A Review of International Business and 5 Stages of international Market Development

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Abstract – Entry mode is a highly meaningful choice for all companies that are thinking of expanding their company to emerging least developed and even developed markets. Most of the literature works that has been done concerning internationalization and entry mode focus more on the service companies. This study, however, seeks to find out some of the entry strategies that can be used by food companies. There are numerous reasons why companies consider going into international. There are those who find it appropriate when the domestic industry is too competitive; there are those who take this direction with the aim of expanding their business and many other reasons. The study aims at giving a critical analysis of market entry strategies that can be used by Arla Foods to enter into international market. The study explores multiple entry modes as well as various entry theories from the previous work. The analysis is done to find out whether the international market, particularly, the least developed countries in Asia are viable for Arla Food Company, Denmark. From the secondary data, the market has a fair share of weaknesses, but it is very viable from the opportunities it has. The entry mode that is found to be the best for Arla to enter into the market is export. Export is considered effective because it has very low risk and does not require substantial funds.

Key words: International Business, Domestic and International Market, Sales etc.

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INTRODUCTION

One of the most dramatic and significant world trends in the past two decades has been the rapid, sustained growth of international business. Markets have become truly global for most goods, many services, and especially for financial instruments of all types. World product trade has expanded by more than 6 percent a year since 1950, which is more than 50 percent faster than growth of output the most dramatic increase in globalization, has occurred in financial markets. In the global forex markets, billions of dollars are transacted each day, of which more than 90 percent represent financial transactions unrelated to trade or investment. Much of this activity takes place in the so-called Euromarkets, markets outside the country whose currency is used. This pervasive growth in market interpenetration makes it increasingly difficult for any country to avoid substantial external impacts on its economy. In particular massive capital flows can push exchange rates away from levels that accurately reflect competitive relationships among nations if national economic policies or performances diverse in short run. The rapid dissemination rate of new technologies speeds the pace at which countries must adjust to external events. Smaller, more open countries, long ago gave up illusion of domestic policy autonomy. But even the largest and most apparently self-contained economies, including the US, are now significantly affected by the global economy. Global integration in trade, investment, and factor flows, technology, and communication has been tying economies together.

FIVE STAGES OF INTERNATIONAL MARKET DEVELOPMENT

Stage 1: Domestic-market establishment the domestic market is often an appropriate place to test products and fine-tune performance before tackling the complexities of international trade. It can also give a good indication of performance. However, in some instances, this stage of the export process doesn't serve any purpose at all. This may be the case for a Canadian software company, for example, that has developed a product specifically for a foreign market. Because international-market development requires resources of time and money on the part of the exporter, it's important to ensure that a strong foundation has been built in the domestic market upon which to base future export-market-expansion activities, so that international activities do not compromise the company's core business.

Stage 2: Export research and planning When companies begin trading abroad, they often target a country similar to their own in language, financial structures, legal and economic systems or culture. For example, Canadians entering the international marketplace usually address the U.S. market first. Before venturing into an unfamiliar market, companies should prepare themselves properly. By analyzing how successful the proposed product or service may be in a potential market, the exporter can narrow the target markets down to three or four. A well-researched marketing plan can give the potential exporter the confidence to commit to exporting. Such concentrated effort is preferable to the common and costly mistake of 'chasing orders around the world'. Another advantage to undertaking appropriate international-market-research and planning activities is that by creating a written document, potential problems and weaknesses can be identified more easily. This enables exporters to foresee potential challenges prior to making the investment of time and money that will be required for successful export-market development.

Stage 3: Initial export sales When implementing an export plan, it's advisable to begin modestly by testing the market. A graduated strategy enables the novice exporter to acquire practical experience in a market without incurring unnecessary or unmanageable risk. Developing markets in phases enables the exporter to monitor their progress and make any necessary changes as they progress along the path to export success. During this stage, the exporter should use initial shipments to become familiar with the mechanics of exporting (documentation, distribution channels, transportation and collections), to get to know the customer target group, to determine what product modifications may be necessary and to learn about regulations that might affect the business. This is also the stage at which to revise the initial plan.

Stage 4: Expansion of international sales If initial sales have been good, planning for larger orders and expanded activity should follow. This stage is usually accompanied by intensified market research, more aggressive participation in international trade shows and other marketing activities and greater emphasis on strengthening networks and contacts in the target market. The firm may enter negotiations with potential local partners to strengthen its position in the market in win-win business relationships. By the time exporters have reached this stage, they 'll have already learned a great deal about the export market through prior experience, which will assist them in making appropriate adjustments to their strategy as they proceed with strengthening their position in the market.

Stage 5: Investment abroad If sales are brisk, profits encouraging and opportunities promising, the company may choose to expand its presence in the target market. It can, for example, open a local office, tighten relations with local partners, buy an existing local company, form a joint venture or invest in R&D or production facilities. The target market may serve as a stepping stone to adjacent markets and become a focal point for a larger trade strategy. This final stage carries additional ramifications and responsibilities, beyond those of a company that is based elsewhere simply operating remotely in a foreign market. New issues come into play because the scope of a company's presence broadens when it takes on a permanent physical presence in the market. For instance, the investing company must take into account the impact on and interaction with the community and all other stakeholders—employees, local government, the environment, legal and tax compliance, transparency, public image and sustainability. All of these impacts must be managed seriously and carefully as a corporate citizen, with strong corporate social responsibility as a policy that should be demonstrated at every opportunity.

CONCLUSION

Today's multinational enterprises must deal with an international monetary system full of complexities, challenges and risks. Finance managers and treasurers in particular play a key role in managing worldwide money matters. It is important for international marketers to possess insight into multinational finance and accounting functions, because these functions usually have a significant impact business. Eventually, all business decisions that involve capital investment or other types of long-term financial commitment on the part of the parent corporation must be reviewed in the context of international finance and monetary policies. The financial strength of the company is deeply affected by the foreign investment that it decides to make when it starts going global. This would lead many companies to look for foreign portfolio investment. These decisions would strengthen the company's financial investment globally. Also, the foreign direct investment by many companies largely affects the operations of the local businesses. The deeper insight in to the concepts of capital flows and overheating would help us to understand the financial operations of multinational corporations.

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