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# Marketing Strategies for Entering International Markets Using SWOT Method

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## ABSTRACT

Global and knowledge-focused economy has brought about new opportunities and threats for businesses. In spite of the fact that strategic management and production industries have been developed separately, both of them emphasize on corporate match with changes and seizure of opportunities for creation of welfare. Today, there is no doubt about the role of production firms in economic development and growth of countries. Formulation of strategy enables a firm to be active and not passive, so that the firm is prepared to confront with environmental controlled and non-controlled issues. Organizational strategies required for growth and success of production firms is able to be differentiated either based on technological innovation or based on concentration on a segment of product or service market. Even if these strategies are used, every organization is confronted with different problems during its lifecycle. Anyway, use of these strategies is an effective instrument for successful management of company in competitive environment.

**KEYWORDS:** marketing, SWOT, international markets.

## INTRODUCTION

One of the main decisions of organizations is paying attention to entrance state in internationalization trend of companies (Kowar et al, 2007). Selection of way of entering external markets can have important impacts on performance and survival of companies. Entering foreign markets has a lot of impacts on markets of the selected countries and is one of the most vital strategic options. There are numerous theories for explaining selection of entrance state like transaction cost analysis (TCA), organizational theory, selection pattern and observation-based theory, many of which have been designed for large companies (Kotler and Armstrong, 2001). But the fact that whether such theories can be used for interpreting behavior of small and large companies is now uncertain (Lee et al, 2011).

Selection of the best strategies for entering foreign markets depends highly on different factors which must be evaluated before entering new markets. Some of these factors are internal and some are external and specifically designed for a particular company of industry. Another group of factors is external factors, like foreign country rules and risk.From international marketing viewpoint, different methods for entering markets show levels of control, commitment, participation and risk (Albaum et al, 2002). Therefore, the fundamental decision in this regard depends highly on the way of product supply, decision for exporting product or production in this place (Kaffashpour, 1999). Low competitive power in global markets is one of the main concerns of developing countries within the past few years. Considering the strategic importance of production firms in national economy due to some factors including: important share in occupation, participation in regional development, development in international commerce, healthy competition and prevention from monopoly and provision of infrastructure for innovation and skills, failure to trust in them may result in emphasis on absence of participation in export (Javidi Zargari, 2005). Therefore, the main issue in this study is to study: what are strategies for entering international markets based on SWOT analysis?

### Theoretical framework

Strategy formulation framework has been considered as the main theoretical framework in this research. This framework provides us with instruments and methods which are appropriate for different types of organizations in different sizes. In fact, it is assumed that all subjects regarding strategy formulation can be collected in stages of this framework. the aforementioned discussion is the base for designing open questions from elites and collecting required data.

### Research background

#### Internal background

Sadeghi et al (2013) conducted a research titled: "a combinational use of components analysis and SWOT for monitoring marketing and advertisements: case study: pistachio in Kerman Province". The results showed that the main SWOT factors affecting advertisements in pistachio export are related to "skilled and specialized

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human force in the field of advertisements and pistachio export across province", "absence of appropriate brand for exporter", "failure to allocate enough budget for advertisements on behalf of exporters" and "provision of facilities for advertisements and marketing from export incentives especially in specialized journals". They had correlation coefficients with SWOT equal to 0.78, 0.78, 0.88, and 0.85, respectively. Of these factors, "skilled human force in the field of pistachio advertisement and export across the province" had the highest rank and greatest impact on advertisements for pistachio export.

Estelaji and Pazoki (2013) conducted a research titled: "global marketing model for increasing flower export from Pakdasht City". They found that Iran can reach economic development and sustainable development via expansion of agriculture especially in the field of planting flower and decorative plants. However, it must be noted that dealing with marketing and having appropriate marketing strategies is something necessary and failure to consider these issues may cause inadequate sales. In this paper, appropriate managerial strategies were designed after investigation of marketing mix elements (product, price, place and promotion) by asking questions from experts, flower production insiders and officials. Another research was conducted by Merjan Esotelichich et al (2007) titled: "globalization of select SMEs in central European economies". This study investigated difference between direct foreign investment activities among SMEs and large companies in five big economies in central Europe. They investigated the impact of size on incentives, barriers and competitive advantages of foreign investment in 180 countries. The results showed more similarities than differences in globalization patterns and also proved that SMEs have the potential for globalization strategies. Both groups of companies identified similar barriers. The differences indicated that supportive plans and policies should be adjusted in order to globalize SMEs (as quoted from David, 2009).

Lee and Lin (2008) conducted a research titled: "SWOT method with fuzzy values for environmental evaluation of an international distribution center". They aimed to use a SWOT analysis method with fuzzy values for evaluation of competitive environment for international distribution centers of type railroad transport in Asia and Oceania. The results showed that the strongest place with a high competitive advantage and avoiding environmental threats is observed for place and this place has been selected.

**Strategies for entering international markets**

The main target of companies for entering international markets is creation of appropriate opportunities for acquisition of profit. This causes a number of companies to study about opportunities present in that external market after receiving non-definite order from abroad.when a company decides to enter a foreign market, it is devoted to serve customers and provide products seriously and effectively. Otherwise, its customer will seek for other resources. In different global markets, circumstances are so different that we cannot justify one single method for entering a market. Entrance strategy should be matched with a particular environment of every market. These strategies should provide the best services and meet corporate targets. The main questions which are propounded for entering international markets include: which market should we enter? How should we enter the market? How should we act and grow over there? After deciding to sell one's product in a foreign country, a company should select the best way for entering that country. Primary decisions for entering a market are considered as strategic decisions. These decisions are made considering national atmosphere, organizational capabilities and competitive status. Entrance way is not only specified using legal borders of the country but also by understanding weak points/strengths of the company and recognition of its capabilities. Each of entrance methods has its own specifications. Therefore, an entrance route is specified in a way that it guarantees corporate success. The selected route can be regarded as a sustainable competitive advantage (www.intracen.org, 133-134). Figure 1 indicates strategies for entering foreign markets. Any new policy requires more commitment and risk but it has more potential profitability and control (Dubey, 2002, 786).

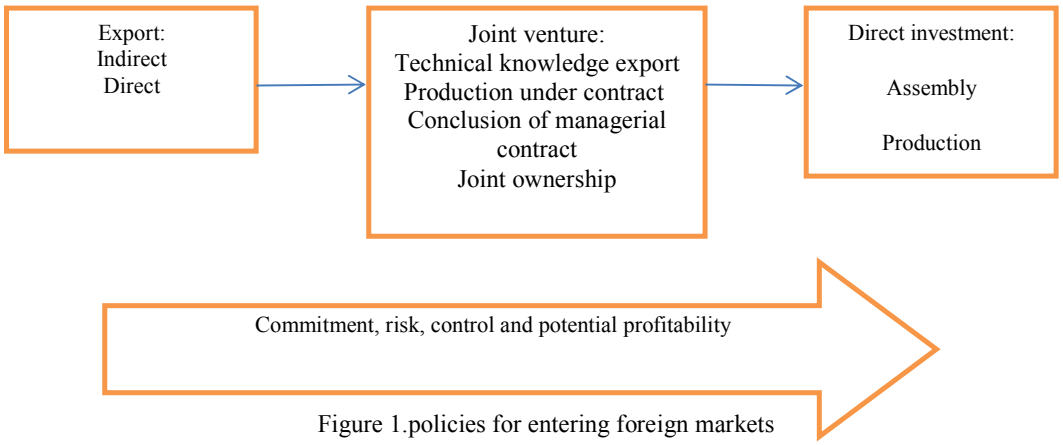


Figure 1.policies for entering foreign markets

**International marketing plan**

Some countries use standard marketing mix in international markets and minimize their costs because elements of marketing do not undergo severe changes. However, a manufacturer changes its marketing mix elements according to features of each of its target markets). of course in this method the manufacturer incurs more costs but is hopeful to achieve more markets and increase its market share (Dubey, 2002). For short, the main issue in marketing is that whether different products, price, promotion and distribution agents should be standard or should be the same as local markets (Balabanis et al, 2004).

**International marketing organization**

Companies manage their international marketing activities in three different methods. Most companies organize an export circle. In the next stage, they establish an international department and this section is converted into an international organization gradually (Dubey, 2002: 797).

**1. Export strategy**

Export is one of the commonest methods for entering international markets. Export and exporting behavior is a preliminary area in the field of international marketing and emphasis on theoretical fundamentals of marketing (Salehian Omran, 2003: 573).

**2. Main decisions in international marketing**

A company faces 6 main decisions in international marketing. If these decisions are made properly, the result will be more useful although exporters take slower steps and their risks will be reduced.

1. evaluation of international marketing environment, 2. Making decision for being active in international level, 3.Making decision over selection of markets in international level, 4.Making decision for the way of entering international markets, 5.Making decision on international marketing plans, 6. Making decision on the type of international marketing organization

**3. International business system**

Any Iranian company who thinks about international marketing should start from recognition of international business system after acquisition of necessary knowledge about new principles of marketing in Iran. any Iranian company which wants to sell a product abroad faces different types of restrictions. There are of course some organizations which aim at increasing commercial activities among countries or at least between a restricted numbers of them.

**Features of countries as foreign markets**

It must be noted that every country has its own special features which should be regarded carefully. A country's preparedness for accepting different products and services of other countries and its attractiveness as a market for an export company depends on economic, legal, political and cultural conditions:

1. economic conditions, 2. Industrial structure, 3.Income distribution, 4.Political-legal status of countries, 5. Cultural status

**Making decisions on selection of markets in international level**

Countries are graded in terms of different aspects: market breadth, market growth, activity costs in that market, competiveness of products in that market and risks for entering that market. First we should grade countries in terms of three main criteria: market attractiveness, competitive advantage, and risk. For instance, Hough international market which produces necessary equipment for excavating mines evaluated China and 4 Eastern Europe countries as possible opportunities for offering its products. This company first ranked market attractiveness of the countries considering national gross production, per capita income, specialized workforce in mining sector, machinery import and population growth. Then, the company evaluated its potential competitive advantage in these countries considering some factors like former experience in those markets, production costs and the fact that whether senior management is able to be active easily in those countries (Tsung, 2011). Finally, the company evaluated risk level of each country considering factors like political stability, currency rate stability, and then the company conducted necessary financial analyses and calculated return on investment ratio.

**Making decisions on the way of entering international markets**

After a company decided to sell its products to a particular country, it should determine the best way for entering that market. Strategies which are available include export, joint collaboration, and direct investment. Each of the aforementioned strategies will be faced with more involvement, risk and possible profit with respect to its previous strategy or strategies.

**1. Export**

Export is the simplest way for entering a foreign market. Case-based export takes place when a company sells its excess products to purchasers of a foreign country occasionally due to having products surplus to internal consumption. "active exports" takes place when a company makes a serious decision to export its products to a target country. In both cases the company produces all products in its own country. In this type of

export, the company may change its products for target market or keep it the same way it is in its own country. A company can export its products in two manners: export may take place via international marketing brokers or be done by the company itself.

**2. Joint venture**

A completely different method for entering a foreign market is joint venture with foreigners for provision of production and marketing facilities. Joint venture is different from export in that it is accompanied by a kind of partnership which leads to product manufacture abroad. Joint venture is different from direct investment in that it is accompanied by some kind of collaboration with individuals or companies in a foreign country and does not do any particular thing independently. There are four types of joint ventures: 1. Joint venture via submission of a particular concession, 2. Production contract, 3. Cooperation in management, 4. Collaboration in the form of joint ownership

**3. Direct investment**

The final method for entering a foreign market is:

a. investment in production, b. investment in product assembly in the target market

if a foreign market is large enough, direct investment will be favorable if a company collects experiences in product export gradually and if environmental factors allow. The most important favorable factors for direct investment may include:

1. the company may enjoy low work force costs, inexpensive raw materials, transportation and foreign investment incentives provided by governments (like reduction in taxes) and things like that.
2. a foreign company may become popular as a result of creating new jobs in target country.
3. a foreign company establishes deeper relationships with foreign governments, consumers, local distributers and can coordinate its products with target market requirements in a better way.
4. the company may have a complete control over its investments and will be able to plan for its production and marketing policies in a way that it can reach its international long-term marketing targets. One of the weak points of direct investment is risk confrontation. The main risks include: invested money blockage or de-valuation, aggravation of market conditions and dispossession. It should be noted that in some cases, if a company wants to be active in a country, it does not have any alternative but to accept it.

Not all direct foreign investments are risky and complete control is not held by all countries. However, in general, direct investment is a strategy for entering an available market (Sadeghi et al, 2013).

**Conclusion**

After start of the third millennium and passage of about 300 years after industrial revolution, many production companies have been developed globally and national and local markets are changing and being merged in a global market. Futurism and understanding of globalization process requires us to evaluate continuously the strategic power of petrochemical industry in order to enter external markets and maintain existing markets and get prepared for global arena within the framework of a realistic framework. Therefore, the main issue is absence of market studies and failure to identify weak points/strengths and threats/opportunities, and this challenges appropriate strategy selection. Therefore, attention to strategic planning and selection of appropriate strategy both in macro and micro levels is of great importance. Therefore, we tried in this research to investigate, classify and select marketing strategies for entering international markets using SWOT method.

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