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SPECIAL ISSUE ARTICLE

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What makes a successful exporter? An introduction

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Two decades after the breakthrough study by Bernard and Jensen (1999) on the link between trade and firm heterogeneity, the research on this topic continues to flourish. The empirical curiosity of the early research mainly focused on the nexus of export status and firm productivity. While the issue of the cause of exporter productivity premia remains hotly debated, the field has expanded far beyond this puzzle. Buoyed by improved access to firm-level data and increasingly also transaction-level data, the literature is now addressing trade- and investment-related issues that were deemed inconceivable only a few short years ago. While theoretical contributions (e.g., Chaney, 2016; Mayer, Melitz, & Ottaviano, 2014; Melitz, 2003; Melitz & Ottaviano, 2008) help underpin the empirical work, the literature remains driven by an ever-expanding array of empirical questions and as well as a growing ability to answer them.

ISGEP's (International Study Group on Exports and Productivity) is a result of the early recognition of the importance and potential of firm-level research into trade as well as the wide international appeal of the topic. The brainchild of Joachim Wagner, ISGEP's evolution, has mirrored that of the empirical literature at large. It quickly outgrew its initial objective to provide internationally comparable estimates of exporter premia (see International Study Group on Exports & Productivity, 2008) and began serving as a forum for researchers on a variety of issues related to firm-level internationalisation research. Annual ISGEP workshops have become one of the key stops both for European and other international researchers.

The papers in this issue continue with the tradition of adding puzzles pieces to the overall picture of the impact and importance of firm international activities. In "What makes a successful exporter?", we have collected twelve papers, the majority of which were presented at the 13th annual ISGEP workshop in Ljubljana, Slovenia on 20–21 September 2018. The common thread linking these papers is that they explore both what it means to be an exporter and the ramifications of exporting on firms and the economy as a whole. On the one hand, this special issue addresses the role of foreign sourcing, export experience in the board of directors and credit supply shocks on the propensity to export, as well as the factors that affect firms' overall readiness to export. On the other hand, it investigates various measures of performance in the export markets, such as export duration, markups, quality upgrading and product mix.

Among the papers studying the decision to export, Máñez, Rochina-Barrachina and Sanchis look at the impact of foreign sourcing. Using data on Spanish manufacturing firms in the period 2006–14, they analyse direct and indirect effects (through productivity improvements) of importing intermediates on export participation. They find evidence of both sunk costs and export market learning and an important role played by intermediate imports on export choices. Another paper dealing with the decision to export is a study on the effects of a firm's board member expertise on the probability of foreign-market entry on Swedish manufacturing firms by Lööf and Viklund-Ros. The authors find that an increase in the export expertise of the board of directors, by way of adding members with export experience, has a positive effect on erstwhile non-exporting firms' propensity to serve foreign markets. Their results are robust to other sources of spillovers, such as labour mobility from exporting to non-exporting firms. Bripi, Loschiavo and Revelli instead study export of services. Using Italian matched firm-bank data in 2012, they find that service exports respond to credit supply with an elasticity between 0.3 and 0.4. The effects of credit shocks are especially relevant for exporting services to countries with weaker institutions, where the counterparty contractual risk is greater, and especially for exporting more complex services to these countries. Finally, in an exploratory study on a sample of 96 SMEs in New Zealand Gerschewski, Rose and Scott-Kennel look at factors that contribute to firms' perception about their readiness to export. They find that export readiness is dependent on a composite of factors from finance to marketing and that internal export stimuli are essential. Surprisingly, though, they only find a limited role for importing and pre-export domestic expansion.

Several papers in this special issue investigate the behaviour of firms in the export markets along several dimensions. Kostevc and Zajc Kejžar use transaction-level data on Slovenian manufacturing firms over the period 2005–12 to explore the determinants of exporting longevity. They find that bilateral inward and outward FDI flows with the export destination country greatly contribute to export survival in that market. Furthermore, export survival is boosted by cross-product and cross-market complementarities and the relative importance of the product in a firm's product mix. Caselli and Schiavo look at the response of French manufacturing firms' markups to import competition from China between 1995 and 2007. While firms in more direct competition with Chinese imports are found to decrease markups, exporters experience a smaller markup reduction. Tougher competition from China is also found to stimulate entry into the export market by firms trying to mitigate the competitive pressures. Markups are also analysed by Damijan, Konings and Yergabulova. They exploit 22 years of data (1994–2015) on Slovene enterprises to explore the evolution of price-cost markups. They find that markups have increased considerably for all firms, but primarily for non-exporting firms. This diverging trend in markups is in particular significant after 1999. They attribute the relatively lower increase in markups for exporters to increased competitive pressure faced by exporters following the comprehensive trade liberalisation after 1999 and their increased participation in global value chains.

Five papers in this special issue analyse product quality and product mix. Jäkel and Sorensen use firm-product level information on international trade activities of Danish manufacturing firms to show that Danish firms offer higher quality at lower prices and costs in order to succeed as exporters. Furthermore, exported varieties are produced using cheaper imported intermediates. They introduce the term "quality-cum-price sorting" to describe this sorting environment. In a similar vein, Zhu and Tomasi explore firm-product-destination level data for Chinese manufacturing firms to analyse the effects of imports on quality upgrading of the firms' products. They find that sourcing inputs from abroad boosts the quality of exported goods, with the effect being even stronger when imports are purchased from a high-income country. In another paper dealing with quality of products, Ciani and Bartoli use data on small- and medium-sized enterprises to consider the effects of credit constraints on the quality of exported products. They find that a drop in credit score by one standard deviation is associated with a 36% fall in the likelihood to improve product quality differentiation. Moreover, the effect is stronger for firms exporting to more distant markets. Ladu, Linarello and Oropallo instead investigate the effect of export-market demand shocks on the product mix. They find that the increased demand stemming from foreign markets induces firms to adjust their product mix by moving inputs from low to high productive/profitable uses. They find that these productivity gains are significant and can explain between 1/10 and 1/2 of aggregate productivity growth in the manufacturing sector. Finally, Girma Abreha, Smeets and Warzynski also study the role of demand shocks, by looking at the response of Danish exporters to the global recession in 2008–09. They find that firms primarily adjust the scale of production and extend their product portfolio outside of their core product in response to the recession. Importantly, they find that export diversification into fast-growing economies like China was associated with better export growth performance.

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