

УДК 658.8:658.1]:339.564

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## SHAPING A MARKETING STRATEGY OF ENTERPRISES WHEN ENTERING A FOREIGN MARKET

## ФОРМУВАННЯ МАРКЕТИНГОВОЇ СТРАТЕГІЇ ПІДПРИЄМСТВА ПРИ ВИХОДІ НА ЗОВНІШНІЙ РИНОК

### ANNOTATION

It is the properly chosen and best implemented marketing strategy that determines a company's success at a foreign market. Marketing is an effective instrument for business development. A lot of enterprises which actively perform in the countries with the developed market economy plan their marketing strategy. Ukrainian companies should study and implement the experience, as well as develop effective foreign economic activity, because it contributes to growth of the domestic economy. The article studies the concept of "marketing strategy" used in the works of many economists. The relationship between the stages of development of international marketing and the stage of application of international marketing strategy is considered. Each stage of the foreign market selection process is analyzed and characterized. The article analyzes the problems of forming marketing strategies of Ukrainian producers for foreign markets. The work analyzes different ways for an enterprise to enter a foreign market and describes the most popular marketing strategies for a company to achieve the goal. The authors analyze and give characteristics of each stage in the process of choosing a foreign market.

**Key words:** marketing strategy, elements of international marketing strategy, foreign market entry, competition, enterprise.

### АНОТАЦІЯ

Генерування маркетингових стратегій підприємств у процесі ведення міжнародної діяльності є необхідним кроком для успіху підприємств на міжнародному ринку та підвищення конкурентних переваг. Мета статті – продемонструвати теоретичні та практичні погляди формування маркетингової стратегії компанії при виході на міжнародні ринки. В умовах інтеграції теперішньої економіки велика кількість компаній намагаються освоїти зовнішні ринки і таким чином посісти лідируючі позиції у своїй сфері. Оскільки внутрішній ринок недостатньо великий, щоб поглинути всю продукцію, що надається, підприємство змушене виходити на жорстко конкурентний зовнішній ринок, тому для забезпечення ефективної зовнішньоекономічної діяльності підприємство чітко визначає стратегію розвитку. Вибір найкращої маркетингової стратегії для підприємств

повинен базуватись на проведеному аналізі ринку, прогнозах та перспективах розвитку функціонуванні бізнесу. Маркетингові стратегії повинні орієнтувати компанії на вчасну та максимальну адаптацію діяльності до енергійного маркетингового середовища для звершення певних стратегічних цілей. Генерування маркетингової стратегії компанії при виході на міжнародні ринки потребує комплексного аналізу, а також моніторинг за внутрішнім та зовнішнім середовищем, конкурентами і ринком. При виході на зовнішні ринки, власникам компаній необхідно знати, які маркетингові заходи принесуть прибуток і які з цих заходів необхідно впровадити, щоб запобігти втратам. Розглянуто використання терміну «маркетингова стратегія» в дослідженнях багатьох економістів. У статті проаналізовано проблеми формування маркетингових стратегій українських товаровиробників для зовнішніх ринків. Визначено, що управління маркетинговою стратегією підприємства є основою результативності його діяльності, котра впливає на конкурентоспроможність та розкриває шляхи подальшого розвитку підприємства. Проаналізовано різні види способу виходу підприємства на зовнішній ринок. В даній статті описані найпоширеніші маркетингові стратегії при виході компанії на зовнішній ринок. Розглянуто зв'язок між етапами розвитку міжнародного маркетингу та етапом застосування міжнародної маркетингової стратегії. Проаналізовано та надано характеристику кожному етапу процесу вибору іноземного ринку.

**Ключові слова:** маркетингова стратегія, елементи міжнародної маркетингової стратегії, вихід на зовнішній ринок, конкуренція, підприємство.

**Formulation of the problem.** The integration process transforms the global economy into an integral market environment. Foreign market entry opens new opportunities for companies. Therefore, more and more Ukrainian enterprises consider the process is an integral constituent of their successful operation. In all industries, however, businesses face the challenge of

developing effective marketing strategies. Thus, they should search for the proper marketing tools to enter a foreign market.

The proper choice of a strategy and clearly defined targets, goals and tasks facilitate the companies can efficiently perform at foreign markets.

It may result in some competitive advantages in the future. A strategy is a specified managerial plan of actions focused on achievement of the set goals that determines the main principles of operation and development, as well as the business, competitive and other functional means and actions to get the desired results. Development of the strategies of a foreign market entry is characterized by some peculiarities and should consider the laws, international standards and traditions of the country, company or market it is going to enter. Because of some specificity, the strategies of a foreign market entry should be primarily based upon the principles being fundamental for the general strategy. However, development, analysis and implementation of the strategy also require applying some unique tools. They include such methods, as product analysis, export, and product promotion.

**Analysis of recent researches and publications.** Theoretical aspects of the international marketing strategy are studied in the works of the known foreign and domestic scientists, namely Balabanova L. [3], Khovod V. [3], Kanishchenko O. [7], Havrylenko T. [6], Kudenko N. [8] and many others. The issues of formation and implementation of international marketing strategies are considered in the works of many domestic researchers.

The problems of a foreign market entry and business development are investigated by modern researchers, like Balabanova L. [3], Kanishchenko O. [7], Shtal T. [15] and others.

**Highlighting previously unresolved parts of the overall problem.** Despite the fact that a large number of scientific papers have been devoted to international strategies, there is still a need for a specific methodology and adaptation to certain situations at the enterprise. It is also necessary to take into account the peculiarities of building an international market entry strategy, which are determined by the legislation, international activities and standards of the countries to which the entry is planned.

**Formulation of the purposes of the article.** The goal of the article is to develop a marketing strategy of a company when entering a foreign market.

**Presentation of the main research material.** Since the economy has changed its character to market relations, the companies have become more independent, economically and legally responsible. Competition has become the key system of business process regulation. Thus, it is necessary for the companies to think strategically, to develop action plans, to set clear goals and identify the means of

the best way of their development. Development of a strategy should maximum consider the market environment, opportunities and resources of the enterprises to be able to fast response to the challenges of rigid competition.

The detailed discussion of the concept of "corporate strategy" is presented in the works of many known domestic and foreign economists. By analyzing the current definitions of the notion of "corporate strategy", one can conclude that its interpretation is quite broad. In particular, some of them define the corporate strategy as a general detailed plan of actions, whilst the others interpret the concept as a prevailing direction of activities focused on achievement of some long-term goal [1, pp. 5–6].

According to the marketing strategy, to increase its sale, the company and its organizational structure should primarily focus on the sale of products intended to satisfy the market demand, i.e. the marketing method of product sale. In that context it is of principal importance to develop and implement a marketing strategy, which is characterized by a growing demand for services and high competition level. Thus, effective positioning, development and improvement of a marketing complex for the market is the source of the company's constant competitive advantage at the foreign market.

Marketing strategy is viewed as a system of managerial, organizational and technical measures intended to organize efficient production of high quality goods to secure profitable management of the enterprise and its steady competitive position at the market. The companies' successful operation requires they compete non-stop and establish certain competitive advantages. Character of those advantages depends on the market environment and the companies' potential [4].

To complete the process of establishment of the international marketing strategy, it is important to identify its input and output data. Input data are the factors which should be analyzed before the strategy is developed. The principal ones are the elements of marketing environment, mission and goals of the company. Output data are the strategic decisions on the marketing complex, including decisions on the product, pricing, distribution, promotion and development of business, for instance, how to enter foreign markets, how to approach the market [14].

It is important to consider the comments by Kudenko N. about the impossibility to have a single marketing strategy approved by all companies. One and the same goal can be achieved by implementing different marketing strategies. Diversity of them proves the difference of their constituents concerning the competitive position, goals, financial potential, staff and intellectual provision [8, p. 11]. The most common marketing strategies of a foreign market entry can be grouped in the following way (Fig. 1).

Strategy of penetration into international markets	Used for active penetration into the market, including centralized and differentiated mechanisms of marketing
Attack strategy	Involves increased costs for advertising, aggressive communication to expand and gain a market share, creation of advantages over competitors and keeping leading positions at the market
Withdrawal strategy	Means adequate exit from the market by reducing the marketing programs, suspension of aggressive advertising, cease of communication with public that helps to prevent bankruptcy
Low price strategy (penetration)	Suggests setting a low price of products to enter new markets, to make significant profit, to gain a market share and increase the price afterwards
Growth strategy	A complex of actions and plants which a company develops to expand a market share by creating a unique and stable advantage in the competitive environment
Strategy of diversification	Diversification appears when a company is simultaneously engaged in developing a product and consumer markets. Enterprises can diversify their activity in the directions not related with its main involvement

Figure 1. The most popular marketing strategies of a foreign market entry

Source: [15]

Before shaping a strategy, it is necessary to analyze a sequence of steps for choosing a foreign market. The process can be fulfilled in five stages: emergence of the need to enter new markets, study of available markets, comparison of the optimal markets, choosing an optimal market and making the corresponding decisions (Fig. 2). Afterwards, the process of developing a marketing strategy of a foreign market entry can be launched.

Enterprises are often not able to implement their strategy because of the incorrect strategic analysis or unexpected changes occurring in the environment, which have caused unpredictable consequences. The process of a strategy implementation requires permanent control. That function can be fulfilled by the department of supervision and assessment of the results of strategy implementation, which can identify the reasons of deviation; determine the parameters to be controlled; make corrections; assess the conditions of controlled objects before making any decision [5].

When entering foreign markets, companies face many problems, such as:

- to develop an effective strategic program, to choose the way of a foreign market entry;
- to search for the foreign partners for cooperation;
- the necessity to consider the risks of running foreign economic activity.

Pedan M.L. says that a marketing strategy of running foreign economic activity can be effectively implemented by virtue of production compliance with the requirements of the foreign market that is ensured by a high level of competitiveness and conformity of the products' main functional features to the consumers' demands [12, p. 194]. Development of a marketing strategy is one of the most important and complex steps of the marketing process in conditions of constant changes of the internal and external environment [11].

When developing a marketing strategy of a foreign market entry, it is important for the company to choose the best strategy to achieve the goal. Many European companies consider the best way of a foreign market entry is based on

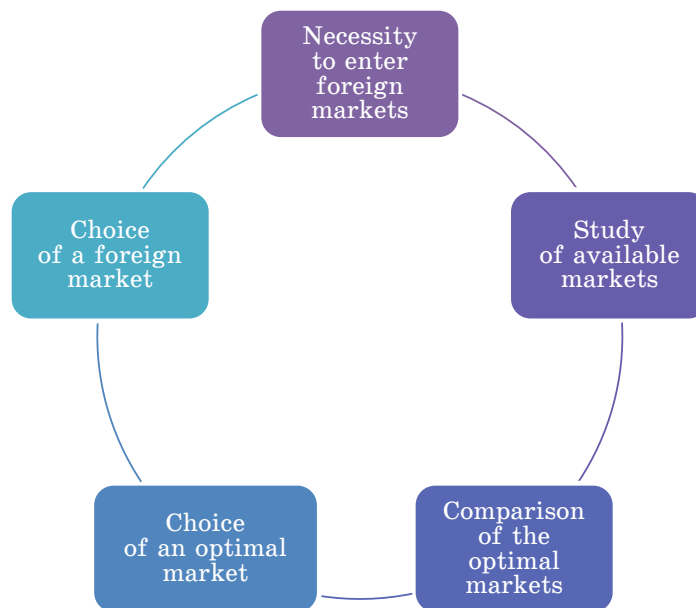
assessment of the market characteristics of the foreign market (size and prospects of growth, competitive structure, available marketing infrastructure), characteristics of the external market environment (political, economic, social and cultural, etc.), peculiarities of production at the foreign market (availability, quality and price of raw material, professional competence of the staff, available transport infrastructure and means of communication), characteristics of the country of the company origin, industry the company operates in, production process.

Planning to enter a foreign market, a company should consider the main component of the macro environment, i.e. conjuncture of the global market. The authors of the research agree to the opinion that the global market conjuncture should be viewed as a specific economic situation at the world market which is established at a certain point in time due to interaction of a set of factors which determine the level, dynamics of prices and correlation of the demand and supply for goods and services [9, p. 123].

There are several strategic variants of a neighboring foreign market entry:

- direct exporting;
- organization of production in the desired countries;
- establishment of a chain of distributors to promote and distribute products at the market;
- establishment of joint ventures with those which have been already operating in order to create a distribution channel;
- licensing;
- organization of a network of product promotion and sale assessment (when exporting);
- purchase of operating companies of distributors and wholesalers which have effective systems of promotion and sale or purchase of a controlling stake of the producer [2, p. 58].

Exporters should consider most of the factors when they analyze the necessity and opportunity for the company to enter a foreign market, and then make assessment according to the following criteria:



**Figure 2. Stages of the process of choosing a foreign market**

Source: [13]

1. Market factors and market potential of the enterprises: demand and supply, elasticity, seasonal character, market potential, life cycle stages, rate of the company expansion, sectoral market, etc.

2. Technical and economic factors: conditions of production capacities, level of applied technologies, access to the market, barriers of penetration into the market, intensity of the market capital, investment level, etc.

3. Factors of competition: structural characteristics of the sectoral market, available competitive associations and groups, degree of differentiation among the competitors, etc.

4. Factors of the market environment: social culture, population, policy, law, geography, economics.

According to the results of the conducted analysis of market situation, the company is able to make a proper choice of the marketing strategy to enter the desired market.

Choice of the way of an international market entry depends on the company's goals, size of its business, character of products and plans as to sale management. It is also necessary to consider volume of the potential sale, expenditures and investments to organize the flow of commodities, available human resources and other conditions.

Here are some ways for a company to enter foreign markets:

1. Export is the simplest way for a company to enter a foreign market. A company may either passively export surplus of its products, or actively participate in the export expansion. All goods are produced in the exporting country.

2. General business activity is similarly effective when penetrating foreign markets. It is founded on the enterprise's efforts consolidated with the resources of the trading companies of the partner-country to create production and sale

potential. Contrary to exporting, joint business creates partnership providing some additional opportunities.

3. Traditional way of a foreign market entry happens by means of direct investments, i.e. opening of the assembly or production facilities abroad. If a company has some export potential and the foreign market is rather large, starting its own company abroad will create significant advantages.

Development and implementation of a marketing strategy is primarily determined by its integrity and complexity. In the current conditions of business running it is necessary to analyze each of the factors influencing the company's choice. It is the only way to gain enough profit and efficiency from the chosen strategy implementation.

The main problems faced by the companies on the way of their marketing strategy implementation include:

- limits of the sale market for a group of consumers. However, in that case it is worth noting that the market of information technologies is extremely interested in developing strategic marketing methods for attracting new consumers;

- short period for new products to enter the market is determined by a short life cycle of goods and by the necessity to make periodical upgrade to meet the consumer's wishes;

- fragmentation of the modern market causes "ambiguity" of marketing strategies and it is not easy to choose the most optimal product to penetrate new markets;

- it is impossible to make precise forecast of the potential users' demand under the changeable conditions of the society development.

Therefore, considering the dynamic social development, peculiarities of modern marketing

strategies and challenges related with their implementation, it is proposed to fulfill the following measures, which are expected to improve the process of implementation of the marketing strategy chosen by a company [10]:

1. The enterprise, which plans to enter a foreign market and gain consumers outside its country, should concern personal interests and priorities and consider them when developing a proper marketing strategy.

2. Within the framework of its policy, the enterprise should clearly outline the boundaries and importance of the chosen marketing strategy, provide its effective control and coordination, as well as operative response to the market conditions.

3. The enterprise should organize its effective inside interaction between the appropriate departments to adequately coordinate its technological developments in compliance with the consumers' demands, their solvency and willingness to pay the cost justified for the commodity producer.

4. In the process of implementing the chosen marketing strategy, the enterprise should identify the factors being fundamental for application of the new technologies in a short, medium and long run that will increase the enterprise's chances to successfully perform at the market [10].

In Ukraine, it is problematic to create effective competitive strategies because when companies plan to enter a foreign market, their strategies should comply with the modern requirements and not just be focused on development of their activities. One of the most important criteria of an international market entry is to make effective managerial decisions, because they determine the enterprises' success in implementing their personal business aspirations in the globalization conditions [13].

**Conclusions from the research.** The present conditions require from companies to develop an effective system of marketing, capable to manage its strategic activity. Moreover, they should make analysis of the market opportunities, choose the principal markets, develop an effective and successful marketing strategy and apply market tools in their activity.

Thus, a foreign market entry is a complicated process, which includes different stages, particularly creation of a competitive product, choice of the country, marketing research, search for partners, development of the trading policy, etc. Nowadays, all those functions are exercised by the departments of international activity and marketing in the companies. The difficulties which are faced by a company when fulfilling the above-mentioned tasks may finally force it refuses to enter the international market. In that context, it is necessary to arrange a clear and scientifically substantiated process of the international market entry with a proper distribution of functions between the structural departments of the company.

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