### SESSION PLAN

**COURSE:** ABE Level 6 Developing International Markets

**ELEMENT:** Element 3 – Market entry strategies

## **LEARNING OUTCOME 3**

**3. Appraise the suitability of alternative market entry methods as part of the formulation of an international strategy (Weighting 25%)**

3.1 Critically discuss the main characteristics of international marketing strategy

3.2 Critically evaluate various market entry methods

3.3 Evaluate potential barriers to entry, limitations on organisational capability, and the advantages or disadvantages of different market entry methods

3.4 Discuss the management of risk and control in respect of market entry into new international markets

**NUMBER OF SESSIONS:** Four sessions - approximately 12-16 hours in total, plus self-study

**SESSION TOPICS:** Session 1: Critically discuss the main characteristics of international marketing strategy  
Session 2: Critically evaluate various market entry methods

Session 3**:** Evaluate potential barriers to entry, limitations on organisational capability, and the advantages or disadvantages of different market entry methods

Session 4: Discuss the management of risk and control in respect of market entry into new international markets

**Note to tutors: This is the recommended session plan for Learning Outcome 3, Element 3 of the ABE L6 Developing International Markets unit. You should follow the plan, using the resources (referenced as ‘slides’ here) and activities provided. It is important to enhance all sessions with local examples and case studies, involving the learners ACTIVELY wherever possible.**

**Session 1: Critically discuss the main characteristics of international marketing strategy**

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| **Approx. Duration** | **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative Assessment** |
| 3-4 hours | Introduction to session and learning outcomes | Use file: **6UDIM Tutor Presentation E3**  Assessment criteria  3.1 Critically discuss the main characteristics of international marketing strategy  3.2 Critically evaluate various market entry methods  3.3 Evaluate potential barriers to entry, limitations on organisational capability, and the advantages or disadvantages of different market entry methods  3.4 Discuss the management of risk and control in respect of market entry into new international markets  Introduce students to element 3 and the key topics that will be covered during the next four sessions.  Outline the main points that will be addressed during this session   * Characteristics of international marketing strategy * When, how & where * Cunningham’s 5 marketing strategies * Ansoff Matrix | 1-5 | Students to listen and take notes and participate in class discussions throughout, as appropriate. |  |
|  | Characteristics of international market entry strategy | Introduce students to the concept of market entry, the reasons why people want to enter international markets (recap briefly previous lecture about positives for trade).  Discuss the necessity for market entry, provide some real world examples of companies that failed to use a strategy and were unsuccessful in entering the market.  **Market entry strategies are not a single entity:**   * Market entry strategies are not created in a vacuum. * They are closely related to other decisions that involve the entry of new products into any market. * According to Kotable and Helsen (2009) a company has to decide on the product, the target market, the objectives for the markets, the mode of entry, time of entry, marketing mix, and a way to monitor marketing performance. * Taken together these criteria form the market entry strategy. | 6 | Students to listen and take notes and participate in class discussions throughout, as appropriate. |  |
|  | What questions do you need to ask | To decide on an appropriate entry strategy companies need to consider the following:  **When:** When is the best time/most appropriate time for the company to launch/enter the new market:   * When it comes to timing a company has a couple of choices, they can either be “the first mover” or a “late mover”. Put simply, you can either enter or launch a product into a brand new market where you are the first organisation leading the way. Or you can wait for companies to enter first, learn from their mistakes and then launch into the market. * We will be covering first mover and last mover later on in this element.   **How:** How will a company actually enter the market, will they opt for a large or small scale entry. This decision will depend on what resources are behind a company. The larger the market entry method, the more finance is required to carry it out.  **Where:** Which market will suit the product/company, where will it fit and be a success? This is when issues such as costs, benefits and risks should all be considered.  Slide 8 demonstrates these considerations in action. We can see a market entry strategy with some of the questions/considerations that need to be understood. The diagram also helps learners see the stages that go into market strategy. | 7-8 | Students to listen and take notes and participate in class discussions throughout, as appropriate. |  |
|  | Market research | We have already discussed the importance of market research and what it is, but we have done so more from a theoretical background.  Now we will consider the practical elements of how research is conduct and data collated.  The basic formation for conducting market research and the stages that happen as a result is shown on slide 9.  Work through the slide with students and give examples of each stage. For example select a company and use the formation with that company. Say Apple or Coca-Cola, or a brand name that would resonate with students. | 9 | *Classroom discussion*: Basics of market research, just to refresh as the subject is once again featured in this session.  Get students to discuss:   * What it is * Why it is needed * Why it benefits (and who)   Allow students to get into small groups for five minutes to talk through their ideas, then come together as a class and talk through their answers. |
|  | Cunningham’s 5 strategies | When it comes to entering into foreign markets strategy is important. In 1986 Cunningham identified five strategies used by organisations to enter into new foreign markets:   1. Technical innovation strategy - perceived and demonstrable superior products 2. Product adaptation strategy - modifications to existing products 3. Availability and security strategy - overcome transport risks by countering perceived risks 4. Low price strategy - penetration price and, 5. Total adaptation and conformity strategy - foreign producer gives a straight copy.   Where possible offer examples of companies that have used these strategies, or expand on the points with your own knowledge.  Introduce activity: In small groups, using Cunningham’s five strategies for international market entry come up with a business that has used one of these strategies. Try to find one for each strategy.  For each one, write down:   * The name of the business * The market it operates in/is entering * How did they do it? * Were they successful? Why? | 10-11 | Students to listen and take notes and participate in class discussions throughout, as appropriate. | **6UDIM E3 LO3 Activity 1 -**  **Cunningham’s five strategies** |
|  | External factors affecting market entry choice | Before a strategy is chosen consideration needs to be given to factors that can affect the entry. They can be classed as either external or internal factors.  External factors include:  **Market size**: Market size of the market is one of the key factors an international marketer has to keep in mind when selecting an entry mode. Countries with a large market size justify the modes of entry with long-term commitment requiring higher level of investment, such as wholly owned subsidiaries or equity participation.  **Market growth:** Most of the large, established markets, such as the US, Europe, and Japan, has more or less reached a point of saturation for consumer goods such as automobiles, consumer electronics. Therefore, the growth of markets in these countries is showing a declining trend. Therefore, from the perspective of long-term growth, firms invest more resources in markets with high growth potential.  **Physical infrastructure:** The level of development of physical infrastructure such as roads, railways, telecommunications, financial institutions, and marketing channels is a pre-condition for a company to commit more resources to an overseas market. The level of infrastructure development (both physical and institutional) has been responsible for major investments in Singapore, Dubai, and Hong Kong. As a result, these places have developed as international marketing hubs in the Asian region.  **Level of risk:** The following risks should be evaluated:   * Political risk: Political instability and turmoil dissuades companies from committing more resources to a market. * Economic risk: This can arise due to volatility of exchange rates of the target market’s currency, upheavals in balance of payments situations that may affect the cost of other inputs for production, and marketing activities in foreign markets. International companies find it difficult to manage their operations in markets where in the inflation rate is extremely high. * Operational risk: In case the marketing system in an overseas country is similar to that of the firm’s home country, the firm has a better understanding of operational problems in the foreign market.   **Production & shipping costs:** Markets with substantial cost of shipping as in the case of low-value high-volume goods may increase the logistics cost.  **Lower cost production**: It may also be one of the key factors in firms deciding to establish manufacturing operations in foreign countries. | 12 | Ask students to give you examples external factors that they think could limit or affect possible market entry.  Try to offer your own examples to start the discussion. |  |
|  | Internal factors affecting market entry | As well as external factors that affect the entry strategy, there are factors which are internal to a company that should be considered.  **Company Objectives:** Companies operating in domestic markets with limited aspirations generally enter foreign markets as a result of a reactive approach to international marketing opportunities. In such cases, companies receive unsolicited orders from acquaintances, firms, and relatives based abroad, and they attempt to fulfill these export orders.  **Availability of company resources:** Venturing into international markets needs substantial commitment of financial and human resources and therefore choice of an entry mode depends upon the financial strength of a firm. It may be observed that Indian firms with good financial strength have entered international markets by way of wholly owned subsidiaries or equity participation.  **Level of Commitment**: In view of the market potential, the willingness of the company to commit resources in a particular market also determines the entry mode choice. Companies need to evaluate various investment alternatives for allocating scarce resources. However, the commitment of resources in a particular market also depends upon the way the company is willing to perceive and respond to competitive forces.  **International experience:** A company well exposed to the dynamics of the international marketing environment would be at ease when making a decision regarding entering into international markets with a highly intensive mode of entry such as Joint ventures and wholly owned subsidiaries.  **Flexibility:** Companies should also keep in mind exit barriers when entering international markets. A market which presently appears attractive may not necessarily continue to be so, say over the next 10 years. It could be due to changes in the political and legal structure, changes in the customer preferences, emergence of new market segments, or changes in the competitive intensity of the market.  Introduce homework activity. | 13 | Ask students to give you examples internal factors that they think could limit or affect possible market entry.  Try to offer your own examples to start the discussion. | **6UDIM E3 LO3**  **Activity 2 – Market entry strategies** |
|  | Factors affecting selection of International market entry | This slide summarises the external and internal factors discussed in the previous slides. Just to clarify the points. | 14-15 | Slide 15 is a link for Domino’s history of how they penetrated the foreign market; they discuss good strategies and bad that they adopted.  Watch with class and after the groups have completed their task join together for a group discussion |  |
|  | Ansoff matrix | Ansoff growth strategy. Introduce the idea, why it is used and the basic theoretical framework.  Slide 17 is an example of the growth matrix. Explain each sector:  **Market penetration** - least risky since it leverages many of organisations existing resources and capabilities. In a growing market, maintaining market share will result in growth, and there could be a chance to increase market share if competitors reach capacity limits. However market penetration has limits, and once the market approaches saturation another strategy must be pursued if the company wants to continue to grow.  **Market development** - Pursuit of an additional market segment or geographical regions. The development of new markets for the product may be a good strategy if the company’s core competencies are related more to the specific product than to its experience with a specific market segment.  **Product development** - Can be used when a company has strengths that are related to specific customers rather than to specific product. In this situation it can leverage the strengths by developing a new product targeted to existing customers.  **Diversification** - Most risky strategy as it requires both product and market development and may be outside the core competencies of the organisation. Diversification may be a reasonable selection if the high risk is compensated by the chance of a high profit.  The output of the matrix is that there are four options for potential growth. | 16-17 | Students to listen and take notes and participate in class discussions throughout, as appropriate. |  |
|  | Summary | Summarise the main topics covered today and highlight the important aspects of each topic, following slide content. | 18 |  |  |

### SESSION 2: Critically evaluate various market entry methods

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| **Approx. Duration** | **Topic** | **Tutor Activity** | | **Slides** | **Learner Activity** | **Formative Assessment** |
| 3-4 hours | Introduction | Use file: **6UDIM Tutor Presentation E3**  Introduce students to the assessment criteria that will be covered today  3.2 Critically evaluate various market entry methods  Today’s session will cover international market entry by looking at five key points:   * + Direct exporting   + Indirect exporting   + Joint venture   + Strategic alliance   + Direct foreign investment | 19-20 | |  |  |
|  | What is market entry | There are numerous market entry strategies that are open to a company. It is important that an organisation has a strategy for entering a market to ensure that they are fully aware of what they will face.  Consideration should be given to:   * + What is the product   + Market research   + Market planning   These are basic market entry requirements; however we are concerned with international market entry.  There are a variety of ways in which a company can enter a foreign market. No one market entry strategy works for all international markets.  Direct exporting may be the most appropriate strategy in one market while in another you may need to set up a joint venture and in another you may well license your manufacturing.  There will be a number of factors that will influence your choice of strategy, including, but not limited to, tariff rates, the degree of adaptation of your product required, marketing and transportation costs.  While these factors may well increase your costs it is expected the increase in sales will offset these costs. The following strategies are the main entry options open to a company. | 21 | | *Classroom discussion*: Why do students think market entry strategy is important?  Discuss their opinions and explain whether they are correct. |  |
|  | International market entry methods | Diagram shows five different methods of penetrating the international market.   1. Direct exporting 2. Indirect exporting 3. Joint Venture 4. Strategic alliance 5. Direct foreign investment | 22 | | Students to listen and take notes and participate in class discussions throughout, as appropriate. |  |
|  | Direct exporting | Direct exporting means that a company exports directly to a customer interested in buying their product.  In this strategy the company is responsible for handling the market research, foreign distribution, and logistics of shipment and for collecting payment. | 23 | | Students to listen and take notes and participate in class discussions throughout, as appropriate. |  |
|  | Advantages of direct exporting | So let’s imagine we are a food retail company that wishes to use the direct exporting strategy to get our produce straight to our consumers. How would this strategy benefit us?   * Your potential profits are greater because you are eliminating intermediaries. * You have a greater degree of control over all aspects of the transaction. * You know who your customers are. * Your customers know who you are. They feel more secure in doing business directly with you. * Your business trips are much more efficient and effective because you can meet directly with the customer responsible for selling your product. * You know whom to contact if something isn't working. * Your customers provide faster and more direct feedback on your product and its performance in the marketplace. * You get slightly better protection for your trademarks, patents and copyrights. * You present yourself as fully committed and engaged in the export process. * You develop a better understanding of the marketplace. * As your business develops in the foreign market, you have greater flexibility to improve or redirect your marketing efforts. | 24 | | Students to listen and take notes and participate in class discussions throughout, as appropriate. |  |
|  | Disadvantage of direct exporting | Like all business strategies, there must be some drawbacks. So what problems might this strategy cause for our business?   * It takes more time, energy and money than you may be able to afford. * It requires more "people power" to cultivate a customer base. * Servicing the business will demand more responsibility from every level of your organisation. * You are held accountable for whatever happens. There is no buffer zone. * You may not be able to respond to customer communications as quickly as a local agent can. * You have to handle all the logistics of the transaction. * If you have a technological product, you must be prepared to respond to technical questions, and to provide on-site start-up training and ongoing support services. | 25 | | Interact with students and get them to think of any positives or limitations to the strategy and see if there are any other suggestions that could be added to these lists. |  |
|  | Indirect exporting | Indirect exporting means selling to an intermediary, who in turn sells the company’s products either directly to customers or to importing wholesalers.  The easiest method of indirect exporting is to sell to an intermediary that is in the home country of the company.  When selling by this method, companies normally are not responsible for collecting payment from the overseas customer or for coordinating the shipping logistics.  Some advantages of the approach are:   * It's an almost risk-free way to begin. * It demands minimal involvement in the export process. * It allows companies to continue to concentrate on domestic business. * Organisations have limited liability for product marketing problems * Depending on the type of intermediary with which a company deals with, the company will not have to deal with shipment and other logistics. * Products can be field tested for export potential.   Disadvantages are   * Profits are lower. * Loss of control over foreign sales * Rarely know who the customer is. * The intermediary might also be offering similar products, including directly competitive products, to the same customers instead of providing exclusive representation. * Long-term outlook and goals for export program can change rapidly, and if put in someone else's hands, it's hard to redirect efforts accordingly. | 26 | | Students to listen and take notes and participate in class discussions throughout, as appropriate.  Interact with students and get them to think of any positives or limitations to the strategy and see if there are any other suggestions that could be added to these lists. |  |
|  | Joint Venture | A joint venture is a strategic alliance where two or more parties, usually businesses, form a partnership to share markets, assets, knowledge, and, of course, profits.  A joint venture differs from a merger in the sense that there is no transfer of ownership in the deal.  The advantages are:   * Provide companies with the opportunity to gain new capacity and expertise * Allow companies to enter related businesses or new geographic markets or gain new technological knowledge * Access to greater resources, including specialised staff and technology * Sharing of risks with a venture partner * Joint ventures can be flexible. For example, a joint venture can have a limited life span and only cover part of what you do, thus limiting both your commitment and the business' exposure. * In the era of divestiture and consolidation, JV’s offer a creative way for companies to exit from non-core businesses. * Companies can gradually separate a business from the rest of the organisation, and eventually, sell it to the other parent company. Roughly 80% of all joint ventures end in a sale by one partner to the other.   Disadvantages are:   * The objectives of the venture are not 100 per cent clear and communicated to everyone involved. * There is an imbalance in levels of expertise, investment or assets brought into the venture by the different partners. * Different cultures and management styles result in poor integration and co-operation. * The partners don't provide enough leadership and support in the early stages. * Success in a joint venture depends on thorough research and analysis of the objectives. | 27 | | Interact with students and get them to think of any positives or limitations to the strategy and see if there are any other suggestions that could be added to these lists. |  |
|  | Strategic alliance | A strategic alliance is an agreement between two separate business entities to pool resources in order to achieve a common goal.  In strategic alliances, the participants remain separate and do not form a new entity as with joint ventures and some other types of partnerships. They retain autonomy and usually embark on finite projects, rather than an ongoing business relationship.  Examples of reasons why strategic alliance would be used are:   * To explore the various synergies which may be obtained by working together, particularly in a certain field or industry? * To undertake joint research projects as may be agreed and consider the joint commercial exploitation of any new technology or products resulting from their joint research. * To share technical expertise in a certain field or industry to improve research and development results. * To explore commercial agreements that will be for the mutual benefit of the parties.   Strategic alliances are increasingly used by companies that want to find a way to become more competitive.  Working strategically, even with a competitor, provides a company with an access to more of the market share. As companies compete in a global business environment, smaller entities may have difficulty thriving unless they are willing to work strategically.  Forming strategic alliances also provides people with access to new expertise and technology that might not otherwise be available. | 28 | | Students to listen and take notes and participate in class discussions throughout, as appropriate. |  |
|  | Foreign Direct investment | Foreign direct investment is an investment in a business by an investor from another country for which the foreign investor has control over the company purchased.  The Organisation of Economic Cooperation and Development defines control as owning 10% or more of the business.  Businesses that make foreign direct investments are often called multinational corporations (MNCs) or multinational enterprises (MNEs).  An MNE may make a direct investment by creating a new foreign enterprise, which is called a Greenfield investment, or by the acquisition of a foreign firm, either called an acquisition or Brownfield investment.  Let us once again think of ourselves as a company opting for this entry strategy, how would it benefit us? But also, what are the draw backs of the approach?  Advantages:   * **Access to markets**: Can be an effective way for you to enter into a foreign market. Some countries may extremely limit foreign company access to their domestic markets. * **Access to resources**: An effective way for you to acquire important natural resources, such as precious metals and fossil fuels. * **Reduces cost of production**: Means for you to reduce your cost of production if the labor market is cheaper and the regulations are less restrictive in the target foreign market.   Disadvantages:   * **Unstable economic conditions:** Much of the FDI takes place in the developing world, which is thusly named because it's just developing its economic systems. The market conditions in the developing world can be quite unstable and unpredictable. * **Unstable political and legal systems:** An even bigger problem may be unstable or underdeveloped political and legal systems. A company may have to deal with a corrupt or unstable political system. Additionally, the legal system may be underdeveloped. | 29 | | Students to listen and take notes and participate in class discussions throughout, as appropriate.  Interact with students and get them to think of any positives or limitations to the strategy and see if there are any other suggestions that could be added to these lists. |  |
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|  | Starbucks case study | Talk through the case study with the students and discuss the relevance. Look at what went well and what failed. | 30 | | Students participate in the discussion. |  |
|  | Importing and exporting | Importing and exporting are the most traditional and well used forms of conducting business in foreign markets.  Highlight the importance of the concept of importing and exporting (countries benefiting from resources that they have in plenty, and are able to trade to make profit and gain resources that they did not have).  Look at passive and aggressive exporting and the different ways they can be beneficial to businesses. Provide examples. | 31-32 | | Students to listen and take notes and participate in class discussions throughout, as appropriate. |  |
|  | Summary and conclude | Summaries the lecture and conclude. Highlighting the resources that will e beneficial for students to read in their own time as part of their studies. | 33 | |  |  |

### SESSION 3: Evaluate potential barriers to entry, limitations on organisational capability, and the advantages or disadvantages of different market entry methods

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| **Approx. Duration** | **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative Assessment** |
| 3-4 hours | Introduction & what will be covered | Use file: **6UDIM Tutor Presentation E3**  Introduce the topic and the main areas that will be covered in this section.   * Barriers to entry * Timing and method of entry * Competitive dynamics | 34-35 | Advice students to take notes and ask any questions that they may have |  |
|  | Barriers to entry | Introduce barriers or obstacles to entry  Barriers to entry are factors that prevent or make it difficult for new firms to enter a market.  In theory barriers to trade exist to make the market less contestable and less competitive.  The greater the barriers to entry which exist, the less competitive the market will be. Barriers to entry are an essential aspect of monopoly markets.  Some academics and theorists have argued that the term barrier is to strong, that instead we should use the term obstacles. No matter your view, these issues still exist and need to be dealt with. | 36 | Ask the students the question of what do they think the barriers to entry are?  Students to listen and take notes and participate in class discussions throughout, as appropriate.  Students to listen and take notes and participate in class discussions throughout, as appropriate. |  |
|  | Barriers to entry cont. | When an organisation is deciding on its entry strategy. It needs to take into account what barriers/obstacles it may come across.  So they have to ask themselves “How will my strategy build barriers to entry in my markets?”  Let’s look at an example to help resonate this idea.  Coca Cola Coca Cola have created a huge barrier to entry in the carbonated drinks market due to large advertising spends.  This has been described as a deep moat around the business:  *“If you gave me $100 billion and said, ‘Take away the soft-drink leadership of Coca-Cola in the world,’ I’d give it back to you and say it can’t be done.”*  So, companies have to ask, “*how are you going to overcome barriers to entry?”*.  Attacking Coca Cola head-on with massive advertising expenditure in the carbonated drinks market makes little sense. Red Bull overcame this by advertising on premises and in venues across the world which bypassed this barrier to entry. | 37 |
|  | Structural or strategic | There are two categories of barriers either structural or strategic.  Structural issues are related to issues that would be naturally occurring within a business and strategic barriers are those that have been purposefully forged by a business for tactical purposes.  As strategic barriers can be more complex, below are some examples of strategic barriers to entry.  **Limited pricing tactics:** When a firm sets a price low enough to discourage new entrants into the market  **Predatory pricing tactics:** Setting an artificially low price for a product in order to drive out competitors | 38 |
|  | The next step | Porter’s 1985 competitive theory 5 points  Michael Porter’s theory of the competitive advantage of nations provides a sophisticated tool for analysing competitiveness with all its implications.  Porter’s theory contributes to understanding the competitive advantage of nations in international trade and production. Its core, however, focuses upon individual industries, or clusters of industries, in which the principles of competitive advantage are applied.  His theory begins from individual industries and builds up to the economy as a whole. Since firms, not nations compete in international markets, understanding the way firms create and sustain competitive advantage is the key to explaining what role the nation plays in the process. Therefore, the essence of his argument is that the home nation influences the ability of its firms to succeed in particular industries.  Porter defined the following:  Economies of scale, product differentiation, capital requirements, switching costs and access to channels of distribution.  Using your own knowledge of the subject run through Porter’s theory. The next few slides will go into more detail about each aspect of the theory. | 39 | Students to listen and take notes and participate in class discussions throughout, as appropriate. | **6UDIM E3 LO3 Activity 3 -**  **Barriers to entry, Product Differentiation** |
|  | Economies of scale | Discuss the concept of what is meant by economies of scale.  Economies of scale is the cost advantage that arises with increased output of a product.  This happens because of the inverse relationship between the quantity produced and per-unit fixed costs; i.e. the greater the quantity of a good produced, the lower the per-unit fixed cost because these costs are spread out over a larger number of goods.  Economies of scale may also reduce [variable costs](http://www.investopedia.com/terms/v/variablecost.asp) per unit because of [operational efficiencies](http://www.investopedia.com/terms/o/operationalefficiency.asp) and [synergies](http://www.investopedia.com/terms/s/synergy.asp).  Economies of scale can be classified into two main types: *Internal* – arising from within the company; and *External* – arising from extraneous factors such as industry size  The cost advantage that a company gets is a result of the following factors:   * Access to better financial instruments * Technology advancements * Access to valuable information * Increased purchasing power * Shared marketing costs * Pooling of managerial experience | 40-41 | *Classroom discussion*: Use the Wal-mart case study to provide an example of a company that benefit from the economies of scale.  Get students to go into small groups and try and come up with companies that they can think of that have had the same experience as Wal-mart?  Students to listen and take notes and participate in class discussions throughout, as appropriate. |  |
|  | Product differentiation | How can products be differentiated?  Product differentiation is a marketing strategy that businesses use to distinguish a product from similar offerings on the market.  For small businesses, a product differentiation strategy may provide a competitive advantage in a market dominated by larger companies.  The differentiation strategy the business uses must target a segment of the market and deliver the message that the product is positively different from all other similar products available.  One example is Oreo cookies. They have over 40 different flavors and due to packaging, branding and variety benefit from product differentiation.  Provide your own examples. | 42 | *Classroom discussion:* Discuss with students the different ways products can be differentiated and think up some local examples, or examples that they have come across. |  |
|  | Capital requirements | This concept is quite straight forward. It refers to the amount of capital that a company needs to invest.  In some situations, a company needs a larger amount of capital to enter a market.  Earlier in the session we mentioned the carbonated drinks market that has big names such as Coca Cola. If a company wished to enter this market, in direct competition with Coca Cola, they would need a high level of capital to do so.  So businesses require an investment in materials such as the example given of a bakery needing initial capital to purchase industrial bakery equipment. | 43 | Students to listen and take notes and participate in class discussions throughout, as appropriate. |  |
|  | Switching Costs | Switching costs are those one-time inconveniences or expenses a customer incur in order to switch from one product to another.  Companies that make it tough for customers to switch to a competitor are in a position to increase prices year after year to deliver hefty profits.  Companies aim to create high switching costs in order to lock in customers.  The more customers are locked in the more likely a company can pass along added costs to them without risking customer loss to competitors.  Apple would be a good example but use your own examples here as well to engage students. | 44 | Students to listen and take notes and participate in class discussions throughout, as appropriate. |  |
|  | Channels of Distribution | Channels of distribution are once again self explanatory. It refers to the way that goods, services and products travel from the producer to the consumer.  There are a few ways that this can be done, either producer, direct to consumer, or through a third party such as:   * Wholesalers * Distributors * Agents * Retailers | 45 | *Classroom discussion*: Let’s think of some examples that we know close to home. Discuss with students examples of how local companies distribute goods and services. |  |
|  | Business growth strategy | So once a company has contemplated how and where they will be entering the market, they also need to consider when they will enter.  Five options for timing of market entry have been identified:   1. Be original 2. Late arrival 3. Dynamic timing 4. Time of year 5. Wave, sprinkler, waterfall | 46 | Students to listen and take notes and participate in class discussions throughout, as appropriate. |  |
|  | Timing and method of entry | First mover advantage is when a company enters a market first, it is the original and enters with a new unique product.  The main benefits are:   * + Market share   + Goodwill from press or customers   + Securing a rare resource   Disadvantages of being unique:   * + Competitors piggyback your concept   + Others see your mistakes and compensate for them   + They can save money on research and development as you have done it first! | 47 | Students to listen and take notes and participate in class discussions throughout, as appropriate. |  |
|  | The late arrival | The late arrival method is the opposite strategy to the first entry method. In this strategy businesses opt to wait and enter the market later have the ability to learn from competitor experience  This is a strategy that tends to be used by market leaders.  The slide provides some examples | 48 | *Classroom discussion*: Discuss other examples of late entry methods. |  |
|  | Dynamic timing | Dynamic timing is a new method for timing market entry was suggested by Sechan Oh and Ozalp Ozer, from the University of Texas at Dallas School of Management, in a paper delivered to the 2010 Manufacturing and Service Operations Management Conference.  Oh and Ozer suggest that, as a business goes through the design process for a new product, they should constantly update their own knowledge about both the efficiency of the production process and the potential market.  The product should continue to be improved until the optimal time to enter the market. At that point, the design process should stop and the product should enter the market. | 49 | Students to listen and take notes and participate in class discussions throughout, as appropriate. |  |
|  | Time of year | The time of year can have a big effect on chances of success. Some industries are busier at certain times of the year. For example, accountants are not likely to take up new tax software in the run-up to April 15th, as they won't have time to learn how to use it while they are busy.  Similarly, a product designed for sale in the holiday season should be released early enough in the year to gain momentum by the time the peak shopping season arrives. | 50 | Students to listen and take notes and participate in class discussions throughout, as appropriate. |  |
|  | Wave, sprinkler & waterfall | These types of timing strategy are usually applied to timing entry to international markets.  In the wave strategy, a new product is introduced all at once into countries that has similar cultures and characteristics.  For example, the product might be launched into Germany, Austria and Switzerland at the same time.  In the Sprinkler strategy, the product is launched into all suitable countries at the same time.  In the Waterfall strategy, a product is launched in one country at a time, and new markets are entered only after sales are established in the previous market. | 51 | Students to listen and take notes and participate in class discussions throughout, as appropriate. |  |
|  | Managing competitive dynamics | What are competitive dynamics?  These are actions and tactical manoeuvres that organisations use to trade in a competitive landscape.  When such tactical manoeuvres are used, a company is said to be acting competitively.  Porter’s Five Forces analysis of the competitive environment.  Designed to analysis the level of competition in the market, how dense the market is with competitors and whether or not the market should be entered at that point. | 52-54 | Students to listen and take notes and participate in class discussions throughout, as appropriate. |  |
|  | Summary | Summaries the session covering the main aspects that have been covered. | 55 |  |  |

**Session 4: Discuss the management of risk and control in respect of market entry into new international markets**

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| **Approx. Duration** | **Topic** | **Tutor Activity** | **Slides** | **Learner Activity** | **Formative Assessment** |
| 3-4 hours | Introduction | Use file: **6UDIM Tutor Presentation E3**  Today we will focus on the topic risk. We will more specifically aim to discuss the management of risk and control in respect of market entry into new international markets.  There will be four main areas covered today:   * What is risk * Why do we need to know about risk? * Types of risk in new international markets * Risk management options   So let’s initially begin by defining what is meant by the term risk. | 56-57 | Ask students to take notes and ask questions at any time during the session. |  |
|  | Risk and control management | Introduce the idea of risk, provide a definition of what it means and the impact that risk has on international business.  In business, risks lurk at every turn, competitor innovations that threaten the viability of your products or services, new players in the market place, adverse trends in commodity prices, currencies, interest rates or the economy.  Throw in potential disruptions to supply chains that have been stretched across thousands of miles and country borders by globalisation, and the opportunity for something to go wrong is, to say the least, concerning.  Some examples of international markets that would be defined as high risk are agriculture, construction, mining, pawn shops, and computer stores. | 58 | *Classroom discussion*: Go into small groups and try and think of as many risks that international companies might face, take 5 minutes and then join back together to discuss everyone’s answers.  To get learners thinking, offer some examples.  - Government problems in a country  - financial instability  - environmental risks |  |
|  | Types of risk | Now that we have talked through some of your ideas let’s have a look at some key risk areas that face international businesses.  There are nine noted types of risk.   * Market risks * Credit risks * Operational risks * Model risk * Compliance and conduct risks * Economic and regulatory capital * Capital planning (stress test) * Provisions * Organisation and governance of the risk function   Work through each type, general concepts of each and some examples where needed.  For example:  **Market risk**: Market risk is the possibility for an investor to experience losses due to factors that affect the overall performance of the financial markets which he is involved. Sources of market risk include recessions, political turmoil, and changes in interest rates, natural disasters and terrorist attacks.  **Credit risk**: Probability of loss from a debtor. In the banking industry, credit risk is a major factor.  After each topic is covered, use the video clip that gives numerous examples of political risks that have happened and how they have impacted businesses. After the video ask for students’ views. | 59-60 | Ask students for their examples for some of the types of risks. Some may be relatively unknown but some, such as credit, market, or operational risk will be known.  If students are not offering examples, try to prompt with your own examples. |  |
|  | Risk management | What is risk management and what options do companies have to tackle risk?  Risk management refers to the exercise or practice of forecasting the potential risks thus analysing and evaluating those risks and taking some corrective measures to reduce or minimise risks.  Risk management involves identifying, analysing, and taking steps to reduce or eliminate the exposures to loss faced by an organisation or individual.  The practice of risk management utilises many tools and techniques, including insurance, to manage a wide variety of risks.  Every business encounters risks, some of which are predictable and under management's control, and others which are unpredictable and uncontrollable.  Risk management is particularly vital for small businesses, since some common types of losses—such as theft, fire, flood, legal liability, injury, or disability—can destroy in a few minutes what may have taken entrepreneur years to build.  Such losses and liabilities can affect day to day operations, reduce profits, and cause financial hardship severe enough to cripple or bankrupt a small business. But while many large companies employ a full time risk manager to identify risks and take the necessary steps to protect the firm against them, small companies rarely have that luxury. Instead, the responsibility for risk management is likely to fall on the small business owner.  The term risk management is a relatively recent (within the last 20 years) evolution of the term "insurance management." The concept of risk management encompasses a broad scope of activities and responsibilities.  Risk management is now a widely accepted description of a discipline within most large organisations.  Basic risks such as fire, windstorm, employee injuries, and automobile accidents, as well as more sophisticated exposures such as product liability, environmental impairment, and employment practices, are the province of the risk management department in a typical corporation.  Although risk management has usually pertained to property and casualty exposures to loss, it has recently been expanded to include financial risk management—such as interest rates, foreign exchange rates, and derivatives—as well as the unique threats to businesses engaged in E commerce. | 61 | Students to listen and take notes and participate in class discussions throughout, as appropriate. | **6UDIM E3 LO3 Activity 4**  **Smartphone risk management strategies** |
|  | Risk management options | The slide shows a pyramid of some standard, yet proven to work strategies for dealing with risk.  We can see here that four options are shown: avoid, reduce, manage and transfer.  Risk management options are usually cited as risk handling options subdivided as: avoidance, control, assumption, risk transfer, and knowledge and research. Generally, the assessment of management options is a tricky task as the decisions must be made early in a program when things are not settled.  However, if experienced personnel are given the facts, one can expect very good decisions. | 62 | *Classroom discussion:* Ask students what they think each of the four layers means.  Once you have had a quick discussion of the student’s ideas, explain the answers.  - avoid the risk if possible  - reduce the impact or the risk itself  -t he risk is there, and will happen so take any steps you can to keep on top of the situation  - transfer simply means transferring the risk to another person/company, for example: insurance |  |
|  | Avoidance | **Avoidance:** Use an alternate approach that does not have the risk. This mode is not always an option. There are programs that deliberately involve high risks in the expectation of high gains. However, this is the most effective risk management technique if it can be applied. | 63 | Students to listen and take notes and participate in class discussions throughout, as appropriate. |  |
|  | Control | **Control:** Controlling risks involves the development of a risk reduction plan and then tracking to the plan. The key aspect is the planning by experienced persons. The plan itself may involve parallel development programs, etc. | 64 | Students to listen and take notes and participate in class discussions throughout, as appropriate. |  |
|  | Assumption | **Assumption:** Simply accepting the risk and proceeding. However, there can be a tendency within organisations to gradually let the assumption of a risk take on the aura of a controlled risk. |  | Students to listen and take notes and participate in class discussions throughout, as appropriate. |  |
|  | Risk transfer | **Risk Transfer:** Means causing another party to accept the risk, typically by contract or by hedging. Liability among construction or other contractors is often transferred this way | 65 | Students to listen and take notes and participate in class discussions throughout, as appropriate. |  |
|  | Knowledge and Research | Like most aspects of these elements that we are covering, knowledge is power.  Risk management definitely benefits from knowledge and solid research.  This mode is not "true" risk handling, but rather a technique for strengthening other techniques. This approach can best be viewed as an adaptation of the approach used by a student writing a thesis: intensive study with specialised testing - in other words doing your homework! |  | Students to listen and take notes and participate in class discussions throughout, as appropriate. |  |
|  | Expectations of risk management | Companies should never expect initial risk management plans to be perfect.  Practice, experience, and actual loss results will dictate changes in the plan to allow different decisions to be made in dealing with the risks being faced.  In order for companies to succeed in the twenty-first century, they need to excel in all aspects of their business, which includes risk management, so they can fulfill their own and their customer's goals.  Risk management, much like market strategy, does not always have one pure or text book approach, it must adapt to change and can be subject to failure if not all aspects are researched. | 66 | *Classroom discussion:* Ask students why they think risk management plans change?  You should be looking out for answers such as:  - political change  - market change  - economy |  |
|  | Summary | Conclude presentation with a summary and point students to the online resources and reading that will help with this topic | 67 |  |  |