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SME2014-1321

**Measuring Export Marketing Strategy of
SMEs in Mauritius: An Export
Preparedness Perspective**

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This paper should be cited as follows:

Amoroo, O., (2014) "Measuring Export Marketing Strategy of SMEs in Mauritius: An Export Preparedness Perspective", Athens: ATINER'S Conference Paper Series, No: SME2014-1321.

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**Measuring Export Marketing Strategy of SMEs in Mauritius:
An Export Preparedness Perspective**

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Abstract

The global business environment is being dominated by the trade liberalisation agenda and regionalisation process. In this context, SMEs in Small Island Developing State (SIDS) like Mauritius face numerous challenges in domestic and export markets. Exports to regional, international and niche markets are pivotal pillars for entrepreneurial growth and business expansion. This paper mainly measures how SMEs in the Manufacturing Sector can envisage growth through an export marketing strategy. Furthermore, this research also captures the level of preparedness required to tap export markets by applying appropriate marketing strategies and tools.

Acknowledging that export-led economic growth is a necessity for a country's progress. SMEs are encouraged to shift sales towards overseas markets. Therefore, this paper also illustrates the institutional framework that supports enterprise development towards export.

In the domestic market, SMEs face the challenges of price competitiveness with imported products, restricted market size, fierce branding competition by multinationals and large enterprises, and lack of innovation and technology adoption. Hence, dependence on domestic market becomes a threat for survival.

The global market brings opportunities and challenges. In case of SMEs, export is a challenging process which requires great effort to be successful. The lack of appropriate market information link to price competitiveness and market positioning hits, poor overseas branding strategy and absence of an export plan leads to wastage of resources and wrong market selection. It is observed that no relationship exists between an export plan, its implementation phase and export success, rather the Business Plan guides SMEs in export ventures. As observed there are SMEs which are exporting successfully without having an export plan but, they are market conscious while venturing towards external trade. This paper describes the challenges of internationalisation and export. It also specifies the Critical Success factors (CSFs) needed to launch and sustain export. Eventually, a 3s SMEs Export Development and Promotion Model is proposed to guide companies to become establish exporter.

Keywords: SMEs in Mauritius, Export Preparedness and Export Marketing Strategies

Introduction

SMEs contribute significantly in Gross Domestic Production, ranging from manufacturing, tourism to service sectors. The changes brought by globalisation and trade liberalisation in the last decade have reflected on the way of doing business through new modes of initiating and sustaining exports. It has also influenced the way export promotion strategies are adopted to capture export markets. This has an effect on SMEs belonging to SIDSs countries like Mauritius. Today, SMEs need a different approach for internationalisation and overseas market positioning.

Globalisation of trade has also led a number of companies including SMEs to search for market opportunities beyond the domestic markets. In such cases, export readiness is a precondition for internationalisation. Marketing strategies are the fundamental elements of export readiness for SMEs to be successful in export ventures.

Empirical investigations, literature and interest in export marketing strategies are high but in the Mauritian context a study of SMEs export marketing strategies is ignored. Analysing which export marketing strategies are most suitable for SMEs to initiate, sustained and increased exports have not been fully covered by practitioners and researchers. Hence, this paper sets the prospect to fill this gap through:

1. Measuring how SMEs in the Manufacturing Sector can envisage growth through an export marketing strategy;
2. Analysing the level of export preparedness required to tap export markets;
3. Portraying the institutional framework and policies supporting export;
4. Establishing whether a relationship exists between an export plan implementation phase and export success;
5. Describing the challenges of internationalisation and export.

Today, with the intensification of competition in the global market, exploration for niche markets are becoming a global phenomenon. A change from “mass” export to “niche” export is becoming a reality, where exporters are also emphasising on small and customised orders. Trade liberalisation has made it challenging to penetrate export markets and sustain continuous export growth.

Moreover, this research work serves as a guide for future research in areas of SMEs export readiness, internationalisation and challenges while considering other business factors, besides marketing. It is to be noted that since long in-depth national research and survey on SMEs have not been carried out. The last survey focusing only on SME sector dates back to 1999 on

“SME Exports and Public Policies in Mauritius” conducted by Commonwealth Secretariat¹.

Research Approach

The findings of this paper were generated through questionnaire response of 52 SMEs. Five SMEs in each sector have been interviewed on how they are considering application of export marketing strategies. These SMEs operate in textile and garments, agro-food processing, light engineering, jewellery, footwear and furniture sectors.

The Rise Of SMEs In Mauritius

The emergence of SMEs is the direct result of the Industrialisation process. In Mauritius industrialisation dates back to the settlement of the island for sugar production. The 1970s post-independence economic policies of attracting investment from Hong Kong, tax holidays, creating the Export Processing Zone (EPZ) and launch of the tourism sector had led the country's path to become a middle income economy in the 1990s. In the 1980s the country exports were heavily dependent on sugar and garments. Because of its past industrial experience, Mauritius has a large SME Sector relative to its size of population (Wignaraja.G and O'Neil S, 1999).

SMEs sector finds its origins in the enterprises established within the EPZ sector and non-EPZ sector. Large Garment manufactures when outsourcing selected activities of production line and use of home based factory workers had also built on the spirit of entrepreneurship. In the 1980s, with the setting up of Small Scale Industry Unit, graduating to Small Industries Development Organisation (SIDO) and in 1993 to Small and Medium Industries Development Organisation (SMIDO) have set the foundation for SMEs to upsurge. These institutional set up have significantly contributed to the rise of a strong and diverse SME sector.

Today, the contribution of the manufacturing sector has changed significantly accounting for 16.7 per cent of GDP. In fact, the success of the Mauritian economy can also be attributed to trade openness. However, this sector is facing a sharp transition from depending on trade preferences and tariff protection to competing globally. The fading away of protectionism, dismantling of the Multi-fibre and Cotonou agreements, closure of large textile factories and reduction in the price of sugar, centralisation of sugar factories and mechanisation of sugar cane plantation, have left the country with no choice than to recycle its economic orientation. Since 2005, the Government is orientating in building a nation of entrepreneurs that could generate employment, create own wealth and curb the effect of massive unemployment. Thus, entrepreneurial development had become inevitable where during the

¹Study commissioned by Ministry of Industry and Commerce and assisted by Small Medium Industrial Development Organisation (SMIDO).

period August 2005 to December 2006, 3,456 SMEs were registered with Small and Medium Enterprise Development Authority (SMEDA), the national institute for SMEs and entrepreneurial development.

SMEs Sector Definitions

During the past two decades the definition of SMEs has evolved from focusing in employment to turnover figures. The Small and Medium Enterprise Development Authority (SMEDA) Act 2009 defines SMEs as small enterprises, having turnover less than Rs.10 Million and Medium enterprises with turnover above Rs.10 million and less than Rs.50 Million (1 USD=Rs.30).

Previously SMEs were defined as enterprises with 10-49 employees and micro enterprises with less than 10 employees. However, Statistics Mauritius provides national statistical data on small establishment for enterprises employing less than 10 persons including self-working proprietors. No statistical data is recorded according to the definition of SMEDA Act 2009.

As at December 2013, a total of 20,968 SMEs were registered with SMEDA for different types of activities, out of which 8,192 were in the Manufacturing Sector. In all only 10,874 registered SMEs with SMEDA are operational.

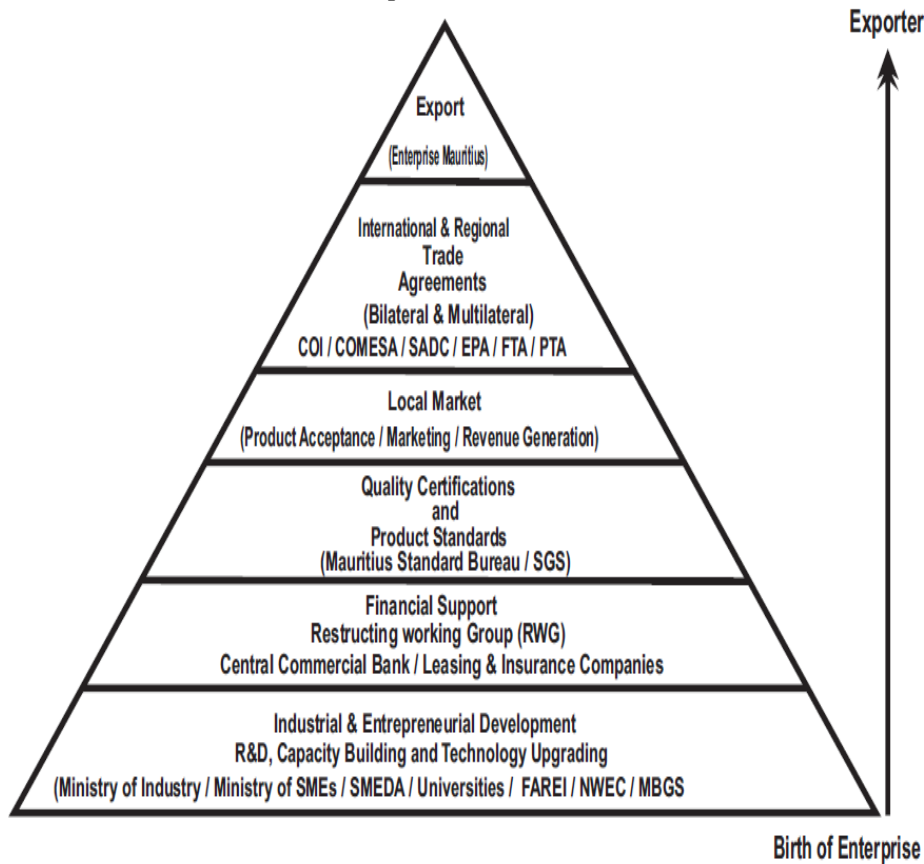
Furthermore, the Census of Economic Activity 2012, stated that the manufacturing industry contributed 19% to GDP in 2012 compared to 21% in 2007. This five year census specifies that employment in the manufacturing sector has increased from 36,000 to 41,000 and value added from Rs.8, 625 to Rs.10, 400 million.

Institutional Framework

To meet the growing aspiration of entrepreneurs and preparing them to face the global competition, the Government has set up appropriate institutions that encourage much public-private partnership. This all-inclusive institutional framework supports the implementation of Government policies and incentives in a coherent way. It has gone through the litmus test of mitigating adverse impact of the financial crisis.

Furthermore, the framework reflects an entrepreneurial and innovation-led model of industrial development that drives high-tech investment, product and market diversification, value addition, improved response time to stakeholder needs, supports sustainable development and synergies support services. It shows the need of a dynamic regional and multilateral trade policy orientation with trade agreements, supporting export strategies. These trade agreements safeguard exports to traditional and emerging markets. It also depicts how through assistance of various Government Institutions enterprises build on capabilities to become export ready, leading to gradual growth of SMEs from local to global player.

Figure 1. *The Mauritius SMEs Export Assistance Framework*



Source: Paper's Author

Institutional Mandates

SMEDA

SMEDA operating under the aegis of the Ministry of Business, Enterprise and Cooperatives, provides support and facilitates the development of entrepreneurship and SMEs. Its core support services are training, counseling and mentoring services, providing production incubator, operating a registration scheme for SMEs, facilitating access to industrial space and finance. It also facilitates access to local market and to organise local trade fairs.

FAREI/NWEC/MRC

Other Government organisations also play a crucial role in SMEs development. They are: Food Agricultural Research and Extension Institution (FAREI) for training of agri-business and food processing entrepreneurs, National Women Entrepreneur Council (NWEC) to promote and develop entrepreneurial culture among women. The Mauritius Research Council (MRC) conducts innovation-led research and supports its application to enterprises.

Enterprise Mauritius (EM)

EM is the National Trade Promotion Organisation, acting as a gatekeeper for export. Export promotion activities includes access to market intelligence, market surveys, overseas liaison offices, participation in international fairs, Contact Promotion Programme and Buyers Sellers Meetings. Three schemes are operated namely:

- (1) The Go Export Training Programme which prepares SMEs to be export ready.
- (2) Participation in International Fairs SME Refund Scheme where financial grant is allocated for exhibition, travel and visit to technology and product promotions fairs overseas.
- (3) Freight Subsidy Scheme on containers exported to selected African ports.

Mauritius Business Growth Scheme (MBGS)

The MBGS Unit was set up in collaboration with the World Bank to facilitate the growth of private sector economic activity through various consultancy projects such as: productivity and competitiveness, product development, research and development, training on technology upgrading, innovation, quality standards, branding, international marketing and business development. The 90% of the consultancy fees is paid by MBGS to the consultant, whilst the company injects 10%. This scheme is called the 90-10 payback scheme. The 90% of the consultancy cost is given as a loan amounting up to a maximum of Rs. 3 million (100,000 USD). Loan repayment is based on a “royalty-on-incremental sales” basis which implies that a beneficiary may have to refund a maximum amount of 1.8 times the amount obtained. Repayment starts as from the fourth year with 3 years as moratorium and repayment period may last up to a maximum of 5 years.

Restructuring Working Group (RWG)

This unit assists enterprises in financial difficulties including SMEs facing the challenge of cash flow, overdraft, repayment of existing and new loans requirement, managing working capital, leasing of equipment and credit financing problem. It acts as a bridge between enterprises and commercial banks and leasing companies in extending financial assistance with low interest rate and provides necessary guarantee where no collateral mortgage is needed. The banking sector plays a major role in extending finance for export guarantee, trade finance and special loan at low interest where Government through RWG guarantee certain level of the loan amount.

Export Marketing Strategy

Export marketing strategy is the road map of how a firm responds to internal and external forces by the use of marketing mix elements that include

product, price, promotion, in order to achieve firms export objective (Farshid Movaghar Moghaddam, Abu Bakar Bin Abdul Hamid, Siti Zaleha Abdul Rasid, Hassan Darestani, 2011). Cavusgil and Zou, (1994) provides a complete definition of export marketing strategy and explained that *"export marketing strategy is the means by which a firm respond to the interplay of internal and external forces to meet the objective of the export venture. It involves all aspects of marketing plan that include product, promotion, pricing, and distribution"*. However, many firms also follow Porter's business strategies in export market. Exporting is a fundamental strategy in ensuring a firm's survival or growth, and firms may achieve competitive advantage in international markets with a positive influence on current and future export performance. "An appropriate export strategy could provide the corresponding internal framework to enable smaller businesses to engage more successfully in external trade and meet international competition" (ITC-1999).

Export marketing Strategy and tools

Applying the most appropriate export marketing strategy depends on the level of export readiness which has been achieved by the firm to use appropriate marketing tools for market entry. Having the required level of readiness in terms of production, product quality, technology and financing will determine the export commitment. Combinations of traditional and new tools are applied such as trade fairs, advertising, sales promotion, and commercial branch in export markets among others to maintain presence in foreign markets.

Export Preparedness And Internationalisation

Export preparedness refers to the readiness stage before setting for export phase. Becoming exportable is a paramount precondition in the internationalisation process. Nicolas Li and Pavlos Dimitratos (2013) defines Export Readiness, as *"pre-export or internationalisation readiness, in which a firm potentially transits from a purely domestic firm into an international firm. It is a crucial stage because not all firms become international, although exporting is empirically proven to merit firms on their survival and growth"*.

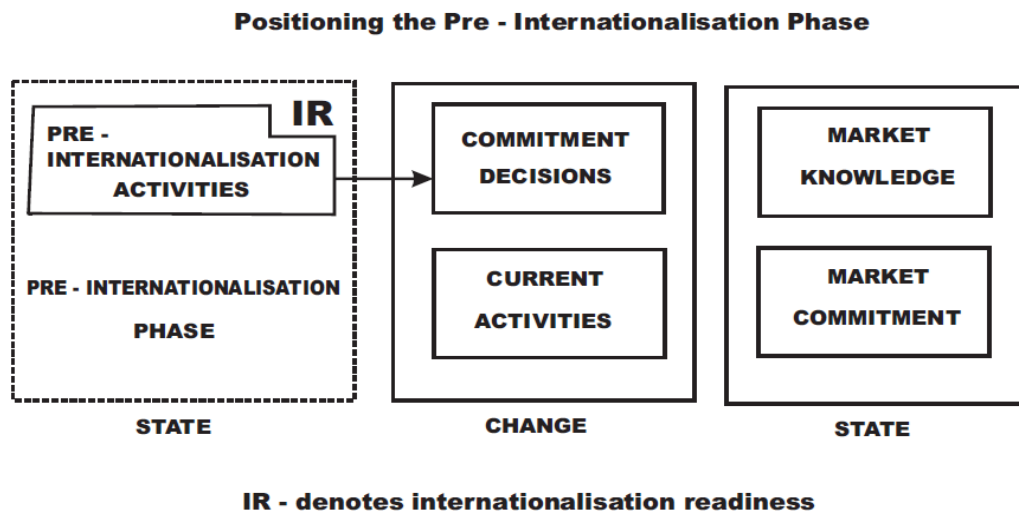
The Internationalisation Process and Models

Several authors have given varied definitions of internationalisation. It is, thus, defined as a learning process through which a firm gradually moves towards readiness to initiate international decision and implement foreign export commitment. In these models scholars track back to examine the decision making process responsible for establishing firms international commitments. One such commitment relates to resource allocation, which occurs only when the firm believes on the propensity to venture into foreign market. This requires application of appropriate export marketing strategies and financial investment.

The Uppsala Model and Pre-Export Model

The Uppsala Model highlights internationalisation as an incremental process with the firm passing through a progressive development of transitions between state aspects (knowledge about foreign markets and resource commitment) and change aspects (decisions to commit resources and the performance of current business activities) via the accumulation of experiential knowledge. This Model also claims that internationalisation is affected by the compatibility between a firm’s experiential knowledge and its resource capabilities.

Figure 2. *The Uppsala Model*

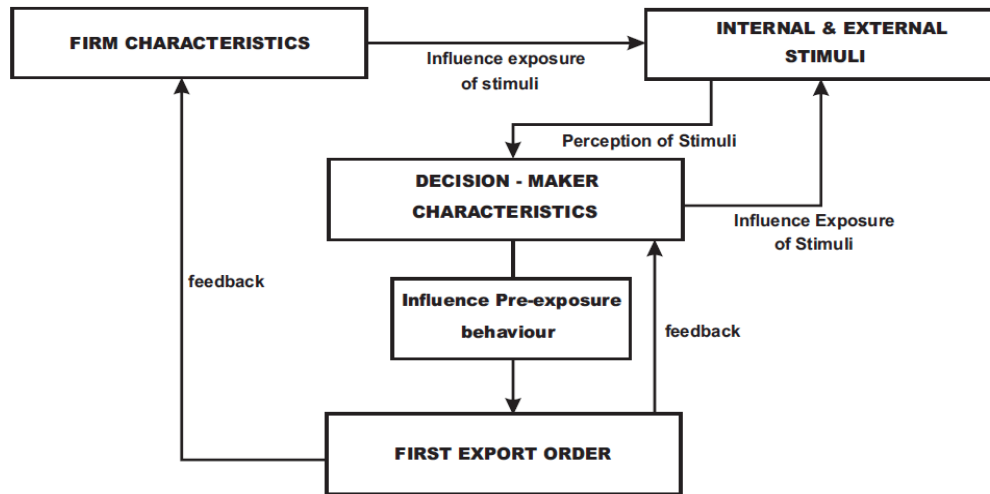


Source: Johanson and Vahlne (1977) cited in Li and Dimitratos 2013, p.7

The cyclical shift from State – to – Change transition aspect represents a firm’s increasing foreign involvement. The pre-internationalisation phase refers to all experiences before a firm initial commitment for foreign market. It is noted that the original Uppsala model fails to address the pre-internationalisation stage of firms (Johanson and Vahlne, 2009). By identifying and operationalising export readiness, it provides a better understanding to practitioners, firms’ internationalisation prospects and also improve public policy design for export promotion programmes.

Moreover, scholars have further tested the model to include “networking” as a pre-condition to pre-exporting activities. According to Li and Dimitratos (2013) networking to be successful depends on the marketing strategies of the firm and the decision maker characteristics as depicted in the Pre-Export Model.

Figure 3. *The Pre-Export Model*



Source: Wiedersheim Paul et al., 1975 cited Li and Dimitrato 2013,p.8

According to the Pre-Export Model, stimuli relates to internal and external stimuli which act as key export commencement determinants. Internal stimuli are those derived from influences endogenous to the firm, for example, economies of scale and in-house competencies. Equivalently, external stimuli stem from the environment in which the firm operates, e.g., Government export promotion programs. Other stimuli play an important role to become complementary to export stimuli with a stronger impact. However, stimuli can be either proactive or reactive. The stimulation to export should be primarily based on proactive factors. Hence, Export stimulation becomes a guide to developing proper export promotion programmes and sound export marketing strategies.

Hence, the two above models put forward the activities and motives required to trigger foreign market expansion. Stimuli act as the desire for the entrepreneur to see its product getting international exposure.

Export Preparedness

The survey conveys that export readiness rely on five main fundamentals where SMEs need to focus to achieve export. Figure 4, below indicates the components to be: Marketing, Production Technology and Finance – these 3 managerial aspects are link to product quality and competitiveness, which is a foundation for export capability.

Figure 4. Export Readiness

Source: Paper's Author

Besides, SMEs face other very important challenges which can slow the process of export readiness. These are mainly linked to lack of finance to upgrade production technology and know-how on its use, availability of skilled labour and technical cadre and lack of factory space to increase production area. Absence of information about new technology availability is also a deterrent. Production technology and finance are sine qua non to offer a valued proposal for export and make use of effective and efficient marketing tools. Despite institutions assisting in technology upgrading SMEs are reluctant to take advantage of the financial support because of these challenges.

The report on the Restructuring of SMEDA, published by the Office of the Public Sector Governance (OPSG), Prime Minister's Office, Mauritius (2013, p.16) stated that "SMEs are faced with constraints relating to finance, skilled labour, training facilities, marketing, business development services, infrastructure, technology and institutional support framework".

In line with WTO obligations, the opening of the domestic market has reduced SMEs competitiveness, leading to sunset sectors where a handful of manufacturers operate in biscuit making, flower export and footwear sectors. It is to be noted that "The sectors in which the SMEs are operating are already experiencing unprecedented challenges as a result of trade liberalization in line with the globalisation process, the WTO regulations and the dismantling of safety nets. This situation is further aggravated by very tough competition from imported and imitated products from low cost countries in particular China" (OPSG 2013, p.16).

Price Competitiveness

According to Eusebio, et al. (2007) price is no longer a dominant strategy for companies in export market. However, this finding indicates that price competitiveness and value for money are main determinants of export. Adjustment of export prices to foreign market situation has positive influence

on export. SMEs surveyed believed in price reductionist approach and bargaining process to initiate and increase export.

Furthermore, SMEs interviewed have shown the willingness to adapt product features and characteristics in order to meet foreign customer requirements and position the product adequately to what is being offered by competitors. Flexibility exists to expand production and meet export orders. This approach shows positivity in achieving export readiness.

Export Marketing Tools Ranking

The table below indicates the export marketing and promotional strategies being instrumental for exporting and not exporting SMEs:

Table 1. Export Marketing Strategy

Exporting SMEs	Non Exporting SMEs
International Trade Fairs	International Trade Fairs
Buyers visiting company in Mauritius	Visiting importers abroad – own travel
Government Institution Contact e.g. EM and SMEDA	Supporting buyers in marketing the products through a cost sharing basis for advertisements and sales promotion activities
Friends and client recommendations	Products tasting in Retail Shops for Agro Products
Foreign Buyer’s approaching through domestic sellers	
Own travel for business or holiday	

Marketing Tools preferences

SMEs view international trade fairs as the right medium to connect with buyers and look into the possibilities of sales revenue from foreign customers. Trade fair also improves export performance by allowing market to be tested, identifying new firm for distribution and also conduct market research.

On the other hand, personal visit to foreign client is preferred as it can increase export performance because it enhances experience about problem or opportunities encountered by the importer, personalises relationship, increases communication, and provides timely response to export venture’s need.

SMEs operating in the Agro Food Processing sector views product tasting and sales promotions in retail supermarket and hypermarket, a right approach to build consumer preferences.

Traditional v/s New Tools

The survey has also identified that traditional tools for export marketing are Trade Fair Promotion and Sales Promotion. Moreover, new tools includes application of Trademark, brand message, overseas Commercial Branch, franchising, adverts on business magazines, social media- facebook, and web

site having facility for online Sales and payment. SMEs also prefer doing product demo and tasting in retail outlets and use attractive packaging.

Challenges Of Internationalisation And Export

The survey voice out that the major difficulties encountered by SMEs to export and internationalised are related to:

Importer's Perception: SMEs who have experienced in export promotion opined that importer's perception is much influential to price sensitivity. With the rise of low cost producing countries, buyers look for low priced products. Moreover, importers also lack the commitment to do product promotion and adverts that will push the products among consumers.

Budget allocation for export promotion: SMEs with sales turnover below one million rupees do not have separate budgeting provision for oversea market promotion. SMEs in this turnover segment shows no commitment for such specific funding. On the other hand, SMEs with turnover below Rs. 10 million, can earmark, 5 to 10 percent of its sales turnover for export promotion activity. Hence, enterprises do not have a culture to allocate a special budget for export promotion and marketing.

Application of marketing tools: Non-exporting SMEs lack awareness about the right marketing and promotional tools to use in penetrating export markets. It is observed that some SMEs do not use high quality promotional and marketing materials, leading to poor branding and an absence of trademark initiative which builds niche market export.

Market intelligence limitation: SMEs have a deficiency in gathering market intelligence to create an export strategy, focusing on specific export destination, creating the right product feature, quality and characteristics for a niche market. This leads to not getting the right importer. They also have limited information on import regulations and overseas consumer-customer preference. This challenge is further reinforced by the absence of carrying enterprise-level product market surveys to check export potential. Firm level market surveys are not carried out due to high cost for conducting such exercise, lack of information about foreign market and no contacts overseas. However, the Industrial and SME Strategic Plan 2010-2013 specifies that "market intelligence is lacking and SMEs do not undertake systematic export market research while there is a lack of strategic international partnerships".

Limitation on Export Knowledge: SMEs pointed out that there is no sufficient training and hand holding programme on how to encounter export avenues. There is a lack of assistance from trade experts in making export plans.

Other export challenges are linked to an increasing freight cost and few flight connectivity, low production capacity, insufficient financial strengthen and resources to develop overseas market.

Motivating Factors For Export Initiative

The present research also takes into cognisance factors that motivate enterprises to internationalise, which are:

1. Trust building with buyers met in international trade fairs
2. Sales generated during an International Fair
3. Knowledge and information about foreign markets
4. Networking with overseas business persons or Mauritians.
5. Experience about a market
6. Financial support to invest in Promotional Activity
7. Contacts with Agent Abroad
8. The market which is near and easy to access by air and sea freight

Market Commitment – Geographic v/s Psychic Distance

The above motivating factors also reflect the theoretical concept in Uppsala and Pre-Export models. The survey pictures that SMEs also prefer to consider market nearness for export. SMEs within the furniture, footwear, printing and light engineering sectors have a preference in exporting to Indian Ocean Islands. Hence, sector wise a perceived perception of geographic distance prevails regarding the potential foreign market.

On the other hand, Psychic distance which refers to proper flow of information between foreign market environments to firms, make the impacts on market selection. Exposure to market intelligence and buyers requirements decreases the liability of foreignness. The greater the psychic distance less likely that a country will be selected as a target market. For instance, some SMEs surveyed did not had a preference for USA whereas SMEs operating in the Jewellery Sector consider US, Europe and Canadian market. Besides, Garment and Agro operators have a willingness to expand into European markets. Middle East and Gulf countries are new promising markets whereas Western Africa is unknown for its potential.

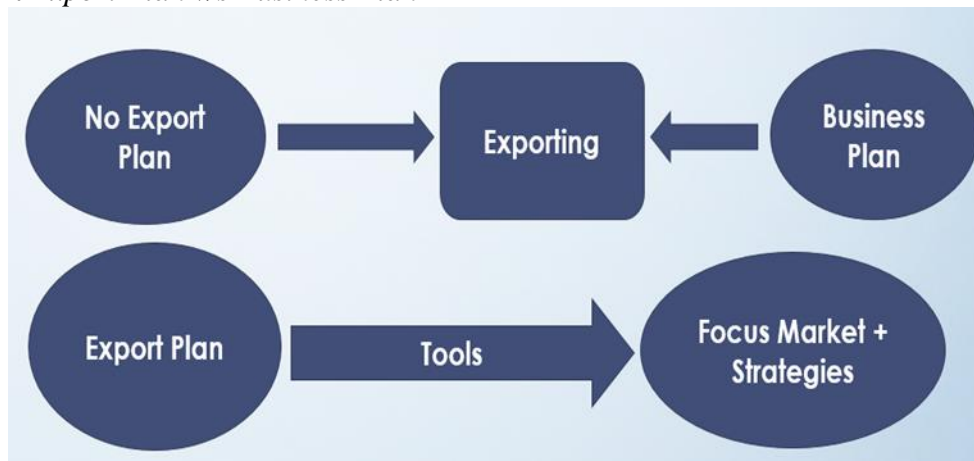
Critical Success Factors And Export Model

The critical success factors which will lead to a successful export oriented SMEs Sector rely on the following:

1. PQPL Conditions - A well design Product, Quality, good Packaging and Labeling will build the right brand mix (name, sign, symbol, design) and product advantages (such as luxury, prestige, and quality) creating the right market positioning. SMEs surveyed have the willingness to adapting the product to meet requirements of export customers.

2. Market Focus Strategy – focusing to a handful of markets makes SMEs more knowledgeable about market requirements, customer preferences and deploys right export marketing strategies to target market. Focus market will enhance attractiveness for a particular market.
3. Export Plan – SMEs will need to formulate and execute Export plan that will guide them to be successful exporters. The export plan should include: A description of target market and its customers, product positioning strategy. It should consider the optimum and cost effective application of distribution, differentiation, promotional and marketing strategies. The table 2 below depicts how some SMEs are able to export where a business plan can also integrate export strategy. However, specific market Export Plan with strategies to export in one or two markets will map out in a better way the export marketing strategy.

Table 2. *Export Plan v/s Business Plan*

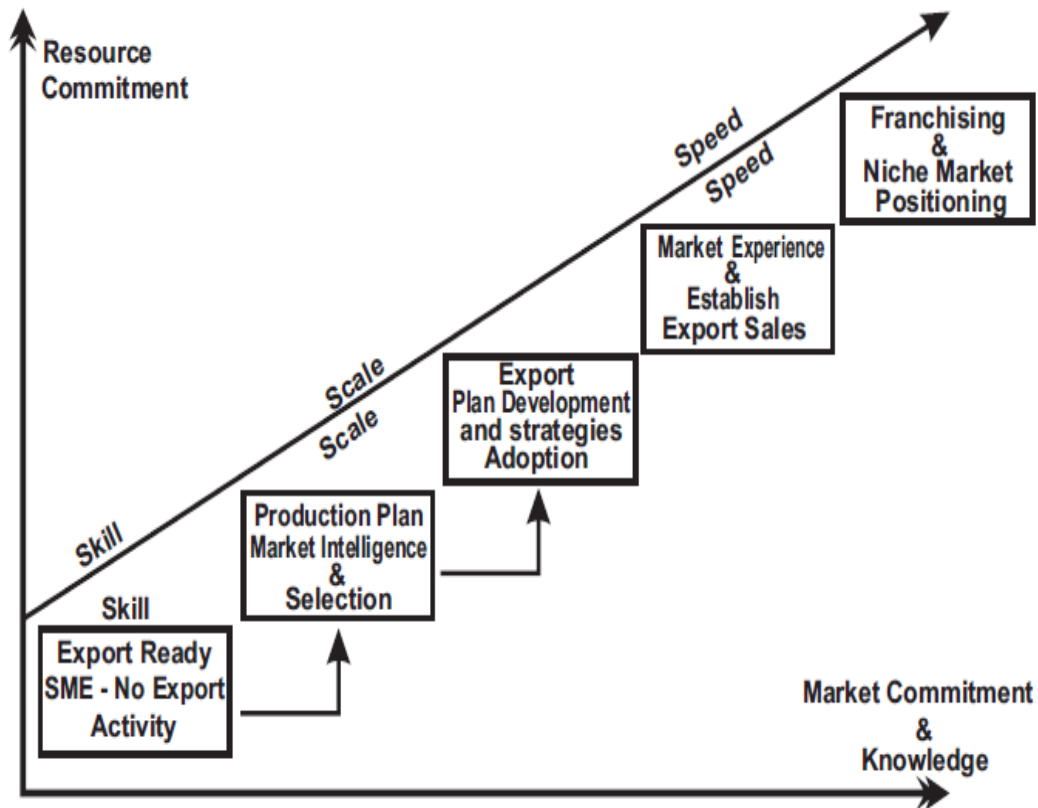


4. Cost sharing with importers in undertaking promotional activities will enable intensive use of marketing tools.
5. Franchising and Branding – Franchising create a competitive advantage in overseas markets. It also facilitate firms to gradually move from exporting to other more advanced forms of internationalisation, such as joint ventures with foreign partners.
6. Advertising –Adverts on newspapers and business magazines create the impulse in generating demand among importers who are more quality rather than low price conscious.

The 3s Export Development and Promotion Model

The model below position the entrepreneur on 3s approach and path where: Skill – relates to entrepreneurial export empowerment and formation; Scale – are linked to production upgrading, product adaptation and measuring the market depth; Speediness refers to positioning globally as a niche exporter.

Figure 5. *The 3s Export Development and Promotion Model*



Source: Paper' Author

In addition, the above model is developed based on the assumption that each phases have specific activities, taking into account the resource availability, firm size as well as entrepreneurial intention of the owner to go global. As the company move upward on the 3s path its market commitment and knowledge increases which also require more resource, both financial and non-financial.

Conclusion And Policy Recommendations

Mauritius natural and human resource endowments have been a blessing for exporters to become international trade partners with products that reflect the country's economic diversity and natural exoticness. SMEs using the most appropriate export marketing strategies need to capitalise on these national advantages and position themselves as successful niche exporter. SMEs should position in such a way that they can face global competition. The following are suggested to policy makers:

1. Create a national database of Exporting SMEs in order to monitor their export sales, performance, challenges and position them for new opportunities.
2. Devise appropriate grant schemes for Importer-Visit Marketing Trip and International Publicity.
3. Financial assistance to set up Overseas Retail Outlet. The retail outlet can be implemented through a clustering and consortium approach on a cost sharing basis. Provide financial and non-financial support in franchising initiatives.
4. Using Economic Diplomacy principle to equip Mauritian Embassies and Trade Liaison Offices with means to create visibility of Mauritian products and services as well as connecting exporters and importers

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