Opportunities of market entry strategies

Finance, Market

Companies have a wide range of possibilities for market entry strategies; however, they need to choose the right one for each market, bearing in mind the particular circumstances (Johnston 1998: 101). When making marketing decisions, the service exporter should keep in mind some universal characteristics of services that set them apart from goods: intangibility, degree of inseparability, human intensiveness, propriety knowledge, perishability, and heterogeneity (Reif 1997: 19). Depending on the service, one particular quality may be more applicable than the others.

The combination of services' intangible characteristics, along with other qualities, expand both the possibilities and obstacles for international market entry strategies of service providers, and any market entry strategy must be accompanied by a clear understanding of what delineates the difference between a service and a goods export (Reif 1997: 20). There are several proven market entry methods and channels that a service exporter can utilize without the resource commitment necessary for foreign direct investment.

Every service provider must decide which method of market entry will provide the greatest chance of market penetration. According to Reif, a service firm's success will depend on four factors such as alliances with local companies, the ability to protect intellectual property, advertising, and marketing strategies and access to financial resources. Also, what marketing venue the firm decides to take will ultimately depend upon its internal capacity and creativity drive, and tenacity of its overseas partners.

Market entry methods consist of all the possible alternatives to developing a business presence in a foreign market. Three major market entry strategies available for the service provider are exporting, contractual agreements and foreign direct investment (Reif 1997: 21).

A business deciding to offer its product outside its domestic home market has various entry strategy options such as: exporting the product already produced for the home market; licensing the product idea or production supplies to a third party who operates across national boundaries or in overseas markets; franchising arrangements – such as McDonald’s outlets in many countries; joint venture between a domestic company and a foreign company or government, or strategic alliance to form partnerships across national boundaries; the use of trading companies, that provide links between buyers and sellers in different countries; or foreign direct investment – possibly including the acquisition of an established business – which is long term commitment to a non-domestic market and is resource-demanding (Dibbs 2004: 220).

The degree of commitment begins, as it were, with direct selling overseas (exporting), and ends with a complex business investment in foreign markets such as a production facility or international joint venture (Copper 1998: 322). According to Copper, firms will engage heavily in international business operations tend not to make distinction between home and overseas business, just like for example, Zeneca, the major UK pharmaceuticals producer, which makes this a plank of its mission statement.

Regardless of a firm’s market entry decision, the particular strategy that drives a services firm must correspond with the legal framework for business that exist in a targeted country, and the requirements concerning the scope of practice and legal structure of business should be carefully examined (Reif 1997: 21). Choice of market entry depends greatly on variable factors such as current regulatory policy and the extent of domestic competition.

Relationships are going to become increasingly international with inter-firm cooperation pning a multiplicity of cultures, languages, and outlooks, thus, the international marketing in the future will almost need more competencies incommunicationand relationship management than even in the immediate past.

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