation, it was concluded that 60% of the sample displayed some significant degree of concentration and 40% were market spreaders.

The differences between market concentrators and market spreaders are summarised below.

Variables	Market Concentration	Market Spreading	Table	Strength of Support
Reasons for large market numbers	Concentration plus marginal markets	Volume maximisation & Risk reduction	20	Strong
Marketing information types	More primary data	Less primary data	31	Strong
Export price discrimination	More discrimination	Less discrimination	40 & 41	Strong
Export pricing currency	More foreign currency invoicing	Less foreign currency invoicing	68	Strong
Export objectives	Profit	Volume	18	Weak
Company internationalisation	Active	Reactive	19	Weak
Export pricing methods	Market-based	Cost-based	53	Weak
Export price rank	Low	High	34	Weak

There were four main arguments advanced by executives selling to more than 20 markets, for adopting this policy rather than key market concentration, together with a number of less frequent points.

Respondents explained large market numbers by pointing out that they concentrated on major markets, but also accepted other business, and that in many cases of product specialisation the world market competed was made up of many small country-market segments, leading to apparently large market numbers.

Related to this was the point that for various reasons firms found large market numbers necessary to gain the volume of sales they required from exporting, and a significant proportion of the firms pointed out that large market numbers reduced the risks they faced in export business, particularly in a position of high uncertainty and limited availablility of marketing information.

Smaller numbers argued that it was necessary to cultivate currently small markets as potential for the future, and some advocated the high margin/low volume benefits of the small market share strategy in exporting. Others noted the problems of actually controlling market numbers and the impact of various policy issues.

These findings are put forward as the beginning of the validation of market spreading as a strategic alternative to market concentration.

Export Marketing Information

It was found that almost all firms claimed that they used marketing intelligence sources (that is, salesman and distributor reporting systems), three-quarters used secondary sources (mainly Government statistics, press reports, bank reports and the like), and some 45% used primary data (that is, market research and test marketing).

This last finding almost certainly reflects the broad, non-technical definition of marketing research found in the depth interviews.

This provided some support for concluding that firms tend to rely in exporting on qualitative, subjective data, from existing markets.

It was found that a greater use of marketing information was associated with market concentration, larger companies and a greater degree of price discrimination.

Pricing in Export Marketing Strategy

Price was found to be ranked below product policy variables by most managers, although price was rated more highly in export than the UK. After product and price, factors like personal selling, advertising, and distribution were relegated to peripheral importance.

A high emphasis on price competition in exporting was linked significantly with market-based pricing methods and a greater degree of export price discrimination. A much weaker association was found between a high ranking of price and market spreading strategy and invoicing more frequently in customers' currencies.

Export Price Levels and Discrimination

The majority of firms based export prices on UK prices, although this was clearly not the case for the Chemicals manufacturers.

The majority of firms do not charge the same ex-works prices in export as the UK, and this was particularly the case for Chemicals firms.

The majority of firms do not charge the same ex-works prices in all export markets, especially true in the case of the Chemicals industry.

Broadly, discriminatory pricing was associated with active exporters, market concentration strategies, a high rating of price in exporting, and a greater availability of marketing information.

Export Pricing Methods

The division for the total sample between cost-based and market-based pricing was approximately equal, although cost methods were especially associated with the Clothing industry and market-based methods with Chemicals.

Overall, there was relatively little differentiation apparent between UK and export pricing methods at the individual company level, although for the total sample export prices were more often market-based than was the case for UK prices.

The differences between cost and market-based pricing may be summarised.

Variables	Cost-based export pricing	Market-based export pricing	Table	Strength of support
Company internation-alisation	Reactive	Active	52	Strong
Export price rank	Low	High	55	Strong
Export strategy	Market spreading	Market concentration	53	Weak
Export objectives	Profit	Volume	51	Weak

Export Invoicing Currency

Sterling invoicing was almost the only single-currency policy pursued and was included in most multiple-currency invoicing.

Differences were found in the use of foreign currencies: the use of local currencies was associated significantly with active exporting and market concentration strategies.

The reasons for Sterling invoicing were explained by both internal company factors and market pressures of various kinds. The major company factors were risk avoidance, in the sense of stability and safety in Sterling dealing and the avoidance of speculation, and administrative ease and economy. Market factors were mainly customer pressure and custom and tradition, together with distributor pressure and the enforcement of Sterling invoicing by regulatory agencies in some countries. Only a small number of firms appeared to be pursuing an active strategy of using relative currency values as a lever to increase profitability.

Export Pricing and Currency Movements

The principal short-run price reactions to Sterling value moves may be summarised.

	Sterling Invoicing	Local Currency Invoicing
Sterling floats down	Majority hold prices constant. 10% increase prices to offset floatation.	Majority hold prices constant. 10% reduced prices to share devaluation benefit.
Sterling floats up	Majority hold prices constant. 6% reduce prices to offset the floatation	Majority hold prices constant. 17% increased prices to maintain Sterling income.

Thus, the dominant short-term effect was exporter price stability for both Sterling and local currency invoicers (although more so for the former).

This produces an effect close to that predicted by the traditional analysis, whereby the effects of currency movements are felt on local prices by Sterling invoicers and on Sterling income by local currency invoicers.

There were in most cases significant numbers of firms acting to reduce the impact of floatation.

Export Invoice Currency Determination and Market Strength

It was found that local currency invoicing was associated most with marketing to USA/Canada, Western Europe and Scandinavia, while Sterling invoicing was mostly associated with exporting to the Commonwealth, Far and Middle East, Eastern Europe, South America and to certain parts of Western Europe.

The data here were very limited in quantity and reliability and the only conclusion advanced is that no contradiction is offered to the hypothesis that local market strength defines the scope for choice of pricing currency by the exporter.

APPENDICES

APPENDIX I EXPORT MARKET NUMBERS

Extracted from the Barclays Bank Report on Export Development in France, Germany and the United Kingdom (271)

p7 "To how many markets do you export regularly?"

	Percentage of all companies		
	France	UK	Germany
Exports to			
More than 100 markets	32	40	20
50 to 100 markets	30	26	30
Less than 50 markets	38	34	50
Total Number of Companies	120	120	120

Appendix 2 "To how many markets do you export regularly?"

	Percentage of all companies		
	France	UK	Germany
Small companies			
More than 100 markets	24	23	6
50 to 100 markets	11	17	18
Less than 50 markets	65	60	76
Medium companies			
More than 100 markets	30	36	12
50 to 100 markets	24	18	30
Less than 50 markets	46	46	58
Large companies			
More than 100 markets	47	64	40
50 to 100 markets	29	29	30
Less than 50 markets	24	7	30

APPENDIX II SOURCES OF EXPORT MARKETING INFORMATION

Extracted from How British and German Industry Exports by Industrial Market Research Ltd (264)

Source of Market Information by Size of Company

	Numbers of Responses				
	All Co's	Up to 100 emps	101 - 500 emps	501 - 1,000 emps	Over 1,000 employees
United Kingdom					
Government services	64	54	75	63	77
Feedback from sales force	61	49	65	70	84
Trade associations etc	54	47	59	57	65
General knowledge	44	41	49	33	47
Press reports	32	30	29	17	56
Bank export departments	29	24	32	30	42
Local press and journals	20	17	18	13	40
Test marketing	5	3	2	10	9
Financial institutions	4	3	3	3	5
No information	15	18	11	25	7
(Number of Companies)	(281)	(106)	(91)	(30)	(43)
West Germany					
Government services	19	12	23	26	35
Feedback from sales force	62	53	68	89	69
Trade associations etc	56	48	56	76	69
General knowledge	32	26	34	33	55
Press reports	28	22	26	44	48
Bank export departments	31	20	41	19	66
Local press and journals	19	14	20	30	35
Test marketing	9	6	8	15	17
Financial institutions	3	1	5	-	10
No information	14	17	10	4	17
(Number of companies)	(282)	(137)	(87)	(27)	(29)

APPENDIX III THE VALUE OF STERLING

CHANGES IN THE VALUE OF FOREIGN CURRENCIES IN TERMS OF STERLING

	% change in the value of currency in terms of Sterling over two years to January 1980
Australia	-17
Austria	4
Belgium	no change
Canada	-20
Denmark	- 9
Finland	- 8
France	- 1
West Germany	+ 5
Greece	-21
Italy	- 8
Japan	-13
Netherlands	+ 1
New Zealand	-18
Norway	-11
Portugal	-31
Saudi Arabia	-12
South Africa	-10
Spain	+ 3
Sweden	- 5
Switzerland	+ 6
USA	-15

Source: Customer Services Document, Lloyds Bank Ltd., Overseas Division, 6 Eastcheap, London. January 1980.

APPENDIX IV FOREIGN CURRENCY INVOICING BY UK EXPORTERS

Extracted from Department of Trade survey results reported in Trade and Industry, now British Business (543, 544, 545. 546, 547, and 548).

Survey dates:
1 - April 1976
2 - October/November 1978
3 - May 1977
4 - November 1977
5 - April 1978
6 - October 1978

INVOICE CURRENCY BY GEOGRAPHICAL AREA

		PERCENTAGE BY VALUE				
		Total	Western Europe	Oil exporters	North America	Rest of World
Invoiced in own currency	1	12	-	-		-
	2	15	18	2		3
	3	15	16	4		1
	4	12	12	3		4
	5	12	12	1	-	1
	6	11	15	1	49	3
					45	
Invoiced in US $	1	8	-	-	57	-
	2	12	9	11	50	21
	3	14	18	18	21	11
	4	17	22	13		16
	5	16	21	10		12
	6	13	15	16		14
Invoiced in other currencies	1	1	-	-	-	-
	2	0	1	-	0	0
	3	1	2	0	0	1
	4	2	2	1	0	1
	5	1	2	0	-	1
	6	1	2	-	-	2
Invoiced in Sterling	1	79	-	-	-	-
	2	73	72	87	51	76
	3	70	64	78	55	87
	4	69	64	83	43	79
	5	71	65	89	50	86
	6	75	68	83	79	81

APPENDIX IV (continued)

	Foreign currency invoicing proportion: percentage by value					
	1	2	3	4	5	6
Invoice Currency by Commodity Group						
Food, beverages and tobacco	27	33	22	22	16	20
Fuels and basic materials	22	35	58	67	48	54
Chemicals	25	35	48	41	58	31
Textiles	31	34	23	22	21	29
Metals and metal articles	31	41	41	20	30	23
Electrical machinery	9	24	20	24	16	18
Other machinery	18	12	11	19	15	21
Transport equipment	5	10	11	8	15	16
Other manufactured goods	21	28	44	53	38	21
Invoice Currency by Size of Exporter						
Small exporters*			27	24	26	21
Large exporters*			40	50	39	36
Invoice Currency by Size of Transaction						
Up to £2,500			18	18	16	15
Over £2,500 and up to £10,000			24	27	23	23
Over £10,000 and up to £250,000			28	23	25	25
Over £250,000			45	52	47	31
Total	21	27	30	31	29	25

* A large exporter is defined as one whose exports exceeded £25 M in 1975

APPENDIX V EXPORT INVOICE CURRENCY COMPARATIVE DATA

Extracted from How British and German Industry Exports by Industrial Market Research Ltd (264)

Currency Sought for Export Payments by Geographical Region

	Percentages			
	EEC	Rest of Europe	North America	Rest of World
United Kingdom				
Sterling	76	70	37	74
US Dollars	7	5	30	15
Other hard currency	3	3	1	4
Local currency	13	8	-	4
No information	1	14	32	3
(Number of companies)	(281)	(281)	(281)	(281)
West Germany				
Deutschmarks	94	93	87	93
US Dollars	1	2	13	6
Other hard currency	1	2	-	1
Local currency	6	3	-	-
(Number of companies)	(282)	(259)	(181)	(214)

APPENDIX VI DEPTH INTERVIEW QUESTIONNAIRE

EXPORT RESEARCH PROJECT

INTERVIEW QUESTIONNAIRE

Introduction

The objectives of the survey are
- to study export marketing and strategy
- to compare what firms do and why with what theory says, to try to make the theory more realistic
- ultimately to offer assistance to small exporters in the region

The objectives of the interview
- to try out the main ideas of the study
- to see if there are likely to be any problems with the main part of the survey

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SECTION 1 EXPORT STRATEGY

(i) How many countries do you export to directly at the present?

_____

(ii) In terms of the number of markets to which you export, is your policy broadly:

To limit the number of markets to less than 12

To sell to more than 12, but not all that could be

To sell to as many as possible

(iii) If you sell to more than 20

Do you concentrate on a smaller number e.g. 12 or less

Do you give equal attention to most of these

(iv) If you sell to more than 20 markets

why do you favour large market numbers, rather than the alternative of concentrating on a few markets

SECTION 2 EXPORT COMPETITION

(i) What are the most important marketing weapons you have to compete with

(ii) Is there any difference between the basis on which you compete in the U.K. and in exporting

(iii) Is price more important in the U.K. or in exporting

SECTION 3 EXPORT PRICING

(i) Are you able to charge different prices (ex-works) in different markets

U.K. Vs Rest of World

Different export markets

(ii) Is the export price built up from the U.K. price

Are export prices (ex-works) ever lower than the U.K. price

(iii) What is the main pricing method for the U.K. and Export

	U.K.	Export
Cost-Plus (full-cost)		
Target ROI		
Direct/Marginal Cost		
Price Leadership		
Competitive		
Market study		
Judgement of what the market will bear		
Others		

What accounts for any differences between the U.K. and Exports

(iv) What currency do you export in

	All export markets	Some export markets
£		
Local currency		
US $ (not to USA)		
Other		

(v) If you invoice in £ Sterling

Why is this done - rather than invoicing in the customer's own currency

- Customer pressure

- Distributor pressure

(vi) If you invoice in £ Sterling

What price changes are usually made

- when the £ floats down

- when the £ floats up

(vii) If you invoice in foreign currency

What price changes are usually made

- when the £ floats down

- when the £ floats up

SECTION 4 EXPORT OBJECTIVES

(i) What are the main objectives pursued in the U.K. and in export

	U.K.	Export
Profit maximisation - short term		
Profit maximisation - long term		
Satisfactory profit		
Maximum market share		
Maximum sales		
To sell surplus capacity	-	

(ii) Are exports more or less profitable than U.K. sales

(iii) How would you describe the Company's attitude to export

Meeting unsolicited orders

Selling surplus capacity

Major committment for future

Other

SECTION 5 EXPORT MARKETING INFORMATION

(i) What sources of market information do you ever use for export markets

(ii) Which are the most important

(iii) Which are the most useful for new markets

	(i) Ever use	(ii) Most important	(iii) Most useful for NEW mkts
The sales force			
The distributor/agent			
Market research studies			
Test marketing			
Government information			
Bank information			
The Press			
Others			

ANY COMMENTS ON THE POSTAL QUESTIONNAIRE OR THE STUDY ITSELF

WANT A COPY OF THE RESULTS OF THE MAIN STUDY

APPENDIX VII DEPTH INTERVIEW RESULTS

Variables	Company 1	Company 2	Company 3
Classifying Data			
Industry	Clothing	Furniture	Carpets
Size	200 employees	180 employees	600 employees
Export as % of Sales	30%	55%	50%
Section 1 Export Strategy			
i No. of countries to which the company exports	8	24	20
ii Markets are limited to less than 12			
There are more than 12 markets, but not the maximum possible		x	x
Sell to as many markets as possible	x		
Comments	Export is relatively new and developing. Market numbers are increased as fast as production capacity can be.	The company has halved its market numbers in ten years and is trying to discourage marginal markets through prices.	Markets are grouped into: A - Major (US and Germany), B - Minor (Scandinavia) and C - Others
iii Is there concentration on a smaller number of the total market numbers?	N/A	No - markets get more or less equal attention. If anything the large markets get less effort proportional to their value than small markets	Yes - the group A markets get individual attention.
iv Why large market numbers rather than concentration?	N/A	The current strategy is to reduce market numbers. In the early stages of exporting the firm sold to as many	The policy is to refuse business from a small market only if it would compromise a larger market, and this has never happened.

Variables	Company 4	Company 5	Company 6
Classifying Data			
Industry	Chemicals	Scientific Instruments	Electronics
Size	700 employees	300 employees	1,000 employees
Export as a % of Sales	30%	80%	40%
Section 1 Export Strategy			
i No. of countries to which the company exports	18	30	28
ii Markets are limited to less than 12			
There are more than 12 markets, but not the maximum possible		x	
Sell to as many markets as possible	x		x
Comments	Attempting to increase market numbers for growth, and because of the nature of the industry - the growing demand for intermediate products in the developing countries.	Market numbers fluctuate with generations of product since each country has a small specialised market, which can change supplier for replacements or new installations.	Pursuing a policy of increasing market numbers for growth - though gradually.
iii Is there concentration on a smaller number of the total market numbers?	Yes - the biggest markets get most attention.	Yes - US, Japan and EEC, although the emphasis changes from year to year.	Yes - efforts are roughly proportionate to sales value.
iv Why large market numbers rather than concentration?	No business is ever refused because of the need for volume, although small markets are not offered long credit.	Largely to overcome international buying cycles, though only large, near markets are offered full after-sales back-up.	Large numbers are served to gain volume. It is also a reflection of competition with the same 12 firms, meaning that it is desirable to maintain market share in as many markets as possible, because once lost a market would be difficult to re-enter.

Variables	Company 1	Company 2	Company 3
Section 2 Export Competition			
i The most important marketing weapons	Product design and quality, and personal selling and advertising are all of equal importance.	Product quality and design, and the adaptation of products to local needs and preferences.	Product quality and competitive differentiation.
ii Differences between UK and export competition?	Export relies totally on product quality and design, while advertising and selling are more important in the UK.	No difference, except that products are adapted to markets (but the same apples within the UK).	No difference, except that there is more pressure on price in USA.
iii Is price more important in the UK or export?	The products are high quality and sell at a premium - so price is not a vital factor in either case.	No real difference in importance.	The importance is variable, e.g. pressure on price in USA. The broad strategy is to move up-market to compete on quality, because experience shows that a small firm in the lower end of the market, because volume seeking price cutters have forced margins down worldwide. Emphasis on price reflects a lack of product differentiation - the strategy is to move away from this.
Section 3 Export Pricing			
i Are prices differentiated through the world?	Yes - each market has a local price list and arrangements are made individually with agents.	Yes - reflecting market pressures.	Yes - due to market pressures.
ii Is export price built up from UK price?	Yes - using the same cost base for cost-plus pricing.	No	Yes - though there are variations for market pressures.
Are export prices ever lower than UK prices?	No	No	Yes - but only for the US.

Variables	Company 4	Company 5	Company 6
Section 2 Export Competition			
i The most important marketing weapons	Product quality	Product specifications and after-sales service	Product quality and price.
ii Differences between UK and export competition?	Differences are mainly in buyer reactions. In the UK there is a tendency to buy British and less pressure is faced on price. In export some buyers resist imports and react to poor UK reputation on delivery and service e.g. Germany and France. Partly through this, in some markets there is an emphasis on price e.g. Germany and US.	No differences. The poor UK image is just starting to be a problem.	No differences.
iii Is price more important in the UK or export?	Price is more important in export.	No- with technologically advanced products, price is not critical in either case.	The firm is market leader in Europe and sells at a premium at the technical end of the market.
Section 3 Export Pricing			
i Are prices differentiated through the world?	The policy was described as "firm but flexible", in having a worldwide price list but giving special discounts to reflect market pressures.	Yes - although the firm is attempting to establish a single worldwide price list.	No - there is a single price list for all non-agent countries (the UK price list) on the grounds of fairness), although refusal pricing is practiced if production is overloaded.
ii Is export price built up from UK price?	Yes	Yes	Yes
Are export prices ever lower than UK prices?	Yes	No - absolutely never	No

Variables	Company 1	Company 2	Company 3
iii What is the main pricing method for UK and export?	The UK and export methods were both described as cost-plus, but UK prices were held more rigidly to the formula.	For all markets, the decision was based on market prices - working back to product costings.	The methodology involved the calculation of a standard price based on costs, but then two further stages of amendment to allow for market factors and product differences. The difference made to standard price varied from -5% to +10%.
What differences between UK and Export pricing?	In some markets international competition put greater pressure on prices, although in other markets there were opportunities for charging higher prices than in the UK.	No difference.	No difference.
iv What invoice currency?	Local currencies	Sterling in all markets	Local currencies in major markets and Sterling in others.
Why use Sterling?	N/A	Customer pressure - e.g. German customers insisted on £ invoicing.	Market preferences, and in some cases traditional competitive practices.
What reactions to currency movements?	Prices are not changed as the £ moves. An annual deal is made with each agent to hold prices constant for a year, while the manufacturer holds his prices constant by using an artificial exchange rate. Adjustments are made annually.	The distributor's price is held constant for a year at a time, by using a "Currency Adjustment Factor" on each invoice to hold the effective exchange rate constant. The objective was to share benefit between supplier and agent.	With foreign currency invoicing, prices are only changed for cost changes. In Sterling invoiced markets, the agent sets local prices and his prices were set in the light of the local prices.

Variables	Company 4	Company 5	Company 6
iii What is the main pricing method for UK and export?	Price was described as "what the market will bear", and this did not always relate directly to costs.	In both UK and export, a cost-plus formula was used. The only differentiation was in discounts given to distributors.	Pricing was market based, although cost figures were used to see if business was worth taking.
What differences between UK and export pricing?	No difference.	No difference.	No difference.
iv What invoice currency?	Local currencies in some large markets, $US in one but Sterling in all others.	Sterling in all markets.	Sterling in all markets.
Why use Sterling?	Sterling invoicing was preferred for administrative ease, the use of foreign currencies reflected customer pressure and international custom.	Sterling had been used to take advantage of the float. Two years previously all invoicing had been in $US. The firm would change again if they saw an advantage, since in selling from catalogues the change was relatively easy to make.	Firstly, because it was administratively easier. Also, agents wanted a share of the benefit of floatation and it was thought that local currency invoicing would be resisted by distributors.
What reactions to currency movements?	Prices were held steady for a year or more at a time, with Sterling invoicing local prices were held steady by an accounting mechanism to compensate for floating.	Price changes were mainly the result of customer pressure. The general policy was firm prices, unless sales were under threat e.g. researchers on fixed grants.	Invoicing to the agent in Sterling meant that the agent accepted the risks and benefits in floatation. When the £ floated down, the agents steadied prices to users, and correspondingly accepted the penalty when the £ rose, although in the latter case some allowance had been made in the distributors' discount.

Variables	Company 1	Company 2	Company 3
Section 4 Export Objectives			
i Objectives in the UK and export compared	In the UK - maximum profits, in export - maximum market share and satisfactory profit. As a result, exports are less profitable than the UK, since new market entries are making losses.	The aim is a satisfactory rate of profit and exports are thought more profitable than the UK. Particular emphasis was placed on a volume balance (ideally 40% UK and 60% export) to take up capacity and avoid seasonality.	In both the UK and export the main objective was a satisfactory rate of return and adequate volume to keep production near capacity, even if this involved taking marginal business.
ii Company attitude to exporting	The company was originally an import agent and then started to manufacture in 1972 and exporting soon after. Growth now has to come from export, at present at the expense of profitability.	The company is committed to export and aims at 60% export to attain balance for production schedules but to avoid too long a cash gap. Exports are found more profitable than UK sales.	The company is committed to exports for growth.
Section 5 Export Marketing Information			
i What sources of market information? ii Rating of information sources.	The company uses agents reports, banks and product testing, though agent information is the most important. New market choice seemed more based on management ambition and general knowledge than market research.	Use had been made of BOTB and agent reports, although the greatest emphasis had been placed on personal visits to countries, particularly for new markets.	Use had been made of BOTB and other government sources, bank information and Trade Association publications. These were described as general guides and background information. The shortcoming was that a small company often did not conform to trends in markets. The most important sources were salesman and distributor reports and personal market visits.

Variables	Company 4	Company 5	Company 6
Section 4 Export Objectives			
i Objectives in the UK and export compared	The objective in the UK was to hold market position, while in export the firm sought growth and to spread the risks of recession over a broader market base.	Objectives were the same in UK and export, but export was more likely to provide growth Overall exports were more profitable than the UK, although this was variable because of pressure in some markets (e.g. Japan and US), Although there was some compensation from higher prices in developing countries.	As market leader in the UK in a depressed market, there is little prospect for growth or increased profit. Export objectives are growth and higher profitability to increase the company's overall performance.
ii Company attitude to exporting	The company is committed to exports because of the lack of growth in the UK, so volume comes from exports even though less profitable than the UK.	The company is committed to exports, which are thought more profitable than the UK, although this is variable e.g. Japan and USA are not very profitable, but the third world is.	The company is committed to exporting, which is considered substantially more profitable than the UK.
Section 5 Export Marketing Information			
i What sources of market information? ii Rating of information sources	Mention was made of BOTB as trying hard but not understanding what was required. There was an emphasis on subjective intelligence built up by product specialists. The most important information was from personal market visits.	Use had been made of agency market research but this had been found too general. Distributor reports were received but viewed with scepticism. The most important information was through personal visits.	The company has used market research but emphasised the importance of salesman and distributor reports, customer feedback and technical development information from trade associations, conferences and the like.

APPENDIX VIII POSTAL SURVEY SAMPLE DESIGN

1. Universe Definition

The universe from which respondents were drawn was defined as all firms meeting the following criteria:

(a) Medium-sized - defined as having 100 - 2,000 employees at the operating unit concerned. The operating unit was taken as the distinct trading entity, usually a company (independent or a member of a group) or a division of a larger organisation.

(b) Exporting - defined as selling goods from the UK to users agents or distributors overseas, but excluding transfers within a group of companies.

(c) Manufacturers - defined as those producing goods in the UK thus excluding service organisations, distributors and import/export agents and brokers.

(d) Northern - defined as the operating unit concerned being located in an area measured by the combination of the Registrar General's Standard Regions: Northern, Yorkshire and Humberside, and North West. This area included the following counties and districts:

Northern	Northumberland
	Cumbria
	Tyne and Wear
	Durham
	Cleveland
Yorkshire	North Yorkshire
and	West Yorkshire
Humberside	South Yorkshire
	Humberside
North West	Lancashire
	Merseyside
	Greater Manchester
	Cheshire
	Derbyshire (North)

(e) In the following industry groupings - defined using the classification system provided by the Kompass directory (304):

Clothing and Footwear

24.01 Textile Raw Materials - Cotton

24.02 Textile Raw Materials - Wool

24.03 Textile Raw Materials - Animal hair and natural fibre

24.04 Textile Raw Materials - Man-made fibres

24.10 Footwear

24.20 Umbrellas and Walking Sticks

24.30 Outerwear

24.31 Men's and Boys' Ready-made Suits, Jackets and Trousers

24.32 Women's and Girls' Suits, Skirts and Slacks

24.33 Men's Shirts, Underwear and Overalls

24.34 Ladies' Dresses and Blouses

24.35 Ladies' Lingerie and Nightwear, Infants' Wear

24.36 Corsetry

24.37 Gloves

24.38 Headwear

24.39 Clothing Accessories

24.41 Made-up Textile Goods

24.45 Canvas Goods

24.51 Protective and Safety Clothing

Furniture and Fittings

26.01 Domestic Furniture - Wooden

26.02 Domestic Furniture - Wooden

26.03 Wooden Office and Institutional Furniture

26.04 Metal and Metal-framed Furniture

26.05 Basket Furniture and Caneware

26.06 Shopfittings and Contract Furnishers

26.07 Metal and Metal-framed Furniture

26.08 Hospital Furniture and Equipment

26.10 Self-assembly Furniture

25.96 Household and Other Wooden Products

25.14 Wooden Doors, Windows etc.

Chemicals and Chemical Products

31.01 Acids and Alkalis

31.03 - 31.06 Inorganic Chemicals

31.07 Gases

31.08 Dyestuffs and Tanning Meterials

31.09 - 31.15 Organic Chemicals

31.17 Explosives and Ammunition

31.18 Pyrotechnics and Matches

31.19 Basic Plastics, Synthetic Resins and Rubbers

31.20 Vegetable and Animal Oils and Greases

31.31 Paints, Varnishes and Putties

31.34 Pigments

31.35 Printing Inks etc

31.41 Insecticides

31.43 Disinfectants

31.50 Manures and Fertilisers

31.60 Aerosol Propellants

31.70 - 31.72 Special Purpose Chemicals

31.74 Radioisotopes

31.80 - 31.81 Chemicals(Supplementary Items)

31.90 Polishes

31.92 Starches

31.94 Soaps and Detergents

31.95 Oils

31.96 Pharmaceutical Preparations

31.97 Non-ethical Medicinal Preparations

31.98 Cosmetics

Scientific and Industrial Instruments

39.01 Medical, Dental and Veterinary Apparatus

39.02 Medical, Dental and Veterinary Apparatus

39.03 Electromedical and Nuclear Medical Apparatus

39.04 Testing Machines and Equipment

39.06 Laboratory Equipment

39.07 - 39.08 Laboratory and Analytical Instruments

39.09 Optical Analytical and Opthalmic Instruments

39.10 Binoculars, Telescopes

39.11 Spectacles and Magnifiers

39.12 Optical Lenses

39.13 Optical Accessories

39.14 Photographic Apparatus

39.15 Photographic Processing Equipment

39.18 Marine and Aircraft Instruments

39.19 Surveying and Meteorological Equipment

39.20 Underwater, Environmental Instruments

39.21 Drawing and Mathematical Instruments

39.25 Scientific and Professional Instruments

39.31 Clocks and Watches

39.32 Timing Equipment

39.33 Counters and Tachometers

39.34 Temperature Measuring and Controlling Instruments

39.35 Pressure Measuring and Controlling Instruments

39.36 Flow or Level Measuring and Controlling Instruments

39.37 Moisture, Specific Gravity etc. Measuring and Controlling Instruments

39.38 Photoelectric Controls and Miscellaneous
39.39 Automatic Process Control Systems
39.40 Automatic Process Control Systems
39.99 Professional and Industrial Models

2. Universe Listing

The Kompass directory listing gave the total national industrial grouping for each of the four areas.

Building the universe listing from this involved three stages of cross-referencing:

(a) cross-referencing total industry lists with company descriptions to identify exporting firms,
(b) cross-referencing the exporter lists with company information to identify those located in the North of England,
(c) cross-referencing the lists of exporters in the North of England with company descriptions to identify those of medium-size.

This process led to the identification of the following numbers of firms:

	No. of Firms
Clothing	155
Furniture	130
Chemicals	112
Instrumentation	122
	519

Reservations

Certain qualifications must be noted relating to the validity of the selection process described above.

(i) The universe lists inevitably include the errors derived from the compilation of the directory itself.
(ii) The cross-referencing described in (a) above required that firms identify themselves as exporters, so it is likely that firms with small export sales or which have recently started to export or have recently stopped exporting may be excluded and thus underrepresented in the sample.

(iii) A small number of firms did not give company details allowing the size of the firm to be assessed, and these were omitted from the universe listing.

(iv) A number of firms were listed in more than one industry and these were included in only one of the lists. This allocation was based on the company description of the business or in the absense of this information at random. This means that the total industry sizes are understated, since it was necessary to remove this double-counting.

(v) The 15 firms responding to the pilot sample, and the 6 firms giving depth interviews were excluded from the universe listings.

3. Respondent Selection

In view of the small numbers involved in the universe listing, it was decided to adopt a census approach, and all potential respondents identified were approached to participate in the survey.

4. Sampling Units

The sampling units varied according to the information available in the directory details, but the following priorities were applied:

1. Named Export Manager/Director
2. Named Marketing Manager/Director
3. Named Sales Manager/Director
4. Named Managing Director/Chief Executive
5. Un-named - Managing Director for firms with less than 1,000 employees
   - Marketing Director for firms with 1,000 to 2,000 employees.

APPENDIX IX POSTAL SURVEY QUESTIONNAIRE

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Faculty of Business and Management Studies

Department of Administrative
and Management Studies
Head of Department
G Mitchell BA, MBIM, FRSA

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Newcastle upon Tyne NE1 8ST
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Newcastle upon Tyne NE2 1T
Telephone 0632 815231

Division of Marketing and Distribution

Replies should be sent to address A/B

30th November 1979

EXPORT RESEARCH PROJECT

Dear Sir

We are carrying out a survey of export policies among firms in the North of England, and would greatly appreciate your assistance in completing the attached questionnaire, for which a reply paid envelope is enclosed.

In return for this help, we would be pleased to send you a copy of the results of the survey, so that you can compare your own policies with those of other exporters.

Please accept our assurances that this project is not fact-gathering for its own sake, but aims to help in offering real practical assistance to exporters in the region, which will ultimately benefit us all. The results are intended to be particularly relevant to smaller firms in designing export policies, especially from the point of view of bridging the gap between text-book theory and real-life practice.

Naturally, your responses will be completely confidential and anonymous, and all questionnaires will be destroyed once the answers have been extracted and combined with others. The questionnaire has been coded, but this is solely for statistical purposes.

This guarantee of confidentiality is given personally by the researcher and professionally, in terms of the Market Research Society Code of Practice.

May I thank you in advance for your help, and hope that the results of the survey to be sent to you will be of value.

Yours faithfully

Nigel Piercy
Senior Lecturer in Marketing Studies

Newcastle upon Tyne Polytechnic
Department of Administrative
and Management Studies

EXPORT RESEARCH PROJECT

nstructions

1) The subject of this survey is exporting, meaning here:

all sales to buyers outside the U.K., <u>including</u> users, retailers, agents and distributors etc., but <u>excluding</u> transfers to subsidiary or parent companies abroad (if any).

2) If your company is part of a group, please reply only for your company/division.

lease remember that any information given here is confidential and will not be lentified with you or your company. The coding on this form is for statistical rposes only.

Codi only

SECTION 1 EXPORT STRATEGY

(a) Please show the number of countries to which you export directly at present.

Number of countries to which we export	Please tick ONE box	
0 - 5		1-3
6 - 20		5
21 - 50		7
51 - 100		
More than 100		

(b) Which of the following most closely represents your present export policy

Export policies	Please tick ONE box	
Limiting the number of export markets to which we sell to a small number (i.e. less than 12)		9
Selling to more than 12 markets, but not to all that we could		
Selling to as many export markets as possible		

(c) <u>If you sell to more than 20 different export markets</u> -

which of the following most closely represents your present policy

Export policies	Please tick ONE box	
Concentrating most attention on a small number of the markets to which we sell (i.e.12 or less)		11
Giving a similar amount of attention to most of the markets to which we sell		

d) <u>If you sell to more than 20 different export markets</u> -

what are the reasons for following this policy, rather than the alternative of concentrating efforts on a small number of "key" markets

13

15

Please show your ranking of the importance to your company of the competitive weapons listed (i.e. 1st, 2nd, 3rd etc),
(a) in selling to the U.K. market,
(b) in selling to export markets,

Competitive weapons	(a) Ranking of importance selling to the U.K. market	(b) Ranking of importance selling to export markets
Product quality		
Product design		
Price		
Personal selling		
Advertising		
Distribution		
Other (please specify)		

SECTION 3 EXPORT PRICING

(a) Please show if you charge the same ex-works prices* (in Sterling) in export as in the U.K. and in all export markets

	Please delete as applicable
We charge the same ex-works prices in export as in the U.K.	YES / NO
We charge the same ex-works prices in all export markets	YES / NO

Where ex-works is the price of the goods ready to leave the factory, excluding osts of delivery, insurance etc.

(b) Please show if your export prices are based on your U.K. ex-works prices

	Please delete as applicable
Are your export prices based on your U.K. ex-works prices	YES / NO

c) Please show which of the following methods of pricing is closest to describing your policies in
(i) pricing goods to be sold in the U.K.
(ii) pricing goods to be sold in export markets

thods of pricing	(i) Pricing for the U.K. market Please tick ONE box	(ii) Pricing for the export markets Please tick ONE box
ding a percentage to full costs ost-plus)		
icing to achieve a target rate of turn on investment		
icing on direct or marginal cost		
llowing a market leader		
icing by reference to the general vel of competitors' prices		
icing by prior investigation of stomer reaction		
icing by judgement of what the rket will bear		
her (please specify)		

Codi only

17

23

33

34

35

37

38

39-45

Cod
onl

d) Please show the currency in which you invoice export customers

Our exports are invoiced in	(i) to all export markets Please tick ONE box	(ii) to some export markets (please specify which)
£ Sterling		
The customer's own currency		
United States $ (except where this is the customer's own currency)		
Some other country's currency (please specify which)		

47

49-5

(e) If you invoice all or some of your exports in £ Sterling

please show here the reasons for pursuing this policy, rather than the alternative of invoicing in the customer's own currency

52

(f) If you invoice all or some of your exports in £ Sterling

please show your price reaction (if any) to changes in the value of £ Sterling, as the pound floats against other currencies

	(i) when the £ floats down (decreases in value) are your prices to export customers Please tick ONE box	(ii) when the £ floats up (increases in value) are your prices to export customers Please tick ONE box
Reduced in £		
Held the same in £		
Increased in £		

54

55

(g) If you invoice all or some of your exports in foreign currency

please show your price reaction (if any) to changes in the value of £ Sterling, as the pound floats against other currencies

	(i) when the £ floats down (decreases in value) are your prices to export customers Please tick ONE box	(ii) when the £ floats up (increases in value) are your prices to export customers Please tick ONE box
Reduced in the foreign currency		
Held the same in the foreign currency		
Increased in the foreign currency		

57

58

SECTION 4 EXPORT OBJECTIVES

(a) Please show here the main objective pursued by your company:
(i) in marketing to the U.K.
(ii) in export marketing

bjectives pursued	(i) in the U.K. Please tick ONE box	(ii) in exporting Please tick ONE box
o earn the maximum short-run profit		
o earn the maximum long-run profit		
o earn a satisfactory rate of profit		
o gain the highest possible market share		
o sell as much as possible		
o sell surplus capacity, not taken up n the U.K. market	N/A	
Other (please specify)		

(b) Which of the following is most true of your company at present

	Please tick ONE box
ur exports are mainly unsolicited orders from abroad	
e export primarily to make up sales volume that cannot e sold in the U.K.	
Export is our main source of growth	

SECTION 5 EXPORT MARKETING INFORMATION

5 Please show here the sources of export market information:
(a) that you use at all
(b) that are most important (please rank 1st, 2nd, 3rd etc.)

Sources of information	(a) that you use at all please tick as appropriate	(b) that are most important please rank - 1st, 2nd, 3rd, etc.
alesman reports		
istributor/agent reports		
arket research surveys		
est marketing		
overnment information services		
ank information services		
ress reports		
ther (please specify)		

SECTION 6 YOUR COMPANY

(a) Please show the approximate % of your total sales contributed by exports in the last 12months

0 - 10%	51 - 60%
1 - 20%	61 - 70%
1 - 30%	71 - 80%
1 - 40%	81 - 90%
1 - 50%	91 -100%

(b) Please show the approximate number of employees in your firm or division

Less than 200	
201 - 500	
501 -1000	
More than 1000	

you wish to receive a copy of the results of the survey YES / NO

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Replies should be sent to address A/B

EXPORT RESEARCH PROJECT

4th January 1980

Dear Sir

You may recall that I wrote to you at the end of November last, requesting your assistance in a survey of export policies among firms in the North of England.

As you have not replied, I wonder if I could ask you to give the matter attention. I enclose a further copy of the questionnaire and reply-paid envelope.

The objective of this project is to help exporters in the North of England, which will ultimately benefit us all. Naturally, all replies in the survey are confidential.

I hope that you will feel able to participate in the survey, and that you will accept a copy of the results, when they are available, by way of thanks for your help.

Yours faithfully

Nigel Piercy
Senior Lecturer in Marketing Studies

APPENDIX X POSTAL SURVEY RESULTS

Response Rates to Postal Survey

The total response numbers analysed by industry are shown in Table X.1 below. In addition, the responses to the initial mail-out of questionnaires, and to the reminder mail-out, are differentiated in Table X.2 and Figures X.1.

Marketing Information Types

The data presented in the body of the text regarding the types of marketing information used by firms are summarised from a multiple choice question. For the sake of completeness, Table X.3 shows more fully the combinations of information types used.

Reasons for Sterling Invoicing

Similarly, the data presented in the text for the reasons given by firms for invoicing in Sterling represent the summarisation of multiple choice responses to an open-ended question. For the sake of reporting completeness, Table X.4 shows the combinations of reasons given for Sterling invoicing by firms.

TABLE X.1

POSTAL SURVEY RESPONSE RATE BY INDUSTRY

	INDUSTRIES				
	Clothing	Furniture	Chemicals	Instruments	TOTAL
Initial Mail-out	155	130	112	122	519
Useable Responses	60	69	60	61	250
Response Rate	39%	53%	54%	50%	48%

FIGURE X.1 RESPONSES TO POSTAL SURVEY

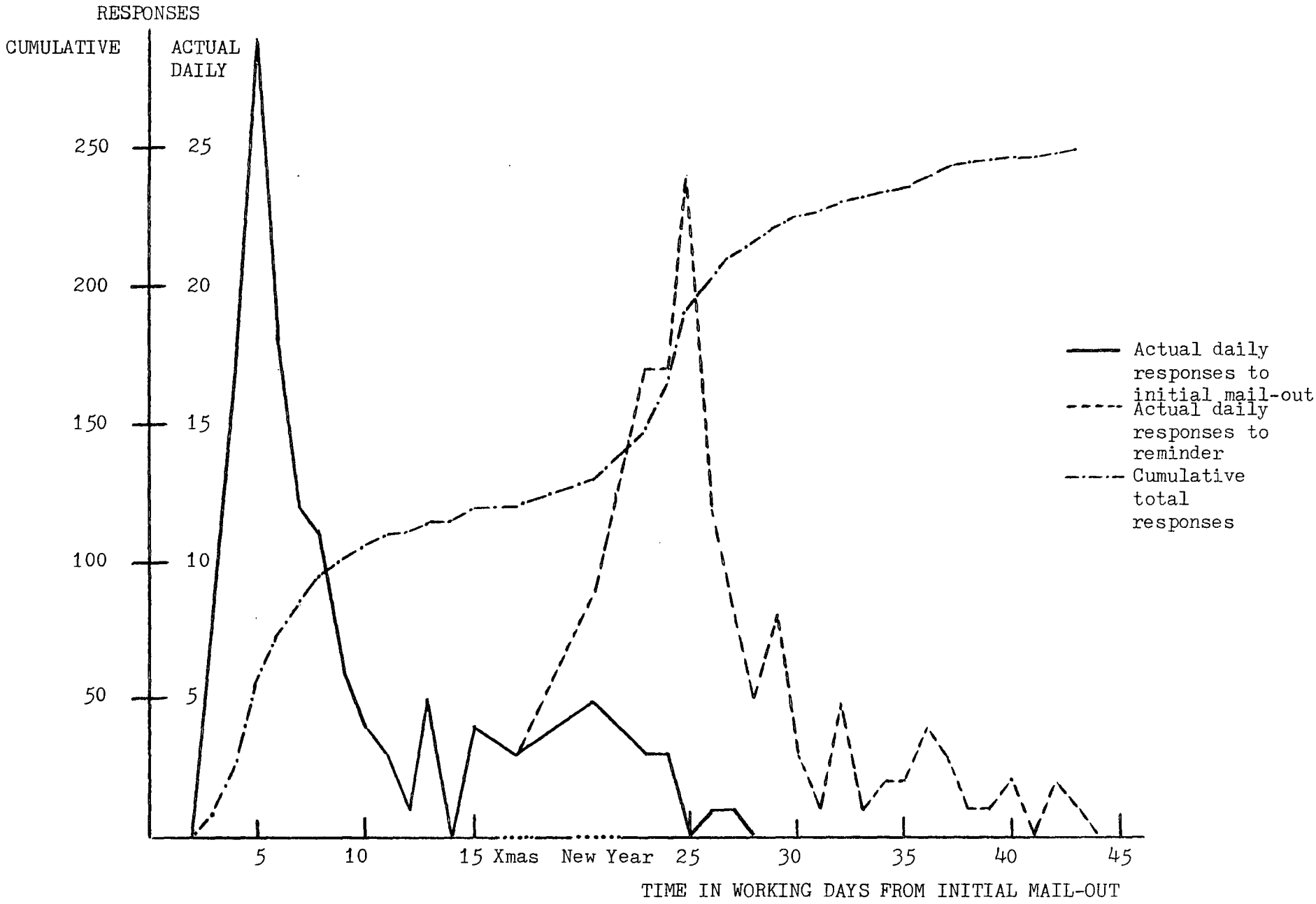

TABLE X.2

POSTAL SURVEY RESPONSE RATE TO INITIAL MAILING AND REMINDER

	INDUSTRIES				
	Clothing	Furniture	Chemicals	Instruments	TOTAL
Number of replies to initial mail-out	23	42	35	36	136
Response rate to initial mail-out	15%	32%	31%	30%	26%
Number of replies to reminder mail-out	37	27	25	25	114
Response rate to reminder mail-out	24%	21%	22%	20%	22%
Total number of useable responses	60	69	60	61	250
Total response rate	39%	53%	54%	50%	48%

TABLE X.3

MARKETING INFORMATION TYPE COMBINATIONS BY INDUSTRY

MARKETING INFORMATION	INDUSTRIES Clothing No.		Furniture No.		Chemicals No.		Instruments No.		TOTAL No.	
Intelligence	14	24%	7	10%	8	13%	7	12%	36	15%
Primary	2	3%	1	2%	0	-	0	-	3	1%
Secondary	0	-	2	3%	1	2%	0	-	3	1%
Others	1	2%	0	-	0	-	0	-	1	-
Intelligence + Primary	6	10%	5	8%	1	2%	5	8%	17	7%
Intelligence + Secondary	22	38%	25	37%	21	35%	26	43%	94	38%
Primary + Secondary	0	-	1	2%	0	-	0	-	1	-
All Types	13	22%	26	39%	29	48%	22	37%	90	37%
	58		67		60		60		245	

TABLE X.4

REASONS FOR STERLING INVOICING: COMBINATIONS

	No.
1 Company preference	11
2 Local currency not possible	3
3 Sterling strategy	8
4 Risk avoidance	55
5 Customer pressure	23
6 Agent pressure	4
7 Tradition	7
8 Administrative ease	29
9 Administrative economy	8
Other reasons	4
4 + 8	20
5 + 8	10
4 + 5	7
5 + 7	5
4 + 7	4
7 + 8	3
8 + 9	3
1 + 8	1
1 + 5	1
1 + 9	1
2 + 7	1
2 + 4	1
2 + 5	1
2 + 8	1
2 + 3	1
3 + 8	1
3 + 7	1
4 + 6	1
5 + 9	1
6 + 8	1
	217

TABLE X.5

EXPORT MARKETING OBJECTIVES AND COMPANY SIZE

OBJECTIVES	NUMBER OF EMPLOYEES 100-200 No.	201-500 No.	501-1000 No.	1001-2000 No.	TOTAL No.
Profit	68 67%	42 65%	27 77%	16 64%	153 68%
Volume	31 30%	23 35%	8 23%	9 36%	71 31%
Other	3 3%	-	-	-	3 1%
	102	65	35	25	227

* See significance test XI.73

TABLE X.6

EXPORT MARKETING OBJECTIVES AND COMPANY INTERNATIONALISATION

OBJECTIVES	TYPE OF INTERNATIONALISATION Exports are mainly unsolicited orders from abroad No.	Exporting is primarily to make up sales volume that cannot be sold in UK No.	Exporting is the main source of growth No.	TOTAL No.
Profit	31 70%	29 60%	86 69%	146 68%
Volume	13 30%	19 40%	37 30%	69 32%
Others	-	-	1	1 -
	44	48	124	216

* See significance test XI.74

TABLE X.7

EXPORT OBJECTIVES AND PRICE DISCRIMINATION AGAINST THE UK

OBJECTIVES	EXPORT PRICES THE SAME FOR EXPORT AS UK? Yes No.	No No.	TOTAL No.
Profit	52 71%	102 65%	154 67%
Volume	21 29%	51 33%	72 32%
Other	-	3 2%	3 1%
	73	156	229

* See significance test XI.75

TABLE X.8

EXPORT OBJECTIVES AND PRICE DISCRIMINATION BETWEEN EXPORT MARKETS

OBJECTIVES	EXPORT PRICES THE SAME IN ALL EXPORT MARKETS? Yes No.	No No.	TOTAL No.
Profit	53 71%	98 66%	151 67%
Volume	21 28%	49 33%	70 31%
Other	1 1%	2 1%	3 1%
	75	149	224

* See significance test XI.76

TABLE X.9

EXPORT OBJECTIVES AND THE RANKING OF PRICE

OBJECTIVES	RANKING OF PRICE IN EXPORT MARKETING 1st No.	2nd No.	3rd orlower No.	TOTAL No.
Profit	39 61%	39 66%	71 77%	149 69%
Volume	25 39%	20 34%	18 20%	63 29%
Other	-	-	3 3%	3 2%
	64	59	92	215

* See significance test XI.77

APPENDIX XI

STATISTICAL TESTING OF DATA

This Appendix consists of a tabulation of the tests of significance used to analyse the data collected in the survey of exporters.

In each citation there is a reference code, used in the text, a page reference to the text, and a description of the variables involved in the test. The test itself is summarised and the inference shown under Conclusions.

Ref.	Page	Data	Variables	Test	Conclusions
XI.1	27	Table 1	Postal survey response rates and industries	Proportions of Co's responding: Clothing: 60/155=39%, Others: 190/364=52%, SE difference between proportions= $\sqrt{\frac{p_1q_1}{n_1} + \frac{p_2q_2}{n_2}} = 4.7\%$ ∴95% Confidence Limit= ±9.4% ∴difference of 13% is outside this limit	The difference in response rates between the Clothing industry and all others is significant at the 95% level of confidence
XI.2	28	Table 2	Company sizes and industries	Chi-square = 10.64 with 9 degrees of freedom, Critical Chi-square values: 99%: 1.73 to 23.59 95%: 2.70 to 19.02	There is no evidence of a significant difference in company sizes between industries
XI.3	29	Table 3*	Export contributions to sales and industries	Chi-square = 34.2 with 12 degrees of freedom, Critical Chi-square values: 99%: 3.07 to 28.30	There are differences in export sales contributions between industries, significant at 99% confidence
XI.4	32	Table 4	Stage of internationalisation and industries	Chi-square = 12.76 with 6 degrees of freedom Critical Chi-square values: 95%: 1.24 to 14.45 90%: 1.64 to 12.59	The difference is just significant at the 90% level of confidence
XI.5	32	Table 4	Stage of internationalisation and industrial sectors	Proportions of Co's with export as the main source of growth, i.e. active exporters: Consumer (Clothing + Furniture): 55/119=46% Industrial (Chemicals + Instruments): 75/112=67% SE difference = 6.4% ∴ 99% Confidence Limit = ± 19.2% ∴ difference of of 21% is outside 99% CL	The difference between the sectors is significant at the 99% confidence level

* All Tables asterisked are re-cast for significance testing to avoid cells containing less than 5 responses

Ref.	Page	Data	Variables	Test	Conclusions
XI.6	33	Table 5*	Type of internationalisation and company size	Chi-square = 11.27 with 4 DF, Critical Chi-square values: 95%: 0.484 to 11.14	The difference is significant at a 95% level of confidence
XI.7	34	Table 6*	Type of internationalisation and export sales contribution	Chi-square = 64 with 6 DF, Critical Chi-square values: 99%: 0.676 to 18.55	The difference is significant at a 99% level of confidence
XI.8	36	Table 7*	UK and export marketing objectives	Chi-square = 50.5 with 4 DF, Critical Chi-square values: 99%: 0.207 to 14.86	The difference is significant at a 99% level of confidence
XI.9	37	Table 8*	UK marketing objectives and industries	Chi-square = 14.06 with 9 DF, Critical Chi-square values: 90%: 3.33 to 16.92	The difference is not significant even at a 90% confidence level and could be caused by sampling error
XI.10	38	Table 9*	Export marketing objectives and industries	Chi-square = 10.16 with 6 DF, Critical Chi-square values: 90%: 1.64 to 12.59	The difference is not significant even at a 90% confidence level and could be caused by sampling error
XI.11	41	Table 10	Profit and volume objectives in UK and export	Proportions of Co's pursuing profit objectives: UK: 176/221 = 80%, Export: 68/232 = 68%, SE difference = 4.08% $\therefore$ 95% Confidence Limit = $\pm$ 8.16% $\therefore$ difference of 12% is outside 95% CL	The difference is significant at a 95% level of confidence

Ref.	Page	Data	Variables	Test	Conclusions
XI.12	41	Table 10	Profit and volume objectives in UK and export	Proportions of Co's pursuing volume objectives: UK: 42/221 = 19%, Export: 72/232 = 31%, SE difference = 4.02%, ∴ 95% Confidence Limit = ± 8.04% ∴ difference of 12% is outside 95% CL	The difference is significant at a 95% level of confidence.
XI.13	49	Table 12*	Market numbers and industries	Chi-square = 28.9 with 9 DF, Critical Chi-square values: 99%: 1.73 to 23.59,	The difference is significant at a 99% level of confidence
XI.14	44	Text	Market numbers	Chi-square = 265 with 2 DF	The difference is highly significant
XI.15	44	Text	Market numbers	Chi-square = 107 with 2 DF	The difference is highly significant.
XI.15a	45	Text	Market numbers	Chi-square = 22.2 with 2 DF, Critical Chi-square values: 99%: 0.01 to 10.6,	The difference is significant at a 99% level of confidence.
XI.16	47	Text	Market numbers	Chi-square = 3.49 with 3 DF, Critical Chi-square values: 90%: 0.711 to 7.81,	The difference is not significant even at a 90% confidence level.
XI.17	47	Text	Market numbers	Chi-square = 16.4 with 3 DF, Critical Chi-square values: 99%: 0.072 to 12.84,	The difference is significant at a 99% level of confidence.
XI.18	48	Text	Market numbers	Proportions of Co's dealing with 1-20 markets: IMR Study: 164/274 = 60%, This Study: 138/250=55% SE difference = 4.3%, ∴ 95% Confidence Limit = ± 8.6% ∴ difference of 5% is within these limits	The difference is not significant at a 95% level of confidence.

Ref.	Page	Data	Variables	Test	Conclusions
XI.19	48	Text	Market numbers	Proportion of exporters dealing with 51-100 markets IMR Study: 23/274=8%, This Study: 37/250=15%, SE difference = 2.8%, ∴ 95% Confidence Limit = ± 5.6% ∴ difference of 7% is outside 95% CL	The difference is significant at a 95% level of confidence
XI.20	49	Table 12*	Market numbers and industries	Chi-square = 28.9 with 9 DF, Critical Chi-square values: 99%: 1.73 to 23.59	The difference is significant at a 99% level of confidence.
XI.21	51	Table 13	Market numbers and export contrib-utions	Chi-square = 101 with 4 DF	The difference is highly significant
XI.22	55	Table 14	Market limitation policies and industries	Chi-square = 14.7 with 6DF, Critical Chi-square values: 95%: 1.24 to 14.45,	The difference is just significant at a 95% level of confidence.
XI.23	56	Table 15	Market concen-tration and industries	Chi-square = 2.01 with 3 DF, Critical Chi-square values: 90%: 0.352 to 7.81,	The difference is not significant even at a 90% level of confidence
XI.24	58	Table 17	Concentration strategy and Industry	Chi-square = 2.37 with 3 DF, Critical Chi-square values: 90%: 0.352 to 7.81	The difference is not significant even at a 90% level of confidence.
XI.25	61	Table 18	Export strategy and objectives	Proportions of exporters pursuing profit: Concentrators: 100/139=72%, Spreaders: 56/92=61%, SE difference = 6.4%, ∴ 95% Confidence Limit = ± 12.8% ∴ difference of 11% is within 95% CL	The difference is not significant at a 95% level of confidence, but only at a 90% level.

Ref.	Page	Data	Variables	Test	Conclusions
XI.26	62	Table 19	Export strategy and internationalisation	Chi-square = 3.9 with 2 DF, Critical Chi-square values: 90%: 0.103 to 5.99	The difference is not significant even at a 90% level of confidence
XI.27	75	Table 22	Market spreading reasons and market numbers	Proportions of Co's concentrating within large market numbers: 20-50 markets: 23/67=34%, over 50 markets:9/43=21%, SE difference = 8.1%, $\therefore$ 95% Confidence Limit = $\pm$ 16.2% $\therefore$ difference of 13% is within this limit	The difference is not significant at a 95% level of confidence. $Z = \frac{13}{8.1} = 1.6$ This value of Z has a 0.11 probability of being explained by sampling error.
XI.27a	76	Table 23	Market spreading reasons and export contributions	Proportions of firms concentrating with high and low export contributions: 0-40% Contrib=24/74=32%, Over 40% Cont=7/35=20%, SE difference = 8.7%, $\therefore$ 95% Confidence Limits = $\pm$ 17.4% $\therefore$ difference of 12% is within this limit	The difference is not significant at a 95% level of confidence. $Z = \frac{12}{8.7} = 1.4$ This value of Z has a 0.16 probability of being explained by sampling error.
XI.28	83	Table 27	Marketing information sources and industries	Proportions of firms using primary sources: Clothing: 21/58=36%, Others: 90/187=48%, SE difference = 7.3%, $\therefore$ 95% Confidence Limits = $\pm$ 14.6% $\therefore$ difference of 12% is within this limit. Proportions of firms using secondary sources: Clothing: 35/58=60%, Others: 153/187=82%, SE difference = 7.0% $\therefore$ 95% Confidence Limits = $\pm$ 14.0% $\therefore$ difference of 22% is outside the 95% CL	The difference is not significant at a 95% level of confidence. The difference is significant at a 95% level of confidence.

Ref.	Page	Data	Variables	Test	Conclusions
XI.28a	78	Table 25	Market spreading reasons and export strategy	Proportion of firms reducing risks: Concentrators: 6/64=9%, Spreaders: 8/45=18%, SE difference = 6.8%, ∴ 95% Confidence Limits = ± 13.6% ∴ difference of 9% is within 95% CL	The difference is not significant at a 95% level of confidence.
XI.28b	78	Table 25	Market spreading reasons and export strategy	Proportions of firms maximising volume: Concentrators: 7/64=11%, Spreaders: 14/45=31%, SE difference = 7.9%, ∴ 95% Confidence Limits = ± 15.8% ∴ difference of 20% is outside 95% CL	The difference is significant at a 95% level of confidence.
XI.28c	79	Table 26	Market spreading reasons and internationalisation	Proportion of firms pursuing Concentration Plus: Reactive+Passive: 5/26=19%, Active: 23/76=30%, SE difference = 9.3%, ∴ 95% Confidence Limits = ± 18.6% ∴ difference of 11% is within 95% CL	The difference is not significant at a 95% level of confidence.
XI.28d	79	Table 26	Market spreading reasons and internationalisation	Proportion of firms maximising volume: Reactive+Passsive: 3/26=12%, Active: 16/76=21%, SE difference = 7.9%, ∴ 95% Confidence Limits = ± 15.8% ∴ difference of 9% is within 95% CL	The difference is not significant at a 95% level of confidence.
XI.28e	84	Table 28	Information sources and Co. size	Proportions of Co's using primary data: Less than 500 employees: 69/177 = 39%, More than 500 employees: 40/63 = 63%, SE difference = 7.1%, ∴ 99% Confidence Limits = ± 21.3% ∴ difference of 24% is outside 99% CL	The difference is significant at a 99% level of confidence.
XI.28f	84	Table 28	Information sources and Co. size	Proportions of Co's using secondary sources: Less than 500 employees: 129/177 = 73%, More than 500 employees: 55/63 = 87%, SE difference = 5.4% ∴ 95% Confidence Limits = ± 10.8% ∴ difference of 14% is outside 95% CL	The difference is significant at a 95% level of confidence.

Ref.	Page	Data	Variables	Test	Conclusions
XI.28g	85	Table 29	Information source numbers and Co size	Chi-square = 19.4 with 6 DF, Critical Chi-square values: 99%: 0.676 to 18.55	The difference is significant at a 99% level of confidence.
XI.29	87	Table 30	Information source numbers and export strategy	Chi-square = 5.6 with 6 DF, Critical Chi-square values: 90%: 1.64 to 12.59	There is no significant difference even at a 90% level of confidence.
XI.30	88	Table 31	Information types and export strategy	Proportion of Co's using primary data: Concentrators: 76/144=53%, Spreaders: 35/95=37%, SE difference = 6.5%, $\therefore$ 95% Confidence Limits = $\pm$ 13.0% $\therefore$ difference of 16% is outside 95% CL	The difference is significant at a 95% level of confidence.
XI.31	91	Table 32	Marketing mix rankings in UK and export	Chi-square = 12.8 with 3 DF, Critical Chi-square values: 95%: 0.216 to 9.35	The difference is significant at a 95% level of confidence.
XI.32	93	Table 33	Price rankings and information in exporting	Chi-square = 1.1 with 6DF, Critical Chi-square values: 95%: 0.676 to 18.55	The difference is not significant at a 95% level of confidence.
XI.33	93	Table 33	Price rankings and information in UK	Chi-square = 5.6 with 6 DF, Critical Chi-square values: 95%: 0.676 to 18.55	The difference is not significant at a 95% level of confidence.
XI.34	95	Table 34	Price rankings and export strategy	Proportion of Co's ranking price 1st: Concentrators: 37/138=27%, Spreaders: 30/89=34%, SE difference = 6.3%, $\therefore$ 95% Confidence Limits = $\pm$ 12.6%, $\therefore$ difference of 7% is within 95% CL	The difference is not significant at a 95% level of confidence.

Ref.	Page	Data	Variables	Test	Conclusions
XI.35	95	Table 34	Price rankings and export strategy	Chi-square = 3.0 with 3 DF, Critical Chi-square values: 90%: 0.352 to 7.81	The difference is not significant even at a 90% level of confidence.
XI.36	97	Table 35	Prices based on UK in export	60% of Co's answered Yes SE = 3.2%	99% Confidence Limits = 60% ± 6.4% = 53.6 to 66.4
XI.37	99	Table 36	Export prices the same as UK	67% of Co's answered No SE = 3.0%	95% Confidence Limits = 67% ±6.0% = 61% to 73%
XI.38	100	Table 37	Export prices the same in all markets	65% of Co's answered No SE = 3.1%	95% Confidence Limits = 65% ± 6.2% = 58.8% to 71.2%
XI.39	102	Table 38	Price discrimination vs UK and internationalisation	Chi-square = 10.62 with 2 DF, Critical Chi-square values: 99%: 0.01 to 10.60	The difference is just significant at a 99% level of confidence.
XI.40	103	Table 39	Price discrimination between export markets	Chi-square = 15.1 with 2 DF, Critical Chi-square values: 99%: 0.01 to 10.6	The difference is significant at a 99% level of confidence.
XI.41	105	Table 40	Price discrimination vs UK and export strategy	Proportion of Co's not discriminating: Concentrators: 39/149=26%, Spreaders: 43/97=44%, SE difference = 6.2%, ∴ 95% Confidence Limits = ± 13.4% ∴ difference of 18% is outside 95% CL	The difference is significant at a 95% level of confidence.
XI.42	106	Table 41	Price discrimination between export markets	Proportion of Co's not discriminating: Concentrators: 45/148=30%, Spreaders: 40/93=43%, SE difference = 6.4%, ∴ 95% Confidence Limits = ± 12.8% ∴ difference of 13% is outside 95% CL	The difference is significant at a 95% level of confidence.

Ref.	Page	Data	Variables	Test	Conclusions
XI.43	108	Table 42	Price discrimination vs UK and information sources	Chi-square = 8.0 with 2 DF, Critical Chi-square values: 95%: 0.05 to 7.38	The difference is significant at a 95% level of confidence
XI.44	109	Table 43	Price discrimination between export markets and information sources	Chi-square = 8.4 with 2 DF, Critical Chi-square values: 95%: 0.05 to 7.38	The difference is significant at a 95% level of confidence
XI.45	111	Table 44	Price discrimination vs UK and price ranking	Proportion of Co's not discriminating: Price 1st: 15/64=23%, Price lower: 63/55=41%, SE difference = 6.6%, $\therefore$ 95% Confidence Limits = $\pm$ 13.2% $\therefore$ difference of 18% is outside 95% CL	The difference is significant at a 95% level of confidence
XI.46	112	Table 45	Price discrimination between export markets and price ranking	Proportion of Co's not discriminating: Price 1st: 15/64=23%, Price lower: 40/95=42%, SE difference = 7.3%, $\therefore$ 95% Confidence Limits = $\pm$ 14.6% $\therefore$ difference of 19% is outside 95% CL	The difference is significant at a 95% level of confidence
XI.47	116	Table 47	Export pricing methods and industries	Chi-square = 33.7 with 6 DF, Critical Chi-square values: 99%: 0.676 to 18.55	The difference is significant at a 99% level of confidence
XI.48	119	Table 49	Pricing methods	Proportions of Co's using cost-based pricing: UK: 145/217=67%, Export: 118/232=51%, SE difference = 5.1%, $\therefore$ 99% Confidence Limits = $\pm$ 15.3%, $\therefore$ difference of 16% is outside 99% CL	The difference is significant at a 99% level of confidence

Ref.	Page	Data	Variables	Test	Conclusions
XI.49	122	Table 51	Export pricing methods and objectives	Proportions of Co's using cost-based pricing: Profit objectives: 78/150=52%, Volume objectives: 32/69=46%, SE difference = 7.3%, ∴ 95% Confidence Limits = ± 14.6%, ∴ difference of 6% is within 95% CL	The difference is not significant at a 95% level of confidence
XI.50	124	Table 52	Export pricing methods and internationalisation	Proportions of Co's using cost-based pricing: Stage 1: 29/45=64%, Stage 3: 54/121=45%, SE difference = 8.3%, ∴ 95% Confidence Limits = ± 16.6%, ∴ difference of 19% is outside 95% CL	The difference is significant at a 95% level of confidence
XI.51	124	Table 52	Export pricing methods and internationalisation	Proportions of Co's using cost-based pricing: Stage 1: 29/45=64%, Stage 2: 27/50=54%, SE difference = 9.9%, ∴ 95% Confidence Limits = ± 19.8% ∴ difference of 10% is within 95% CL	The difference is not significant at a 95% level of confidence
XI.52	124	Table 52	Export pricing methods and internationalisation	Proportions of Co's using cost-based pricing: Stages 1 & 2: 56/95=59%, Stage 3: 54/121=45%, SE difference = 6.8%, ∴ 95% Confidence Limits = ± 13.6%, ∴ difference of 14% is outside 95% CL	The difference is significant at a 95% level of confidence
XI.53	126	Table 53	Export pricing methods and export strategy	Proportions of Co's using cost-based pricing: Concentrators: 66/141=47%, Spreaders: 51/90=57%, SE difference = 6.7%, ∴ 95% Confidence Limits = ± 13.4%, ∴ difference of 10% is within 95% CL	The difference is not significant at a 95% level of confidence
XI.54	130	Table 55	Export pricing methods and price ranking	Chi-square = 8.5 with 2 DF, Critical Chi-square values: 95%: 0.05 to 7.38	The difference is significant at a 95% level of confidence

Ref.	Page	Data	Variables	Test	Conclusions
XI.54a	134	Table 57	Invoice currencies and industries	Proportion of Co's invoicing in US $: Clothing and Furniture: 11/129 = 9%, Chemicals and Instruments: 27/120 = 23%, SE difference = 4.6%, ∴ 99% Confidence Limits = ± 13.8%, ∴ difference of 14% is outside 99% CL	The difference is significant at a 99% level of confidence
XI.55	160	Table 63	Sterling invoicing reasons and market numbers	Proportions of Co's pursuing Sterling strategy: 0-50 markets: 4/176=2%, 50+ markets: 7/41=17%, SE difference = 6.0%, ∴ 95% Confidence Limits = ± 12.0%, ∴ difference of 15% is outside 95% CL	The difference is significant at a 95% level of condidence
XI.56	162	Table 65	Sterling invoicing reasons and export contributions	Proportions of Co's pursuing risk avoidance: 0-40% Contributions: 75/174 = 43%, 40%+ Contributions: 13/40 = 33%, SE difference = 8.1%, ∴ 95% Confidence Limits = ± 16.2%, ∴ difference of 10% is within 95% CL	The difference is not significant at a 95% level of confidence
XI.57	162	Table 65	Sterling invoicing reasons and export contributions	Proportions of Co's subject to customer pressure: 0-20% Contributions: 28/110=25%, Others:19/104=18% SE difference = 5.6%, ∴ 95% Confidence Limits = ± 11.2%, ∴ difference of 7% is within 95% CL	The difference is not significant at a 95% level of confidence
XI.58	162	Table 65	Sterling invoicing reasons and export contributions	Proportions of Co's stating Ease/Economy: 0-20% Contribution: 46/110=42%, Others:33/104=32%, SE difference = 6.6%, ∴ 95% Confidence Limits = ± 13.2%, ∴ difference of 10% is within 95% CL	The difference is not significant at a 95% level of confidence

Ref.	Page	Data	Variables	Test	Conclusions
XI.59	163	Table 66	Sterling invoicing reasons and Co size	Proportion of Co's pursuing Sterling strategy: 0-500 empees: 4/156=3%, Over 500 empees: 7/57=12%, SE difference = 4.5%, ∴ 95% Confidence Limits = ± 9.0% ∴ difference of 9% is just inside 95% CL	The difference is just significant at a 95% level of confidence
XI.60	165	Table 67	Invoice currencies and international-isation	Proportion of Co's invoicing in customers' curr: Stage 1: 8/49=16%, Stages 2 + 3: 72/181=40%, SE difference = 6.4%, ∴ 99% Confidence Limits = ± 19.2%, ∴ difference of 24% is outside 99% CL	The difference is significant at a 99% level of confidence
XI.61	167	Table 68	Invoice currencies and export strategy	Proportion of Co's invoicing in customers' curr: Concentrators: 60/150=40%, Spreaders: 25/98=26% SE difference = 6.0%, ∴ 95% Confidence Limits = ± 12.0%, ∴ difference of 14% is outside 95% CL	The difference is significant at a 95% level of confidence
XI.62	169	Table 69	Invoice currencies and no. of information sources	Proportion of firms invoicing in customers' curr: 1-3 sources: 34/107=32%, Others: 51/137=37%, SE difference = 6.1%, ∴ 95% Confidence Limits = ± 12.2%, ∴ difference of 5% is within 95% CL	The difference is not significant at a 95% level of confidence
XI.63	171	Table 70	Invoice currencies and price ranking	Proportion of firms invoicing in customers' curr: Price 1st: 21/67=31%, Price 3rd & lower:37/97=38%, SE difference = 7.0%, ∴ 95% Confidence Limits = ± 14.0%, ∴ difference of 7% is within 95% CL	The difference is not significant at a 95% level of confidence
XI.64	179	Table 71	Price reactions to floatation and industries	Proportion of Co's increasing prices: Chemicals: 10/51=20%, Others: 9/170=5%, SE difference = 5.8%, ∴ 95% Confidence Limits = ± 11.6% ∴ difference of 15% is outside 95% CL	The difference is significant at a 95% level of confidence

Ref.	Page	Data	Variables	Test	Conclusions
XI.65	189	Table 76	Reasons for Sterling invoicing and areas	Proportions of Co's mentioning risk avoidance: Small sample: 5/32=16%, Total sample: 88/217=41%, SE difference = 7.3%, ∴ 95% Confidence Limits = ± 14.6% ∴ difference of 25% is outside 95% CL	The difference is significant at a 95% level of confidence
XI.66	189	Table 76	Reasons for Sterling invoicing and areas	Proportions of Co's mentioning admin ease: Small sample: 6/32=19% , Total sample: 81/217=37%, SE difference = 7.7%, ∴ 95% Confidence Limits = ± 15.4%, ∴ difference of 18% is outside 95% CL	The difference is significant at a 95% level of confidence
XI.67	189	Table 76	Reasons for Sterling invoicing and areas	Proportion of Co's mentioning Tradition: Small sample: 11/32=34%, Total sample: 22/217=10%, SE difference = 8.6%, ∴ 95% Confidence Limits = ± 17.2%, ∴ difference of 24% is outside 95% CL	The difference is significant at a 95% level of confidence
XI.68	189	Table 76	Reasons for Sterling invoicing and areas	Proportion of Co's mentioning Sterling strategy: Small sample: 17/32=41%, Total sample:11/217=5%, SE difference = 8.8%, ∴ 95% Confidence Limits = ± 17.6%, ∴ difference of 36% is outside 95% CL	The difference is significant at a 95% level of confidence
XI.69	189	Table 76	Reasons for Sterling invoicing and areas	Proportion of Co's mentioning customer pressure: Small sample: 12/32=38%, Total sample: 48/217=22%, SE difference = 9.0%, ∴ 95% Confidence Limits = ± 18.0%, ∴ difference of 16% is within 95% CL	The difference is not significant at a 95% level of confidence
XI.70	179	Table 71	Price reactions to currency changes	Proportion of Co's reducing £ prices in float up: Chemicals: 5/51=10%, Others: 8/173=5%, SE difference = 4.5%, ∴ 95% Confidence Limits = ± 9.0% ∴ difference of 5% is within 95% CL	The difference is not significant at a 95% level of confidence

Ref.	Page	Data	Variables	Test	Conclusions
XI.71	179	Table 71	Price reactions to currency changes	Proportion of Co's holding prices constant in a float down: Local currency invoicers: 75/114 = 66% Sterling invoicers: 186/226 = 82%, SE difference = 5.1%, ∴ 99% Confidence Limits = ± 15.3%, ∴ difference of 16% is outside 99% CL	The difference is significant at a 99% level of confidence
XI.72	179	Table 71	Price reactions to currency changes	Proportion of Co's holding prices constant in a float up: Local currency invoicers: 74/113 = 65%, Sterling invoicers: 191/224 = 85%, SE difference = 5.1%, ∴ 99% Confidence Limits = ± 15.3%, ∴ difference of 20% is outside 99% CL	The difference is significant at a 99% level of confidence
XI.73	282	TableX.5	Export objectives and Co size	Proportion of Co's pursuing profit: 100-500 empees: 110/164=67%, Others: 43/60=72%, SE difference = 6.9%, ∴ 95% Confidence Limits = ± 13.8%, ∴ difference of 5% is within 95% CL,	The difference is not significant at a 95% level of confidence
XI.74	283	Table X.6	Export objectives and Co inter-nationalisation	Proportion of Co's pursuing profit: Stage 2: 29/48=60%, Others: 117/167=70%, SE difference = 7.9%, ∴ 95% Confidence Limits = ± 14.8%, ∴ difference of 10% is within 95% CL	The difference is not significant at a 95% level of confidence
XI.75	284	Table X.7	Export objectives and price discrim ination vs UK	Proportion of Co's pursuing profit: Non-discriminators: 53/73=71%, Discriminators: 102/156=65%, SE difference = 6.6%, ∴ 95% Confidence Limits = ± 13.2%, ∴ difference of 6% is within 95% CL	The difference is not significant at a 95% level of confidence

Ref.	Page	Data	Variables	Test	Conclusions
XI.76	285	Table X.8	Export objectives and price discrimination between export markets	Proportion of Co's pursuing profit: Non-discriminators: 53/74 = 71%, Discriminators: 98/149 = 66%, SE difference = 6.5%, ∴ 95% Confidence Limits = 13.0%, ∴ difference of 5% is within 95% CL	The difference is not significant at a 95% level of confidence
XI.77	286	Table X.9 *	Export objectives and price ranking	Chi-square = 7.35 with 2 DF, Critical Chi-square values: 95%: 0.05 to 7.38	The difference just fails to be significant at a 95% level of confidence