Chapter 1.1
Marketing Strategy, Technology and Modes of Entry in Global Retailing

Rajagopal
Monterrey Institute of Technology and Higher Education, ITESM, Mexico

A firm, which would like to involve itself in the international business, may look for its entry into international marketing in many possible ways including exporting, licensing, franchising, or as a production firm with multi-national plant locations. However, at any level of market entry the managerial trade-off lies between extent of risk and operational control. The low intensity modes of entry minimize risk *e.g.* contracting with a local distributor requires no investment in the destination country market as the local distributors may own offices, distribution facilities, sales personnel, or marketing campaigns. Under the normal arrangement, whereby the distributor takes title to the goods or purchases them as they leave the production facility of the international company, there is not even a credit risk, assuming that the distributor has offered a letter of credit from his bank. At the same time such arrangement to enter a destination country may minimize control along with the risk factor. In many cases, low-intensity modes of market participation cut off the international firm with information network while operational controls can only be obtained through higher-intensity modes of market participation, involving investments in local executives, distribution, and marketing programs.

DOI: 10.4018/978-1-60960-587-2.ch101

Breakfast cereal, a relatively new introduction to the Bulgarian market, is the fastest growing sector in the Bulgarian bakery products market. According to a research study (Euromonitor, 2006), ready-to-eat breakfast cereals grew by 90 percent in value terms during 2000-2005 and the market grew by approximately 14 percent just in 2005. Despite this impressive growth, cereal consumption in Bulgaria is low compared to other countries, which illustrates the immaturity of the market and its potential for the future. Besides the "novelty" of breakfast cereals, a key reason for the success of breakfast cereals in Bulgaria is their healthy image, which manufacturers have carefully created by illustrating that their products are part of a balanced diet. Although the concept of health and wellness is growing in popularity in Bulgaria, consumers still need additional education on the subject. The foreign cereal manufacturing companies like Nestle, Kraft, Kellogg and General Mills etc. have therefore invested heavily in radio and television advertising to promote a healthy image for their products and attract health conscious consumers. These companies have also set up demonstrations in supermarkets that are designed to educate consumers on the health benefits of breakfast cereals. By using samples and other promotional materials, manufacturers have tried to inspire trials and eventually repeat purchases of their products. These campaigns mainly targeted the bigger cities, where consumers are generally more willing to try new products. The entry of foreign brands in the breakfast cereals in Bulgaria is further moved ahead by the fast expansion of supermarkets and the development of this distribution channel over the next several years will play a crucial role in making breakfast cereals more widely available (Euromonitor, 2006).

Many companies begin their internationalization opportunistically through a variety of arrangements that may be described as "piggybacking," because they all involve taking advantage of a channel to an international market rather than selecting the country-market in a more conventional manner. Piggybacking is an interesting development. The method means that organizations with little exporting skill may use the services of one that has. Another form is the consolidation of orders by a number of companies in order to take advantage of bulk buying. Normally these would be geographically adjacent or able to be served, say, on an air route. The fertilizer manufacturers of Zimbabwe, for example, could piggyback with the South Africans who both import potassium from outside their respective countries. Such practices may be noticed as American breakfast cereal products like Post from the owners of the leading US brand, which entered in the Mexican market via their subsidiary Kraft rather than direct from USA, thus leading to the rather bizarre situation of packs of breakfast cereals with English language packaging covered with stickers in Spanish. The most common form of piggybacking is to internationalize by serving a customer who is more international than the vendor firm. Thus, a customer requests an order, delivery, or service in more than one country, and the supplier starts selling internationally in order to retain the customer and increases its penetration of the account. This is particularly common in the case of business-to-business companies and technology-oriented start-ups (Arnold, 2003). The innovative concept of market entry strategy is based on moving with *consumer space* which indicates that foreign firms enter the destination market by developing adequate consumer awareness on the products and services prior to launch. This strategy is followed largely by the fast moving consumer goods manufacturing companies and such practice is termed as go-to-market strategy. Go-to-market planning enables the firm to achieve higher margins, accelerated revenue growth and increased customer satisfaction through existing sales channels. An effective go-to-market strategy aligns products & services, processes, and partners with customers and markets to deliver brand promise, the desired customer experience, and tangible value. Go-to-

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