



FROM HERITAGE TO MARKET: LEVERAGING DIFFERENTIATION AND CAPABILITIES TO EXPORT HUE'S HANDICRAFTS TO EUROPE

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Abstract:

Global demand for sustainable and authentic products has resurrected traditional handicrafts' economic and symbolic worth (UNESCO, 2021). Royal needlework and conical caps from Hue, Vietnam's imperial city, are rarely exported. Less than 10% of Vietnam's USD 2.2 billion handcraft exports in 2022 came from the central region (Vietrade, 2023), demonstrating structural differences in distinction, marketing, and institutional support. This study examines Hue's European handcraft export growth, Differentiation Strategy, Marketing Capabilities, Institutional Factors, and Factor-Based Comparative Advantage using the Resource-Based View and Contingency Theory. A survey of 445 craftspeople, exporters, and marketers in Thừa Thiên-Huế was evaluated statistically using PLS-SEM and Smart PLS 4.0. All four criteria improve exports. Institutional considerations predate marketing and differentiating strategy. Trained labor and raw materials help locally. The model explains 63.5 percent of export variance. This study improves cultural export knowledge by including internal and external aspects. Governments, industry associations, and cultural entrepreneurs are advised on increasing Hue's European cultural goods market position. Vietnam, PLS-SEM, cultural handicrafts, differentiation strategy, marketing, institutional variables, export performance.

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1. Introduction

In the age of globalization and the emergence of responsible consumerism in Europe, handmade products grounded in local cultural identity are receiving heightened acknowledgement among affluent consumer demographics. These objects, beyond their conventional roles as simple decorative or functional items, are increasingly regarded as manifestations of “mobile heritage” (UNESCO, 2023). Traditional crafts, representing national identities, community histories, and fundamental human values, have emerged as cultural ambassadors in international markets. Hue, the former imperial capital of Vietnam, boasts a unique heritage of traditional workmanship, including Sinh folk paintings, poetic conical hats, enamel art (*pháp lam*), and royal needlework. These products embody the region's aesthetic values and possess historical and cultural significance. Notwithstanding its inherent allure, the impact of Hue's handicrafts on Vietnam's overall export revenue remains constrained. The Vietnam Trade Promotion Agency (2023) reports that although the nation's handicraft exports exceeded USD 2.2 billion in 2022, exports from the central area, including Hue, were less than 10% of this total.

Numerous fundamental structural obstacles impede the export efficacy of Hue's handicraft industry. This encompasses the lack of cohesive place-branding strategies, insufficient exploitation of product differentiation opportunities, restricted international marketing proficiency, and institutional impediments, including convoluted export processes, inadequate heritage preservation policies, and the absence of globally acknowledged certifications. The prevalence of household-scale production limits the scalability and worldwide competitiveness of craft enterprises, notwithstanding their intrinsic advantages in materials, processes, and cultural authenticity. Current international studies have highlighted the strategic importance of differentiation encompassing product distinctiveness and branding narratives for positioning traditional crafts in competitive markets (Porter, 1985; Cavusgil & Zou, 1994). Moreover, marketing capabilities, institutional backing, and factor-based comparative advantages (such as skilled personnel and indigenous resources) have been demonstrated to substantially impact export performance (Zou & Stan, 1998; Morgan *et al.*, 2004). Nonetheless, a significant deficiency exists in empirical research within the Vietnamese setting, particularly in Hue, that employs a comprehensive methodology to assess handicraft export results.

This study employs a comprehensive analytical technique to examine the export performance of Hue's handicraft sector in the European market. This research conceptualizes export success as a consequence of internal strategic resources such as differentiation strategies and marketing capabilities, alongside external enabling conditions, including institutional infrastructure and factor-based advantages, drawing

on the Resource-Based View (RBV) (Wernerfelt, 1984; Barney, 1991) and the Contingency Theory in Export Marketing (Cavusgil & Zou, 1994; Zou & Stan, 1998). The study aims to investigate the interaction between region-specific skills, such as cultural legacy and artisanal expertise, and external factors, such as export rules and certifications, in shaping market outcomes. This work contributes theoretically and practically by developing a complete research model that incorporates the synergistic effects of four critical dimensions: differentiation strategy, marketing capabilities, institutional factors, and factor-based comparative advantages. It theoretically enhances the literature on export strategy and the internationalization of cultural products. It provides policy insights and concrete solutions to improve the worldwide competitiveness of Vietnam's cultural handicrafts, especially those from Hue, in response to the increasing international demand for ethically manufactured, culturally significant products.

2. Literature Review

2.1.1. Differentiation Strategy

A differentiation strategy aims to establish a sustained competitive advantage by providing culturally enriched and functionally distinctive products (Porter, 1980; Barney, 1991). In Hue, this is exemplified by crafts such as pháp lam enamel and poetic conical hats, which merge artisanal excellence with cultural narratives attractive to European buyers who prioritize authenticity and sustainability. Empirical research (e.g., Cavusgil & Zou, 1994; Traiyarach & Banjongprasert, 2022) substantiates that product differentiation improves export performance. This strategy for Hue's handicrafts corresponds with the VRIN framework inside the Resource-Based View (RBV), although it needs integration with market-relevant branding and design to achieve efficacy in Europe.

2.1.2. Marketing Capabilities

Marketing capabilities imply a company's proficiency in identifying market demands, conveying value, and adjusting products for various export markets (Vorhies & Morgan, 2005). According to a resource-based perspective (Barney, 1991), these dynamic skills facilitate the conversion of cultural products into competitive export results. Empirical studies (Morgan *et al.*, 2012; Liu *et al.*, 2019; Nguyen & Simkin, 2022) underscore the significance of brand management, market sensing, and digital engagement in facilitating export success. For Hue's craftspeople, robust marketing skills are crucial for converting cultural wealth into global brand awareness and client fidelity.

2.1.3. Institutional Factors

Institutional variables encompass policies, infrastructure, and laws that affect the export success of enterprises (North, 1990; Scott, 2001). Government support for cultural items, including trade agreements, certifications, and subsidies, can assist traditional enterprises in achieving international standards and accessing overseas markets.

Research (e.g., He *et al.*, 2013; Falahat *et al.*, 2021; Traiyarach & Banjongprasert, 2022) indicates that institutional quality enhances the influence of internal capabilities on export results. In Hue's situation, efforts such as the EVFTA and assistance from Vietrade support craftsmen in achieving sustainable growth and worldwide competitiveness.

2.1.4. Factor-Based Comparative Advantage

This pertains to inherent advantages such as a proficient workforce, cultural legacy, and local resources that provide companies with a competitive advantage (Porter, 1990). The crafts of Hue, characterized by cultural significance and artisanal expertise, present distinctive marketing propositions that resonate with European customers' preference for real, traceable items. Empirical evidence (Kamau & Otieno, 2020; Kanda & Nguyen, 2021) substantiates the significance of local advantages in enhancing export performance. These components, when integrated with branding and market access, constitute unparalleled advantages in the worldwide market.

2.1.5. Export Performance

Export performance reflects a firm's efficacy in international markets, assessed through financial (e.g., revenue), market (e.g., expansion), and strategic (e.g., brand recognition) metrics (Zou & Stan, 1998; Chen *et al.*, 2016). In cultural industries such as Hue's handicrafts, success entails retaining individuality, establishing a reputation, and maintaining client engagement. Research (e.g., Shoham, 1998; Nguyen & Simkin, 2022) underscores the necessity of amalgamating internal resources, institutional backing, and market alignment to attain comprehensive export results.

2.2. Theoretical Framework

2.2.1. Resource-Based View

The Resource-Based View (RBV) ascribes organizational performance to critical, rare, inimitable, and non-substitutable internal resources and capabilities (Barney, 1991; Peteraf, 1993). The handicrafts of Hue are distinguished by their cultural uniqueness and creative talent, rather than by scale or technological advancement. Pháp lam enamel, royal embroidery, and poetic conical hats are significant assets within the Resource-Based View (RBV) due to their cultural richness, symbolic value, and difficulty of imitation. RBV-based differentiation enables firms to provide culturally distinct and symbolically meaningful products. Localized design and messaging enhance export outcomes, particularly for cultural products that prioritize authenticity, as noted by Cavusgil and Zou (1994). Differentiation relies on the firm's marketing capabilities to convey value in global markets, rather than solely on product distinctiveness. RBV considers marketing competencies such as brand management, customer connection development, and market sensing as dynamic resources for export performance (Morgan *et al.*, 2006; 2012). European craft markets require narrative development, ethical branding, and design coherence to emotionally connect with consumers. This study underscores Differentiation Strategy and Marketing Capabilities (H1 and H2) as essential variables

for export success, particularly by using Hue's cultural identity to satisfy European demand for authenticity and sustainability.

2.2.2. Export Marketing Contingency Theory

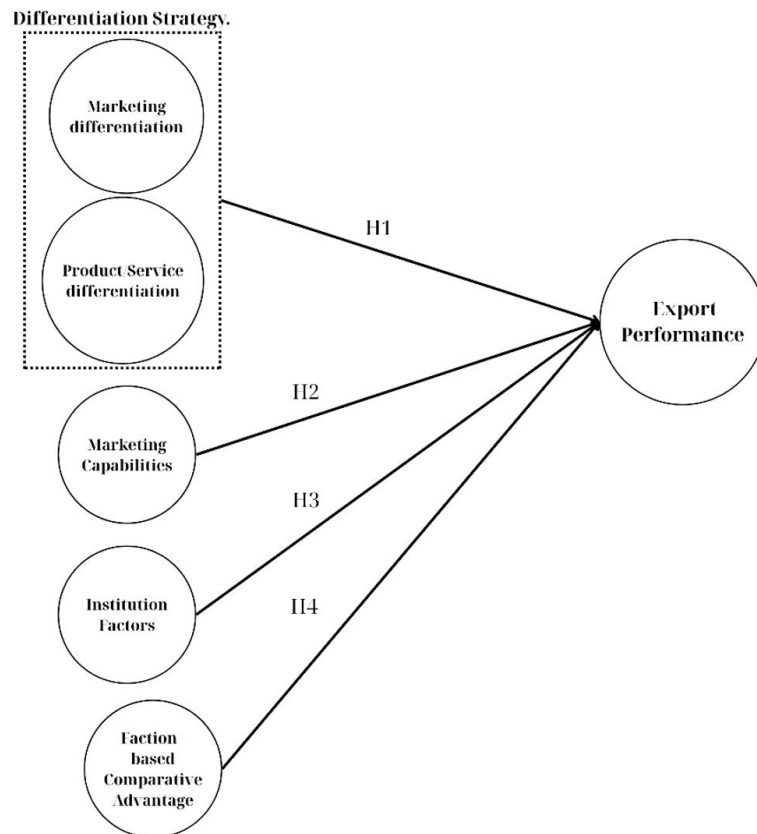
The Resource-Based View (RBV) elucidates internal value formation, whereas Contingency Theory underscores external circumstances and internal capabilities (Donaldson, 2001). Institutional quality, trade policy, and cultural distance influence export marketing performance. Internationalization is impeded by inconsistent policies, inadequate certification processes, and insufficient intellectual property enforcement for Vietnamese handicraft exporters. Small, family-operated artisan enterprises rely on informal networks, rendering strong institutions essential.

Empirical research corroborates these effects. According to Brouthers and Filatotchev (2013), national institutional quality influences the manner in which firms utilize internal resources and export channels. Falahat *et al.* (2021) discovered that public export programs enhance firm performance indirectly by augmenting internal skills. Digital training and export incentives enhance the competitiveness of SMEs in Vietnam (Kanda & Nguyen, 2021). Factor-based comparative advantage, derived from regional inputs such as traditional skills, materials, and cultural legacy, is significant beyond institutional considerations. The imperial crafts of Hue align with Porter's (1990) framework of competitive advantage. Kamau and Otieno (2020) demonstrated that these advantages enhanced Kenyan handicraft exports. Institutional and factor-based advantages can directly influence export performance or reduce the conversion of domestic abilities into international success, rendering the Resource-Based View more context-dependent.

2.2.2. Proposed Research Framework and Hypotheses:

- **H1:** Differentiation strategy has a positive and statistically significant effect on export performance.
- **H2:** Marketing capabilities have a positive and statistically significant impact on export performance.
- **H3:** Institutional factors have a positive and statistically significant impact on export performance.
- **H4:** Factor-based comparative advantage has a positive and statistically significant effect on export performance.

Figure 1: Proposal research model

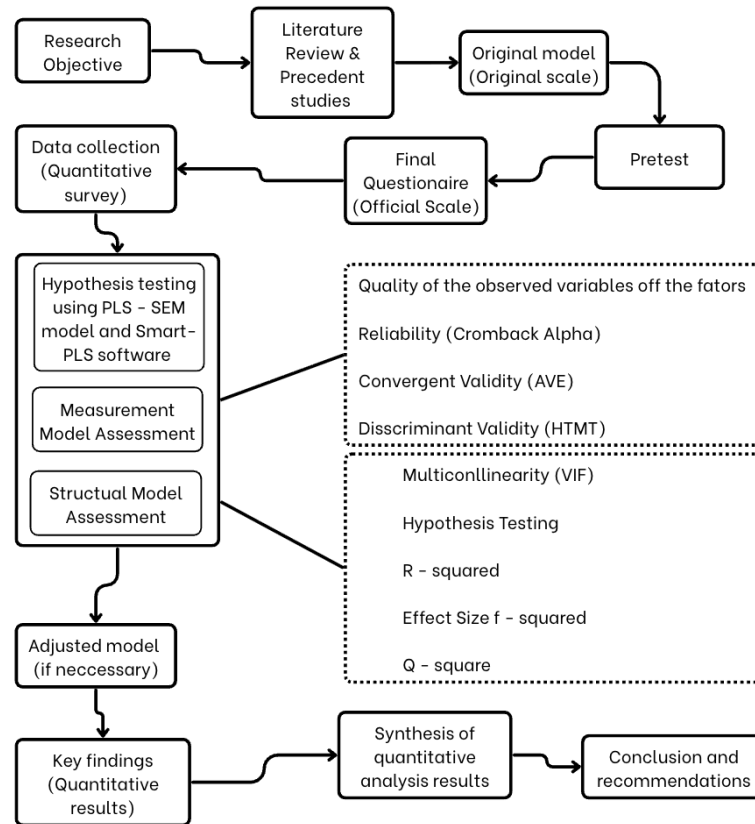


Source: Author's data analysis results

3. Material and Methods

This study utilizes a quantitative research approach to analyze the impact of Differentiation Strategy, Marketing Capabilities, Institutional Factors, and Factor-Based Comparative Advantage on the export performance of Hue's handicraft sector in the European market. A structured questionnaire was created using validated measures from prior research and was pilot-tested for clarity and contextual appropriateness. The concluding survey included a 7-point Likert scale and was disseminated both online and in person to handicraft entrepreneurs, craftspeople, and export managers in Thừa Thiên–Huế province. The data were analyzed employing Partial Least Squares Structural Equation Modeling (PLS-SEM) utilizing SmartPLS software. The analysis encompassed the evaluation of the measurement model (reliability, convergent validity, and discriminant validity) and the structural model (hypothesis testing, R-squared, effect size, and predictive relevance). This approach is suitable for intricate models and small to medium sample sizes, yielding reliable estimates of correlations among latent components.

Figure 2: Research method



Source: Author's data analysis results

4. Results and Discussion

4.1. Results

The sample includes 445 valid responses from individuals involved in the handicraft sector, with the majority of respondents (over 78%) located in or directly affiliated with Thừa Thiên–Huế province. Although the survey was disseminated across Vietnam to ensure diversity and statistical adequacy, participant selection emphasized stakeholders with operational ties to Hue’s handicraft industry. This approach was adopted to reflect both local perspectives and supply chain linkages that influence the region’s export potential. It balances regional specificity with empirical robustness, particularly given the fragmented and informal structure of Hue’s craft sector. In terms of gender, females account for 55.73% of respondents, followed by males at 41.57%, and a small fraction identifying as other (2.70%). This female predominance is consistent with the labors profile in traditional craft sectors, where women often constitute the majority of the artisan workforce. However, the inclusion of a small “other” group, though statistically minor, demonstrates attention to inclusivity in respondent identity categories, a positive attribute in contemporary research ethics.

Table 1: Descriptive statistics of the survey sample¹

Characteristics	Classification	Frequency	Proportion (%)
Gender	Female	248	55.73
	Male	185	41.57
	Other	12	2.70
Age	Under 25	203	45.62
	25–34	151	33.93
	35–44	56	12.58
	45 and above	35	7.87
Role in Organization	Artisan	268	60.22
	Export/Marketing Staff	153	34.38
	Manager/Owner	24	5.39
Years of Experience	<1 year	114	25.62
	1–3 years	126	28.31
	3–5 years	124	27.87
	>5 years	81	18.20

Source: Author's data analysis results

Age distribution reveals a strongly youth-skewed sample, with 45.62% of participants under 25 and 33.93% aged 25–34. The share of respondents aged 35–44 (12.58%) and 45 or above (7.87%) is notably lower. This pattern may stem from the data collection method—largely administered by student researchers with limited access to older and managerial-level personnel. While this raises concerns about underrepresentation of senior stakeholders, it also reflects a ground reality: a significant portion of the workforce in handicraft production remains young, often due to informal employment dynamics, family-based production, and high turnover. Still, this

¹ Khanh, D. Q. (2025). *Supplementary Table: Descriptive Statistics of Hue Handicraft Export Survey Sample*. Retrieved from https://drive.google.com/file/d/1JESNCu2SLIy_zIEh2TqCbZN8dCnacKu8/view

demographic limitation should be acknowledged when generalizing findings to the broader, intergenerational industry landscape.

The roles within the organizations show a clear dominance of artisans (60.22%), followed by export or marketing staff (34.38%) and a marginal presence of managers or owners (5.39%). While this distribution mirrors the labor-heavy nature of the sector, the small number of responses from strategic decision-makers is a limitation. Their views could have enriched insights into firm-level strategy and differentiation behavior. Nevertheless, the substantial input from frontline actors ensures that the study captures operational realities with high ecological validity.

With regard to years of experience, the sample is relatively balanced. A significant share (25.62%) had less than one year of experience, followed closely by those with 1–3 years (28.31%) and 3–5 years (27.87%). Only 18.20% had over five years of experience. This distribution suggests the sector may face challenges in retaining experienced personnel or may be characterized by intermittent or project-based employment. While younger workers can bring adaptability and responsiveness, the limited experience base might hinder the implementation of export strategies requiring deeper market understanding and long-term vision.

Table 2: Outer Loadings observed variable quality

Outer loadings - Matrix						
	EP	FBO	IF	MC	MD	SD
EP1	0.852					
EP2	0.813					
EP3	0.874					
EP4	0.773					
EP5	0.799					
EP6	0.797					
FBO1		0.786				
FBO2		0.833				
FBO3		0.873				
FBO4		0.881				
IF1			0.884			
IF2			0.960			
IF3			0.969			
MC1				0.775		
MC2				0.878		
MC3				0.871		
MC4				0.811		
MD1					0.882	
MD2					0.847	
MD3					0.804	
SD1						0.828
SD2						0.780
SD3						0.834
SD4						0.871
SD5						0.848
SD6						0.848

Source: Author's data analysis results.

Table 2 indicates that all components under the six principal constructs—Export Performance (EP), Factor-Based Comparative Advantage (FBO), Institutional Factors (IF), Marketing Capabilities (MC), Marketing Differentiation (MD), and Product/Service Differentiation (SD)—surpassed the suggested level. The majority of loadings vary from 0.768 to 0.969, indicating robust item reliability and affirming the construct validity of the measurement model.

Table 3: Reliability and scale convergence

Construct reliability and validity - Overview				
	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (A...
EP	0.901	0.903	0.924	0.670
FBO	0.865	0.869	0.908	0.713
IF	0.931	0.932	0.957	0.881
MC	0.854	0.856	0.902	0.697
MD	0.802	0.820	0.882	0.714
SD	0.913	0.915	0.933	0.698

Source: Author's data analysis results.

The internal consistency of each construct was assessed using Cronbach's Alpha and Composite Reliability (CR). All six constructs exhibited Cronbach's Alpha values above the recommended threshold of 0.70 (DeVellis, 2012), with scores ranging from 0.802 (Marketing Differentiation) to 0.931 (Institutional Factors). These values suggest that the measurement items are internally consistent in capturing their respective conceptual domains. Composite Reliability scores, which offer a more precise estimate by accounting for indicator loadings, ranged from 0.884 to 0.957, exceeding the standard threshold of 0.70 (Bagozzi & Yi, 1988). The consistency across both reliability indicators confirms the robustness of the scale construction.

Table 4: Fornell – Larcker Criterion

Discriminant validity - Fornell-Larcker criterion							
	EP	FBO	IF	MC	MD	SD	
EP	0.819						
FBO	0.589	0.844					
IF	0.659	0.429	0.938				
MC	0.679	0.626	0.541	0.835			
MD	0.694	0.576	0.613	0.634	0.845		
SD	0.646	0.553	0.575	0.721	0.683	0.835	

Source: Author's data analysis results.

Discriminant validity was assessed using two complementary methods: the Fornell–Larcker criterion and the Heterotrait–Monotrait Ratio (HTMT). These approaches provide evidence that each construct in the model captures a unique conceptual domain, rather than overlapping significantly with others.

First, the Fornell–Larcker criterion requires that the square root of the AVE of each construct be greater than its highest correlation with any other construct. As shown in

Table X, all diagonal values (e.g., EP = 0.819; IF = 0.938) exceed the corresponding off-diagonal correlations, supporting the presence of discriminant validity across all latent variables.

Second, the HTMT values were compared against the conservative threshold of 0.85, as recommended by Kline (2015). All inter-construct HTMT ratios range from 0.470 to 0.816, remaining safely below the cut-off point. The highest observed value was between SD and MC (0.816), which, while relatively strong, still falls within the acceptable range and does not suggest problematic overlap.

Table 5: Heterotrait–Monotrait (HTMT) Criterion for Discriminant Validity

	EP	FBO	IF	MC	MD
EP					
FBO	0.663				
IF	0.718	0.470			
MC	0.775	0.723	0.608		
MD	0.801	0.691	0.706	0.765	
SD	0.708	0.615	0.622	0.816	0.791

Source: Author's data analysis results.

The results together affirm that each construct in the model is empirically unique, thereby fulfilling the criteria for discriminant validity and warranting the advancement to structural model evaluation.

Beyond the outer loadings, the internal consistency and convergence validity of DM were assessed using key reliability statistics. As shown in Table X, Cronbach's Alpha was 0.808, and Composite Reliability (CR) reached 0.912, both of which indicate strong internal consistency and scale reliability (Bagozzi & Yi, 1988; DeVellis, 2012). The Average Variance Extracted (AVE) was 0.839, well above the 0.50 threshold, signifying that a substantial portion of variance in the two indicators (MD and SD) is explained by the higher-order construct (Fornell & Larcker, 1981).

Moreover, the robustness of this second-order modeling choice is reinforced by the strong psychometric properties of its first-order components. As previously validated, both MD and SD demonstrated individual reliability, convergent validity, and discriminant validity in earlier measurement model assessments. This reinforces that the formation of DM as a higher-order construct is both conceptually coherent and statistically defensible.

The integration of the second-order construct into the model provides theoretical parsimony and allows a more nuanced understanding of how differentiation strategies spanning both product and marketing orientations jointly influence export performance. This is particularly relevant in the context of Vietnamese handicraft firms, where strategic differentiation may be fragmented in practice but unified in intention and effect.

Table 6: Reliability and scale convergence

Construct reliability and validity - Overview					
	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (A...	
DM	0.808	0.810	0.912	0.839	
EP	0.901	0.903	0.924	0.670	
FBO	0.865	0.869	0.908	0.713	
IF	0.931	0.932	0.957	0.881	
MC	0.854	0.856	0.902	0.697	

Source: Author's data analysis results.

Table 7: Variance Inflation Factor (VIF)

Collinearity statistics (VIF) - Inner model - Matrix						
	DM	EP	FBO	IF	MC	
DM		2.915				
EP						
FBO		1.810				
IF		1.749				
MC		2.465				

Source: Author's data analysis results.

Multicollinearity refers to the extent to which predictor constructs in a structural model are highly correlated, which may distort regression coefficients and compromise the interpretability of the model. To assess this issue, the Variance Inflation Factor (VIF) values for all exogenous constructs were examined. According to Kock (2015) and Hair *et al.* (2016), VIF values below 3.0 indicate that multicollinearity is not a major concern.

As reported in Table 7, all constructs included in the structural model exhibited VIF values comfortably below the critical threshold. Specifically, the highest VIF was observed for Differentiation Strategy (DM) at 2.915, followed by Marketing Capability (MC) at 2.465, and Factor-Based Ownership (FBO) at 1.810. The remaining predictors—Institutional Factors (IF) and D also demonstrated VIF values of 1.749 and 2.915, respectively.

Table 8: Path Coefficient Testing

Path coefficients - Mean, STDEV, T values, p values					
	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O /STDEV)	P values
DM -> EP	0.277	0.274	0.066	4.201	0.000
FBO -> EP	0.152	0.154	0.054	2.831	0.005
IF -> EP	0.295	0.291	0.056	5.302	0.000
MC -> EP	0.220	0.226	0.074	2.970	0.003

Source: Author's data analysis results

To evaluate the significance of the proposed structural relationships, a bootstrapping procedure with 5000 subsamples was performed. The results demonstrate

that all hypothesized paths from the explanatory constructs to export performance (EP) are statistically significant at the 1% level, confirming the robustness of the model. Among the tested paths, the influence of institutional factors (IF) on export performance yielded the strongest standardized coefficient, with a value of 0.295. The associated standard deviation was 0.056, resulting in a t-statistic of 5.273 and a p-value of 0.000, which firmly supports the statistical reliability of this relationship.

The path from differentiation marketing (DM) to export performance also exhibited a notable effect, with a coefficient of 0.277 and a standard deviation of 0.066. The t-value for this path reached 4.226, again well above the critical threshold, and the p-value was effectively zero, indicating a high level of confidence in this estimated parameter. Marketing capabilities (MC) likewise demonstrated a significant positive association with export performance, with a path coefficient of 0.220. Though its standard deviation was slightly higher at 0.076, the resulting t-statistic of 2.912 still exceeded the critical value required for 1% significance, and the corresponding p-value of 0.004 affirmed its statistical relevance.

Factor-based organizational advantages (FBO) showed the weakest magnitude among the predictors, with a coefficient of 0.152. Nevertheless, the standard deviation of 0.053 and the t-statistic of 2.880 provided sufficient evidence to confirm the statistical significance of this path at the 1% level ($p = 0.004$). Despite its relatively smaller impact, this finding remains meaningful within the structural model, contributing to the overall explanation of export performance.

Table 9: R-squared results of the model

R-square - Overview		
	R-square	R-square adjusted
EP	0.635	0.631

Source: Author's data analysis results.

The coefficient of determination (R^2) for the dependent variable—Export Performance (EP)—is reported at 0.635, with an adjusted R^2 of 0.631. This indicates that approximately 63.5% of the variance in export performance can be explained by the set of independent constructs, including Differentiation Marketing (DM), Factor-Based Organizational Advantages (FBO), Institutional Factors (IF), and Marketing Capabilities (MC). Such a value reflects a moderate to strong level of explanatory power in the context of behavioral and social science models, where R^2 values above 0.5 are generally regarded as substantial (Hair *et al.*, 2019).

The minimal difference between R^2 and the adjusted R^2 further suggests that the model is not overfitted and that the number of predictors used is appropriate relative to the sample size. This strengthens confidence in the robustness of the model's predictive accuracy. Importantly, the substantial R^2 implies that the selected variables collectively contribute meaningfully to the prediction of export performance within the handicraft

sector, which may reflect the relevance of both internal capabilities and external institutional conditions in shaping firms' international outcomes.

Table 10: Effect Size (f^2) of Structural Model Paths

f-square - Matrix					
	DM	EP	FBO	IF	MC
DM		0.072			
EP					
FBO		0.035			
IF		0.136			
MC		0.054			

Source: Author's data analysis results.

The analysis of effect size (f^2) provides insights into the magnitude of influence that each independent construct exerts on the dependent variable, beyond their statistical significance. According to Cohen's (1988) guideline, f^2 values of 0.02, 0.15, and 0.35 correspond to small, medium, and large effect sizes, respectively. In the present model, the institutional factors (IF) exert the strongest impact on export performance (EP), with an f^2 of 0.136, approaching the threshold of a medium effect size. This suggests that institutional supports and constraints, such as government subsidies or preferential policies, play a relatively substantial role in determining firms' export outcomes in the handicraft industry.

The influence of differentiation marketing (DM) on export performance is reflected by an f^2 of 0.072, indicating a small to moderate effect. Although this value does not reach the medium level, it highlights that strategies involving product or marketing differentiation still contribute meaningfully to export performance, albeit to a lesser extent than institutional variables. Marketing capabilities (MC) display a similarly modest effect with an f^2 of 0.054, suggesting that while internal competencies such as promotional effectiveness and product quality are beneficial, they may not independently drive significant export gains without supportive institutional and structural factors. In contrast, the factor-based organizational advantages (FBO) show the smallest effect size among the four variables, with an f^2 of only 0.035. This implies that inherent production-related advantages, such as labor or capital intensity, may not considerably influence export performance when considered in isolation. The relatively limited explanatory contribution of FBO may stem from the fact that such structural advantages are more foundational rather than dynamic, and thus require complementary capabilities or favorable environments to fully translate into competitive export outcomes.

Table 11: Evaluation results of the Q Square predict

PLSpredict LV summary - PLS-SEM			
	Q ² predict	RMSE	MAE
EP	0.619	0.623	0.443

Source: Author's data analysis results.

The evaluation of predictive relevance using the Q²_predict metric provides critical insights into the model's out-of-sample forecasting ability. In this study, the Q²_predict value for export performance (EP) is 0.619, indicating a substantial level of predictive accuracy. As per the guidelines suggested by Hair *et al.* (2019), a Q²_predict value greater than zero confirms that the model has predictive relevance, and values above 0.35 are considered to reflect strong predictive power. Thus, the result of 0.619 far exceeds this threshold, reinforcing the model's robustness in anticipating export performance outcomes based on the included independent constructs. Accompanying this strong Q²_predict value are the root mean square error (RMSE) of 0.622 and the mean absolute error (MAE) of 0.442. These error metrics indicate acceptable levels of prediction discrepancy between observed and predicted values. The relatively low MAE suggests that, on average, the prediction errors are not severe, while the RMSE being only slightly higher than the MAE confirms that there are no significant outliers or large variances in the residuals that might distort the model's predictive quality.

4.2. Discussion

The results substantiate all four presented hypotheses, underscoring the significance of internal competencies and external institutions in influencing export performance. Institutional factors ($\beta = 0.295$, $p < 0.001$) have the most significant impact. This outcome aligns with Contingency Theory, which highlights the congruence between organizational capacities and environmental circumstances (Donaldson, 2001). Regulatory frameworks, trade agreements such as the EVFTA, and institutional support from Vietrade seem to diminish export barriers and enhance legitimacy and market access for Hue's handicrafts (Nguyen & Simkin, 2022). The substantial and noteworthy impact of differentiation techniques ($\beta = 0.277$, $p < 0.001$) corroborates the Resource-Based View (Barney, 1991), especially its emphasis on culturally ingrained, non-replicable resources. The handicrafts of Hue, such pháp lam enamel and royal embroidered, reflect symbolic depth and authenticity that resonate with European consumer desires. The moderate effect size ($f^2 = 0.072$) suggests that uniqueness alone is inadequate; it requires reinforcement through effective market delivery methods. Marketing competencies ($\beta = 0.220$, $p = 0.004$) significantly influence the transformation of cultural value into export results. This corresponds with previous research by Morgan *et al.* (2012), which highlights that dynamic routines like market sensing, brand storytelling, and digital interaction can connect product identity with consumer attraction. Despite the effect size being relatively low ($f^2 = 0.054$), it underscores that marketing serves as a strategic facilitator—especially in cultural industries where perception and narrative are as significant as product

quality. Factor-based comparative advantages ($\beta = 0.152$, $p = 0.004$) exert a positive albeit weak influence, indicating that intrinsic assets such as skilled labors or natural resources provide a required foundation, albeit not a sufficient requirement, for export success. This conclusion aligns with Kamau and Otieno (2020), who contend that structural advantages must be combined with legislative support and corporate strategy to facilitate exports.

Furthermore, the interaction across constructs indicates potential indirect paths not represented in the existing model. Marketing capabilities may influence the relationship between differentiation and performance, whereas institutional variables could either enhance or hinder this relationship based on the quality of the policy environment. Moreover, control variables like company size or export experience may affect the allocation of resources. These omissions constrain the model's explanatory depth and underscore avenues for future research to investigate mediation, moderation, and heterogeneity more systematically. The model demonstrates substantial explanatory power ($R^2 = 0.635$) and prediction accuracy ($Q^2_{\text{predict}} = 0.619$), confirming its empirical robustness. The amalgamation of the Resource-Based View and Contingency Theory offers a thorough framework for comprehending export performance in creative sectors. The findings affirm that effective internationalization of cultural handicrafts necessitates unique internal resources and a supportive institutional framework.

5. Recommendations

The results of this study provide important implications for policymakers, industry associations, and handicraft enterprises seeking to enhance Hue's export performance in European markets. The most critical finding is the decisive role of institutional factors, which confirms that even strong cultural resources and marketing strategies cannot fully realize their potential without an enabling policy environment. Accordingly, several recommendations are proposed.

At the **policy level**, authorities should prioritize strengthening institutional frameworks that reduce export barriers and enhance product legitimacy. Simplifying administrative procedures, improving transparency in export documentation, and accelerating the issuance of certifications aligned with European standards, such as eco-labels, fair-trade marks, and cultural authenticity seals, are essential steps. Trade agreements like the EVFTA should be leveraged more effectively through targeted support programs that connect local artisans with European buyers. Government investment in vocational training, heritage preservation, and cultural branding would further consolidate Hue's image as a creative hub. In addition, building international partnerships with cultural institutions, NGOs, and design schools could provide technical expertise, expand distribution channels, and raise recognition of Hue's handicrafts as part of a global cultural economy.

At the **enterprise level**, firms must recognize that product distinctiveness alone is insufficient for sustained competitiveness. Differentiation strategies should be

complemented with strong marketing capabilities, particularly in the areas of digital engagement, storytelling, and brand management. Artisans and export companies should adopt narrative-driven branding that communicates not only the functional quality but also the symbolic and cultural depth of their products. Collaborations with international designers, influencers, or cultural ambassadors can bridge cultural gaps and appeal to European consumer segments that value authenticity and sustainability. Furthermore, investing in e-commerce platforms, digital marketplaces, and social media channels will allow enterprises to reach niche cultural communities across Europe at relatively low cost, thus diversifying export channels beyond traditional intermediaries.

From an **integrated perspective**, factor-based comparative advantages such as skilled labor and indigenous materials remain vital foundations, but their contribution to export success depends on how effectively they are combined with marketing competencies and institutional support. The study, therefore, underscores the need for a holistic approach in which policymakers create an enabling environment while enterprises leverage their cultural heritage through innovation and branding. This synergy between external institutions and internal resources is the most promising pathway to transform Hue's handicrafts from localized cultural symbols into globally competitive creative products.

6. Conclusion

This study has investigated the determinants of Hue's handicraft export performance to Europe by integrating the Resource-Based View and Contingency Theory into a unified analytical framework. Drawing on survey data from 445 artisans, exporters, and marketers, the findings confirm that differentiation strategies, marketing capabilities, institutional factors, and factor-based comparative advantages all play significant roles in shaping export outcomes, with institutional factors exerting the strongest influence. The model demonstrates robust explanatory and predictive power, accounting for 63.5% of the variance in export performance, thereby offering empirical evidence on the interplay between internal resources and external conditions in the context of cultural product internationalization.

Theoretically, the research contributes to export marketing and cultural industry studies by bridging internal firm-level capabilities with external institutional environments, moving beyond a narrow resource-based explanation to emphasize the contextual embeddedness of export performance. It advances understanding of how authenticity, cultural symbolism, and heritage-based differentiation strategies can be effectively mobilized in competitive international markets when supported by strong institutions and complementary marketing competencies. This integrated approach enriches the literature on cultural product internationalization, particularly in emerging economies where structural barriers remain salient.

Practically, the study provides clear directions for policymakers, industry associations, and craft enterprises. For governments, the results underscore the

importance of certification systems, streamlined export procedures, and heritage preservation policies that enhance product legitimacy and market access. For enterprises, the findings highlight the necessity of combining differentiation with effective branding, storytelling, and digital engagement to connect with European consumers who increasingly prioritize authenticity, sustainability, and ethical production. By linking heritage with innovation, Hue's handicrafts can position themselves not merely as cultural souvenirs but as globally relevant creative products.

Looking forward, future research could extend these findings by exploring mediating and moderating mechanisms, such as the role of firm size, export experience, or digital transformation, in shaping performance outcomes. Comparative studies across regions in Vietnam or with other cultural industries may also provide valuable insights into the generalizability of the model. Ultimately, this research affirms that the sustainable competitiveness of Hue's handicrafts lies in the synergy between institutional alignment and firm-level innovation, offering both theoretical and practical pathways to strengthen Vietnam's cultural economy in the global market.

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Conflict of Interest Statement

The authors declare no conflicts of interest.

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