

# Foreign market entry and diversification research paper sample

[Business](#), [Company](#)



### - Argument for Diversification

The key to the longevity of Verizon Communications is an effective diversification strategy. The need to diversify emanates from the increasing number of companies in the communications industry that are bringing stiff competition into this industry. These companies that include Century Link, AT & T, Spring Nextel, and Leap Wireless International have started offering new and diversified products that are aesthetically pleasing to the consumers and it is quite clear that if Verizon does not embark on its own diversification strategy, it is going to lag behind and possibly become irrelevant. The ultimate plan of Verizon Wireless is to become a successful global communications brand and it is only through a comprehensive diversification strategy that this will be achieved. Verizon Communications has for the last few years focused on providing traditional communication packages like wireless voice, Internet access, data service and broadband video to the consumers. These products have been the primary contributors to the relative success of the company, but with the evolvement of the communications industry, customer's preference has rapidly shifted towards new IT products. Competitive companies have started availing an extensive and superior range of information technology solutions that have been tailored to meet to consumer's need and expectations. For Verizon to remain relevant in the market, the Company must diversify and embark on improving what is already being offered by competitors. As stated by Thompson, Strickland, and Gamble (2010), a business should not only know how to diversify but must also know how to do it and for Verizon, that time is right now.

### - Diversification Strategy

One of the primary strengths of Verizon Communications is that it has always had an innovation focused research and development strategy. To increase customer base loyalty and popularity, the marketing and the R& D will work with communications specialist to come develop an entirely new product line. This is a wireless money transfer service. Normally, wireless money transfer service providers like PayPal and Payoneer requires one to have immediate access to the internet so as to conduct any kind of transactions. A relatively large number of mobile users do not have immediate and reliable access to the internet and this is a major stumbling block to their money transfer requirements. This is the particular area where Verizon Communications should tap in. Verizon will create a virtual money bank where subscribers can easily access and transfer funds through the touch of their phone's button. Users of the network will be required to register for the service after which they will be given an account of the virtual bank. The users will then use this account to transfer or receive funds from another user who holds a Verizon Wireless line. For security purposes, each subscriber will be given a special password which they will then use to access their accounts. Verizon will then liaise with local banks so that members can withdraw money from the banks, either manually or through the ATM services. The ultimate synergy of this diversification strategy is that it will enable people with unreliable internet access to conduct wireless money transfer through their Verizon mobile lines. This feature is guaranteed to attract a lot of customers since it is the first of its kind in the competitive telecommunications industry.

### - Entry into Foreign Market

The Canadian market offers green pastures for this giant telecommunication company. According to analysts, entering into the Canadian market will be a big move by Verizon as the Canadian wireless market is underserved. The Canadian market is very attractive because of several reasons. Due to current steps taken by the federal regulators, Verizon might have this big chance to acquire these new entrants at a deducted price. Moreover, Verizon could benefit from favorable treatment in Canada's forthcoming 700 MHz spectrum sale and stricter mandated tower sharing and roaming rules. It might leverage its current call centers, its equipment and handset purchasing power, and extract considerable t roaming synergies . There are three key players in the Canadian market; BCE, Rogers and Telus. Compared to these three companies, Verizon is far bigger and recognized. Statistics show that Verizon earned revenue to a tune of US\$115. 8-billion which was a good shot. Apart from the above mentioned strategies, being one of the most established mobile phone carriers in the region Verizon has a myriad of strategies that it can utilize to penetrate the Canadian market. Entry of a mammoth company means fear for the relatively smaller Canadian telecommunication companies. Verizon may capitalize on this fear and form mergers or absorb the interested companies.

### - Challenges of Foreign Market entry and Possible Responses

As specialists point out, entry of Verizon into the Canadian market may not be that smooth. Verizon may encounter a lot of bottlenecks as the Canadian government may try to protect its infant telecommunication companies from a possible collapse if Verizon extends its wings into the country. Another big

obstacle that Verizon is set to encounter is cut-throat competition from the likes of BCE, Rogers and TELUS. For instance when Verizon declared its interest on Wind Mobile, the three telecommunication giants in Canada were willing to purchase Wind Mobile at even a higher bid than Verizon. BCE, Rogers and TELUS have a lot of experience with the Canadian market. These three companies being the earliest telecommunication companies in the country have developed sophisticated networks in Canada and this places them at a better place than any new entrant. They have also built strong customer contacts and loyalty with their consumers. Verizon may have a hard time to rob off these companies their long-established customer relations. Acceptability by the Canadian population may pose a challenge to Verizon. Canadian population may prefer the native companies to this foreigner.

- Scenario where market diversification would not be recommended

Globalization opens up possibilities of substantial advantages like new growth and scale of operation . For some companies; it has proved to be handsomely rewarding to go global. But desire to go global has also obscured the truth from many firms. Global strategies are extremely tough to plan and execute. Many firms have fallen victim to alluring global presence and the business scene is filled with some of these unfortunate tales of failure. Daimler-Chrysler is a particularly painful example. In order to avoid this common pitfall it is prudent that Verizon determines whether a move to diversify into a foreign market is prudent. In trying to ascertain this, the following are key considerations to make.

- Could the move generate significant returns to the firm?

- Do we have the capabilities necessary to realize those benefits?
- Will the returns outweigh the costs? (Such as costs associated with doing business in far flung areas)

The determination to these issues hold the key as to whether diversification into other markets shall work for Verizon or not. Daimler-Benz merged with Chrysler in 1998 in order to create Welt AG, a world corporation, but never achieved the influence over markets and suppliers as the architects of the merger had earlier envisaged. The architects of the Daimler and Chrysler merger were oblivious of the need to conduct a feasibility study on the possible benefits and pitfalls in the execution of the merger and subsequent operation of the two firms as a unit. The wider markets they aspired to operate on failed to respond to react as was expected which led to the failure of the intended purpose of the merger. For Verizon, it is prudent to study the prevailing economic conditions before sanctioning a move for diversification into a new market (Bekaert 1995). Verizon, just like Daimler and Chrysler provides a demand driven product and advances into a new market at non-optimal conditions might lead to an inability to break even as anticipated. It would be imprudent for Verizon to implement market diversification during a global slump in demand or a slump in demand in the targeted market.

- Conducive environment for ethical behavior in business

Ethics in the conduct of business is extremely important. However, the given nature of the activity in which the business is engaged would shape and define the limits of ethical behavior and the mode in which it presents itself. Knowledge that the company is involved in highly competitive business

increases the possibility of unethical conduct. The presence of an opportunity to Verizon as a key market player to influence ethical behavior, it must be exercised internally from the top down. Manager's actions greatly dictate employee's choice of ethical/unethical behavior, where corporate culture does not castigate any decision made in accordance to the law (Bekaert 1995). In addition, the company must develop minimum levels of ethical business conduct. These include norms and expected minimal conduct behaviors. It must develop a way of business conduct that conforms to the current societal norms, traditions, and culture of the resident market environment, particularly if the company decides to expand into foreign markets.

## References

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