

Considerations for foreign market entry marketing essay



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Introduction

Entering a foreign market poses great challenges and risks for global companies. With the presence of some political constraints as well as cultural differences, applying business standards and practices that have been effective in some markets may not lead to the same successful outcome to other areas. This is where the concept behind international marketing communications becomes essential. Diners Club is a successful credit card company based in the United States that has been able to operate to various countries worldwide. The efficiency of the company's products and services has also been recognized through the number of awards it has received over the years. In order to operate successfully within the international setting, the company would need to consider the different aspects related to international business operations. Factors to consider by a credit card firm so as to gain foreign market entry will then be discussed in this paper. A marketing communication plan, supported by relevant theories will also be part of the discussion.

Considerations for Foreign Market Entry

Credit card use in general has been an accepted mode of payment to most countries in the world. However, like any other business sector, the credit card companies encounter various constraints that must be addressed through appropriate international business strategies. In the case of Diners Club, further business expansion and acquisition of foreign clientele would need the consideration of the following factors:

Consumer Behavior and Culture

The credit card system has been successful and well-accepted in the American sector mainly because of consumer culture. Specifically, being in debt has been an accepted way of life among the American customers, particularly young consumers (Grose, 2002). While this may be true, Diners should consider that consumers tend to have different behaviors on making purchases. This is mainly influenced by the consumers' differing cultures; considering that each country has their own traditional cultures, entering a foreign market for business purposes is indeed a challenge.

In the case of Italy for example, local usually prefer to pay in cash rather than through credit card so as to conceal their transactions from the tax authorities. Germans on the other hand are not as keen to use credit cards as they typically associate debt with guilt. Likewise, the Japanese consider being in debt as a sign of financial incompetence. However, some companies use this cultural pattern as an opportunity to promote the use and benefit of credit cards. For instance, as the Japanese fear to be in debt due to public embarrassment, having credit cards would allow them to buy goods on credit without dealing with other people (Grose, 2002).

In some other cultures, the purchasing behavior of the consumers is influenced by the buy now, pay later attitude. Cases of this behavior towards credit card usage had been observed in Hong Kong, South Korea, Australia, Netherlands and Israel (Grose, 2002). Aside from culture, consumer behavior is also influenced by other personal factors of the buyer; a number of studies had investigated on this matter. Xiao and associates (1995) for example used a Likert rating index so as to determine the attitudes of college

students toward credit. Affective, cognitive and behavioral factors were
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considered in this research. The results of the study indicated that college students in general exhibit positive attitudes towards the use of credit cards. Moreover, findings showed that majority of the respondents are familiar on how the credit system operates. The research done by Davies and Lea (1995) on the other hand, concluded that college students in the higher levels have more debts compared to college students at lower levels. These studies clearly indicate that the age of the consumer also influence credit card usage.

Some researches also took note of the consumers' gender in relation to credit card interest. An early study showed that gender can be used as a determinant for credit card usage (Armstrong & Craven, 1993); specifically, females appear to show greater credit card acceptance as compared to their male counterparts. While consumer characteristics, as investigated in these studies, can help determine the behavior of the customer, these characteristics should be taken as a case-to-case basis; similar to cultural patterns, certain consumer behaviors do not represent the general population, thus, credit card companies should take on the individualized approach when analyzing these factors. From these examples, it is clear that target markets for Diners have different attitudes regarding credit cards. As individual customers serve as the main clientele for credit card companies, studying the behavior of the market is then an essential key to gaining foreign market entry.

Economic Status and Infrastructures

In addition to cultures, the economic status of the foreign markets, particularly their infrastructures should also be taken into account by Diners. As the use credit cards fall under e-commerce operations and require certain technologies to function, it is essential that the countries to be targeted by the company have the necessary resources. Aside from technology, the foreign market must also have the people to handle this business and financial development; in particular, people that can provide the right supervision and technical support for operating electronic modes of payment should be available. The sufficiency of the needed infrastructures for credit card systems actually indicates whether a particular foreign market will be able to accept electronic means of payment (Rao, 2001). Moreover, if the country being targeted has inadequate access to online systems or low incomes, it will then be difficult to promote credit card use; it is likely that consumers will find it difficult to use credit cards under these conditions, thus, it important that the company consider this factor as well.

Competition

The global market in general is a highly competitive environment; thus, it is expected that foreign market entry will encounter much difficulty due to the presence of several competitors. The local competitors of Diners' such as Capital One, Citigroup and MBNA for example have constantly been active in implementing various strategies so as to increase their profitability as well as their brand name recognition. Some of the common strategies include investing on costly advertisements or establishing partnerships with foreign banks so as to strengthen global presence and stability. Foreign competitors of Diners should not be underestimated as well. Hong Kong banks for <https://assignbuster.com/considerations-for-foreign-market-entry-marketing-essay/>

example, attract customers through expensive giveaways; banks of Israel operating abroad on the other hand apply conventional techniques by calling potential clients at home (Grose, 2002).

Brand loyalty of the customers will probably be Diners' greatest challenge in relation to business competition. Foreign customers are likely to be strongly affiliated to their local credit card providers; thus, it will be difficult to attract them and try out other banks, much less a foreign one. In this case, the credit card company should make the most of the consumer and competitor data that it should have gathered; these data should then serve as the company's basis for developing distinct yet effective business and marketing strategies.

Marketing Communication Plan

Based from identified considerations, the following steps should make up Diners' marketing communication plan:

The first step should be the analysis of targeted business locale. This step is in line with the second factor mentioned above, where necessary infrastructures for credit card usage should be present. This should also help the company to determine whether the selected foreign market will be beneficial for the company.

Research should be the second step of Diners. At this stage, the aim is to accumulate relevant data from the country's consumers; information on the political and economic environment of the country should also be included.

Potential competitors of the company within the targeted foreign market should be benchmarked as well.

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The third step, which would involve the development of specific communication strategies, should be based on the gathered data of the company researchers. Other marketing standards of the company should also be balanced with the adapted strategies. The selected marketing design and approaches of the company should also be dependent on the available resources of the company.

The development of the communication and marketing strategies involves the balance between standardized and adaptation strategies. This has long been debated topic among analysts. One side of the argument claims that keeping with the standard operations of the global company is the most efficient for entering other foreign markets. Nonetheless, the differences in political, cultural and economic features of countries abroad limits the efficacy of the standardization theory; thus, adapting to the traditions of the targeted foreign market was stressed to be the most effective solution (Subramaniam & Hewett, 2004). The debate however was resolved by emphasizing that a balance between standardization and adaptation strategies should be observed among multinational companies.

It should be stressed that entering a foreign market and operating a business in the international setting require considerable investments and resources; thus, strategic success must be ensured. In order to do this, it is essential that the global company fully understand the needs and nature of its foreign markets. In general, global companies should give due priority in learning the culture of the country where they intend to operate. Specifically, relevant factors such as the language, education, religion, attitudes and values of a

specific country should be learned by any international company. This local knowledge should serve as the basis of their major marketing approaches.

The need to balance global or standard visions with the interest of the local market is indeed essential for effective foreign market entry.

Local responsiveness is the common term used to describe this international marketing concept. Bartlett (1986) once referred to this as the transnational solution. As discussed further by this author, the international efficiency among business firms in the 1990s can be achieved by means of meeting the differentiated demands of the local market and responding to their respective governmental pressures and regulations. The theory of local responsiveness and global integration suggests that the differences of countries in various aspects should be taken seriously. Business operators should not underestimate the value of local knowledge in global business as this will help them fulfill their international objectives. Multinational firms should then tailor their approaches in accordance to their foreign markets' needs.

The conceptualization above clearly explains the principle behind the international marketing theory. The aim of international marketing communication should not only be geared towards the achievement of the company's goals; operators should adapt marketing strategies and practices that satisfy the needs of the foreign consumers. This definition of marketing suggests that this principle involves the establishment of a give-and-take relation between the business and the consumers. In order to do this, operators must then learn about their consumers as individuals and not just any general group. In the context of international marketing, the same <https://assignbuster.com/considerations-for-foreign-market-entry-marketing-essay/>

principle is applied. This then suggest that though certain groups may be found within a general location, their cultural values make them distinct from others; hence, international business operators should exert effort in analyzing and learning them. In the case of Diners, the same principle should then be applied should the company plans to expand its business further. By considering these significant concepts and theories of international marketing and communications, the company would likely encounter fewer complications brought about by cultural, political and economic barriers.