

Market entry strategies

introduction

Potential determinants of the firm's choice of foreign markets

THE COMPANY

Degree of internationalization and overseas experience
Size/amount of resources
Type of industry/nature of business
Internationalization goals
Existing networks of relationships

THE ENVIRONMENT

International industry structure
Degree of the internationalization of the market
Host country:
- market potential
- Competition
- Psychic/geographic distance
- Market similarity

INTERNATIONAL MARKET SEGMENTATION

**INTERNATIONAL
MARKET
SELECTION**

Factors influencing choice of entry mode

- **TARGET MARKET**

- nature, size and geographical distribution of customers
- needs, requirements and preferences of customers (+ frequencies and amount of purchases)
- level of economic development of the market (availability of suitable marketing organizations)
- market access (competitive situation, infrastructure development, intermediary availability, political stability, legal barriers)
- governmental policies

- **PRODUCT**

- nature (unit value, weight and bulk, technical complexity, perishability...)
- use
- selling job requirement
- stage of development (PLC)

- **COMPANY RELATED FACTORS**

- marketing management capability and know-how
- international market know-how
- financial strength
- extent of control

Importance of entry decisions

- Price that final users or consumers will pay (margins, efficiency...) ?
- Product decisions (location of production base, fluctuation of production – production stability problems of inventory, security of employment...)?
- Speed and costs of international channel development (+ time)?
- Forecasting of structural changes in distribution?
- The offer and selection of suppliers?
- Organization of company?
- Strengths and weaknesses of every link in channel?
- Objectives, resources and policies + the control system to monitor the performance

Entry mode and involvement

1. High location attractiveness

High capacity

High risk

2. High location attractiveness

High capacity

Low risk

3. High location attractiveness

Low capacity

Low risk

4. High location attractiveness

Low capacity

High risk

5. Low location attractiveness

High capacity

High risk

6. Low location attractiveness

Low capacity

High risk

7. Low location attractiveness

Low capacity

Low risk

8. Low location attractiveness

High capacity

Low risk

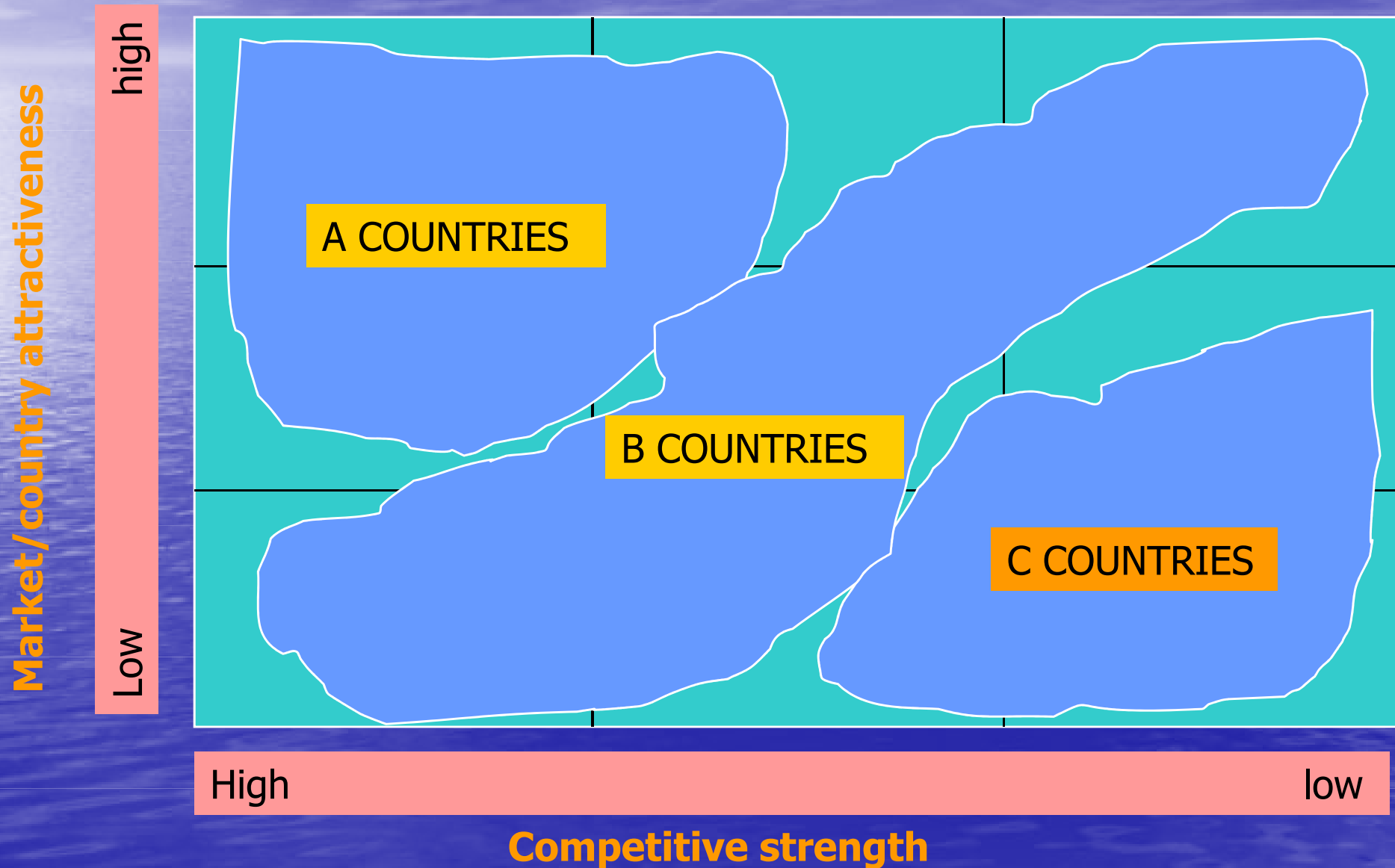
Indirect export – the least involvement

Equity investment – the most involvement

BERI Business Environment Risk Index

CRITERIA	WEIGHTS	RATING (scale 0-4)	INDEX
Political stability	3		
Economic growth	2,5		
Currency convertibility	2,5		
Labour cost/productivity	2		
Short-term credit	2		
Long-term loans/venture capital	2		
Attitude towards foreign investor and profits	1,5		
Nationalization	1,5		
Monetary inflation	1,5		
Balance of payments	1,5		
Enforceability of contracts	1,5		
Bureaucratic delays	1		
Communications:phone, fax, internet	1		
Local management and partner	1		
Professional services and contractors	0,5		
Total	25		x 4 (max) max. 100

BCG growth-share matrix (applied to international marketing)



Dimensions of BCG matrix

MARKET/COUNTRY ATTRACTIVENESS

Market size (total and segments)
Market growth (total and segments)
Buying power of customers
Market seasons and fluctuations
Average industry margin
Comp. conditions
Market prohibitive conditions
Government regulations
Infrastructure
Economic and political stability
Psychic distance

Points: very poor 1 – very good 5

X weight factor (% from 100)

COMPETITIVE STRENGTH (relative)

Market share
Marketing ability and capacity
(country-specific know-how)
Product fits to market demands
Price
Contribution margin
Image
Technology position
Product quality
Market support
Quality of distributors and service
Financial resources
Access to distribution channels

Managing the channel

- RELATIONS WITH INTERMEDIARIES:
 - Gravity policy (selling to the intermediary and „let it be“)
 - Push policy (promotion through the marketing channel – aggressive sale and promotion the product to other channel members at lower levels)
 - Pull policy (mass advertising of the company – end users demand the product from intermediaries)
- COMMUNICATION GAPS:
 - Cultural (values, social norms, attitudes)
 - Nationality (loyalty)
 - Environmental (knowledge and fitness – one country versus the foreign country)
 - Distance (geographic imperfections on existing communication media)

Channel feedback – effective information system

Alternative basic international channels

