

# International Market Entry Strategies

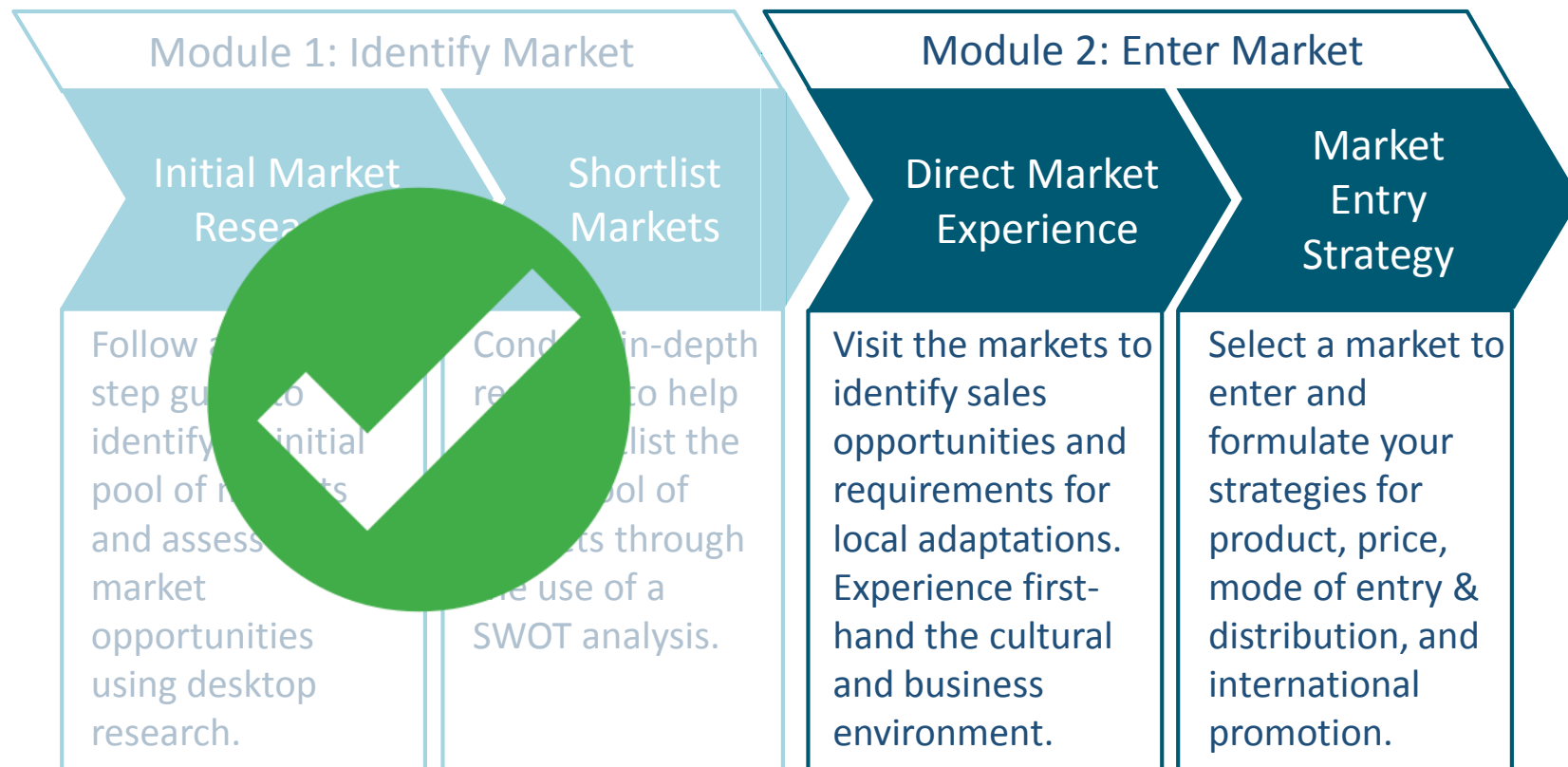
July 2020

# Agenda

- Overview
- Market adaptations
- Mode of entry
- Sales and marketing
- Partner relationships
- Key takeaways

# Overview:

Context - Two modules\* to help you identify and enter a targeted market



*\*Refer to "International Market Research and Market Selection" for details.*

# Overview:

Key components for a comprehensive market entry strategy



- **Market Adaptations:**

- Product modifications
- Labelling & packaging
- Pricing & discounts
- Competition

- **Mode of Entry options:**

- Direct sales
- Agent/ distributor
- Joint venture
- Wholly owned entity

- **Sales and Marketing**

- Advertising regulations
- Local attitudes
- Media infrastructure
- Finding customers

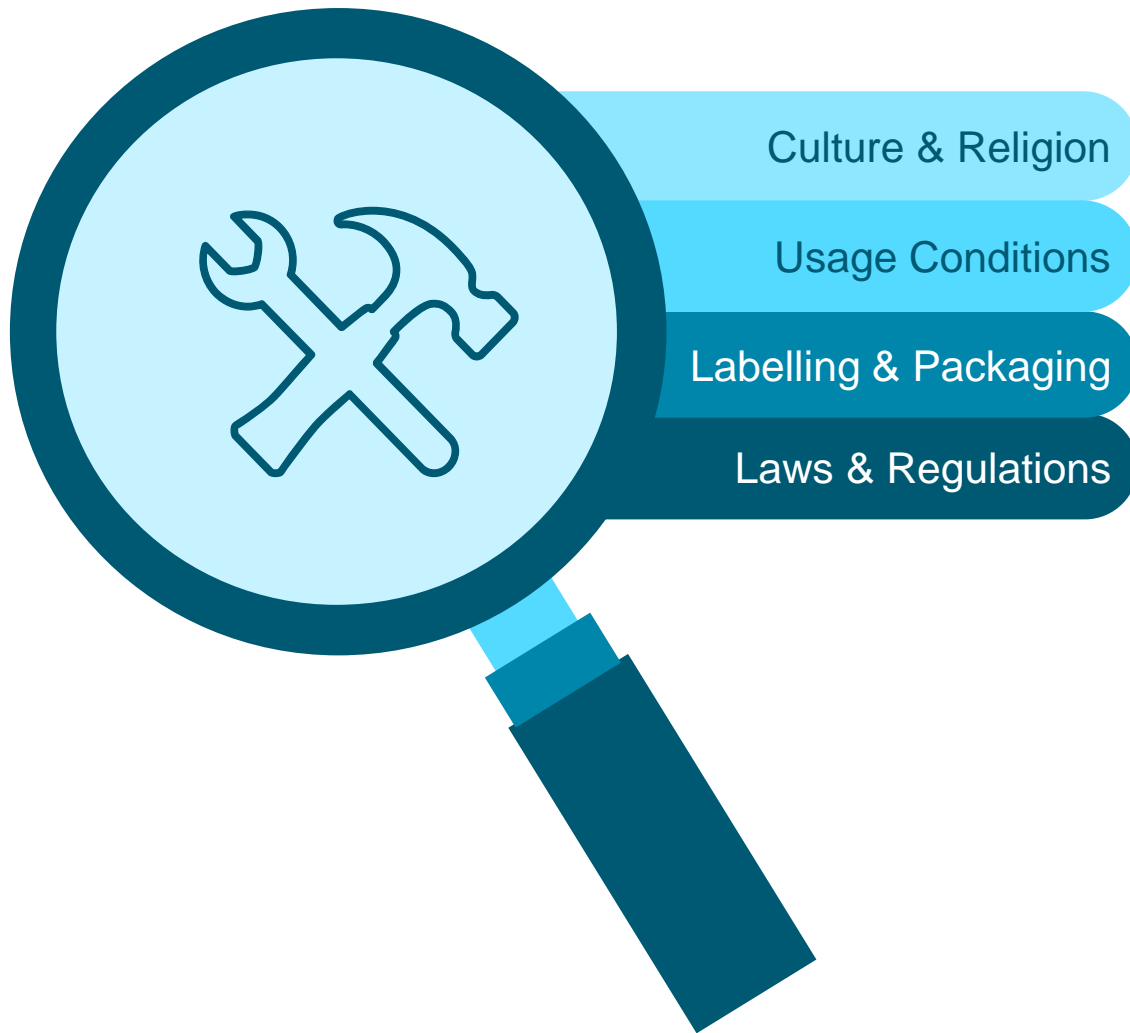
- **Partner Relationships**

- Identify partners
- Assess partners
- Building and maintaining a strategic partnership

# Market Adoptions

# Product Modifications:

## Some common aspects to consider



Culture & Religion

Usage Conditions

Labelling & Packaging

Laws & Regulations

Product adaptation is the process of modifying an existing product so it is suitable for different customers or markets.

An adaptation strategy is particularly important for companies that export their products because it ensures that the product meets local cultural and regulatory requirements.

# Product Modifications – case example:

## Culture & Religion



Spain



Germany



Turkey



Hong Kong



India



Mexico

### McDonald's Example:

McDonald's tailors its menus according to market / consumer preferences, culture and religions.

# Product Modifications:

## Usage Conditions

Product usage conditions can affect product adaptation in a number of ways:

- The climate, altitude and distance of a new market may require exporters to develop new solutions that allow a product to function as intended, or new packaging that will allow the product to reach its destination in good condition
- Inventory and sales trends in a new market can also require storage adaptation, with exporters providing new versions of a product that can be stacked, hanged or displayed according to regional conventions





# Product Modifications – case example:

## Labelling and Packaging



### Red Bull in North America:

- Red is a symbol of action and courage
- Silver symbolizes maturity
- Blue symbolizes youth spirituality and peace



### Red Bull in China:

- Red color represents vitality and good luck
- Gold symbolizes wealth and happiness

- Subtle cultural differences may make an ad that tested well in one country or region unsuitable in another
- Symbolism often differs between cultures, and humor tends not to travel well

# Product Modifications:

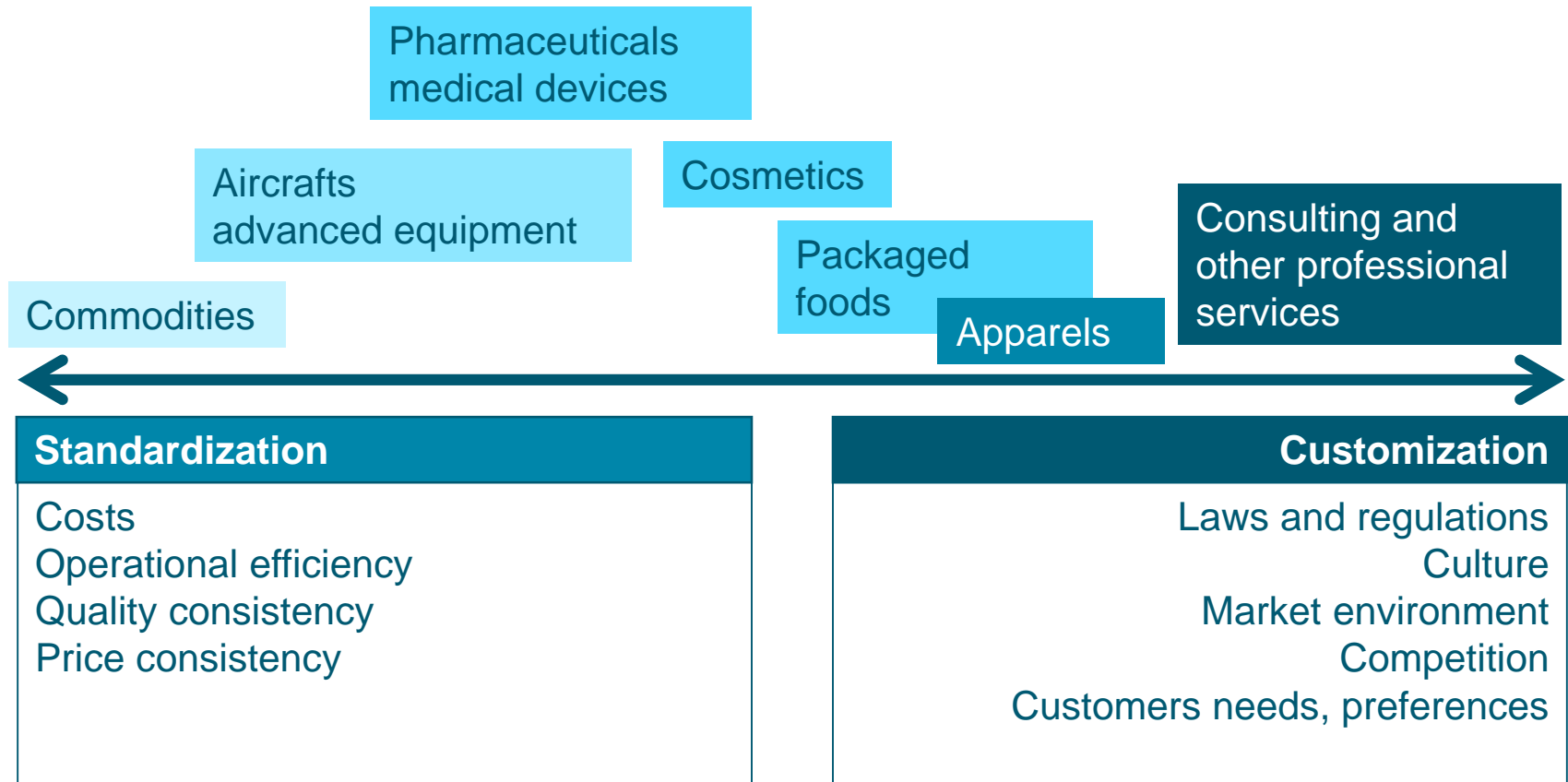
## Laws and Regulations

1. **Advertising regulations:** Labeling laws for consumer products, environmental claims, rules for marketing
2. **Environmental regulations:** Permits and compliance
3. **State licensing:** State and local governments licensing policies
4. **Antitrust laws:** Price discrimination, monopolization, conspiring to boycott, conspiring to fix market prices
5. **Privacy regulations:** Privacy compliance for employees and customers, disclosure of information, and more



# Product Modifications:

Spectrum of Standardization to Customization



# Cost and Price Perspective:

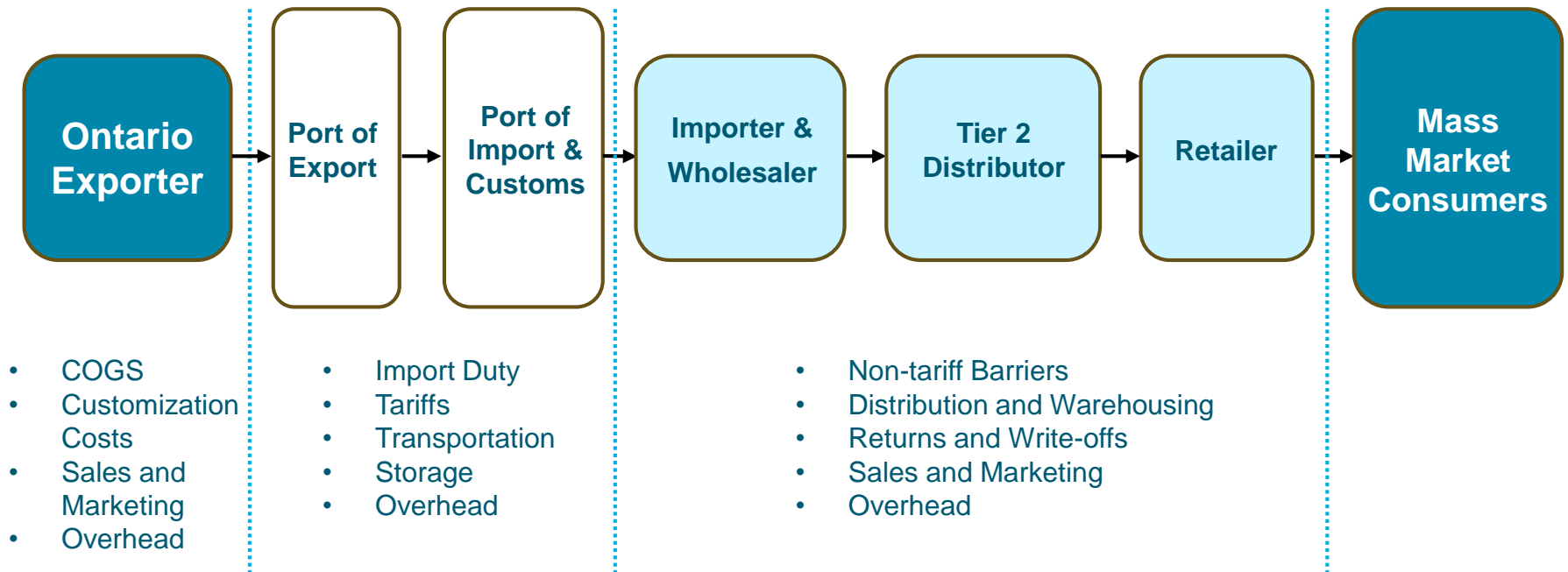
## Direct and indirect costs

- Market potential must be large enough to justify the direct and indirect costs involved in product adaptation
- Your company should assess the costs to be incurred and, though it may be difficult, should determine the increased revenues expected from adaptation.
- The decision to adapt a product is based partly on the degree of commitment to the specific foreign market
- A company with short-term goals will probably have a different perspective than a company with long- term goals



# Cost and Price Perspective:

Ontario exporter to mass market customers



Although an Ontario-based exporter may only sell to an importer/wholesaler, it is recommended the company gain knowledge of mark-ups along the supply chain and end user price.

# Cost and Price Perspective:

Standards of living and purchasing propensity

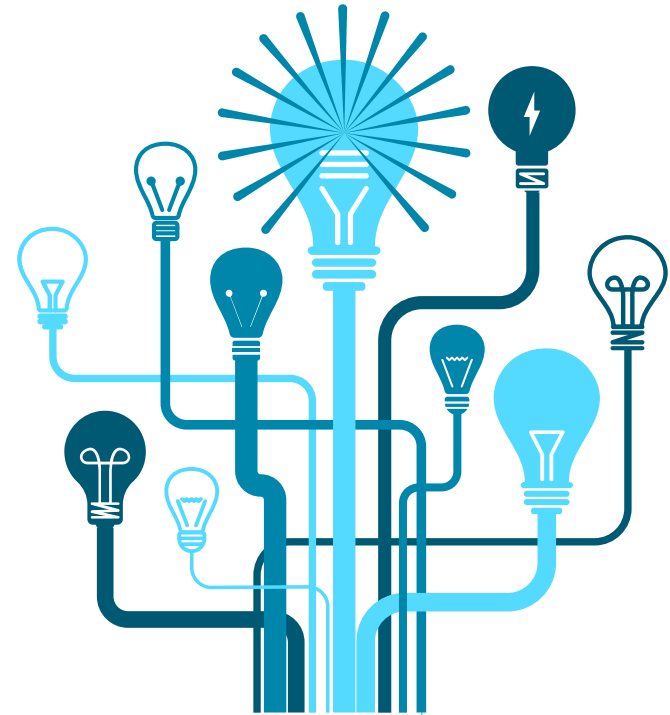


- Foreign markets are likely to feature a different standard of living than that found in the region where a product was first sold. This may mean a need to lower the price, or an opportunity to raise it.
- Research on customer purchasing propensity may give an indication.

# Cost and Price Perspective:

## Competition

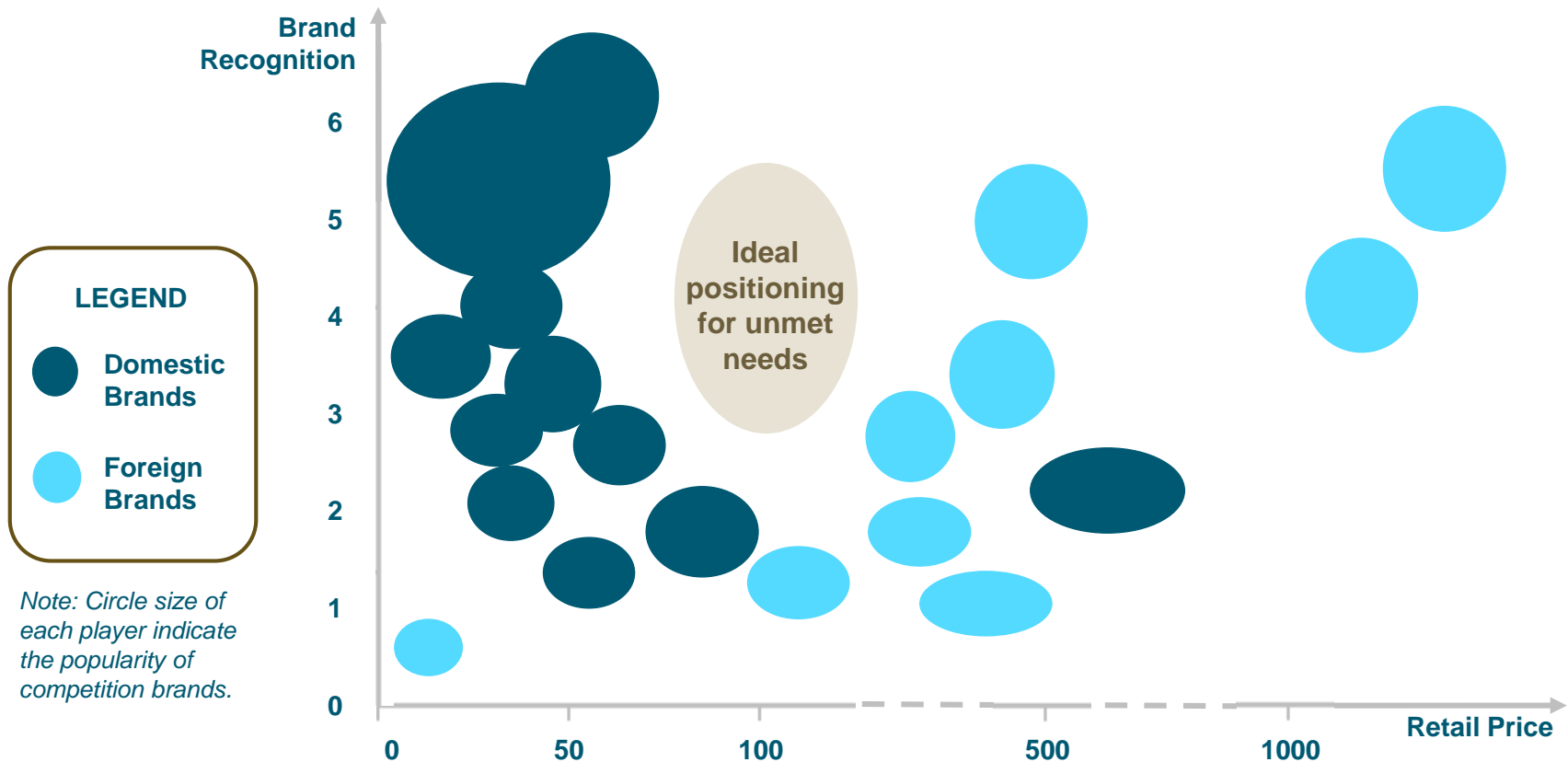
- Price adaptation is also an important strategy for dealing with competitive threats
- By analyzing competitors' product specifications, you can identify aspects of your own products for improvement
- You can also respond quickly to unmet needs and competitive threats, rather than taking the time to develop new products



# Case Study:

## Market and brand positioning perspective

- According to research on the target market, most domestic brands are competing at 10-75 retail price range while many foreign brands cluster at 100+ price range.
- The company decides to set its retail price at 100 to avoid fierce competition and build its brand positioning accordingly.

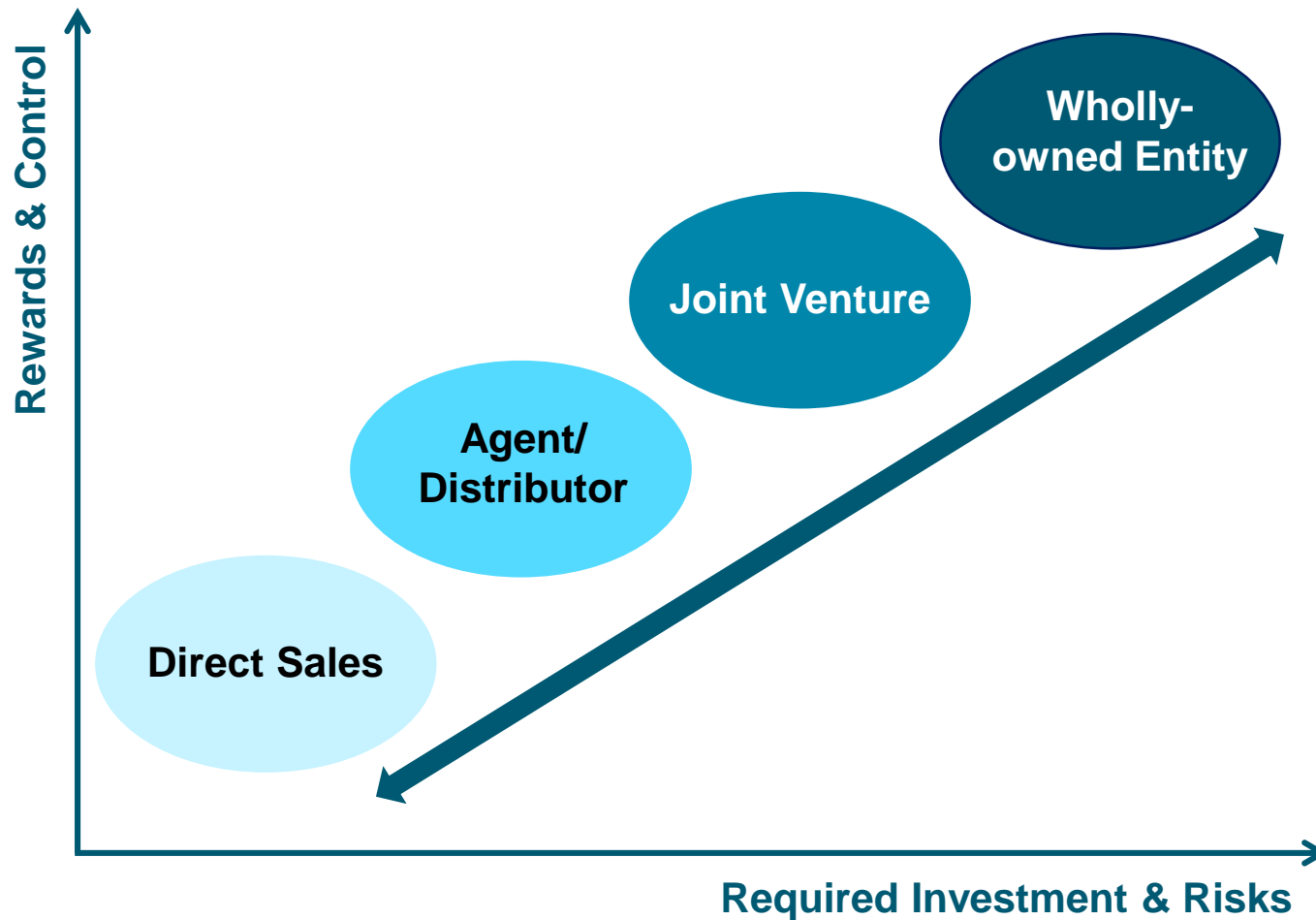




# Mode of Entry Options

# Market Entry Strategy:

Mode of entry options



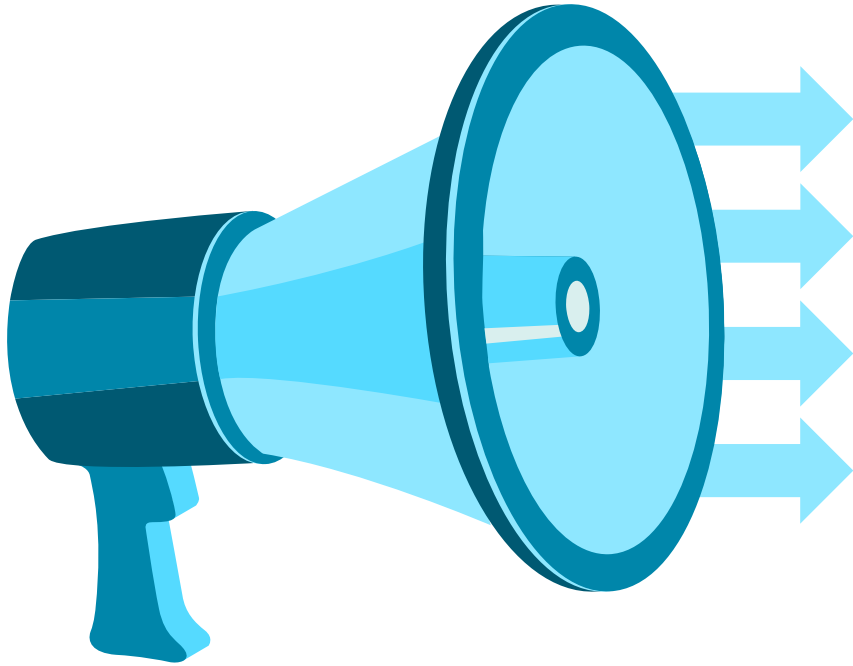
# Mode of entry options:

	Direct sales	Agent / Distributor	Joint Venture (JV) / Partnerships with Local	Wholly-owned Entity
Definition	Order taking; e-commerce	Appoint designated agent /distributor(s) in target market	Identify local partners and establish formal joint venture / partnerships to conduct all business operations	Invest wholly owned business entity in target market to conduct all business operations
Investment	Minimum	Limited to regular visits to identify and maintain distributors	Significant investment of time and financial resource into the day-to-day operations of JV	Substantial investment in establishing local business entity and all functionalities to operate
Benefits	Direct sales to customers with total control of pricing	Sell internationally without having to manage a sales force; More effective management of distribution	Leverage local partner, most often for local sales and operations. Profit sharing based on partnership agreement.	Total control of the operations and revenue generation. Full control of brand equity and customer relationship.
Risks	Limits the sales potential and reach; Unfamiliar language and culture	Under-performing distributors; Misrepresentation in the market; Limited control of end user price and brand equity in the market	Less control on supply chain and operations. Less control on cost structure. Potential risk on IP; to identify compatible and synergetic partner	Exposed to all business risks in local market as operating the business, especially managing local workforce, accounting and taxation issues

# Sales and Marketing

# Sales and Marketing:

Some common aspects to consider



Advertising regulations



Local attitudes toward advertising



Media infrastructure



Finding customers

# Sales and Marketing:

## Advertising regulations

- Countries differ in their regulations of advertising, and some products are banned from advertising on certain media
  - *Example - In France, large supermarket chains are not allowed to advertise on TV.*
- Other forms of promotion may also be banned or regulated
  - *Example - In some European countries, it is illegal to price discriminate between consumers. So coupons are banned.*
- Countries often have arbitrary rules on what can be advertised and what can be claimed
  - *Example - Netherland requires that a toothbrush be displayed in advertisements for sweets.*

# Sales and Marketing:

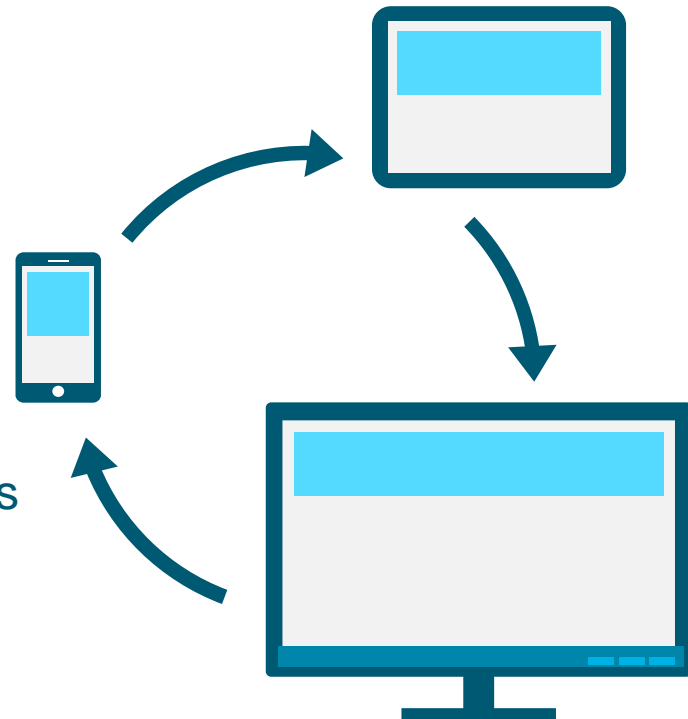
## Local attitudes toward advertising and Media infrastructure

### Local attitudes toward advertising

- People in some countries are more receptive to advertising than others
  - *While advertising is accepted as a fact of life in the US, some Europeans find it too commercial*

### Media infrastructure

- Media infrastructure is not well developed in some countries and regions
- Consumer media habits also differ dramatically
  - *Newspapers appear to have a higher reach than television and radio in parts of Latin America*



# Sales and Marketing:

## Finding customers

1. Advertise to generate promising leads
2. Network and receive referrals from business associations
3. Team up with another business with the same target customers
4. Follow business prospects on social media
5. Form a strategic alliance partnership





# Partner Relationships

# Local Partner Relationships

## Identify partners



1. List your business goals



2. Think about the types of companies that can help you achieve those goals



3. Identify the benefits those potential partners could gain through a relationship with you



4. Review the list and find the companies that get the most benefit by partnering with you



Leverage government support and export programs to identify potential partners in target market and conduct due diligence.

# Local Partner Relationships

Assess partners

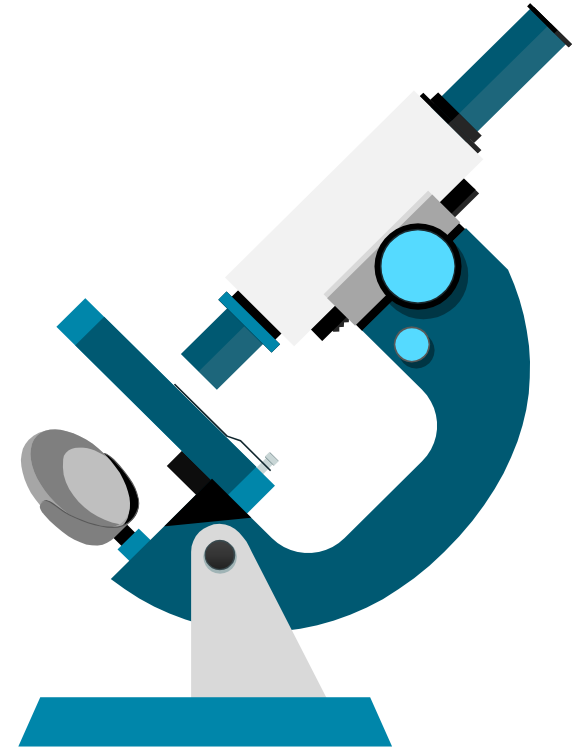
**Shared Risks:** Is the risk in the alliance equally shared or is our risk higher or lower versus the other partner?

**Shared Resources:** Are our invested resources higher or lower versus the other partner in the alliance?

**Shared Rewards:** Do we expect to see an increase in our short term or long term revenues as a result of the partnership?

**Shared Vision:** Will the desired business outcomes and goals of each partner be achieved?

**Shared Values:** Do the business values, ethics, and corporate culture of both firms match or compliment each other?



# Local Partner Relationships

Building and maintaining a strategic relationship

1. Develop a shared future vision and operating values
2. Have a defined process for conflict resolution and mediation
3. Define expectations and commitments for each party
4. Create a clear and effective decision making process
5. Have regular and well-structured review processes

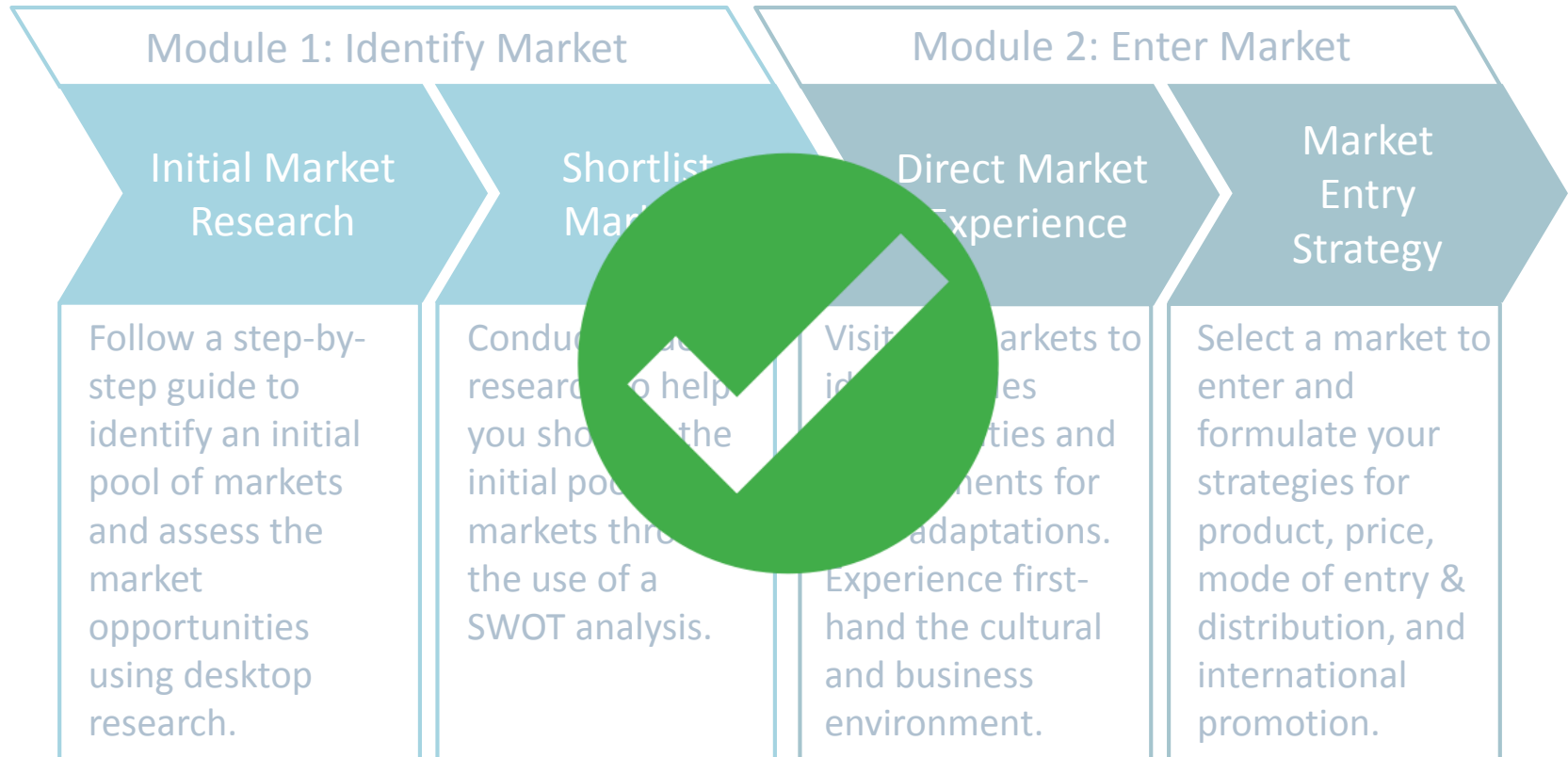


# Key takeaways

1. Be aware of and **leverage internal and external resources** to develop your market entry strategy.
2. Be **open-minded** and **adaptable**.
3. Use the entry strategy as a guide to **build an action plan** for implementation.
4. Market entry strategy is **only the beginning** of the international expansion journey.
5. **Long term commitment** is key to success.

# Overview:

Two modules to help you identify and enter a desired market



**Thank you!**