



THE ROLE OF MARKETING STRATEGIES IN THE DEVELOPMENT OF THE EXPORT POTENTIAL OF THE REPUBLIC OF UZBEKISTAN (EMPIRICAL STUDIES AND LESSONS FROM KOREAN EXPERIENCE)

Bazarova Fayyoza

Tashkent Institute of Finance, Tashkent, Uzbekistan

fayyoza@mail.ru

Abstract

The vital tool for the economic prosperity of any nation is export potential of the country that has been stimulated an amplified attention among academic papers that investigated significant issues involved in developing and implementing successful export marketing strategies. In this paper the relationship between marketing strategy and export performance have been analyzed empirically in the case of the Korean economy during 1990s and 2000s and proper conclusions and recommendations have been made to the export-driven economy of the republic of Uzbekistan.

Keywords: Export oriented marketing strategy, Global marketing, Export product strategy, Export channel strategy, Export promotion strategy, Uzbekistan

INTRODUCTION

The formulating an effective marketing strategy has been under the great importance in today`s competitive global marketplace. The rapid internationalization of businesses across the world has characterized recent decades, that has lead liberal trade policies between both developed and developing countries by eliminating the protectionist measures and the removal of most trade barriers with the implementation of various trade agreements. The vital tool for the economic prosperity of any nation is export potential of the country that has been stimulated an



amplified attention among academic papers that investigated significant issues involved in developing and implementing successful export marketing strategies (Katsikaes.C.S, 2003).

Developed countries like United States, Germany and Japan have been dominating international trade for the last few decades. Even though those countries still possess the highest share of the export market, a number of emerging countries have also made a significant market share gain for the last two decades (World Trade Organization, 2017). In line with this trend the Asian emerging economies have also adopted new economic policies that triggered their position on the global market (Chao, et al., 2003).

Export driven market strategy (Korean case 1990s-2000s)

A perfect example of this achievement could be South Korean economy, during 1990s and 2000s developing economy of Korea organizes a significant opportunity in the world economic order (Arnold & Quelch, J, 1998). As emerging economies are often described by low per capita income, uncertainty in the economy and politics, and stagnated infrastructure, most of them have begun to develop trade policies that focuses internationally, stimulating exports as a vehicle for economic growth and thus generating development of the external and internal market (Lee & David A. Griffith, 2003). At the beginning of 2000, Korea's 12th largest gross domestic product and trade volume place it at the center of the Asian economic growth engine. In 2001, Korean exports totaled US\$ 150.4 billion, with US\$ 141.1 billion in imports. However, for its third straight year in 2001, Korea reported a trade surplus of US\$ 8.6 billion (Lee & David A. Griffith, 2003).

The republic of Uzbekistan towards a new economy

The Government of Uzbekistan has published an Action Strategy plan for Uzbekistan's Five Priority Areas of Development, 2017-2021 (the 'Development Strategy'), which sets out a comprehensive reform programme which evolves political, administrative and judicial aspects. On the basis of this Development Strategy, constructive market oriented reforms have been established. The authorities consolidated the exchange rate and, in September 2017, liberalized the foreign exchange market, started price and trade liberalization, moreover, made significant tax cuts for both companies and individuals as of January 2019 (World Bank report, 2019). The medium-term economic reform goals of the government through 2021 include enhancing business environment in the private sector; implementing public-private partnerships (PPPs)¹;

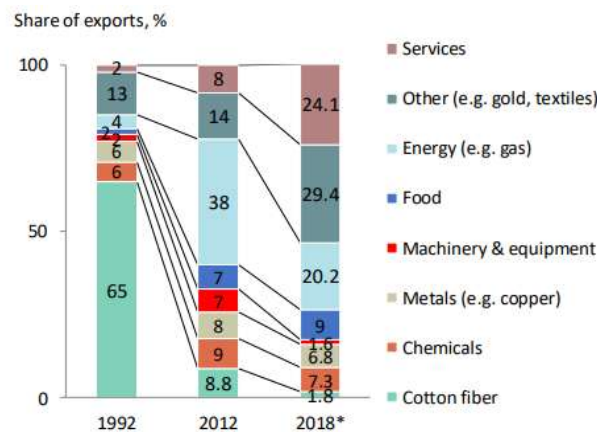
¹ On May 3, 2019, The parliament of Uzbekistan approved the Law “On public-private partnerships”.

strengthening corporate governance of state-owned enterprises (SOEs) and subsequently carrying out selected privatizations.

As a consequence of those reforms, the export share of commodities fell from about 90 percent in 1992 to 77 percent in 2012 and 2018. Natural gas and gold accounted for nearly half of total exports in 2012 and 2018, with more gas than gold in 2012 and more gold in 2018. Cotton exports dropped sharply as Uzbekistan increased cotton fiber internal processing from 7 per cent in 1991 to 60 per cent in 2018. Trade in services (primarily transportation, communications, and tourism) has significantly grown in recent years, to nearly one-quarter of total exports in 2018, mainly due to an increase in foreign visitors to the country. Approximately 6.4 million visitors visited Uzbekistan in 2018, up from a mere 2,8 million in 2017. Non-commodity exports— manufacturing products and foodstuffs (e.g. textiles, fertilizers, foodstuffs, cars and home appliances) rose from about 10% of total exports in 1992 to around 23% in 2012 and 2018 that would indicate export diversification in the economy (world Bank, 2019).

It can be concluded that the economy of the republic of Uzbekistan moving towards market-orientation and becoming more export oriented. Besides, most of the state economic reforms are quite similar to those with the Korean economy in 2000s, such as establishment of Special Economic Zones in 2017 in several regions of Uzbekistan, government support to the export oriented business entities, tax reforms etc. Korean experience of 2000s could be a good lesson for further economic actions in Uzbekistan. The effectiveness of those reforms could be accelerated with the adoption of marketing strategy-performance in an export driven developing nation like Uzbekistan.

Figure 1. Export structure



Source: World Bank report, 2019

LITERATURE REVIEW

The correlation between export performance and marketing strategy

Marketing strategy is a way of allowing businesses to adapt to competitive market conditions. Marketing strategy has historically been break down into the four components of the marketing mix, i.e. product, price, position and promotion. The relationship between marketing strategy and export performance has been one of the most researched topics in international marketing research (e.g. Daniels & Goyburo, J, 1977, Kacker, 1975, McGuinness & Little, B., 1981, Piercy, 1981, Cooper & Kleinschmidt, E.J., 1985, Christensen, et al., 1987, Namiki, 1994). Even though much work has been carried out in this field, the variety of conceptualizations and performance metrics has led to conflicting and contradictory results (Aaby & Slater, S.F, 1989). Cavusgil & Zou, S. (1994) are fortunately could provide an integrative framework for understanding the performance relationship of marketing strategy.

Cavusgil & Zou, S. (1994) conceptualize exports as a strategic response to competitive conditions that are based on the resources and environment of a firm. Building on this conceptual basis, they give the appropriateness of using theoretical perspective of a strategy-environmental co-alignment (e.g Aldrich, 1979, Porter, 1980). Furthermore, the methodology of Cavusgil & Zou, S. (1994) integrates three features necessary to understand the inherent relationship between marketing strategy and performance. Firstly, the research unit under the system which is the individual export venture on the commodity market. Secondly, the conceptualisation of export success requires both strategic and economic considerations. Thirdly, the specification is formulated in general, enabling versatility in the internal and external variables used, thereby allowing specific differences in relevant requirements for the sector.

Marketing strategy and export performance (theory and practice)

In this context, the influence of varying marketing mix elements to export performance would be explored in the case of Korea and recommendations to the economic performance of the republic of Uzbekistan under the general framework of Cavusgil & Zou, S. (1994).

Export product strategy

Export product strategy concerns with the degree to which a company standardizes or adapts its products (related primarily on product issues of consumer preference changes, product quality or safety standards, and cost of production). The effect of the product standardization on the export performance has been widely investigated with marketing strategy (please refer to Levitt, 1983, Jain, 1989, Ozsomer & Prussia, G.E., 2000). For those who export, serving dissimilar segments of customers worldwide, standardization may alienate foreign customers

who may turn to another product that meets their needs better (Kotabe & Helsen, K, 2001). Companies engaged in product adaptation will meet cross-border needs and requirements of the target customers of the business, thereby the customer satisfaction and overall performance (Kotabe & Helsen, K, 2001).

Lee & Griffith, (2002) found out that implementation of the product adoption by the Korean export oriented companies positively impacted on their export performance.

In the case of the republic of Uzbekistan, as it can be seen from the figure 1 that the share of the services in GDP has increased dramatically over the last 5 years. Moreover, figure 2 also indicates that almost 50% of the employment is provided by service sector currently. Resolutions of the President of the Republic of Uzbekistan were adopted in order to ensure a balanced growth and diversification of the activities of service enterprises, improving competitiveness and efficiency of their services “Development program of the service sector for 2016 - 2020”. Among the priorities of the development program were:

- Increasing GDP through growth in the service sector and increasing its share of the national economy to more than 50 percent;
- Forming a competitive environment, supporting small and private sector growth entities;
- Financial services growth with the implementation of the new electronic payment technologies.

To achieve those priorities, export product strategy of the marketing plays an essential role. In order to create a competitive environment in the service sector, the degree of adaptation of some product like transport services including air transport and tourism facilities should be increased.

Figure 2. Employment structure by sector



Source: World Bank report, 2019

Export channel strategy

Strategies for the export networks can be categorized as direct or indirect. Direct exporters, i.e. exporters selling directly to foreign-market importers or consumers, are responsible for managing export-related activities, requiring the exporters' contribution to export success attitudes and behaviors (Stump, et al., 1998). Direct exporting could has several benefits, such as enhancing export market awareness due to direct negotiation, increasing export profitability by consuming part of the gross margin given to trading companies, etc.

Instead, exporters engaged in indirect exports use the overseas goods of the firm's separate middlemen to markets. Such intermediaries have their international distributor network and their own sales force (Kotabe & Helsen, K, 2001). Most studies suggest that productive exporters use more direct exports than they do indirect exports (Stump, et al., 1998). Exporters using a direct channel strategy have greater access to market information and can react quicker to market changes than exporters using a indirect channel strategy.

Studies of Lee & David A. Griffith, (2003) also suggest that the direct exporting had a positive impact on the export performance of the Korean exporters.

As the figure one indicates that the export of the cotton fiber has dramatically decreased from 65 percent in 1992 to the 1.8 percent in 2018, which indicates that Uzbekistan decreasing indirect export of the cotton and has started to produce textile products directly to the importers. This strategy should be implied to other sphere of the economy like IT, heavy metal producing and etc.

Export promotion strategy

There are two forms of export promotion that are advertising and trade promotion. (Hill & Still, R.R. , 1983, Koh, 1991). The positive effect advertising has on export output is focused on the premise that an exporter can generate higher sales through sound advertising procedures. Exporters with a greater commitment to their export markets would incur higher levels of advertisement investment, resulting in higher results than exporters less engaged in their export markets. Advertising become crucial for exporters in export-driven developing economies as these exporters have yet to create brand recognition in foreign markets.

The relationship between export promotiona and its performance has been investigated by Lee & David A. Griffith, (2003) in the case of Korean exporters and positive relationship has been established.

In the case of the developing country like Uzbekistan the role of export promotion in the export performance is relatively vital since it does not have globally well-known exporters. The dramatic increase in the sphere of tourism of the republic is mainly doe to the advertisement

through social and worldwide media, during the last two years the revenue of the tourism more than doubled. From this point of view and Korean experience, the country has to pay a critical attention on the export promotion in enhancing its export potential.

CONCLUSION AND IMPLICATIONS

The central theme of this study was to explore the relationship of export marketing strategy to performance in the export-driven developing economy of Korea. The findings suggest a positive performance effect of adaptive export marketing strategies employed by Korean exporters. The core aim of this study was to analyze the export marketing strategies and their relationship to success. The findings suggest a positive performance impact of Korean exporters' adaptive export marketing strategies and its implications in the economy of the republic of Uzbekistan. Namely, the studies indicate that exporters utilizing adaptive market strategies (as demonstrated by product adaptation, use of a direct channel strategy, and use of overseas trade promotions) achieve higher production that are highly recommended strategies for the export oriented entities in the republic. This indicates that exporters adapting to their international customers' needs would achieve better export results than exporters using more conventional marketing strategies.

As noted by Aulakh, et al., (2000), focusing solely on reducing production costs in today's dynamic global marketplace may no longer lead to success for a business in export-driven economies. The findings are noteworthy when compared with research on the relationship between marketing strategy and success in developed markets. Logically, the cheap labour and input in the republic of Uzbekistan may not be solution for the success of the export performance that requires further adoption of the effective marketing strategy.

The relationship between export marketing strategies and export performance in Korea's export-driven, developing economy during 2000s is complex, yet demonstrated successful performance. This paper highlights some of the possible obstacles to export marketing strategies being transferable from a developed to a developing country background. Although conceptual and empirical results are promising and provide new insights into this area of study, other studies need to be carried out in order to gain a better understanding of the marketing strategy's relationship to non-export-driven developing economies such as Uzbekistan.

REFERENCES

- Aaby, N. & Slater, S.F., 1989. Managerial influences on export performance: a review of the empirical literature 1978-1988. *International Marketing Review*, 6(4), pp. 53-68.
- Aldrich, H., 1979. *Organizations and Environments*. John Wiley & Sons, Englewood Cliffs, NJ.
- Arnold, D. & Quelch, J., 1998. New strategies in emerging markets. *Sloan Management Review*, 40(1), pp. 7-20.

- Aulakh, P., Kotabe, M & Teegen, H, 2000. Export strategies and performance of firms from emerging economies: evidence from Brazil, Chile, and Mexico. *Academy of Management Journal*, 43(3), pp. 342-361.
- Bank, W., 2019. *Uzbekistan: Country Economic Update*, Tashkent: Б.Н.
- Cavusgil, S. & Zou, S. , 1994. Marketing strategy-performance relationship: an investigation of the empirical link in export market venture. *Journal of Marketing*, 58(1), pp. 1-21.
- Chao, P., Saeed Samiee & Leslie Sai-Chung Yip, 2003. International marketing and the Asia-Pacific Region Developments, opportunities, and research issues. *International Marketing Review*, 20(5), pp. 480-492.
- Christensen, C., Da Rocha, A & Gertner, R.K, 1987. An empirical investigation of the factors influencing exporting success of Brazilian firms. *Journal of International Business Studies*, 44(3), pp. 61-77.
- Cooper, R. & Kleinschmidt, E.J., 1985. The impact of export strategy on export sales performance. *Journal of International Business Studies*, Tom 16, pp. 37-55.
- Daniels, J. & Goyburo, J, 1977. The exporter-non exporter interface: a search for variables. *Foreign Trade Review*, Tom 2, pp. 258-282.
- Hill, J. & Still, R.R. , 1983. Adapting products to LDC tastes. *Harvard Business Review*, 84(2), pp. 92-101.
- Jain, S., 1989. Standardization of international marketing strategy: some research hypotheses. *Journal of Marketing*, 53(1), pp. 7-19.
- Kacker, M., 1975. Export-oriented product adaptation – its pattern and problems. *Management International Review*, Tom 6, pp. 61-70.
- Katsikaes.C.S, 2003. Advances in international marketing: Theories and Practice. *International Business review*, Tom 12, pp. 135-140.
- Koh, A., 1991. Relationships among organizational characteristics, marketing strategy and export performance. *International Marketing Review*, 8(3), pp. 46-60.
- Kotabe, M. & Helsen, K, 2001. *Global Marketing Management*. John Wiley & Sons, New York, NY.
- Lee, C. & David A. Griffith, 2003. The marketing strategy-performance relationship in an export-driven developing economy A Korean illustration. *Marketing strategy and performance*, Tom 2, pp. 321-335.
- Lee, C. & Griffith, D. A., 2002. The marketing strategy-performance relationship in an export-driven developing economy A Korean illustration. *Marketing strategy and performance*, 21(3), pp. 321-339.
- Levitt, T., 1983. The globalization of markets. *Harvard Business Review*, 62(3), pp. 92-102.
- McGuinness, N. & Little, B., 1981. The influence of product characteristics on the export performance of new industrial products. *Journal of Marketing*, Tom 45, pp. 110-123.
- Namiki, N., 1994. A taxonomic analysis of export marketing strategy: an exploratory study of US exporters of electronic products. *Journal of Global Marketing*, 8(1), pp. 27-55.
- Ozsomer, A. & Prussia, G.E. , 2000. Competing perspectives in international marketing strategy: contingency and process models. *Journal of International Marketing*, 8(1), pp. 27-50.
- Piercy, N., 1981. British export market selection and pricing. *Industrial Marketing Management*, Tom 10, pp. 287-297.
- Porter, M., 1980. *Competitive Strategy*. Free Press, New York, NY.
- Stump, R., Athaide, G.A & Axinn, C.N, 1998. The contingent effect of the dimensions of export commitment on export financial performance: an empirical examination. *Journal of Global Marketing*, 12(1), pp. 7-25.