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Product Strategies for Export Ventures: An Empirical Investigation among SMEs in an Emerging Economy

(Strategi Produk untuk Eksport: Kajian Empirik dalam Kalangan PKS dalam Ekonomi Munculan)

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ABSTRACT

This study examines product strategies of firms in developing countries for export ventures in global markets. It focuses on generic product features: low cost, differentiation, and specialization for analysing how they are associated with the intent to export. A rigorous database was developed from a survey of 142 SMEs in Malaysia. Data was analysed through hierarchical ordinary least squares (OLS) regression analysis. This study finds that only products with differentiation, specialization, or both are intended for export. On the other hand, a low cost attribute deprives the intention of going global. In the context of this emerging economy, the optimal product strategy for exporting is differentiation and specialization coupled with low-cost strategy. The findings challenge traditional view that firms from developing countries possess cost advantage at the international level, thus justifying why some local firms remain reluctant to export.

Keywords: Product strategies; cost leadership; differentiation; specialization; export ventures; SMEs

ABSTRAK

Kajian ini menilai strategi produk syarikat di negara membangun untuk tujuan eksport ke pasaran global. Kajian ini memfokus kepada ciri-ciri generik produk: kos rendah, pembezaan dan pengkhususan, untuk menganalisa bagaimana ia berkait dengan niat untuk mengeksport. Satu pangkalan data yang rapi dibangunkan daripada kaji selidik terhadap 142 PKS di Malaysia. Data dianalisa menggunakan hierarchical ordinary least squares regression. Kajian ini mendapati bahawa hanya produk dengan ciri pembezaan dan pengkhususan, atau kedua-duanya sahaja adalah untuk tujuan eksport. Sebaliknya, produk kos rendah membantutkan niat syarikat ke peringkat global. Dalam konteks ekonomi munculan, strategi produk untuk dieksport yang optimum adalah pembezaan dan pengkhususan, serta dipadankan dengan strategi kos rendah. Hasil dapatan ini mencabar pandangan konvensional bahawa syarikat daripada negara membangun mempunyai kelebihan dari segi kos di peringkat antarabangsa, lantas menjelaskan mengapa sebahagian syarikat tempatan kekal tidak berminat untuk mengeksport.

Kata kunci: Strategi produk; kos rendah; pembezaan; pengkhususan; eksport; PKS

INTRODUCTION

Most firms are interested in pursuing exporting in an attempt to acquire higher profits; this move, however, is always challenging due to demand uncertainty and fierce competition in foreign markets and as the result, only few have materialized their intent into action (Dana, Etemad & Wright 1999). Research about internationalization has examined numerous export determinants for predicting potential exporters among local firms. Most studies have focused on individual and firm antecedents where, in general, it is evident that business owners with a stronger inclination to go international or firms who possess unique resources and capabilities are more likely to become exporters (Serra, Pointon & Abdou 2012). In other words, entrepreneurial and organizational factors have strong influence on the export participation of firms; however, research on export determinants at the product level is rather scarce. As such, there are limited explanations as to why some high productivity firms are reluctant to export despite possessing competitive advantages in the local market. A key question arising from this phenomenon is: What types of products do firms intend to export?

Traditional arguments suggest that domestic and foreign markets are diverse in various ways that would influence the export strategy of a firm. These factors include identifying the right product for selling abroad. This is particularly challenging for small and medium sized enterprises (SMEs) in emerging economies that have limited resources and cannot afford to extensively market a mix of products. In fact, prior study has sought an understanding on how the possession of idiosyncratic resources and capabilities would explain international entrepreneurship activities (Young, Dimitratos & Dana 2003).

In the current study, we examine the relationships between product strategies and export intention among SMEs in Malaysia. We focus on generic product features: low cost, differentiation, and specialization for analysing how they are associated with the intent to export. From this

study, we aim to contribute in two ways. First, we advance the literature on export determinants by examining, at the product level, heterogeneity of product strategies to be pursued in international markets. Second, this research serves to complement prior studies on individual and firm determinants, thus further explains the export ventures among firms from emerging economies.

PRODUCT STRATEGIES AND EXPORT VENTURES

Prior research have extensively examined export ventures at different stages (determinant (Dosoglu-Guner 2001), process (Navarro, Acedo, Robson, Ruzo & Losada 2010) or performance (Navarro, Losada, Ruzo & Diez 2010)) using largely a firm-level data. In attempt to delineate the literature, in this study, we focus on three generic product strategies that can potentially be considered for export purposes (Porter 1986) with extensive discussion as to how they may function within the context of firms from developing countries.

LOW COST STRATEGY

Traditional views hold that products manufactured in developing regions lack distinctive features and quality, and therefore pursuing low price strategies to remain competitive (Lecraw 1993). At the international market, firms from developing countries leverage their cost advantages more than counterparts in advanced economies (Erramilli, Agarwal & Kim 1997). According to the literature, there are two factors explaining cost minimization in emerging countries: abundance of labour/ raw materials and production efficiency.

According to conventional international trade theory, a country will have a comparative advantage over other nations on goods or services produced using its resource-surplus intensively (Leamer 1984). In the case of developing economies, most countries have large workforce and supply of raw materials that will subsequently lower the cost of these factors in production (Lecraw 1993). For example, Malaysia and Thailand sustained economic growth through labour-intensive manufacturing and resource-based product exports because they benefited most from abundant resources and unskilled labour (Reinhardt 2000). Furthermore, firms in Malaysia have access into low cost materials and choose to stay in non-dynamic industries, allowing them to compete in the low price segment (Rosli 2012). In the same vein, Indonesia improved small-scale and labour-intensive technology for producing undifferentiated low cost products (Lecraw 1993), whilst India sustained its competitive advantages of affordable and unskilled labours as well as simple technological production requirement (Lall 1999).

Yet, trends show that heavy dependence on unskilled labour and an abundance of resources is not sustainable (Lall 1999). Thus, cost minimization could also be achieved through production efficiency (Appiah-Adu & Singh 1998). This process involves access to technology, learning curve benefits and reengineering activities (Allen & Helms 2006; Rosli 2012). Many emerging economies now acquire cost optimization on products with similar or slightly lower quality than foreign competitors through key technological abilities to attract and maintain reliable customers that benefit from reduced costs (Park & Bae 2004). Also, small born-global firms focus to lower their costs through technological improvements in production processes (Knight & Cavusgil 2004).

DIFFERENTIATION STRATEGY

Products with unique and high quality features would allow firms to charge a premium price and capture market share by providing superior value. The perceived high value will attract sophisticated customers that are willing to pay a higher price (Allen & Helms 2006). Differentiation strategy involves innovation and highly technological production (Cerrato 2009). Literature holds that innovation and differentiation are complementary attributes in products; differentiation in products normally refers to high quality product with unique features and images, while innovative products are the outcome of a culture of constant product improvement, new product development, and innovative features (Freel 2005; Laforet 2008). Innovative products require technological competence that facilitates the creation of superior products, improvements of current products, efficient production processes, and unique product development by creating distinctive products through differentiation strategy and a focus on superior quality (Knight & Cavusgil 2004). Innovative and differentiated products create features that ultimately lead to successful new products and adequate recognition of unfulfilled customer needs (Appiah-Adu & Singh 1998). This is because innovative products cut price competition and create new demand for boosting growth (Rosenbusch, Brinckmann & Bausch 2011).

Prior studies suggest that differentiation features in a product are acquired through large investment in research and development (R&D). Technological acquisition through R&D is a way for firms to respond to globalization where the competition forces them to produce high value-added products (Knight 2000). Technology includes the functions of product performance, design characteristics, and the technical specifications for manufacturing facilities (Hipkin 2004). In terms of process, differentiation features are acquired by upgrading quality, technological deepening within existing activities, and moving from simple into complex activities (Uchida & Cook 2005). Due to intense rivalry, SMEs need to be innovative to compete with bigger, well-established and incumbent firms (Rosenbusch et al. 2011). Therefore, they are not excluded from the need to be innovative to make profit and stay competitive in an increasingly complex, dynamic, and unpredictable environment (Laforet 2008).

SPECIALIZATION STRATEGY

Specialized products are intended for niche segment that is not big enough for mass marketers but has a strong customer orientation and exclusive offering (Zucchella & Palamara 2006). Firms that produce specialized products have a strong customer orientation and they must understand the needs of the target customer thoroughly (Hagen, Zucchella, Cerchiello & de Giovanni 2012). This is particularly true for SMEs, many of which are competing with focused products to serve the needs of a narrow target customer group to the exclusion of others (Porter 1980, 1985, 1990). They target a particular segment of the market and develop competitive advantage through their ability to fulfil this niche demand better than full-time producers (Huo & McKinley 1992). It is applicable for their operation both in domestic and international market (Knight & Cavusgil 2004). The idea is to avoid direct competition with large and resource-rich firms or in a mass market. Studies have also shown that small born-global firms use knowledge for producing specific products to serve special needs, thus direct competition with larger and more established resource-rich firms are minimized to support superior performance (Knight & Cavusgil 2004). In fact, serving an attractive niche market with specialized products is particularly advantageous for SMEs compared to large firms because of their unique resources, capabilities, and greater nimbleness (Rosenbusch et al. 2011).

PRODUCT STRATEGIES OF FIRMS IN DEVELOPING COUNTRIES

Prior literature supports that all three product strategies (low cost, differentiation/innovation, and specialization) are related to export pursuit into foreign markets. In economics, the Heckscher-Ohlin model captures a macro-level theory of international trade and states that countries will export products that use their abundant and cheap factors of production (see: Lall 1999; Singh 2009). Cost advantage have been a sustainable advantage used by firms from developing countries. Local firms enhance their external cost competitiveness by having lower input prices of raw materials and labour, or having higher productivity (Ara 2004). Cost advantage in emerging economies can be explained by the trade theory (see Makino, Isobe & Chan 2004: 1030-1031) that countries differ in the availability of factors of production such as labour, land, and capital, which produce price variation in production. For countries like Malaysia and Indonesia, the abundance of natural resources including palm oil, petroleum, rubber, and timber helps to minimize manufacturing costs (Reinhardt 2000). Thus, firms from these countries have a low cost advantage at the international level and can expand their sales through export activities in addition to just selling in their home countries (Lecraw 1993; Makino et al. 2004). Other developing countries including China, Indonesia, Thailand, and Vietnam show clear evidence of comparative advantage in labour-intensive industries such as bags and accessories, electrical appliances, electronics, footwear, furniture, and garments; these industries have accounted for the largest share of exports as measured by revealed comparative advantage that compares country export intensities in reference to global exports (Coxhead 2007).

H_1 The stronger the low cost strategy, the higher the intention to export will be.

Differentiation strategy allows SMEs to deliver high quality products to customers in foreign markets (Appiah-Adu & Singh 1998). Trends show that firms from developing countries have increasingly adding unique attributes into their products in response to fierce competition for innovation. Since one might argue that a low cost strategy is not sustainable, firms have improved product differentiation in terms of design, quality and services as they expand into the export market (Reinhardt 2000). Innovation in products and production has also increased the productivity of exporting firms (Alvarez 2004). Product innovation is a reflection of the transformation through which differentiation becomes necessary for many firms to stand out in international markets (Appiah-Adu & Singh 1998). In fact, it is found that innovation leads to global orientation of firms (Cerrato 2009). Innovative products stand a good chance of being successful in turbulent international markets (Knight 2000) when combined with an increase in quality or new product development (Hagen et al. 2012). Furthermore, innovation is essential for young, small, born-global firms to be successful as they go international (Knight & Cavusgil 2004). From a marketing perspective, producing innovative products is a sign that the firm is reacting to customer demand in external markets (Appiah-Adu & Singh 1998).

H_2 The stronger the differentiation strategy, the higher the intention to export will be.

Products with specialized features become a competitive asset for global market players from developing countries to help them serve small and segmented niche markets while charging a premium price (Park & Bae 2004). Through this strategy, firms enjoy an advantage over their competitors, giving them a leading edge in exploring and exploiting foreign market opportunities (Hagen et al. 2012). Smaller firms often approach foreign markets by adopting and focusing on customer-oriented products for a narrow market segment to reach a competitive, customer-oriented positioning and more specialized products make it necessary to go global because a niche market at the domestic level does not generate adequate sales (Zucchella & Palamara 2006). On the global market-place, these products offer customization and strong orientation towards international customers. This move is proactive in nature as firms from developing countries attempt to avoid direct competition with large multi-national enterprises (MNEs) (Zucchella & Palamara 2006). Specialized products could guarantee a leading position not only in the regional market but also in the global market. The market disregards price

competition but focuses on the specific needs of niche customers.

H_3 The stronger the specialization strategy, the higher the intention to export will be.

METHODOLOGY

SAMPLE AND DATA COLLECTION

We distributed the questionnaire during "SME Weeks" of 2014, the largest business fair among the most productive local SMEs from all 13 states identified by SME Corporation Malaysia. At this event, firms from diverse industries showcase their products to the public with the objective for seeking potential investment opportunities. A total of 142 SMEs participated in this survey. In order to improve the reliability of data, we had taken measures for addressing response-bias. First, all respondents (key informants) are the owner or the person who holds a top position in the firm, thus are knowledgeable about the product and strategy of the firm. In the case of SMEs, measurement at the managerial level can be interpreted as a behavioural trait of firms because the owner/manager/entrepreneur is the sole or principal decision maker and has a strong influence over the strategic decisions of the business (Acedo & Galán 2011; Dana et al. 1999). Second, all respondents are from manufacturing firms while service firms were excluded; this ensures precise questioning and improves the generalization of the findings onto manufacturing SMEs only. Third, only firms with no export experience are included to focus on the objective of the study, which is to measure export intention among non-exporters. Characteristics of respondents are presented in Table 1.

TABLE 1. Sample characteristics (N = 142)

Characteristic	Mean	S.D	Percentage (%)
Firm age	14.22	10.82	
Total turnover			
Less than 1M			50.7
Between 1M to 10M			29.6
More than 10M			19.7
Total employees			
Less than 20			59.2
Between 20 and 50			18.3
More than 50			22.5
Product principle			
Industrial			19.7
Consumer			54.9
Both			25.4
Industry			
Food/Agricultural			45.1
Nondurables			19.7
Durables			35.2

Note: Total turnover is measured in Malaysian currency, where M is million.

CONSTRUCTS AND MEASURES

Our questionnaire consisted of items derived from an extensive review of the literature. All variables were measured on a five-point Likert scale, ranging from 1 (very low) to 5 (very high). For instruction, we asked respondents to rate the features of their firm's main products, and subsequently their intention to export that particular product.

EXPLANATORY VARIABLES

Low cost and differentiation/innovation strategies were measured using four items, while product specialization consisted of two items (see Table 2). Low cost strategy, particularly from developing countries, refer to production using cheap labour, raw materials, and process and sold at low prices (Ara 2004; Coxhead 2007; Erramilli et al. 1997; Lall 1999; Reinhardt 2000; Rosli 2012). Differentiation strategy emphasizes unique features, innovation, high quality, and advanced technology (Aulakh, Kotabe & Teegen 2000; Hipkin 2004; Huo & McKinley 1992; Kim & Lim 1988; Porter 1985). Specialization strategy was identified by specialized features and act to serve specific customer needs/segments (Hagen et al. 2012; Huo & McKinley 1992; Park & Bae 2004; Porter 1980; 1985; 1990; Zucchella & Palamara 2006).

DEPENDENT VARIABLE

Export intention was measured through two statements: (1) Is your company interested in initiating exporting? (2) How likely is your company to initiate exporting? (Yang, Leone & Alden 1992).

To ensure robust results, we controlled for product, firm, and industry determinants. Our product controls include two dummy variables for product principles: industrial and consumer. Also, firm characteristics include age (operational years), size (number of employees), turnover and financial debt, following confounded effects suggested by Ruzzier and Ruzzier (2015). Lastly, we controlled on industry effect through two dummy variables: manufactured durables and manufactured non-durables (Aulakh et al. 2000).

STATISTICAL ANALYSIS

Before running the regression, we checked for common method bias (CMB) issues. We used Harman's one-factor test and found no single factor accounting for most of the covariance in the independent and dependent variables (Podsakoff, MacKenzie & Podsakoff 2003). We also found good internal consistency with Cronbach's alpha ranging between .85 and .91 (see Table 2). The results of bivariate correlations between variables are shown in Table 3.

TABLE 2. Factor analysis results for explanatory variables

Scale and item	Loadings	Eigenvalue	% Variance explained
Low cost (α = 0.815)		2.62	26.23
Low labour costs	0.783		
Low raw material costs	0.844		
Low production cost	0.841		
Low selling Price	0.727		
Differentiation (α = 0.803)		2.60	26.00
Unique features	0.760		
Innovation	0.842		
High quality	0.849		
Advanced technology	0.724		
Specialization (α = 0.776)		1.67	16.71
Serve specific needs	0.863		
Specialized features	0.742		

Note: Extraction method: Principle component analysis. Rotation method: Varimax with Kaiser Normalization. Rotation converged in 4 iterations. α = Cronbach's Alpha.

TABLE 3. Descriptive statistics and correlations

Variable	Mean	SD	1	2	3	4
1. Low cost	2.85	0.86				
2. Differentiation	3.75	0.76	-.03			
3. Specialization	3.92	0.88	.05	.37**		
4. Export intention	4.10	0.92	.02	.27**	.34**	
5. Age	14.23	10.82	-.05	-.03	-.04	.18*

Note: * $p < 0.05$, ** $p < 0.01$

RESULTS

Our data set was analysed through hierarchical ordinary least squares (OLS) regression. The results for models 1 and 2 are presented in Table 4. In model 1, we run on pure product strategies of low cost, differentiation and specialization for testing our hypotheses. In model 2, we test integration between any two and all strategies.

Model 1 shows a significant set of predictors ($F = 5.05$, $p < 0.001$), where pure strategies of low cost, differentiation, and specialization together with controlled variables explain 30 percent of the variance for export intention. The model also confirms hypothesis 2 and 3 but not hypothesis 1. Products with differentiation ($\beta = 0.13$, $p < 0.05$) and specialization ($\beta = 0.36$, $p < 0.01$) features motivate the interest of local firms to enter foreign markets. The findings support previous studies that both features are vital if SMEs from developing countries want to be competitive in the international markets (Park & Bae 2004; Reinhardt 2000). Recent global demands show an increase in sophisticated needs due to a huge shift from middle into upper class customer segmentation. Customers, including those in emerging economies, are willing to pay more for innovative products (Li, Zhou & Shao 2009). In response to that, firms from developing countries should not exclude themselves but accept the challenge to sell unique products (Hagen et al. 2012; Hipkin 2004).

On the other hand, the model shows contradictory result from what was expected in hypothesis 1 ($\beta = -0.06$, $p < 0.05$). Although low cost products have a statistically significant influence on export intention, they actually discourage firms from going abroad. Another effect of recent trends is that firms from developing countries could not sustain a traditional low cost strategy (Reinhardt 2000). Also, firms from developed countries show a greater ability to achieve cost optimization through production technology and outsourcing that further erodes the cost advantage of those firms from developing countries (Cavusgil et al. 2004). Thus, in order to avoid the severe impact of potential losses, local firms with low cost undifferentiated products refuse to market their products overseas. Instead, they leverage cost advantage only in domestic market.

In model 2, we tested integrated strategies supported by prior studies. It has long been thought that firms should choose whether to produce low cost or differentiated products (Lechner & Gudmundsson 2014; Porter 1985) for higher performance. But both pure strategies can be incorporated into specialization or focus attributes to serve the needs of a narrow customer base (Porter 1980, 1985; Zucchella & Palamara 2006). However, our results show

TABLE 4. Regression results

Variable	1		2	
	β	SE	β	SE
Pure strategies				
Low cost (LC)	-0.06	0.08*	-0.20	0.09*
Differentiation (D)	0.13	0.12*	0.15	0.12*
Specialization (S)	0.36	0.11**	0.27	0.12**
Integrated strategies				
LC × D			0.04	0.11
LC × S			-0.14	0.10
D × S			0.12	0.05**
LC × D × S			0.16	0.05***
Control variables				
Age	0.02	0.01	0.01	0.01
Size	0.25	0.09**	0.25	0.09**
Turnover	-0.14	0.07	-0.16	0.07*
Debt	0.01	0.06	0.03	0.06
Industry				
Manufactured nondurables	0.03	0.23	0.16	0.22
Manufactured durables	0.20	0.26	0.17	0.24
Product principle				
Industrial	0.16	0.26	0.16	0.25
Consumer	0.69	0.24**	0.61	0.23**
Constant	-0.88	0.34**	-0.81	0.32*
R^2	0.30		0.42	
F-value	5.05***		6.01***	
ΔR^2			0.12***	
N	142		142	

Note: * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

that only differentiated-focus strategies have a positive effect on export intention ($\beta = 0.12$, $p < 0.01$), while low cost-focus strategies do not significantly boost the decision to export. Second, we tested integrated low cost-differentiation strategies. A few studies have found that both features need to be integrated to achieve a sustainable competitive advantage (Kim, Nam & Stimpert 2004; Spanos, Zaralis & Lioukas 2004). But, our results exhibit no significant effect on export intention. Lastly, we tested a combination of all three strategies and found a significant positive effect ($\beta = 0.16$, $p < 0.001$). It shows that selling innovative and specialized products but at slightly lower price is the best strategy.

Lastly, our controlled variables show that having a large number of employees has a positive effect on export intention ($\beta = 0.25$, $p < 0.01$) as explained by expandable operation (Das, Roberts & Tybout 2007; Verwaal & Donkers 2002). Also, the types of product i.e consumer products has a positive effect on the potential to export ($\beta = 0.61$, $p < 0.01$). However, lower domestic sales turnover encourages firms to initiate exporting ($\beta = -0.16$, $p < 0.05$). One possible reason is that export move is a reactive response to losses or decline in the home market (Leonidou 1998).

Our statistical analysis sheds light on several important findings. First, low cost products are no longer a sustainable strategy for firms in developing countries for a few reasons such as unfavourable demand and high competition in cost reduction from larger firms in advanced countries. Second, we found that subsequently there is a shift towards differentiation and specialization product strategies to compete in the international market. This has been largely explained in the literature on born-global firms. Third, we stipulate that to optimize the international product strategy, firms from developing countries need to produce differentiated-specialized products that are manufactured at lower cost and sold at lower prices than other competitors in export markets.

DISCUSSION

Recent global economic turbulence requires firms to seek the right strategy to remain competitive in international markets. Likewise, local firms become vigilant in deciding whether to export or not (Dana et al. 1999). This involves the execution of an effective move from available resources and capabilities. In our study, we examine the relationships

between product strategies and export intention among domestic firms. Our purpose is to understand the product attributes necessitate for export purpose, particularly among SMEs in an emerging economy, where we address the issue by reviewing comparative advantages of firms from developing countries at the international level. Our hypothesis were drawn on the generic product strategies of low cost, differentiation/innovation and specialization. However, our empirical analysis also tested integrated strategies. To ensure robust results, we controlled for other product, firm and industry determinants. Our findings shed light on the heterogeneity of export decisions among local firms in emerging economies.

Firstly, in order for products from developing countries to compete with rivals in foreign markets, they must be differentiated and specialized. Customers do not discriminate against products from emerging economies and expect those products to be equally unique when compared to products from advanced countries (Bastos & Silva 2010). For that reason, SMEs should attempt to find a niche market less captured by other resource-rich MNCs. We found that specialized products targeting a focused segment are more likely to be exported. Focused products not only seek placement in the local market, but would leverage that success into international markets as producers maximize their profits by capturing similar niche segments abroad (Zucchella & Palamara 2006). Subsequently, we found that the combination of differentiation and specialization would positively boost export intention.

Secondly, the findings show that low cost products are negatively related with export intention. In other words, firms in developing countries that employ a low cost strategy would avoid selling to foreign markets. Instead, they prefer to market their products domestically. The results invoke speculation particularly on the business strategy of the firms. At the macro level, it is argued that low cost is not sustainable advantage for developing economies (Reinhardt 2000). Although the costs of labour and raw material in developing countries remain slightly lower than in advanced economies, counterparts in developed countries have employed strategies to minimize production cost particularly by improving efficiency. This includes innovation in physical equipment, processes, and more importantly in labour productivity. Furthermore, many MNCs have exploited the global economic openness by outsourcing both labour and raw materials in host countries. As the result, large firms have also benefitted from cost strategy, thus further undermining long-enjoyed low cost advantage of firms from developing countries.

Thirdly, the results highlight the optimum and balance strategy needed by firms in emerging countries to compete in the global market: products with differentiation and specialization features that are sold at a lower price and are manufactured for both domestic and export markets. Ideally, this product strategy would increase export performance by comprehensively exploiting all sources of endowed advantages. SMEs are fully capable of producing innovative and focused products (Knight 2000; Knight & Cavusgil 2004; Laforet 2008; Rosenbusch et al. 2011; Zucchella & Palamara 2006). Then, to become more competitive, firms from developing countries should further exploit cost advantage at the international level. Comparable quality, unique, but cheaper products have a high potential to attract customers and improve performance in the foreign markets.

CONCLUSION

This paper focused on product strategies for export ventures and contributes to literature on the internationalization of firms, particularly with respect to the importance of product strategies in boosting exports from developing countries. Through regression analysis, clear evidence was found demonstrating that only products with differentiation, specialization, or both are intended for export. On the other hand, we showed that a low cost attribute deprives the intention from going global. We conclude that the optimal product strategy for exporting is differentiation and specialization combined with low-cost strategy.

We contribute in several aspects of the literature on the internationalization of SMEs. First, we examine export determinants using product-level data. Our analysis offers a new perspective and complements prior studies, which have focused on antecedents at managerial (Albaum, Evangelista & Medina 1998), firm (Bernard & Jensen 2004), industry (Kim & Lim 1988) and country level (Lederman, Olarreaga & Payton 2010). Second, our hypotheses were drawn on comprehensive reviews of comparative advantages in developing countries. Our approach is useful because we address a macro issue using micro data analysis. Third, the study sheds light on product strategies employed by firms in international markets. We revise and expand on general export strategies traditionally studied by focusing on SMEs in emerging economies.

As for practitioners, the findings of this study justify why some local firms remain reluctant to export despite possessing a superior position in their domestic market. We hold that product strategy serves as a significant factor in influencing the export decision. Subsequently, it is beneficial for decision makers to better understand their product strategy to align with their firm's international direction. Lastly, for governments, they should focus on providing support to encourage innovation among SMEs while continuously protecting cost advantages.

LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

Several caveats in this study warrant mention. Firstly, we certainly did not observe all possible controls due to limited available data. Secondly, measuring generic product strategies in this study may be too simplistic for generalizing product types; thus we suggest future research to include more extensive product strategies. Thirdly, the interpretation and application of results from this study

should be done with care within the context discussed. We suggest researchers dig deeper with longitudinal approach using complementary methodologies including in-depth interviews.

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