

The business
environment is
changing faster
marketing essay



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INTRODUCTION

The business environment is changing faster than even before. Change in customers, technologies, competitors, collaborators, regulation, suppliers, and so on is the only constant in many industries. Managers have begun to recognize that streamlining their businesses is just the first step. To prosper and grow, they realised the importance of strategy. What is strategy? “Strategy is the direction and scope of an organisation over the long term, which achieves advantage in a changing environment through its configuration of resources and competences with the aim of fulfilling stakeholder expectations”. (G. Johnson, K. Scholas, 2005, p). Basically, strategy is about two things: deciding where you want your business to go and find out how to get there.

Traditional approaches to strategy focus on “ where do you want to go?” which can be defined selecting an attractive market and picking unique strategic positioning, specific set of competences, or a particular vision for the future. But traditional approaches to strategy often collapse because they overemphasize the degree to which it is possible to predict which industries, competences, or strategies must be chosen. They also underemphasize the importance and challenge of creating and executing the strategy which is chosen. Even traditional strategies are not wrong but rather that they are just not enough in industries with intense, high-velocity change. The fundamental strategic challenge is to manage this change.

Aims and Objectives

Aim of this research is looking at different market entry strategies, evaluating different strategies that are pursued by multinational cooperations, considering the pros and cons of these strategies and identifying the various factors that affects firm`s choice of strategy.

The objectives of the study will be:

A literature review of market entry strategies .

A research methodology chapter.

Conclusion.

1. 2 Research Questions

The question which is need to be answered as follows;

What is the best market entry strategy for an international telecom company operate in a foreign market?

What is the factors that affect company to enter

Company Overview

Vodafone which was founded as a subsidiary company of Racal Electronic Plc in 1984 in Newbury, London has only 50 employees at that time. Vodafone is the first cellular network launch in the UK. Vodafone was floated in the stock exchange in October 1988. Vodafone launched the first digital (GSM) mobile phone service in the UK in 1991. Vodafone progressed and expand rapidly its

value added services as specified on the website www.vodafone.com.

Vodafone was the second largest company due to FTSE 100.

Owing to its acquisitions, collaborations and merger strategies Vodafone become largest mobile telecommunication company in the world in 2000. 31st March 2006 annual report shows that the group had 186.8 million proportionate customer and 553 million venture customer (pre-paid) in its subsidiaries, joint ventures, associates and investments with the turnover of \$ 64,470 m. Today Vodafone has been operating in 27 countries across 5 continents and it has partner networks in further 33 countries.

2. LITERATURE REVIEW

Pressure for local responsiveness imply that it may not be possible for a firm to realise the full benefits from economies of scale, learning effects and location economies. It may not be possible to serve global market place from a single low-cost location, producing a globally standardised product and marketing it worldwide to attain the cost of reductions associated with experience effects. The need to customise the product offering to local condition may work against the implementation of such a strategy. Although customization brings benefit, it also limits the ability of a firm to realise significant scale economies and location economies.

Additionally, pressure for local responsiveness imply that it may not be possible to leverage products and skills associated with firm`s core competencies wholesale from one nation to another. Concession have to made to local conditions.

Firms typically chose between four main strategic postures when competing internationally:

a global standardisation strategy, a localization strategy, a transnational strategy and an international strategy(M. Dickson “ Back to the future “, Financial Times , May 30, 1994, p. 7)

figure shows which strategy is most suitable under each conditions.

2. 1 Global Standardization Strategy

Firms that pursue a global standardisation strategy focus on increasing profitability and profit growth by reaping the cost reduction that come from economies of scale, learning effects and location economies; that is, their strategic goal is to pursue a low-cost strategy on global scale. The production, marketing, and R&D activities of firms pursuing a global standardisation strategy are concentrated in a few favourable locations. Firms pursuing global standardisation strategy try not to customize their products offering and marketing strategy to local conditions because customisation involves shorter production runs and the duplication of functions, which tend to raise the costs. Instead, they prefer to market a standardized product worldwide so they can reap the maximum benefits from economies of scale and learning effects. They also tend to use their cost advantage to support aggressive pricing in world market.

This strategy makes more sense when there are strong pressure for cost reductions and demands for local responsiveness are minimal. The strategy is inappropriate when demands for local responsiveness are high.

2. 2Localization Strategy

A localization strategy focuses on increasing profitability by customizing the firm's goods or services so that they provide a good match to tastes and preferences in different national markets. Localisation is most appropriate when there are substantial differences across nations with regard to consumer tastes and preferences and where cost pressures are not too intense. By customising the product offerings to local demands, the firm increases the value of that product in the local market. On the downside, because it involves some duplication of functions and smaller production runs, customisation limits the ability of the firm to capture the cost reduction associated with mass-producing a standardized product for global consumption. The strategy may make sense, however, if the added value associated with local customisation supports the higher pricing, which enables the firm to recoup its higher costs, or if it leads to greater local demand, enabling the firm to reduce costs through the attainment of some scale economies in the local market.

At the same time, firms still have to keep an eye on costs. Firms pursuing a localisation strategy still need to be efficient and, whenever possible, to capture some scale economies from their global reach.

2. 3 Transnational Strategy

According to Christopher Bartlett and Sumantra Ghoshal when the firm simultaneously face both strong cost pressure and strong pressure from local responsiveness, they should pursue what has been called a transnational strategy. They argue that in today's global environment, competitive conditions are so intense that to survive, firms must do all they can to

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respond pressures for cost reductions and local responsiveness. Barlett and Ghoshal note that in the modern multinational enterprise, core competencies and skills do not reside just in the home country but can develop in any of firm`s worldwide operations. Therefore, they maintain that the flow of skills and product offerings should not be all one way, from home country to foreign subsidiary. Rather, the flow should be from foreign subsidiary to home country and from foreign subsidiary to foreign subsidiary.

Transnational enterprises must also focus on leveraging subsidiary skills.

In essence, firms that pursue a transnational strategy are trying to simultaneously achieve low costs through location economies, economies of scales and learning effects; differentiate their product offering across geographic markets to account for local differences; and foster a multidirectional flow of skills between different subsidiaries in the firm`s global network of operations. As attractive as this may sound in theory, the strategy is not an easy one to pursue since it places conflicting demands on the company. Differentiating the product to respond to local demands in the different geographic markets raises costs which runs counter to the goal of cost reduction.

Changing a firm`s strategy posture to build an organisation capable of supporting a transnational strategy is complex and challenging task.

Because strategy implementation problems of creating a viable organisational structure and control systems to manage this strategy is immense.

2. 4 International Strategy

Sometimes it is possible to identify multinational firms that find themselves in the fortunate position of being confronted with low cost pressure and low pressure for local responsiveness. Many of these enterprises have pursued an international strategy, taking products first produced for their domestic market and selling them internationally with only minimal local customization. The distinguishing feature of many such firms is that they are selling a product that serves universal needs, but they do not face significant competitors, and therefore, unlike firms pursuing a global standardisation strategy, they are not confronted with pressure to reduce their cost structure. Firms which operate in monopoly markets, usually pursue that strategy.

Enterprises pursuing an international strategy have followed a similar developmental pattern as they expanded into foreign markets. They tend to centralise product development functions such as R&D at home country. However, they also tend to establish manufacturing and marketing functions in each major country or geographic region in which they do business. The resulting duplication can raise costs, but this is less of an issue if the firm does not face strong pressure for cost reduction. Although they may undertake some local customisation of product offering and marketing strategy, this tends to be rather limited in scope. For these firms, the head office retains fairly tight control over marketing and product strategy.

2. 5 Basic Entry Decisions

Which foreign market?

Timing of Entry

Scale of Entry

2. 6 Entry Modes

2. 6. 1 Exporting

2. 6. 2 Turnkey Project

2. 6. 3 Licencing

2. 6. 4 Franchising

2. 6. 4 Joint Ventures

2. 6. 5 Wholly Owned Subsidiaries

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2. 6. 6 Acquisitions

2. 6. 7 Strategic Alliances

Partner selection

Alliances structure

3. RESEARCH DESIGN CHAPTER

3. 1. Research Methodology

The research methods section is provides the information by which the validity of a study eventually judged, because of this methods section is the most important chapter of the research. In literature there are different methodological approaches mentioned which describe the way of finding out knowledge (Guba&Lincoln, 1990).

In order to approach research objectives the longitudinal exploratory dissertation will adopt both qualitative and quantitative research strategies which are often necessary for “ triangulation” meaning “ getting a fix from two or more places” (Green at all, 2002).

“ Qualitative research is an overall term to describe the work researchers do in formulating their interpretations of the subjects of their studies and giving representations of these interpretations in order to add body of knowledge.” (Baker and Hart 2008)

The qualitative data collected by the researcher, determined by Sanders as;

Based on meaning expressed through words

Collection results in non -standardized data requiring classification into categories.

Analyses conducted through the use of conceptualizing

(Sanders, Lewis Tornhill 2003)

Quantitative method is focusing on the concepts, testing of ideas etc. and the project-ability of the results. It is one of the necessary elements for market researchers to find out key preferences and trends of their target costumers lie in relation, they may be thinking to he proposed marketing initiative (Kim, 2003).

Fundamental elements for quantitative research are:

Deductive; testing of theory

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Natural science model in particular positivism

objectivism

(Gahuri & Gronhaug, 2003)

3. 2 Research Methods

Different strategies can be employed in carrying out a research. Some clearly belong to deductive tradition and others inductive approach. The traditional ones are; experiment, survey, and case study. (Robson 1993). Later (Yin 2003) added two strategies; archival analysis, and history. The justification of the research strategy adopted should be based on the objectives of the research and the questions to be answered.

All strategy decisions should not always be so coldly rational. (Saunders et al 1997). The researchers preferred style, preferences and ideas should be reflected in the researchers work. (Hakim 1997). Despite this the choice of research strategy depends on form of research question, control of behavioural events and if the research focuses on contemporary events opposed to historical events.

Adopted from: Yin 2003; Pg. 5.

Due to the fact that this study is based on contemporary issues and answers to the question “ how”, all the named strategies would be relevant apart from the history strategy.

Survey is the collection of large amount of data, in a big population in a highly economical way. (Saunders et al 2003). Though this method is termed

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as easy to explain and understand, it's inappropriate because only small sample of population will be used. An experiment is a classical form of research which owes much to the natural sciences. (Saunders et al 2003). The purpose of experiment is to study whether a change in one independent variable produces a change in another dependent variable. (Hakim 2000). A case study involves an empirical investigation of a particular phenomenon within real life context using multiple sources of evidence. (Robson 2002). It involves a small population.

However these strategies are not mutually exclusive and two can be used at the same time. In collaboration with (Dahl 2003) who used experiment as a strategy to get his findings, this study will use an experiment and a case study to get a deeper understanding in the study.

3. 3Data Collection Techniques

In order to answer the research question, and make a conclusion there is need for data collection. There are two different categories of data collection; primary and secondary.

Primary data: " Primary data is information collected for a specific purpose of addressing the research problems" (Phipps and Simons 2003 pg: 375).

Collecting the primary data is rather expensive and time consuming. The main purpose of primary data collection is that data that collected is unique and before it is published, nobody knows it. In primary data collection, initial material collected during the research process. There are many methods of collecting primary data and the main methods in marketing include: (Geoff, et al, 2002)

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Survey research

Depth interviews and group discussion

Observation

Experimentation

Secondary Data: Secondary data, information has already been collected for other purposes. Secondary data is cheaper and more quickly available than primary data. It is useful for researcher before collecting the primary data. Secondary data utilizes the data that collected by someone else in order to another a study that you are interesting in completing. That's why commonly known as second-hand analysis. According the Geoff (2002) the major sources of secondary data are two types.

Internal sources: Internal sources data generated by the organization itself such as sales force reports, accounting reports, and reports from previous marketing research and consumer complaints reports.

External sources: These data gathered from outside the organization including; newspapers, government statistics, published reports etc.

3. 4 Data Analysis

Data analysis contains examining, categorizing, tabulating, testing or otherwise recombining both quantitative and qualitative evidence to the initial preposition. (Yin, 2003).

Data analysis section is process of summarizing data with the intent extract useful information and developing the conclusion. The research approach of this study will be a combination of deductive and inductive approach. It will be deductive because the existing concept of loyalty and its impact on business decisions and strategy will be first tested using data and inductive, because the data collected will be analyzed to give a new dimensions to the loyalty concept and its strategic effect on business.