

CHAPTER 2

LITERATURE REVIEW

The purpose of this chapter is to conceptualize the constructs of this research. For this purpose, the relevant literature is reviewed and summarized. This chapter is divided into seven parts, focusing on the following five theories: mercantilism, the theory of absolute advantage, the theory of comparative advantage, resource-based theory, and international marketing capabilities. Much of the original breakthrough research done in the field of export competitiveness was completed in the 1990s as internet and intranet capabilities became common and electronic data interchange (EDI) helped bring about instant access to information regarding exports and the entire supply chain.

Part 1: Literature to Support the Framework

Definitions of Export Competitiveness

Export competitiveness can be broadly defined as a firm's outcome achieved through international sales (Shoham, 1998). Outcomes encompass financial and strategic aspects of competitiveness and should also cover a time horizon sufficient to capture change (Shoham, 1998).

Cavusgil and Zou (1994) defined export competitiveness as the extent to which a firm's objectives, both economic and strategic with respect to

exporting a product into a foreign market, are achieved through planning and execution of export marketing.

Export competitiveness can also be conceptualized as a strategic response by management to the interplay of internal and external forces (Cavusgil & Zou, 1994).

At the firm level, Slater (1996) proposes three elements to focus on in order to sustain competitive advantage, including customer value of the product, service, or a combination of the two. Superior value can be gained by providing the greatest benefit to customers through differentiation strategies. A sustainable superior value is created by the ability to prevent the competition from undermining the original firm's competitive advantage. A firm's specific capabilities to sustain competitive advantage are quality, speed, excellent service, cost control, innovation, and the learning culture of the firm. Bartlett and Ghoshal (1987) suggest that a firm can create competitive advantage from network coordination, basing their conclusions on a study of more than 250 managers at multinational corporations. Firms can also pool and share resources to reduce costs and focus on innovation. Porter (1990b) suggests two basic types of competitive advantage: lower cost and product differentiation (See Figure 1).

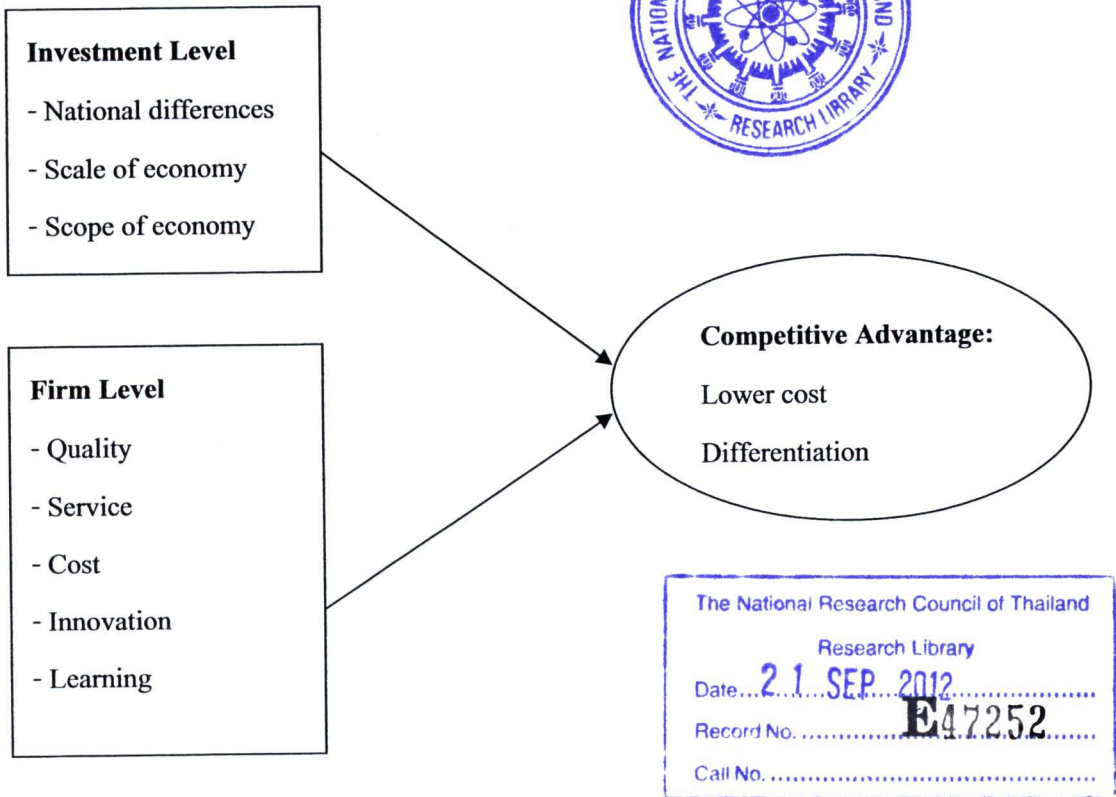


Figure 1 Level of factors influencing competitive advantage.

Differentiation advantage is the ability to produce unique products with superior value in terms of quality, special features, and better after-sales services. Lower cost advantage is defined as the ability of a firm to produce, design, and market the relative product more efficiently than its competitors. This includes conducting all activities within the firm at a low cost with highly productive labor and manufacturing (Porter, 1990b). The two types of competitive advantage then take on the additional dimension that is the competitive scope of the firm (Porter, 1990b). The focus of a firm applies the firm's activities on a broad or narrow front, depending on the strategy taken. The scope of competitive advantage is the breadth of the firm's targeted area, and the firm must choose the range of products that it plans to produce. A

broadly fronted scope is reflected in the company's wide product lines. The narrow front is generally known as the niche strategy (Porter, 1990a).

Competitive advantage can be measured by innovation, productivity, learning, efficiency, risk management, and product quality (Porter, 1990a). The present study concentrates on both innovation and productivity to measure a firm's competitive advantage because both cover the other proposed measures well. Accordingly, innovation reflects the differentiation advantage, and productivity reflects the lower cost advantage (Porter, 1990a). Both innovation and productivity can be measured objectively in the field of managerial accounting (Kotler, 1997). However, most research in competitive advantage creates scales and questions to measure competitive advantage subjectively (Styles, Patterson, & Ahmed, 2008). This study measures a firm's competitive advantage by using export performance, a method accepted by managerial accounting researchers in measuring differentiation within a firm.

Aaby and Slater (1989) reviewed and synthesized export performance data of a number of firms between 1987 and 1988. They identified a wide range of variables associated with a firm's success in exporting and defined two board categories of independent variables:

1. Firm characteristics
2. Strategy and firm competencies that increase the effectiveness of export strategy.

The Aaby and Slater strategic export model proposed direct relationships between competencies, strategy, and performance; and an indirect relationship between firm characteristics and performance, with strategy as an intervening

variable. The weakness is that it seemed to be limited to management influences only, which left out external environment influences, an element examined in this paper (See Figure 2).

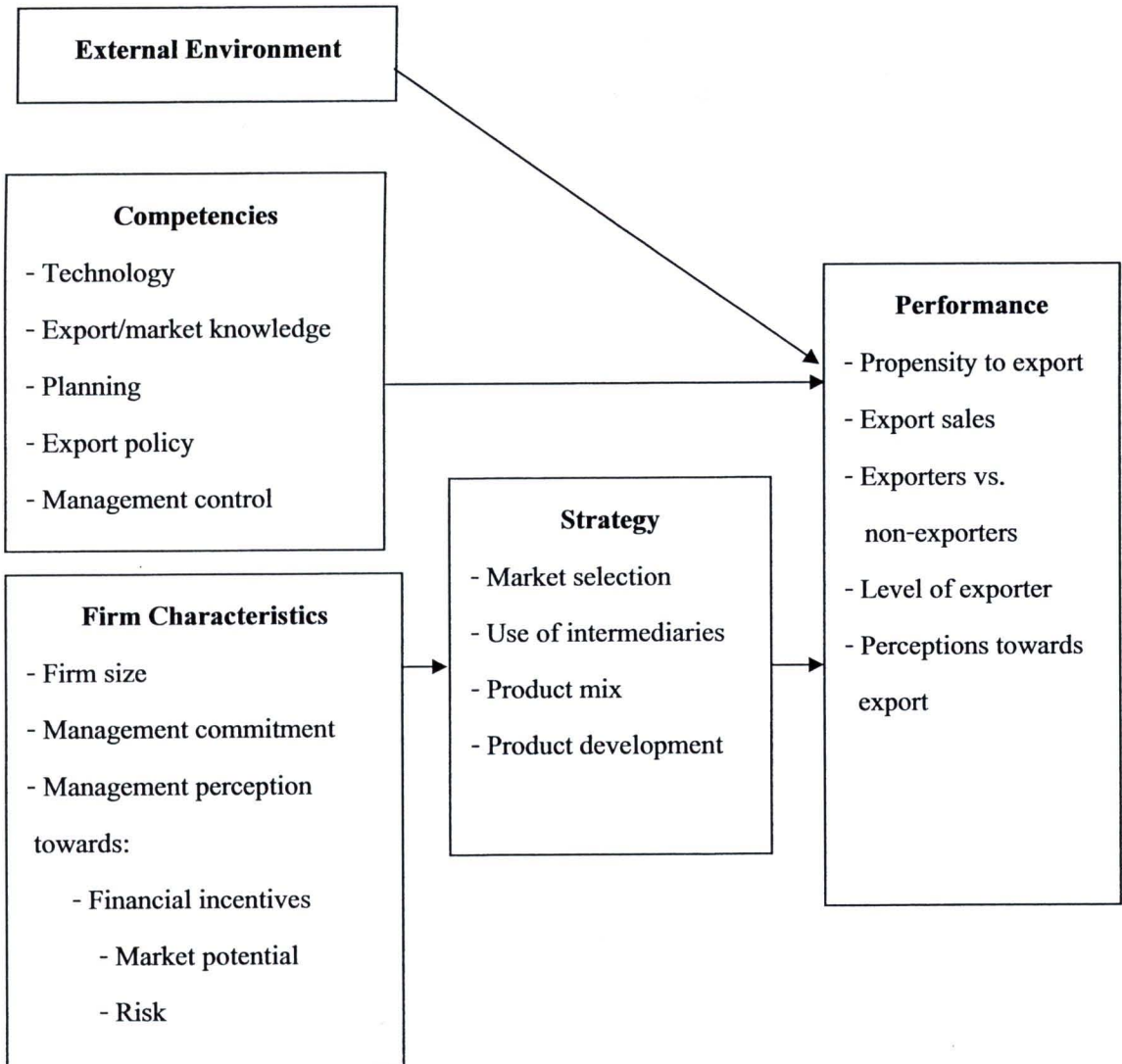


Figure 2 A Strategic model of export performance.

Note. Form “Management Influences on Export Performance: A Review of the Empirical Literature 1978-1988,” by N. E. Aaby and S. F. Slater, 1989, *International Marketing Review*, 6(4), p. 190.

Cavusgil and Zou (1994) made an important research contribution in order to overcome the weakness in previous reviews and focused on export performance by including both internal and external determinants of export performance. They suggested that export performance could be conceptualized as a strategic response by management to the interplay of internal and external forces. Internal forces relate to organizational characteristics such as firm and product, and external forces include industry and export market characteristics (see Figure 3).

This strategic management model also considers strategy and resources as factors which are firm-specific influences on performance.

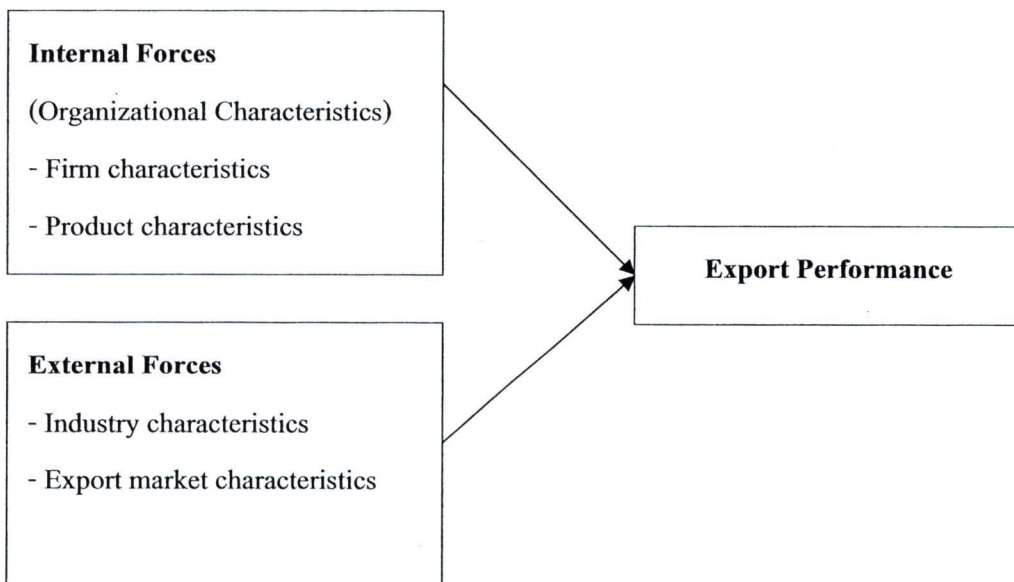


Figure 3 Conceptual model of export performance.

Note. From “Marketing Strategy-Performance Relationship: An Investigation of the Empirical Link in Export Market Ventures,” by S. T. Cavusgil and S. Zou, 1994, *Journal of Marketing*, 58(3), p. 15.

Naidu and Prasad (1994) presented a conceptual framework for export development strategy and performance. Their paper notes that a firm's resources and competencies exert a major influence on that firm's export development strategy, which in turn, interacts with the international marketing environment affecting performance (See Figure 4).

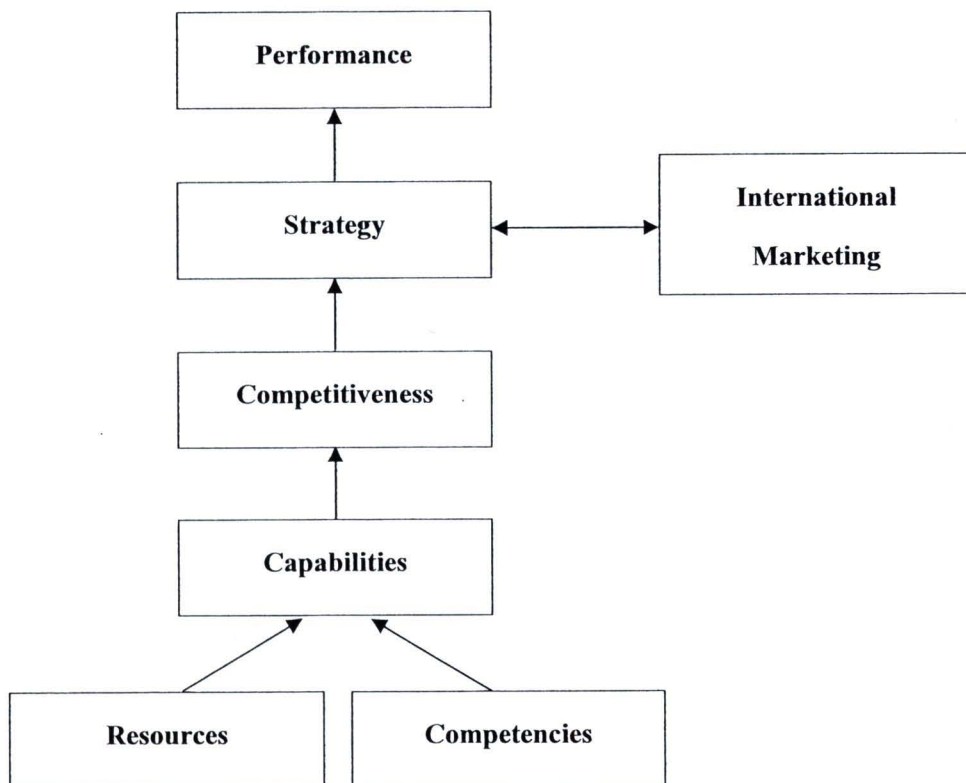


Figure 4 Strategic export performance model.

Note. Form “Predictors of Export Strategy and Performance of Small and Medium Sized Firms,” by G. M. Naidu and V. K. Prasad, 1994. *Journal of Business Research*, 31(2-3), p. 108.

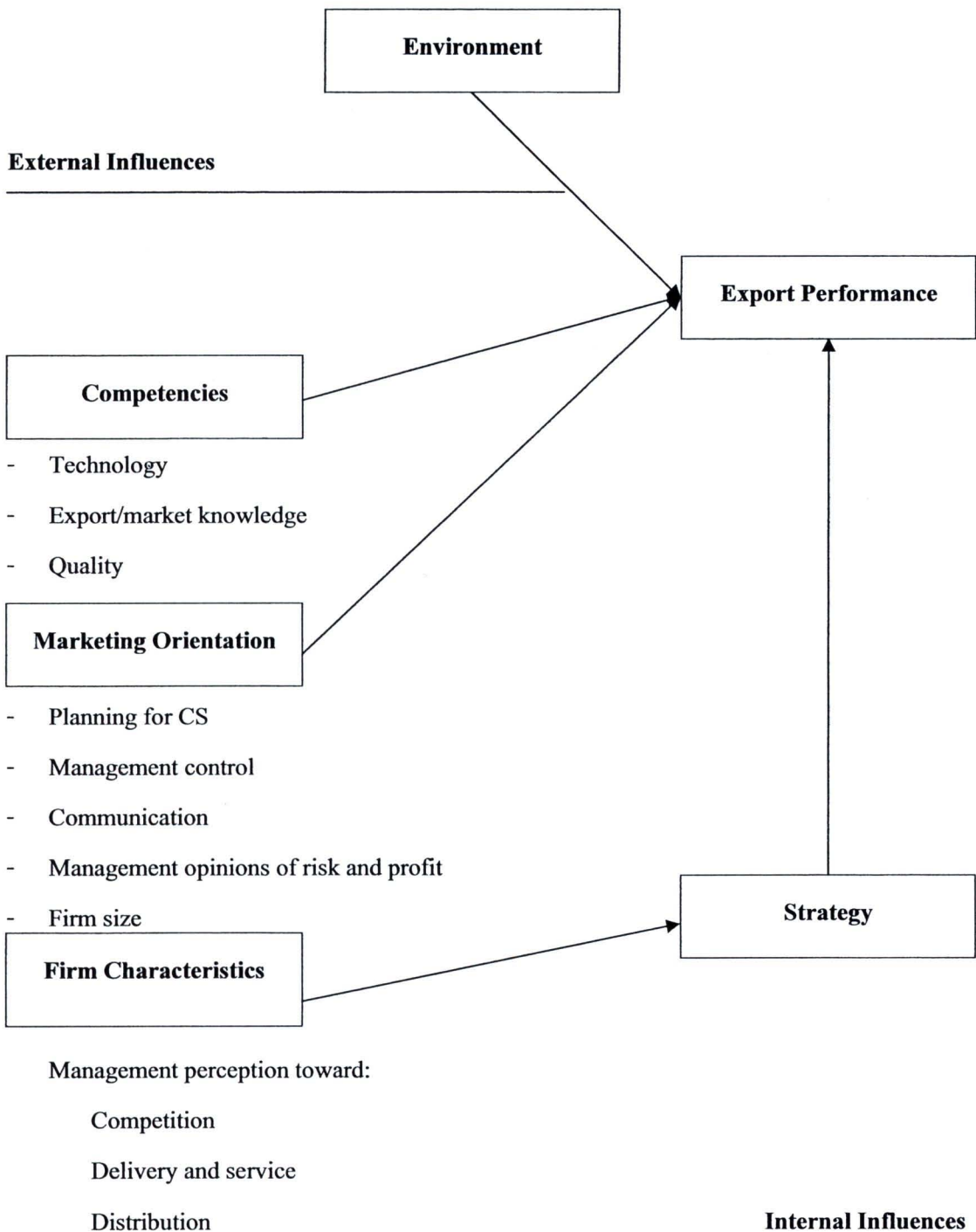


Figure 5 General model for assessing export performance.

Note. Form “Management Influences on Export Performance: A Review of the Empirical Literature 1978-1988,” by N. E. Aaby and S. F. Slater, 1989, *International Marketing Review*, 6(4), p. 191.

From the five theoretical models mentioned earlier, it appears to be that Slater (1996), Porter (1990b), and Cavusgil and Zou (1994) treat both internal and external forces as the major driving forces behind export performance. On the other hand, neither Aaby and Slater (1989) nor Naidu and Prasad (1994) include external forces as a major driving force. They have only considered a firm's characteristics, competencies and managerial characteristics in their analytical studies.

Table 4

Export Competitiveness Measurements Used in Previous Research

Export Competitiveness	Illustrative Studies
Export Performance	Aaby and Slater, 1989, Christensen and Da Rocha, 1994
- Export marketing strategy	
- Managers' attitudes and perceptions	
- Managers' characteristics	
- Firm characteristics and competencies	
- Industry and foreign and domestic market characteristics	
Export Sales Level	Cavusgil and Zou (1994),
Internal (controllable)	Cavusgil and Zou (1994), Chetty and Hamilton (1993)
- Export market strategy	
- Management attitudes and perception (uncontrollable)	
- Management characteristics	
- Firm characteristics and competencies	



Table 4 (continued)

Export Competitiveness	Illustrative Studies
External (uncontrollable)	Porter (1990b)
- Industry characteristics	
- Foreign market characteristics	
- Domestic market characteristics	
Product Attributes	King (2007), Fazeli (2000)
- Differentiation strategy	
- Export performance	
Product Adaptation and Product Strength	Cavusgil and Zou (1994), Fazeli (2000), Christensen and Rocha (1994)
Product Quality	Green (2005), Porter (1990a)
Firm Size	Chetty and Hamilton (1993), Shoham (1998)
Differentiation Strategy	Aaby and Slater (1989), Porter (1990b)
Promotion	Aaby and Slater (1989), Cavusgil and Zou (1994)
Price Adaptation	Chetty and Hamilton (1993)
Market Orientation	Styles et al. (2008), Van Gils (2000)
Management International Experience	Aaby and Slater (1989), Christensen and Rocha (1994)

Part 2: Overview of World Trade and Market Characteristics

Important Role of Exports

Exports remain an essential component of the Thai economy as the production capabilities of the country are greater than domestic demand for the goods and services produced here. One of the widely-accepted indicators

for comparing export levels among countries is the amount of exports as a percentage of gross domestic product (GDP) (The World Bank, 2010).

According to the World Bank, Thailand is an export driven economy, with exports amounting to over 70% of the country's GDP. The most recent data is as follows:

Table 5

Exports as of GDP

Year	2005	2006	2007	2008
Exports as a% of GDP	74	74	73	77

Note. From *Exports of Goods and Services (%GDP)*, by The World Bank, 2010, Retrieved 7, April 2010, form <http://data.worldbank.org/indicator/NE.EXP.GNFS.ZS/countries>>

The export sector is the key factor driving Thailand's economic growth. Exports have helped accomplish the following:

1. Driven organizations to expand investment and create demand for labor. When exports grow, companies expand production and increase capital investments, especially in consumer goods industries. It is therefore one of the factors causing an increased demand for labor. In turn, unemployment drops when exports increase; this is another major benefit of running a current account surplus.

2. Helped in the importation of foreign currency. Foreign currencies contribute to the amount of stable reserves in a country's treasury. This will

help stabilize the Thai Baht, because with an increase in foreign currency reserves, the Thai public and private entities can repay debts with a choice of whichever currency is the most advantageous to use at the time. Thai export companies also remain stable with goods and services exported with foreign currency as payment. American dollars, Japanese yen, British pounds sterling, and EU euros are the most widely-accepted currencies in world markets; however the International Monetary Fund (IMF) and certain countries such as China and Russia would like to see an increase in the use of the IMF's SDR as a world currency (The World Bank, 2010). This may prove to be important for Thailand as China becomes the largest importer of Thai goods.

3. Created added value. This allows products to have higher value. For hundreds of years countries have tried to limit the importation of finished goods and only import raw materials, whenever possible, to use in their own domestic manufacturing and value-added processes (Drucker, 1986).

4. Reduced manufacturing costs. When the original manufacturer of the product acts within the domestic market alone, volume is not very high. When goods are exported to foreign countries, volume will increase. This reduces the cost per unit for the manufacturer, thus increasing profits. A benefit for Thailand is that its labor and capital supplies can produce far more than domestic demand would allow, thus creating the substantial export sector currently present in the country.

5. Helped advance the spread of technology. Expanded export production helps improve the level of technology in production. World markets are intensely competitive environments. The use of technology in

production increases competitiveness which helps enhance the technology of other countries as well.

Part 3: Theory and Concept of International Trade

Mercantilism

This theory of trade began in Europe during the seventeenth and eighteenth centuries when modern states were beginning to develop, becoming more prominent in the eighteenth century when gold specie was the de-facto world currency (Rugman & Verbeke, 2002). The theory assumed that the power and strength of a nation would rise as the nation's wealth increased. Exports increased gold stock while imports reduced gold stock. The rationale was to increase the economic power of the country by promoting exports and discouraging imports. The protectionist mechanisms were intended to protect the country's interests first and foremost. Secondly, if an external force were to attack the country, gold could be used to hire soldiers to fend off the attackers or sue for peace. Without an adequate supply of gold, a country could not pay its soldiers (or mercenaries) and defend its national interests. In addition, exports increased domestic production and reduced the unemployment rate.

Mercantilism was based on two faulty assumptions however. The first is that gold has value in itself. Gold, as a medium of exchange, has value only when it is used or traded for other products or services. Secondly, the theory failed to recognize the benefits gained from the comparative advantage of

using the nation's resources in the most efficient ways possible. Another question arises from the imbalance of supply and demand. If all nations promote exports and impede imports, the supply of products offered would be greater than the demand. The market becomes out of equilibrium and trade on excessive supply will no longer be beneficial to the supplier.

The notable mercantilist writers of the time were themselves statesmen and merchants. Their thoughts were never collected into one solid philosophy until much later, but the tenets of this school of thought were dominant during that time period.

International Trade

In an analysis of the potential in the successful exportation of Thai products among international competition, an understanding of international trade theories is important. The behavior of exporting or importing products should be based on cost comparisons as measured by the amount of products that can be produced by sacrificing another product that we want (Drucker, 1986). A theory incorporating this concept was developed by David Ricardo and called comparative advantage theory (Theory of Comparative Advantage).

Useful Indices

Over time, the theory of comparative advantage has developed into a set of quantitative metrics used to analyze the comparative advantages of products in a variety of indices including the comparative advantage index

display (Revealed Comparative Advantage Model--RCA) model, market share constant (Constant Market Share Model--CMS), the actual rate of protection (Effective Rate of Protection--ERP) and domestic resource cost (Domestic Resource Cost--DRC). These can be used to analyze the potential exportation of Thai products against the potential of competing countries. This study applies the analytical index of comparative advantage (Revealed Comparative Advantage Model--RCA) by determining the rate of exports of countries studied compared with the rate of world exports (Dominguez & Sequeira, 1993). In addition, indices are used which are based on changes in market share in the relevant period.

The ratio of the index reflects the comparative advantage or disadvantages of exporting countries by a given portion of export products. In addition, the ratio also demonstrates the ability to produce specialized products according to the interests of the country studied. Comparative advantage also appears in products in the interest of the study when compared with other countries and their respected policies.

The Policy on Trade and International Trade

Thoughts regarding trade policy and international trade have continued to evolve from the pre-Christian era. The evolution of ideas and trade policies are divided into the following five phases (Acedo, 2006).

Phase one--Ancient: Consistent trade was essential and beneficial to countries. Reasons for trade ranged from differences in available resources to the exploitation of a conquered area.

Phase two-Medieval: Commercial profit was regarded as a sin. Trade was usually in the form of finished products and raw materials.

Phase three-Popular Commercial Trading Policy: Trade was focused on winning an advantage in international trade over partner countries. Trade surpluses were desired.

1. Gold and silver was seen as a form of wealth accumulation and perceived as the best way to ensure political power and national identity.

2. Countries used nationalistic policies in the pursuit of wealth accumulation.

3. Raw materials were imported without duties to facilitate domestic manufacturers, while taxation of finished goods was introduced to protect domestic manufacturers.

4. Trade with colonies was exclusive between the parent and colonial cities. Products were exported from the colonies to the mother city (tax applied) before being forwarded to other cities. Additionally, shipping was monopolized by the major power at the time.

Resource-Based Theory

There are certain factors that led to the creation of resource-based theory. The starting point for the formulation of strategy must be some statement of the firm's identity and purpose. Identifying customers and the best ways in which to serve them are essential elements of every business, especially those in the export business.

However, when the external environment is in a constant state of flux, the firm's own resources may be a much more stable basis on which to define an identity. Hence, the definition of a business, in terms of what it is capable of doing, may offer a more durable basis for strategy than a definition based upon the needs that the business seeks to satisfy. However, customer needs cannot be ignored totally because they are also critical to the sustainability of the company.

In resource-based theory, a firm is viewed as a collection of productive resources (Penrose, 1959; Wernerfelt, 1984). These resources are worth more to the firm than their individual market values because of the specialized links between them within the firm (Barney, 1991; Penrose, 1959).

Resource-based theory suggests that differences in firms' strategic resources are causally related to differences in product or service attributes, and thus, to competitive advantages and differences in performance (Alvarez, 2007). Strategic resources are those firm-specific resources that we view as valuable, scarce, and imperfectly imitable, and that provide a disproportionate contribution to perceived customer value (Barney, 1991). Firms are viewed as bundles of resources (Wernerfelt, 1984) which include all inputs that allow a firm to operate and implement its strategies (Baron, 2007). Firms' resources can be tangible or intangible, and may be developed within the firm or acquired in the market (Barney, 2001).

The literature presents various classifications of resources which can be summarized as input factors, assets, and capabilities or competencies (Barney, 1991; Barney, 2001; Drucker, 1986; Makadok, 2001). Input factors are

generic resources that can be acquired in the market. Supply chain enabled factors include management-specific components (e.g., computer skills, order processing skills, unloading skills). Input factors are transformed to become part of the firm's assets or capabilities and competencies. Assets are stocks of available factors that are owned or controlled by the firm (Barney, 2001).

The resource-based view of the firm provides a foundation for understanding the dynamics of firm performance. When the external environment is highly uncertain or volatile, the resources and capabilities of the firm provide "a more durable basis for strategy than a definition based upon the needs which the business seeks to satisfy" (Bell, McNaughton, & Bennet, 2000). If a firm does not possess the capabilities it needs to be successful, it can cooperate with other firms to obtain the needed capabilities, attempt to develop the capabilities, or acquire a firm with the needed capabilities (Barney, 2001). The critical resources of the firm do not necessarily have to reside solely within the firm as these resources span firm boundaries (Rugman & Verbeke, 2002). Since uncertainty in the business environment is an undeniable fact, an integrated export model from receipt to configuration to delivery becomes a primary driver to achieve improved levels of organizational performance.

According to Daft (2009), the resource-based view of the firm explains how a company's resources drive its performance in a dynamically competitive environment. The resource-based view combines the internal analysis of phenomena within companies with the external analysis of the industry and the competitive environment. Furthermore, the resource-based

view sees companies as very different collections of physical and intangible assets and capabilities.

The resource-based view of the firm further builds on Penrose's (1959) ideas on the theory of the firm and provides a high-level view of the organization as a set of resources and capabilities. Dunning (2008) defined a firm's capabilities as what the firm can do "as a result of teams of resources working together." Barney (1991) further specified that capabilities are the internal attributes of the firm which include all of the financial, physical, human, and organizational assets used by a firm to develop, manufacture, and deliver products or services to its customers. Firms must choose whether to develop or acquire capabilities, strategy, and profitability of the firm (Enders, 2004).

The key to a resource-based theory is the comprehension of the relationships between resources, capabilities, competitive advantages, and profitability. In particular it is important to have an understanding of the mechanisms through which competitive advantage can be sustained over time. This requires the design of strategies which exploit each of the firm's unique characteristics to achieve maximum results. Resources of the firm are the foundation for its long-term strategy because internal resources provide the basic direction for the firm's strategy while also being the primary sources of profit. Thus, each company can be considered unique at a certain time and configuration.

Marketing Strategy Concept

A firm can also be proactive in identifying customer needs and developing products that satisfy those needs. Such strategy requires that the organization devote energy to understanding input from the customer. This can include market research, the process of talking to users, and personnel rotation in order to try different unique staff configurations. Proctor and Gamble, General Mills, McDonald's and most consumer product companies use this customer-based philosophy.

Export Markets

Overall, the total value of exports of food and food parts has recovered since dropping after the 1997 economic crisis. Food exports for 2009 were projected at 722 billion baht, which represented an 8.4 percent decline from a year earlier. Thailand's food exports had previously been projected to increase significantly for the year thanks to improvements in product quality, as well as improving economies in its main export markets as predicted by the government-backed National Food Institute (NFI).

In addition, the most recent statistics from the NFI show 2010 as being a good year for exports and food exports are predicted to expand by 10% annually through 2014, capping a top value of 1.1 trillion baht. 2009 boasted total food exports of 750 billion baht for the year. The top export markets for Thai food are Japan and the United States, with each country taking approximately 17% of the total (Aoki, 1990).

Another area of special focus is the Halal market, food produced under specific guidelines abiding by Muslim food standards. There is a sizable Muslim population in Thailand, especially in the southern-most provinces. This area of the country could become more stable if Halal food manufacturing is encouraged here (The World Bank, 2010).

Part 4 Concept of Marketing Strategy

Four P's Literature Review

Philip Kotler stated that marketing managers have to specify a mix of marketing variables that will best serve each target market. The variables the marketing manager controls are known as the elements of the marketing mix. These elements are more commonly referred to as the Four P's which are product, price, place and promotion (Kotler, 1997). Each of these elements consists of variables and policy decisions that must be made on a case-by-case basis.

Product Policy

Product policy management relates to all the elements that comprise the goods, services or ideas that are offered by the marketing team. Included are all possible tangible matters such as brand recognition and warranties. Many goods are offered with an accompanying service, which is often an order winner for the salespeople in the field (Kotler, 1997).

Price Policy

Pricing policy determines the cost of products to the customers. Typically this is a point somewhere between the floor created by the costs to the firm and the ceiling created by the quantity demanded. According to economic theory, price is the only major element that can affect quantity demanded, while several other factors such as consumer confidence and brand strength can affect demand (Esteve-Perez, 2006). An important consideration of pricing policy is pricing within the channel of distribution, and a margin made by the middlemen who assist in the marketing effort must often be taken into account. Discounts to middlemen generally include functional, quantity, seasonal and cash discounts, as well as promotional allowances. An important point to remember, however, is that price is the only revenue-generating element of the marketing mix (Kotler, 1997).

Placement Policy

Distribution policy covers the place variable of the marketing mix and has two components-channel management and logistics management. Channel management is concerned with the entire process of setting up and operating the contractual organization, consisting of various types of middlemen such as wholesalers, agents, retailers and facilitators. Having a strong professional network can often lead to better channel management. Logistics management focuses on providing product availability at appropriate times and places in the marketing channel. Following modern business concepts such as lean manufacturing, just-in-time management, and supply chain management, one

can see how this element of the marketing mix is deeply rooted in demand management. Placement is often considered the element of the marketing mix which has the longest lead time because changes made within the distribution or supply chains take time to implement.

Communication policy uses promotion tools to interact with customers, middlemen and the public at large. The communications element consists of the following tools: advertising, sales promotion, personal selling and publicity. Since the purpose of product communication is to persuade the public, this is the most visible and sensitive of the marketing mix elements (Fazeli, 2000).

Blending the various elements into a coherent program requires trade-offs based on the type of product or service being offered. It will change if the product is detergent versus a fighter jet. The stage of the product's life cycle (a new product versus one that is being revived) and the resources available for the marketing effort (money and personnel), are also important for a successful marketing campaign (Green, 2005).

Product Differentiation

Some of the most important characteristics of products are the elements that distinguish them from one another. In order to make customers perceive products from one firm as being different from products from competing firms, the products must be produced with a different creation and design product process from the competition. There are three aspects of product differentiation that a company must consider when creating and offering

products for sale. They are product innovation, unique features and added value (Hofmann, 2006).

In the Thai food industry specifically there are many ways to differentiate the product itself with some attributes such as the taste, the packaging, or the ingredients targeted to certain markets (Van Gils, 2000).

Product Quality

This is the most important competency as assessed by exporters. The quality might include the durability, design, reliability and product attributes (King, 2007). Export companies must keep this in mind as one of their priorities.

The quality of the Thai food business can be generally classified into the quality of its production and the quality of its finished products (Dunning, 2008). The production quality normally controlled by the government in export countries is classified as ISO 9002, HALAL, HACCP, GMP. These classifications focus on the production process and hygienic standards. In addition, some import countries request such certificates before passing goods through custom clearance.

Adding Value with Thai Brands

Design is one factor that can differentiate a product from others and attract interest, along with its function and characteristics. If Thai products are to compete on a global level, design capabilities must improve to create a distinctive brand that stands out from others.

The strategy for accomplishing this includes organizing design competitions for products and packaging to stimulate new ideas and hone professional skills to an international level, organizing domestic and foreign exhibitions to display the works of designers, and providing opportunities for designers and business people to work together (Hunt, 2010).

Creating good brand names certainly enhances the image of Thai goods and services in the minds of consumers by creating recognition and engendering confidence, as well as increasing popularity and acceptance. Thailand's brands aim to cultivate an understanding among consumers around the world that Thailand offers a great diversity of high-quality goods and services. These companies can include the brand logo on their packaging, an inducement to maintain the quality standards that have earned them a good reputation.

One area which Thai products may want to improve on is packaging. There are foreign companies whose sole focus is innovative packaging that gives products a certain high quality feel. Companies like MeadWestvaco, International Paper, and Avery Dennison have empowered countless companies to be able to demand higher prices as their products are perceived to be of higher quality (Feeney & York, 2010).

Price Adaptation

Chetty and Hamilton (1993) concluded that the emphasis on export pricing had little effect on export performance. They suggested that more research needs to be done on the effect of price-related factors.

Generally, price adaptation seems to positively influence export sales, export growth and export profits (Chetty & Hamilton, 1993), but is insignificant in others (Besanko, 2008). However, there is still very little literature that indicates the relationship and the effects of price adaptation on export performance.

Place and Channel Adaptation

Place and channel adaptation are both elements of the marketing mix and are important determinants of export sales, profits and growth. This could probably be explained by the fact that an adapted product and channel can satisfy foreign consumer needs and preferences (Dunning, 2008). The appropriate selected channel allows a firm to transfer goods more easily into a foreign market. In Middle Eastern countries, where the demand for Thai food is increasing sharply, there is an opportunity for Thai exporters to approach the selling agencies through world trade exhibitions and large food fairs around the world. The Thai government supports half of the expenses including the shipping cost of the product display (The World Bank, 2010).

Export Promotion Strategies.

1. Use trade negotiations to open markets and eliminate trade barriers at regional and multilateral levels, particularly in major markets, such as the US and the EU. The last round of US-Thai free trade talks were held almost five years ago, and talks have yet to be renewed (The World Bank, 2010)

2. Maintain and grow shares in major export markets with promotional activities. Some 400 activities are planned, including organizing international trade fairs in Thailand, participating in overseas trade fairs, organizing trade delegations, and doing joint promotions with overseas department stores. In addition, the Thai government will continue programs to induce Thai producers and service providers to create higher value, to increase the efficiency and effectiveness in both the public and private sectors for greater competitiveness, and to continue to develop information systems.

3. Push exports to markets with promising potential with consumer sales promotions, particularly to markets in which Thai goods are popular and considered of better value than those of competitors, such as in ASEAN, China, India, the Middle East, and Africa (Ghana, South Africa, Senegal and Nigeria).

4. Increase international trade through the promotion of the Thai service trade industry. This includes existing services such as Thai restaurants, entertainment, education, spas and hospital services as well as new services such as franchises, design and construction, auto repair, and custom fashion tailoring on the Internet.

5. Reduce trade logistics costs through development of e-logistics systems to offer electronic certification services domestically and internationally. There is also promotion and development of trade logistics providers (TLP) within the country to offer more efficient and streamlined logistics services to Thai manufacturers and exporters.

6. Use design and quality development to increase the value of Thai products and services. Particular focus should be placed on product and packaging design development, consultation, development of Thai designers, utilization of foreign experts to give advice and consultation as well as the promotion of Thailand's Brand (Porter, 1986).

International Marketing Capabilities

From the viewpoint of an individual firm, marketing is the segment of business concerned with the planning, promoting, distributing, pricing, and servicing of goods and services desired by intermediate and ultimate consumers (Hunt, 2010).

Marketing includes such business activities as (Hunt, 2010):

1. Analysis of current markets and potential markets.
2. Planning and developing of products that consumers want, clearly identified in a suitable package.
3. Distribution of products through channels that provide services or conveniences demanded by purchasers.
4. Promotion of products including advertising to inform and educate consumers about products or services, or to persuade consumers to try new, improved products and different ways of satisfying their wants and needs.
5. The setting of a price which reflects both a reasonable value (and utility) of product to consumers, as well as a satisfactory profit or return on investment for the manufacturer.

6. The technical and non-technical services given to consumers both before and after a sale to ensure satisfaction and possibly pave the way for future sales necessary for company survival, growth, and perpetuation.

The definition of international marketing is different from the general definition of marketing only in that goods and services are marketed across political boundaries (Hunt, 2010). This difference changes in important ways the nature of marketing management, the solution of marketing problems, the formulation of marketing policies, and the implementation of such policies.

Part 5: Thailand and Thai Food

Thailand is one of the world's major producers and exporters of foods and is also a leader in the diverse product offering of foods, mainly due to an abundance of agricultural products, such as vegetables, fruits, seafood, livestock, and field crops. Moreover, Thai cuisine is well known and appreciated for its taste, and Thailand is recognized for meeting the highest international quality standards.

Exports of Thai food products increase every year with more than 10,000 factories processing foodstuffs and more than 2,000 exporters, using 85 percent local inputs and generating nearly US\$1 billion in annual foreign exchange earnings, which benefits Thailand's economy substantially.

Important food exports are seafood (chilled, frozen prepared and canned), canned pineapple, and chicken (chilled, frozen, and prepared). Other food exports include rice products, wheat products and other ready-to-eat

products, spices, soups and prepared foods, and animal and vegetable oils (The World Bank, 2010).

The major export markets for food exportation are Japan, the United States, the European Union, and ASEAN. New markets that have shown significant growth include Burma, the Philippines, Taiwan, Cambodia, France, Egypt, Laos, Russia, and Turkey. China is also importing a lot of Thai food and other Thai products in general (The World Bank, 2010).

Thailand's exports of ready-to-eat and ready-to-cook foods, organic agricultural products, and other health foods are expected to continue to experience substantial growth, as will exports of Halal foods. These trends reflect a consumer preference in major markets, particularly in Japan and the EU for convenience and saving time as well as health consciousness and a concern for safety, particularly amongst senior citizens. In response, the Thai government and the private sector have established and are meeting the highest food safety standards with traceability. A new trend gaining momentum and popularity in the industry is fusion food that combines different cuisines with no particular national identity. Another area that helps boost exports is using attractive, environmentally friendly packaging that appeals to consumers.

Another growth area for food exports is Thai fruit products, which generate substantial income for Thai farmers. The US is a major new market that is opening up with an agreement that permits the import of six specific fruits. They are as follows: mango, pineapple, rambutan, lychee, jackfruit, and longan.

Thai Food

Thai food is an aspect of Thai culture that is uniquely Thai. It is recognized around the world. Thai cooking is both a science and an art. The “science” is exhibited when the food is cooked to maintain the quality, whereas the “art” is made meticulously to create a harmony of flavor, aroma, and color.

Definitions and Identity of Thai Food

Food is not only a means by which people obtain nutrition and maintain life. Thai food is considered a combination of a rich collective cultural history transmitted through generations. The characteristics of Thai food include salty, sweet, sour and spicy, balanced within each dish. Using fresh ingredients allows for the cuisine to be adopted by health conscious consumers.

Classification of Thai Food

The aroma of Thai food is generally divided into the following categories or may be divided according to the cooking method that is employed:

1. Curries can be sub-classified based on the number of spices found in the mixture. Curry is a primary or basic component of many Thai soups such as Muslim curry. Curries are found in an array of colors such as yellow, orange, red, and green, which add to the aesthetic appeal of the dishes.

2. Other foods can be identified through the ways in which they are prepared. Examples of cooking techniques employed include: Boiled, raw, grilled, and mixed.

Part 6: Related Research

This section will present sources and related information regarding competitiveness, resource-based theory, international trade theory, and marketing strategy definitions from previous studies.

Analysis of the structure of wood production by Somporn and the Most Nelson (1992). found that the transition from the existing production to fruit bearing trees has allowed for an increase in trade. In a study on the export of fruit, Malhotra, (2000). reported that the export of processed fruit in 1990 was valued at approximately 11.1 billion baht, with processed pineapple being the most important export. In addition, the reports of the Bureau of Export Services and Department of Export Promotion in 2001 found that Thailand's exports of both fresh and processed fruit and vegetables were valued at 36.4 billion Baht, representing 12.85 percent of total food exports. The national planning strategy has set measures to develop five particular types of fruit, including durian, mangosteen, rambutan, lychee and longan (Porter, 1990b). to create a sustainable market.

A study was conducted by Chan (2000) on the sources of market fruit production in the North, including lychees, longan, strawberries and oranges. They found that the areas planted with longan were likely to increase by 15

percent per year with yields totaling some 212,203 tons and exports valued at 2,097.50 million Baht.

In addition, this research also sought to find the link between market prices of longan sold in Chiang Mai and Bangkok. They determined that the price is affected by changes in the supply of production resources. This affects prices in the wholesale markets before making an impact on global markets.

Fazeli (2000) pointed out that a national goal should be for a country to produce a higher standard of living for its citizens and the ability to raise the living standard depends on productivity. However, Makadok (2001) revealed that a nation's competitiveness should combine the rising and sustainable living standards and the ability to export to the world market.

The resource-based view did not represent a pendulum swing to an opposing view, but rather explicitly called for dual focus on industry analysis and firm capability (Mahoney, 2001). The line separating strategic approaches is blurred, and static versus dynamic is not a clear-cut distinction. For instance, the capability of analyzing industry forces and generating new insights provides one of the ways a firm can achieve competitive advantage (Mahoney, 2001). Diagnosis can be an organizational capability, and thus process (learning to analyze) and framework (Porter's five forces) coexist in the resource-based view.

Porter (1990a) proposed that productivity be considered as a measurement of national competitiveness. He introduced the "Diamond" theory to determine the competitive strengths and weaknesses of countries, which include the following four dimensions: Resources conditions (for

example, human resources, and research and information infrastructures), a business environment that invests in innovation, a demanding local market, and supporting industries.

The resource-based model of business strategy focuses on how sustained competitive advantage is generated by the unique bundle of resources that are at the core of the firm (Barney, 1991; Makadok, 2001; Wernerfelt, 1984). Resource-based strategy relates sustainable competitive advantage to complex organizational systems, described as rent-producing resources or core competencies, developed over time within specific firms. These competencies of firm-specific resources (FSRs) are unique in that heterogeneous firms result from a unique mixture of physical, human and intangible resources (Barney, 2001).

The resource-based model fits transaction cost economics, which are the basis for the internalization models of the multinational firm. Both theories are concerned with asset (resource) specificity. However, the resource-based model focuses on both protecting unique resources and applying these FSRs to gain strategic advantage, while transaction cost economics concentrates strictly on the avoidance of opportunism and efficient asset governance. In addition, the transaction cost model assumes the same economic activities can be performed (at different costs) via markets or hierarchies while resource-based strategy treats the organization as a unique bundle of assets that will not function in the same way in an alternative relationship (Nothnagel, 2007). If the resource-based theory is, as Conner argues, a more general theory than the oligopoly and transaction cost concepts

currently applied to studies of the multinational, then a model of multinational competitive advantage based on resource-based theory should be considered complementary to and more general than the current models of the multinational firm.

The textile and clothing industries have focused on labor costs due to the intensive nature of the work. This is a very important factor, and it is known that in many developed countries high wages create a disadvantage for firms, who must look elsewhere to acquire labor (Makadok, 2001).

In Thailand, there is export competition amongst fresh, chilled, and frozen shrimp varieties. One objective of Thailand has been to learn about the general conditions and productivity of this industry. Studies have been conducted that look into the comparative advantages of countries listed and their ability to compete in a global market: Thailand, India, Indonesia, Vietnam, Ecuador, Mexico and China. From these studies, the following observations were made:

1. Producers sell their produce and create special focus groups of consumers to determine their demands.
2. Producers sell the difference by positioning their price to reach maximum output with the minimal inputs.
3. Producers seek out methods to ensure cost reduction in order to keep prices low for customers.

The World Bank studied the comparative advantage of exporting and marketing rice in and from Thailand (The World Bank, 2010). The comparative analyses of the advantages are listed (RCA) and Thailand, the

United States, India, Vietnam, China and Pakistan, were chosen for the study. The case study showed that the United States, Vietnam, Thailand, China and Pakistan had the potential advantage. The findings of the model market share were constant and so was the expansion of the Thai export items. The changes increased the external factors, which correlated into a growth of total exports around world. Distribution markets have grown as Thai exports of rice are higher than average in regards to other exported items. The results show the expansion of rice exports was not increasing as originally expected as a result of domestic factors. The study also found that the value of exports was dictated largely by the expansion of exports throughout the world. Distribution markets were directly impacted by the advent of competition.

Human resources are defined as the people who work in an organization and their relationship with that organization (Millmore, 2007). Different terms are used to describe these people within an organization such as: Employees, associates, personnel, or simply human resources. They often are used interchangeably.

Human resources represent the single most significant cost in many organizations. Organizational labor costs range from 36% in capital-intensive firms like commercial airlines, to 80% in labor-intensive firms like the postal service. How effectively a company use its human resources can be a dramatic effected on its ability to compete (or even survive) in an increasingly competitive environment (Millmore, 2007).

The Economic Environment Factor

Through the process of formalization of trade agreements, economic cooperation between the countries has become essential. Complex bilateral contracts are scrutinized by the World Trade Organization (WTO), which focus on ensuring fair and free avenues of international trade. The WTO seeks to reach agreement in the following areas:

1. Tax benefits and smooth functioning of international trade practices (i.e. elimination of unfair trade practices and economic integration).
2. Access to global markets that is not artificially restricted or manipulated to a members' advantage.

Social and Cultural Factors

The values of consumers are influenced by 2 main factors, which are social environment and culture. Marketing firms focus on exploiting trends to gauge the market and tailor products to meet the public demand. Factors that will support increased exports include the following:

1. Trends toward global economic and trade revival.
2. Thai manufacturers and exporters being increasingly recognized for goods of high quality and international standards, as well as quality service.
3. Many buyers now returning to Thailand to order goods.
4. Successful FTA negotiations between Thailand and various countries bringing about an increase in exports.
5. The close cooperation between Thai private and public sectors actively engaging in market expansion and penetration, particularly towards

new markets such as China, India, The Middle East, Latin America, Eastern Europe and Africa.

Risk factors that may affect exports include the following:

1. Further increase and fluctuations in global crude oil prices.
2. Downward economic trends in major markets e.g. the sub-prime crisis in the U.S. which may continue to impact the economic trends in major markets as well as trade partners.
3. The value and stability of the Thai baht.
4. Increase in one-tariff barriers in major markets such as the US, EU and Japan.

Five Forces Model Analysis

Michael Porter's trusted strategic management model, the Five Forces Model Analysis, has been used by most notable export companies in their quest for effective management policies. Porter originally designed the Five Forces Model Analysis as a part of his broader analytical methods. According to Porter (1986), companies have been able to utilize the Five Forces in order to do the following:

1. Sell their product and sell to a special focus group of consumers with specific needs.
2. Sell the difference. The manufacturer and product must be positioned to differentiate from competitors and consumers.

3. Exercise cost reduction to achieve the lowest input values that translate into the highest output levels (Cost Advantage).

A development strategy is secondary in:

1. Creating Front Business (Strategic Partnership) is a merger of the competition to increase sales and bargaining power or to reduce costs and overhead.

2. Multinational marketing (Internationalization). Joint ventures are set up to create new companies in different countries, maintain benefits, and practice in foreign companies as an independent company by increasing efficiency and expanding markets.

Aaby and Slater (1989) stated that export strategy is characterized by the type of marketing mix employed. Product differentiation is at the heart of this mix and has direct impact on export performance. Differentiation can be meant by a product's appearance, design, quality, utilization, and international appeal attributes.

Aaby and Slater (1989) explained that the management's international experiences seem to have a positive effect on export sales, profits, growth and the composite measures of export performance. This is perhaps due to the fact that management's international experiences help a firm to identify and leverage international opportunities while avoiding international threats.

Baron (2007) has mentioned in her research that the success of export marketing strategies were through the effective matching of products and supporting services to the requirements of overseas buyers.

Export market characteristics have a direct impact on export performance of a firm because the firm can only play its role to the level that market characteristics allow the firm to do so, therefore it is very critical for a firm to study and understand the characteristics of the markets that they serve to be able to perform and compete well.

Government Export Assistance Programs

Government always has direct impact on the export performance of a firm, whether it is aware or unaware of the exporters. It creates rules and regulations and also sets all the tariffs and taxes that all parties who participate in the industry have to follow. In addition, government helps develop export through supporting promotions and helps expand the market for exporters by penetrating new markets and preserving the existing ones.

Government can also build a positive image of goods and services and thereby increasing the market's confidence in the product in terms of quality and prompt delivery of service to the market (Daft, 2009).

The Thai government continues to promote and support various measures by employing an aggressive marketing approach in order to increase the value of exports for both new and existing markets. In addition, it attempts to develop the potential of businesses internationally, particularly the Thai service industry (Voon, 1998). It also encourages trade partnerships with new economy countries such as the Czech Republic, Bahrain, and Brunei as well as supporting the development of brands and other value added initiatives for Thai products and services.

Exports contribute greatly to a country's economic prosperity. Throughout its numerous years of service, the Department of Export Promotion (DEP) successfully exported its products to the world market, in particular, industrial and agricultural goods as well as service businesses. Thailand must constantly change its international trade strategies in order to create new opportunities for Thai businesses; the country must move from being a manufacturing nation to a trading nation, or an investor country, as well as focusing more on our service industry.

The Department of Export Promotion states that it realizes the importance of continually adjusting its priorities in line with current economic conditions so that it may fully support Thai exporters in areas of production and marketing to expand export opportunities. Support is also provided to exporters in areas of knowledge and information management, particularly, the export business, trade regulations as well as strategic trade negotiations. Furthermore, it closely monitors changes in trade conditions in major markets so this information can be disseminated to exporters for early planning and decision making. It also offers advice and consultation on international trade and facilitates networking of Thai exporters for efficient exports to the overseas market (The World Bank, 2010).

Export Strategy of Thailand

Several important strategies that need to be undertaken include:

1. Utilizing marketing strategies to maintain exports of Thai products and services to existing markets while increasing exports to new markets.

2. Developing and promoting new Thai service businesses to be competitive as well as developing an efficient information system to facilitate business contacts.

3. Raising Thailand's status as a trading nation by supporting and encouraging Thai businesses to expand overseas through franchising, opening of overseas branches (internationalization), foreign investment, and business network expansion as well as supporting the establishment by the private sector of international trade marts.

4. Strengthening Thailand's position within ASEAN by promoting mutual investment and increasing integration at both private and government levels with the aim of fostering cooperation in areas of product and technological development as well as cooperation within each country's service businesses.

5. Increasing Thailand's export competitiveness by developing trade logistics to reduce investment costs and streamlining exports processes.

6. Bolstering Thailand's readiness toward the future free trade market by creating a stable export foundation through development of provincial manufacturer capabilities, particularly Small and Medium Enterprises (SME), and domestic products (Porter, 1986).

This chapter of the literature review looks at the theories of export competitiveness by using empirical studies at the firm level. The issue considered in the present is the impact of different factors on firms' export competitiveness. Five main theoretical models referring to export competitiveness are reviewed by Aaby and Slater (1989).

Aaby and Slater (1989) strategic export model forms the basis for many other papers on the topic. It proposed direct relationships between competencies and strategy, performance, and an indirect relationship between firm characteristics and performance, with strategy as an intervening variable. The weakness in their review is that it seemed to be limited to the management influences, which left out the external environment.

Research Model and Hypothesis

The purpose of this chapter is to present the relationship of export competitiveness with its internal and external forces. The theories and concepts of the study from the literature review in chapter 2 have been applied to the key theoretical and conceptual framework for the study. The research hypothesis, research variables and operational definition of the variables are defined for testing.

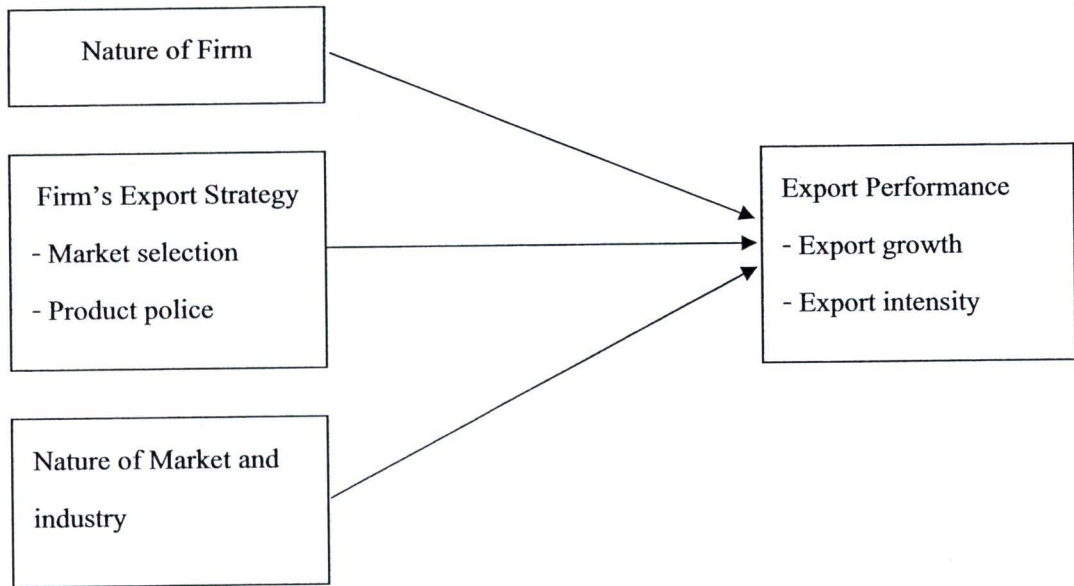


Figure 6 Management influences on export performance.

Note. Form “Management Influences on Export Performance: A Review of the Empirical Literature 1978-1988,” by N. E. Aaby and S. F. Slater, 1989, *International Marketing Review*, 6(4), p. 195.

Conceptual Framework

From the theoretical frameworks, the researcher has explored more into the nature of the firm, nature of market and industry, and export competitiveness. The researcher has combined the theoretical model by Aaby and Slater (1989) with a theoretical model by Cavusgil and Zou (1994) and from many studies that have researched the determinants of export competitiveness; several broad groups of determinants of export competitiveness have been identified. They are as follows:

1. firm characteristics
2. firm competencies

3. resource value
4. marketing mix
5. firm industry characteristics
6. export market characteristics
7. government export assistance programs and firm export strategy.

Firm characteristics, firm competencies, resource value, marketing mix, firm industry characteristics, export market characteristics, government exports assistance are clearly presented in a model.

The determinants of export competitiveness can be conceptualized as a strategic response by management to the interplay of internal and external forces (Acedo, 2006).

The internal forces are related to organizational characteristics such as firm characteristics (Cavusgil & Zou, 1994), firm competencies (Aaby & Slater, 1989), and marketing mix (Alvarez, 2007).

The external forces include industry characteristics (Cavusgil & Zou, 1994), export market characteristics (Cavusgil & Zou, 1994), government export support (Daft, 2009) and a firm's export strategy (Porter, 1990b).

1. Export competitiveness: The distinguishing features or qualities of a particular firm which are determined by firm size, management commitment, management perception toward financial incentive, market potential, risk, profit, competition, distribution and delivery and service (Aaby & Slater, 1989).

2. Competitiveness: The long-term performance of a selected unit (firm, industry, or country) related to its competitors (Dunning, 2008).

3. Export sales: The total revenue in value that is generated by selling the products to international markets. Normally it is measured in annual fiscal year by five consecutive years (Aaby & Slater, 1989).

4. Export intensity: The degree of the difference in export volume compared with the last five years (Aaby & Slater, 1989).

5. Market share: Number of consumers to purchase Thai food in the target group as the EU, the US, or other major economies of the world (Enders, 2004).

Moderator Variables

1. Firm export strategy: A firm's ability to perform an activity to export for competitiveness (Green, 2005).

2. Market selection: The marketing export competitiveness having positive relationships since the export activities need to explore market conditions, which are the conditions in the target markets, the level of customer satisfaction, and the methods to conduct effective export performance (Hofmann, 2006).

3. Product policy: The quality which might include the durability, design, reliability and product attributes (Hunt, 2010).

4. Business strategy: Strategy that defines how an organization will seek to meet its export marketing goals and growth (King, 2007).

Independent Variables

1. Firm characteristics: The distinguishing features or qualities of a particular firm which are determined by firm size, management commitment, management perception toward financial incentive, market potential, risk, profit, competition, distribution and delivery and service (Aaby & Slater, 1989).

2. Firm size: The total number of employees is the appropriate definition of size. Other measures such as net assets, production rate, and total sales, are usually highly correlated with the total number of employees but may not reflect the actual number of interpersonal relationships that are necessary to effectively structure an organization (Makadok, 2001).

3. Firm export experience: The gaining of skills and knowledge through work and practice rather than education or training (Mahoney, 2001).

4. Firm competencies: A firm's ability to perform an activity (Makhija, 2003) and the concept of resource value (Nothnagel, 2007): the tangible and intangible assets semi-permanently tied to the firm.

5. Finance: The capability as the potential input from the resource stock to the production function and as tangible and intangible assets (Rugman & Verbeke, 2002).

6. Human resources: The people who work in an organization and their relationship with that organization (Styles et al., 2008). It can have a dramatic effect on its ability to compete (or even survive) in an increasingly competitive environment.

7. **Physical property:** The environment of business related to resources in an organization to competitiveness (Teng & Cummings, 2002).

Marketing Mix variables in this study can be grouped into four major factors:

1. **Product:** The distinguishing features and qualities of a particular product that comprise both technical and economic factors with the latter divided between price and non-price factors (Styles et al., 2008).

2. **Price:** The amount of money customers have to pay to obtain the food products. It comprises of list price, discounts, allowances, payment period, and credit terms.

3. **Place:** Includes company activities that make the product available to target consumers. In this study it means channels or locations, inventory, transportation, and logistics that the products have been sold through.

4. **Promotion:** Means activities that communicate the merits of the product and persuade target customers to buy it. In this study it is composed of advertising, price reduction, product trial, and membership privilege.

5. **Firm industry characteristics:** The distinguishing features of a group of firms producing a similar product or service which are determined by the threat of new entrants, rivalry among existing firms, threat of substitute products or services, bargaining power of buyers, and bargaining power of suppliers (Porter, 1990b).

6. **Export market characteristics:** The relative competitiveness of a particular market. It determines the ease and cost of doing business within that market. Four basic characteristics of a market shape a private enterprise

system: pure competition, monopolistic competition, oligopoly, and monopoly (Rugman & Verbeke, 2002).

7. Government export assistance programs: Financial and logistical arrangements developed by a country's department of foreign trade and delivered to domestic exporters via the department's field offices, usually located in the country's important cities (Makadok, 2001). In addition government roles are policies towards export promotion, R & D promotion, tax, regulations, and education policies. In this study: The Department of Export Promotion, Ministry of Commerce.

Research Questions and Research Hypothesis

The major purpose of this study was to explore the reason why some Thai food exporters have a better export competitiveness than others by investigating all attributes of export competitiveness, with both internal and external factors. This study seeks to provide and describe some possible explanations for the disparity in export competitiveness and to learn whether competitiveness varies in accordance with the interplay of internal and external forces that affect the firm.

Research Questions

The following are the research problems of the present study.

1. Can firm characteristics of Thai food exporters explain export competitiveness?

2. Can the competencies of Thai food exporters explain export competitiveness?
3. Can resource value of exporters explain export competitiveness?
4. Can the marketing mix of Thai food exporters explain export competitiveness?
5. Can the characteristics of Thai food exporters explain export competitiveness?
6. Can export market characteristics of Thai food exporters explain export competitiveness?
7. Can government export assistance programs for Thai food exporters explain export competitiveness?
8. Can export strategy of Thai food exporters explain export competitiveness?

Expected Outcome

Based on the previous research on the determinants of export competitiveness, this study's expected outcome is that firm characteristics, firm competencies, resource value, marketing mix, firm industry characteristics, export market characteristics, government exports assistance programs and a firm's export strategy have a direct impact on export competitiveness. The results from previous research revealed that export competitiveness stemmed from relationships with many different factors. Operation environment, firm managerial characteristics, and export marketing

strategy acting alone could not sufficiently explain the differences in export competitiveness.

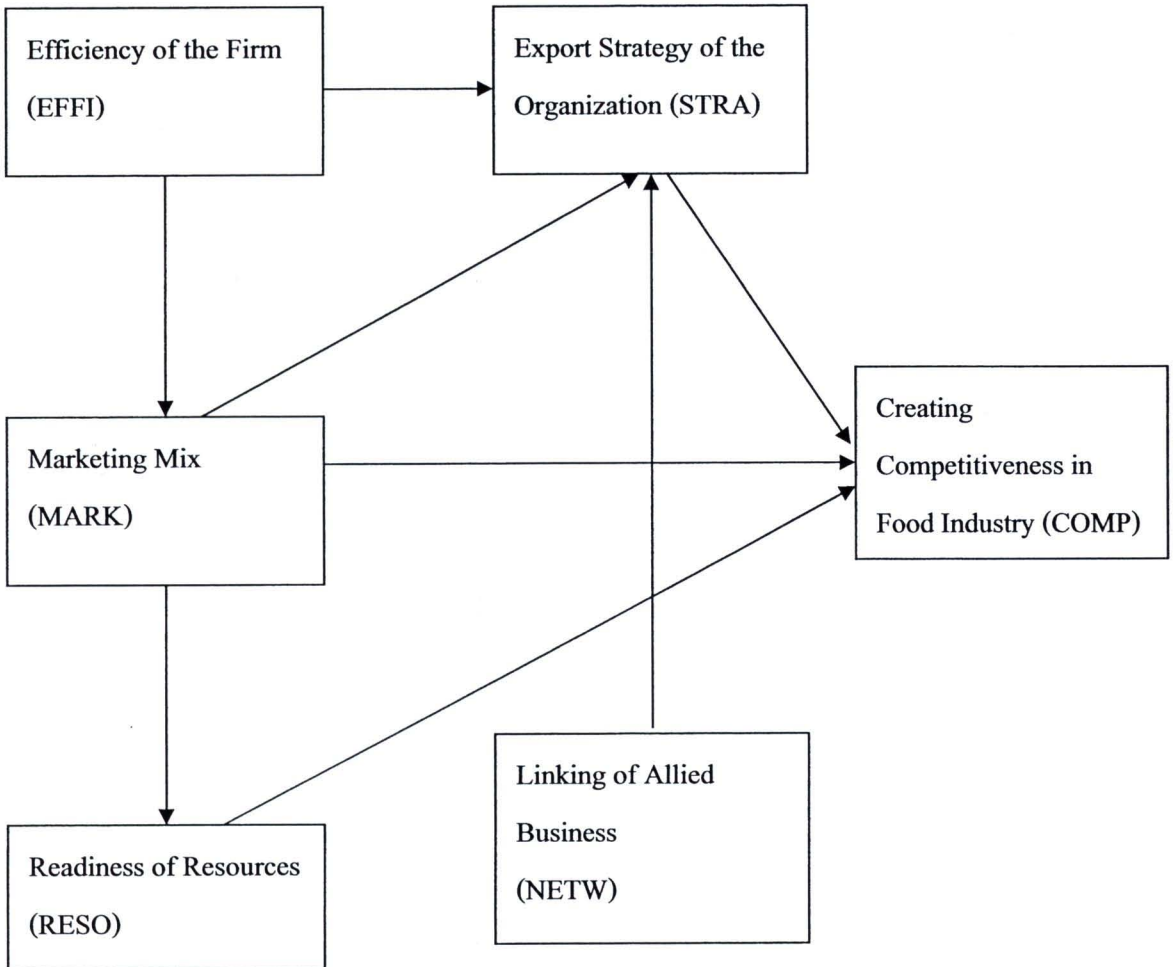


Figure 7 Conceptual framework.

From Figure 7, the conceptual framework of the research study consists of exogenous latent variables and endogenous latent variables as follows:

1. Exogenous latent variables

EFFI = Efficiency of the Firm

RESO = Readiness of Resources

NETW = Linking of Allied Business Network

2. Endogenous latent variables

MARK = Marketing Mix

STRA = Export Strategy of the Organization

COMP = Creating Competitiveness

From the conceptual framework, it can be concluded that the factors influencing the competency of the competition in Thai food industry exports falls into six factor groups:

1. Efficiency of the Organization
2. Readiness of Resources
3. Linking of Allied Business Network
4. Marketing Mix
5. Export Strategy of the Organization
6. Competitive Advantages in the Thai Food Industry

The details are as follows:

1. Efficiency of the Organization means that the executives plan the policy on trade business, laying out the vision, and provide administration and strategies. The targets, the objectives and the strategies are set to achieve the success of the organization.

2. Readiness of Resources means that the organization is capable of providing factors necessary for management in manufacturing, marketing, and exporting to get good quality resources for the manufacturing of products.

3. Marketing Mix means the utilizing of marketing tools to satisfy the needs of customers. The tools consist of the products, the prices, the

distribution channels and the marketing promotion. These four elements are employed in the export administration to achieve the objectives of the organization (Kotler, 1997).

4. Linking of Allied Business Network means the linking of business activities with the industry, the government and the private sectors involved to exchange knowledge, concepts, information technologies and guidelines on business cooperation with each other to reach the advantages in capital cost or in the differentiation which will bring about the creating of competitiveness advantages (Mahoney, 2001).

5. Implementation Business Export Strategy means the way of managing business resources to the highest efficiency to achieve competitive advantages (Millmore, 2007). This research study sets the export strategy in three dimensions which are the strategy of creating differences, the strategy of low capital cost, and the strategy of trade business.

6. Competitive Advantage means that the Thai food export business is capable of creating growth in the market share. The value of the rate of growth can be computed using the average rate of growth of the past three years even though there is presently high competition (Song, 2004).

The symbols and the meanings utilized in the model pictures are as follows:

- FIRM means latent variables of the efficiency of the organization.
- RESO means latent variables of the readiness of resources.
- MARK means latent variables of the marketing mix.
- NETW means latent variables of the linking of allied business



network.

- EXPO means latent variables of the export business.
- COMP means latent variables of the competitiveness advantages.
- ATI means observed variables of the executives' attitudes.
- SAT means observed variables of the satisfaction of the organization.
- COM means observed variables of the commitment of the organization.
- TEC means observed variables of the technology and research.
- FIN means observed variables of the readiness in finance.
- PER means observed variables of the readiness of personnel.
- PHY means observed variables of the readiness in physical properties.
- REL means observed variables of the relationship with customers.
- GOV means observed variables of the support from government.
- FOO means observed variables of the food industry groups.
- SUP means observed variables of the chains of food supply.
- PRO means observed variables of food products.
- PRIO means observed variables of the possibility of distributing goods.
- PLA means observed variables of marketing promotion.
- DEF means observed variables of the strategy of differentiation.
- LOW means observed variables of low-cost strategy.
- BUS means observed variables of business strategy.

- SHA means observed variables of the rate of market share.
- VAL means observed variables of export value.
- SUC means the success of exports.
- means regression coefficient from cause variables to effect variables.
- ↔ means the relationship between the deviation of the observed variables.

Hypotheses of Study

From the above conceptual framework, the researcher has formulated 11 hypotheses of the study by considering the relationship of influential factors on creating competitiveness advantages within the Thai food industry, which are:

1. Efficiency of the organization
2. Marketing mix
3. Readiness of resources
4. Linking of allied business network
5. Export strategy of the organization
6. Creating competitiveness in the Thai food industry

Efficiency of the Organization

Efficiency of the organization is the work performance within the organization where every individual member is committed to doing his or her

best in exporting food abroad. The vision, the commitments and the export strategies are set for each individual in the manufacturing and distribution units to have an attitude of cooperation, to work satisfactorily in reaching the organization's goals, to receive good results and good pay. The organization should provide and develop the facilities and the machinery by utilizing modern manufacturing technologies including employing research studies to develop standardized, good-quality products for export. All these elements are factors in the creation of competitiveness in international markets.

The researcher concludes that the efficiency of the organization has a positive result regarding the factors of marketing mix, the export strategies of the organization, and the creation of competitiveness of food exports to international markets, and the following hypotheses are formed:

Hypothesis 1: The efficiency of the organization has a positive influence on the factors of marketing mix.

Hypothesis 2: The efficiency of the organization has a positive influence on the export strategies.

Hypothesis 3: The efficiency of the organization has a positive influence on the creation of competitiveness.

Readiness of Resources

The resources in the organization are important to the short-term and long-term success of the organization. The readiness of resources in the organization consists of readiness in finance, readiness in personnel, readiness in physical properties, and readiness in the relationship with customers.

Readiness in these four aspects has an impact on the flexibility of the organization in doing business, in finance, in having high credit-worthiness, and in having sufficient financial sources. For the readiness in personnel, education should be continually provided by arranging seminars and trainings to reinforce the skills of workers. In the case of the readiness in physical properties, the ability to install machinery and high technology tools is emphasized to develop the manufacturing of quality products. As for the readiness in creating good relationships with customers, establishing friendships between organizations is important to ensure negotiations will be smooth and business successful.

It can be concluded that readiness in resources has positive effects on the factors of marketing mix, export strategies, and the competitiveness of the organization in food industry exports (King, 2007). The following hypotheses are then formed:

Hypothesis 4: Readiness of resources has a direct positive influence on marketing mix.

Hypothesis 5: Readiness of resources has a direct positive influence on export strategy.

Hypothesis 6: Readiness of resources has a direct positive influence on increasing competitiveness in exporting food industry products.

Marketing Mix

Marketing mix consists of variables in different types of food products, the price, the distribution channel and marketing promotion. These four

elements are applied to the principles of international market share by arranging the marketing mix according to the target market in each country, aiming at the products and the development of export strategies. The factors involved are culture, language, politics, currency exchange and the different legal structures of each country. Marketing mix is implemented to seek a target to enhance competitiveness or value greater than just competition, which gives satisfaction to customers more than the competitors do. Marketing mix increases the ability or efficiency of manufacturing high-quality products, creative thinking, and the ability to fulfill the demands of the customers in international markets with the same standardized products or in the 'special' international markets with the same or different standards.

It can therefore be concluded that marketing mix has a positive effect on the export strategy of the organization and on the creation of competitiveness of food products exported to international markets (Esteve-Perez, 2006). The hypotheses are hence formed as follows:

Hypothesis 7: Marketing mix has a direct positive influence on the export strategy of the organization.

Hypothesis 8: Marketing mix has a direct positive influence on creating competitiveness.

Linking the Allied Business Network

Linking the allied business network is another form of extending the scope of business performance. It consists of the cooperation with the government sectors, the forming of industrial food groups and the system of

supply chains and transportation. Cooperation with the government sectors facilitates the manufacturers in many forms of export activities. Forming industrial food groups helps share any elements needed by each group such as raw materials, technology, and transportation by cooperation within the supply chain of different food products. The three components in the network enable the organization to utilize its potential to enlarge its network, develop or alternate the chain of manufacturing, and be able to advance into new industries. The cooperation with allied business networks is a good opportunity for different business units to help each other to fulfill and achieve what they lack. It can help not only in the saving of capital cost of each firm but also in the managing of resources and properties to provide the greatest benefit globally.

The competitiveness of the food industry comes from the support of the groups involved such as the cooking ingredients group, the animal feeds group, the processed fruit and vegetables group, and the transportation industry group. These supporting groups are formed into an industrial cluster. The cluster is a group of related business groups situated in a nearby location to reduce the time and distance of communication and transportation. These business groups can also help each other in providing essential elements in every step of the manufacturing process, from the beginning to the final product. Therefore, the Thai food industry is able to create competitive advantages because of these industrial clusters. These related industrial clusters provide resources for the industry to distribute products, so they enable the food industry in Thailand to compete in the world markets without

depending on related industries from abroad. The risks of fluctuating transportation costs and the exchange rates can also be reduced. There is also cooperation in research and development of technology. The related industry cluster helps add value to the business and creates competitiveness with the food industry in foreign countries.

It can be concluded that the linking of the allied business network has a positive result in marketing mix, in export strategy, and in creating competitiveness in food industry abroad (Barney, 1991; 2001). The hypotheses are formed as follows:

Hypothesis 9: Linking of allied business networks has a positive influence on the export strategy of the organization.

Hypothesis 10: Linking of allied business networks has a positive influence on the competitiveness advantages with the food industry abroad.

Export Strategy of the Organization

The organization's export strategies are the management goals that stress the importance of the international strategy to expand food markets globally. These strategies are the differentiation strategy, the low-cost strategy, and the trade strategy. Strategy acts as the main guideline for all organizations involved and is used to set goals which are compatible with the strategy formulation and techniques used in each business area such as finance, marketing, and human resources including manufacturing management. These goals help executives plan the proper administration

suitable for the products and the services to be developed so that the organization gains the highest competitive advantage.

Cost advantage strategy aims at the manufacturing of products and the services at a level that is acceptable to the markets, but with lower production costs than that of the competitors in order to increase profits and expand market boundaries. The kinds of products and services presented are not very outstanding nor do they have any uniqueness, but the level of quality is standardized because they are aimed at the mass market level where the consumers are very price sensitive.

A differentiation strategy is where the business aims to be outstanding in terms of uniqueness of their products and services. This strategy emphasizes technological development of better manufacturing processes, higher product quality and the faster delivery of goods. Business activities that create competitiveness must be done to maintain the cost of manufacturing at appropriate levels while high profits are possible because of the outstanding characteristics of the products.

Implementation of a business export strategy is the application of the planned strategy to practical use. An important factor in implementing strategy is that the specific competencies of the business organization must be considered because this will lead to an implementation that is unique and different from the competitors in terms of efficiency, speed in meeting customers' demands, outstanding value added to merchandise and services, and the strong image of the organization in the customers' eyes. These are the most important elements in creating long-term competitiveness in

implementing business strategy. The “main efficiency” of the business that is outstanding relative to the competitors in any area must be brought out in the strategy to create competitiveness.

It can be concluded that implementing business export strategies would have a positive result in the factors of marketing mix, of export strategy, and of the creation of competitive advantages in food products (Esteve-Perez, 2006) and the hypotheses are formed as follows:

Hypothesis 11: Implementation business export strategy of the organization has a direct positive influence on the creating of competitive advantages in the food industry.

The researcher has implemented the factors from his literature review to form a conceptual framework and hypotheses by drawing patterns of linear structural relationship of the six factors which are influential in creating competitiveness in the Thai food export industry. These six factors are utilized in the analysis and the test of the hypotheses in the study. The patterns are presented in the Lisrel Model in Picture 2 as follows:

LISREL Model

From Picture 2, the LISREL Model consists of:

1. Exogenous latent variables

EFFI = Efficiency of the organization

RESO = Readiness of resources

NETW = Linking of an allied business network

2. Observed variables (exogenous latent variables indicators)

ATI	=	Attitudes of exogenous
SAT	=	Satisfaction of the organization
COM	=	Commitment of the organization
TEC	=	Technology and research
FAN	=	Readiness in finance
PER	=	Readiness in human resources
PHY	=	Readiness in the physical properties
REL	=	Relationship with customers
GOV	=	Support from the government
FOO	=	Food industrial group
SUP	=	Food chain system

3. Endogenous latent variables

MARK	=	Marketing mix
BUSI	=	Business strategy
COMM	=	Creating competitiveness

4. Observed variables (endogenous latent variables indicators)

PRO	=	Food products
PRI	=	Price
PLA	=	Distribution channel
PRO	=	Sales promotion
DEF	=	Differentiation strategy
LOW	=	Low-cost strategy
BUS	=	Business strategy
SHA	=	Market share

VAL = Export value

SUC = Success of export

5. Inaccuracy of Exogenous latent variables is d1-d12
6. Inaccuracy of Endogenous latent variables is e1-e10

The analysis of the structural equation using latent variables in the analysis consists of the measurement model and the structural equation model.

Conclusion

In this chapter the researcher has reviewed the literature concerning the theories of the international trade about creating competitiveness in the international markets. Paul Krugman's New Trade Theory and the theory of comparative advantage are already in existence, which are international theories about creating competitiveness and the capability in the competition in international trade markets. Krugman tried to find reasons why there are trade and investments in foreign countries and how they existed. Krugman and Raymond Vernon concluded that some countries do not have enough advantages in resources or in capital cost because they lack other factors essential and influential to trade business and investments abroad such as knowledge, skill, and expertise in manufacturing techniques including the change of technology. All of the factors mentioned can affect the advantages or disadvantages in foreign markets.

In addition, the researcher has studied industrial competitiveness theories, such as resource based theory which emphasizes the importance of

the internal factors of the organization, which are the resources of the organization. He also studied the concept of creating competitive advantages by coordinating inside factors with the outside environments to develop a strategy. The modern strategy called “Blue Ocean Strategy” in which the firm does not attack the opponents but instead aims to make competitors seem outmoded and old-fashioned is also studied. From the above literature review regarding the concepts and theories, six variable groups are formed into a conceptual framework. They are divided into four groups of free variables or exogenous latent variables consisting of the following:

1. efficiency of the organization
2. readiness of resources
3. linking of allied business networks;

and the three endogenous latent variables consist of the following:

1. marketing mix
2. business strategy of the organization
3. creating competitiveness

The measurement model and the structural equation model together with eleven hypotheses are set up to be employed in the analysis.