
Module 8: Green entrepreneurs go international

Strategy to go international

Enterprises have always a choice – to work for the local market or to try to enter the international markets. The most popular reason to look for new customers is that the local market has become too saturated. The second reason is to lower costs of production, or to get access to local resources (also Human Resources, knowledge / competences) and the last is about sharing / minimizing the risk to be oriented just to one segment or one market.

Before you start analyzing the situation in your enterprise, you see here the five most exploited reasons, which are identified by Thompson, et.al:

1. To gain access to new customers
2. To exploit core competences further
3. To spread business risk across a wider market base
4. To achieve lower costs through economies of scale, experience and increased purchasing power
5. To gain access to resources and capabilities located in foreign markets

You have to define clearly the reason for entering the foreign markets, not only during the studies but more seriously when you want to implement exporting in real life. Because at some point it becomes also a good motivation tool for your sales team.

You may also observe that there are troubles or difficulties in cooperating across the border as well. Risk identification gives a chance to plan activities to minimize their impact on cooperation and to be more proactive. The main difficulties with most acknowledged risks are defined in figure 1.



Figure 1. Complexities for enterprises cooperating across borders

Choosing target business – export or import

There are always at least two ways of Internationalization, **export and import**. In this handbook, you may consider and acknowledge that there is more concentration on export, export of goods or services, further in the text on export of products (also meaning brand export).

Before choosing the export country, you have to check and improve the enterprise's existing strategy or core strategy. For that reason, there is also a good chance to check the existing situation in the market by performing the diamond of national advantage (see figure 2).

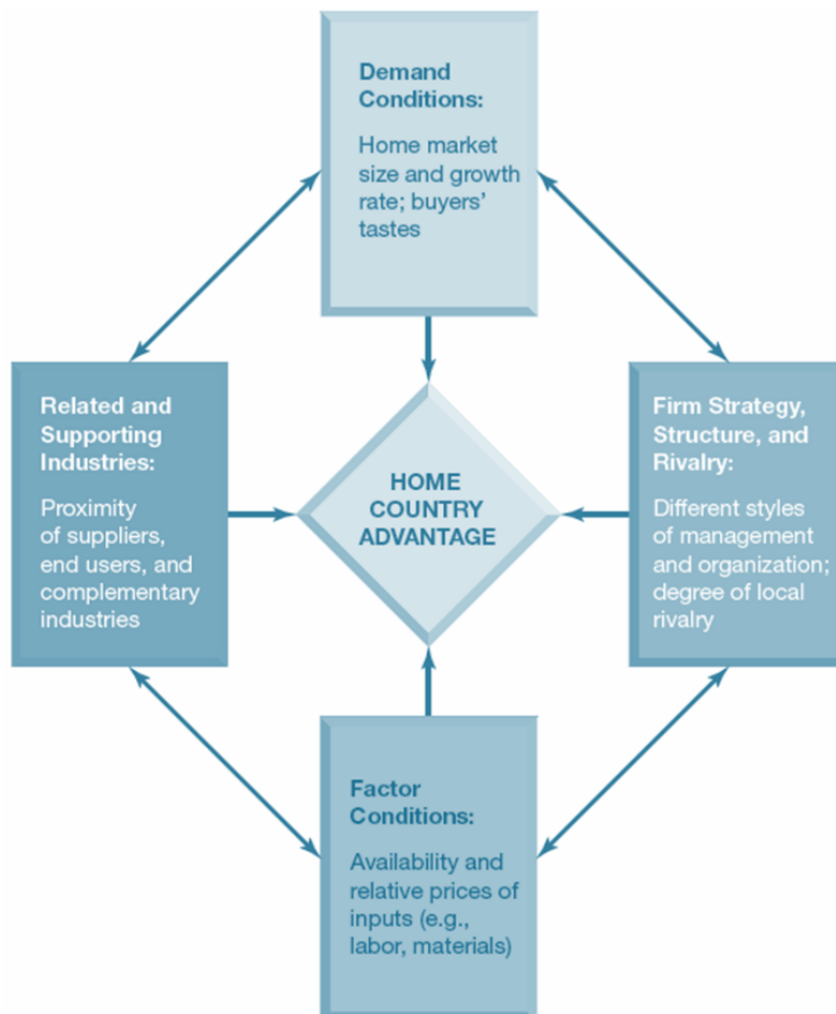


Figure 2. Diamond of national advantage

This method does not allow checking the enterprise's internal management readiness for export. Therefore, it is good to use the strengths and weaknesses analysis (from SWOT analysis performed earlier), particularly when thinking about exporting of a product / brand.

After performing all the external and internal analysis for readiness to Export, you may choose the right **competitive advantage** by placing the enterprise's product / brand in the matrix to understand the choice.

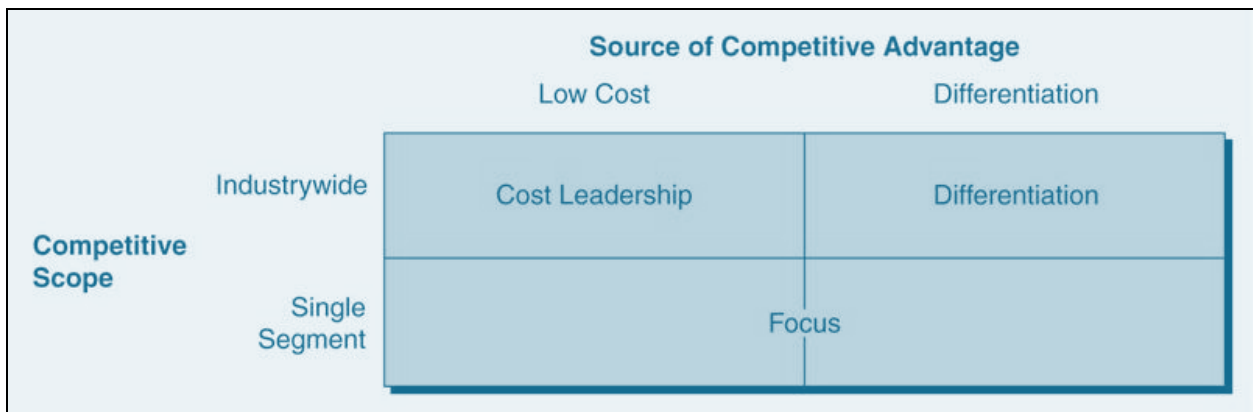


Figure 3. Competitive advantage for choosing matrix

The main choice comes from three main advantages: **cost leadership**, lowering costs, **focus leadership**, focusing on the same segment only, and **differentiation**, trying to adapt to particular needs and wishes (see figure 3).

Choosing right country and right segmentation

By following the figure 4 and by performing the four steps in the boxes, it should be easy to choose the most appropriate country and the right segment for exporting. You may have several countries in your mind when dreaming about exporting products / a brand. When finding the first information about how easy it is to enter countries in the list, there are always better and worse choices. Market or product potential estimation takes place and only countries with the highest market potential will still be interesting for you to continue. Then for identifying the optimal target segments or segment mix, estimation of sales potential and analysis of market competition take place.

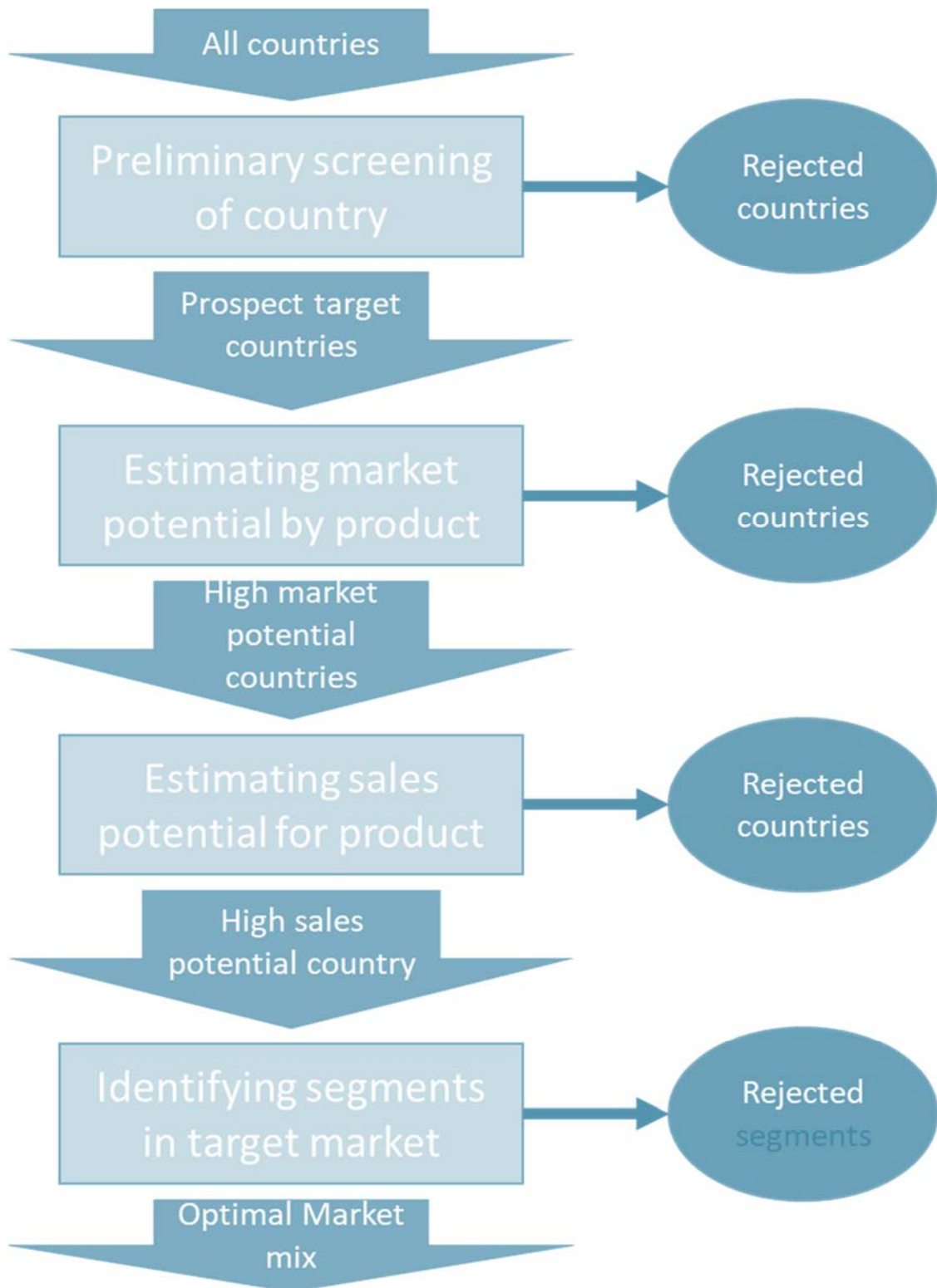


Figure 4. Optimal segment mix in target market

For this module, there is a suggestion to try the **Swedish market**, if you choose a study trip to the Swedish *Local Fair Trade at Aland Islands*.

Adapting product, competitive advantage

This part includes identification of all the necessary additional information, which usually demands a change of the existing product/ brand.

These features are identified and best described as follows:

1. Local, regional and national characteristics

- a. Government regulations
- b. Non-tariff barriers
- c. Customer characteristics, expectations, preferences
- d. Purchase patterns
- e. Economic status of potential users
- f. Stage of economic development
- g. Competitive offerings
- h. Climate and geography

2. Product characteristics

- . Product constituents
- a. Brand
- b. Packaging
- c. Size, style, colour
- d. Functions, attributes, features
- e. Usage
- f. Durability, quality
- g. Ease of installation
- h. Maintenance, after-sales service
- i. Country of origin

3. Enterprise considerations

- . Profitability
- a. Market opportunity
- b. Cost of adaptation
- c. Policies
- d. Organization
- e. Resources

There are rare accidental situations when enterprises do not have to change a lot. That means that the market choice has been successful, and production and packaging will not require additional effort, time or money. You may consider trying your luck the first time and allow your product to enter the market without any changes. But it can be done only during fairs, when it would be more like testing and checking the local market.

International market entry strategy and implementation plan

An **international or export strategy** is a strategy for competing in two or more countries simultaneously.

There are **three main strategic approaches** described in the theoretical literature:

- A **multidomestic strategy**, in which a firm varies its product offering and competitive approach from country to country in an effort to be responsive to different buyer preferences and market conditions. It is a think local, act local type of international strategy, facilitated by decision making decentralized to the local level.
- A **global strategy**, in which an enterprise uses the same basic competitive approach in all countries where it operates, sells much the same products everywhere, strives to build global brands, and coordinates its actions worldwide with a strong headquarters control. It represents a think global, act global approach.
- A **transnational strategy** is a think global, act local approach that incorporates elements of both multidomestic and global strategies.

After choosing and describing the strategy, there should be a developed, operational plan or action plan, which would support implementation of the developed export strategy. The main parts in such a plan are identified in table 1.

Table 1. Action plan for implementation of export strategy

	Action to taken	Result	Costs	Timing	Responsible person	Deadline
1.						
2						
3						

Future or **alternative strategic options** for expanding to international markets:

1. To **license** foreign enterprises to produce and distribute the firm's products abroad
2. To employ an **overseas franchising strategy**
3. To establish a **wholly-owned subsidiary**, by either acquiring a foreign enterprise or through a "greenfield" venture
4. To rely on **strategic alliances or joint ventures** with foreign enterprises

Assignment

Export strategy plan

Develop your export strategy plan using the earlier provided outline or table of contents.



1. Describe the enterprise/ brand/ product. Choose what scope of export you want to plan.
2. Assess the enterprise's readiness for export. (Assessment and adjustment of core strategy formulations.)
 - a. Analyze the market / competition by using the diamond of national advantage or the Porter analysis.
 - b. Perform internal analysis (a part of SWOT analysis).
 - c. Describe the competitive advantage by using information in figure 3.
3. Choose export country / partner country and customer segment by using figure 4, describe stages 1-4.
4. Market description of the target
 - a. Analyze and adjust target segments of export market
 - b. Analyze and adjust market research for export product (Remember product trends.)
 - c. Describe necessary changes to packaging
 - d. Compare the demand and supply in the target market, present correct product pricing calculations
5. Identify the best delivery methods to the target market for the product / services
 - a. Describe one potential delivery method
 - b. Describe country-related regulations / specific requirements
6. Conclusions and recommendations
Present conclusions about the analysis done and the decision to go or not to go international (yet?). What needs to be changed / improved?

You can write an action plan how to proceed with the plan implementation (see table 1).

Finally, revise your business model!