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BUSINESS DEVELOPMENT STRATEGIES IN ACCESSING NEW MARKETS

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The summary describes strategies of entering new markets. Entering new foreign markets may be achieved in a variety of ways. Each of these ways places its unique demands on the company in terms of organizational and financial resources. Most of the times, entering international markets is not a matter of choice but of necessity to remain competitive in new or established markets. Our summary is going to analyze the possibilities that a company has when entering a foreign market, decision that is very important and which involves market assessment and analysis.

Introduction. New startups and companies typically have to consider entering new markets when their core markets start declining, or they have outgrown their core market and need new markets to continue to grow.

In both cases, there are significant risks and challenges to overcome. Our research has shown that there are certain best practices for mitigating the risks inherent in entering any new market, so as to achieve desired business results some effective ways are possible.

The main part. Part of a company's marketing plan may be to tap into new markets. A new market may involve selling a product or service in a new region or country, or it may involve targeting a new segment of customers. The implementation of business development strategies in accessing new markets involves a great deal of research and planning on the part of the business owner, company executives and employees.

Accessing new markets allows a company to broaden its reach and increases its potential to sell products and services to more customers. This increase in sales can also boost the bottom line of the business. In order to help to ensure a successful transition, company executives need to develop the strategies to use in order to penetrate the new market. Business development strategies can include marketing promotions, advertising, public relations and any other activities the company uses to promote its products or services and reach its new intended customer.

When developing business marketing strategies, it is imperative to consider the new segment the company is trying to reach. Most companies conduct their own marketing research or employ a market research company to conduct such research. Market research is made of two parts: target market research and competitive research. Target market research involves finding out everything that is known about the new market. Information on potential customers includes who the customer is, how they think and feel, what their needs and desires are, and how the company's product or service can satisfy their needs and wants. When researching the competition, the company needs to find out what type of customers the competition is attracting. The research aim also includes comparing the company's product or service to the products or services being offered by the competition in order to determine how the products or services differ. By finding information about the new target market and the competitors already operating in this market, the company trying to enter the market can create marketing strategies that take advantage of opportunities in the new market and promote itself in a way that appeals to the new target while differentiating the company's product or service from those of the competition.

When a company does its research and customizes its strategies to develop a new market, it helps to ensure that the new market penetration is successful. The better a company knows the market it is targeting, the better position it has to create marketing strategies that reach the new target customers. Planning ahead of time helps the company approach the new market in a proactive manner through the creation of adaptive advertising and marketing based on different responses the company may receive from new customers.

If a company tries to develop business in a new market without first conducting research and creating a strategic plan, it almost ensures failure. Most companies enter a new market because an opportunity has been identified. It means there is a need in the market that is not currently being fulfilled. If a company tries to push a product or service in a new market where there isn't a need or want for the product or service, then sales are going to suffer. If a company tries to sell a product or service to a new market without understanding the needs and wants of the customers in that market, then the marketing strategies may not hit the important points of the market. When the marketing doesn't appeal to the target market, then the marketing efforts fail and sales also suffer.

The development of strategies to enter a new market can take a significant amount of time. Some companies have been planning to enter a new market for years. Focus groups, surveys, panels, test groups and other types of market research can take months to implement. After the research is done, the company also has to take the time to evaluate and interpret the data. After this, companies often have to make modifications to the product or service, the marketing plan or the strategies it intends to use to better fit the market it tries to enter.

There are a number of ways to enter a foreign market. They consist of [1–2]:

Exporting. Exporting is the easiest, most cost effective and most commonly used method of entering a new international market. Some businesses do not actively plan to become exporters, they may simply start accepting orders from overseas customers. However, many businesses are planned by exporters who wish to expand their international presence. Exporting has many advantages where it requires less investment and allows the business to 'try out' exporting on a small scale as a handy way of developing and testing the international plans and strategies without great commitment. Exporting also allows to concentrate the production in a single location, allowing for better economies of scale and quality control measures.

Franchising / Licensing. Franchising is a form of licensing. As a franchisor or licensor, the business effectively gives the licensee of franchisee permission to:

– Produce a patented product or patented production process.
– Use the manufacturing know-how.
– Receive technical and marketing advice and know-how.
– Rights to use a trademark, brand etc.

Franchising and licensing have many advantages as both are simple and quick to implement and offer the advantage of minimal business costs as well as access to some markets which may otherwise have been closed due to government policies etc. The most obvious drawback of franchising and licensing is that revenues are likely to be significantly lower than other market entry methods, as well as a possible lack of control over production and marketing.

Joint Ventures. A joint venture is an arrangement between two or more (often competing) companies to join forces for the purposes of investment with each having a share in both the financial running and management of the business.

Joint ventures are usually an alternative to building a wholly owned manufacturing operation and offer benefits such as:

– Capital outlay is shared.
– Reduced risk i.e. less government intervention if an alliance is formed with an indigenous business.
– Closer control over production, marketing and other business operations.
– Better local market intelligence provided by indigenous joint venture partner.

The major disadvantage of joint ventures is that conflicts of interest may occur between the different parties i.e. on issues such as profit shares, amounts invested, management of the business and marketing strategy. As with any type of partnership, there are ways to minimise the risk of conflict by careful selection of partners and the formulation of jointly beneficial contracts.

Wholly Owned. Setting up a wholly owned operation in a new international market offers less of the 'quick' advantages of other market entry modes as it involves setting up a presence from scratch.

It takes some time and effort to build a new market presence, especially in mature markets and where the business may have little knowledge of the local market. However, it does offer more in the way of control and management of the business.

When selecting the right market entry mode for your business, there are many factors that need to be taken into consideration including [3]:

What are you marketing objectives? Examine the volumes you wish to sell, timescales and coverage of key market segments. For example, if volumes are expected to be low initially, then setting up your own manufacturing facility would not be appropriate.

What resources do you have available in the business? Does your business possess sufficient resources to support the level of planned international business activity?

Suitability of a market entry strategy. Businesses may have to use different market entry methods for different countries i.e. some countries will only allow a restricted level of imports but may welcome the business in building manufacturing facilities to provide jobs and limit the outflow of foreign exchange. Additionally, some market entry methods are questionable on a practical basis i.e. a possible lack of suitable distributors or agents to sell and service the product.

Conclusion. Selection of market entry mode is of strategic importance and therefore it is vital to make an informed assessment before embarking upon any international business dealings.

Entering new foreign markets may be achieved in a variety of ways. Each of these ways places its unique demands on the company in terms of organizational and financial resources.

Foreign market entry strategies are numerous and imply a varying degree of risk and of commitment from the international firm. In general, the implementation of an international development strategy is a process achieved in several steps.

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