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IMPACT OF FOREIGN MARKET ENTRY STRATEGIES ON MARKETING PERFORMANCE

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Abstract

This study explores the dynamic relationship between foreign market entry strategies and marketing performance, investigating how the choice of entry mode influences a firm's success in international markets. The globalization of business has intensified competition, making the selection of an appropriate entry strategy a critical determinant of a company's overall marketing success. This research employs a comprehensive analysis of various foreign market entry strategies, including export, joint ventures, licensing, franchising, and wholly-owned subsidiaries, to assess their impact on key marketing performance indicators. The findings of this study are expected to provide valuable insights for businesses seeking to expand globally, policymakers crafting international trade regulations, and academics studying the intersection of international business and marketing. By understanding the nuanced relationship between foreign market entry strategies and marketing performance, companies can make informed decisions that align with their objectives and enhance their competitiveness in the global marketplace. This research contributes to the existing body of knowledge by offering a comprehensive and contemporary analysis of the impact of foreign market entry strategies on marketing performance in an increasingly interconnected and competitive global economy.

Introduction

The internationalization of organizations has been a subject of debate and scholarly inquiry within the domains of finance, global business, and politics. In the realm of finance and global business studies, analyses of the immediate effects on an economy are conducted using two primary techniques. The first technique involves doing experimental research to investigate the effects of trans-border organizations on financial development, currency rates, real wages, and employment. Moreover, another approach is the micro-level perspective, which examines the methods used in inter-border activities at a smaller scale, such as inside individual enterprises or plants. However, it

is worth noting that in both large-scale and small-scale studies, there exists a substantial degree of debate and contrasting perspectives. Commencing with comprehensive evaluations, some studies posit that the introduction of foreign firms into a country might lead to an augmentation of domestic capital accumulation, hence fostering economic growth (Onyekwena, 2012). Additionally, previous research has shown that the impact of this phenomenon extends to household investment, resulting in an increase in the share of investment relative to the amount of cash allocated to home reserves (Thirlwall, 2006). However, Otokiti (2012) argues that these business ventures have the potential to displace domestic investment and introduce imbalances in the economy that hinder GDP growth. This can be observed in the Nigerian food and beverages industry, where the cost of capital increases and investment is suppressed due to the dominance of foreign companies. The food and beverage industries may be classified as segments within the Fast Moving Consumer Goods (FMCG) industry. Fast-moving consumer goods (FMCGs) are often inexpensive items characterized by a limited shelf life, which are frequently and routinely bought by customers. The food and beverage sectors exhibit a high level of competitiveness and demonstrate a comprehensive understanding of consumer benefits and values. The industrial sector is regarded as one of the most successful sectors within Nigeria's manufacturing industry, accounting for a significant contribution of 22.5% to the overall increase seen in the manufacturing sector (John, 2012). Companies are increasingly expanding their geographical scope of international commercial activities across numerous countries and regions in search of a competitive advantage. The expansion outside the home market enables enterprises, among several benefits, to pursue growth opportunities that are not available in the local market and to mitigate risk via regional diversification. Over the last four decades, a significant transformation has been occurring in the global economy. We are gradually and consistently transitioning away from a global landscape where national economies were relatively autonomous entities, separated from one another by barriers to international trade and commerce. These barriers included factors such as geographical distance, time zone differences, language barriers, as well as variations in government regulations, cultural practices, and business systems. Moreover, we are progressing towards a global scenario where barriers to international trade and investment are diminishing; perceived geographical distance is shrinking due to advancements in transportation and telecommunications technology; material culture is increasingly becoming similar across different regions; and national economies are integrating into a connected, coordinated global economic system. The phenomenon under discussion is often denoted as globalization. In light of the ongoing process of globalization in the marketplace, organizations that confine their operations only inside national boundaries will have significant challenges in sustaining their existence. One potential strategy for addressing this challenge is for firms to expand their activities beyond domestic borders and enter overseas markets via different routes of entrance into other nations. Modes of communication play a significant function as a tool in global competitiveness and are widely recognized in contemporary times as a pivotal factor that shapes the phenomenon of globalization (Vladimir, 2007).

Amungo (2014) provides a definition of internationalization by enterprises as the strategic process by which firms expand their engagement in foreign markets, driven by a range of factors. This perspective is also supported by Michalski (2015), who observed that global commerce refers to the process of organizing and carrying out transactions across international boundaries in order to meet the goals of both consumers and businesses. The fundamental need for an exchange to occur in the context of foreign market entrance is a crucial aspect in addressing either proactive or reactionary incentives. Proactive intentions arise when firms possess advantages in terms of profitability, unique products, technological capabilities, access to exclusive data, administrative drive, tax reduction strategies, and economies of scale. On the other hand, reactive motivations are triggered by competitive pressures in the domestic market, overproduction, declining residential sales, excessive supply, saturated domestic markets, and proximity to clients or the desire to follow clients.

Overview of the Foreign Market Entry Strategy

The concept of market entry strategy pertains to the systematic approach of introducing new products into either a previously untapped or existing market. According to Green, Barclay, and Ryans (2018), the market dynamics may be substantially impacted by the use of this strategic strategy upon entrance. The phenomenon of market entry comprises a multitude of factors that exert effect on the decision-making process of firms when they go into foreign markets. The features included in this context are cultural factors, location-related expenditures, internalization, financial aspects, competitive strategy, and the costs associated with conducting international commercial operations (Buckly & Casson, 1998). The terms "entry mode" and "entry strategy" are used interchangeably by certain authors, as seen by Cavusgil et al. (2011) and Andersen and Buvik (2017). Root (2019) makes a distinction between entrance strategy and entry mode, whereby entrance strategy encompasses a range of alternatives, while entry mode is a specific component within this broader framework. The strategic significance of a corporation's choice to enter a new market is substantial. In order to achieve success in this undertaking, it is imperative to demonstrate a strong commitment to both financial and managerial resources, while also employing a wide range of research methodologies across multiple domains. These domains encompass factors such as country size, level of development, trade, and infrastructure, among others (Mitra and Golder, 2017). Furthermore, it is crucial to take into account many elements, including competitive advantages, market evaluation, and the most favorable timing for market introduction (Green, Barclay, & Ryans, 2018). The importance of strategic thinking and decision-making in relation to internationalization is steadily growing as businesses actively engage in global trade and depend on foreign markets for their survival and growth. The determination of markets to penetrate and the suitable entrance approach for each market is the fundamental component of any international strategy (Koch, 2019). When corporations contemplate methods for expanding their market presence, they are confronted with a multitude of issues that might lead to diverse competitive conditions across various markets as time progresses. These problems may be evident in several forms, such as the expeditious expansion of companies resulting from a limited product life cycle, which might establish obstacles for potential rivals and augment profits. In contrast, the deliberate choice to concentrate on certain regions for accelerated growth has the capacity to augment market supremacy and indicate a robust competitive stance (Hollensen, 2019). Organizations have the option to use several entry strategies in order to establish their market presence, and one such approach is the global strategy. The formulation of a global strategy is shaped by the competitive environment within certain industries on a global level (Hutt and Speh, 2020).



Figure 1: General Framework for Global Strategy (Hutt and Speh, 2020 p. 200).

According to Hutt and Speh (2020), a key factor in achieving a unique competitive advantage for a company is the strategic focus on globalizing both the business and product lines. This should be done specifically in regions where the firm enjoys extraordinary and strong advantages. The achievement of this competitive advantage depends on the organization's ability to create cost differential, carry out operations at a lower

cost, or participate in activities that enhance customer value and enable the adoption of a premium pricing plan. One potential approach for attaining a prosperous worldwide strategy might include prioritizing the maintenance of a steadfast positioning plan. This objective may be achieved by optimizing a specific approach and ensuring that the organization's strategic emphasis stays mostly oriented towards global prospects. Furthermore, it is crucial to create a definitive headquarters for each separate entity by situating the organization in a place where the strategy, product, technology, and sophisticated manufacturing capabilities can be efficiently sustained. To develop an effective global strategy, The notion of global strategy pertains to the comprehensive approach used by corporations to extend their operations and vie in worldwide marketplaces. The subject matter encompasses The establishment of a competitive position within the market is a vital element in the realm of strategic management for firms. The establishment of a robust competitive position allows enterprises to distinguish themselves from their competitors and integrate diverse operations. Expound upon the advantages associated with having a domicile as a central location for an individual or a group. The subject of inquiry concerns the spatial distribution or location of a certain commodity. It is important to have a robust groundwork for each distinct organization. Organizations using a Consistent Position approach should furthermore give precedence to the allocation of their product lines and operations across diverse home bases, capitalizing on the most advantageous prospects. Furthermore, it is important for organizations to include their endeavors in order to address and alleviate any obstacles that may arise due to disparities in language and culture within global marketplaces (Hutt and Speh, 2020). When a firm makes the strategic decision to expand into a new market, it is essential for them to carefully evaluate and analyze various entry modalities in order to make well-informed and rational choices. The selection of entrance method should be informed by a thorough assessment of the risks and advantages involved, as highlighted by Rienda and Quer (2022, asreferenced in Akhsassi, 2019).

The Rationale for Market Selection

The process of choosing a market is widely recognized as a critically important choice within the realm of international business (Cherunilam, 2022; Andersen and Strandskov, 2014). The process includes the identification and evaluation of potential country-markets, followed by the determination of which markets to enter. The market selection process normally encompasses many stages, including preliminary screening, identification/in-depth screening, and final selection (Koch, 2019). The evaluation of markets at various stages involves the consideration of multiple selection criteria, including but not limited to market size and growth, availability and cost of production factors, level of economic development, country condition, psychic separation, market-based variables, competition, information, and market knowledge (Sakarya et al., 2022). In a more expansive context, the aforementioned selection criteria might be classified as either external or internal to the company. The decision-making processes of firms may be impacted by several variables, such as market or industry conditions, host country institutions, or the resources at the firm's disposal. According to Cavusgil et al. (2011), market-based features play a crucial role in the identification of optimal markets, with a particular emphasis on the desire for large and rapidly expanding markets. The rationale behind the firm's market selection is contingent upon the factors assessed and the underlying rationale driving the selection procedure.

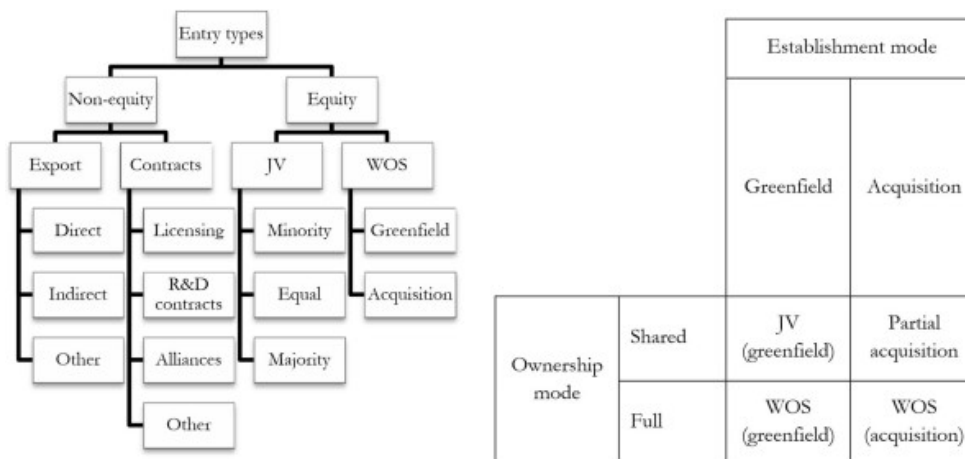
Choice of Entry Mode Strategies

The selection of entry method is often regarded as a highly explored topic within the field of foreign market entry procedures. Root (2013) defines the notion of foreign market entry strategy as a predetermined set of institutional measures that enable the transfer of a company's goods, technical competencies, managerial knowledge, or other resources into a foreign country. According to Anderson and Gatignon (2015), the term "governance structure" is used to describe the admission approach used in international operations. The process of choosing an entrance approach necessitates the careful evaluation of many trade-offs, as each prospective entry style has unique merits and drawbacks. Organizations strive to choose an entry strategy that allows them to achieve the required degree of operational control in the host country, taking into account the constraints imposed by their available resources and the need to manage anticipated risks. Root (2019) asserts that in order to enhance its level of control, the firm should dedicate supplementary resources to

overseas markets, thereby subjecting itself to elevated market and political risks. The entry technique decision is impacted by the trade-off between control and resource commitment, as stated by Anderson and Gatignon (1986). Furthermore, Cavusgil et al. (2011) believe that the incorporation of flexibility and risk aspects is crucial in the decision-making process. A wide range of generic entry strategies for corporations has been proposed across several categories. These modes may be classified as low-control, medium-control, or high-control modes (Anderson and Gatignon, 1986; Cavusgil et al., 2011) or as export, contractual, or investment/equity modes (Root, 2019), in a comprehensive way. I would like to request that you rewrite my text in a more academic manner.

Foreign Entry Market Mode Classification

The process of determining the method by which a company enters overseas markets relates to the choice of a certain operational strategy used for market penetration. Organizations that transcend their home bounds are confronted with a crucial dilemma about their strategy for worldwide growth. Scholars in the domain of foreign market entry primarily concentrate on understanding and analyzing the Mode of Entry (MOE) used by firms. Researchers in the academic discipline of entrance mode analysis have extensively examined a wide range of entry ways. Nevertheless, there exists a dearth of agreement over the exact size of this numerical value. Anderson and Gatignon (1986) provide a comprehensive collection of 17 entry mode classifications. In their seminal work, Pan and Tse (2000) presented a comprehensive framework including ten distinct entry mode types. Erramilli and Rao (1990) provide a categorization of 11 distinct entrance mode types, however Brouthers and Hennart (2022) recognize the presence of 16 distinct entry mode types in their empirical study. In addition to the wide range of perspectives about the most favorable number of entrance modes, researchers have put up numerous approaches for categorizing sorts of entry modes. Nevertheless, it seems that there is a general agreement over three (or maybe four) primary classifications that can be used to categorize the many variations. The current study is grounded on the theoretical framework established by Root (2019), which has since been embraced and adapted by other researchers (e.g., Pan and Tse, 2000; Sharma and Erramilli, 2004). The entry modalities include three separate types, namely export, contractual, and investment/establishment. The categorization of these items is often examined using the methodology delineated in the overview shown in Figure 1. Export entries refer to a specific market entrance technique used by companies to expand into international markets. This method involves using the expertise and services of a specialist or a merchant/distributor situated in the host country. In contrast, contractual or legally binding agreements include many arrangements, such as licensing, franchising, or other contractual arrangements, which do not entail the exchange of equity. The investment and establishment modes include the participant acquiring tangible ownership of assets in the foreign market, usually via a Joint Venture (JV) or a wholly owned subsidiary (WOS). As seen in Figure 1, the aforementioned diverse classifications may be further subdivided into subcategories, which can then be further classified into more subcategories, and so on.



Adapted from Pan and Tse (2000) and Root (2019) Note: Adapted from Brouthers and Hennart (2022)

Brouthers and Hennart (2022) have identified two divergent perspectives within the existing body of research about the variances and implications associated with entry mode architectures. The authors of this study classify exports, contracts, joint ventures (JVs), and wholly-owned subsidiaries (WOSs) along a continuum that encompasses varying degrees of control, risk, obligation/commitment, and potential return. The concept of market orientation effectiveness (MOE) has been continuously used in many influential research publications, including those authored by Anderson and Gatignon (1986) and Hill, Hwang, and Kim (1990). This approach posits that a uniform set of independent variables may be used to determine the measure of effectiveness (MOE) irrespective of our location along the continuum. The size of the entrant might potentially impact the decision-making process when considering independent exporting against wholly owned subsidiaries (WOS), as well as the option between joint ventures (JV) and WOS. There is a commonly held assumption that a direct correlation exists between the size of a firm and its chosen mode of entry (MOE). This implies that small organizations have a tendency to engage in overseas market entry via the means of exporting, intermediate-sized firms opt for joint ventures (JV), and large firms often establish wholly-owned subsidiaries (WOS). The second viewpoint differs from the aforementioned continuum in its position toward the establishment of joint ventures. In contrast, the categorization of joint ventures is evident in its unambiguous differentiation between nonvalue/equity and value/equity modalities. Table I presents the link between various modes of establishment and the degree of ownership. According to Hennart (1988; 2000), this approach suggests that the variables influencing the choice of equity modes may differ from those influencing the choice between equity and non-equity ways of entrance. The decision between a joint venture (JV) and a wholly owned subsidiary (WOS) may be impacted by the scale of the company. However, the choice between equity and non-equity forms is not necessarily correlated with the size of the organization.

Market Entry Mode

The process of entering a new market requires careful evaluation of various strategies that might aid businesses in making well-informed decisions. The organization has many options at its disposal when endeavoring to assess a strategy for market entry. It is essential to acknowledge that there is no one strategy that can be universally applied to all companies within a given set of limits. However, within the present market landscape, both firms and individuals encounter a multitude of alternatives that need meticulous evaluation. When considering the method of entry, many particular factors will impact the decision-making process.

The factors to consider in this context include the necessary speed of entrance, the available financial resources, the needed level of flexibility, the anticipated period of return on investment, and the long-term goals of the company.

A company or organization has the option to employ numerous routes of entrance. Various methods exist for categorizing the available avenues of entrance accessible to companies. However, due to the ever-changing nature of the global economy, it is challenging to identify a single technique that can accurately capture this complexity. The subsequent modes of admission are enumerated and elucidated as follows.

The following are various modes of international business expansion:

1. Exporting: The act of selling goods or services produced in one country to customers in another country.
2. Licensing/Franchising: A contractual agreement where a company grants permission to another company to use its intellectual property, such as trademarks or patents, in exchange for a fee or royalty.
3. Strategic Alliance: A cooperative agreement between two or more companies to pursue a mutually beneficial goal, such as sharing resources, technology, or distribution channels.

4. **Joint Venturing:** A business arrangement where two or more companies form a separate entity to undertake a specific project or venture, sharing risks, costs, and profits.
5. **Contract Manufacturing:** The outsourcing of production to a third-party manufacturer, typically in a different country, based on a contractual agreement.
6. **Management Contract:** A contractual arrangement where one company provides managerial expertise and services to another company in exchange for a fee or compensation.
7. **Assembly Operations:** The process of putting together components or parts to create a finished product, often performed in a different location from the manufacturing of those components.
8. **Fully Owned Manufacturing Facilities:** The establishment of manufacturing facilities in a foreign country where a company has complete ownership and control over the production process

Conclusion

The impact of foreign market entry strategies on marketing performance is multifaceted. Various entry modes, such as exporting, licensing, joint ventures, and wholly-owned subsidiaries, result in distinct outcomes. The effectiveness of a strategy depends on factors like the target market's characteristics, the industry, and the firm's resources.

Flexibility and adaptability are crucial in navigating foreign markets. Successful firms often demonstrate the ability to modify their entry strategies based on changing market conditions, regulatory environments, and cultural nuances. Companies that can adjust their marketing strategies in response to evolving circumstances are more likely to achieve sustained success. Cultural differences play a significant role in the success of foreign market entry strategies. Firms that invest in understanding and respecting local cultures tend to build stronger relationships with customers. Tailoring marketing messages, product offerings, and promotional activities to align with cultural preferences enhances the effectiveness of the entry strategy.

International markets inherently involve higher risks due to uncertainties in political, economic, and legal environments. Firms should proactively develop risk mitigation strategies, such as thorough market research, establishing local partnerships, and having contingency plans in place. This helps in safeguarding marketing performance against unforeseen challenges.

Collaborative approaches, such as joint ventures and strategic alliances, often contribute positively to marketing performance. Sharing resources, knowledge, and risks with local partners can accelerate market penetration and facilitate a deeper understanding of the target market.

Recommendations:

Customized Market Research: Prioritize in-depth market research to understand the unique dynamics of the foreign market. This should include consumer behavior, competitive landscape, regulatory requirements, and cultural nuances. Tailor marketing strategies based on these insights.

Build Local Relationships: Establishing strong relationships with local partners, distributors, and stakeholders is critical. Networking and building trust within the local business community can provide valuable support and insights, contributing to effective marketing strategies.

Invest in Cultural Competence: Develop a culturally competent marketing team capable of adapting strategies to local preferences. This includes language proficiency, understanding cultural norms, and creating marketing campaigns that resonate with the target audience.

Continuous Monitoring and Adaptation: Implement a robust system for monitoring the performance of marketing strategies in foreign markets. Regularly assess key performance indicators and be prepared to adapt strategies in response to changing market conditions.

Diversification of Entry Modes: Consider a diversified approach to foreign market entry, combining various modes based on the specific characteristics of each market. This may include a mix of exporting, licensing, and strategic alliances to maximize flexibility and minimize risks.

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