Problem of National Economy

UDC 338

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# FORMS OF INTERNATIONAL MARKET PENETRATION OF ENTERPRISES

***Summary.*** *The article considers marketing strategies, ways and forms of penetration of the enterprise into international markets. The main forms of enterprise participation in international markets are analyzed. The essence and significance of the marketing strategy of the company's penetration into foreign markets are determined. The process of formation of the marketing strategy of the company's entry into foreign markets is analyzed. The main groups of global strategies are considered: internationalization strategies, segmentation strategies and diversification strategies. The importance of segmentation as an effective tool for marketing activities and its features are studied. Alternative product strategies are considered, which provide for the formation of a strategy for existing and new products. Among them are the strategy of market penetration, the strategy of expansion (development) of the market, the strategy of new product development, the strategy of diversification. In the conditions of international competition in various areas, it is necessary to clearly define and classify management strategies in the implementation of foreign economic activity. Among them are franchising, export strategy and global strategy.*

***Key words:*** *foreign economic activity, foreign trade, marketing strategy, management system.*

**Statement of the problem.** Nowadays business conditions in our country are significantly different from those that existed years ago. The creation of a market economy in the state implies its openness and integration into the world economy. Thus, one of the most notable phenomena in the economic life of Ukraine in recent times is the rapid development of foreign economic activity. The strategic importance of foreign trade for Ukraine is due to the fact that modernization of the economy, attracting large-scale foreign investment, new technologies are possible only if the country forms a stable, open to the outside world economic system, organic inclusion of Ukraine in the global division of labor. Marketing strategy is the basis of the company's actions in specific market conditions, which determines the ways of applying marketing to expand target markets and achieve effective results. The main purpose of the marketing strategy is to mutually reconcile the marketing goals of the enterprise with its capabilities, consumer requirements, to use the weak positions of competitors and their competitive advantages. Businesses that effectively use strategic marketing have the great benefits of successfully adapting to the market.

**Analysis of recent researches and publications.** The formation of marketing strategies in general, forms and ways to enter foreign markets are considered in the works of classical and modern authors and scientists [1-9].

**Formulation purposes of article (problem).** The purpose of the work is **to** explore in marketing strategies and forms of penetration into international markets of enterprises in modern conditions

**The main material.** In the theory and practice of international marketing, there are three groups of global strategies: internationalization strategies, segmentation strategies and diversification strategies. The strategy of internationalization is the development of new, foreign markets, using not only the expansion of exports of goods, but also the export of capital, when foreign companies are created to produce goods in former importing countries, bypassing trade barriers and taking advantage of cheap labor and rich local raw materials [1, p. 308].

Any company that seeks to capture the market must realize that it is not able to satisfy all customers without exception. There are too many consumers, and their desires and needs are often diametrically opposed. It is not even necessary to try to conquer the whole market at once, it is wiser to allocate only that part of it which this company in this period of time and this place is able to effectively serve [2, p. 314].

Therefore, one of the first strategic decisions made by the firm should be to determine the target market in which it wants to compete. This choice of its base market involves dividing the market into parts consisting of consumers with similar needs and behavioral or motivational characteristics that create favorable marketing opportunities for the firm. A firm may prefer to address the entire market or focus on one or more specific segments within its base market. [3, p. 173].

Segmentation strategy is deepening the degree of saturation of goods and services offered to all groups of consumers, the choice of the maximum depth of market demand, the study of its smallest shades [4]. The importance of segmentation as an effective tool for marketing activities is explained by the following features:

- segmentation is a highly effective means of competition, as it focuses on identifying and meeting the specific needs of consumers;
- the orientation of the firm's activities to a certain market niche, found through successful segmentation, is especially effective for firms that are beginning their market activities;
- market segmentation helps to more reasonably determine the marketing direction of the firm;
- with the help of segmentation, it is possible to set realistic marketing goals;

- successful market segmentation affects the effectiveness of marketing in general, from market research and consumers to the formation of an appropriate system of sales and promotion.

Due to segmentation, the firm concentrates on a narrow field of activity, and achieves cost reductions, which contributes to the expansion of production and increases the cost of advertising and promotion activities. In addition, occupying a leading position in the selected segment, the company reduces the payback period. There is no single method of market segmentation.

Characteristics of alternative market penetration strategies are presented in the table 1.

*Table 1*

**Comparative analysis of the main forms of enterprise participation in international markets**

| Basic forms | Key characteristics |
|---|---|
| 1. Export | Sale through distributors or importers. Minimum requirements for investments and fixed costs. Often used in the early stages of international expansion. |
| 2. Licensing and franchising | Can be used as a form of patent application or specialized examination. In some countries only as a way to enter the market. Limited obligations, but also limited control over licenses. |
| 3. Joint ventures | Joint ownership of foreign production with a local partner. Required in several countries. May be accompanied by political risks. Often there are disputes among partners. Property (property) disclosures may be required |
| 4. Strategic alliances | Agreement between companies on cooperation in the field of specific projects. Allows you to separate risk and cost. The purpose of the partners may vary. Property disclosure may be required. |
| 5. Fully own branches | Maximum responsibility for market penetration. Maximum control over the origin of the company. Can be purchased or re-created. |

*Source:* basis on [2] by author

Consider the features of each method and the conditions of their use. Export refers to the sale in foreign markets of goods and services that are produced or performed in their country. It is customary to distinguish between direct and indirect exports. Direct export is used provided that the manufacturer sells its goods and services.

Franchising yourself. It does not matter whether he sold the product to the final consumer or an intermediary. Indirect exports are used in cases where products and services are sold, for example, by foreign trade companies. This method of selling goods in foreign markets is appropriate in conditions where the manufacturer does not have sufficient information about the foreign market or experience in it, and therefore prefers to reduce its own risk by transferring the sales function to an intermediary company.

The concept of marketing involves the implementation of foreign trade operations in active and passive forms. In the active form, the initiative in relation to foreign supplies comes from domestic institutions – the manufacturer or exporter. Instead, passive exports are used if the importer or some foreign institution (often government agencies of a foreign country) are looking for the products they need. In some cases, passive exports manifest themselves as irregular. This is the level of inclusion in world trade, when the firm from time to time exports its surpluses and sells goods to local wholesalers representing foreign firms. Exports, expanding the market of the enterprise, significantly complicates the implementation of all marketing functions. This is especially true of market processing, sales and distribution.

Currently, there are a large number of forms that provide activities in foreign markets without the export of capital, which are based on the use of contractual relations. They are characterized by the formation of international cooperation, in which the border is crossed by the products of creative activity, new knowledge, experimental technical projects and so on. These forms of cooperation are manifested in three main types: licensed production; management contracting and contract manufacturing. Licensed production is that a domestic offeror (licensor) transfers to a foreign manufacturer (licensee) the right to use the know-how of a product and manufacture this product on the condition of payment of a certain license fee or fee. The main advantage of licensed production is that apart from know-how, no material values are exported abroad. At the same time it gets rid of the need to show their own activity. That is why this area is quite common in small and medium enterprises.

Licensing is a fairly common and profitable phenomenon in highly fragmented low-tech industries, which are not characterized by globally dispersed production processes. An example of such an industry is the fast food industry. McDonald's uses a franchise strategy to spread its business around the world. Franchising is a special licensing option that is widely used in the service industry. As a rule, it provides for the conclusion of a long-term agreement for a period that far exceeds the term of the license agreements. Under a franchise agreement, a firm (franchisor) sells its trademark (brand) to a foreign firm (franchisee) in exchange for a portion of the franchisee's profits.

The franchise contract sets out the conditions that the franchisee must meet in order to obtain the right to use the franchisor's trademark. For example, McDonald's allows foreign companies to use their trademark only if they agree to operate their restaurants in exactly the same way as McDonald's restaurants around the world [5].

Another form of joint venture is contract management. It is widely used in developing countries with capital and skilled staff, but no know-how. Proposals for cooperation involving foreign capital in these countries are often rejected for fear of allowing an excessive foreign presence. The agreement on the implementation of a set of works in the field of management is limited in time, and eventually foreign specialists will be replaced by local ones. Thus, using contract management, the firm does not export goods, but management services. This is most often done in the form of consultations for foreign companies. This method is used by Hilton to organize the work of hotels in different parts of the world. In modern conditions, the use of Management Contracting opens up completely new opportunities that have not yet been widely used in world practice. It is a question of acquisition of know-how in the field of management by the operating enterprises, many of which are privatized.

The third form of joint venture – contract manufacturing is that a foreign company undertakes to manufacture at its own production facilities, the purchase of which is guaranteed by a domestic firm contract for a long period. Situations in which there is a need to resort to such a form can be to some extent typified. Its use makes sense when there is a shortage of own capacity and the presence of large barriers to export to the country or its high cost, as well as when production in a foreign country is cheaper due to low material costs and low wages [6, p. 228]. The general scheme of contract manufacturing in practice has various modifications. The production of the initial product became widespread. In cases where contract manufacturing aims to ensure the manufacture of products at the last stage, there is such a form of organization of the enterprise as harvesting. Varieties of management contracting include processing of toll raw materials. The technological scheme of their implementation is the supply of domestic materials, semi-finished products and components abroad, where they are processed, installed, etc. and then re-imported as finished products [7].

A special place among the ways the company enters the foreign market belongs to direct investment or capital transfer. Direct investments can be made by the enterprise independently or jointly with economic entities of the country into which the capital is imported. In the latter case, it is about creating a joint venture. At independent investment abroad, the firm accepts the enterprise under the full responsibility. Joint venture – an enterprise based on the joint capital of economic entities of Ukraine and foreign economic entities, on joint management and on the joint distribution of results and risks [8].

The organization of assembly production in foreign branches frees the company from market dependence in the domestic market. This is especially important when exchange rates change. At the same time, it is possible to process the market in the country of presence to move from export to the organization of the full cycle of production. Production of the product at own foreign branches is a generalizing concept that characterizes the forms of production activities in foreign markets, ensuring the manufacture of components of the product and their assembly into the final product.

There are four types of such production: production of the manufacture of parts, assembly, processing of toll raw materials, complete foreign production. Production of the manufacture of parts is the transfer to a foreign branch of one or more stages of production of the product or the manufacture of some parts and components of the final product. It is a subcontractor that can provide both the parent company and foreign companies in the country of presence and third countries. It is also possible to supply assembly companies of border countries [9, p. 121].

A positive decision on the organization of production of the initial product abroad is made subject to a reduction in production costs; availability of opportunities to use benefits for foreign capital and the transition to the organization of product production in general; approaching the location of companies-buyers of products, for which at the same time you can fulfill orders for the delivery of goods. When including the rest of the production phases and assembly in the system there is an additional to a greater or lesser extent the function of manipulation of the product, associated with the need to adapt it to the tastes of local consumers. This is especially true of the color scheme of the product, its shape, flavorings, processing and more. The operation of foreign branches with assembly functions is due to the relatively high role of the sales function. This necessitates a strong marketing service with a variety of features. Particular attention should be paid to customer relations, study and formation of demand for products and services [4].

Considering the problem of complete foreign production, it is necessary to take into account that when organizing own production abroad, all or at least the most important stages of product production in the country of presence will be performed. This does not preclude the supply of intermediate products by the parent company. In the foreign market, a kind of chain is created, which ends at the stage of output of finished products, which has a final character. The connection between separate factors on which it is possible to define a kind of foreign branch has already been noted above. Here it is important to isolate the connection that determines the strategic features and options. Thus, Japanese manufacturing firms have developed a strategy of their "behavior" in the foreign market, in which domestic related firms follow the main companies in their new market. To do this, the partners create a joint venture or finance the activities of a local supplier in the country of presence. The success of this approach to the organization of the enterprise in foreign markets is proved by Japanese manufacturers in the United States. The choice of form and method of presence in the foreign market determines the economic performance of the company and its competitive position.

**Insights from this study and perspectives for further research in this direction.** The theoretical foundations of marketing strategies for penetration of foreign markets were analyzed. As conclusion, marketing strategy is the formation and implementation of goals and objectives of the manufacturer and exporter in each market (market segment) and each product for a certain period of time for implementation of production and commercial activities in accordance with the market situation and the capabilities of the enterprise. It is developed on the basis of research and forecasting of the commodity market, the study of goods, buyers, competitors and is a rational logical construction, guided by which the organization expects to solve its marketing problems. The development of an effective marketing strategy of the enterprise in the foreign market directly depends on a clear and correct formulation of the goals and objectives of the enterprise in each of the individual target market segments. Within the strategic set of the enterprise there are two main strategies to increase profitability in the domestic and foreign markets – the strategy of differentiation and the strategy of reducing costs. From the standpoint of international marketing, it is also critical to choose a basic strategy that determines the nature of products that are promoted to the market of another country. Alternative product strategies involve the formation of a strategy for existing and new products intended for sale in existing and new markets. Among them are the strategy of market penetration, the strategy of expansion of the market, the strategy of new product development, the strategy of diversification. In the conditions of international competition in various areas, it is necessary to clearly define and classify management strategies in the implementation of foreign economic activity. Among them are franchising, export strategy and global strategy.

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