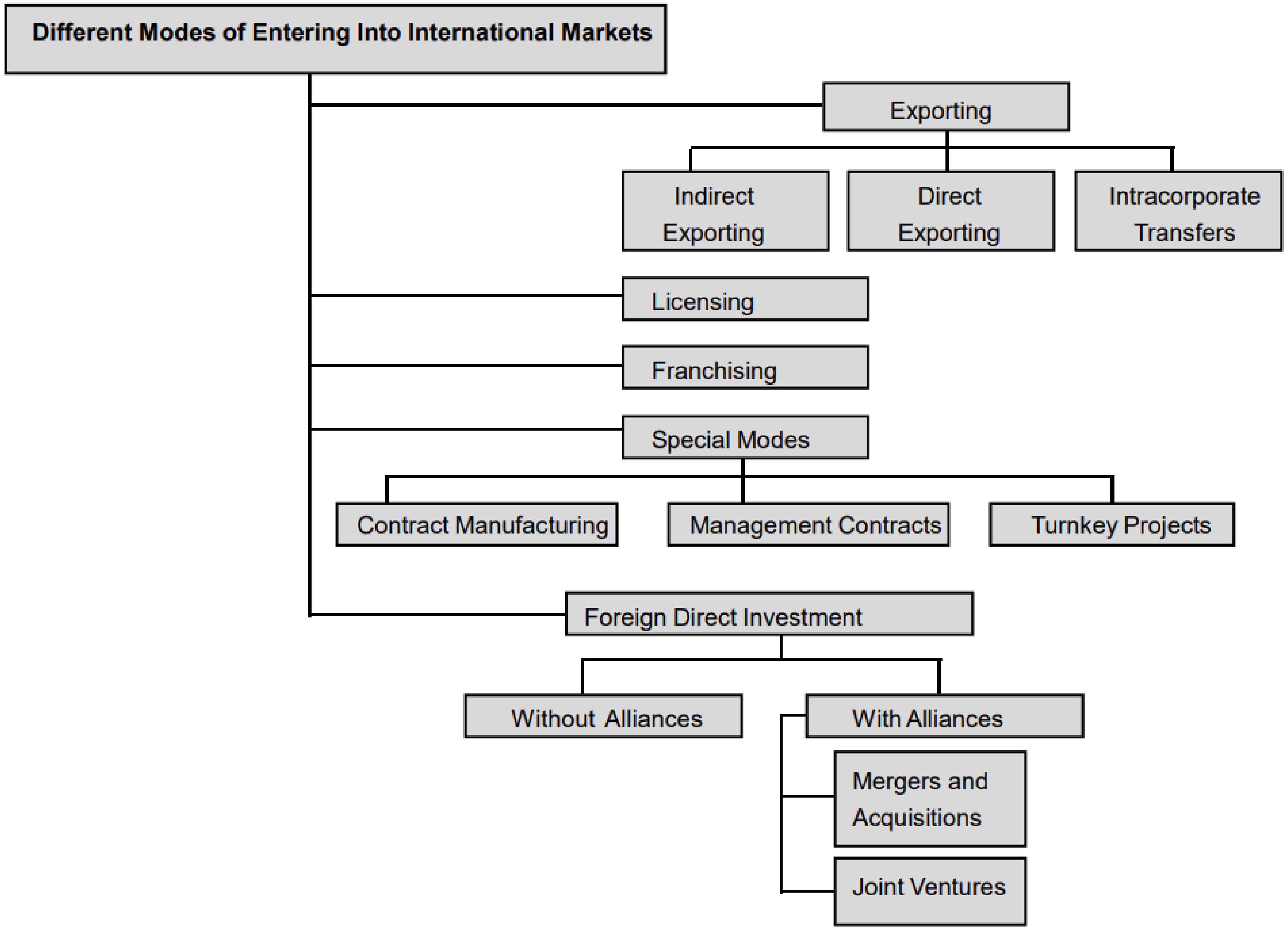
UNIT - II

Market Entry Strategies



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EXPORTING

- Exporting is the easiest and most widely used mode of entering in international markets, as well as the lowest risk.
- Exporting includes indirect exporting, direct exporting and intra-corporate transfers.

I) ***Indirect Exporting:***

Indirect exporting is exporting the products either in their original form or in the modified form to a foreign country through another domestic company.

It is the market entry technique which offers lowest risk & least market control.

The firm is not engaged in international marketing and no special activity is carried on within the firm. The sale is handled just like domestic sales.

For example – various publishers in India like Himalaya Publishing House sell their products to UBS publishers of India, which in turn exports these books to various foreign countries.

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(2) Direct Exporting:

Direct exporting is selling the products to a country directly through its distribution arrangement or through a host country's company.

3) Intra-corporate Transfers

Intra corporate transfers means selling of product; by a company to its affiliated company in host country (another country).

For example selling of products by Hindustan Lever in India to Unilever in USA This transaction is treated as exports in India and imports in USA.

Some of the factors to be considered by a company while exporting are as follows:

– Government policies like export policies, import policies, export financing, foreign exchange.

– Marketing factors like image, distribution networks, responsiveness to the customer, customer awareness and customer preferences

– Location consideration: These factors include physical distribution costs, warehousing costs, transportation costs, inventory carrying costs etc.

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Statement 9: Exports of Top 10 Major Commodity Groups in April 2021-August 2022				
	Value of Export (Million US$)		Share (%)	Growth (%)
Major Commodity Group	**Apr'22-August'22**	**Apr'21-August'21**	**Apr'21-August'22**	**Apr'22-August'23 over Apr'21-August'22**
Engineering goods	46592.85	45101.04	24.19	3.31
Petroleum products	40295.06	23386.97	20.92	72.30
Gems and Jewellery	16804.10	16064.07	8.73	4.61
Organic and Inorganic chemicals	13341.10	11531.76	6.93	15.69
Drugs and Pharmaceuticals	10523.44	9943.39	5.46	5.83
Electronic goods	8287.75	5358.81	4.30	54.66
RMG of all Textiles	7104.51	6032.76	3.69	17.77
Cotton Yarn/Fabs./Madeups, Handloom products etc.	4991.03	5984.47	2.59	-16.60
Rice	4685.51	3848.56	2.43	21.75
Plastic and Linoleum	3898.52	4159.35	2.02	-6.27
Total of 10 Major Commodity Groups	**156523.87**	**131411.18**	**81.27**	**-16.0**
Rest	36064.45	33024.92	18.73	-8.4
Total Exports	**192588.32**	**164436.1**	**100**	**17.12**

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LICENSING

- Licensing is the method of foreign operation whereby a firm in one country agrees to permit a company in another country to *use the manufacturing, processing, trademark, know-how or some other skill provided by the licensor.*
- Coca Cola is an excellent example of licensing.
- A company may choose this method if it has a product that's in demand and the company to which it plans to license the product has a large market.
- In return the licensee produces the licensor's products, market these products in his assigned territory and pay the licensor loyalties related to the sales volume of the products.
- International licensing is an agreement between the licensor and the licensee over a period of time for the use of brand name, marketing knowhow, copyright, work method, and trade mark by paying a licence fee

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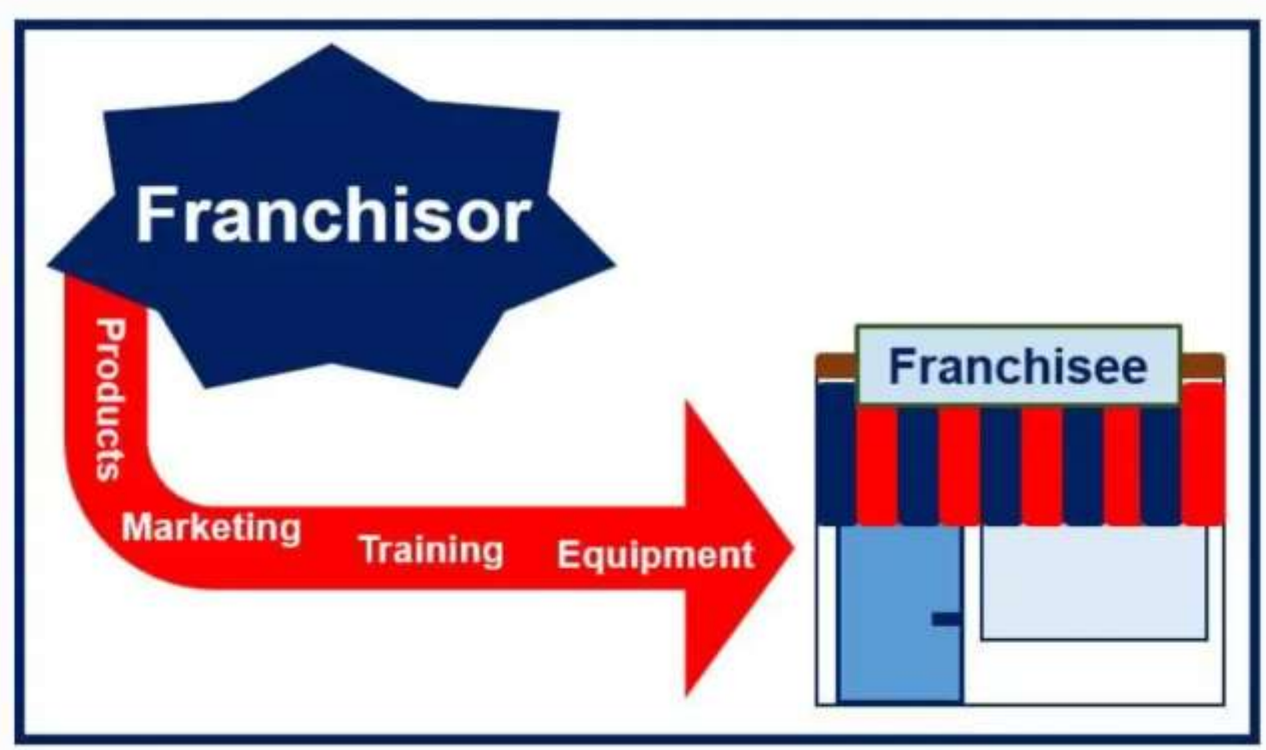
Franchising

- **Franchising** is an arrangement in which the franchisor gives the franchisee the right to distribute and sell the franchisor's goods or services and use its business name and business model for a specified period, and possibly covering a geographical area.
- The franchisor grants the independent operator the right to distribute its products, techniques, and trademarks for a percentage of gross monthly sales and a royalty fee.



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Special modes – Management Contracts

- A management contract is an arrangement under which operational control of an enterprise is vested by contract in a separate enterprise which performs the necessary managerial functions in return for a fee.
- Management contracts involve not just selling a method of doing things (as with franchising or licensing) but involves actually doing them.
- A management contract can involve a wide range of functions, such as technical operation of a production facility, management of personnel, accounting, marketing services and training.
- Management contracts have been used to a wide extent in the airline industry, and when foreign government action restricts other entry methods.
- Management contracts are often formed where there is a lack of local skills to run a project.
- It is an alternative to foreign direct investment as it does not involve as high risk and can yield higher returns for the company

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Turn – key projects

- Turnkey project is one of the most special modes of carrying out international business.
- The turnkey project means, a contractor or a firm agrees to fully design, construct and equip a manufacturing unit, business, service facility and turn the project over to the client when it is ready for operation for remuneration.
- The term turn-key project describes a project in which the supplier or provider is responsible to the client for the entire result of the project and presents it to the client completely finished and ready to use.
- In fact, the client should be able to "just turn the key."

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Contract Manufacturing

- Contract manufacturing is when a contract manufacturer enters an agreement with another company to make certain components or products over a specified period of time.
- Recognized as a form of outsourcing, a contract manufacturer may enter a business agreement with a company to produce parts, components, or whole products for the company to their specifications.
- In other words, production of goods by one company under the brand name of other company is called contract manufacturing.
- This is outsourcing on a manufacturing level.

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FOREIGN DIRECT INVESTMENT WITHOUT ALLIANCES

- In this arrangement, the internationl firm makes a direct investment in a production unit in a foreign market. It requires greatest commitment since there is 100% ownership. It is also called the ***Greenfield investment.***
- The parent company starts a new venture in a foreign country by constructing new operational facilities from the ground up.
- In addition to building new facilities, most parent companies also create new long-term jobs in the foreign country by hiring new employees.
- It is often complex and potentially costly, but it is able to provide full control to the firm

FOREIGN DIRECT INVESTMENT WITH STRATEGIC ALLIANCES

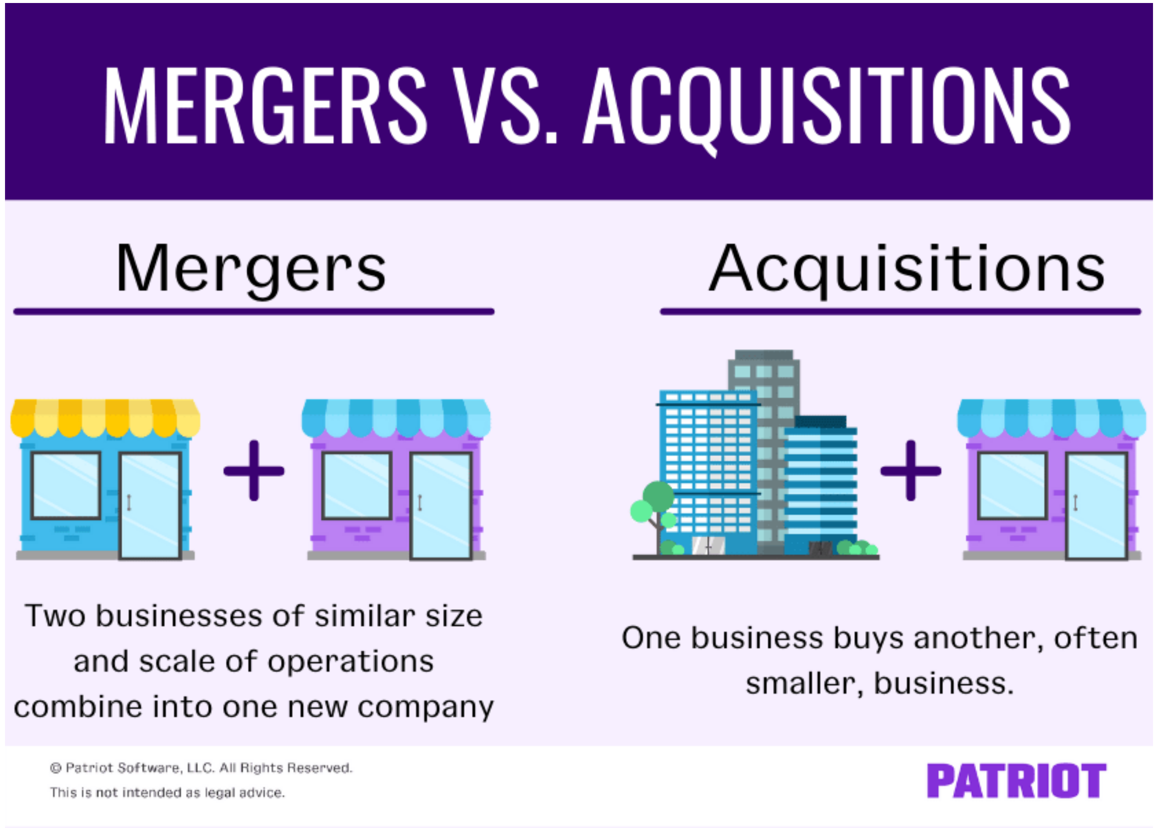
- Strategic alliances are a co-operative approach to achieve the larger goals.

Mergers and Acquisitions:

In an acquisition, one company purchases another outright.

A merger is the combination of two firms, which subsequently form a new legal entity under the banner of one corporate name.

Companies seek mergers to gain access to a larger market and customer base, reduce competition, and achieve economies of scale.



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TYPES OF MERGERS & ACQUISITIONS

HORIZONTAL

Companies with similar products or services come together with the main goal to **expand their offering or markets.**

VERTICAL

Companies in the same industry join their force to **improve logistics, consolidate staff, or reduce time to market their offerings.**

CONGLOMERATE

Companies in different industries join their forces with a goal to **broaden their range of services and products.**

CONCENTRIC

Companies share customer bases but provide **different services** and do have a mutual relationship.

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vistara
A TATA SIA JV
एअर इंडिया
AIR INDIA
Tata Group to merge its airlines-
Vistara and Air India by March 2024


TATA
AIR INDIA

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adani
NDTV


INOX
LIVE the MOVIE
PVR
CINEMAS


zomato
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ACC cement
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Ambuja Cement

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Joint Venture

- When two or more persons come together to form a partnership for the purpose of carrying out a project, this is called a joint venture .
- They exercise control over the enterprise and consequently share revenues, expenses and assets.
- In this scenario, both parties are equally invested in the project in terms of money, time and effort to build on the original concept.
- A joint venture requires less commitment since the companies continue to exist as independent entities.

- Tata Starbucks

Tata Starbucks Private Limited, formerly known as Tata Starbucks Limited, is a 50:50 joint venture company, owned by Tata Consumer Products and Starbucks Corporation, that owns and manages Starbucks outlets in India. The outlets are branded Starbucks "A Tata Alliance". India.

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International Marketing Research

- An International Marketing Research Process is the systematic gathering, recording, and analyzing data to provide information useful to marketing decision-making.
- General information about the country, area, and/or market is necessary to forecast future marketing. These requirements are done by anticipating social, economic, consumer, and industry trends within specific markets or countries.

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Scope of Marketing Research

- Product Research
- Pricing Research
- Distribution Research
- Promotion Research
- Consumer Research
- Marketing Environment Research
- Market trend Research

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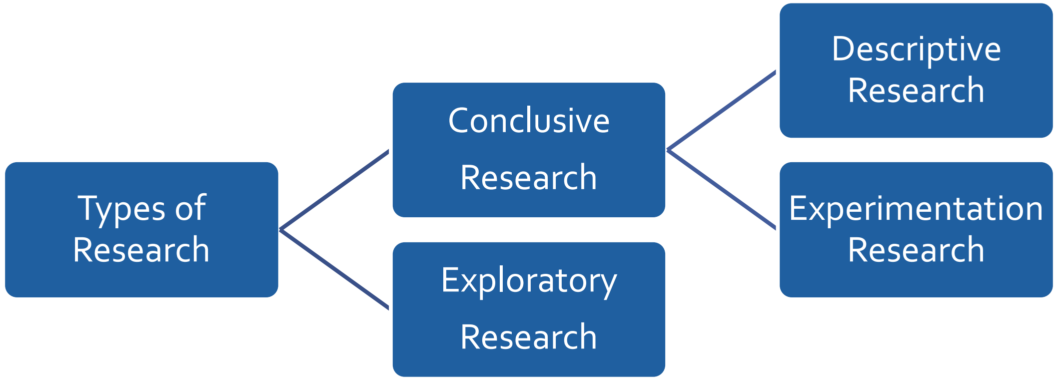
Types of Research



Exploratory Research:

- Investigative in nature.
- Deals with discovering the general nature of the problem and the variables that relate to it.
- Eg: To find out why the sales of a product is poor
- Exploratory research may lead to conclusive research.

Conclusive Research:

Meant to provide information that is useful in reaching conclusions or decision-making.

Descriptive research is focused on the accurate description of the variables in the problem model. Consumer profile studies, market-potential studies, product-usage studies, attitude surveys.

Experimental research is a method of gathering information and data on a subject through observation in controlled settings. Eg: consumer reaction to a new product may be tested in a simulated market situation

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Phases of a Research

1. Definition of the problem
2. Situational analysis
3. Informal Investigations
4. Research Design
5. Collection of data
6. Processing, analysis and interpretation
7. Presentation of interpretation findings

1. Definition of the problem:

- Objective or purpose of the study should be clearly specified.
- This is necessary to give a clear direction in research and avoid confusion.

2. Situational Analysis:

- Important when research is carried out by an outside agency.
- Meant to familiarise the researcher with the company and its environment
- May also enable the formulation of hypothesis (tentative supposition that will be tested by the research)

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3. Informal Investigation:

- Extension of situational analysis
- The researcher gathers more information from external sources such as competitors, advertising agencies, customers, etc.

4. Research Design:

- Specification of methods and procedures for acquiring the information needed.
- Framework that specifies the type of information required, sources of the information and the methods or techniques of data collection.

Sources of information:

1. ***Primary source*** – First – hand data
2. ***Secondary source*** – already gathered by somebody else and available to others for use. Eg: Books, journals, newspapers, etc.

5. Collection of data:

Methods of collection of primary data:

- Observational Research – observing the behaviour of people in a given situation.
- Survey Research – Collection of information directly from the consumers
  - ✓ Questionnaire
  - ✓ Interview schedule

It is necessary to pre-test the questionnaire before the data collection starts.

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Sampling

Methods of Sampling

Non-Probability Sampling

- ✓Convenience Sampling
- ✓Judgement sampling

Probability Sampling

- Simple Random Sampling
- Stratified Sampling
- Systematic Sampling
- Snowball Sampling

- When the population size is very large, it might be an expensive and time-consuming process to collect information from all.
- A sample is a representative unit of the entire population.

Characteristics:

- Representative of population
- Adequate size to ensure reasonable accuracy of information

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6. Processing, Analysis and Interpretation of data:

- The raw data have to be processed and presented in an appropriate form like tables to make them easily understand the analysis.
- Analysis should be followed by interpretations which includes expressing the findings in more meaningful terms.
- The data collection is of no significant use unless they are properly analysed and interpreted.

7. Presentation of research findings:

- Should be presented in an appropriate form like a report.
- Findings should be presented in a form and language that will be easily understood by the people who use them.

Market Selection Process

Market Selection is the process of identifying the market that best suits the objectives and capabilities of the firm.

- Determine International marketing objectives
- Determine parameters for market selection
- Preliminary Screening
- Detailed investigation and short-listing
- Evaluation and Selection

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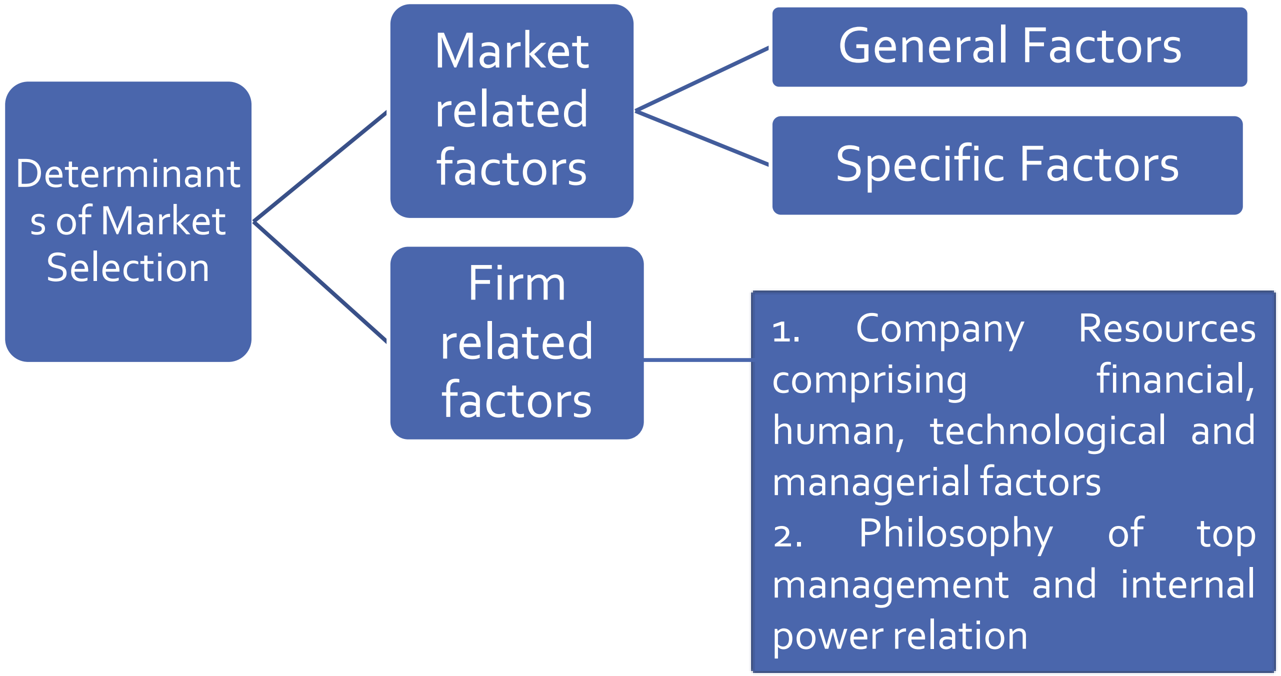
Determinants of Market Selection



General Factors:

- Economic Factors – GDP, PCI, BOP
- Economic Policy – Monetary and Fiscal policy, etc.
- Business Regulations – Licensing, Restrictions on takeovers and mergers, etc.
- Currency stability
- Political factors – nature and behavior of ruling and opposition party, political stability, etc.
- Infrastructure

Specific Factors:

Specific factors are factors specific to an industry or products:

- Nature of competition
- Trends in domestic production and consumption
- Government policy and regulations pertaining to the industry
- Infrastructure relevant to the industry
- Supply conditions of raw materials and inputs

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Evaluation Matrix

- Used for ranking markets with reference to their attractiveness for the company.
- The countries to be evaluated may be listed on the horizontal axis and the factors on the vertical axis.

TABLE 14.1 Evaluation Matrix

Attributes	*Weighting factor*	*Country A*		*Country B*		*Country C*	
		RS	*WS*	*RS*	*WS*	*RS*	*WS*
General							
Political stability	10	10	100	7	70	10	100
Economic stability	8	10	80	7	56	8	64
Currency strength and stability	8	9	72	7	56	8	64
Government policy	8	8	64	8	64	8	64
Infrastructural facilities	8	9	72	6	48	7	56
Ability to serve as marketing hub	10	8	80	5	50	6	60
Tax incentives	5	7	35	6	30	7	35
Ethnic factors	4	7	28	4	16	7	28
Bureaucracy and procedure	7	8	56	6	42	6	42
Sum of weighted scores			587		432		513
Specific							
Competition	8	4	32	7	56	8	64
Demand	10	10	100	6	60	8	80
Labour costs	7	7	49	8	56	7	49
Labour productivity	7	6	42	6	42	8	56
Infrastructure	8	8	64	6	48	8	64
Govt. policy and regulation	8	9	72	7	56	8	64
Incentives	5	6	30	5	25	6	30
Sum of weighed scores			389		343		407
Grand Total			976		775		920
Ranking countries			1		3		2

RS = Raw Score WS = Weighted Score (weighting factors × RS)

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Market Coverage Strategies

- **Market coverage** is the evaluation of the marketplace and determination of how much of it you should cover with your promotional strategy of a product or business. Companies have to take into account factors like the economy, culture, buyer behavior, etc.

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1. Undifferentiated Marketing

Adopting an undifferentiated marketing strategy, a company does not consider market segment differences and approaches the whole market with one offer.

The offer concentrates on what is common in the needs of consumers, ignoring what is different. The company develops a product and a marketing program that appeal to the majority of the buyers.

It depends on mass distribution and mass advertising.

Undifferentiated marketing provides the benefits of cost economies.

Advertising costs are also low because of the undifferentiated advertising program.

Bottled water, Wheat, Rice, basically anything mass produced and mass-consumed.

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2. Differentiated Marketing

- Adopting a differentiated marketing strategy, a company targets several market segments and approaches each segment with separate offers.
- By using a differentiated marketing strategy, a company expects to derive certain benefits.
- It expects that product and marketing variations will fetch higher sales and secure a stronger position within each market segment.
- The company thinks that a stronger position in several segments will reinforce consumers' overall identification with the product category.
- It also expects that differentiated marketing will enhance loyal purchasing because its offer is more compatible with the segment's needs.
- Differentiated marketing leads to increasing costs.
- Product modification to meet the needs of different market segments calls for additional research and development, engineering, or special tooling costs resulting in an overall increase in costs.

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3. Concentrated Marketing

- The focus of the concentrated marketing strategy is to focus only on a certain section of the market.
- Businesses and companies first try to identify their target market, and then they launch their marketing efforts on the identified section.
- The purpose of a concentrated marketing strategy is to capture a major portion of the market share of the small market section.
- A concentrated marketing strategy is very beneficial for small businesses with limited capital and resources.
- It means one marketing mix, or rather a narrow product line and some unique competence, which is the basis for the firm's competitive competitive advantage in a chosen segment.

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