CHAPTER 3: MODES OF ENTRY

Factors that will get affected when entering a new market

Entering a new market will have effects on:

- **Competitive objectives:** You can be creating new competitors, or not…
- **Competitive advantage:** If you have more diversifications you will be more immune to crisis.
- **External environment:** Pretty similar to the previous one.
- **Internal uncertainty:** I don't know what to say here.
- **Resource availability:** You win more, you are more capable.
- **Strategies:** Well we are seeing it in about a minute.

Factors that will make an entry successful

Most of them are rational.

- Acknowledge and uses the information about the **opportunities and threats of the new market.**
- Access **resources.**
- Access to the **markets.**
- Overcome **entry barriers.**

Decision making on where to enter

- **Segmentation & Targeting:** Process of identifying & categorize groups of customers and countries according to common characteristics.
- **Positioning:** Process of evaluating the segments and focus marketing efforts on a country, region or group of people that has significant potential to respond. **Intersegments.**
- **Target market strategy options:** These are the different strategies available.
  - ✓ **Standardize global marketing:** Undifferentiated target marketing.
  - ✓ **Concentrated global marketing:** Niche Strategy.
  - ✓ **Differentiated global marketing:** Multisegmented targeting.
- **Positioning:** Differentiate the product or brand in the minds of target customers.

Porter Generic Strategic

This strategy is bases depending on the competitive advantage and target market. It is divided in:

- **Low-Cost Strategy:** Like Ryanair does.
- **Differentiation:** Like Emirates does.
- **Niche Strategy:** Private jets.

Kotler Generic Strategies.

This strategy depends on the behavior of the company in the market, accepted and recognized by its competitors.

It is divided between **(Leader, challenger, follower and specialist).**

1. Modes of entry: Exporting

Exporting is the methodology that consists on the transfer of goods from the **home country to the host one**. It can be:

1.1. Direct Exporting

It is when the action is controlled and build from the company exporting. It can be

External Network

- **Agents, representatives, or International sellers:** Really recommended when entering the market progressively.
  - ✓ **Foreign purchasing agents:** They handle all export packing and shipping, they look for products that could sell to the customer overseas.
  - ✓ **Export broker:** Receives a fee for bringing together the seller and the overseas buyer, but no responsibility or risk is taken by him. Useful for B2B specially.
  - ✓ **Export merchants or jobbers:** Marketing activities done by him, fills necessities of its country with solutions to those needs in foreign countries.
  - ✓ **Export management company:** Independent marketing intermediary that does this for non-competing companies, all at the same time. Works with manufacturers.
- **Distributors:** Same that what you do in your country but done in that country. They work with manufacturers and have their own commercial structure.

Own Network

- **Commercial offices:** When you create an establishment to sell your product.
- **Commercial subsidiaries:** When you create an establishment which you do not own but control through subsidies.

1.2. Indirect Exporting

When the act of exporting is done by another intermediary. It can be done:

- **Export management company:** More knowledge of the market and risk shared. However, the margins are smaller.
- **Intermediaries:** Same than the previous one but there is less control.

Advantages & Disadvantages of Exporting

Advantages

- **Speed of entry:** Which is much faster as much more demand can be introduced since the beginning.
- **Investment required:** Much less because there is a support from intermediaries.

Disadvantages

- **Control:** A lot of control is lost from the company that exports.
- **Relation between Risk and Profits:** Sometimes is not worth it.

Joke

- What country's capital is growing the fastest? - **Ireland, Every day it's Dublin**

2. Modes of entry: Contractual Agreements

2.1. Licensing and Franchising

The company allows someone else to use its brand, image, reputation and business model in another country, having to follow some rules and paying the original company. They trade:

- **Commercial secrets:** Like how the McDonalds' burgers are made.
- **Patents, trademarks:** Allowing them to use their knowledge.
- **Manufacturing process:** Allowing the other company to produce the product they do.

The advantage and disadvantages are the same one than the ones explained at exporting.

3. Modes of entry: Direct Investment

3.1. Strategic Alliances: Joint Ventures

We all kind of know this, it happens when two companies get an agreement where they unify themselves creating a third company which. In that new company management teams and marketing projects are shared.

Advantages & Disadvantages of Exporting

Advantages

- **Resources, markets or knowledge access:** It is much easy to do it.
- **Sharing investment risk:** It talks by itself.
- **Quick entry:** Thanks to the newly created company.

Disadvantages

- **Slow decision-making:** Because the are two companies making the decisions.
- **Less control:** As it is shared by two companies.
- **Conflict of interest between both companies:** Which is a big deal.
- **Creating a possible future competitor:** If it grows too much.

4. Modes of entry: Direct Investment

4.1. Direct Investment

This happens when a company creates a new company itself and operates it fully, a new brand.

Advantages & Disadvantages of Exporting

Advantages

- **Total control:** More than 50% of the shares
- **Quick decision-making:** Obviously only one party is making decisions.
- **Higher profits:** Due to all margins going for only one party.

Disadvantages

- **High risk:** It sucks, more money must be invested.
- **Requires many resources:** Which is obvious.

Summary

The fucking 4P's

1. Product Strategy

A **product** is anything that is offered to a market for attention, acquisition, use or consumption that might satisfy a need or want.

Levels of a product

- **Core benefits:** Core functions
- **Actual product:** Brand name, quality, features…
- **Augmented:** Service, guarantee, financing…
- **Potential:** If there is any.

Like the Kotler Strategies, a product can be **local, international** or **global.** We can identify this through lots of elements of differentiation like the brand name, logo, package (governments)…

Important decisions to make with the product: Standardization vs Adaptation.

Standardization

This means to introduce the product in a new market but without changes. Companies try this one

Advantages

- **Cost savings, production capacity and flexibility**
- **Planning and control**
- **Type of product**
- **Global competitors** and **Customer mobility**
- **Standardization as a strategy:** You already have one.

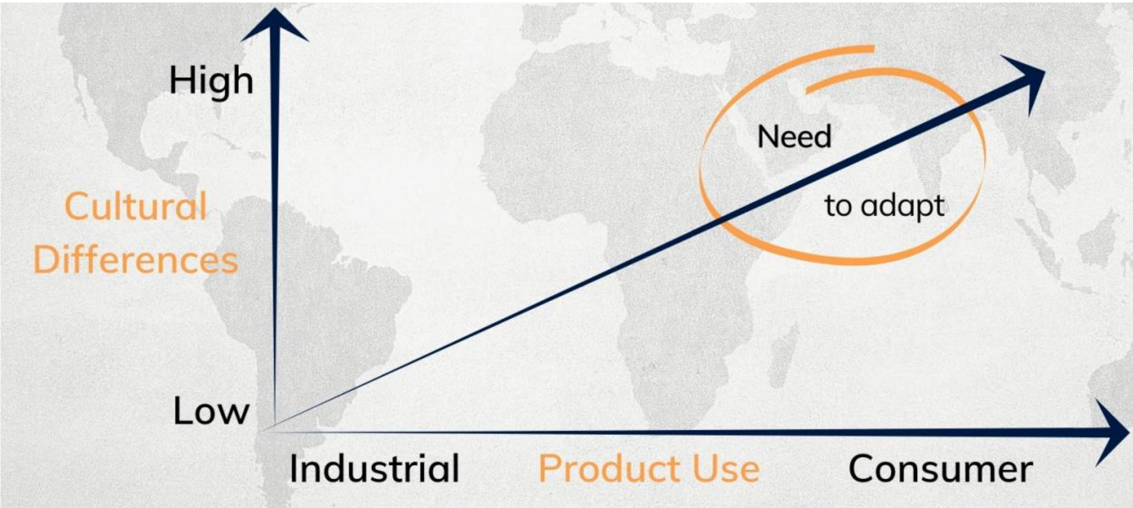
Adaptation

Basically, you introduce the product but with differences. It can be **compulsory adaptation** (Torres entering China) or **discretional adaptation** (McDonalds in India). This strategy is more decentralized.

Advantages

Totally the opposite of the previous standardization.

Correlation between these two strategies.



2. Price Strategy

It is the only variable of the 4 that gives some revenue to the company. It affects the **perception**, **promotional budgets, demand, competitors, distribution system** and even **legal.**

It is also affected by external factors like the government, inflation, competitive behavior…

Criteria to decide the price

The criteria depend on everything that adds a cost in the way to the customer **(distributors, objectives, trade regulations)**, the **competitors**, **customer perception** and the **product life cycle**.

Market-skimming and market-penetration pricing

While the first one tries to see and test which is the reaction of the consumer towards the product of the company, the second one is to stablish in the market already.

3. Distribution channels

This are the ones which link the product to the customers. The company is usually the one which adapts to them. Depends on the development of the country but we can find:

- **Hypermarkets, shopping centers, mega-retailers, internet...**

Joke

- When does a joke becomes a dad joke?
- When it becomes apparent.

4. Marketing Communication Mix

Specific mix of Marketing tools that the company uses to persuasively communicate customers value and build customer relationships. **Ex.:** Promotions, Personal selling, advertising…

However internationally the **planning** and **conditions for each market** make it more difficult to advertise. There is much more intermediaries and problems to make a clear message, for example, language, even the **cultural differences** affect on the non-language communication and others.

Also, there are **legal restrictions** on the advertising, being some typical ones: tobacco, children, comparative advertising…

Standard or Adaptation

We need to take into account.

- External environment
- Advertising objectives
- Target
- Characteristics of the product
- Media availability
- Cost-profit relationship

Resume

International Communication, needs to adapt

Not to Adapt

- Advertising
- Public Relations
- Personal selling
- Direct Marketing

Adapt

- Sales promotion
- Merchandising

Jokes

- Which is the richest fish in the world
- A goldfish

https://youtu.be/GL7Mo_B3O74 - Wild'n out