

# Comparative market entry mode selection behavior

[Finance](#), [Market](#)



Entering into market is a very difficult and risky move as far as capitalists are concerned, but through rigorous study on various factors that might affect the market entry of any individual is something like having precautionary measures for any possible losses on the part of the investor.

For this study, we shall be considering three companies that has different field of product line. Company Tomato is a logistic company and with one-stop supply chain solutions and exports tomatoes as well as importing furniture. The second company would be the Company Cloths engaged in exporting timber and importing clothes from China. The last one is the Company Knife. It is the one that is engaged in retail business for kitchenware.

According to the article written by Koch, there are three categories of factors that affect the market/ market entry mode selection process, they are the [1] internal, [2] external and [3] mixed or internal/external factors (Koch, 2001). Each one of these factors constitutes to more specific elements that affects the market entry.

#### Internal factors

Based from the description of the companies given in this study, one of the internal factors that exist is the Stage of Internalization. It concerns with the competitive advantage of the business as compared to other companies in the market. It is rational to think that, if a business has a competitive advantage, say, in producing cellular phones, then, it would be easy for the company to enter any market. Being competitive means a lot of benefits not only for the business but also for the consumers in the market since they will

now start to enjoy better quality products as well as to enjoy the lower prices of the goods as compared to the other producer of cellular phones.

With regards to the given situation for this study, every company in the case has its own competitive advantage on their own field. Company Tomato has an advantage on the market of China since the company has a “co-operate agent” that will be responsible for the transportation of the merchandise as compared to those companies who does not have any distribution channel in the Chinese market. Currently, there are a lot of import and export companies that has strong relationship with various distribution agents that will increase the mobility of the merchandises just like of the Company Tomato. Company Tomato is currently engaged into exporting. The main product of Company Tomato is the tomato pastes and in order to pack the cans of tomato pastes, the company needs furniture that would serves as containers of the tomato pastes in cans. Furniture coming from abroad is only one of the inputs in the production of Company Tomato.

As for the Company Clothes, they advantage over the other clothing company is that they have a very tight relationship with the local and overseas freight forwarders. This means that the delivery of their merchandise would not be a problem at all and at the same time having connection with the important agents in the market. But with regards to the market entry mode selection, Company Clothes has only a small amount of market shares as compared to its competitors. This would somehow give the owner of the business to think twice of entering the market. Company Clothes are engage in joint venture since the company both import and

export company. I believe that the company is originally an exporter one, but because of its connections on various freight forwarders locally and internationally, there is a foreign company who wants to make partnership with the Company Clothes to use its connections to freight forwarders. This would give Company Clothes additional revenue since the market of the foreign company that make partnership with them will also now be the market of Company Clothes as compared to Company Kitchen who has limited market and Company Tomato who has only the market it will go to export.

The face to face conversation and experience of the manager of the store manger of Company Kitchenware give them leads of the tastes and preferences of their consumers, this is the reason why if there is a big demand, the company is always able to meet it and supply the needed amount of their goods in the market. Company Kitchenware is a licensed type of business since the owners are just providing world class products to their customers. Meaning, they were allowed by those kitchenware producers to sell their product together with the other company's product.

#### External Factors

One of the external factors would be the Country Market Potential. This external element focuses on the size and ability of the market to purchase the merchandise of the company. Even if there is a large market available if most of the people living there has lower income for consumption, then, it would be useless or suicidal for a foreign company to enter into the market of the concerned country.

As for the given case for this study, the three given company has common market-China and East Asia. Chinese people are now currently receiving high per capita income. This means that the income allotted for consumption of the Chinese increased. It is a great opportunity for the foreign investor to enter the market of China to establish their businesses.

### Mixed Factors

Accessible resources are one of the many elements of mixed factors that were exhibit by the three companies being considered in this case. When we speak of resources, we are referring to various forms of alliances with the local companies or organizations for the foreign company to have easy mobilization in the market and have someone to guide them in the market until they can now be able to stand on their own.

This were not a problem for the three companies in the case because each one of them have their corresponding contact in the Chinese market or have a connection with other local companies. Like Company Tomato who has their own department in China that will be responsible for the transportation of the merchandise. Company Clothing on the other hand has already strong relationship with local overseas freight forwarders. This enables them to maximize in the long run the transportation and distribution network of tier products to China. Company Kitchenware has only 1 store that is why they no longer need to have any alliances with the other companies in the market.

### REFERENCES

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