

# 1

# Market entry strategies

## 1.1 Theory: An overview of market entry strategies

### Learning outcomes

- Understand how companies enter new geographical markets.
- Learn terms and concepts connected to market entry strategies.
- Select an appropriate market entry strategy for a management education institution.



### Introduction

**1** Ford cars are produced in many countries, but the 'nationality' of the company is American. Ask other students what products they use, and complete the table on the right.

**2** Discuss the following questions about products you use that are not produced by local companies in your country.

- 1 How do you think these foreign companies get their products into the hands of consumers in your country?
- 2 What are some of the risks and opportunities facing companies when they enter a new market?

	Brand and / or model name	Nationality of company
computer		
mobile phone		
car/motorbike		
favourite clothes brand		
favourite drink		
favourite food		

### Listening: Defining different types of market entry strategies

1.02

**1** You are going to hear Dr Dennis De describe six different market entry strategies. Before you listen, try to match the short summary definitions (a–f) to the strategies in the table below.

### Business view

Dr Dennis De is Professor of Economics and Entrepreneurship at ESB Business School, Reutlingen University, Germany.



1 Indirect exporting	a This involves finding a corporate partner in the target market you are exporting to. It could be a distributor or another company in the same field that doesn't manufacture your product.
2 Direct exporting	b This involves entering a new country market by buying an existing company within that market together with a list of existing customers.
3 Acquisition	c This involves two companies setting up a third company together that they jointly own.
4 Greenfield development	d This is where one party grants to another party the right to distribute goods or services using their brand and system in exchange for a fee.
5 Joint venture	e This involves using export agents or export houses based in the exporter's home country. This means the exporting company has no direct contact with people based in the countries they are exporting to.
6 Franchising	f With this strategy, the company sets up new production facilities abroad where they can design everything afresh according to their own plans.



**2** Listen to the descriptions and check your answers.

**3** Listen again and take notes of the specific advantages and disadvantages mentioned for these six entry strategies.

#### Critical analysis

Why might a company entering a new market want to set up a joint venture?

#### Language focus: Market entry terms and concepts

**1** Complete the following descriptions of market entry strategies and concepts using terms from the box.

risk exposure overseas production exit strategy control  
 profit opportunity commitment electronic distribution

#### Market entry strategies

- 1** \_\_\_\_\_ – refers to an online market entry strategy for information-based products in digital formats such as e-books and online education training courses. These are sold to customers directly through the company's own website or through a third-party site such as Amazon.
- 2** \_\_\_\_\_ – involves setting up manufacturing or service delivery centres abroad. It is a general market entry strategy that can include a number of different strategies.

#### Market entry concepts

- 3** \_\_\_\_\_ – refers to the level of potential danger the company is opening itself up to, by adopting this particular market entry strategy.
- 4** \_\_\_\_\_ – refers to a type of reserve plan or contract clause that enables companies to terminate their operations and get out of the market as quickly as possible with the minimum damage in case of difficult circumstances.
- 5** \_\_\_\_\_ – refers to the company seeing a chance to gain extra revenues by entering a new market.
- 6** \_\_\_\_\_ – refers to the company's ability to determine things such as how their product or service is sold, the price it sells for, the customer service provided as a result of adopting a particular market entry strategy.
- 7** \_\_\_\_\_ – refers to the time, cost and effort required to manage the international aspect of your business as a result of adopting a particular market entry strategy.

**2** Which of the specific entry strategies mentioned here and in the Listening can involve companies in overseas production?

#### Reading: Entry strategy overview

**1** Read the extract on page 12 from *An Introduction to International Marketing* by Keith Lewis and Matthew Housden from the University of Greenwich, London. Are the following statements true or false?

- 1** Companies need to be close to their international customers.
- 2** Companies should first start with a market entry strategy that involves minimal commitment and risk and then progress to other strategies.
- 3** Smaller companies have similar entry strategy choices to larger companies.
- 4** A global perspective is equally important for both small and large companies.
- 5** All entry strategies have different levels of risk and give the company different levels of control over that risk.
- 6** It is generally easy and painless to exit a market that companies have entered.
- 7** Companies need to focus above all on controlling their exposure to risk.
- 8** Before deciding on which entry strategy to adopt, companies need to ask themselves a set of questions.

**2** Do you disagree with the authors on any of their points? Try to find at least one point of difference.

International marketing is about the relationship between an organisation and its overseas customers. Essentially it revolves round the question ‘How close do I need to be to my customer in order to succeed?’

There are two broad options. We can make the product at home and transport it to our target market(s), or we can make the product overseas in the target market or the country of our choice. The first is described as exporting and the second as overseas production. Exporting can be either direct or indirect; in the latter case there is no direct contact between the exporter and the customers in the overseas market. Overseas production can be either with or without direct investment.

There is no sequential process or requirement to start with export and move to overseas production and foreign direct investment.

Clearly, for the smaller company the resources available will preclude some options. However, a smaller company can gain a global presence quite quickly through the development of franchise agreements or through electronic distribution in various digital formats of, say, information-based products. In today’s virtual reality marketplace, smaller companies have access to global markets through a wide variety of channels – an option



previously available only to major corporations. The global imperative is therefore as much a concern for smaller companies as it is for larger players.

Each entry strategy involves a greater or lesser degree of risk and provides the marketer with greater or lesser degree of control over this risk. In the international marketing battlefield, the choice of market entry strategy:

- sets out the rules and scope of the terms of engagement with the competition
- confirms the extent and the seriousness of commitment to the local market
- once committed to is often hard to change without substantial risk and often incurs financial penalties
- is therefore always associated with an equally well-considered exit strategy.

It is the ability of the international marketer to configure the need for profit with exposure to risk through strategic control that will determine success or failure. The company’s entry analysis must focus on the answers to the following questions:

- What level of profit is available in the chosen market?
- Over what timescale?
- What assets do we require (capital and labour)?
- What are the affordable financial commitments?

Source: *An Introduction to International Marketing* by Keith Lewis and Matthew Housden

### Output: Select an appropriate market entry strategy

You work for a management school in a private university in Spain which provides a whole range of management education and training courses from short strategy development courses tailor-made for individual company needs, to full-time one-year postgraduate MBA courses for individual managers.

You want to grow the business by attracting more international executives and become a truly international business school. At present only 10% of your students come from outside Spain. International executives represent a potentially highly profitable and fast-growing sector of the management education market. Failure to internationalise will mean losing your core market as more and more Spanish managers decide to enrol elsewhere in order to experience an international study environment.

#### Stage 1

Divide into small groups. Each group is going to discuss two possible market entry strategies.

Group A look at page 137.

Group B look at page 141.

Group C look at page 145.

#### Stage 2

Re-form into new groups that consist of members of Groups A, B and C. Listen to each other’s summary descriptions of the advantages and disadvantages of the entry strategies discussed. Ask questions and come to a consensus agreement on the best market entry strategy to meet your objectives.

## 1.2 Practice: Entering the global market

### Learning outcomes

- Understand how a luxury lifestyle company expands internationally.
- Emphasise points in explanations.
- Select a local franchise partner to open a new country office.

### Profile: Quintessentially

Quintessentially is an international luxury lifestyle company, established in London in December 2000.



It operates as a multi-faceted club that provides a worldwide concierge service to members 24 hours a day, 365 days a year, via telephone, text or online, wherever they are in the world. Its services range from advice and assistance on dinner bookings, theatre tickets and access to inaccessible events and film premieres, to more unique things like fully managing real estate portfolios, bespoke shopping, luxury travel, private aviation and art investments. It has expanded quickly and now has offices in over 60 cities worldwide, ranging from established country markets in Europe, North America and Asia, to new emerging markets such as Mozambique, Lebanon, Ukraine and Saudi Arabia. Annual membership fees start at £1,000 for general membership and go upwards of £24,000 for global elite membership.

### Introduction

- 1 Read the dictionary definition of 'concierge' from the *Cambridge Advanced Learner's Dictionary* and answer the question below.

**concierge** /,kɒnsi'eɪʒ/ *noun* someone who is employed in a hotel to help guests arrange things

What type of services do you think guests might require of a concierge in a luxury hotel?

- 2 Read the profile of Quintessentially and discuss the similarities and differences between this company and a concierge service in a luxury hotel. If you could use the services of one or the other, which would you choose? Why?



### Business view

Paul Drummond is Co-founder and Group Commercial Director of Quintessentially Group.



### Listening 1: Quintessentially client profile

1.03

- 1 Read the membership profile details below and then listen to the first part of the interview with Paul Drummond and complete the information.

- 1 Gender balance: \_\_\_\_\_
- 2 Age range: \_\_\_\_\_
- 3 Typical occupations: \_\_\_\_\_
- 4 Lifestyle: \_\_\_\_\_
- 5 Example of unusual request: \_\_\_\_\_

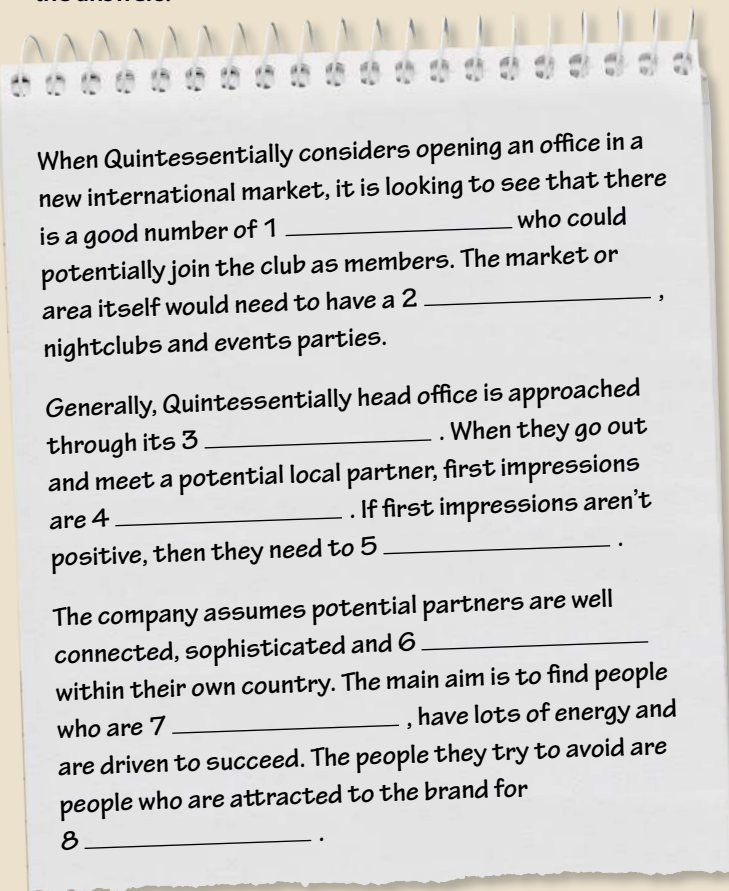
**Intercultural analysis**

To what extent do you think the tastes, interests and aspirations of the world's rich elite is standardised across all cultures? What might this mean in practice for businesses such as Quintessentially?

**Listening 2: Characteristics of new country markets and local partners**

1.04

1 Read the notes on the next part of the interview and predict the answers.



2 Listen to the second part of the interview and complete the notes.

3 Discuss the following questions.

- Someone who has over \$1 million in liquid assets (cash or investments that can be quickly and easily converted into cash) is commonly referred to as a high net worth individual. Why would this target be more attractive to luxury lifestyle companies than individuals who are simply asset rich (holding property and long-term investments)?
- Do you think the characteristics of your city or region would be an attractive market for Quintessentially to establish an office in? Why/Why not?

**Listening 3: Quintessentially's market entry strategy**

1.05

1 Before you listen to the final part of the interview, look at the diagrams in exercise 2, which represent organisational structures for two different international companies. How do you think these companies organise their international operations differently?

2 Listen to the final part of the interview and answer the questions.

- What is the company's preferred entry strategy model in new international markets?
- Which of the diagrams below best represents the company's international operations?
- What two reasons are given to justify the choice of preferred entry strategy?
- Why is control a key factor for the company in managing its international operations?

Diagram A

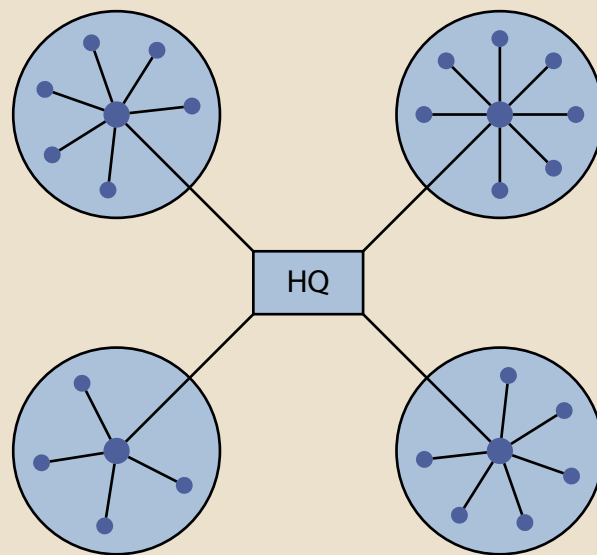
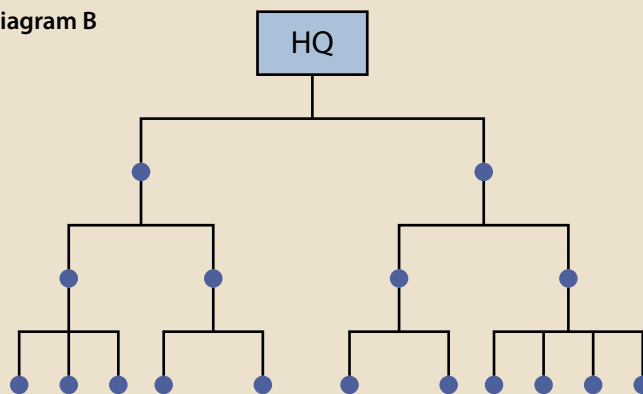


Diagram B



### Transferable skill: Using a diagram to take notes

1.05

Using diagrams to take notes is both an efficient way to record information and a highly effective way to recall that information and understand the relationships between the various component parts.

**1 Listen again to Listening 3. Label the correct diagram in exercise 2 with the names of the four regional markets and four 'hub cities' that represent the company's international operations.**

**2 Discuss and answer the following questions.**

- Which part of the diagram represents the franchise branches and which part the offices wholly owned by Quintessentially? Write this information on your diagram and then discuss what the relationship is between the two.
- This organisational structure is referred to as a 'hub and spokes' structure. Why?

### Language focus: Adding emphasis to explanations

A common way to emphasise key points of an explanation or argument in speech is to place the important information in the second part of the sentence.

**1 Look at the examples below taken from the interview with Paul Drummond and discuss how they are constructed.**

The key determining factor is that members travel a lot.

What I am always looking for is people who are entrepreneurial.

The first thing I want to say is that the majority of what we do is very practical.

What we don't really want are people who are attracted by the brand for the brand's sake.

**2 Common introductory phrases to add emphasis using this type of construction include: 'The point is ...', 'What we need to do is ...', 'The main benefit is ...'. Can you think of any similar phrases?**

**3 The sentences below lack 'punch'. Reformulate them into similar constructions to the ones listed above.**

- Joint ventures often fail.
- The franchise model allows Quintessentially to standardise quality.

**4 Complete the following sentences in your own words to add emphasis to the points you want to make.**

- The aim of a first business meeting with a prospective new partner is ...
- What international companies really need to focus on is ...
- The good thing about using local people to run local office operations is ...
- The best way for Quintessentially to attract new international members is ...
- The biggest risk Quintessentially faces when entering a new country market is ...

Compare your sentences with a partner by reading them out aloud and discuss to what extent you agree with each other's views.

### Output: Selecting a franchise partner in a new country market

As part of the interview process for new International Business Managers at Quintessentially, candidates are asked to take part in a team task to analyse and select the most attractive partner to do business with in a new country. You should choose which person in which country you would most like to do business with. The choices are Angola, Serbia or Pakistan.

#### Stage 1

Form small groups and turn to page 137 to view details of the three potential partners and their country profiles. Study the profiles of the three country markets and teams and select one you will sign a contract with. Make sure to fully discuss why you are making this choice and resolve any disagreements within the group.

#### Stage 2

Complete the following bullet points as a summary of your reasons for having made your particular choice of country/partner and report this information to another group. Be prepared to ask and answer any questions from the other groups to support your arguments. Come to a consensus agreement on which country to open the new office in.

Summary of reasons to support your decision:

- The main reason why we chose this local partner was ...
- What we were looking for was someone ...
- What we liked about the country market was ...
- The main problems with the other local partners were ...



## 1.3 Skills: Brainstorming

### Learning outcomes

- Understand key principles for running brainstorming sessions.
- Use fluent pronunciation features to keep discussions moving.
- Use brainstorming techniques to create a brand slogan.

### Introduction

**1 Brainstorming is usually done in groups and is a creative approach to problem-solving using a variety of techniques in a relaxed, informal and fun environment. Read the following stages of a brainstorming session and put them in the correct order.**

- 1 Select the most promising ideas
- 2 Clearly present or explore the problem
- 3 Plan how to implement ideas
- 4 Do an icebreaker (optional depending on group)
- 5 Use lateral-thinking techniques to generate ideas

**2 An 'icebreaker' is generally a short 5–10 minute activity. It can have many purposes including energising the group and helping people get to know each other. In small groups, take one of these three everyday objects – a pen, a key or a coin – and place it on the table in front of you. Now brainstorm as many uses of this object as possible in two minutes. The winning team is the one that generates the most uses for this object.**

### Listening 1: Principles of running a classic brainstorming session

 1.06

Listen to a training manager teaching other managers in a company how to run brainstorming sessions in their work teams. Answer the questions below.

**1 Which of the following guidelines does the manager mention for running a brainstorming session?**

- 1 You need a facilitator who clearly presents the problem.
- 2 Get contributions from everyone present.
- 3 Keep atmosphere fun, lively and informal.
- 4 You need a 'scribe' to record people's ideas.
- 5 You need a whiteboard or flipchart and marker pens.
- 6 Build on other people's ideas.
- 7 No premature evaluation (no prejudging or criticising people's ideas).
- 8 'Anything goes' approach (all ideas accepted).
- 9 Encourage unusual or 'crazy' ideas.
- 10 Quantity breeds quality (the more ideas, the better).
- 11 Set a time limit.
- 12 If possible, run the session away from the office.

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**2 Discuss the following questions.**

- 1 The manager uses a sporting metaphor from the world of wrestling, 'no holds barred', which means without restrictions or rules. Which guideline does this refer to?
- 2 The manager mentions that after the initial brainstorming phase, there is a 'selective phase'. What do you think people do in this phase?
- 3 Which of these brainstorming guidelines did you follow when you did your icebreaker mini-brainstorming session?

### Listening 2: A problematic brainstorming session

 1.07

**1 Listen to an office manager setting up a staff brainstorming session for travel consultants working for a tour operator. What is the aim of this session?**

**2 Listen again. What is wrong with the way this brainstorming session is being set up? Discuss with a partner and look at the audio script below if necessary.**

#### Audio script

 1.07

**Manager:** ... that's the situation. Erm, what I'd like to do is now if maybe ... if you can kind of work in groups or perhaps two or three of you on the ... on the flipchart. List down reasons why you think that we need to be consistent with the way we deal with customer enquiries. Anything that goes through your head, such as the need to follow a company standard. Also, remember the customer feedback was that we are inconsistent in answering calls. That was particularly ...

### Language focus: Using fluent pronunciation features to move discussions forward

1.08

**1** Listen to these typical expressions used to keep discussions moving in brainstorming sessions. Notice how fluent speakers tend to link sounds together. Mark the links between the words. The first one has been done as an example.

- 1 Anyone\_else got\_anything to add here?
- 2 Mandy, what do you think about that?
- 3 That's a great idea!
- 4 What about building on Paul's idea to ...

**2** Practise saying the expressions with clear linking. Which type of words should be linked together when spoken?

**3** Fast talkers may miss sounds out altogether – for instance, 'tend to' may sound like 'tento'; or they may blur sounds – 'want to' can sound like 'wanna'. The following typical phrases used in brainstorming sessions are written as if spoken. Say them aloud and then write the standard spelling for each one.

- 1 weagonnastartbylookinat ...
- 2 howabougoingwithiansideato ...
- 3 letsgowiththisideaov ...
- 4 mabeweshudgowidavzideaov ...

**4** Listen to the phrases spoken aloud and then practise saying them.

1.09

**5** Being aware of the pronunciation features presented here can really help your listening ability. Listen to the following company slogans said at speed, and match them with the company.

1.10



Nike (sportswear)



McDonald's (fast food)



L'Oréal (cosmetics)

**6** Listen again and write the slogans in full. Then reformulate them as if they were spoken, using the model shown in question 3 above. Make sure to account for missed sounds and blurred sounds. When you have finished, practise saying them at speed.

#### Critical analysis

What kind of brainstorming and research work do you think advertising agencies did to create the slogans above? How good do you think these slogans are?

#### Output: Brainstorming a new brand slogan

You are going to take part in a brainstorming session to create a new slogan for a company or product brand you know well.

##### Stage 1

As a class, choose a brand that everyone in the class is familiar with – a major supermarket brand, a soft drink brand, etc.

##### Stage 2: The 'anything goes' brainstorming phase

Get into two groups. Each group should choose a facilitator to lead this brainstorming session. The facilitator for each group should read the instructions at the back of the book and then conduct the brainstorming session for their group.

Group A facilitator look at page 137.

Group B facilitator look at page 142.

Whilst the facilitators are preparing, the other team members should review the language and content from this lesson, to be ready to use it during the brainstorming session.

##### Stage 3: The selective phase

Compare your results (and the process you used to get them) with another group and work together to create a single brand advertising slogan. If there is time, discuss what you could include in a 30-second TV commercial based around this slogan – the sounds, images and text.