

The Conquest of Foreign Markets by Algerian SMEs - The Challenges of Export Marketing

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ABSTRACT

No one can deny that Algeria is a country that possesses significant economic potential and an advantageous strategic geographical position. More and more small and medium-sized Algerian companies are seeking to conquer foreign markets in order to increase and improve their turnover and their international visibility. However, the strategy adopted for their expansion into foreign markets is now facing major challenges, particularly with regard to Export Marketing. For this, the present article aims essentially to identify and analyze the challenges of Export Marketing for Algerian SMEs and to propose adequate means to deal with them.

Keyword: - *Internationalization; Export marketing; Small and medium-sized exporters; Algeria.*

1. INTRODUCTION

Nowadays, it is undeniable that in the face of increased competition around the world, the internationalization of SMEs has become an emergency measure to ensure their survival and development (Ardivsson & Arvidsson, 2019). It is widely acknowledged that companies wishing to expand their fields of activity and increase their turnover are urgently advised to tackle foreign markets without delay (Leonidou, 2011; Sanyal et al, 2020). Sometimes this decision, which is often dictated by chance, is made in a reactive manner. Indeed, sometimes the company receives an order from a foreign country that it has not contacted before, and therefore this company becomes an international without having looked for it. Moreover, it should also be noted that entering international markets exposes SMEs to a number of difficulties that are primarily linked to the lack of knowledge about the international marketing environment (Safari & Salman, 2020). Furthermore, it is well known that it is easier for a company to sell its products or services in domestic markets than abroad because entering the international market requires taking into account the particularities of each country (Paula et al , 2017). Indeed, before launching any product or service into a foreign market, it is necessary to take into consideration the stereotypes and culture of the target country, the language and consumption habits, as well as the standards and regulations specific to that country. From this perspective, many academic works have attempted to explain the exporting procedure by considering a fairly wide range of factors likely to influence exports (Al Karim, 2015). Among these factors, it is worth citing the *Export Marketing*, which is generally seen as the lifeline that will allow companies to overcome the various difficulties they can eventually encounter and also to access the required information. It should be noted that a company that wants to internationalize must be able to develop a prospecting and targeting strategy for countries and customer segments that demonstrate a need for sufficient quantities of its products. In Algeria, the government and companies are aware of the fact that exporting is the path that every company should follow (Kamel, 2017). On the other hand, it must be recognized that unfortunately non-hydrocarbon exports (NHE) remain insignificant, despite the numerous promotion plans that the country has recently decided and established. Indeed, the statistics proposed by ALGEX (2022) clearly

show that non-hydrocarbon exports have long been neglected in Algeria. It has indeed been revealed that NHEs only represent a very small percentage of total exports. In this regard, the Algerian government has recently undertaken a series of initiatives in order to encourage and stimulate non-hydrocarbon exports, setting itself the objective of reaching the sum of 6 billion dollars of non-hydrocarbon exports, for the year 2022. It is worth mentioning the significant increase in the national non-hydrocarbon export figures that reached 3 billion dollars in the eighth month of the year 2021, which represents 12% of total national exports. Note that this low percentage is only a pittance compared to the rest of exports, but it still remains a significant and encouraging increase for the future of export in Algeria. Unfortunately, exporting internationally remains a rather complicated operation given the numerous obstacles encountered by exporters. It should be noted that these hindrances may prevent exporting companies from distinguishing themselves and entering foreign markets.

Furthermore, the size of Algerian companies, mainly SMEs / SMIs, is a critical determinant that may have significant and contrasted effects on the success of the country's export. The impacts of this determinant are sometimes positive and sometimes insignificant. Therefore, it is imperative to overcome the difficulties encountered and to seek to identify and analyze the facilitating factors, in particular the Export Marketing, which could help to find an appropriate marketing strategy and thus guarantee positive export results. It is noteworthy that Export Marketing can promote the speed, degree and extent of international expansion.

Based on the above, it was decided, through the present study, to answer the following question:

Does Export Marketing stimulate export activities among Algerian SMEs?

It was deemed useful to formulate the following hypothesis in order to answer the above question:

H1: Export marketing has a positive impact on the development of international sales

1.1. Reasons for the choice and interest of the subject

- Although SMEs are of significantly important for the Algerian economy, and they are for other countries, this category of companies still remains rather neglected. In addition, the internationalization of these enterprises is not sufficiently supported despite the growing tendency of SMEs to internationalize in several other countries.
- Today, it is imperative to better understand the direct impact of the Export Marketing factor on exporting SMEs in Algeria.

On the other hand, it is worth recalling that the main purpose of this work is to:

- Clearly explain to Algerian business leaders that SMEs must use Export Marketing as a real strategy in order to impose themselves within the international market and ensure the growth of their businesses.
- Understand the relationship between marketing and exporting. It is worth noting that this relationship is generally inherently costly and quite complex for SMEs.

2. THEORETICAL FRAMEWORK OF THE STUDY

2.1. Export information management

Small and medium-sized enterprises (SMEs) seem to be at a disadvantage in this turbulent and unstable international environment (Chen et al, 2016). Indeed, a large body of research, carried out previously, has suggested that in general SMEs perform poorly on international markets because they do not have enough information on these markets as well as on the way to manage the different activities and procedures to be undertaken and followed abroad (Thurik, 1993). Furthermore, the Uppsala model, which was proposed by Johanson and Vahlne (1977), indicates that companies which internationalize are often confronted with a lack of information concerning foreign markets.

In this regard, a research study that was carried out during the last twenty years allowed identifying seven relevant empirical studies that summarize seven categories of information. The findings suggested that companies wishing to become competitive and prosperous must now adopt a strategic approach which consists of making judicious use of the informational resources at their disposal. Some of these resources are worth mentioning below.

- Markets and customers: Structure, evolution, new markets, customers, potential demand, tastes and preferences, habits and mentalities,
- Competition: Status, identity, strengths and weaknesses,
- Products: Adaptation, technical standards, new products, competitors' products,
- Prices: Levels, evolution, terms of payment, margins and commissions,
- Promotion: Methods and communication,

- Distribution: Methods and costs of transport, infrastructure and distribution networks, delivery time, performance of representatives,
- General environment: Modes and conditions of entry, economic situation, political situation, general information, tariff and non-tariff barriers, business practices, local contacts, laws on international trade, government aid, exchange rates.

The results of this synthesis have highlighted the diversity and wide range of information that SMEs need in order to be able to export.

2.2. Export marketing - Definitions and characteristics

It has been revealed that export marketing is a process that consists in developing and implementing a marketing strategy that can help an enterprise to export to foreign markets and to sell its products or services there (Osano, 2019). Export marketing involves adopting the most adequate marketing strategy that allows meeting the needs and expectations of foreign consumers, as well as understanding the different cultures and trade regulations in the countries concerned (Safari & Salman, 2020). In addition, export marketing often requires thorough market research, good competitive analysis, customer segmentation, appropriate pricing, effective promotion, and proper distribution of products or services in foreign markets. It has been shown that successful companies in export marketing can benefit from rapid growth, geographic expansion and diversification of revenue streams.

3. THE CHALLENGES OF EXPORT MARKETING FOR SMEs

It is undeniable today that any company that wants to internationalize must be able to develop a prospecting and targeting strategy for countries and customer segments that demonstrate a need for sufficient quantities of its products (Bouda & Akkarene, 2021).

Several studies previously carried out have clearly indicated that the size of companies, their structure, their under-capitalization and the lack of qualified labor are the main reasons that are most often invoked by companies to justify their absence from the field of export (Namiki, 1988; Thurik, 1993; Leonidou, 2011).

It is worth noting that companies often need specific tools, with effective advice. They must use examples from the experiences of their peers who have succeeded in developing their expertise in export marketing. Moreover, these companies have to take advantage of the profound and complex changes in the global economic environment and to adapt to the new requirements of foreign markets.

Despite the numerous promises of success and abundance, exporting remains a demanding and risky activity for companies that engage in it without solid prior knowledge of the markets.

In addition, for Algerian SMEs looking forward to exporting their products or services, they may face several marketing challenges. Here are some of the most common problems:

- Lack of knowledge and experience in export marketing: Algerian SMEs may lack skills and experience in export marketing, which may prevent them from developing an effective marketing strategy vis-à-vis foreign markets,
- Cultural and linguistic differences: Cultural and linguistic differences can make it quite difficult for a company that seeks to understand the needs and expectations of foreign consumers. These differences can also make the developing of an appropriate marketing strategy more complicated.
- Lack of financial resources: Algerian SMEs may lack financial resources to invest in the development and implementation of an effective marketing strategy for foreign markets.
- Limited knowledge of foreign markets: Algerian SMEs may have limited knowledge about foreign markets as well as about the new trends, standards and regulations, which can hamper their ability to adapt and meet the customer needs.
- Lack of contacts and ignorance of international networks: Algerian SMEs may have difficulty establishing contacts and developing international networks in order to promote their products or services abroad.

Finally, in order to overcome these challenges, Algerian SMEs can consider collaborating with international marketing experts, participating in international business events, learning about foreign market regulations and standards, establishing partnerships with local companies and developing their online presence to reach a wider audience.

4. EMPIRICAL STUDY

4.1. Methodology used

In order to address our research problem, it was deemed interesting to adopt an exploratory research method that best suits our study. For this, a series of questions were established and addressed to a number of SMEs throughout the country, with a view to collecting the most relevant information on export marketing and the role it can play in selling products abroad. The collected information is then used to define the methodology that best suits our research. Furthermore, it should be noted that this study was conducted on Algerian exporting SMEs. It is also important to note that out of more than 120 SMEs contacted, only 32 of them responded to our questionnaire.

4.2. Analysis and interpretation of results

The survey was conducted on a sample comprising 32 exporting SMEs that are disseminated throughout the national territory. The sample under study is composed of 15 companies, comprising between 1 and 9 employees, with a response rate of 50%; then 12 companies, with between 10 and 49 employees, with a response rate of 35.29%; and finally the five remaining companies, consisting of 50 to 250 employees, with a response rate of 14.71%. It was found that very small enterprises (VSEs) are the most active in foreign markets.

However, it should be noted that in this survey, it was decided to choose several sectors in order to diversify the SMEs in the sample to be studied, as reported in the table below.

Table 1: SME sectors of activity

		Frequency	Percentage	Valid percent	Cumulative percent
Valid	Food industry	17	53.1	53.1	53.1
	Agriculture	4	12.5	12.5	65.6
	Construction materials	4	12.5	12.5	78.1
	Industry	6	18.8	18.8	96.9
	Services	1	3.1	3.1	100.0
	Total	32	100.0	100.0	

The table above indicates that the agro-food sector is the most dominant, with a percentage of responses of 53.1%. Then, the industry sector comes next with a response rate of 18.8%, followed by the building materials sector and the agriculture sector, with identical response rates, i.e. nearly 12.5%. Finally, the services sector comes last with 3.1%.

Table 2: Percentages of turnover achieved abroad

		Frequency	Percentage	Valid percent	Cumulative percent
Valid	0 - 10%	10	31.3	31.3	31.3
	11 - 40%	11	34.4	34.4	65.6
	41 - 60%	4	12.5	12.5	78.1
	More than 60%	7	21.9	21.9	100.0
	Total	32	100.0	100.0	

A simple comparison of the percentages of turnover achieved abroad with the total turnover shows that the majority of companies (34.4%) generate between 11% and 40% of the total turnover realized abroad. Next, ten companies reach between 0% and 10% of the total turnover. Then, four companies realize a percentage of more than 60% of the total turnover achieved through exports. Based on the above findings, it can be concluded that the export business remains moderately profitable.

Table 3: Merchandise exports by continent of destination

		Frequency	Percentage	Valid percentage	Cumulative percentage
Valid	Europe	13	40.6	40.6	40.6
	Africa	13	40.6	40.6	81.3
	Asia	5	15.6	15.6	96.9
	North America	1	3.1	3.1	100.0
	Total	32	100.0	100.0	

The table above shows the distribution of markets by continent. It is clearly indicated that Africa and Europe are the most popular markets for Algerian SMEs. Indeed, 26 companies representing approximately 40.63% of the total

market, export to African and European countries. However, only 5 SMEs representing around 15.6% export their products to Asia, and finally only one SME (3.1%) exports to North America. These results suggest that the African and European countries are the most covered by Algerian companies.

The graph below shows that out of the 32 SMEs surveyed, 28 of them (87.5%) have adopted the export marketing strategy in their development plan of action.

For the sake of gathering the responses and the reasons that encourage companies to adopt the export marketing in their internationalization process, it was deemed more appropriate to use a multiple-choice questionnaire. It was found that the responses obtained all unanimously confirm that these SMEs use export marketing for several reasons. The most relevant of these reasons are:

- To better know the most profitable segments,
- To conquer new markets,
- To improve product branding, increase market share, and finally better understand consumer trends. It was equally found that export marketing can also help to reduce costs and to ensure the sustainability of the company.

4.3. Analysis of results

Once the data have been collected, they are then processed and analyzed by adopting a quantitative approach and using the IBM SPSS statistics 25 software program for the purpose of finding the relationship between export marketing and export decision.

4.3.1. Stability and reliability of the study

Prior to starting the analysis of the responses of the questionnaire used in this study, it is important to test its stability and reliability. For this, it was decided to use the Cronbach's coefficient which allows measuring the stability and reliability between the various variables.

Table 4 : Summary of observation processing

		N	%
Observations	Valid	32	100.0
	Excluded ^a	0	0.0
	Total	32	100.0

a: Delete by list, based on all procedure variables

Table 5: Reliability statistics

Cronbach's Alpha	Number of elements
0.947	20

Based on the following table, it was found that Cronbach's Alpha = 0.947, which means that there is no error and therefore the reliability of the questionnaire used is excellent.

- **Checking the first axis: Decision to export**

Table 6: Reliability statistics

Cronbach's Alpha	Number of elements
0.838	5

In this case, Cronbach's Alpha = 0.838, which implies that the questionnaire used is highly reliable.

- **Checking the second axis: Export marketing**

Table 7: Reliability statistics

Cronbach's Alpha	Number of elements
0.898	8

Cronbach's Alpha = 0.898, which means that the questionnaire used is highly reliable.

Table 8: Correlations

		Export decision	Export marketing
Decision to export	Pearson correlation	1	.762**
	Sig. (bilateral)		.000
	N	32	32
Export marketing	Pearson correlation	.762**	1
	Sig. (bilateral)	.000	
	N	32	32

** : The correlation is significant for level 0.01 (bilateral)

The correlation table above (Table 8) shows that $r = 0.762$ which is greater than 0.5, which means that the two variables *Export decision* and *Export marketing* are linked with a strong and proportional relationship (+0.762). With regard to the second result (Sig = 0 < 0.05), it indicates that the null hypothesis should be rejected. It can therefore be concluded that a correlation between *Export decision* and *Export marketing* does indeed exist within Algerian SMEs.

5. CONCLUSION

The results of the study confirm that export marketing is essential for companies looking forward to expanding into international markets and to maximizing their growth potential. Furthermore, it would be interesting to cite some advantages of using Export marketing for Algerian SMEs:

- Export marketing helps The Algerian SMEs develop effective export strategies by taking into account the characteristics of the target market, consumer preferences, industry trends, and competition.
- It also allows these SMEs to strengthen their brand awareness abroad by using modern techniques such as advertising, public relations, digital marketing, and marketing events.
- It helps to face competition in international markets, by developing strategies of differentiation, monitoring the movements of competition, and adapting appropriate strategies.

Similarly, Export marketing can help Algerian SMEs position themselves in international markets, improve their competitiveness, and increase their market share. In addition, thanks to Export marketing, Algerian SMEs can improve their visibility, attract new customers, and increase their turnover. Indeed, a well-designed and well-

thought-out marketing strategy can also help SMEs to better understand the expectations of foreign customers and establish partnerships with local companies and comply with international trade regulations. Finally, it is important to note that Export marketing cannot guarantee the success of export operations with Algerian SMEs. Other factors, such as the product quality, price competitiveness, logistics, economic and political conditions in foreign markets, and competition, may also affect the results of export operations. It is therefore important that Algerian SMEs take these factors into account in their export strategy by working closely with international marketing experts in order to be able to develop an effective export marketing strategy that is adapted to their needs.

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