

CHAPTER 4: THE SHAPE OF KNITTED APPAREL EXPORTING

4. 1. INTRODUCTION

4, 1. 1. In the previous chapter the methodology for the research was developed, the conduct of the fieldwork reported, and the preparation of the data for analysis described.

This one presents the completed survey from two main perspectives:

1. The sample in:

- (a) Its subsector and industry context.

- (b) Relation to selected other surveys and their respective samples.

2. The overall results from each element of the study compared with those from other key empirical projects.

1a: The Sample In Its Subsector And Industry Context.

4. 1. 2 The three tables that follow set the survey sample in its subsector and industry context. Production/ Sales and export ratios data (Table 4.1) were not available separately for the sampling frame itself (nor, indeed, on a same-year basis); those for the sample firms were summed from respondents' questionnaires.

It will be seen that the export ratio of knitwear (76%) was markedly higher than that of the much larger total apparel sector (58%) which in turn was twice that of our sample of knitting exporters (29%). Although the ratio for all knitted apparel exports was not available for the survey year, on past form it was probably similar to that of the sample.

Table 4.1. UK Apparel: Production, Sales and Exports by Industry Subsector

<u>Sector</u>	<u>Production/ Sales (£m)</u>	<u>Exports (£m)</u>
i. Textiles & Apparel (2001)	11, 566	6, 430
ii Apparel (2001)	4, 932	2, 877
iii Knitwear (1999)	826	631
iv Knitting Sample (2000/01)	330	96

Sources: i, ii. Apparel & Textiles Confederation (2002).

iii *Knitstats (1999)*: iv. Questionnaire: Questions A, D

4. 1. 3. The overall numerical and product relationships between the sample firms and the sampling frame from which they were drawn is shown in Tables 4.2.and 4.3. Aspects of particular note here are that, first, the sample included nearly half of all sampling frame firms and, second, the two sets of subproduct ratios, one to another, are very similar. Therefore it appears probable that this would also be true of the industry as a whole.

Table 4.2. Sample/ Sampling Frame; Ratios of Firms and of subproducts

<u>Firms/ Products</u>	<u>Totals</u>	<u>Outerwear</u>	<u>Underwear</u>	<u>Hosiery</u>	<u>Multi-product</u>
a..Sampling Frame	160	100	9	37	14
b. Sample	71	43	4	15	9
Percentage (b/a)	44	43	44	41	64

Sources: Sampling Frame, Questionnaire: Question C1

4. 1. 4. Two of the four ratios shown in Table 4.3 may be of particular interest. First, although fully matching year data are not available, it will be seen that the knitting sector had fewer than 20 per cent as many firms as clothing as a whole.

Table 4.3. No of Firms: The Sample's Ratio Relationships

i Apparel industry	N = 5,610 (2001)
ii. Knitting industry	N = 980 (In 1998)
iii Sampling Frame	N = 160 Firms (Q1, 2001)
iv. Sample (realised)	N = 71 (44%)

Sources: i. Table 4, p 43, PA 1003, Data for 2001; Office for National Statistics

ii. *Knitstats 1999:*

iii & iv. Questionnaires, including P1

.And, second, because the survey sample is close to half the size of the exporter population from which it was drawn, the Finite Population Correction (calculated here at 0.7482) applies¹. It features again in Chapter 6.

1b. The sample in its relation with other surveys and their respective samples.

4. 1. 5. Having set the sample in its overall and specific industrial context, we now compare and contrast it broadly with several other apparel sector surveys. Chief among these is that conducted by the writer among a stratified systematic sample of knitting exporters in 1989 (*1989 survey: response rate 60 per cent*). One of two allied apparel surveys comprised a stratified random sample of clothing exporters, giving a response rate of 40.7 per cent. (*Amine and Cavusgil, 1987, p 21 -22*). The second study, which embraced both knitting and clothing exporters, was conducted by Crick (*Crick, D. et al, 1995, p14*) and is thought to have been based on a random sample. It produced a low-ish

¹ 'Only if the sample represents a relatively high proportion of the population (say, 5 per cent or more) need the population size enter into the calculation of the standard error' (*Moser, C.A., et al, 1971, p146*)).

response rate of 30.2 per cent. By contrast, our survey (hereinafter to be identified by the phrase 'survey sample') gave a response rate of 70 per cent (70.3).

4. 1. 6. Some of the main respects in which the survey sample contrasts with both of these studies are not only its higher response level, larger scale (71 exporting firms), and what is believed to have been a more inclusive sampling frame than, for instance, that of Crick. (Amine's is not described). Chetty's 5 case studies of New Zealand apparel exporters (*Chetty, S.K., 1999, pp121 et seq*) though not cross-sectional, will be referred to elsewhere for insights, as Cooper advises (*Cooper, H.,1998, p 84*).

4. 1. 7. Summary: The two preceding sections (1a, 1b) of this chapter have respectively placed the survey sample in its industry context and compared it broadly and in several relevant respects with other key empirical study samples.

4.2. OVERALL STUDY RESULTS & OTHER KEY EMPIRICAL RESEARCH

4. 2. 1. In the following seven subsections the overall results from the survey are tabulated, summarised and discussed, with comparisons also being made with the results of selected other empirical research studies:

- (i) The companies, their sizes, technologies and products;
- (ii) Sample companies' exporting histories, markets, and supply chains;
the benefits of exporting;
- (iii) How sample firms are organised for exporting;
- (iv) Firms' main exporting practices;
- (v) Sample firms' research, communication and promotional activities;
- (vi) Perceived obstacles to exporting ;and main issues for sample firms;
- (vii) Export performance and profitability.

4. 2. 2. Where measures of central tendency are shown, here and elsewhere, they have been calculated from the original data underlying the grouped frequency distributions next to which they appear.

4. 3. (i) The companies: their sizes, technologies and products

4. 3. 1. From Table 4. 4. it will be noted that the survey sample is weighted towards smaller exporting firms. More than half of the total (58%) have fewer than 50 employees, and are here categorised as `small`, while there are only about half as many with `medium`

Table 4.4. Overview Of The Firm: Employees v Firm Size

<u>\ Size</u>	<u>Small</u>	<u>Medium</u>	<u>Large</u>
<u>Employees</u>	(1 - 49)	(50-249)	(250+) (N = 71)
1 to 19	19	—	—
20 - 39	20	—	—
40 - 49	2	—	—
50 - 69	—	7	—
70 - 99	—	3	—
100 - 124	—	4	—
125 - 199	—	4	—
200 - 299	—	3	1
300 - 399	—	—	—
400 - 499	—	—	4
500 - 650	—	—	4
<u>Totals:</u>	41	21	9

Mean: 97.52: Standard Deviation 138.50

Source: Questionnaire: Question A2.

(30%) status and just over a fifth as many who are 'large'. Employees per firm range in number from 3 to 650. This marked size skewness of the sample is believed to reflect in part dramatic and rapid downsizing of firms, in the face of severe competitive pressure (Chapter 2); it will be recalled that a proportionate stratified sample had been selected for survey (See Chapter 3).

4. 3. 2 Other available and relevant employee sample data do not lend themselves to precise comparison and contrast

Table 4. 5. Overview Of The Firm: Turnover v Main Size Categories (Employees)

<u>Turnover</u> (£m)	<u>Employees Sample</u> (N =71)	<u>Small</u> (1 - 49)	<u>Medium</u> (50-249)	<u>Large</u> (250+)
< 1	26	26	—	—
1 < 2	15	11	4	—
2 < 4	9	2	6	1
4 < 6	7	1	6	—
6 < 8	3	1	2	—
8 < 10	1	—	1	—
10<15	2	—	2	—
15<20	2	—	—	2
20<40	6	—	—	6
<u>Total</u>	71	41	21	9

Turnover: Mean £4.64m; Standard Deviation £7.73m

Source: Questionnaire: Question A1.

The 1989 30-firm survey, comprising small (12), medium (9) and large (9) firms had a more even size distribution. But no individual company employee numbers were available. All 55 of Crick's firms (*op cit, Crick, D., et al, page 14*) had fewer than 200 employees; 49 per cent of them from 100 — 200. The other apparel studies referenced here did not provide employee numbers data.

4. 3. 3. Table 4.5 relates survey sample firm size categories, defined by employee numbers, to turnover. More than half of all sample firms (58%), predominantly in the 'small' category, are seen to have had total sales of under £2 million; 37 per cent, with fewer than 50 employees each, turnover of less than £1 million; and over two-thirds (70%) of the sample turnover less than £4 million. There is some overlap, where, for instance, a few 'medium' category firms have turnovers below those with markedly fewer employees.

4. 3. 4. Table 4. 6 describes four key aspects of survey sample firms' ownership and production. All but a few of them were owned in the United Kingdom. They were also predominantly independent enterprises, with over four-fifths (82%) falling into this category. Independence was also linked to the smaller size ranges. Here it will be noted that the larger part of the independent group (68%) were firms with fewer than 100 employees and that the 'medium' and 'large' size categories laid claim to 91 per cent of subsidiaries.

4. 3. 5. As might be expected, our survey sample firms were predominantly factory-based (83%; all of the 1989 firms were), a small proportion used a mix of own-factory production and outworkers (10%), and (in line with Zou's advice (*Zou, S., et al, 1998, pages 337,340*)) a few were non-manufacturer/ service firms. Close to three-quarters of firms produced all

or most of their products in the United Kingdom. Two-thirds of these (66%) manufactured only at home and a further tenth (10 %) made 80 — 99 per cent here. One firm's production was entirely overseas. Production location did not feature in the 1989 survey.

4. 3. 6. There was also some difference in practice by firm size. Thus about three-quarters of the small firms (73%) were 'UK-only' while the medium and large firm groups, at 57 and 56 per cent respectively, were more overseas orientated. One possible reason for this difference could be that small owner-managers generally lack the staff resources for organising outward processing. But, as against this, the firm sourcing entirely from abroad was small. Outward processing and its growth in recent decades is also discussed at Chapter 2 (Paras 2. 2. 0, 2. 4.24).

Table 4.7 Main Elements Of Sample Firms' (Mainly IT) Technology.

<u>Item\Size</u>	<u>Sample:</u>	<u>Small</u>	<u>Medium</u>	<u>Large</u>	<u>N.Response</u>
Electronic Knitting Machines	52 (23)	26	17	9	1
Computer Assisted Design	42 (21)	17	16	9	—
Computerised Mgt Info System	22 (15)	4	11	7	1
Electronic Data Interchange	22 (8)	7	10	5	2
E-Mail	60 —	33	19	8	1
Company Web Page	43 —	23	14	6	—
Facsimile	71 (25)	41	21	9	—

Source: Questionnaire: Question B1 — B5, and 1989 survey (Italicised) .

4. 3. 7. As Millington has confirmed, knitting is a technologically advanced form of manufacture (*Millington, J., 1996, page 98*). and, indeed, it is much more so than the (woven) clothing industry (Chapter 2) It will be recalled (Chapter 1) that the inter-

subsector variance arising from this major difference in technology levels was one important justification offered there for the this single sector survey sample study.

4. 3. 8. The available studies from other sectors do not appear to include details of the technology employed, but even if they had, comparisons with that of the knitting sector could not readily have been made. Those made here are overall and in relation to the 1989 survey, and the broad criterion is contribution to achieving speed and flexibility of response to changing consumers' requirements — needs identified as long ago as the mid-1980s (*NEDO, Knitting EDC, 1987*). We have no information on the age-profile of survey sample firms' technology (except for the limited amount, relating to IT, derived from the 2007 follow-up part-survey. See Chapter 7)

4. 3. 9. At about three-quarters of all firms in each sample, there was quite high usage of electronic knitting machines, so most firms were benefiting from the patterning flexibility which these devices confer (Table 4.7). However, if their capital investment ratios matched that of their sector as a whole, they may well have been at a competitive disadvantage (See Chapter 2). Usage of CAD, which much enhances design capability, was also high — and, surprisingly, relatively higher in 1989. CMIS, whose use promotes slickness and efficiency of operations, was less widely used by the survey sample firms than those of 1989; wider usage could have been expected in line with electronic take-up in industry, but as against this take-up may be lower among the smaller firms who predominate in this sample. Electronic Data Interchange was surprisingly low in the survey sample; a level close to that of 1989 when this practice was in its infancy. The reasons for low take-up are not obvious. Usage of fax (100%), E-mail (85%) and company Web pages (61%) possibly reflect their respective perceived usefulness. As will be seen, fax was popular with the

1989 sample firms, in a year when its use was not general and e-mail and webpages had yet to appear on the scene.

Table 4.8. Survey Sample Firms: Products: Knitted Garment Types Produced

<u>Product</u>	<u>Size</u> (N =71)	<u>Sample</u> (1 - 49)	<u>Small</u> (50-249)	<u>Medium</u> (250+)	<u>Large</u> <i>1989 Survey</i>
<u>Outerwear</u>		30	12	8	
<u>Underwear</u>		5	4	—	
<u>Hosiery</u>		11	9	2	
of which:					
Outerwear only	43	26	10	7	20
Underwear only	4	3	1	0	1
Hosiery only	15	7	7	1	4
Multi-Product	9	5	3	1	5
<u>Total</u>	71	41	21	9	30

Source: Questionnaire; ; Question C1, and *1989 Survey*

4. 3. 10. Close to nine-tenths (88 %) of the survey sample produce knitted apparel in one only of the three main product categories (Table 4.8). Of the rest, two-product firms outnumber those making all three. Firms producing one-product only are heavily

Table 4. 9. Numbers of firms producing each category of apparel (U/wear =Base)

<u>Entity\ Category:</u>	<u>Underwear</u>	<u>Hosiery</u>	<u>Outerwear</u>	<u>Multi-Product</u>
<u>Sampling Frame</u>	1	4.1	11.1	1.6
Sample Itself	1	3.8	10.8	2.3
Sampling Frame Residue	1	4.4	11.2	1.2

Source: Sampling frame; survey sample.

congregated in the outerwear garments sub-sector (61%; two-thirds in the 1989 survey) compared with those of hosiery (21%), underwear (6%) and multi-product firms (13%). As shown in the index (Table 4.9), the ratios of firm numbers in the four product categories do not differ significantly between sampling frame, sample and sampling frame residue. The survey sample may thus be taken as an adequate reflection of the sampling frame of exporters with respect to the weightings of the main product groups therein.

Table 4.10 :

Main Characteristics Of Sample Firms' Knitted Apparel - By No of Firms (N=71)

<u>Gender</u>	<u>Fashion Content</u>	<u>Price</u>	<u>Fibre</u>	<u>Brand / Contract</u>
1. Men 8	Low 14	Low 3	Natural 31	Contract 17
2. Women 7	Medium 38	Medium 42	Blends 8	Brand 26
3 Children 2	High 16	High 14	Manmade 5	Brand & Contract 38
4. M & W 24	L & M 7	L & M 9	N & B 12	[Missing data:
5. M & C 1	L & H 2	L & H 0	N & M 4	Fibre -3
6. W & C 5	M & H 2	M & H 11	B & M 7	Fashion -2
7. MWC 32	LMH 0	LMH 2	NBM 12	Gender/Price/ B&C-1]

Source: Questionnaire: Question C1.

Note: Responses exceed 71 because the products of multi-product firms are counted separately

4. 3. 11. While the survey sample's products were widely distributed over the subdivisions of the five main product characteristics shown in Table 4.10, there was,

nevertheless, a clear pattern to be discerned. With 32 instances, producers in MWC predominated, with Men & Women next, but all other variations falling far below. Medium fashion apparel (38) had more than double the counts for high and low fashion, and other options again fell much behind. With 42 instances, price was also a 'medium' phenomenon, its nearest rival being only a third as numerous. Natural fibre alone, with 31 instances, led by a factor of close to three. Finally, firms producing in both brand and contract categories (38) were much more numerous than those producing solely in one or other of these categories.

4. 3. 12. Summary: The foregoing section has described the main characteristics of the survey sample, including firm size, status, production, technology and products. Firms were predominantly small, factory-based, independent, UK-owned, making all or most of their products in the UK. They were technology-intensive, and were in the main equipped with what appeared to be modern knitting machinery and electronics —though possibly less so than their chief competitors. Garments were in both genders, at all main fashion levels, price points, in all main fibre types, and were for brand, contract or both. In the next section the focus is on the exporting histories of these firms, their markets, distribution channels and main customers. The benefits which they gained from their exporting activities will also be assessed.

4. 4. (ii) Sample companies' exporting histories, markets and supply chains; the benefits of exporting.

4. 4. 1. We now turn to describing companies export profiles, from the extent of their exporting experience via their export ratios, marketing and distribution channels and retail outlets to the benefits they receive from exporting.

4. 4. 2. With an average record of 22 years, survey sample firms were predominantly long-established exporters (Table.4.11), some 82 per cent having been so engaged for 10 or more years and only a minority (13%) for fewer than 7 years. More than half (52%) had been exporting from 10 to 25 years and a full quarter of the sample had been

Table.4.11 History, Scale And Type Of Exporter

(a) Number Of Years Exporting ; (b) Percentage Share of turnover; (c) Type Of Exporter

(a) Years	Firms	Years	Firms	Years	Firms
1 < 2	1	8 < 9	1	35 < 50	5
2 < 3	2	9 < 10	1	50 < 60	2
3 < 4	1	10 < 15	20	60 < 70	5
4 < 5	-	15 < 20	5	70 < 80	2
5 < 6	4	20 < 25	12		
6 < 7	1	25 < 30	3		
7 < 8	2	30 < 35	4		
<u>Mean No of years</u>	21.66*	<u>Standard Deviation</u>	17.78*		

Source: Questionnaire: Question D2. * Outliers of 150 and 230 years reduced to 70, 71 years

exporting from 10 to 25 years and a full quarter of the sample for more than 30 years.. The responses made by most of these firms should therefore be well-grounded in relevant experience, but their age profile as exporters would not appear to support the stages theory of internationalization; except for one instance of licensing, even the longest established had not moved beyond the exporting stage of the process.

4. 4. 3.. The 1989 30-firm survey of knitting exporters displayed a more even distribution over the time range, with almost a third of firms (30%) with under 10 years' experience, a third with from 10 to 25 years, and the balance with more than 30 years. Firms in the 1995 apparel study were rather less experienced: almost 31 per cent exporting for less than 5

years and 69 per cent from 5 to 30 years.(Crick D. *et al, op.cit, p14*). The five New Zealand clothing manufacturers had been exporting from 10 to 32 years (*Chetty, S., 1997, page 131*).

Table 4.12 (b) Survey Sample Exports as a share of Turnover (%)

Percentage	No of firms	Percentage	No of Firms
1 < 5	7	30 < 40	4
5 < 10	5	40 < 50	2
10 < 15	9	50 < 60	3
15 < 20	5	60 < 70	6
20 < 25	7	70 < 80	7
25 < 30	2	80 < 90	6
		90 <100	6
No exports now	2		

Source: Questionnaire:Question D4.

4. 4. 4. From Table 4.12 it will be seen that survey sample firms' export ratios, widely taken as one key measure of export effectiveness, were fairly evenly distributed across the continuum, which extends from 1 to 99 percent, with an average of 41 per cent. . At the lower end, 17 per cent of companies exported less than 10 per cent of turnover while at the top end of the scale 46 per cent had ratios of 30 per cent plus. In between, ratios were fairly evenly distributed over the percentage bands.

4. 4. 5. It is noteworthy that nearly two-fifths of the small firms exported 60 per cent or more of their output. This would tend to suggest that firm size may not be a crucial factor

in export performance by UK knitting manufacturers — and the available evidence would appear to support this view. Thus Zou concluded that: ‘Firm size, the most researched independent variable, has mixed effects’. (Zou, S. *et al*, *op cit*, P350). Export ratios, firm sizes and other key variables from the survey sample are given an initial statistical analysis in Chapter 5.

4. 4. 6. The earlier studies of knitting exporters show somewhat different export ratio patterns. Over a quarter (27%) of firms in the 1989 30-firm survey exported less than 10 per cent, a further third from 10 to 29 per cent and the remaining two-fifths 30 per cent or more. In contrast, just under half (49%) of the 157 exporting respondents to the Knitting EDC’s 1989 (all-industry) mailshot exploratory survey [*KE (89) 23*] exported under 10 per cent of output, with the remainder (51%) exceeding the 10 per cent level to an unspecified extent. These three sets of results would tend to suggest that the average export ratio in the UK knitting industry was increasing over that period. Data from the 1995 study do not cast much light; There was reported to be ‘*a fair degree of distribution although the majority (69 per cent) had an export ratio of 40 % or less*’ (Crick, D. *et al*; *op cit*.;p14) — and of course this combined clothing and knitting. .

4. 4. 7. We turn now to some factors that may bear on the export ratios achieved. As Table 4.13 indicates, survey sample firms had high positive scores on three factors that are likely, *ceteris paribus*, to have an impact on export performance: commitment, export policy and continuity of overseas sales. On the first of these, ‘*... with almost no exception, management’s export commitment has emerged as one of the key determinants of export performance, regardless of performance dimension...*’ (Zou, S. *et al*, *op cit*.,p348).. More than three-quarters of all the survey sample firms were committed as opposed to

opportunistic exporters— and the level of commitment did not vary greatly by company size.

4. 4. 8 Second, almost all survey sample firms had export policies that either committed them to increasing their export ratios (82%) or to retaining them at their existing levels

Table 4.13 (c) Type Of Exporter: Commitment, Policy & Continuity

Aspect.	1. Committed:		2. Export Policy		3. Continuous Exporter	
No of	Yes	56	Increase	58	Yes	61
Firms	No	15	Hold Share	11	No	10
			Decrease	1		
			Other	1		

Source: Questionnaire: Questions D3, 6, 7.

(15%); only one, a small firm, planned to export less in future. Finally, there was a high overall level (86%) of continuity of exporting among survey sample firms. Thus they scored highly on commitment to, policy towards and continuity of their exporting activities.

4. 4. 9 Similarly high levels of positive attitudes held by exporters were revealed by the 1989 survey. Some 90 per cent of the (93 per cent of) responding firms described themselves as continuous exporters. On policy towards exports, only a tenth categorised themselves as 'passive', while the great majority (70%) wished to increase exports or to retain their existing shares (20%) thereof. But, the 1995 UK study appeared to show that at least 18 per cent of its sample firms are '...in their early stages of export development with a low commitment towards exporting...' (Crick, D. et al: op.cit. page 15).

4. 4.. 10. Turning to exports destinations, as Table 4.14 demonstrates, the survey sample companies, taken as a whole, exported to 12 geographical regions (11 named plus `other`) across the world. But, the group's exports were not at all evenly distributed. Served by 87 per cent of firms, West Europe was by far the most popular region (— unsurprising

Table : 4 14 Regional Distribution Of Sample Firms' Exports

<u>Region</u>	<u>No of Firms (N=71)</u>	<u>Region</u>	<u>No of Firms</u>
W. Europe	62 30	E.Europe	6 3
N. America	34 21	C.America	4 —
F. East	32 8	Caribbean	3 6
Scandinavia	26 16	Africa	2 5
M. East	12 13	Other	2 2
S. America	8 1		
Australasia	7 7		
.....			
<u>Data Incomplete</u>	2		
<u>No Response</u>	1		

Source: Questionnaire: Questions E1, E2.: 1989 Survey (N=30: *Italicised*)

perhaps in view of nearness and common membership of the EU). Next were North America, the Far East and Scandinavia. Attracting the exports of respectively 48, 45 and 37 per cent of companies, this group of regions was markedly less popular with the survey firms. Finally, the remaining seven areas decline from fewer than half those serving Scandinavia thereafter into single figures.

4. 4. 11. Within the 12 geographical areas total spread, most firms served fewer than half of this number. Some 85 per cent of all focused on from 1 to 4 regions. 2-regions was the most popular (27%), followed by one (21%), three (20%) and four (17%) Serving a maximum 6 regions, the 1989 firms were a little less adventurous overall. 2-regions was the mode for this sample also (Table 4.15).

Table 4.15 : Spread Of Sample Firms' Exports: Number Of Regions Served

<u>No of Regions</u>	1	2	3	4	5	6	7	8	9	10	11	<u>No Response</u>
<u>No of Firms</u>	15	19	15	12	3	2	2	1	2	—	—	- (N=71)
<u>No of Firms</u>	4	11	6	4	3	—	—	1	—	—	—	1 (N=30)

Source: Questionnaire; Questions E1, E2 (derived); and 1989 survey

4. 4. 12. Switching from regions to markets, it will be seen from Table 4.16 that most survey sample firms (85%) served from 4 to 9, with two markets (14%) being the mode and the average 8. Two firms had 30 markets each and another pair 31 each. And each step on the range from 9 to 31 had only one to two representatives.

From Table 4.17 it will be noted that the 1989 exporters also had a mode of 2 markets and were also bunched towards the lower half of the scale. Of Chetty's five case-study New Zealand clothing firms (*op cit.* ; p133, 137), four exported to 1 market only (Australia); the fifth to 25 markets worldwide.

4. 4. 13. Key characteristics of and the trends in the survey sample market numbers over 5 years are summarised in Table 4.18. It will be noted that one subgroup (30%) increased its number of markets, a second and larger one (44%) underwent a decrease in market numbers, while the third (24%) remained static. It is interesting that the average number of current markets of firms whose totals declined over the period is less than half that for the groups whose totals remained static or increased.

Table 4.16: Number Of Export Markets Served By Survey Sample Firms

No of Markets	\ No of Firms (N =71)	No of Markets	Firms	Markets	Firms
1	5	9	5	22	1
2	10	10	1	23	1
3	8	11	2	30	2
4	6	12	1	31	2
5	7	13	1		
6	7	14	1		
7	4	15	1		
8	5	18	1		

Source: Questionnaire: Questions E1, E2

Mean No of Markets 7.62 . Standard Deviation 7.33.

.Table 4.17:1989 Survey: Numbers Of Export Markets Served By Firms: (N =30)

<u>Markets:</u>	1	2	3	4	5	6	7	10	11	12	14	18	19	36
<u>Firms:</u>	1	8	3	3	2	4	1	1	1	1	2	1	1	1

Source: 1989 Survey

4. 4. 14. On first sight at least, none of the survey sample firms seemed to be following the export market strategy which claimed that exporters could expect to do as well or better by selling to no more than 10 markets as to 160 (*BETRO Trust, 1976, page 16*). The outcomes of our initial tests of this hypothesis, and those of Crick (*Crick, D. et al, 2002, p373*) are reported in Chapter 5.

Table 4.18

Some Characteristics/ Trends : Survey Sample Firms' Export Markets: Last 5 Years

<u>Trend:</u>	<u>Increase (+)</u>	<u>Static</u>	<u>Decrease (-)</u>
Range No of markets overall: 0— 31			
Share of Sample (%)	30	24	44
Average No of Markets now	10	10	4
Scale of increase/ decrease	6- 100%*	—	11-100
Average change in number of markets	+ 47%	—	- 51%

Source: Questionnaire: Questions E1, E2, E3

(* Ignoring 'outliers' of (+): 140 x 1, 300 x 1, 500 x 1 and 700 x 1)

4. 4. 14a. The connection between the markets served and the products exported may well reflect the exporting company's strategy. Depending on various conditions, firms may aim to export unchanged the designs and styles they sell in the Home market, or they may adapt their garments, to a greater or lesser degree, to increase their attraction to overseas customers. Table 4.19 shows the degree of adaptation by our survey sample.

As will be seen, both approaches were represented. However, with 86 per cent of the total, exporters who adapted their apparel for export markets predominated.

Table 4.19: Survey Sample: Whether products adapted for export markets.

<u>Response\ Firm Size</u>	<u>Small</u>	<u>Medium</u>	<u>Large</u>	<u>Total</u>
<u>Yes</u>	36	17	8	61
<u>No</u>	4	4	1	9
<u>N/Relevant</u>	1	—	—	1
<u>Total</u>	<u>41</u>	<u>21</u>	<u>9</u>	<u>71</u>

Source: Questionnaire: Question E6.

4. 4. 15. . Marketing & distribution channels: Having looked at markets and products, it is now timely to consider the routes by which exported garments reached customers. Table 4.20 shows the relative usage by survey sample firms of the main export market distribution channels for the geographical regions served: The routes shown, ranging from Buying Offices on the left to Direct To Retail on the right, can be seen as requiring an increasing degree of sophistication by exporting firms - and thus as having at least a partial affinity with the `stages' theory of internationalisation. The type of channel used by many individual exporters differed between the markets they served; and there was no standardisation among firms on channel type for a particular market eg Commission Agents/ Middle East.

4. 4. 16. It is, however, interesting to note that, with 86 mentions, the most popular channel overall is `Direct to Retail', followed by Commission Agent (79), Importers/ Distributors (74) , and the Buying Offices substantially lower at 42. When West Europe and Scandinavia are combined, they account for approaching half of all reported usage by exporters of each of these four distribution channels.

Table 4.20 Marketing & Distribution Channels Used, By Geographical Region

Area \ Channel	Buying Office	Commission. Agent	Importers/ Distributors	Direct to Retail	Other
West. Europe	14	33	22	32	6
North America	9	14	14	15	3
Far East	10	16	18	16	3
Scandinavia	4	6	9	12	3
Middle East	4	1	4	5	2
East Europe	-	-	6	3	2
Central America	-	4	-	-	-
South America	1	4	1	1	-
Australasia	-	4	3	2	-
Africa	-	1	1	1	-
Caribbean	-	-	-	2	-
Other*	-	1	-	1	-
Incomplete Answers (1)					
<u>Totals</u>	42	79	74	86	19

Source: Survey Questionnaire:: Questions G1, G2 .

[* Includes a licensee in Portugal, sales to designers in Japan/ USA, sales via a retail customer, and delivery to own- representatives in Switzerland, Germany and Japan]

4. 4. 17. It will be noted that there is a marked resemblance between the two samples in terms of the proportions of companies using 1, 2 or 3 marketing /distribution channels (Tables 4.20: 4.21, 4.21a).

Table 4.21:Marketing& Distribution Channels Used: 1989 (N=30)

Channel Type \	B/Office	C/ Agent	Imp/ Distrib.	Dct to Retail	Other
<i>No of Firms</i>	9	17	15	16	6

Table 4.21a: Extent Of Multi-Channel Usage By The Sample Firms

No of Channels \	No of Firms					
No Of Channels:	(1)	(2)	(3)	(4)	(5)	(No Response)
No Of Firms	23	24	14	4	4	2 (N =71)
<i>No Of Firms</i>	9	12	5	4	—	— (N =30)

Source: Questionnaire: Questions G1, G2 : 1989 Survey (*italics*)

Thus, it is found that some 86 per cent of the survey sample were using from one to three channels, with two (34%) the most popular, followed by one (32%) and three (20%). For the 1989 sample the total for the first three was, at 87 per cent, very close; as were the individual ones— 30, 40 and 17 per cent.

4. 4. 18. All channels of course lead, directly or indirectly, to the final consumer. It is not without interest that for the survey sample as a whole the most often reported final outlet to the consumer in foreign markets was the speciality store, with department stores close behind, both more than twice as frequent as chain stores which were, in turn, double those

of supermarkets (Table 4.22). It may also be relevant that most firms knew the specific types of outlets through which their garments reached the consumer- even where they were sold to importers/ distributors who took title to the goods on purchase.

Table 4.22: Main Types Of Retail Outlets Supplied. Survey Sample

.Outlet Type \	No of Firms	No of OutletTypes Per Firm	
		Outlets	Firms
Speciality Stores	46	1.	23
Department Stores	39	2	32
Chain Stores	18	3	9
Mail Order	9	4	1
Supermarkets	4	5	1
Other outlets*	7		
Don't Know	5	—	—

Source: Questionnaire; Question E5.

[* `Other' included: sports shops, corporate, US military, and designers]

4. 4. 19. Table 23 presents comparable data for the 1989 sample. Both samples were of course random selections and, with a few exceptions, were composed of different firms. Therefore some caution is needed in inferring secular trends in retail outlet usage or otherwise. Nevertheless it is interesting to compare the retail outlet-type rankings (Tables 4.22, 4.23). These tend to suggest that speciality and department stores have remained the

Table 4.23: 1989 Survey: Main Types Of Retail Outlet Served, Ranked By Number of Firms

Type	No of Firms	Store Types Per Firm	No of Firms
Department Stores	16	1	5
Speciality Stores	14	2	10
Mail Order	8	3	6
Chains	4	4	1
Other	5	-	-
D/knw: N/Resp	8		
Source: 1989	Survey		

most important, with the former becoming the more popular of the two; and that chain stores have grown in significance while that of mail order has declined. Trends in retailing are described in Chapter 2 (2. 0. 1. *et seq*)..

Table 4.24 The Benefits Of Exporting

Benefit \	No of Firms	1989 Survey
	(N =71)	(N =30)
1. Higher Turnover	50	21
2. Less dependence on UK Retail	47	—
3. Spreading risk	41	3
4. Higher Sales Margins	23	10
5. Fashion Feedback	19	1
6. Economies Of Scale	19	—
7. No Stockhold/ Easier markets	9	2
8. Other *	5	2
9. No benefits	2	(No Response) 1

[* The `Other Benefits' reported (N=71) comprised: Pride in the wide dispersal of the firm's products; disposal of surplus stocks; other-trends feedback; helping to maintain product quality in the face of falling quality standards in the UK; and improved understanding of one's own industry]

Source: Questionnaire: Question H1.and 1989 Survey.

4. 4. 20. The benefits gained by survey sample firms from exporting are probably the main engine that drives their exporting efforts. Setting aside the two somewhat quixotic claims not to benefit at all, it can be seen (Table 4.24) that survey firms not only did benefit but did so typically in more than one way. Indeed, of the seven specific benefits listed, only just over a tenth (11%) of all firms were confined to one benefit. The highest proportion of the remainder (28%) reported gaining three benefits, nearly a quarter (24%) two, just over a further sixth (14%) four, and another 10 per cent six benefits (Table 4.25). As to the form of these benefits, it will also be seen that four predominate: in rank order, higher turnover, reduced dependence on UK retail, spreading of risk and higher sales margins.

4. 4. 21 There are of course affinities between some of the seven main categories of possible benefits received by sample firms from their exporting activities. But these are not always the apparently obvious ones. For instance, while Item 3 is the conventional 'economic eggs in one basket', Item 2 differs substantially in that it is more about the

Table 4. 25: Distribution Of These Benefits Between Firms In Both Samples

No of Benefits	1	2	3	4	5	6	7	8	0	N/R
No of Firms	8	17	20	10	5	7	—	2	2	— (N =71)
<i>No of Firms</i>	<i>16</i>	<i>11</i>	<i>2</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>—</i>	<i>1 (N =30)</i>

Source: Questionnaire :Question H1; and 1989 survey.

perceived tyranny of the highly centralised UK retail system than it is about over-dependence on the UK Home market *per se*. In the UK, but less so in export markets, it has often been a complaint of knitters that their home market customers have required them to hold and finance stock for 'call-off' at the retailers' convenience. (stockhold).

4. 4. 22. Summary: This section has described the duration, degree of committment, policies and continuity of sample firms exporting activities. It has also detailed their

export ratios, number of markets and geographical spread, the main types of marketing and distribution channels used, main types of retail outlets and the benefits gained from exporting

4. 4. 23. Predominantly sample firms were committed exporters who had been exporting, continuously, for ten years or more and who aimed to increase their export ratios. Less than a fifth of these firms had turnover/ export ratios of under 10 per cent and close to half exported more than 30 per cent of turnover. Their markets, averaging 8 per firm, were distributed over 12 geographical regions but the main focus was on West Europe, with North America, the Far East and Scandinavia ranked next. Of the four main M & D channels used, Direct to Retail was most generally employed, followed by Commission Agents, Importers/ Distributors and Buying Offices - and most firms were using one to three of these channels. In overseas markets the outlets distributing their garments were dominantly (in rank order) speciality stores, department stores, and chain stores. Again in rank order, higher turnover, less dependence on UK retailers, the spreading of risk and higher sales margins were the most important benefits these firms gained from exporting. About two-thirds reported receiving two to four of the listed benefits and, with two (claimed) exceptions, all sample firms benefited in some way.

4. 5. (iii) How the company is organised for exporting

(a) Internal organization & specific tools

(b) Use of the main export related services

4. 5. 1. Having described broadly the history, scale, reach and distribution mechanisms of sample firms, together with the main benefits they gained from their export activities, it is timely to assess briefly the extent to which they possessed/ exhibited key elements and assets often considered important to successful supply of overseas markets.

4. 5. 2. One or more of the small group of company organisational elements/ assets shown (Table 4.26 (i)] are often regarded as being important to effective exporting (eg Zou *et al*,1998, p345), especially at the higher export ratios. Possessed by a majority (55%) of survey sample firms, the first of these (own design department) is, however, not unique to exports but may be equally key to home market sales. The remaining (exports-specific) 5 are seen to have a much lower incidence, ranging downwards from 24 to 8 per cent of firms. Here two aspects are of special interest. First, some 40 of the total 71 firms (56%)

Table 4.26 (a) Internal organisation and specific tools

(i) Form of organisation	No of Firms		(N= 71)
Own Design department	39		
Separate Exports Budget	17		
Special Staff Skills	16 (15)		
— Languages	2		
— Documentation	1		
— Other (unspecified)	13		
Export Manager	15 (-)		
Separate Export Department	12 (11)		
Separate Production Lines	6 (8)		
(ii) Specific Tools	Yes	No	
Design for exports	43 20	28 10	
Export sales forecast	32 —	39	
Formal Strategic Plan	28	43	
Formal export market plans.	21 16	50 14	

Source: Questionnaire: Questions A7, C2, 3, 4; 5, 6, I1, I2, I3,14.and 1989 Survey

had none at all of these functions/ assets. Second, their distribution between firms who had was positively skewed, in a declining range in which 12 firms possessed only one of these functions and only 1 had all five. Moreover, it is interesting to note that the number of functions possessed did not vary directly with firm size. Indeed, the mean number of functions of a subgroup of 8 small firms (39 employees or <) with 2 or more was 3.5 as compared with 1.75 for a second subgroup of 8 that comprised large firms (400 or more). [This distribution has implications for our hypothesis on firm size and export performance, to which we return in Chapter 5. See also Para 4. 5. 4. below]

4. 5. 3. Turning to (ii), it will be noted that the numbers of exporters using one or more of these `tools' slopes downwards from 61 per cent (design for exports) to 30 per cent and (formal export market plans). This gradient was a reflection of the practices of five subgroups of firms. A fifth of the survey sample were using none; 25 per cent were using one tool; 24 per cent two; 18 per cent three; and 13 per cent all four.

4. 5. 4. On the relationship between size and usage, there was a pattern but not a clearcut one. Small firms with fewer than 50 employees had a considerable presence in all five categories. They predominated in the `none' category (79%) while medium and large firms were dominant (78%) in the subgroup using all 4 tools. Small companies accounted for close to two-thirds of each of the subgroups using one (61%) or two (65%) tools and for close to 40 per cent (38%) of those using three. Again, relative usage of the four tools does not vary directly with firm size – although there is weighting in that direction.

4. 5. 5. Looking outwards now, it is clear that an economically rational firm may be expected to augment, at need, its own internal assets and resources with appropriate use of the specialised external services that exist to help the export effort. Table 4.27 shows the

extent to which these 71 knitting exporters made use of the five main (chiefly complementary) organisations listed.

4. 5. 6. It will be noted that more than four-fifths of them (82%) used one or more of these services. The apparel industry body BKCEC (now UK Fashion Exports), used by getting on for two-thirds (62%), was the most popular, but there was also relatively high usage (44%) of the official body Trade Partners, Chambers of Commerce (38%) and the UK's overseas Embassies and Consulates (34%). The practice of precisely a quarter of sample

Table 4.27. (b) Use of the main export-related external services..

(i) Service	Firms Using	(ii) Services used per firm		[N = 71 N = 30]
		No of services	No of Users.	
1. BKCEC *	44 (62)+ 18	0 (None)	13 4	
2. Trade Partners*	31 (44) 16	1	18 7	
3. C Of Cs*	27 (38) —	2	15 5	
4. Consulates*	24 (34) 8	3	13 8	
5. ECGD*	7 (10) 15	4	6 5	
6. Other	8 (11) 8	5 (All of named)	6 1	

[* British Knitting & Clothing Export Council(now UK Fashion Exports); Chambers of Commerce; UK Embassies/ Consulates abroad; Export Credits Guarantee Department or successor body. Trade Partners is effectively succeeds the British Overseas Trade Board].

+ Bracketed figures show percentages of total sample.

Source: Questionnaire :Question M (all)

firms, usage of 1 service only was the most common, but there was also relatively high usage of 2-services (21%) and 3-services (18%); and, at the other end of the scale, some 8 per cent of these companies were taking advantage of all five services. The low use of one

specific service could indicate a real lack of need; The very limited usage of the ECGD risk insurance facility could possibly be a reflection of the geographical distribution of firms' exports; low risk markets do not need special cover.

4. 5. 7. Summary: The foregoing section has described the extent of key internal and external facilitators of export activities among survey sample firms. More than half had their own design departments, but fewer than a quarter had one or more of the five export functions: separate export budget, special staff skills, an export manager, and separate export department and production lines; possession of which declined in the same order as this, with only one firm having all five. Of the four main (internal) `tools` employed by firms, designing for exports was the most general. Usage of the others: export sales forecast, formal strategic plan ,and export market plans; declined in the same order. Number of export functions did not appear to vary directly with firm size and, although there were indications that larger firms were likely to use more of the `tools` than smaller ones, the latter were well represented in the 4 positive usage categories (as well as being predominant in the `none`). Within the very high overall usage by firms of external services, British Fashion was the most popular, with Trade Partners next. Most common was the use of one service only, but a significant minority were benefiting from all five.

4. 6. (iv) Firms' main exporting practices;

4. 6. 1. In Section (iv) survey sample firms' exporting practices are described under the four main topic headings of market selection methods, pricing, quotation terms, and shipping. Firms perceptions of their own negotiating strength vis-a-vis their customers are also tabulated.

4. 6. 2 Market selection: The means by which survey sample firms come to sell to specific export markets, whether by eg formal analysis of trade and market statistics or by less systematic means, can have an important bearing on the suitability of those markets and their profitability. Table 4.28 summarises the findings under these headings. Formal methods were not used at all by some two-thirds of firms (66%), less than a third (28%) used such methods but also used informal methods and a mere 6 per cent used formal methods alone. And it will be seen that in the 1989 survey informal selection methods were even more prevalent, at some 90 per cent.; and where both were employed, the informal approach outnumbered, in both surveys, the formal.

4. 6. 3. Another useful distinction that can be made is that between the passive and the proactive exporter, between the one who receives, for example, an unsolicited export order and the one who goes looking for export business. The latter may take the initiative by conducting some formal market assessment and following up by attending a trade fair/exhibition in the UK or abroad, meet an inward mission of buyers in the UK or travel overseas on a UK trade mission. It seems fair that all of these should be regarded as initiatives by the firm, even if they claim to have been approached. It also appears reasonable to regard as the more dynamic the firm who travels abroad.

4. 6. 4. Against this background, it is informative to note where the survey sample and other firms were when their new export business emerged. Getting on for a third were 'UK only', with 'Abroad only' being only half as numerous. But it will be seen that the most popular option, accounting for nearly half, combines the UK and abroad.

4. 6. 5. The initiative that had led to new business was taken by the firm alone slightly less frequently than by the other party alone, but it is noticeable that action by both was

more than twice as frequent as that by either alone. The relationship between the survey sample results and the 1989 survey can be seen in the table, whose other sub tables show some additional aspects of the formal/ informal dichotomy.

4. 6. 6. Pricing: While pricing in all of its aspects is of course a key ingredient in the marketing mix, Zou notes `... *the current weak and uncertain findings on pricing...*` and calls for more research on price related factors (*Zou, S., et al, op cit., page 348*). Thus, this survey investigated what were considered to be the most relevant ones. Tabulated in Table 4.29, the related findings are discussed sequentially below.

4. 6. 7. These should, however, be seen in the context of the main pricing methods that are available to firms: *The company can select one or a combination of three general pricing approaches: the cost-based approach (cost-plus pricing, break-even analysis, and target profit pricing); the value based approach (value based pricing) and the competition-based approach (going rate or sealed-bid pricing). (Kotler, P. et al, 1996, P646)*

4. 6. 8. Firms reported their pricing objectives to be either or both return on their capital employed and export market share. More than two-thirds of them (68%) priced solely for return on capital and a further quarter were pricing for market share alone. The small remainder allied the first with the second objective. Most (85%) survey firms exhibited some flexibility by pricing separately for their export markets, with only the minority charging a standard price across markets.

4. 6. 9. Perhaps unsurprisingly, cost plus (51%) was the most usual pricing method used, with `market-based (to include charging what the market will bear and meeting competition) markedly less common (28%). A fifth of firms (20%) used both methods,

basically cost plus shaded slightly to meet market conditions. Crick's sample differed considerably, in its categories and proportions: price the market will stand (51%), full cost plus (27%) and 'similar to competitors' (22%).(op cit.pp17,18).

4. 6. 10. . Survey sample firms' majority use of the cost-plus approach, despite its limitations, reflects widespread practice in manufacturing. As Seymour (1989) puts it: *'...in spite of the fact that ...cost-plus pricing pays insufficient attention to environmental dynamics, it remains the predominant price setting methodology'*. (Quoted in Diamantopoulos, A.,1991, p337). Peter Doyle concurs: *'...Managers fail to appreciate how seriously such methods (mechanical cost-plus formulas) can erode profits and detract from exploiting market opportunities.'* (Doyle, P.,1994, p 218). Essentially, the method is faulty because it ignores demand and the competitive conditions in the export markets where it is employed.

4. 6. 11. Pricing in local currency has long been regarded as helping exporters efforts, partly by making the comparison of offers by the customer easy. The results from the survey showed various approaches. Thus nearly half (48%) of all firms invoiced in both sterling and local currency (although it was not always clear whether they meant overall). And of the balance, invoicing in sterling only (39%) was most common. 'Local' only rated just over a tenth of all firms. Moreover, for more than half (53%) of the 34 firms pricing/invoicing in sterling and local currency, sterling was the dominant currency, with 'local' having the top weight for just under a third; in only 6 per cent of cases are they of equal weight. Forward cover protection against exchange rate fluctuations was used by over three-fifths (62%) of sample firms, while a further third (34%) reported explicitly that they do not.

4. 6. 12. Quotation Terms: Though there was considerable variety in the terms on which these firms quoted prices, over three-fifths were accounted for by firms quoting in only one of the main conventional forms: Free On Board (30%), Carriage Insurance Freight (24%), Ex-Factory (6%) and Franco Domicile (3%). And more than a quarter (28%) employed 2 (in one case, 3) quotation methods.

4. 6. 13. Shipping & routes used: Predominantly the shipping of apparel was organised jointly by firm and customer (61%) , followed by the firm itself (28%); in only a tenth of cases was shipping organised solely by the customer. Chief among the routes taken for shipments are Sea & Air (31%), with Sea-only accounting for a quarter (25%) , Air alone for 15 per cent and Sea, Air and Rail for a quarter.

4. 6. 14. Summary This section has examined survey sample firms main exporting practices in respect of market selection, pricing, quotation terms and shipping. Two-thirds selected their export markets by informal means, with most of the rest using both formal

Table 4.29 Product Pricing Methods And Conditions

Topic	<i>(All italicised data relate to the 1989 survey)</i>		(N =71)
<u>(a) Pricing Objectives</u>	<u>Firms</u>	<u>(b) Separate Pricing (By Market)</u>	<u>Firms</u>
1. Return On Capital Employed	48	1. Yes	60 17
2 Market Share	18	2 No	10 11
3 Both	2	3. Not relevant	1 —
4. Other	1	4 No Response	— 2
No Response	2		

<u>(c) Pricing Method</u>	<u>Firms</u>
1. Cost plus	36 (17)
2. Market based	20 (10)
3. Both	14 (—)
4. Other	1 (—)
5 No Response	— (3)

<u>(d) Pricing/Invoicing Currency</u>	<u>Firms</u>	<u>(e) Cover Forward</u>	<u>Firms</u>
1. Sterling only	28 11	1. Yes	44
2. Local currency only	9 1	2. No	24
3 Both	34 18	3. No Response	3

Source: Questionnaire (J): 1989 Survey (n= 30)

<u>(f) Quotation Terms</u>		<u>(g) Dominant Currency</u>	
1. FOB	22 (16)	And multi-terms	Currency.
2 CIF	17 (5)	. FOB + CIF	8
4. F/ Domicile	2 (5)	. CIF + FD	1
8 Ex Factory .	4 (5)	. FOB + CIF + FD	8
16 FCA	1 —	. FOB + ExFactory	4
32 Other	1 (4)	. CIF + FCA	1
Landed	— (1)	FOB + Other	1
		. FD + Other	1
		1. Sterling	18
		2. Local	11
		3. Equal	2
		4. Other	2
		Not relevant	37
		No Response	1

Shipping: (i) Shipping Organised By Firms

<u>(h) Route(s) Used</u>			
1. Sea	17 (21)	1. Firm	20
2. Air	10 (19)	2. Customer	7
3. Rail	— —	3. Both	43

4. Sea + Air	20 —	4 No Response	1
5. Sea + Rail	1 —	<u>(j) Firm's Negotiating Strength</u>	
6. Air + Rail	— —	1. Weaker than customer	26
7. Sea, Air and Rail	17 —	2. Equal to customer	33
8. Other (incl.Sea & Road)	6 (3)	3. Stronger than customer	4
		4. Other	3
		No Response	5

Source: Questionnaire: Questions D8 and J1, 2, 3, 4, 5, 6.

and informal methods. Nearly half had gained some of their export orders at home and the rest when abroad; the remainder either in the UK or abroad. Related initiatives by both firm and customer were much more common than those of either alone. On pricing, over two-thirds priced solely for return on capital, a quarter for market share alone, and the rest combined the two approaches. Most firms priced separately for each export market. A majority used the cost-plus method, close to another third were market-based and the remainder combined the two. Almost half priced/ invoiced in both sterling and local currency and most of the rest in sterling only. Some three-fifths quoted in only one form (eg FOB) and most of the others in two. Predominantly, shipping was organised jointly with customers, but nearly a third of firms did this alone.

4. 7. (v) Sample firms' research, communication and promotional activities

4. 7. 1. The importance to export performance of good market information and effective communication with markets and customers, together with other key aspects including having the right product, is both intuitively obvious and stressed by scholars in the field. For instance, Gemunden highlighted the importance of studying information search, use and communication measures (*Gemunden, H.G.,1991, p57*); and Souchon et al found that

export information *use* mediated the relationship between information acquisition and performance (*Souchon, A., et al, 2000, p2*).

4. 7. 2. In the course of our survey firms practices in regard to research, export communications and promotion were elucidated; in particular: main sources of export market information, face-to-face/other communications with their export markets, number of man-days spent abroad, and extent of their use of overseas advertising / other media to promote their products. The chief sources of export market information are set out in Table 4.30; Table 4.31 (below) shows how these sources were ranked for usefulness. [It does, however, need to be realised that the distinctions are not always clearcut- thus a firm may collect eg market research information from attendance at a trade fair which it is also using to promote its products.]

4. 7. 3. Some 99 per cent of survey sample firms used one or more of these information sources whereas the proportion of Crick's sample firms who had some involvement in export marketing research was lower, at 75 per cent. Inevitably there was considerable overlap between the two studies in terms of sources — Percentages of Crick's firms using these were: Sales force (60), foreign agents/ distributors (55), Exhibitions (51), government department (45), own export department (35), chamber of commerce (31),

Table 4. 30 Main Sources Of Export Market Information

<u>Sources</u>	<u>No of Firms</u>	
	<u>Yes</u>	<u>No</u>
Formal Market Research	16	55
Trade Missions	32	39
Trade Fair/ Exhibition Visits	50	21

Visits to overseas Retailers	53	18
<u>Feedback from:</u>		
M & D Intermediaries	38	33
Final Retail Customers	54	17
Other feedback	10	61
Trade Press/ Newsletters etc.	38	33
Other Sources (unspecified)	9	61
No Response (Other sources)	1	

Source: Questionnaire: Questions L1 — 7.

trade associations (27), and market research agency (13) (*Crick, D. et al, op cit., page 16*).

The precise role and scale of his Sales force is, however, not entirely clear.

Table 4.31. Ranked Best Sources Of Information On Export Markets.

<u>Source Of Information</u>	<u>No Of Firms</u>			
	<u>1st Rank</u>	<u>2nd Rank</u>	<u>3rd Rank</u>	<u>Total</u>
Trade Fair Visits	17	13	10	40
Retail Store Visits	16	14	7	37
Final Retail Customer Feedback	6	13	10	29
M&D Intermediaries Feedback	10	4	10	24
Trade Missions	6	3	5	14
Trade Press/Newsletters	2	2	7	11
Formal Market Research	1	2	4	7
Other Sources (incl. Manuf'ct'rs.)	1	3	1	5
Other Feedback				
<u>Full 1,2,3 Rankings = 53 Firms</u>				
<u>Ranked 1 and 2 = 2 Firms</u>				
<u>Best Source only: = 4 Firms</u>				
<u>No Response = 12 Firms</u>				
<u>Source:Questionnaire:Questions</u>	<u>L1-L7</u>			

4. 7. 4. On export supply chain face-to-face communication, firms reported in respect of their chief market, indicated where meetings are mostly held, who represented the firm, and how the frequency of such meetings compared with those for their other markets. From Table 4.32 it will be noted that the frequency of FTF meetings ranged overall (with one exception) from 0 to 10 . In addition, most relevant firms fell into the range 1 to 6, with the heaviest clustering in the range 1 to 4 FTFs — though customers did rather better.

Table 4.32. Annual F-T-F company meetings with Agents, I/Os & Customers: : Firms' chief market

Party,\Times	0	1	2	3	4	5	6	7	8	9	10	10+	N/A
C.Agent	1	4	14	5	5	1	1	-	1	-	—	37	2
O.Intermediaries	-	5	5	2	4	—	1	—	—	—	—	51	3
Customers	4	13	19	8	4	5	3	—	4	—	2	3	6

<u>Who represents the firm</u>	<u>Firms</u>	<u>Location of Meetings</u>	<u>Firms</u>
Managing Director	30	Mostly abroad	32 (45%)
MD +Other Directors	5	Mostly UK	13 (18%)
Other Directors	8	Equally UK & abroad	14 (20%)
Other firm management	16	Other	1
Commission Agent	4	No response	11
Not Applicable	2.		
No Response	6	[Source: Questionnaire O1-4]	

Where these meetings take place has of course a bearing on how pro-active firms are. It is therefore interesting that for some 45 per cent of reporting sample firms FTFs were mostly abroad and for another 20 per cent equally in the UK and abroad.

4. 7. 5. In these FTF meetings, firms were variously represented by one or other of directors, other management, or commission agents- in that order. Representation was dominantly by directors (43 firms) and of this group the Managing Director (30) was the most gregarious. Various combination of lower level management (16) makes up the next largest group, with Commission Agents appearing for 4 companies. Prima facie, this high-

Table 4.33. Frequency Of Ch Market FTF meetings compared with FTF other export markets:

<u>Same</u>	<u>Higher</u>	<u>Lower</u>	<u>Other</u>	<u>Not applicable</u>	<u>No Response</u>
30	22	4	2	5	8

Source: Questionnaire: O-1

degree of direct contact by company management ought to be helpful to clear communication.

4. 7. 6. To minimise the risk of confusion it was necessary to focus survey firms' response on one market, their chief market, but also to seek an indication of how its FTF frequencies compared with the firm's other overseas markets, if any. For almost half (48%) we can see that FTF frequencies for the other markets were equal to or higher than for the chief market. However, for the other (known) 31 per cent no estimate can be made of frequencies because there no means of knowing how far they fall short of the numbers of chief market FTF meetings.(Table 4.33). It will be noted that 8 firms did not repond.

Table 4.34 Importance Of Electronic communications

<u>Importance</u>	<u>E-mail</u>	<u>EDI</u>	
Very	27	6	
Important	18	7	
Not very	14	7	
Not applicable	9	50	
No Response	3	1	[Source: Questionnaire: O]

4. 7. 7. The survey also sought broadly to ascertain the importance to firms' export efforts of both e-mail and Electronic Data Interchange (EDI). As the Table indicates, E-mail (used by 59) was important or very important to nearly two-thirds (63%) of survey sample firms, while another fifth (20%) considered the facility 'not very important'. Surprisingly, EDI, which could be expected to be important to the efficiency of the knitted apparel supply chain, especially for stock checks and reordering, was not relevant to 50 of these firms, with the facility being important to a majority of those who did use it. The reason for this finding is not known.

4. 7. 8. Rather surprisingly, almost a quarter of survey sample firms (24%) do not advertise in overseas media, use trade fairs / exhibitions or engage in other forms of promotion, and only 14% of the others use all three of these marketing methods. But as will be seen, with some 73 per cent of firms participating, by far the most used route is that of fairs and exhibitions, showing thereat or just visiting (Table 4.35, 4.36)

4. 7. 9. Survey sample firms' man-days spent abroad promoting exports ranged from 0 to 200, with an average of 29 days and a standard deviation of 37 days. (Table 4.37) The average for the 83 per cent of the 1989 survey reporting was, at 54 days, markedly higher.

Table. 4.35 Other Forms Of Export Promotion

i. (a) Advertising in overseas media; (b) Trade Fairs/ Exhibitions; (c) Other forms of promotion

<u>Usage</u>	<u>Firms</u>	<u>(b) Fairs & Exhibitions:</u>	<u>Firms</u>
None of These	17 (24%)	Attend none	19
All of These (a), (b) and (c)	10 (14%)	Show at some, visit others	10
Fairs/ Exhibitions only (b)	24 (34%)	Show	23
Fairs/ Exhibitions/ Other only (b), (c)	17 (24%)	Visit only	19
Other only (c)	3 (4%)		

Source: Questionnaire: L1-7; O 3.

will be seen, with some 73 per cent of firms participating, by far the most used route is that of fairs and exhibitions, showing thereat or just visiting (Table 4.35, 4.36)

4. 7. 9. Survey sample firms' man-days spent abroad promoting exports ranged from 0 to 200, with an average of 29 days and a standard deviation of 37 days. (Table 4.37) The average for the 83 per cent of the 1989 survey reporting was, at 54 days, markedly higher. Crick's study found that 82 per cent of his sample visited their export markets more than once per year, 16 per cent less often than that, and 2 per cent never. (Table 4.37). (*Crick, D. et al, op cit., page 18*). No more precise measure is provided. The owner of Chetty's firm A1 annually spends 6/7 months abroad strengthening

Table 4.36 (a) and (c): Other forms of promotion:

Advertising and other forms of promotion:

<u>Form/ Medium</u>	<u>Firms</u>
Point of Sale Publicity material	15
Print Media	12

7	2	21	1	60	5
8	1	24	1	100	1

Mean 28.84 days : Standard Deviation 37.27 `.

Mean Man-Days abroad pa 1989 survey (25 firms) 54.48; 77.44 if 574-days outlier is included.

(with feedback from customers, visits to retailers and trade fairs the most important) and a majority ranked these for value. For nearly half of firms, face-to-face meetings with customers, agents etc., typically from 1 to 6 a year, were held abroad. At these meetings firms were represented chiefly by directors, mainly MDs, and to a lesser extent by other management or commission agents. E-mail was important or very important to close to two-thirds of survey sample companies, but EDI was not relevant to nearly three-quarters of them. About a quarter do not advertise in overseas media, use trade fairs/ exhibitions or engage in other forms of promotion; and just above a half this number use all three. On a range of 0 to 200, the average number of man-days spent abroad on promotion was 29.

4. 8. (vi) Perceived obstacles to exporting & main issues for firms

4. 8. 1 .The extent of such obstacles, real or perceived, can have an important effect. For instance, as Zou points out (*Zou, S. et al,1998, pages 348/349*), any study of export performance must take full account not only of firm-centred factors but also of relevant environmental ones, as well as managements' perceptions. See also Chapter 5.

4. 8. 2. As can be seen, exchange rates — with 60 mentions overall (5 fewer than when it was a specific question Table 4.38)— was the issue of main concern for sample companies. Some 50 of these referred specifically to the strength of sterling and many of

Table 4 38 Perceived Obstacles to Exports.

Type Of \

Obstacle	No of Firms (N= 71)	1989 Survey(%) (N=30)			
Exchange Rates	65	25	83		
Competition	52	25	83		
Payment Delays	27	7	23		
Small Orders	19	11	37		
Lead Times	18	10	33		
Export Finance	13	6	20		
Colouring	5	9	30		
Other	4	--	3	-	
No Response	0	—	0	-	-

Source: Questionnaire: Questions N1 — 9. and 1989 Survey.

these firms indicated that its exchange rates with the dollar and/ or the Euro was the problem. Not a sole issue for any firm, the impact of low cost imports was explicitly

Table 4. 39 Analysis Of Main Issues For Sample Firms.

Size/	Main Issue: 1. Exchange rates 2. Low cost Imports 3. Other 4.(1+2) 5.(1+3) 6.(1+2+3) 7. N/R						
<u>Small</u> (1-49)	20	0	3	10	5	2	1
<u>Medium</u> (50-249)	6	0	3	2	6	1	3

<u>Large</u>							
(250+)	1	0	1	0	4	3	0
<u>Total</u>	27	0	7	12	15	6	4

Sources: Questionnaire: Major issues in knitting exporting, Q D(5), Section P Q1-6

listed by 18 as a main issue for them; but it implicitly underlay most firms' reports of main issues.

4. 8. 3. As can be seen from the table, 28 firms reported issues under the heading 'other'. Expressed in general and specific terms, these issues fell into six main categories, as follows:

- Unfair foreign competition, especially in the form of subsidies and tariffs;
- Fiscal/direct governmental assistance for investment in machinery, innovation and marketing.
- Burden of bureaucracy particularly in regard to the demands of employment law;
- Raw materials prices; and the decline in United Kingdom yarn spinning capacity;
- Skills shortages; and,
- Persuading UK consumers that poor quality was the price they paid for cheap imports.

This description of the survey findings concludes with a consideration of export performance and profitability based on the data displayed in Table 4.40.

4. 8. 4. Summary: The most widely perceived obstacle to exports was exchange rates, and especially sterling's rate with the dollar and the Euro. Other main concerns included: unfair competition and low cost imports; UK bureaucracy; loss of UK yarn spinning capacity and high cost of raw materials; skills shortages; and UK consumers failure to recognize that the real price they paid for low cost imports was poor quality garments; and the sector's perceived need for state financial assistance.

4. 9 (vii) Export performance and profitability.

4. 9. 1. About 60 per cent of survey sample firms assessed separately performance and profitability for their home market and export sales. The scope of these assessments variously ranged from exports as a whole, through market level down to that of the individual product. Around three-quarters of these firms analysed one or both of profitability and sales volume.

4. 9. 2.. Firms compared their home and export sales margins and also reported on the profitability of their export activities. Almost two-thirds of reporting firms were obtaining sales margins on exports equal to or higher than those available in the home market, with nearly a third receiving lower margins abroad. As will be seen, export sales margins for the 1989 survey firms were more heavily skewed towards the 'same' and 'higher' categories.

4. 9. 3. Turning to the overall profitability of exports, over half (52%) were accounted for by the ratings 'average', 'good' and 'high' - and if 'fair' is included, this share rises to 79 per cent. Crick's exports profitability data, not directly comparable with that of the survey sample, related export profitability to that on home market sales and reported that profitability of some 60 per cent of his sample firms was equal to or higher.(*Crick, D. et al, 1995, page 15*). One apparent difficulty with this comparison is that no indication is given of the adequacy of home market profits.

4. 9. 4. Summary: Some three-fifths of survey firms made separate assessments of the performance and profitability of their home market and export sales. Nearly two-thirds of those reporting outcomes were receiving export sales margins that were equal to or higher than those in the UK, with, however, a significant proportion receiving poorer margins

abroad. On overall profitability, more than half were accounted for by the three ratings: 'average', 'good', and 'high'. If 'fair' is included, this share rises to almost 80%.

Table 4.40: Export Performance & Profitability

Aspect	(N =71)	N=30 (1989)
(a) Assess Exports	<i>Separately from</i>	Home Market Sales? ...of Exports
1.	Yes 42	24 (80%)
2.	No 29	

(b) Scope	Of	Analysis	Of	Export Perf	orma	nance		
1.Overall	2. Market	3.Product	4.All 3	Other (1+2)	(2+3)	N/Relvt	N/Res	
9	13	5	9	2	4	28	1	
(c) Form	Analysis?	Yes	No	N/Response				
Profit'b'y		52	19	-				
Sales Vol		56	14	1				

(d) S.Margins:	Fgn v.UK	L		S		Hgr	NR						
		23		20		25	3						
Sales Margins:	Extent of diff.												
Scale	M/Lower					Same				M/	Hi	gher	
	-5	-4	-3	-2	-1	0	+1	+2	+3	+4	+5		
Firms*	3	4	4	8	4	(21)	6	10	5	2	2	N=71	
1989:	Lower 5					13				Hi	ghr	13	N=30
Crick et al	40%					38%				22%			
*N/Relev't	N/Resp 2												
21:													

(e) Overall Export Profitability

Low	Fair	Average	Good	High	N/Response
14	19	16	20	1	1
Source:	Questionnaire (K)	1989 Survey		Crick Study	

4. 10. SUMMARY OF CHAPTER CONTENT

4. 10. 1. This chapter has provided a detailed description of all of the main facets of the survey sample overall, comparing and contrasting the results with those of other relevant studies. Main topics covered were:.

4. 10. 2. The survey sample, set in the context of its own industry and other empirical study samples. Its main characteristics, including firm size, autonomy status, production arrangements, technology and products;

4. 10. 3. Duration, degree of commitment, continuity of exporting activities; export ratios, number of and geographical spread of markets served; main types of marketing and distribution channels used, categories of retail outlets supplied; and the benefits gained from exporting

4. 10. 4. Nature of firms' internal organisation for exporting and the extent to which they use the external services provided for exporters; possible obstacles to exports.

4. 10. 5. Main exporting practices of the survey sample, including: acquisition of export market information; market selection methods; pricing aspects, quotation terms, invoicing, and shipping; export promotion via use of media, trade fairs and additional measures;

4. 10. 6. Survey sample companies assessment of performance and profitability, including scope, method, relative sales margins, and overall degree of export profitability achieved;

4. 10. 7. In Chapter 5 key variables are subjected to an investigation of their possible relationships to successful export performance. In contrast to Chapter 4's largely univariate, grouped frequency distribution approach, bivariate correlations are employed.

176a Addendum to Chapter 4

CH 4: MAIN SAMPLE, 2007 SURVEY; 1989 AND 1988 SAMPLES

This addendum to Chapter 4 gives further details of the main and other samples overall.

(a) Main survey sample, 2000: response, attrition and survivors, by size.

Refused / failed to respond	Dead or emigrated	Survivors in late 2007
Small (1-49)	16	13
SME (50-249)	12	10
Large (250+)	2	5
Totals	30	28

(b) 2007 Follow-up stratified random sample part-survey of main sample survivors

	<u>Small</u>	<u>SME</u>	<u>Large</u>	
Invited	6	3	3	
Participated	5	2	1	= 19% sample of survivors.

Note: One SME declined to participate because it was closing down. One large firm had ceased manufacturing; a second declined.

(c) 1989 random sample of 30 knitted apparel exporters

Data from this earlier survey of knitted apparel exporters (response rate 60%) have of course been included above for comparison purposes. After data cleaning and, where necessary, log transformation, the appropriate variables were subjected to bivariate and multiple regression analysis to test the hypotheses individually. The case/ IV ratio did not permit the employment of the full model MR nor CCA. The 1989 output is again marshalled, with other combined data, in Chapter 7 for a final test of the hypotheses.

(d) 1988 Judgemental sample of 20 knitted apparel exporters

This, the earliest sample, was chosen, judgementally, almost entirely on the basis that exporters had high export ratios. It does not possess any external validity. Data from it and the other three samples provide the basis for the 6 tables in Chapter 7. A selection of the responses from the 2007 part-survey is presented in Annex 7.