

Approaches and Challenges of Internationalization



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Approaches and Challenges of Internationalization

- ✓ Program:
- Approaches and Challenges of International Marketing
- International Business Strategies



Approaches and Challenges of International Marketing

✓ Foreign Markets Approach:

- **3 approaches** in International Marketing are **conceivable** according to the choice of

the company :

- 1. Export marketing:** the company adapts a tested and successful policy in its domestic market to the requirements of foreign markets
- 2. Multi-domestic marketing:** the company engages in different foreign marketing policies
- 3. Global Marketing:** The company attacks the global market by allocating resources for each market segment



Approaches and Challenges of International Marketing

✓ Foreign Markets Approach:

■ The **stakes** of International Marketing

- The **concept** of Global Marketing **appeared** in the **80s**; it **advocates** a structure considering the **world** as a **single market**
- The **factors explaining** the development of International Marketing are :
 - **Technological evolution** of products and shortening of product life cycle
 - Rapid development of **consumer needs**
 - The development of the means of **communication**
 - Strategic **visions** of the company: risk/profitability



Approaches and Challenges of International Marketing

✓ Foreign Markets Approach:

■ The **stakes** of International Marketing

➤ The **choice** of internationalization poses the **dilemma adaptation/standardization** to the company:

- **Standardization**: decision to adopt same national market marketing policies to generate significant cost savings and facilitate operations management
- **Adaptation**: customization of mix strategies according to target markets to better meet the needs of consumers

➤ **Flexible automation** and **production** development allows companies to benefit from the **benefits** of both **standardization** and **adaptation**



Approaches and Challenges of International Marketing

- ✓ Foreign Markets Approach:
 - The **different** types of **study** of foreign markets
 - There are **3 categories** of market **research** according to the desired objectives :
 - **General** and **exploratory**: pre market research to reveal groups of countries classified by prospecting priority based on certain criteria
 - ✓ **Accessibility**: tariff, non-tariff barriers, physical, political, economic factors
 - ✓ **Potentiality**: economic situation, level of development, prospects for growth, local demand situation
 - ✓ **Security**: risks related to political situation (should not be neglected)
 - The company then draws up a **comparative table** of the **markets**
 - In these tables, we find **criteria rated** from the most **unfavorable** to the most **favorable**



Approaches and Challenges of International Marketing

✓ Foreign Markets Approach:

■ The **different** types of **study** of foreign markets

➤ Studies on the **structure** and **functioning** of a foreign market:

- **Demand:** current consumption of the product, evolution over the last years, future trends
- **Competition:** Local production, dynamic evolution, respective market shares, industrial trends, imports and dynamic evolution, main countries of origin
- **Price:** prevailing price, distribution margins, terms of sale, consumer acceptability price




Approaches and Challenges of International Marketing

✓ Foreign Markets Approach:

■ The **different** types of **study** of foreign markets

➤ Studies on the **structure** and **functioning** of a foreign market:

- **Distribution:** nature channels distribution, services rendered, structure costs distribution
- **Communication:** competitive practices in commercial communication, means available for business and costs
- **Legal and administrative environment:** Product (standards, trademark protection and patents ...), packaging and labeling (design, recycling, mandatory mention ...), sales conditions (price control and margins)



According to the Surgeon General, women should not drink alcoholic beverages during pregnancy because of the risk of birth defects

Approaches and Challenges of International Marketing

✓ Foreign Markets Approach:

■ The **different** types of **study** of foreign markets

➤ **Studies** on one of the **elements** of the marketing **plan**:

- They often take the form of **tests** to **measure** the likely **reaction** of the **market**
- These studies can take **many forms**:
 - Documentaries
 - Quantitative
 - Qualitative



Approaches and Challenges of International Marketing

✓ Foreign Markets Approach:

■ The **course** of the market studies

➤ The **formulation** of the problem

- It's about **identifying** the **problem** to be **solved** and **looking** for its possible **origins** or determining the **decision** to take
- The **purpose** of the study will be to **validate** the **intuitions** to remember

➤ The **study** project

- It **describes** the **characteristics** of the study and the **procedures** to be used
- The project **includes**:
 - ✓ The choice of **methodology** and data to be collected
 - ✓ The **methods** selected to collect the information
 - ✓ The **techniques** for processing the information collected
 - ✓ The **schedule** of operations
 - ✓ The **budget** of the study



Approaches and Challenges of International Marketing

✓ Foreign Markets Approach:

■ Who to **entrust** the studies with?

➤ The success of these field studies is **conditioned** by several things:

- **Access** to sources of information
- **Adaptation** of data collection techniques
- **Understanding** the environmental context
- **Adaptation** of the study to the needs and constraints of the company

➤ These studies require a **large budget** and require **special skills**



Approaches and Challenges of International Marketing

- ✓ Foreign Markets Approach:
 - Who to **entrust** the studies with?
 - One must **ask oneself** the question of **carrying** out the **study** by **oneself** or **entrusting** it to **intermediaries**
 - This choice must be **based** on several **criteria**:
 - **Technical** skills
 - **Language** skills
 - **Cultural** skills
 - **Cost** of carrying out the study



Approaches and Challenges of International Marketing

- ✓ Foreign Markets Approach:
 - Demand **forecasting** methods
 - **Qualitative** methods:
 - **Opinions** of experts and consultants
 - Reasoning by **analogy** with products or markets close
 - ✓ The results of these studies may be wrong because they are often **intuitive**
 - **Statistical** methods of projection
 - Rely on **past data** to predict the future
 - **Causal** methods
 - **Mathematically** connected **phenomena** that maintain **cause-effect relationships** between them and **predict** the **evolution** of the dependent variable



Approaches and Challenges of International Marketing

- ✓ Foreign Markets Approach:
 - Demand **forecasting** methods
 - **Experimental** methods or tests
 - The **purpose** of the target markets method is to **forecast** in terms of **market share** or **sales volume** the effects of **commercial policy** on an **existing product** or to **determine** the **chances** of **success** of a product
 - **Test** carried out in a **small geographical** area but **representative total** market





Approaches and Challenges of International Marketing

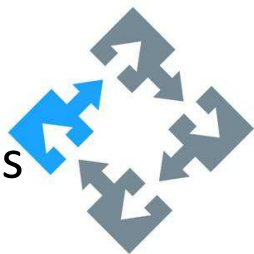
- ✓ International Marketing- How to Sell Products Internationally (Export)





International Business Strategies

- ✓ International Strategic Approach:
 - The strategy can **be defined** as the **choice** of **areas** in which the **company** will **engage** in the **long term** to achieve objectives
 - It consists in making **choices** of **resource allocation** (financial, human, technological) oriented **around** :
 - Choice of Strategic **Business Areas** of the company
 - Choice of Strategic **Options** (specialization, internationalization ...)
 - Choice of **Structure** and **Organization**
 - Choice of **Resource** Allocation
 - A strategic diagnosis focused on **environmental analysis** (SWOT), company **resources**, economic **intelligence** including various sources will optimize its **orientation**



International Business Strategies

- ✓ International Strategic Approach:
 - Strategic **orientations**
 - The strategic orientation makes it possible to **assess** the **competitiveness** of the **company** and the **interest** of the field of **activity**
 - Several **models** proposed by American **consulting firms** (BCG, McKinsey) measure the **commercial position** and **attractiveness** of the activity
 - Strategic choices boil down to **several alternatives**:
 - **Specialization**: focus company efforts on 1 market or 1 product type
 - **Diversification**: investing in new products or new markets

	Current Product	New product
Current market	Specialisation	Product Diversification
New market	Market Diversification	Total Diversification

- ✓ International Strategic Approach:
 - The **choice** of **internationalization**
 - The internationalization decision **must take** into **account** the **determining factors** in this choice, called factors of internationalization:
 - **Business** factors
 - ✓ **Narrowness** of the domestic market
 - ✓ Company **specialization**
 - ✓ Sales **regulation** and slowing economic growth
 - ✓ International product **life cycle**
 - **Industrial** factors
 - ✓ Seeking **economies** of scale
 - ✓ Lower production **costs**
 - ✓ **Environmental** factors



- ✓ International Strategic Approach:
 - The **choice** of **internationalization**
 - **Environmental** factors: the multiplication of free trade agreements
 - **Opportunity** factors:
 - A **spontaneous** request
 - **Excess** production
 - The **motivation** of the leader



- ✓ International Strategic Approach:
 - The **risks** of internationalization
 - The **main risks** of internationalization are **summarized** in :
 - **Under estimation** of market data:
 - ✓ Expected **revenues** are overvalued
 - ✓ **Costs** are underestimated
 - ✓ Incorrect assessment of **competitors**
 - ✓ Incorrect assessment of the impact of **physical distance**
 - ✓ Incorrect assessment of the impact of **cultural distance**
 - Uncontrollable **international environment**:
 - ✓ Regulatory or **legislative** change
 - ✓ Exchange **rate** variation
 - ✓ **Political** instability
 - ✓ **Financial** instability

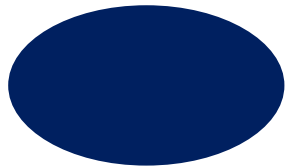


- ✓ International Strategic Approach:
 - International strategic **formulas**
 - The choice of formulas **depends** on the following **decisions**:
 - The choice of the **number** of **markets** to reach
 - The definition of the **respective roles** of the **national** market and the **international market**
 - The company has the **choice** between **2 formulas**:
 - **Geographic dispersion** through rapid actions on the foreign market ("vulturers")
 - **Concentration** of **markets** through **large investments** targeting **large** and **lasting** ("rooted") **market shares**
 - The company must **specify** the **respective importance** of domestic and foreign **markets**

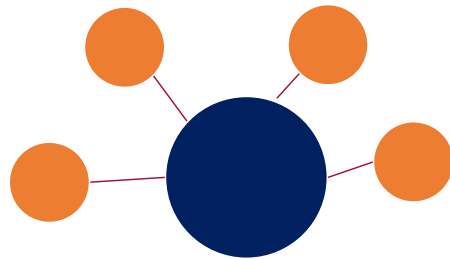


International Business Strategies

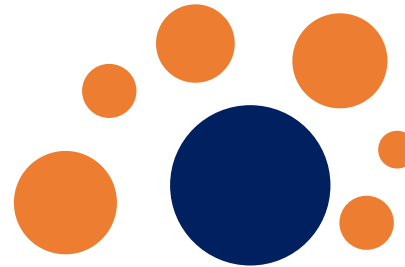
- ✓ International Strategic Approach:
- International strategic **formulas**



Domestic market.
One market



Foreign markets are satellites.
The domestic market is essential



The domestic market is only a
market of varying size



The domestic market is a basic
unit of a unified market

International Business Strategies

- ✓ International Strategic Approach:
 - These choices make it possible to **classify** companies into **4 categories**:
 1. **Ethnocentric**: International transactions compared to domestic operations
 2. **Polycentric**: Independent subsidiaries in each country
 3. **Regiocentric**: Autonomous Subsidiaries at Regional Level
 4. **Geocentric**: Global subsidiaries (multinationals)



- ✓ International Strategic Approach:
 - The export **diagnosis**
 - The **choice** of a strategy is **preceded** by an **internal diagnostic** phase (strengths and weaknesses) and **external diagnosis** (opportunities and threats)
 - The export diagnosis **consists** of :
 - Determining the **ability** of the company to export
 - Evaluating **resources** and **skills**
 - Evaluating **chances** of success and competitive **advantages**



- ✓ International Strategic Approach:
 - The export **diagnosis**
 - A **functional analysis** of the company is made to **measure** the **degree of international know-how** of the company
 - **Production capacity**: Excess capacity, production adapted to the international environment and production available on time
 - **Financial capacity**: Adequate investment, non-payment risk assessment
 - **Organizational** and **personal skills**: Trained staff and competent to negotiate well, good relationship to mobilize different partners (bank, carriers ...)
 - **Marketing** and **logistics skills**: economic intelligence, optimal combination of 4Ps ...





International Business Strategies

- ✓ Selecting Initial Export Markets | Export.Gov Exporting Basics

<https://www.youtube.com/watch?v=sFf7r6WmsR4>

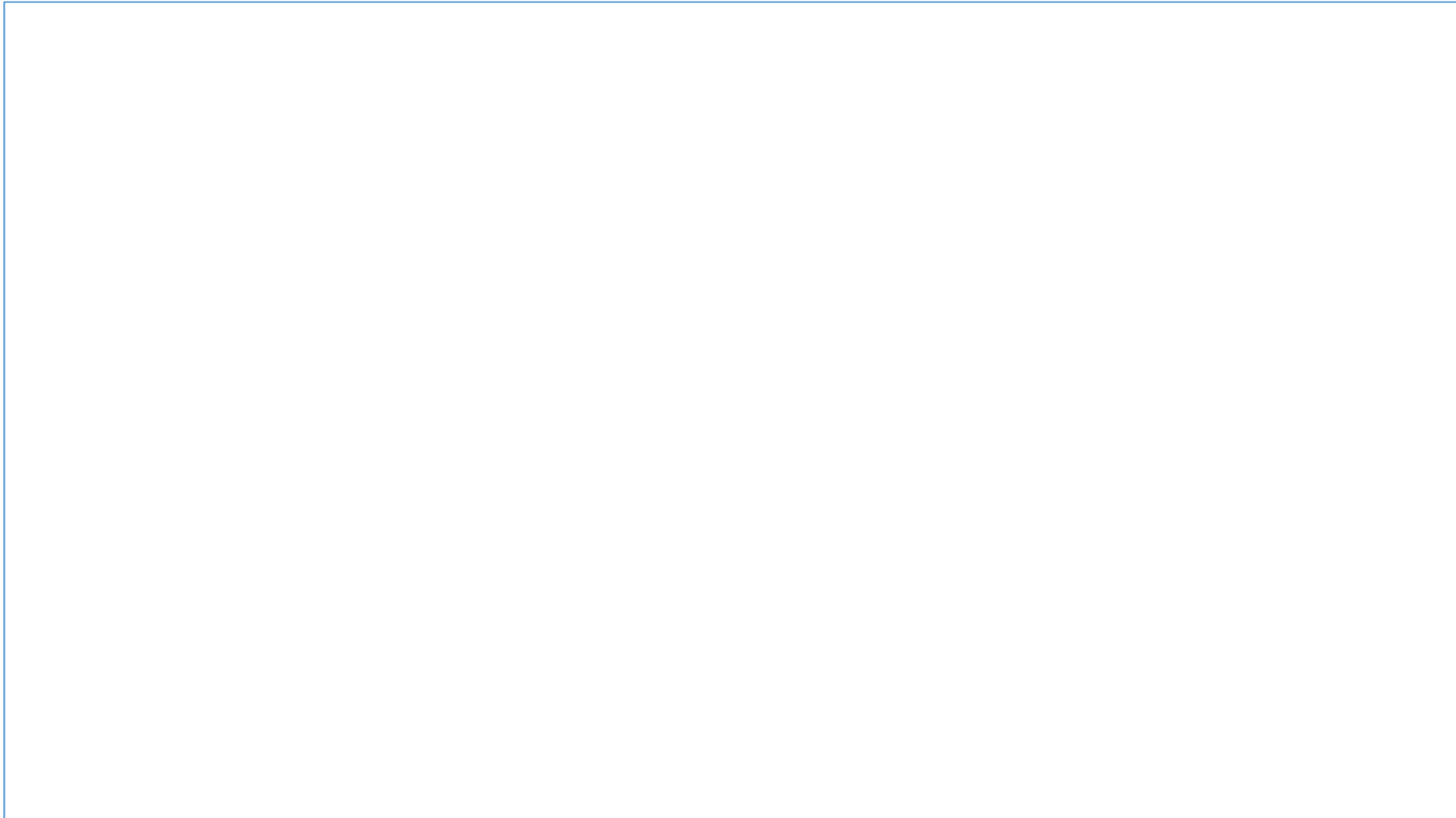




International Business Strategies

- ✓ Due Diligence on Markets and Partners - Managing Challenges - Exporting Basics

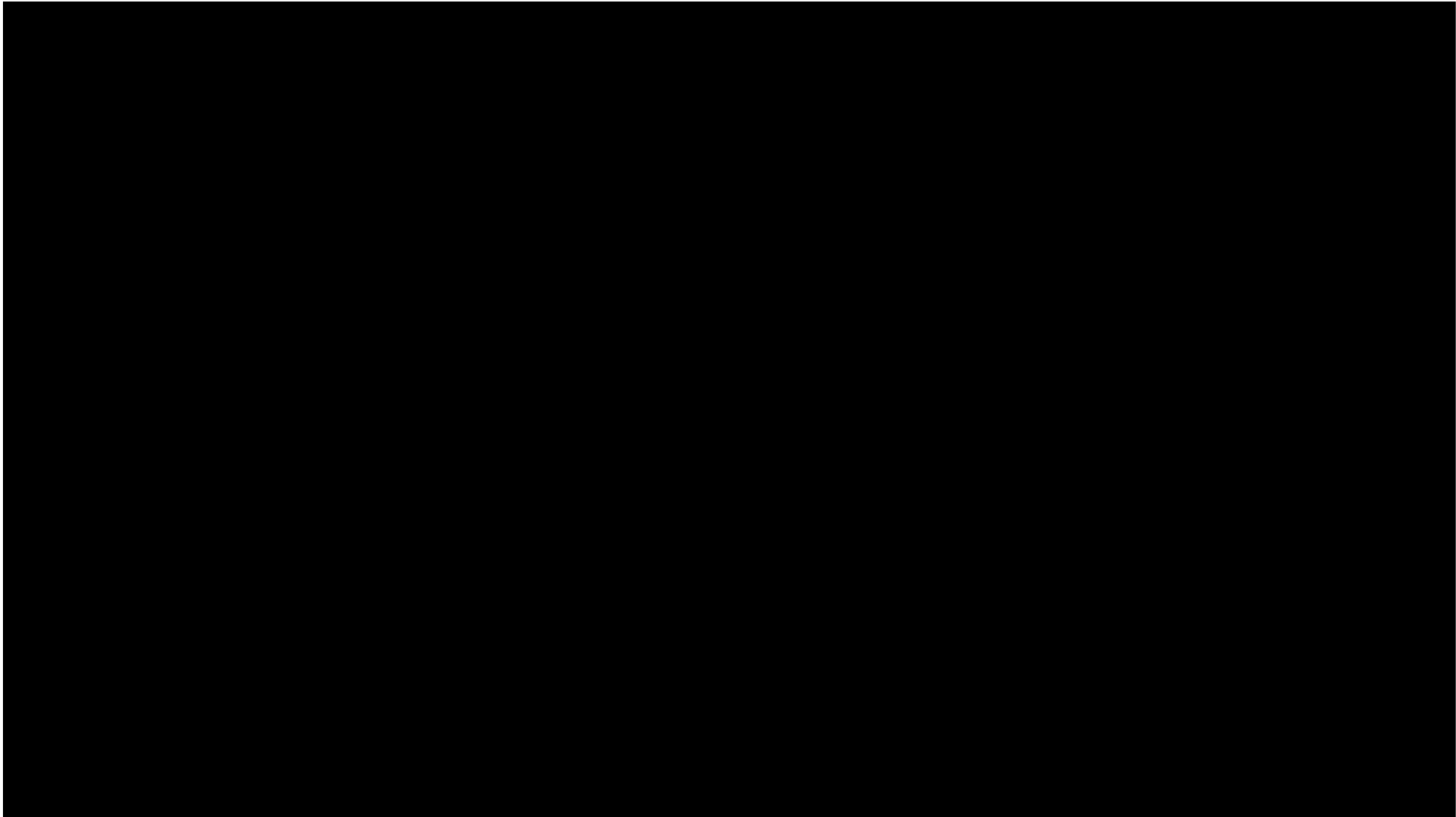
<https://www.youtube.com/watch?v=MY7PL25t43A>



International Business Strategies

- ✓ Managing Geo-Cultural Risk - Paige Williams, Director of Global Readiness Microsoft

<https://www.youtube.com/watch?v=2ozwgr1Hks4>





The end