

## Selecting the Right Export Model for SMEs

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The international expansion of small and medium-sized enterprises (SMEs) has reached a critical inflection point amid rapid shifts in the global economy. Recent research indicates that despite trade liberalization trends, indirect exporting has not only persisted but emerged as a resilient strategy during post-pandemic supply chain restructuring, enabling resource-constrained SMEs to lower the barriers to international entry. This paper examines the decisive factors behind the selection of export models using case studies of two precision tool manufacturers.

### Defining Export Models and Theoretical Perspectives

Direct exporting is defined as the process where a firm sells products directly to foreign clients and manages the logistical flow internally, retaining full ownership throughout the transaction. Indirect exporting, by contrast, is conducted through domestic trade intermediaries or by supplying components to domestic firms within the supply chain that execute the final export. From a theoretical perspective, firms with substantial internal capabilities—specifically marketing expertise and financial resources—tend to favor direct exporting to exercise greater market control. Conversely, resource-constrained firms utilize indirect exporting to leverage the infrastructure of intermediaries, thereby mitigating costs and operational risks. This strategic progression often follows an evolutionary path, where firms initially employ low-risk indirect channels and then shift toward direct exporting as they gain international experience.

### Comparative Analysis of Corporate Cases

Company A specializes in high-performance cutting tools for the aerospace and medical sectors, marketing globally under its proprietary brand. Company B is a domestic leader in workholding solutions and a primary global supplier of hydraulic chucks. While both firms operate in the high-tech precision tool industry with manufacturing bases in Taiwan and export ratios exceeding 60%, their market entry strategies diverge significantly.

Company A employs a strictly direct export strategy by selling to end-users or local agents who act as coordinators without taking title to the goods. Conversely, Company B relies primarily on indirect exporting by integrating its products into machine tools for global distribution or via buy-sell arrangements with distributors.

The structural evolution of these companies moves in opposite directions. For Company A, the role of intermediaries is diminishing as intensifying market competition and narrowed margins force the manufacturer to reclaim primary market development responsibilities. For Company B, the share of direct exports is rising as increased information transparency prompts end-users to procure directly from the manufacturer.

Regarding intermediary management, Company A's experience indicates that the informational advantages once held by agents are eroding, requiring the manufacturer to assume a greater market development burden. Company B has implemented a tiered management system to stabilize operations across various market segments. Both enterprises emphasize the necessity of technical expertise, as the high-precision and safety-critical nature of their products requires a knowledgeable client base to ensure operational safety and minimize after-sales overhead.

Both firms maintain a conservative stance toward digital transformation and e-commerce platforms. Company A's trials revealed complex logistics and prohibitive advertising costs, leading it to reposition online sales as a marketing tool. Company B opted against e-commerce due to the high degree of technical specialization required for product selection. Instead, both firms utilize digital tools for technical support and customer education, reflecting a strategy of "circumscribed digital transformation."

In terms of client relations, Company A's direct export model facilitates rapid market responses and builds long-term trust through direct technical support. Company B maintains accountability by carrying global product liability insurance and assigning unique identifiers to every product for full traceability, ensuring end-user security regardless of the number of intermediaries involved.

## **Conclusion**

This paper validates theoretical frameworks via comparative case analysis. Company A leverages its robust technical support capabilities and brand equity to maximize resource

advantages through direct exporting. Meanwhile, Company B utilizes machine tool industry networks and distributor management expertise to maintain a diversified strategy centered on indirect exporting. These findings suggest that the selection of export models by small and medium-sized enterprises is not a static decision but a dynamic process of continuous adjustment based on internal and external environmental shifts.

While traditional theories often treat direct and indirect exporting as mutually exclusive, Taiwanese SMEs have increasingly adopted flexible hybrid allocation strategies. Product attributes exert a decisive influence on these choices, prompting firms to adjust their approaches in response to varying market risks. Both firms remain committed to manufacturing in Taiwan and targeting high-end market segments, establishing competitive barriers through quality, safety, and superior service. Amid global supply chain restructuring and digital transformation, these enterprises have successfully navigated internationalization paths tailored to their unique operational profiles.