

HD  
9755  
.C67

PHOTO EDITION



College of Business  
College of Forestry

# Studies in Management and Accounting for the **FOREST PRODUCTS INDUSTRY**

---

Export Marketing Activities of Small-Firm Lumber Manufacturers

Robert O. McMahon  
College of Forestry

and

John Gottko  
College of Business

Oregon State University

Monograph Number 31  
June 1989

---

Export Marketing Activities of Small-Firm Lumber Manufacturers

Robert O. McMahon  
College of Forestry

and

John Gottko  
College of Business

Oregon State University

Monograph Number 31  
June 1989

**Dr. Robert O. McMahon** is an associate professor in the College of Forestry at Oregon State University, where he has been for the past 23 years. His teaching and research centers on the economics of producing marketing, and utilizing all types of wood products. Recently much of his research activity has focused on international trade and its relation to the forest products industry in the Pacific Northwest.

**Dr. John Gottko** is an Assistant Professor in Marketing and International Business, College of Business, Oregon State University. He has been on the faculty for the past six years, both teaching and conducting research in marketing, domestic and international. Previously, he has been affiliated with the University of Northern Colorado, Niagara University, as well as with a private sector marketing research firm.

Appreciation is extended to the Oregon Department of Forestry for partial funding of this study.

## BACKGROUND

Many wonder why U.S. companies are not more oriented toward exporting. Increased exports certainly would help alleviate such contemporary problems as the national trade deficit. Business Week (Anon 1987) estimated that if U.S. companies had maintained their 1980 share of overseas markets, the domestic industrial output would be some 8 percent higher today.

Relatively few companies account for the majority of U.S. exports (Anon 1987). Smaller- and mid-sized firms play a minor role. Yet the more modest-sized firms produce more economic growth than do large firms. A Dun and Bradstreet study (Anon 1986) indicated that 63.8 percent of an expected three million new jobs in 1986 would be created by companies with 1 to 99 employees, compared to only 15.8 percent by the largest companies (1,000 or more employees).

Small- and medium-sized firms generally lack an export orientation. Testimony before a Congressional Subcommittee indicated that about 20,000 U.S. firms considered capable of exporting were not involved (CSDEPP 1987).

The limited export activity of smaller U.S. firms has been explained in various ways. Historically, domestic firms had little need to export. The U.S. market, by its very magnitude, amply served small manufacturers. Many small-business managers see exporting as both complex and risky, and therefore not worth the effort; they see only the risks in international trade--"informational gaps, unfamiliar conditions in markets, complicated domestic and foreign trade regulations"--rather than the opportunities (Czinkota 1986). So they conclude that exports mean marginal business. Facing heightened international competition within the U.S. market, they are reluctant to attempt to compete also in international markets.

This is unfortunate. Convincing domestic firms to overcome their fear of exporting is important, not only for continued viability of individual companies, but also for the health of state and federal economies. Today the encouragement of exports is becoming a major objective of state and national economic planning.

In the early 1980's, when domestic markets were in recession, international marketing became especially important to the Oregon economy and its forest products companies, especially to the smaller ones, many of which were lumber producers. These firms could supply export lumber of differing sizes, grades, and species in demand in Europe, the middle East, and the Pacific Rim; few, however, were doing so at the time. Consequently, a research project was designed to learn why many of Oregon's smaller lumber companies were apparently so averse to international trade.

## DESCRIPTION OF THE PROJECT

A survey of 284 small-sized companies in Oregon that cut lumber was conducted in 1985 to characterize their export attitudes and practices (McMahon and Gottko 1988). This monograph presents some of the findings of that study, which included only "small" firms, defined by the Small Business Administration as those with 500 or fewer employees. Specific objectives of the study were as follows:

- Analyze the characteristics of exporting and nonexporting firms.
- Determine why firms that currently export are motivated to engage in international trade.
- Identify hindrances that prevent nonexporters from exporting.

Key marketing officials in each firm were contacted by phone and were sent a brief questionnaire. A lengthy survey was later completed by telephone interview, using a pool of specially trained students. Of the 284 firms contacted, 144 furnished useable information:

Firms identified	284
Firms eliminated:	
Incomplete responses	16
Refused to respond	46
Out of business or location unknown	52
Were not lumber producers	16
Had more than 500 employees	10
	<u>140</u>
Usable responses	144

Responding firms were grouped into several categories. This monograph analyzes the combined results for the exporters (N = 57) and the nonexporters (N = 87), as well as for a further separation of the latter into confirmed nonexporters (N = 40), who had never exported and were unwilling to consider it, and unconfirmed nonexporters (N = 47), who may or may not have exported in the past, but were willing to consider it in the future. Among the unconfirmed nonexporters, 20 firms had once exported but gave the following reasons for having since stopped:

	<u>Percent</u> <u>Distribution</u>
Economic issues	50
Distribution problems	5
Market related issues	30
Raw material suitability/availability	<u>15</u>
	100

Two types of variables were examined in this study--"descriptors" and "attitudes and behavior." Descriptors distinguish companies in terms of such data as sales volume and number of employees; descriptors identify firms potentially capable of increasing exports as a result of public policies. Attitudes and behavior indicate a company's disposition toward exporting and its probable response to export-encouraging policies.

Descriptors were obtained by asking managers not only about number of employees, volumes of exports, and total sales, but also about a firm's status as a subsidiary, the existence of foreign operations and investments, importing, and the existence of written business plans and goals.

Attitudes and behavior were assessed from managers' scaled responses to questions and statements about exporting: reasons to export; opinions about public and private sources offering exporting help; potential problems; and the focus and content of marketing strategies. Where appropriate, statistical tests of significance were performed on the survey data.

## RESULTS

### DESCRIPTORS

Among small firms producing lumber in Oregon in 1985, exporters had considerably larger total sales volumes than did nonexporters (Table 1). Nearly half the nonexporters had sales of under \$1 million, while only about 1 percent sold over \$40 million worth of products. Exporters, on the other hand, reported sales in all ranges, including 14 percent over \$40 million. Employee numbers differed considerably between the groups (Table 2): while over 50 percent of the nonexporters had fewer than 25 employees, and only 6 percent had 251 to 500, the exporters were generally larger, with 20 percent of firms in both the under-25 and over-251 categories. Overall, exporters had more employees than did nonexporters--a difference that was statistically significant. Thus, in terms of both total sales and employee numbers, exporters generally were found to be larger than nonexporters.

Of the two subsets of nonexporters, the unconfirmed had higher total sales than did the confirmed: over half the confirmed nonexporters had sales of under \$1 million, and none were over \$30 million (Table 1); 7 percent of the unconfirmed nonexporters, however, had sales exceeding \$30 million. Number of employees also differed considerably between the two groups; while most of the confirmed nonexporters had fewer than 25 employees, 20 percent of the unconfirmed nonexporters had over 251, a difference between groups that was statistically significant. So between these two subsets of nonexporters, the unconfirmed generally were larger than the confirmed in terms of both total sales and number

Table 1. Sales volume of exporting and nonexporting firms (1985).

Sales Volume	Percent Distribution <sup>a</sup>			
	Exporters	Nonexporters <sup>b</sup>		
		Total	Unconfirmed	Confirmed
(million \$)	(N=51)	(N=80)	(N=41)	(N=39)
< 1.0	15.7	45.0	39.0	51.3
1-4.9	15.7	23.8	17.1	30.8
5-9.9	17.6	12.5	17.1	7.1
10-14.9	11.8	3.8	2.4	5.1
15-19.9	7.8	2.5	4.9	0.0
20-29.9	13.7	8.8	12.2	5.1
30-39.9	3.9	2.5	4.9	0.0
> 40.0	13.7	1.3	2.4	0.0
Total <sup>c</sup>	99.9	100.2	100.0	99.4

<sup>a</sup> The overall differences in distribution between exporters and non-exporters were significant at the 0.01 level (Chi-square test).

<sup>b</sup> Number of respondents vary because some did not reply to every question.

<sup>c</sup> Because of rounding, some totals do not equal 100 percent.

Table 2. Number of employees in exporting and nonexporting firms (1985).

Employees	Percent Distribution <sup>ab</sup>			
	Exporters	Nonexporters		
		Total	Unconfirmed	Confirmed
(million \$)	(N=57)	(N=87)	(N=47)	(N=40)
Under 25	19.3	51.7	40.8	65.0
25 - 100	35.1	33.7	36.7	30.0
101 - 250	26.3	9.0	12.2	5.0
251 - 500	19.3	5.6	10.2	0.0
Total	100.0	100.0	100.0	100.0

<sup>a</sup> The overall differences in distribution between exporters and non-exporters were significant at the 0.01 level (Chi-square).

<sup>b</sup> Overall differences between the unconfirmed and confirmed nonexporters were not significant at the 0.05 level (Chi-square test).

of employees. The unconfirmed nonexporters, therefore, tend to resemble the exporters in this respect.

Ten percent of both exporting and nonexporting firms were subsidiaries of other companies. Neither exporters nor nonexporters had employees outside of Oregon, nor did either group have direct investments abroad. Despite the larger average size of the exporters, about the same proportion of each group--10 percent--engaged in importing, primarily of softwood lumber. Nonexporters were less optimistic than exporters about plans to increase imports.

For the two subgroups of nonexporters, about 10 percent of both the confirmed and the unconfirmed were subsidiaries of other firms and also engaged in importing--again mainly softwood lumber. Unconfirmed nonexporters were less optimistic than their confirmed counterparts about plans to increase imports.

Fewer than one-third of either exporters or nonexporters prepared written business plans for future years. Among those who did, the exporters' plans were only slightly more likely than the nonexporters' to extend beyond one year. Surprisingly, nearly one-third of the nonexporters' plans included international activities, while 40 percent of those by exporters did not. About three-quarters of both the exporters and the nonexporters who wrote plans included a discussion of marketing strategy. Nevertheless, the scant attention either group gave to written business plans seems counter-productive to export expansion.

Just under half of the unconfirmed nonexporters and only 15 percent of the confirmed nonexporters prepared written plans; this difference was statistically significant. Among those who did write business plans, the unconfirmed nonexporters were more likely to have a planning horizon exceeding one year. While none of the plans written by confirmed nonexporters included international activities, just over one-third of the unconfirmed nonexporters' plans addressed such activities.

Although Cavusgil's (1980) national study of manufacturers indicated that firm size is not a significant variable in distinguishing exporters from nonexporters, other studies have asserted the opposite (Czinkota 1986). In the present study, many of the nonexporters claimed that they were too small to be involved in exporting. Confirmed nonexporting firms were generally smaller than unconfirmed nonexporters.

## ATTITUDES AND BEHAVIOR

### EXPORT MOTIVATORS

Among 21 potential motivators for exporting, both exporters and nonexporters indicated that anticipation of profit potential overseas was one of their top two.



For exporters, the other was inquiries from overseas companies about products and sales; nonexporters saw loss of substantial market share in the United States as a potential motivator (Table 3). Both groups agreed that opportunities for overseas travel and for improving the status of the firm were the two least important considerations. The two groups differed significantly in their responses to four motivators: exporters considered inquiries from overseas companies more important than did nonexporters, while the nonexporters saw more potential in inquiries from banks, inquiries from the Oregon Department of Economic Development, inquiries from overseas companies, and development of new products for global markets. The confirmed and unconfirmed nonexporters did not differ significantly in their responses to the 21 motivators.

Ogram's study in Georgia (1982) found that firms often start exporting after receiving an unsolicited order, and that desire to travel plays only a minor role in export decisions. Domestic competition, however, was not an important motivator in that study.

## SOURCES OF ASSISTANCE

Of 23 sources of export assistance, several private sources and the public Oregon Department of Economic Development were contacted more often by exporters than by nonexporters (Table 4); exporting status was the probable cause of these contacts. Exporters rated two private sources--export trading companies and export agents--as their most important sources of assistance.

Unconfirmed nonexporters, who are not opposed to exporting, were more likely to have interacted with the Oregon Department of Economic Development and several private sources of assistance than were the confirmed nonexporters. Like exporters, unconfirmed nonexporters rated export trading companies and export agents as their most important sources of assistance, with the Oregon Department of Economic Development in third place. Not being opposed to exporting, these unconfirmed types evidently think about, and even do, seek out sources of information or assistance about foreign trade.

On the whole, both exporters and nonexporters seemed convinced that, among those sources they had not contacted, public bodies would be less helpful than private ones (Table 5). Exporters, interestingly, were more convinced of this than nonexporters: the private Chamber of Commerce and five public bodies--Domestic International Sales Corporation, International Trade Institute, Oregon Free Trade Zone, USDA Forest Service, and the Oregon Department of Forestry--were perceived as unlikely to be helpful by three-quarters of the exporters who had had no contact with them.

In general, exporters were much less optimistic about obtaining help from any of the potential sources of assistance than were nonexporters. A similar trend

Table 3. Degree of perceived importance to exporters and nonexporters of 21 potential export motivators.

Motivators	Scores <sup>a</sup>			
	Exporters	Nonexporters		
		Total	Unconfirmed	Confirmed

  

External solicitations and requests from:				
U.S. Dept. of Commerce	3.2	2.9	3.0	2.7
Oregon Dept. of Economic Development	3.0	2.6	2.8	2.4
Banks	3.2	2.8	2.9	2.8
Industry association, i.e., Chambers of Commerce, etc.	2.9	2.7	2.7	2.6
Overseas companies in U.S.	1.9	2.3	2.3	2.3
U.S. government	2.9	2.5	2.6	2.4
Oregon State government	2.8	2.6	2.7	2.4
Foreign government(s)	2.8	2.6	2.8	2.4
Considerations internal to the firm:				
Excess production capacity in U.S.	2.1	2.3	2.3	2.4
Receipt of an unsolicited order from an overseas buyer or agent	2.2	2.3	2.2	2.3
Loss of substantial market share in the U.S.	2.3	2.1	2.0	2.2
Profit potential overseas	1.5	1.8	1.8	1.7
Strong competition in the U.S. market	2.1	2.2	2.1	2.2
Strong managerial expansion goals	2.6	2.6	2.8	2.4
Owner/manager trip overseas	2.8	3.1	3.2	3.1
To follow the leads of competitors	3.2	2.9	3.0	2.8
To improve the image/status of firm	3.2	3.2	3.1	3.2
To produce specialty products in demand overseas	2.1	2.3	2.4	2.1
Overseas travel opportunities	3.3	3.4	3.4	3.3
Economies of scale in production	2.7	2.5	2.3	2.7
A new product that would provide for maximum exploitation worldwide	2.8	2.3	2.4	2.1

<sup>a</sup> Expressed as the mean of a scale of 1-4, where 1 = very important and 4 = not at all important.

Table 4. Firms obtaining help after contacting public and private sources of assistance.

Source of Assistance	<u>Exporters</u>		<u>Nonexporters</u>					
	(No.)	(%)	<u>Total</u>		<u>Unconfirmed</u>		<u>Confirmed</u>	
			(No.)	(%)	(No.)	(%)	(No.)	(%)
<b>Public</b>								
Domestic International Sales Corp.	15	24.6	7	7.9	5	10.2	2	5.0
Export/Import Bank	8	14.0	4	4.5	4	8.2	0	0.0
Foreign Consulates in Oregon	8	14.0	3	3.4	3	6.1	0	0.0
Foreign Sales Corp.	11	19.3	6	6.7	6	12.2	0	0.0
Governor's Trade Missions	13	22.8	10	11.2	8	16.3	2	5.0
International Trade Institute	4	7.0	4	4.5	4	8.2	0	0.0
Oregon Department of Economic Development	24	42.1	20	22.5	16	32.7	4	10.0
Oregon Department of Forestry	5	8.8	10	11.2	6	12.2	4	10.0
Oregon Free Trade Zone	3	5.3	1	1.1	1	2.0	0	0.0
U.S. Department of Commerce	14	24.6	7	7.9	6	12.2	1	2.5
U.S. Department of State	9	15.8	5	5.6	4	8.2	1	2.5
USDA Foreign Agricultural Service	7	12.3	3	3.4	2	4.1	1	2.5
USDA Forest Service	11	19.3	24	27.0	11	22.4	13	32.5
<b>Private</b>								
Chambers of Commerce	9	12.3	11	12.4	7	14.3	4	10.0
Domestic Banks	17	28.1	17	19.1	9	18.4	8	20.0
Domestic Competitors	20	35.1	20	22.5	12	24.5	8	20.0
Domestic Distributors	15	26.3	14	15.7	9	18.4	5	12.5
Export Agents	30	52.6	22	24.6	17	34.7	5	12.5
Export Trading Companies	34	59.6	23	25.8	19	38.8	4	10.0
Foreign Banks	8	14.0	4	4.5	3	6.1	1	2.5
Foreign Distributors	16	28.1	9	10.1	6	12.2	3	7.5
Foreign Firms	19	33.3	9	10.1	8	16.3	1	2.5
Trade Associations	15	26.3	13	14.6	10	20.4	3	7.5

Table 5. Firms perceiving public and private sources of assistance as unlikely to be helpful.

Source of Assistance	<u>Exporters</u>		<u>Nonexporters</u>					
	(No.)	(%)	<u>Total</u>		<u>Unconfirmed</u>		<u>Confirmed</u>	
			(No.)	(%)	(No.)	(%)	(No.)	(%)
Public								
Domestic International Sales Corp.	18	75.0	18	43.9	12	54.5	6	31.6
Export/Import Bank	21	70.0	21	40.4	12	41.4	9	39.1
Foreign Consulates in Oregon	21	70.0	24	49.0	14	53.8	10	43.5
Foreign Sales Corp.	19	73.1	19	42.2	10	41.7	9	42.9
Governor's Trade Missions	18	64.3	27	55.1	18	64.3	9	42.9
International Trade Institute	24	77.4	24	51.1	14	53.8	10	47.6
Oregon Department of Economic Development	16	66.7	21	43.8	13	54.2	8	33.3
Oregon Department of Forestry	28	75.7	26	55.3	17	63.0	9	45.0
Oregon Free Trade Zone	24	77.4	27	60.0	16	64.0	11	55.0
U.S. Department of Commerce	22	71.0	19	36.5	13	43.3	6	27.3
U.S. Department of State	25	71.4	23	48.9	17	63.0	6	30.0
USDA Foreign Agricultural Service	28	73.7	29	59.2	18	64.3	11	52.4
USDA Forest Service	27	75.0	22	56.4	17	65.4	5	38.5
Private								
Chambers of Commerce	25	80.6	28	57.1	16	64.0	12	50.0
Domestic Banks	18	69.2	22	46.8	14	58.3	8	34.2
Domestic Competitors	19	79.2	25	61.0	13	56.5	12	66.7
Domestic Distributors	21	75.0	22	52.4	13	54.2	9	50.0
Export Agents	10	55.6	21	47.7	11	50.0	10	45.5
Export Trading Companies	10	71.4	17	40.5	10	52.6	7	30.4
Foreign Banks	21	70.0	28	51.9	17	56.7	11	45.8
Foreign Distributors	17	68.0	21	40.4	14	48.3	7	30.4
Foreign Firms	16	66.7	22	41.5	12	42.9	10	40.0
Trade Associations	20	74.1	21	45.7	12	48.0	9	42.9

prevailed among the two subsets of nonexporters, with the unconfirmed less optimistic than the confirmed.

Cavusgil (1980), on the other hand, concluded that exporters seek information significantly more often than do nonexporters. His data indicated that their sources included the U.S. Department of Commerce, state agencies, export agents, and executives of other firms.

## STATEMENTS ABOUT EXPORTING

In the present study, nonexporters generally agreed with 17 statements concerning the problems or limitations of exporting; exporters agreed less strongly or felt that these limitations were less important (Table 6). Both groups strongly agreed that "Some organizations do not know enough about exporting procedures to even begin exporting;" nonexporters agreed significantly more often than did exporters. The two groups generally disagreed with two statements: "When first attempts at exporting fail, there is no point in trying again," and "Exporting should only be considered when the domestic market is unfavorable." Thus, both groups agreed about the value of perseverance in exporting. Both groups also thought that "Exporting represents an opportunity to exploit an expanded market."

The confirmed nonexporters were slightly more concerned with limitations to exporting than were the unconfirmed; a significantly higher proportion of confirmed nonexporters agreed with two statements: "Some companies are too small to be able to export successfully," and "There is too much risk involved in exporting for some organizations to be engaged in it."

## HINDRANCES TO EXPORTING

Similarly exporters and nonexporters differed significantly in their responses to 18 out of 24 statements about specific hindrances to exporting (Table 7). In line with their greater negativity about exporting, nonexporters believed these 18 to be more of a limitation to foreign sales than did exporters. When the two subsets of nonexporters were queried, the confirmed perceived these hindrances as more limiting than did the unconfirmed.

Earlier studies of exporters and nonexporters underscored the importance of an international orientation. For example, Ogram (1982) noted that nonexporting status was associated with a lack of understanding of foreign cultures, communication, and language.

Table 6. Extent of agreement between exporters and nonexporters about various statements on exporting.

Statements About Exporting	Scores <sup>a</sup>			
	Exporters	Nonexporters <sup>b</sup>		
		Total	Unconfirmed	Confirmed <sup>c</sup>
	(N=57)	(N=87)	(N=47)	(N=40)
When first attempts at exporting fail, there is no point in trying again.	1.8	2.0	2.0	2.1
Some organizations' high costs will always prevent them from exporting.	2.6	2.9	2.8	2.9
Exporting represents an opportunity to exploit an expanded market.	3.9	3.9	3.9	3.8
Exporting should only be considered after a written order has been received.	2.5	2.8	2.8	2.8
Some organizations do not know enough about exporting procedures to even begin exporting.	3.7	4.2*	4.1	4.2
Exporting is a profitable means of making use of idle capacity.	3.4	3.4	3.4	3.5
Exporting is only desirable when a responsible U.S. agent can be secured to handle transport, documentation, and marketing.	2.9	3.3*	3.2	3.4
Some companies are too small to be able to export successfully.	2.7	3.3*	3.1	3.7 <sup>+</sup>
Exporting is not sufficiently profitable for some organizations to be interested.	3.0	3.5*	3.4	3.7
The main cause of some failures in exporting was the poor performance of overseas agents.	3.2	3.6*	3.5	3.6
Exporting should only be considered when the domestic market is unfavorable.	2.1	2.3*	2.2	2.3
There is too much risk involved in exporting for some organizations to be engaged in it.	2.9	3.5*	3.3	3.7 <sup>+</sup>
The quality of some companies' products could never be good enough to sell on overseas markets.	3.0	3.5*	3.4	3.5

(Table 6 continued)

Table 6 (continued)

Statements About Exporting	Scores <sup>a</sup>			
	Exporters	Nonexporters <sup>b</sup>		
		Total	Unconfirmed	Confirmed <sup>c</sup>
	(N=57)	(N=87)	(N=47)	(N=40)
Exporting is too different from U.S. marketing to allow some organizations to succeed.	2.7	3.3*	3.1	3.5
Exporting increases the prestige, reputation, and success of a company in the U.S.	2.9	2.7	2.6	2.9
Exporting is so important to the national interest in reducing or eliminating our trade deficit that every U.S. manufacturer should support increased export activity.	3.6	3.3	3.4	3.2
Various nontariff export barriers are too difficult to deal with.	2.6	3.0*	3.0	3.0

<sup>a</sup> Expressed as the mean of a scale of 1-5, where 1 = strongly disagree with statement and 5 = strong agree with statement.

<sup>b</sup> Denotes significant difference between scores of exporters and non-exporters at the 0.05 level (T-test).

<sup>c</sup> Denotes significant difference between scores of unconfirmed and confirmed nonexporters at the 0.05 level (T-test).

Table 7. Perceptions of exporters and nonexporters about potential hindrances to exporting (1985).

Statements About Exporting	Scores <sup>a</sup>			
	Exporters	Nonexporters <sup>b</sup>		
		Total	Unconfirmed	Confirmed <sup>c</sup>
	(N=57)	(N=87)	(N=47)	(N=40)
Difficulty in handling documentation, quotations, and correspondence.	1.6	2.4*	2.5	2.4
Difficulty in locating satisfactory overseas agents.	2.1	2.7*	2.7	2.8
Difficulty in meeting delivery dates required by overseas buyers.	1.8	2.0	2.0	2.2
Difficulty in modifying product to meet marketing requirements overseas.	2.2	2.7*	2.6	2.7
Excessive cost of settling overseas claims.	2.2	3.0*	2.9	3.2
Expected or actual lack of continuity in overseas orders.	2.5	2.9*	2.7	3.1
Fluctuations in exchange rate.	2.8	3.0	3.2	2.8
Foreign taxes on overseas sales of U.S. goods.	2.1	3.0*	3.0	3.0
Freight costs from Oregon to targeted or established markets overseas.	2.3	2.7*	2.7	2.7
High value of U.S. dollar in relation to other currencies.	3.3	3.2	3.3	3.0
Inability to advertise effectively overseas.	1.6	2.3*	2.4	2.2
Inability to convince foreign customers of firm's long-term commitment to exporting.	2.0	2.6*	2.7	2.4
Inability to facilitate sales by engaging in reciprocal trading.	1.6	2.6*	2.8	2.4
Inability to interact regularly with foreign customers.	1.9	2.6*	2.7	2.5
Inability to meet prices of competing overseas firms.	2.7	2.8	2.8	2.8
Inability to obtain suitable export manager.	1.5	2.5*	2.5	2.5

(Table 7 continued)



Table 7 (continued)

Statements About Exporting	Scores <sup>a</sup>			
	Exporters	Nonexporters <sup>b</sup>		
		Total	Unconfirmed	Confirmed <sup>c</sup>
	(N=57)	(N=87)	(N=47)	(N=40)
Inability to obtain suitable support staff for overseas markets.	1.5	2.3*	2.2	2.5
Inability to offer competitive credit terms to overseas buyers.	2.5	2.9	2.9	2.9
Inability to service overseas markets successfully.	1.8	2.4*	2.3	2.6
Lack of useful information about overseas markets.	2.2	2.9*	2.7	3.0
Need for working capital to finance exporting.	2.2	3.2*	3.1	3.2
Scarcity of skilled labor in U.S.	1.5	1.9*	1.9	1.9
Scarcity of skilled labor overseas.	1.6	1.9	1.8	2.1
U.S. tax on foreign sales. 1.6	2.6*	2.4	3.0	

<sup>a</sup> Expressed as the mean of a scale of 1 to 4, where 1 = no effect on export sales and 4 = major limitation on export sales.

<sup>b</sup> \* denotes significant difference between scores of exporters and nonexporters at the 0.05 level (T-test).

<sup>c</sup> Differences between unconfirmed and confirmed nonexporters were not statistically significant at the 0.05 level (T-test).

## EXPORT MARKETING STRATEGY

Marketing strategy includes not only the product itself but also pricing, promotion, and distribution; a company that focuses on these as well as on products is said to be consumer-oriented. In the present study, both exporters and nonexporters declared that the three non-product components comprised less than half of their marketing strategies--25 percent for exporters and 40 percent for nonexporters, a statistically significant difference.

The exporters indicated that communication and sales effort were the most important export marketing strategy variables (Table 8). For nonexporters, communication and financing were most important. Both groups saw advertising

Table 8. Perceived importance to exporters and nonexporters of consumer-oriented components of marketing strategies.

Statements About Exporting	Scores <sup>a</sup>			
	Exporters	Nonexporters		
		Total	Unconfirmed	Confirmed
	(N=57)	(N=87)	(N=47)	(N=40)
Advertising	3.1	2.3	2.5	2.1
Arranging transport	1.8	1.7	1.8	1.6
Communicating with customers	1.5	1.3	1.3	1.3
Coordinating distribution	2.2	1.8	2.0	1.6
Determining transport rates	1.7	1.6	1.6	1.6
Documenting	2.0	1.7	1.7	1.7
Financing	1.9	1.3	1.4	1.2
Gathering information on business practices	1.9	1.7	1.8	1.6
Gathering marketing information	1.8	1.8	1.8	1.7
Obtaining financial information	1.9	1.4	1.4	1.4
Obtaining insurance	2.5	1.7	1.7	1.7
Pricing internationally	2.1	1.5	1.5	1.4
Providing claims service	2.3	1.9	1.9	1.8
Providing technical advice	2.4	2.3	2.3	2.3
Providing warehousing	3.1	2.4	2.6	2.1
Selling 1.5	1.4	1.4	1.3	
Transferring funds	2.3	1.5	1.6	1.3

<sup>a</sup> Expressed as the mean of a scale of 1 to 4, where 1 = very important and 4 = not important.

and providing warehousing as relatively unimportant aspects of marketing. In line with their attitude of general caution, nonexporters--particularly the confirmed--saw nearly all components of marketing as being more important than did the exporters.

Although exporters in the current study concentrated on products, Cavusgil (1980) found that neither product quality nor capability to produce new products was significant in distinguishing exporters from nonexporters. Also, while some observers saw problems in modifying forest products to serve international markets (for example, metric measurements), Oregon producers such as Vanport Manufacturing, Inc. and Webco Forest Products have been able to make appropriate adaptations .

The 57 exporters were analyzed to determine the variables associated with changes in export sales between 1983 and 1985. Not unexpectedly, greater

emphasis on the non-product component--or greater marketing orientation--generally corresponded to higher export sales, although this relationship was not statistically significant.

Though many firms exported to the developed nations, some sought out markets in developing and centrally-planned-economy countries (Table 9). Additionally, while export to Pacific Rim countries (including Japan) was associated with export sales growth, those firms that also exported to contiguous neighbors (Canada and Mexico) did not experience as high a degree of sales growth; apparently marketing strategies that emphasized venturesome and opportunistic selection of target countries resulted in expanded export sales. Cooper and Kleinschmidt (1985) reached the same conclusions in a study of 142 small- to medium-sized electronics manufacturing firms in Canada.

Finally, the present study indicated that marketing strategy variables were more related to change in export sales than was firm size, as measured either by total sales or by number of employees. However, as noted above, exporters were generally larger than nonexporters; perhaps a threshold size is necessary to engage in export, but beyond that level size matters little.

## CONCLUSIONS

Small firms manufacturing lumber in Oregon showed both differences and similarities in attitudes and practices regarding exports. For example, exporting companies tended to have larger sales volumes and larger numbers of employees than their nonexporting counterparts. Profit potential in overseas markets was found to be a prime motivator for both exporters and nonexporters. Additionally, while "inquiries from potential overseas customers" was a top motivator for exporters, fear of loss of domestic market share might influence nonexporters to export.

Small companies that expanded export lumber sales during the previous two years tended to be more customer-oriented than their less successful competitors. One way to improve export performance, therefore, would be to encourage companies to adopt marketing strategies characteristic of successful exporters.

The primary objective of an export promotion policy should be to help companies improve their export performance. Because of differences in objectives and characteristics, however, not all companies can be expected to respond with equal enthusiasm to export-promotion programs. Successful programs require, first, the identification of companies most likely to welcome agency efforts.

Because lack of export experience and sophistication is often characteristic of smaller firms, public assistance offered by a variety of federal and state sources could provide a strategic boost to these firms' export operations. The most

Table 9. Number of Oregon lumber manufacturers exporting to various categories of countries in 1985.<sup>a</sup>

Economic category and country	No. of manufacturers exporting to country (n = 57)
Developed countries	
Japan	30
Australia	24
Canada	14
Italy	13
West Germany	12
United Kingdom	10
Greece	8
Western Europe (unspecified)	6
Netherlands/Northern Europe	6
Denmark	5
Spain	5
France	5
Belgium	3
Switzerland	1
Europe (unspecified)	<u>1</u>
Total	143
Developing countries	
Saudi Arabia	6
Pacific Islands	5
Middle East (unspecified)	4
Mediterranean Area (unspecified)	3
Mexico	2
Peru	2
South Africa	2
Hong Kong	2
Korea	2
Asia (unspecified)	2
Taiwan	<u>1</u>
Total	31
Centrally planned economy	
People's Republic of China	<u>6</u>
Total	6

<sup>a</sup> Each country mentioned could have received exports from 1 to 57 Oregon lumber-exporting firms.

immediate assistance--according to results of the research reported here--would be aimed at helping current exporters to increase export sales, rather than persuading nonexporters to change. Programs for nonexporters, moreover, should strive to reach the unconfirmed ones, since they more nearly resemble exporters and are therefore most likely to respond positively.

## LITERATURE CITED

- Anon. 1986. Running Your Own Business Successfully: The Financial Dynamics. Business Week (Supplement, August 24).
- Anon. 1987. Most U.S. Companies are Innocent Abroad. Business Week, Nov. 16, pp. 168.
- Cavusgil, S. Tamer. 1980. On the Internationalization Process of Firms. European Research 8(6):273-281.
- Commerce and State Departments Export Promotion Programs (CSDEPP). 1977.
- Hearing before a Subcommittee of the Committee on Government Operations, U.S. House of Representatives, 95th Congress, 1st Session, Washington, D.C., March 23-23, pp. 23.
- Cooper, Robert G. and Elko J. Kleinschmidt. 1985. The Impact of Export Strategy on Export Sales Performance. Journal of International Business Studies, Spring, pp. 37-38.
- Czinkota, Michael R. 1986. Encouraging U.S. Exports by Small-and Medium-Sized Firms, National Center for Export-Import Studies, Georgetown University.
- McMahon, Robert and John Gottko. 1988. Oregon Lumber Producers: Export Marketing Trends between the Mid-1960's and Mid-1980's. Forest Products Journal 38(4):44-46.
- Ogram, Ernest W. 1982. Exporters and Nonexporters: A Profile of Small Manufacturing Firms in Georgia. In: Export Management: An International Context, eds. Czinkota, Michael R. and George Tesar. Praeger, NY, pp. 70-84.

**STUDIES IN MANAGEMENT AND ACCOUNTING  
IN THE FOREST PRODUCTS INDUSTRY**

Oregon State University

<u>No.</u>	<u>Monograph Title</u>
1	"The Rush to LIFO: Is It Always Good for Wood Products Firms?" (1976).
2	"Accounting and Financial Management in the Forest Products Industries: A Guide to the Published Literature," (1977 and 1981).
3	"A Decision Framework for Trading Lumber Futures," (October 1975).
4	"Capital Gains Tax Treatment in the Forest Products Industries," (June 1976).
5	"Measurement Difficulties in the Log Conversion Process," (June 1976).
6	"Capital Budgeting Practices in the Forest Products Industry," (March 1978).
7	"A Reporting and Control System for Wood Products Futures Trading Activities," (July 1978).
8	"Selected Issues of Financial Accounting and Reporting for Timber," (November 1978).
9	"Pool Log Transfer System," (August 1979).
10	"Fundamentals of Financing Major Timber Acquisitions," (February 1980).
11	"LIFO Inventories in the Forest Products Industry," (July 1980).
12	"Accounting Controls for a Forest Products Firm," (January 1981).
13	"Log Inventory Controls," (April 1981).
14	"Accounting Treatment for Wood Products Futures Trading Activities," (October 1981).
15	"A Reporting and Planning System for a Wood Products Operation," (November 1981).
16	"Boise Cascade's Productivity Improvement Program," (January 1982).
17	"Information Systems Planning in Weyerhaeuser Company," (August 1982).
18	"Developing a Strategic Plan for a Forest Products Company: A Case Study," (March 1983).
19	"Company/Employee Gainsharing Programs," (July 1983).
20	"Productivity Improvement Programs of Knowledge Workers in the Forest Products Industry," (November 1983).
21	"Microcomputer Modeling in the Forest Products Industry," (May 1984).
22	"Control and Measurement of Chips," (September 1984).
23	"Accounting for Buying Back Timber Cutting Contracts," (December 1984).
24	"Developing Cross-Hedging Strategies Based on Lumber Price-Change Variation and Seasonality," (May 1985).
25	"Unique Financial Reporting Considerations for Readers of Forest Products Companies Financial Statements," (November 1985).
26	"Improving Productivity Through Internal Contracting," (March 1986).
27	"Perspectives on the Timber Industry from a Lender's Standpoint," (October 1986).
28	"Long-Term Timber Supply and Its Importance in Strategic Planning," (March 1987).
29	"Microcomputer Applications in Timber Management and Accounting," (August 1988).
30	"Producing OSB Using Red Alder: A Feasibility Case Study," (January 1989).
31	"Export Marketing Activities of Small-Firm Lumber Manufacturers," (June 1989).

**FOREST PRODUCTS MONOGRAPH SERIES**  
**Advisory Council**

**INDUSTRY COUNCIL**

Patricia Bedient  
Arthur Andersen & Co.

Clayton W. Knodell  
Willamette Industries, Inc.

Richard D. Snyder  
Gregory Forest Products

Frank H. Eiseman  
Arthur Young & Co. (Ret.)

James E. Lawrie  
Peat, Marwick Main & Co.

Kenneth Stancato  
Weyerhaeuser Company

Wendell Hamilton  
Coopers & Lybrand

K. Stanley Martin  
WTD Industries

William L. Hebert  
Louisiana Pacific Corp.

Ronald C. Parker  
Roseburg Forest Products, Inc.

**UNIVERSITY COUNCIL**

Charles W. Dane  
College of Business

George R. Martin  
College of Business

Charles Neyhart, Director  
College of Business

John A. Drexler, Jr.  
College of Business

Robert O. McMahon  
College of Forestry

**CORRESPONDING MEMBER**

Andrew R. Lessin  
International Paper Co.

---

**STUDIES IN MANAGEMENT AND ACCOUNTING  
IN THE FOREST PRODUCTS INDUSTRY**

Oregon State University

<u>No.</u>	<u>Monograph Title</u>
1	"The Rush to LIFO: Is It Always Good for Wood Products Firms?" (1976).
2	"Accounting and Financial Management in the Forest Products Industries: A Guide to the Published Literature," (1977 and 1981).
3	"A Decision Framework for Trading Lumber Futures," (October 1975).
4	"Capital Gains Tax Treatment in the Forest Products Industries," (June 1976).
5	"Measurement Difficulties in the Log Conversion Process," (June 1976).
6	"Capital Budgeting Practices in the Forest Products Industry," (March 1978).
7	"A Reporting and Control System for Wood Products Futures Trading Activities," (July 1978).
8	"Selected Issues of Financial Accounting and Reporting for Timber," (November 1978).
9	"Pool Log Transfer System," (August 1979).
10	"Fundamentals of Financing Major Timber Acquisitions," (February 1980).
11	"LIFO Inventories in the Forest Products Industry," (July 1980).
12	"Accounting Controls for a Forest Products Firm," (January 1981).
13	"Log Inventory Controls," (April 1981).
14	"Accounting Treatment for Wood Products Futures Trading Activities," (October 1981).
15	"A Reporting and Planning System for a Wood Products Operation," (November 1981).
16	"Boise Cascade's Productivity Improvement Program," (January 1982).
17	"Information Systems Planning in Weyerhaeuser Company," (August 1982).
18	"Developing a Strategic Plan for a Forest Products Company: A Case Study," (March 1983).
19	"Company/Employee Gainsharing Programs," (July 1983).
20	"Productivity Improvement Programs of Knowledge Workers in the Forest Products Industry," (November 1983).
21	"Microcomputer Modeling in the Forest Products Industry," (May 1984).
22	"Control and Measurement of Chips," (September 1984).
23	"Accounting for Buying Back Timber Cutting Contracts," (December 1984).
24	"Developing Cross-Hedging Strategies Based on Lumber Price-Change Variation and Seasonality," (May 1985).
25	"Unique Financial Reporting Considerations for Readers of Forest Products Companies Financial Statements," (November 1985).
26	"Improving Productivity Through Internal Contracting," (March 1986).
27	"Perspectives on the Timber Industry from a Lender's Standpoint," (October 1986).
28	"Long-Term Timber Supply and Its Importance in Strategic Planning," (March 1987).
29	"Microcomputer Applications in Timber Management and Accounting," (August 1988).
30	"Producing OSB Using Red Alder: A Feasibility Case Study," (January 1989).
31	"Export Marketing Activities of Small-Firm Lumber Manufacturers," (June 1989).



**FOREST PRODUCTS MONOGRAPH SERIES**  
**Advisory Council**

**INDUSTRY COUNCIL**

Patricia Bedient  
Arthur Andersen & Co.

Clayton W. Knodell  
Willamette Industries, Inc.

Richard D. Snyder  
Gregory Forest Products

Frank H. Eiseman  
Arthur Young & Co. (Ret.)

James E. Lawrie  
Peat, Marwick Main & Co.

Kenneth Stancato  
Weyerhaeuser Company

Wendell Hamilton  
Coopers & Lybrand

K. Stanley Martin  
WTD Industries

William L. Hebert  
Louisiana Pacific Corp.

Ronald C. Parker  
Roseburg Forest Products, Inc.

**UNIVERSITY COUNCIL**

Charles W. Dane  
College of Business

George R. Martin  
College of Business

Charles Neyhart, Director  
College of Business

John A. Drexler, Jr.  
College of Business

Robert O. McMahon  
College of Forestry

**CORRESPONDING MEMBER**

Andrew R. Lessin  
International Paper Co.

---

## **Studies in Management and Accounting for the Forest Products Industry**

This series of monographs is published by the College of Business and the College of Forestry, Oregon State University, to disseminate information, research findings, and informed opinion about current problems and opportunities in the management of, and accounting for, enterprises in the forest and wood products industries. The views expressed herein are those of the author(s), and do not necessarily represent those of Oregon State University.

Additional information about these Studies may be obtained from the program director, at the College of Business, Oregon State University, Corvallis, Oregon 97331.

