DETERMINANTS OF INTERNATIONAL MARKET ENTRY MODE AND CHANNEL DECISIONS : THE CASE OF INDIAN FIRMS

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A variety of factors influence a firm's choice of international market entry mode and distribution channel decisions. Based on the forward integrated continuum framework, the present paper discusses as to what distribution structures are available to a firm for operating in the foreign markets and how these structures differ in terms of internalisation of distribution tasks within a firm. Various factors having a bearing upon the firm's selection of a particular distribution structure are discussd and empirically investigated in the context of Indian firms involved in international markets.

A firm entering into international markets has a wide range of options available to it in terms of both the market entry modes and channel intermediaries. Distribution is a crucial component of a firm's international marketing mix strategy. Firm faces the challenges of deciding as to what mode of entry it should use to gain a foothold in the international markets and what distribution channel structure it should adopt for the overseas marketing of its products. Both these decisions are of strategic significance to a firm and exert considerable influence on the firm's performance in the international markets (see, for instance, Aaby and Slater 1989; Cavusgil and Zou 1994).

Notwithstanding importance of the distribution decision in international marketing, empirical researches in the area have remained woefully inadequate (Erramilli 1990). Situation appears much more disconcerting in the Indian context. It is against this backdrop that the present paper attempts to provide an overview of various market entry modes and channel alternatives available for operating in the foreign markets. Based on a survey of export firms, the paper explores as to what entry modes and channel structures Indian firms use for operating in the foreign countries. The paper also examines what factors influence the firms'choice of distribution structure. Strategy implications emerging from the findings of the study are discussed in the final section of the paper.

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UNDERSTANDING INTERNATIONAL DISTRIBUTION STRUCTURES : FORWARD INTEGRATED CONTINUUM FRAMEWORK

As an element of international marketing mix strategy, international distribution entails two major decisions : one market entry mode and distribution channel structure, and second distribution logistics. While the former relates to how a firm enters into foreign markets and what distribution channels it uses for marketing its products, the latter deals with the physical distribution aspects such as inventory management, selection of appropriate mode of transport, and warehousing and insurance of goods (Jain 1998). Though both these are equally important decisions for the survival and success of a firm in the highly competitive international markets, only the entry mode and channel structure decisions constitute the primary focus of discussion in the present paper.

Simply speaking, a foreign entry mode refers to an international arrangement that makes possible the entry of a firm's products and services into a foreign market (Root 1987). A firm has several modes of entry and channel structures available to it for entering into international markets and distributing its products to the final customers. These range from indirect exporting to direct exporting, licensing and franchising, entering into joint ventures, and setting up wholly-owned production and marketing subsidiaries abroad. Each entry mode has its own advantages and disadvantages, and entails different channel structures (Klien and Roth 1990; Terpstra and Sarathy 1991).

One useful framework for analyzing these options is to view them as lying on ***a forward integrated distribution continuum*** (see, for instance, Williamson 1985 and Klien 1987). On the one extreme of this continuum, lies the *indirect exporting mode* involving little or no exporting efforts on the part of the firm. Firm simply supplies the products to the merchant exporters (such as export houses and trading houses) or to the representative offices of the overseas buyers in India. These intermediaries in turn perform the entire job of exporting goods out of the country which includes tasks such as locating overseas buyers and negotiating with them, export packaging, inspection, shipment of goods to the nearest sea or air port, ware housing, seeking customs clearance of export cargo, payment of export duties and other charges, arranging for pre- and post-shipment credits, negotiating export documents with banks, arranging for the overseas insurance and shipment of goods, and also assuming the foreign exchange as well as payment risks.

On the other extreme of the forward integration continuum lies the *fully integrated distribution mode*, requiring no involvement of the outside market intermediaries in the firm's distribution tasks. The firm on its own performs the entire job of exporting and distributing goods to the ultimate buyers in the foreign markets through its own retail outlets or sales offices abroad. Since the firm handles entire distribution work, it is said to have fully integrated the distribution function into the firm.

In between the two extremes on the continuum lie the intermediate entry modes and channel structures such as supplying goods to the wholesale importers (referred to as *direct exporting mode-I* in the paper), selling goods directly to retail stores in foreign countries (referred to as *direct exporting mode-II* in the paper), and supplying goods directly to the ultimate foreign buyers from India (referred to as *direct exporting mode-III* in the paper). These successively more integrated entry modes imply increasing involvement of the firm in distribution tasks and its reduced dependence on the outside market intermediaries. Exhibit 1 provides an overview of the various distribution structures used by a firm in the overseas marketing of its products and the varying levels of a firm's involvement in the international distribution activities.

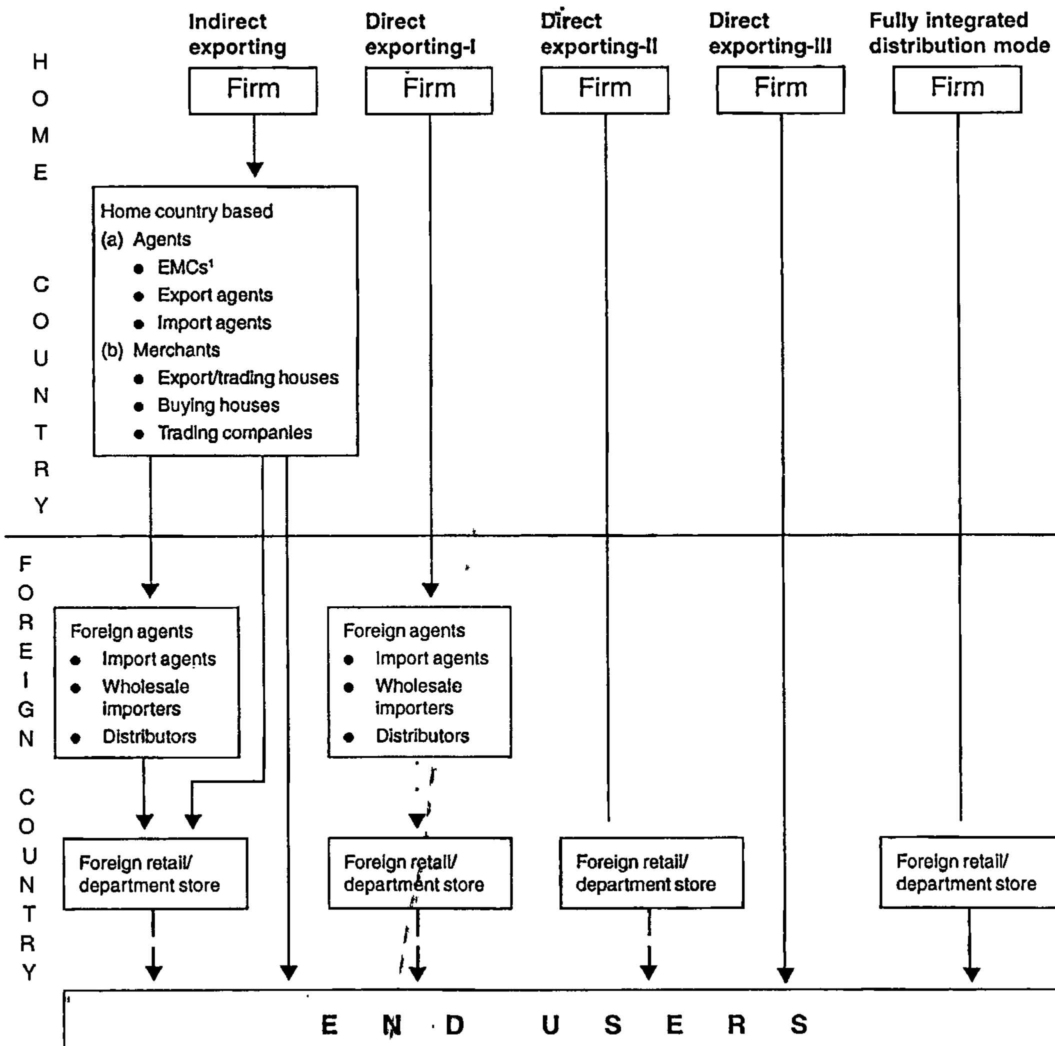

Exhibit 1 Forward Integrated Distribution Continuum

Note: 1. EMCs stand for export management companies.

2. Dotted lines represent distribution tasks being handled by the middle men.

FACTORS INFLUENCING FIRM'S ENTRY MODE AND CHANNNEL STRUCTURE DECISIONS

A number of factors influence firms' choice of a particular mode of entry and channel structure decisions. Export experience, international market involvement, psychic distance, firm size, nature of export product and export market coverage are amongst the major ones. Of these, however, only three determinants, viz., export experience, psychic distance and nature of product (i.e., customized vs. standardized product) have been discussed and empirically tested in the past. The present study takes a broader perspective of the problem and examines influence of other variables also which theoretically seem to be equally important determinants of the firms' distribution decisions.

An extensive body of literature has come up over the years to suggest internationalization of a firm is essentially an evolutionary or developmental process (Johanson and Vahlne 1977; Bilkey 1978; Cavusgil 1980; Cavusgil and Nevin 1989). Exporting constitutes the first stage in the internationalization process and it itself can assume several forms ranging from indirect exporting (such as selling goods to the tourists, supplying products to the developmental agencies executing international construction and other projects in one's own country and other types of deemed exports) to direct exporting (like supplying to the export houses and representative offices of the overseas buyers located in one's own country, selling to overseas wholesale importers, distributors, retail stores and directly exporting to the ultimate overseas buyers located abroad). When a firm initially embarks upon the internationalization process, it lacks experience of exporting and operating in the international markets, and, hence, it opts for the least involving form of internationalization, i.e., indirect exporting. But as the firm gains export experience, it starts handling more and more distribution activities itself and its distribution structure starts getting increasingly vertically integrated (Gatignon and Anderson 1986; Klien and Roth 1990). The internationalization theory of the firm thus leads us to the hypotheses that :

H_1 : Greater the export experience of a firm, greater will be the forward integration of its distribution channel structure.

The linkage between export involvement and channel integration seems quite straight forward. Theory of internationalization as referred to above itself proposes that as the firms start getting increasingly involved in exports in terms of *higher export intensity* as well as *continuous and active search for export opportunities*, they begin opting for more integrated channel modes. It thus can be hypothesized that :

H_2: Firms with greater involvement in exports opt for more vertically integrated channel modes.

Psychic distance refers to the perceived dissimilarity between the domestic and foreign markets. It has been found to be an important determinant of a firm's distribution structure. Underlying rationale for the relationship between psychic distance and distribution structure decision is that when a firm lacks foreign market knowledge and views foreign markets to be different from the domestic market, it sees greater risks in operating on its own in the foreign markets. It, therefore, tries to reduce foreign market risks by entrusting the overseas distribution tasks to the outside intermediaries. Over time as the firm's gains familiarity with the foreign market and it develops a better understanding of the foreign market conditions, it starts internationalizing the distribution activities (Goodnow and Hansz 1972; Root 1987; Gatignon and Anderson 1986). It is, therefore, posited that :

H_3: More different the firm considers foreign markets to be from the domestic markets, lower would be the degree of forward integration of its export channels.

Since greater internationalization of distribution tasks such as setting up firm's own retail outlets abroad requires greater financial investments and also presupposes large scale operations to justify increased financial outlays, it is but natural to expect larger sized firms alone to be capable of making greater use of more integrated channel structures (H_4).

H_4: Larger firms make greater use of more vertically integrated channels.

In recent years, transaction cost analysis has been proposed as a possible explanation for differences in the firm's choice of different channel structures (Anderson and Gatignon 1986; Day and Klein 1987; Klein and Roth 1990). The underlying premise of the transaction cost analysis is that firms internalize those activities which they can perform at lower cost, and contract out those which independent operators in the market can perform at lower cost. One of the conditions favoring the internalization of distribution task is the proprietary nature of the product. Since customized products are more of proprietary in nature and require individualized attention and specialized distribution tasks, it is but natural for the firms marketing the customized (i.e., non-standardized) products to go in for greater degree of vertical channel integration than the firms marketing standardized products (Erramilli 1991).

H_5: Firms marketing customized (i.e., non-standardized) products would show a greater tendency to use more vertically integrated channels than the firms marketing standardized products.

The line of reasoning advanced above in connection with the customized products seems applicable to the case of industrial products too. As compared to the consumer products, industrial products in general entail greater degree of customization and require more transaction specific assets (both physical and human). Moreover, since the industrial buyers are fewer in number and need personal attention, firms marketing industrial products are more likely to use direct and shorter channels of distribution.

H_6: As compared to consumer goods firms, firms marketing industrial products would make greater use of the direct and shorter channels of distribution.

The number of foreign markets a firm covers also seems to be a factor influencing firm's choice of distribution structure. Since no prior research in this regard exists and it is not clear as to whether firms operating in a larger number of foreign markets are likely to be having a greater reliance on more integrated channel structures or *vice versa*, the variable 'market coverage' is here being simply postulated as a covariate of the distribution channel structure. The relevant hypothesis, therefore, is :

H_7: The extent to which a firm goes in for forward integration of its distribution structure is related to the firm's market coverage strategy.

Terpstra and Sarathy (1991) proposed a somewhat different linkage between the variables market coverage and distribution structure decision. Since market conditions and legislations differ across countries, firms operating in larger number of countries are required to make use of different entry modes and channel structures. It, therefore, can be postulated that :

H_8: Firms operating in a larger number of markets opt for a variety of entry modes and channel structures.

RESEARCH DESIGN

In order to collect the necessary information about the market entry modes and distribution structure strategies used by the Indian firms, a survey of manufacturing firms based in and around Delhi was carried out during 1994-95 using convenience sampling method. A 'structured non-disguised' questionnaire was developed and it included both the open-ended and close-ended questions to elicit the information about the firm background, perceived dissimilarity between the foreign and domestic markets, export experience, foreign market involvement, usage of different entry modes and channel structures. The variable 'size' was measured in terms of number of workers as well as investment in plant and machinery. Data regarding the nature of product were collected by asking the firms to state whether they were primarily exporting (i) standardized or non-standardized products, and (ii) consumer or industrial products.

Nature of export involvement was operationalised by asking the executives in the surveyed firms to tick one of the three alternatives which in their opinion, best described their involvement in export activity. Three alternatives presented to them were: (i) *passive export activity*, i.e., firm exports whenever any buyer places order with the firm, but the firm on its own does not make any effort to secure the order; (ii) *minor export activity*, i.e., firm occasionally makes efforts to get the export order; and (iii) *aggressive export activity*, i.e., firm continuously makes efforts to seek export orders and considers exporting as a permanent activity for the firm.

The survey instrument after pre-testing was personally delivered to the chief executive officers (CEOs), marketing managers and other senior persons who were well conversant with the overseas operations of their firms. A total of 100 questionnaires were distributed. But even after the repeated call backs, only 60 questionnaires were received back. Of these, only 52 were found duly filled in - thus constituting a 52 per cent response rate.

A profile of the surveyed firms is presented in Table 1. Sizewise, smaller firms dominate the sample. Around 50 per cent of the firms reported having workers fewer than 50. Investment in plant and machinery too did not exceed Rs. 1 crore in the case of more than 50 per cent firms. Majority of the firms, viz., 80 per cent, entered into the export business only after the mid-eighties. Sampled firms were found equally divided in terms of whether or not exporting is a major activity for them. In terms of nature of export involvement, the firms show a skewed distribution. More than 50 per cent of the firms reported that exporting was an aggressive activity for them. Exporting was a minor activity for about 29 per cent firms.

The rest of the 18 per cent firms were reportedly pursuing it as a passive pursuit.

Consumer products and standardized products constitute major export items for the surveyed firms. The firms can be seen to be having a clear preference for exporting goods only to a limited number of countries.

Table 1
Surveyed Firms : A Profile

Firm characteristics	*Per cent of respondents*
(a) Size of the firm	
(i) Number of workers employed	
1-50	48.94
50-200	19.15
200 and above	31.91
(i) Investment in plant and machinery	
Less than Rs. 1 crore	55.00
Rs.1crore - Rs.5 crore	17.50
Rs.5 crore - Rs.20 crore	12.50
Rs.20 crore and above	15.00
(b) Experience of exporting on a continuous basis	
Before 1985	20.00
After 1985	80.00
(c) Importance and nature of export activity	
(i) Exporting as a major activity in firm	
–No	46.94
–Yes,	53.06
(ii) Nature of export involvement[1]	
– Passive export activity	18.37
– Minor activity	28.57
– Aggressive activity	53.06
(d) Nature of export product	
(i) Consumer vs. industrial products	
– Consumer products	68.18
– Industrial products	31.82
(ii) Standardized vs. non-standardized products	
– Standardised products	67.65
– Non-standardized products	32.35
(e) Export Market Coverage	
(i) Market coverage policy	
· Limited number of countries	72.34
· Many countries	27.66
(ii) Number of countries to which goods are being exported	
1 – 5	63.26
6 – 10	20.43
11 and above	16.33

Note : 1. Firm's involvement in exporting has been considered as passive, minor and aggressive depending upon the fact whether a firm has been making no, occasional and continuous efforts respectively to seek export orders.

SURVEY RESULTS AND DISCUSSION

Market Entry Mode and Channel Structure Usage by Indian Firms

The results regarding use of various market entry modes are presented in Table 2. Out of a variety of modes available for entering into foreign markets, the surveyed firms can be seen to have primarily made use of one mode, i.e., exporting. A high dependence on exporting mode is not surprising in view of the relatively smaller sizes of the surveyed firms and their entry into export business on a continuous basis only after 1985 (see Table 1).

Table 2
Mode Used for Operating Outside India by the Surveyed Firms

Mode	*Per cent of respondents*
• Exporting	86.28
• Licensing/franchising arrangements	–
• Overseas joint ventures	3.92
• Sales subsidiaries/offices/shops abroad	7.84
• Others	1.96

Table 3 contains data relating to distribution channels used by the surveyed firms. Firms have been using a variety of channel structures but with different intensities. Two most widely used channel structures are : supplying goods to the foreign buyers' or their representatives' offices in India (35.56 per cent) and dealing with wholesale importers/import agents located abroad (42.22 per cent). While the former is characterized by a total absence of vertical integration, the latter channel mode falls somewhere around the middle of the 'forward integrated continuum.

Table 3
Distribution Channels Used by the Surveyed Firms for Marketing Products Abroad

Distribution channel/mode[1]	*Per cent of respondents*[2]
§ Foreign buyers' or their representatives' offices in India	35.56
§ Export houses/trading in India	13.33
§ Government undertakings such as STC/MMTC/HHEC	2.22
§ Whole sale importers/import agents abroad	42.22
§ Retail department stores abroad	15.56
§ Exporting directly to overseas buyers from India	6.67
§ Selling goods to overseas buyers through firms' own sales offices/retail outlets abroad	11.11

Notes: 1. The channels in the table are listed in order of their successively higher positions on the forward integration continuum.

2. Percentage figures will not add up to 100 as some firms reported to be using more than one distribution channel/mode.

Use of the channel structure entailing direct supply of goods to the retail/department stores abroad comes next in order of importance. About 16 per cent of the firms reported employing this mode of distribution. Routing goods through export houses/trading houses located in India has been is prevalent among about 13 per cent firms. Fully integrated channel mode, viz., selling goods to the overseas buyers through sales offices/retail outlets abroad, finds favor with only one-tenth of the respondents. Very few firms in the sample report incidence of exporting goods directly to the foreign buyers. The number of the firms availing services of the public sector intermediaries such as State Trading Corporation of India (STC), Metals and Minerals Trading Corporation of India (MMTC) and Handlooms and Handicrafts Export Corporation (HHEC) is found almost negligible.

FACTORS INFLUENCING FOREIGN MARKET ENTRY MODE AND CHANNEL STRUCTURE CHOICE

In order to analyze influence of various antecedent variables on export structure, channel usage data was cross-classified across the antecedent factors; and the results are presented in Table 4. For the sake of ease in comparison, various channel alternatives have been grouped into five major channel structures, viz., indirect exporting (comprising modes such as supplying goods to foreign buyers' offices in India, export houses/trading houses and public sector trading companies such as STC/MMTC/HHEC), direct exporting-I (i.e., supplying goods to wholesale importers/import agents abroad), direct exporting-II (i.e., directly supplying goods to retail/department stores abroad), direct exporting-III (i.e., supplying goods directly to the overseas buyers from India), and fully integrated distribution structure (i.e., selling goods directly to the overseas customers through sales offices/retail establishments abroad). Though Chi-square test should have been applied for testing the hypotheses, it could not be used because expected frequencies in many cells being less than 5 on account of small sample size. Inferences in the following paragraphs are, therefore, based purely on the observed differences in percentage figures.

A perusal of the data given in Table 4 brings to the fore somewhat mixed results. Out of a total of six variables used (and eight propositions made) in the study, only three variables, namely, export experience, psychic distance and firm size, are found related to the channel structure choice in the hypothesized directions. The results are only partly valid in the case of the two other variables, viz., nature of export product and market coverage. The sixth variable, namely export involvement, appear unrelated to the firms' distribution structure decisions.

In regard to **export experience,** the results suggest more export experienced firms make greater use of more integrated channels. While about 43 per cent of the more experienced firms reported use of more vertically integrated channel structures (such as direct exporting mode-II and fully integrated distribution structure), only about 30 per cent of the less experienced firms show reliance on the integrated distribution modes (H_1).

Similarly in regard to **psychic distance,** it can be observed that the firms perceiving greater dissimilarities between the domestic and foreign markets are making less use of the more integrated channel structures (H_3). In respect of **firm's size** also, results are once again in the predicted direction. While smaller firms show a greater dependence on indirect exporting, larger firms are found making greater use of the fully integrated channels (H_4).

In regard to **nature of export product,** results provide only partial support. While consumer goods marketing firms expectedly reveal lower incidence of more integrated channel usage than the industrial goods marketing firms (H_6), firms marketing standardized products surprisingly report a greater use of direct distribution channel structure (H_5).

Similar are the results in respect of the variable **market coverage.** In terms of its both the operationalisations, viz., market coverage policy and number of markets actually covered, the results show that export firms with narrow market coverage (i.e., less than 10) to be making comparatively greater use of indirect exporting method (H_7). This seems tenable in view of the fact that firms operating in fewer markets might be the new to exporting business, and, hence, they heavily depending on the outside intermediaries. However, when examined in the context of relationship between market coverage and use of a variety of distribution structures, the results in Table 5 fail to lend support to the hypothesized relationship (H_8). It was held by Terpstra and Sarathy (1991) in this connection that a firm operating in various markets would have to combine different entry methods to get the kind of coverage it wants. But the results of the study are at variance with this proposition. Far from revealing a greater usage of the diversified channel structure, firms operating in many countries (10 or more) in the study show a heavy dependence on fewer channel alternatives. The probable reason might be

Table 4
Usage of Exporting Mode/Distribution Channels Analyzed by Factors Affecting Channel Choice

Channel determinants	*Exporting Mode/Distribution Channel[1,2] (Percentage of respondents using a given mode/channel)*					
	Indirect	*Direct-I*	*Direct-II*	*Direct-III*	*Fully integrated*	*Total*
(a) Export experience						
Exporting prior to 1985 (n=7)	42.86	14.29	28.57	-	14.29	100.00
Started exporting after 1985 (n=33)	38.33	36.36	12.12	12.12	6.06	100.00
(b) Export involvement						
(i) Is exporting a major activity?						
– No	25.00	35.00	20.00	15.00	5.00	100.00
– Yes	39.13	34.78	8.70	-	17.38	100.00
(ii) Nature of export activity[3]						
Passive activity (n=80)	25.00	12..00	12.50	25.00	25.00	100.00
Minor activity (n=11)	9.09	36.36	27.27	9.09	18.18	100.00
Aggressive activity (n=24)	45.83	41.67	8.33	-	4.16	100.00
(c) Psychic distance						
Foreign markets perceived to be						
– Extremely different (n=9)	55.56	22.22	11.11	11.11	-	100.00
– Different (n=25)	28.00	44.00	8.00	4.00	16.00	100.00
– Slightly/not different (n=8)	25.00	25.00	37.50	-	12.50	100.00
(d) Firm size[4]						
1 – 50 (n=18)	44.44	33.33	11.11	11.11	-	100.00
50 – 200 (n=6)	25.00	25.00	25.00	12.50	12.50	100.00
200 and above (n=12)	25.00	33.00	16.67	8.33	16.67	100.00
(e) Nature of export product						
(ii) Standardized vs. non-standardized						
– Standardized products (n=22)	27.27	31.82	18.18	9.09	13.64	100.00
– Non-standardized products (n=11)	54.55	18.18	9.09	-	18.18	100.00
(ii) Consumer vs. industrial products						
- Consumer products (n=31)	38.17	35.48	16.13	-	9.68	100.00
- Industrial products (n=11)	27.27	27.27	9.09	18.18	18.18	100.00
(e) Export market coverage						
(i) Market coverage policy						
- Exporting to select countries (n=30)	43.33	23.33	13.33	6.66	13.33	100.00
– Exporting to many countries (n=14)	14.28	57.14	14.26	7.14	7.14	100.00
(ii) Number of countries covered						
1 - 5 (n=30)	33.33	33.33	16.67	3.33	13.33	100.00
6 - 10 (n=7)	42.86	14.29	14.29	28.57	-	100.00
11 and above (n=6)	16.67	66.67	-	-	16.67	100.00

Notes:

1. Firms using multiple exporting modes/distribution channels have been classified on the basis of their highest integrated exporting/channel mode.
2. Distribution modes defined as follows : (i) *indirect exporting* if firm has been supplying goods to foreign buyers' offices in India, export houses/trading houses or government trading companies such as STC/MMTC/HHEC; (ii) *direct exporting-I* if firm is supplying goods to wholesale importers/import agents abroad; (iii) *direct exporting-II* if firm is supplying goods directly to retail/department stores abroad; (iv) *direct exporting-III* if the firm is supplying goods directly to foreign buyers from India; and (v) *fully integrated mode* if the firm reported to be selling goods to the overseas buyers through its own retail shops/offices located abroad.
3. Firms have been considered engaged in minor, passive and aggressive export activities depending upon whether they have been making no, occasional and continuous efforts respectively for seeking export orders.
4. Since only a few firms provided data relating to their investments in plant and machinery, sizewise firms have been classified on the basis of number of workers only.

a higher degree of homogeneity present in the markets in which the firms are operating.

Table 5
Export Market Coverage and Distribution Structure : An Interface

	Number of distribution modes used			
Export market coverage	*One*	*Two*	*Three*	*Total*
(i) Market coverage policy				
Exporting to select countries (n=31)	61.29	35.48	3.22	100.00
Exporting to many countries (n=13)	84.62	15.39	–	100.00
(ii) *Number of countries covered*				
1 - 5 (n=31)	70.97	29.03	–	100.00
6 - 10 (n=6)	66.66	33.33	–	100.00
11 and above (n=6)	66.66	16.66	16.67	100.00

The results in regard to the variable **export involvement** also fail to support the hypothesized relationship between export involvement and the channel structure choice (H_2). As compared to the firms with higher export involvement, it is found that the firms with lower involvement show a relatively higher dependence on the vertically more integrated distribution channel modes. For instance, while 50 percent of the firms pursuing exporting as passive activity are making use of the last two highly integrated structures, corresponding figure is just 4 per cent for the aggressive export units. This anomaly in the results has occurred probably due the presence of a larger number of less export experienced firms. Being relatively less experienced in exporting, they exhibit greater reliance on less integrated channel structures.

CONCLUSIONS, POLICY IMPLICATIONS AND FUTURE RESEARCH DIRECTIONS

The survey reveals that though more than half of the Indian export firms are aggressively involved in international markets, most of them continue to remain stagnated at the very first stage of the internationalization process, i.e., exporting. Even in regard to the distribution channel usage, firms show heavy reliance on two distribution modes, viz., exporting goods to the wholesale importers/import agents abroad and selling goods to the foreign buyers' representative offices located in India. Exporting goods directly to the overseas buyers or selling goods in foreign markets through firms' own sale offices/ retail outlets abroad is prevalent only among select firms. Firm level initiatives as well as suitable policy measures at the government level are called for to prompt these firms to move towards the usage of more vertically integrated distribution structures so as to have greater control over their foreign market operations. Majority of the firms both in intent and practice have been found to be operating in a limited number of countries. Since the literature till date is inconclusive about the relationship between export market coverage and export performance (Jain and Kapoor 1996), no concrete suggestion is being put forth in this respect.

The study attempted to examine the influence of six antecedent variable on the choice of distribution structure. But of these, only three variables, viz., export experience, psychic distance and firm size, have been found to be holding the hypothesized relationships with the firms' channel structure decisions. The obvious implication of this finding is that as the firms become more experienced in exporting, they shall start internalizing more and more of the international distribution tasks - thus lowering their dependence on the outside intermediaries. Such a shift in favour of the more vertically integrated distribution structures is also likely to improve the firms' prospects of earning higher profits which at present are largely pocketed by a long chain of intermediaries. However, all firms cannot embark upon this integration strategy. Since more integrated channel structures call for greater financial outlays, only large sized firms would be able to manage this transition.

Though the study provides interesting insights, it suffers from certain limitations. Not only sample size used in the study is small, it is comprised of the export units located only in and around Delhi.

The results, of the study, therefore, should at best be construed to be representing the practices of surveyed firms alone, and any generalization based on the findings of the study to the total universe of Indian export firms would be too unwarranted.

And also it is because of the small sample size that the study could not make use of the statistical techniques such as Chi-square and F-test to statistically test the hypotheses relating to the influence of antecedent variables on the choice of channel structures. In future, it will be worthwhile to use a larger sample size and assess the statistical significance of the inferences drawn in the study. Another major shortcoming of the study is that it has assessed the influence of various channel determinants by examining them only one at a time. More meaningful inferences can be drawn about the relationships between the antecedent variables and distribution structure decisions if all the variables are analyzed simultaneously. Use of more advanced statistical techniques such as MANOVA, multimonial logit model and discriminant analysis in future can help undertaking a simultaneous analysis of various variables and gaining deeper insights into the subject, and also to study the interaction effects, if any, present among the variables.

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