INTERNATIONAL MARKET ENTRY STRATEGIES

Training material

Part 1

INCONEXT PROJECT

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INTRODUCTION

Global business operations are increasingly becoming one of the cornerstones of successful enterprises. The Training Needs Analysis Report outcomes proof us with the importance and necessity of knowledge of different market entry skills. Whether the enterprise is experienced in the international business or not, two of the most critical questions involved in the decision to go international are:

- Which of the international markets should the enterprise enter?

- What mode of entry should the involvement in the selected market take?

Decisions as to the form of market entry logically follow the decisions to the most appropriate market entry. This decision involves understanding each of the various modes available and conditions under which one mode might be more suitable than the other. The internationalization consultants should be aware that when a client organization has made a decision to enter foreign markets, there are a variety of options open to it. These options vary with cost, risk and the degree of control which can be exercised over them. Entry strategy, based on competitive advantage of enterprise, should determine the marketing mix. The simplest form of market access is exporting using either a direct or indirect method such as an agent, in the case of the former, or counter-trade, in the case of the latter. More complex forms include truly global operations which may involve joint ventures, and ultimately, wholly owned foreign subsidiaries. This course is intended to teach the participants the essentials on strategies of international market entry necessary for successful internationalization, providing them with the theoretical background on the international market entry strategies, as well as their practical applications.

Day 1	Time	Day 2	Time
Introduction	0,5	Wrap of day 1	0,5
Importance of business intelligence in SME internationalization	1	Alternate modes of entry	2
Break		Break	
How decide which market to enter	2	Case Studies	1
Lunch break		Conclusion and Q&A	0,5

Market entry strategies and marketing mix	2		
Break			
Direct export entry modes	1		
Indirect export entry modes	1		
Conclusion and Q&A	0,5		
Time total	8		4

IMPORTANCE OF BUSINESS INTELLIGENCE

Strategic business intelligence

Business Intelligence (BI) can impact a business directly and help to improve its ability to achieve its mission through smarter decisions at each business level. Designing a company successfully can be challenging because it is not easy to get right information in right time, to evaluate it and to make right business solution based on this evaluation. This is why it is necessary to come up with an effective business intelligence strategy. A good strategy allows stakeholders to make better decisions because is driven by the business objectives. Once a strategy is in place, the business is in a better position to achieve its goals. An effective strategy is supposed to align business intelligence, enterprise objectives, business strategy, and investments.

Business intelligence essentially means any type of data, information, facts and knowledge that's part of a business operation. These can be sales figures, payroll data, demographic information, product and development information and any other information that a business can use. Different political, economic, social information is absolutely necessary for any company global operations.

Operational business intelligence

Operational business intelligence is a bit more specific. This refers to the information a business uses in daily operations. Without efficient sharing of operational business intelligence, a company is going to suffer breakdowns from small to large, be unable to properly grow and could even be flirting with massive disaster. A small issue, for example, can escalate into something very large very quickly if there's not good sharing of business intelligence. Without correct intelligence a company will create strategies and plans, and make decisions, that could be bad for the company. Good information allows good business decisions to be made, and it allows them to be made faster. To have good BI, it's necessary to have good intelligence and information processing within the structure of the business.

A company that has better intelligence processing has an edge over a company that doesn't efficiently manage its information. This means that business transactions need to be processed as fast as possible so that the changes can be reflected wherever they need to be.

Business information is typically information that's gathered over time, collated and carefully analyzed. This can allow managers to spot potential problems soon after they develop, rather than days after a small problem might have escalated into a huge one.

One of the best ways to understand the importance of operational business intelligence is to compare it to the stock market. When you watch a stock ticker, you're getting real time operational business intelligence. That allows you to make buy and sell decisions based on what's happening now. Imagine the devastation if that information was only collated and shared once a week, or even just at the end of every day. That's the kind of devastation that good operational business intelligence practices can save companies who use it well.

Marketing research – important part of data collecting

Lack of familiarity with the market environment in other countries makes it increasingly critical to collect information from these markets. Company can direct its activities more effectively by fulfilling requirements of the customers for that purpose. Marketing research refers to gathering, analyzing and presenting information related to a well-defined problem. It differs from a decision support system, which is information gathered and analyzed on a continual basis. The recognition that a situation requires action is the initiating factor in the decision-making process.

Internal and external data are needed for decision making process. Besides the split between internal and external data, the two sources of information are primary data and secondary data:

- Primary data – information collected first-hand, generated by original research tailor-made to answer specific research questions.
- Secondary data – that has already been collected for other purposes and thus is readily available.

The split of internal/external data with primary/secondary data let to place data in categories and answer related to the decision making process.

Table 1 Information for the major global marketing decisions

Global marketing decision phase	Information need
1. Deciding whether to internationalise or not	Assessment of global market opportunities for the company's products Commitment of the management to

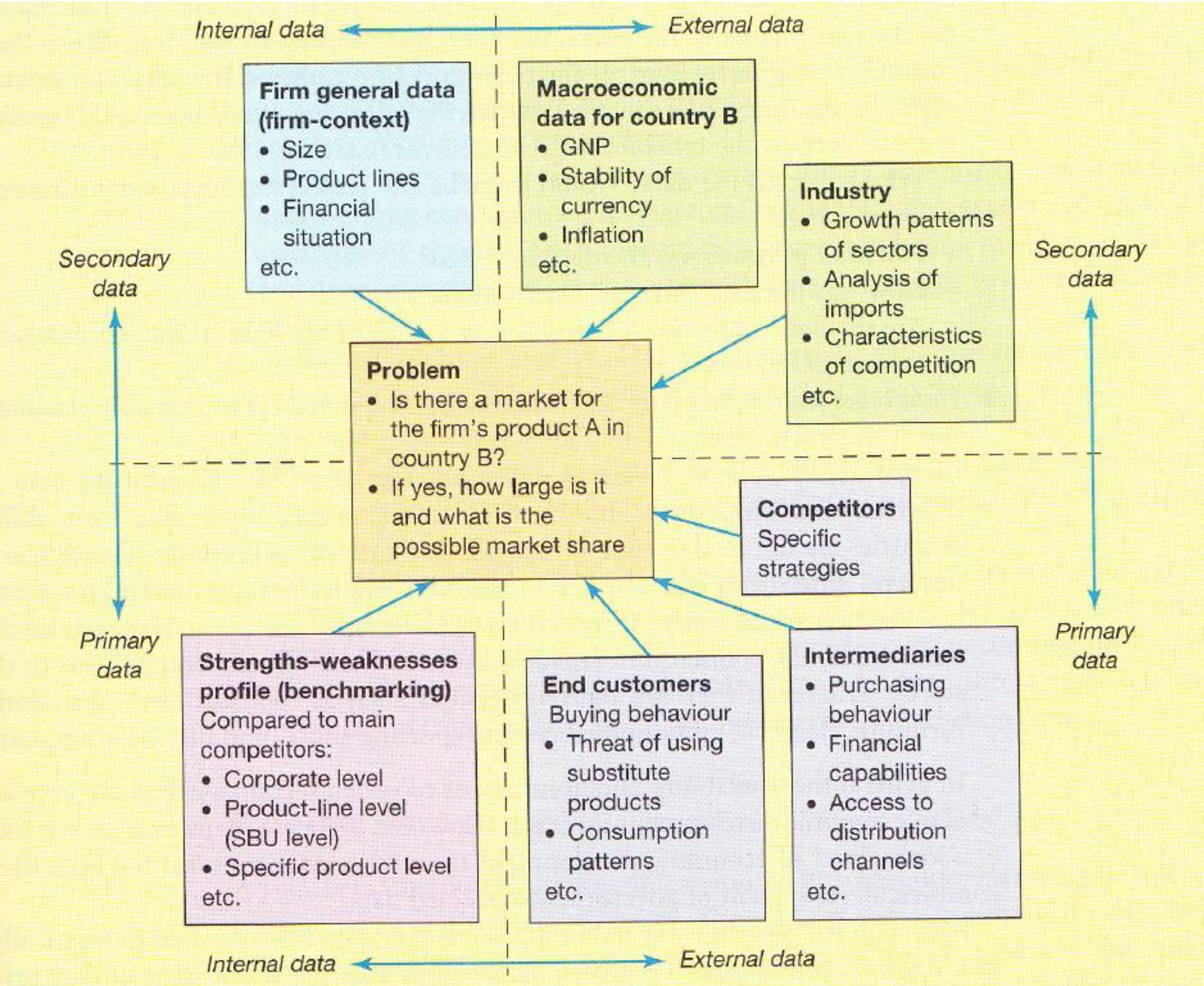
	internationalize Competitiveness of the company compared to local and international competitors Domestic versus international market opportunities
2. Deciding which markets to enter	Ranking of world markets according to market potential of countries Local competition Political risk Trade barriers Cultural/psychic “distance” to potential market
3. Deciding how to enter foreign markets	Nature of the product (standard versus complex product) Size of markets/segments Behaviour of potential intermediaries Behaviour of local competition Transport costs Government requirements
4. Deciding the global marketing program	Buyer behaviour Competitive practice Available distribution channels Media and promotion channels
5. Implementing and controlling the global marketing program	Negotiation styles in different cultures Sales by product line, sales force customer type and country Contribution margins Marketing expenses per market

Source: Hollensen S. (2007), p.156

HOW TO DECIDE WHICH MARKET TO ENTER

First of all market potential will be determined. The sources of data and factors of influence are presented in Figure 2.

Figure 2 Categorization of data for assessment of market potential in a country



Source: Hollensen S. (2007), p.156

Primary and secondary researches are common for this purpose. Secondary researches conducted from home are less expensive and less time consuming. Data is accessible in public sources – libraries, internet. The main disadvantage of this data is low reliability and availability (weak economies have poor statistics).

If marketers don't get answers from secondary research, the primary research can give the necessary data. Quantitative and qualitative techniques can be used. Priorities for the usage of these techniques can be stated after comparison features of them – Figure 3.

Figure 3 Quantitative versus qualitative research

Comparison dimension	Quantitative research (e.g. a postal questionnaire)	Qualitative research (e.g. a focus group interview or the case method)
Objective	To quantify the data and generalize the results from the sample to the population of interest	To gain an initial and qualitative understanding of the underlying reasons and motives
Type of research	Descriptive and/or casual	Exploratory
Flexibility in research design	Low (as a result of a standardized and structured questionnaire: one-way communication)	High (as a result of the personal interview, where the interviewer can change questions during the interview: two-way communication)
Sample size	Large	Small
Choice of respondents	Representative sample of the population	Persons with considerable knowledge of the problem (key informants)
Information per respondent	Low	High
Data analysis	Statistical summary	Subjective, interpretative
Ability to replicate with same result	High	Low
Interviewer requirements	No special skills required	Special skills required (an understanding of the interaction between interviewer and respondent)
Time consumption during the research	*Design phase*: high (formulation of questions must be correct) *Analysis phase*: low (the answers to the questions can be coded)	*Design phase*: low (no 'exact' questions are required before the interview) *Analysis phase*: high (as a result of many 'soft' data)

Source: Hollensen S. (2007), p.162

Research function provides information about potential of domestic and global market. The global marketing is more complex and more complicated because of the differences in culture, language barriers etc.

After determination of market potential comes time to investigate political/legal, economical and sociocultural environment.

The political/legal environment comprises three dimensions:

1. The home country environment (limitations for international companies entry and support for national business exporting with activities of industry and trade associations, chambers of commerce, etc.)
2. The host country environment – political changes could dramatically affect operations of company. Political risk depends on government action, but can be out of control of government (import restrictions, local-content laws, exchange controls, price controls, market control, price control, tax control, labour restrictions, change of government, nationalization).
3. The international environment. Relations between countries affect company's efforts to do business internationally.

The political risk analysis procedure contains three steps:

1. Assessing issues of relevance to company
2. Assessing potential political events
3. Addressing political risk through relationship building (government, employees, customers, community).

The economic environment is a major determinant of market potential and opportunity. The income and wealth of people determine purchasing power. Countries can be at different stage of economic development. Economic development can be evaluated by gross domestic product, purchasing power or relative ability of two countries' currencies to buy the same "basket" of goods in those countries.

The cultural environment – is important to understand customers' personal values and accepted norms of behavior, which are based on cultural environment. Hofstede developed a model that compares work related values and cultures with respect to consumption related values. It explains differences in consumer behavior and product usage.