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DEFINING A STRATEGY FOR ENTERING AT THE INTERNATIONAL MARKET[18]

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ABSTRACT

Today, in times of globalization, increasingly believes that for business success is needed greater presence in the world markets and global competitiveness. Different industries form strategies that suit for the business segment in which they operate. The decision for selection of foreign market is one of the most important, so each company must make that decision in order to establish a global strategy. Selecting the market in which the company wants to get up and running actually determines its work on a specific field and sets a model for its future development.

The specific features of individual countries, as well as strategies for entry and expansion in international markets have affect for entry of a particular market. The characteristics of each country, such as its size, growth rate, working conditions, existing infrastructure have affect at the willingness of the company's management to focus its resources towards particular market or country, and it affects at the choosing the method of the entry.

Therefore, in this paper is used method of analysis of the factors that influencing at the choice of how to enter at the international market and their influence on the dynamics of entry to the foreign market.

Keywords: market, internationalization, strategy

INTRODUCTION

There is a close link between the decision to choose the country with decision on how to operate a separate company on the international market,

[18] Review article

i.e., the decision on whether to be exported, to enter with licensing agreements or franchise agreements, the decision on joint venture or to form own company and so on.

The market entry strategy is crucial for success for every international business. The popularity of each market entry strategy varies from one particular market to another. Whichever choice decide to make as an international business manager needs to be tempered by un understanding of the effect of choice will have on other elements of the business (Neil Coade, ″ Managing International Business″, pp.31).

General, the decision to choose the market and decision how to enter at the market, are two separate decisions, which depend on the specific characteristics of individual countries, and the expansion of the international market, hence it influence at the choice of the method to enter at the international market.

The characteristics of each country influence at the decisions of managers to focus their resources in a particular country or market, and at the choice of method to entry into a particular country. For example, small markets are often better served by export or sale of licenses. The manager can define the limited resources that will guide in countries with high risk or market with poor infrastructure by using the license agreement or joint venture with a local partner. But if the manager wants the company to quickly enter at the multiple markets, then the resources and time needed to build custom segments, that can be limiting factor, which will bring the company in a situation quickly to choice licensing or joint venture.

Also, characteristics of the product, demand, trade barriers, and the goals and manager′s tasks have influence at the decisions to entry.

FACTORS THAT INFLUENCE TO CHOOSE HOW TO ENTER AT THE INTERNATIONAL MARKET

Internationalization is a basic criteria for the delineation and grouping of different ways for entry and operation of foreign markets. (Rakita Branko: ″Medzunarodni marketing″, pp. 155).

The company must to choose an entry strategy to achieve its international expansion goals. Choosing the right strategy saves money and time, provides strategic advantages and lessens the risks associated with international operations. (**James P. Neelankavil**, **Anoop Rai**, ″Basics of International Business″, pp.146)

Figure 1 shows the factors that influencing at the determination of the way of entering in a market.

CHARACTERISTICS OF THE COUNTRY

International expansion is accomplished by exporting products, participating in licensing arrangements, forming strategic alliances, making acquisitions and establishing new wholly owned subsidiaries. (Michael Hitt, R. Duane Ireland, Robert Hoskisson, ″Strategic Management: Concepts and Cases″, pp. 245).

THE SIZE AND GROWTH OF THE MARKET

The key parameters for determining how to enter at the particular market are size of the country and the rate of market growth.

When the country is greater and its market growth rate is bigger, the management with greater pleasure will direct resources of the company to the development of that market, with options for forming own affiliation, or sales places in the selected market i.e. acquiring more participate in joint companies (Susan P. Douglas & C. Samuel Craig: ″Globalna marketing Strategija″, pp. 155)

POLITICAL RISK AND RISK ENVIRONMENT

At the international marketing, political environment means all relevant international political factors that may affect at the international operations. It comes to factors in the environment that must be considered when making marketing decisions (international relations, etc.).

Political risks should be distinguished from market risks, because they arise from the uncertainty of the future costs, demand and competition, but the interdependence between political and market risks implies the need for assessment of all risks.

ECONOMIC AND MARKET INFRASTRUCTURE

Economic and market infrastructure is of great importance when making decisions on how to enter at the market. During the establishment of own manufacturing, distribution or retail facilities, the manager faces significant problems if the physical infrastructure (transport system, communications and supply of energy etc.) is poorly developed.

The existence of market institutions (for development and planning of new product, for standardization, storage, transport, etc.) and level of its development, directly affect at the successful implementation of marketing activities of the certain international markets.

TRADE BARRIERS AND REGULATIONS

The regulations that adopted in a country more or less limit the number of options for foreign competition in terms of the way for access to the market in the country which will be chosen.

DIRECT TRADE BARRIERS

The establishments of local manufacturing plants or factories for compose products are supported by the existence of barriers such as tariffs and import quotas. Practically most countries have preferential tariffs for imports of not compose components. This is done in order to encourage the establishment of factories to compose the imported products. Building the factories to product or connectivity products in certain countries is usually done to avoid these barriers. Therefore, companies have replaced exports with direct investment i.e. building plants or factories in different countries.

INDIRECT TRADE BARRIERS

Direct influences on decisions on how to enter at a particular market have and the positive regulations and standards relating to products and favoring local products. More specifically, favoring local suppliers forcing companies to enter into joint ventures or require different ways of teaming up with local companies. These forms of cooperation could offer support that local partner can to offer for the creation of local agreements in negotiating sales and establishment of channels of distribution, and thus the company to expand its image on the specific market. This support consists of regulations on product, trade and customs formalities.

PRODUCT FEATURES

The physical characteristics of the product are very important to determine the location of production. It is about features such weight / value, composition etc. Example, products with a low ratio between weight / value are applicable to direct export. When management wants to retain control of the production, forcing companies to enter into license agreements or investing in local production plants. All this is done to avoid high transportation costs.

TASKS MANAGER OF THE COMPANY

The companies that have limited potentials regarding internationalization are mostly oriented towards export or enter into license agreements. This mode of entry requires less financial resources and limited responsibility for management. In this case, the full responsibility of the international markets is transferred to another company.

Companies that have an aggressive approach in the international market more quickly opted for the establishment of export segments or joint ventures. This way provides a high level of production management and marketing in foreign markets.

STRATEGY TO CHOOSE THE COUNTRY

By using franchise tools or taking the existing companies, can be achieve rapid entry of a particular company in a particular country to utilizing the advantages of the targeted market. The aim of this strategy is to exploit the opportunities that have existing production plants and the distribution network. If the company has opted for controlled strategy to entry at the international market, initially management will exported, but gradually shifting towards to formation of local sales and finally, establish production abroad.

If the company does not have enough funds for building new plants, then it can focus the funds on research and development or technological advancement, but not in the marketing.

Licenses and joint ventures can be most acceptable ways to enter a certain foreign market.

Staging and pacing refer to the timing and speed, or pace, of strategic moves. Staging choices typically reflect available resources, including cash, human capital, and knowledge. Staging decisions should be driven by several factors—resources, urgency, credibility, and the need for early win. Because few firms have the resources to do everything they'd like to do immediately, they usually have to match opportunities with available resources. In addition, not all opportunities to enter new arenas are permanent; some have only brief windows. In such cases, early wins and the credibility of certain key stakeholders may be necessary to implement a strategy. (Mason A. Carpenter , Sanjyot P. Dunung, ″Challenges and Opportunities in International Business″, pp.542)

THE CHOICE OF THE MARKETS IN THE NEW MILLENNIUM

In the new millennium is likely that as the newly established international companies and the existing, for the selection of international markets will increasingly influence by strategic objectives, such as establishing a competitive position, transferring risk and rating market investment against profitability. While choosing the international markets requires a good combination between the demands of future markets and the capabilities of the company, these markets are not necessarily limited to the geographical position and can be the result of cultural similarities. There may be a need for changes in traditional methods of selection of international markets to cater for the world "that value choice, information, collaboration, market convergence, business costs reduction and increase consumer value."The research also suggests that in the future, international market selection will be increasingly influenced by the desire to select the right partner and the need to transfer risk to other markets in order to even out one′s risk exposure between countries. It will also be influenced by the desire to capitalize on the potential of e-commerce in international markets and the need to gain insider status in emerging regional trading blocs. (Seán De Búrca, Richard Fletcher, Linden Brown, International Marketing: An SME Perspective pp. 235)

THE EMERGENCE OF THE INTERNET AND SELECTING A NEW MARKET

While the selection of markets before the existence of the Internet depended on the country, with the emergence of the Internet this is no case. This is because the e- marketing creates a cyber market based at the Internet access and interests and needs of consumers. The Internet quickly changes the meaning of national borders for the definition of market areas. The attraction of markets frequently assessed for easy Internet access, which is influenced by the infrastructure (PCs and telephone access) and the language.

Consumers without internet access will be limited to information from traditional sources and will have a limited Internet access usually is not available in the least developed of the developing countries. This factor makes them less attractive as a market for companies that use the Internet as a marketing tool. On the other side, consumers with Internet access in geographically isolated or distant markets may become associated with the global market structure. This will be of particular benefit to them. This will also affect at the choice of markets because the Internet allows direct channels of communication between exporters and importers and reduces the need for intermediaries such as international agents. In some cases, it is necessary mediation and traditional intermediaries are replaced with cyber intermediaries (eg. Internet search engines) who carry for the merger. range of products.

CONCLUSION AND FUTURE STUDY

Selection of international markets is one of the most difficult decisions. That's because to choice the wrong market can be costly in terms of profits, but also can result in disappointment with any future participation in international operations. The difference between novice and experienced companies is in the accumulated international experience. The form of market entry is another issue that deserves careful consideration, because some models require a greater commitment of resources, provide a greater level of control and have the potential for greater profitability. In choosing the way and form of entry into the market should be taken into account current business issues such as the information revolution of connecting networks, the operation of the company and transnational regional groupings.

The internationalization of business is a possible direction, i.e. growth and development strategy for company beyond national borders and based on respecting the modern trends in the development of global markets and technologies, and thus acceptance of the applicable standards and rules for international competitive behavior.

This paper analyzed the factors that influence on the determination of how to enter at the market or some country. However, the analysis can be deepened further if take the factors that influence on the dynamics of entry at the foreign market, and relating to the location of production, necessary resources, control of operations in the international market, the degree of flexibility associated with the way for market entry and so on. These factors can be used for further research for strategies for entering at the international market.

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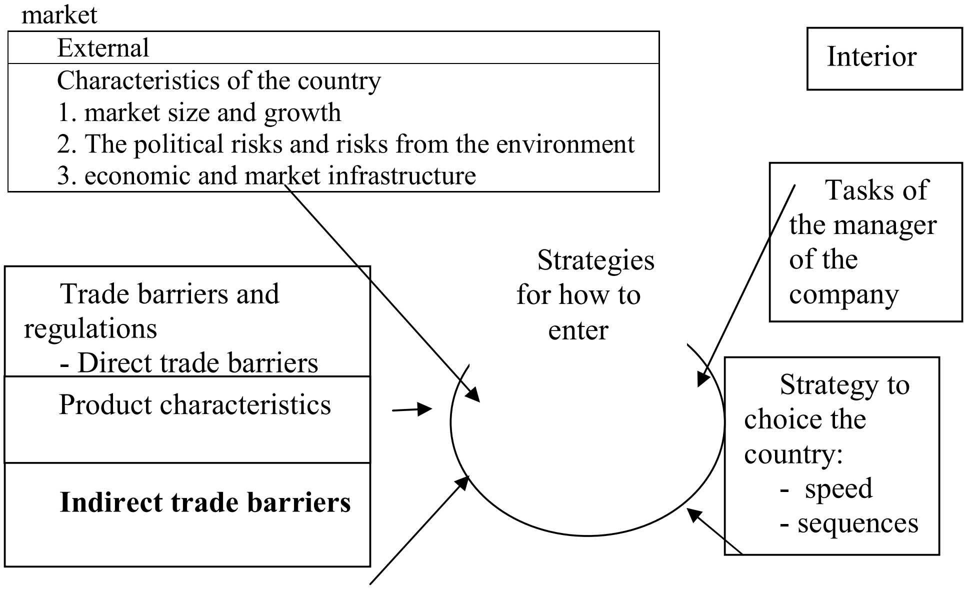
APPENDIX A

Figure 1: Factors that influence to choose how to enter at the international market



Source: Susan P. Douglas & C. Samuel Craig: ″Globalna marketing Strategija″, pp. 154