Example of marketing channels going global essay

Business, Company

Discussion Question 1

Selling through a store front or online presents several benefits and limitations. The advantage of selling online as compared to selling through a store front is that it is much cheaper because there is no need to pay rent and utility bills. The expenses related to online selling are web hosting, technical support with regards to web design and payment options. On the other hand, a retail store is a better distribution outlet for high-value products such as jewelry or designer clothes because the customer can better appreciate it. One other benefit of an online store is the extensive customer reach that it can capture, unlike retail stores whose client base is limited to the nearby areas. An advantage of the store front over online stores is the personalized customer service it can offer its clients which online stores cannot give.

Zara, Spain’s fast-fashion chain started its e-commerce capability in 2011 by allowing customers to order apparel and accessories online. Today, Zara’s e-commerce strategy includes launching online Zara stores in different countries. The company also created a Facebook page in 2009, where it can interact with its clients. One possible area where Zara can expand its e-commerce capability is by allowing its customers to shop via their smartphones. They can also target shoppers in smaller cities and remote places through online marketing channels. They can improve on their shipping options to encourage online shoppers worldwide.

Like Zara, Walmart is another company which is set to improve its e-commerce capability. They are integrating their retail stores with their online stores. Walmart has around ten e-commerce websites in 26 countries.

Moreover, their online stores carry an expanded assortment of Walmart items, approximately at eight million items. Some of these items cannot be found in Walmart retail stores. Walmart has a mobile app which provides for online grocery delivery. To improve their e-commerce capability, Walmart should focus on their grocery home shopping and their automated order-picking process.

Discussion Question 2

The four strategies that a company may adapt when entering the global market are indirect exporting, direct exporting, licensing and franchising, joint ventures and direct investment. In indirect exporting, the company does not have direct contact with the clients overseas; they instead use independent export agents. The advantage of this strategy is that the risk and investment is minimal. Also, under this strategy they are more flexible. A drawback of this strategy is the high transport cost and the vulnerability to trade barriers.

The second strategy in entering the global market is direct exporting wherein the company does the exporting of the product themselves. The advantage of this strategy is they get to learn about global marketing. The disadvantage of this strategy is they do not realize production economies. Furthermore, their product becomes more costly to their customers.

Licensing is another way of entering the global market. Under this strategy, the firm enters into an agreement with a licensee in another country and gives the licensee the right to use a trademark, patent or process provided the licensee pays a royalty fee. The benefit gained from this strategy is they are able to learn about the home markets through their licensees. However, they have a very limited involvement in the markets. One form of licensing is franchising. In franchising, the company or the franchisor grants the right to distribute or sell goods/services to a franchisee. The marketing plan is dictated by the franchisor to the franchisee. This strategy calls for a minimal investment and is more profitable.

Joint venture is another strategy which a company can undertake in entering the international market. An alliance is formed between a foreign company and a local partner. The main advantage of this strategy is it reduces the risk of political uncertainty. The foreign company gets to know the local market well. The disadvantage of this strategy is that it requires a huge investment with a corresponding sharing of profits.

The last strategy that can be adapted by a company who wants to go global is through foreign direct investment. Under this strategy, the firm sets up operations in a foreign country either by creating new facilities or acquiring existing businesses. The company stands to gain from this strategy because some governments offer incentives to attract foreign investors. It minimizes the exposure to currency exchange rates volatility. The disadvantage of this strategy is it is very costly and the exposure to political risk is higher.

An example of a company which is successful in doing business globally is Starbucks. Currently, it operates more than 21, 000 stores in over 65 countries

McDonald’s is another successful fast food chain which operates in over 117 countries. Some of the lessons that can be learned from McDonald’s which can be transferred across industries are its strategic marketing segmentation, its franchise business model, its uniformity in terms of atmosphere and experience, adaptation and innovation and exceptional branding that transcends cultural diversity.

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