MKT744 (63822) - Global Marketing and Sales Development

The Derlon (DL) International Market Expansion Strategy

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Introduction

DL (Derlon) is a family-owned SME tractor company manufacturing and selling mid-range tractors for the dairy market. The company currently operates solely in Ireland and the UK, has 50 employees and total turnover of £10 million. The tractors are sold at mid-range prices from independent retail outlets, with a small team of in-house sales managers dealing with the retailers. In order to drive their growth, the owners of DL have identified international expansion as a strategic move. The reason why Norway was chosen as a viable option is because it could accommodate to the company's profit seeking, market seeking and resource seeking objectives. Expanding into Norway is an opportunity to exploit a wealthy and stable economy with a well-developed dairy industry. DL's product offerings align with Norway's interest in sustainable agriculture, and its location in Northern Europe within Norway, near main markets, enhances the supply chain transition between production and consumption. This report seeks to analyze the potential synergetic terrain of Derlon's expansion to Norway with an in depth look into economic, cultural, political, and market factors and as a strategic recommendation for market entry.

Country Analysis – Norway

State of Economy and Economic System

Norway has a mixed economic system based on free markets, with strong government intervention in certain sectors. As one of the wealthiest nations in the world, it has a high total GDP of $593.73 billion as of 2023 (Figure 1), indicating its economic stability, which supports the high purchasing power of the country (Statista, 2024). Sustainability and innovation are some of the things that the country puts first and that is embedded in its agricultural policies which make the setting for the dairy industry to grow. Thanks to a considerable investment in modernization and sustainable practices, Norway's agriculture heavily relies on its technologically advanced dairy sector. In 2022, Norway's agricultural sector amounted to 1.66% of the country's GDP, dairy production being the main output (Statista, 2023).

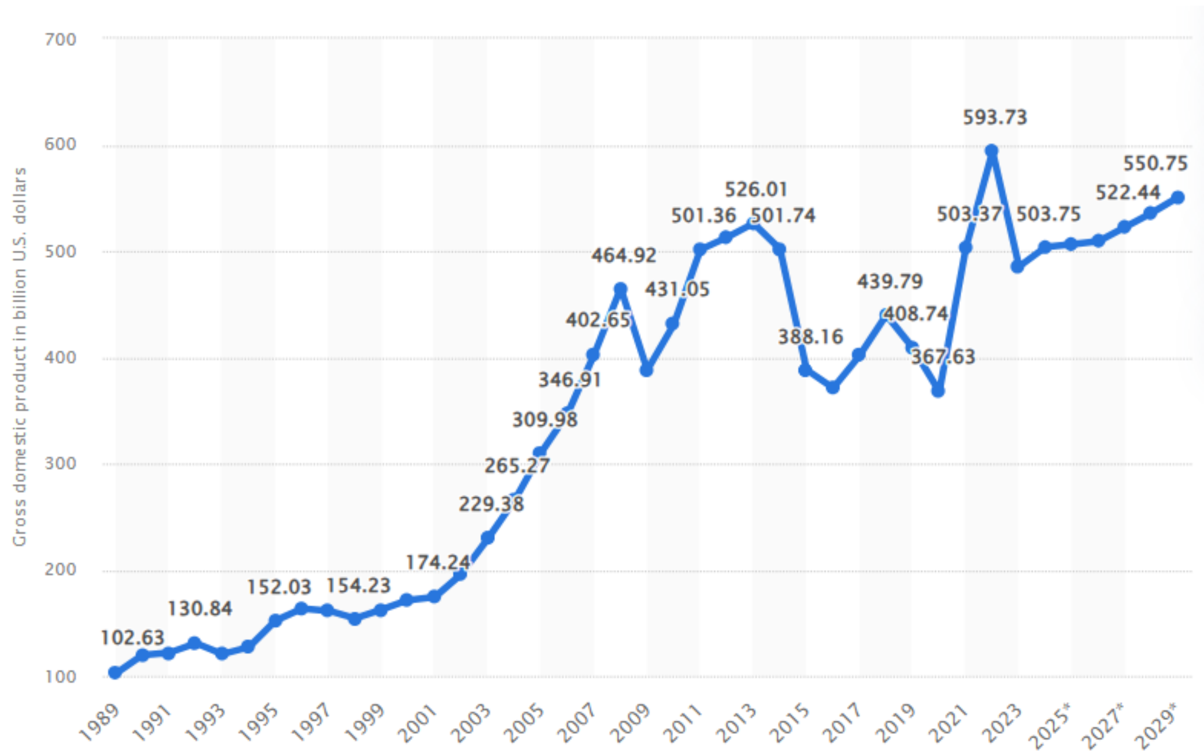

Figure 1: Norway GDP

Derlon can capitalize on this steady, well-funded market and with its mid-range tractors, it can address Norway's need for efficient environmentally machinery. However, there are challenges, such as high labour costs ($5,900 average monthly wage) and local competition from well-established Norwegian agricultural equipment suppliers. In 2022, Norway's agricultural imports amounted to $11.67 billion, which suggests a dependence on foreign machinery, an opportunity for DL (Statista, 2022). Challenges such as these will be overcome only with data backed insights and strategic pricing in this competitive yet lucrative market.

Cultural Assessment

Using Hofstede's Cultural Dimensions, Norway demonstrates distinct cultural traits that present both opportunities and challenges for DL's market entry.

Table 1: Hofstede's Cultural Dimensions

Hofstede's Cultural Dimension	Norway	Implications for DL
Individualism vs. Collectivism	High (Individualism)	Emphasizes personal initiative and independence. Offers opportunities for DL to collaborate with Norwegian stakeholders.
Power Distance	Low (Egalitarianism)	Prefers egalitarian structures and open communication. DL must adapt management style to ensure inclusivity and mutual respect when working with local partners or employees.
Uncertainty Avoidance	High (Structured processes)	Prefers clear rules, structured processes, and detailed planning. DL must provide clear product specifications and demonstrate reliability to build trust.
Long-Term vs. Short-Term Orientation	High (Long-Term Orientation)	Focuses on long-term goals, sustainability, and future growth. DL's emphasis on eco-friendly and durable tractor solutions aligns with this cultural trait, enhancing market positioning.

Individualism is highly valued in Norway where people are free to act independently and personally. This cultural trait is consistent with a willingness to innovate and partner with DL, supporting opportunities for co-development of solutions along with Norwegian stakeholders, or adopting customer-centric strategies (Nordström, 2021). The low power distance in Norway is a matter of egalitarianism and non-hierarchical structures rather than hierarchy. This encourages open communication and collaborative work environment, but it may require DL to adapt its management style when working with Norwegian partners or managing Norwegian employees. Inclusivity and mutual respect will be paramount. Uncertainty avoidance in Norway revealed a strong desire for structured processes and detailed planning. To secure trust, DL must be able to provide clear product specifications and show reliability. Norway's long-term proposes also a focus on sustainability and on future growth, corroborating its prospects as a promoter of eco-friendly and durable tractor solutions (Țimbalari, 2021). The effective navigation of these cultural traits can, in turn, serve to enhance DL's competitive positioning in the Norwegian market.

Political Risk and Government Intervention

Politically, Norway is stable and consistently rates well on global governance indices. Its clear legal framework and minimal levels of corruption favour foreign business operations. Norway is a member of the European Free Trade Association (EFTA), which means that Norway's trade regulations are aligned with EU regulations and simplify market entry for a company like Derlon (Alsaleh & Abdul-Rahim, 2021). There are opportunities for streamlined operations if DL's tractors meet EU compliance requirements. Despite these opportunities, challenges remain. Norway allows imports but requires import duties in particular cases, such as agricultural machinery, which results in an increased cost of doing business for DL (Saether et al., 2021). The government also offers subsidies and incentives to local manufacturers, which may put foreign entrants at a competitive disadvantage.

DL sees the Norwegian government's strong commitment to sustainability and green technology as a great opportunity. For DL, the incentive policies that promote eco-friendly practice such as reduced taxation of sustainable products will ignite its ability to endorse its tractors as durable and eco-friendly. Navigating through Norway's high corporate tax rate of 22% will, however, require good financial planning (Kattel et al., 2021). DL will need to position itself as a valuable partner in advancing Norway's sustainability agenda and overcoming trade barriers, while exploiting opportunities for government support for green initiatives to succeed in Norway. Moreover, DL can mitigate risks by building strategic alliances with local distributors in a country with strict environmental regulations.

Assessment and Justification of Entry Modes

Analysis of Different Entry Modes

Direct Exporting

Direct exporting involves selling products directly to Norwegian distributors or outlets without a physical presence in that country. For DL, this entry mode is particularly appealing because it minimizes initial capital investment by using its existing production capacity in Ireland and in the UK (Bhat et al., 2024). As it is relatively low risk, direct exporting allows DL to operate and test the Norwegian market while remaining flexible. DL can benefit from market share built by partnering up with established distributors or retailers in Norway by taking advantage of their local expertise and networks.

Nevertheless, this mode is not without its own challenges. Without intermediaries for marketing, distribution, and customer engagement, DL would become heavily reliant on internal resources. This dependence may restrict the company's ability to handle its brand perception, pricing strategies and customer relationships. Furthermore, language and cultural differences could cause miscommunication with Norwegian partners and slow down the operations (Liang & Lin, 2022). Moreover, high import duties on agricultural machinery in Norway could lead to a price increase for DL's tractors that harms competitiveness. However, owing to the low risk and low cost structure of direct exporting, it is an attractive first strategy for DL, provided the company selects reliable distribution partners and invests in local marketing to engage with Norwegian dairy farmers.

Strategic Alliances or Joint Ventures

For DL, there are several advantages of entering the Norwegian market via a strategic alliance or joint venture (JV) relationship with a local company. By partnering with an existing Norwegian agricultural equipment manufacturer or distributor, DL would benefit from market knowledge, access to existing customer networks, and understanding of local regulations (Tjemkes et al., 2023). Such collaborations are useful for DL in optimizing its product and marketing approaches to better fit the needs of the Norwegian dairy farmers. In particular, joint ventures are a way for DL and a local partner invest together, cutting DL's financial burden while sharing risks.

However, like any other mode of entry, this one also comes with its own challenges. To establish a joint venture (JV), there is a high degree of coordination, shared decision making, and compromise needed. This can lead to conflicts in organizational culture, business priorities, or operational approach. This will also result in the distribution of profits to the local partner which may dilute DL's near term financial return. Regulatory approval processes for joint ventures can also take time, potentially delaying market entry (Emami et al. (2022)). Despite these obstacles, a strategic alliance or joint venture (JV) is ideal for a DL company that places a premium on long term growth and market penetration. The company can effectively counter cultural and regulatory barriers with the partner that has complementary strengths, and build a strong local presence in Norway.

Establishing a Subsidiary

The largest entry mode for DL is to establish a wholly owned subsidiary in Norway. DL can gain complete control over its operations, branding, pricing and customer engagement by setting up a local office, manufacturing facility, or assembly plant. This entry mode is ideal for companies looking to develop a strong and sustainable footprint in a foreign market (Lupton et al., 2021). In Norway, a subsidiary would facilitate DL's alignment with the country's focus on sustainability through incorporation of green technology in production locally. This mode also allows DL to create direct linkages with customers, create brand loyalty and respond promptly to market needs.

While the benefit side exists, forming a subsidiary is no easy task. The problem with this mode is that it comes with a substantial upfront investment in infrastructure, staffing and regulatory compliance. The high labor costs and stringent environmental regulations in Norway might raise operating expenses and undermine profit margins. Furthermore, returns on investments might be delayed if you need to set up a subsidiary and acquire a customer base before seeing returns (Cuervo-Cazurra & Li, 2021). Norwegian tax laws and corporate governance structures are the second complexity to be navigated by DL. This entry mode is appropriate when the company has long term growth and market leadership aims and strong financial resources and a clear commitment to the target market. Establishing a subsidiary in the future for DL may be a viable approach but may not be the most feasible first approach to market entry to Norway.

The Most Suitable Mode

A joint venture (JV) is identified as the most suitable entry mode for DL to enter the Norwegian market based on the analysis of Norway. The Norwegian dairy industry, with a technologically advanced dairy industry and a robust, stable economy, offers very promising opportunities for DL's mid-range tractors. A joint venture allows DL to join forces with a local Norwegian company such as distributor or agricultural machinery manufacturer, for instance, combination of DL's technical expertise and innovation with the partner's understanding of the local situation (Anand et al, 2021). The partnership would allow DL to navigate better Norway's market complexities. For example, DL can establish itself as an eco-friendly company in the Norwegian market segment through local partner that can help solve DL's supply chain with green technologies as presented in Section B, for example, in collaborative ways. Furthermore, the high labor costs and a highly competitive market in Norway could be mitigated by the JV partner having established supply chains, workforce and operational infrastructure.

As per Hofstede's cultural dimensions, Norway's low power distance culture values collaboration and non-hierarchical relationships. This cultural context fits well with a JV, which is an alignment that catapults a partnership to a high level of shared goals and open communication. Additionally, Norway's political stability and its EFTA membership are good for international business. Import duties and subsidies for local manufacturers could also present challenges (Cuervo-Cazurra & Li, 2021). DL can overcome these barriers more efficiently by partnering with a local firm, to gain subsidies from governments and avoid some trade restrictions.

Country Attractiveness and Competitive Strengths Matrix

Factor	**Norway**	**India**	**Brazil**
Market Size	8	10	9
Economic Stability	9	5	5
Purchasing Power	10	7	6
Regulatory Environment	8	6	5
Cultural Compatibility	9	7	9
Technological Advancement	9	8	8
Ease of Doing Business	8	6	8
Sustainability Focus	10	5	7
Total Score	**71**	**54**	**57**

Due to Norway's strong competitive strengths, DL considers it the most attractive market for expansion. DL's mid-range, energy efficient tractors provide for the economic stability of the country as well as its high purchasing power and it all falls neatly in line with the sustainability we are focusing on. Its compatibility with DL's innovative product line (Kattel et al., 2021) is increased by Norway's technologically advanced agricultural sector and government support for green initiatives. The cultural similarities between Norway, Ireland and UK (low power distance, quality focus and openness to collaboration) make a business integration a good environment. India and Brazil have larger market size but weak purchasing power, challenging regulatory environment and relative lack of focus on sustainability, which together make them less suitable for DL products. However, unlike Norway, DL's competitive edge is based on its agricultural expertise and high ease of doing business, and as such, reinforces its strategic platform for DL to establish a solid foothold in Northern Europe.

The opportunity and challenge identified from the Norwegian market analysis are balanced by a JV. Leveraging local partner's market knowledge and resources, this reduces DL's risk of getting into a new market. DL is able to adapt its product, price, and marketing strategies according to Norway's economic conditions and cultural preferences, by taking this approach. Additionally, this aligns with Norway's emphasis on building business around sustainability and DL's ability to jointly develop such innovative solutions aligned with the needs of the Norwegian dairy farmer (Gasparini, 2023). While the initial investment for direct exporting may seem attractive, direct exporting would remove DL's control over branding and customer engagement in a crowded market such as in Norway. In contrast, establishing a subsidiary would entail high costs and operational risk, which would be unsuitable for the initial entry. A JV therefore offers the best balance of risk, cost and market penetration for DL's entry into Norway.

Marketing Strategy and Tactics

Product Strategy

DL needs to develop a product adaptation strategy which suits the environmental and regulatory conditions of the Norwegian market for it to successfully penetrate into the Norwegian market. The company should redesign its tractors to withstand the cold climate and rough terrain in Norway and match farming requirements (Saether et al., 2021). Norway's emphasis on eco-friendly practices and sustainability requires that these energy efficient technologies be integrated as such, including reduced fuel consumption and compatibility with renewable energy sources. By enhancing clean, low emission tractors with Norway's stringent environmental regulations and customer desire for sustainability, DL can offer tractors that are reliable and in the helm of future generation. Additionally, through the use of features like advanced telemetry systems for precision farming we will appeal to the technologically advanced dairy farmers of Norway, and maintain the willingness to innovate that DL is known for while remaining in alignment with local preferences.

Pricing Strategy

The existence of a relatively high purchasing power in Norway and high operational costs, suggests that a competitive pricing strategy should be adopted by DL. In addition, DL must also account for the premium of adapting its tractors to local conditions at a midrange price level. Pricing should support sustainable features so that Norwegian farmers can have an affordable but innovative option for the acquisition of this feature compared to luxury competitors (Svanidze et al., 2023). Norway high labor costs allow DL to use the supply chain of its joint venture partner to reduce production expense and keep costs low enough to remain competitive. Furthermore, the access to DL tractors on the basis of flexible financing such as installment plan and leasing will be available to small and medium sized dairy farms as well. This approach is also consistent with DL's entrance strategy by the market entry and the way Norway sets great emphasis on cost effective solutions.

Positioning Strategy

DL should position its tractors as a reliable, sustainable and cost-effective solutions that meets the needs of the Norwegian dairy industry. In this fiercely competitive market, the brand has had to retune its messaging, becoming focused on energy efficient designs and the ability to meet the specific Norwegian farming challenges. Differentiation can be achieved by highlighting the level of responsiveness to sustainability and innovation in DL; such as green technology and precision farming tools (Sennels, 2024). One key part in this positioning strategy is to sell DL tractors as a bridge between higher and lower priced competitors in the markets to allow the farmers in Norway to be offered high quality with high prices or high quality with low prices. DL can position itself as the de facto choice for the Norwegian dairy sector by focusing on customer-centric values such as longevity, efficiency and flexibility.

Promotional Strategy

For DL promotional strategy to reach Norwegian farmers effectively, it will require integrated communication. DL will attend trade shows and agricultural industry events like the Agritech Nordic conference to showcase that DL's tractors can be used in the 'agricultural' sector. For example, digital channels can be utilized as additional support for Norwegian farmers, e.g. through targeted social media campaigns on platforms such as Facebook and Instagram where success stories, demonstrations of the product are shared and testimonials are presented (Lillestrøm et al., 2024). Collaborations with regional agricultural unions or cooperatives to increase credibility and increase partners' exposure to the dairy farming community will be another part of the partners' expansion. Similarly, pricing strategy can be used to pave the way for branding such as introductory discount or training session to the first time buyers to seek attention and build trust in the DL brand. DL can use traditional and digital marketing strategies working to increase its presences in Norway while boosting the sales.

Conclusion

DL's expansion into Norway is driven by the country's focus on sustainability, the economic stability, and dominant dairy industry. In Norway, there are a lot of opportunities including a highly developed technologically advanced agricultural sector and higher purchasing power. However, Norway has a number of issues, including high labor costs, local competition, and closest regulatory requirements. Joint venture mode of entry provides a meaningful way to address these challenges by utilizing local market knowledge and resource as well as sharing the risks and benefits with a Norwegian partner. A phased approach should be taken by DL to ensure a successful market entry. For starters, exporting tractors will test the market and develop presence. Eventually, with time, strategic alliances or joint ventures with local distributors or agricultural cooperatives will help DL to improve its market position, deepen integration. As reflective of its mission to deliver sustainable growth in an innovative and reliable manner, this roadmap is consistent with DL's goals.

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