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INDUSTRIAL COMPANIES ENTRY INTO FOREIGN MARKETS

This paper deals with the specific factors of industrial companies entering foreign markets. Industrial enterprise that enters foreign markets often operates in a different environment from that of a domestic market. Such enterprise has to plan the impact of expansion of its international activities, and that is why it needs to acquire and evaluate a wide range of information connected to its foreign engagement.

Keywords: industrial companies, entering foreign markets.

INTRODUCTION

Participation of industrial companies in the international market is potentially very profitable activity, although companies cannot expect to be successful immediately after they start international trading. They have to adapt to needs and options of the international market so they can become long-term participants. Due to advancing globalization, the companies have less time to adapt to new market situation and besides, many industrial companies are exposed to international competition, and that is why it is in essence necessary to take part in the international trade.

RESULTS AND DISCUSSION

The decision on entry into a foreign market depends on many factors. The analysis of such factors can be carried out according to different criteria. It is in particular the character of a foreign market (terms of entry of foreign subjects into the market, foreign market risks, labour and production costs, convertibility of currency, etc.), options of the company (company size, available resources, strategy and objectives, etc.), and marketing criteria (nature of a product, market potential, competition, market organization, communication possibilities, etc.).

Many experts tried to determine reasons for companies to enter international markets. Key factor seems to be type and quality of the management. All decisions lead to the conclusion that the international behaviour of companies is connected to aspirations of the management and to the level of attention the management wants to pay to international trade efforts. [3]

SPECIFICS OF PURCHASING BEHAVIOUR IN BUSINESS MARKETS

During the realization of purchasing behaviour in business markets, it is necessary to observe these principal specifics that set consumer and industrial purchasing behaviours apart [5]:

- Less customers - industrial purchases are often highly specialized and the trade negotiation is thus limited to much smaller range of subjects.
- Derivation of demand - demand for industrial goods is derived from demand for consumer goods. This, due to the industrial column principle affects all its elements up to extractive and manufacturing industries.
- Larger customers, larger volumes - industrial purchases are often negotiated for longer period of time and the transfer of much higher volumes and values is concerned.
- Meaning of purchase - purchase realized in B2B market is not meant for final consumption but is rather a mean of making a profit, saving or ensuring the production continuity.
- System approach to purchasing - decision is not impulsive or emotive, but rather logical result of the analysis of needs, benefits and accurately defined resources.

- Low price elasticity - volume of industrial purchases is not dependent on price as tightly as it is with consumer purchases, where the reaction to price is fast and significant.
- Supplier evaluation - a large number of industrial subjects has quality control system implemented. The integral part of such system is continuous evaluation of suppliers in longer period; the evaluation is multi-criterional.

STRATEGIC CORPORATE DECISION-MAKING IN INTERNATIONAL MARKETS

Decision-making concerning the development of international activities is part of the key long-term strategic decision of any industrial company. The formulation of the strategy for international development can be divided into four basic phases: [4]

1. The analysis of internal and external environment and strengths and weaknesses of the company
2. Determining of the strategic objectives of the company in international markets
3. Choosing the form of entry into the international market
4. Realization of international activities

Each company that enters a foreign market has to adapt to the conditions that exist in the given market, and it has to stand up to the competition that is in the chosen market for a longer period of time. Very often, in a foreign market, it is possible to encounter the lobbying and different barriers, which make it more difficult for foreign companies to enter the given market. The analysis of competition should result in deciding the right positioning.

Based on analysis, the company can define the objectives of international activities. Usual objectives are realization of planned volume of exports, gaining certain market share in the chosen, increase the share of export in total volume of production, return of investments and so on.

The decision on the form of entry into a foreign market depends on many factors. The analysis of such factors can be carried out according to different criteria. It is in particular the character of a foreign market (terms of entry of foreign subjects into the market, foreign market risks, labour and production costs, convertibility of currency, etc.), options of the company (company size, available resources, strategy and objectives, etc.), and marketing criteria (nature of a product, market potential, competition, market organization, consumer habits, consumer price sensitivity, communication possibilities, etc.).

Companies often combine different forms of entry into foreign markets according to the conditions offered by individual markets. Forms of entry into foreign markets can be divided into three large groups:

- Methods of trade (export and import operations)
- Forms not demanding on capital investments
- Capital form of entry into a foreign market

FOREIGN MARKETS RESEARCH

One of the keys to success is respecting local specifics (socio-cultural and economic conditions, legislative regulations and the like) of the given country. Important role during foreign market research is played by experts with the knowledge of local environment. In some countries, it is more convenient, sometimes even for the price of less quality results and possible leak of some information to local competitors, to let the local firm carry out the market research. Natural distrust towards foreigners can be also a factor. [5]

CZECH INDUSTRIAL COMPANIES IN THE BUSINESS MARKETS

Close industrial markets (such as the EU) are occupied and constantly attacked by competitors from all around the world; however, the Czech companies are not without a chance in these markets. Good accessibility and their knowledge, long-term relations (particularly in the eastern or neighbouring European countries), minimal export barriers and reasonable prices of the Czech products, are very good starting point. If the Czech industrial companies have ambitions to

succeed against Asian competitors, it is necessary to be able to look up industrial applications, which requires to be able to move across individual segments and branches, not just inside the branch, where the company produces. The company then has to test the actual application with a customer, improve it according to his needs and only then can the company start to persuade the customer to change or complement the range of his existing suppliers. All this puts high demand on time, innovation and consequentially on finances. Finding the higher application of products, complement it with application and post-application service, being able to change rooted trade systems and flawlessly work on the level of marketing research, are all the key attributes for reaching success in completely filled industrial European markets. For many of our manufacturing companies, this means completely changing their way of management in almost all areas. This is a substantial problem, for there are still companies, where production approach prevails over the trade-marketing one. Marketing lacks the creativity in searching for new opportunities and applications, innovation policy is "non-system" and inflexible.

Remote industrial markets provide a good chance as Czech production fulfils price and quality demands. Historic relations can be used very well (Russia and CIS, Near East, some destinations in Asia, but also in Africa and Latin America). With these markets, there is only slight chance of using supplier's flexibility resulting from geographical location, and so the Czech companies focus primarily on branches, where industrial products have good name in a long-term, where the quality of production and knowledge and relations from prerevolutionary period can be used (e.g. very promising South Vietnamese market, Russian territories). Big advantage in CIS markets can be knowledge of Russian language, but also close Slavic mentality. [2]

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