REORGANIZING THE FOREIGN MARKETS PORTFOLIO, PART OF THE COMPANY'S COMPETITIVE STRATEGY

Iuliana CIOCHINA
Carmen IORDACHE
Sorin MANOLE
Răzvan DECUSEARĂ
Dorin HOARCA
"Constantin Brâncoveanu" University Piteşti, Romania

Abstract

At the basis of the analysis of potential markets stands the business policy of the firm. Company's managers are the ones who decide which markets it will serve, according to the vision, mission and business philosophy of the company.

Relevant markets of the company are usually found in a number of countries. The evaluation of the most attractive national market will depend on the company's major objectives and also on its priorities. Objectives considered for selection may include: growth and stability, recovery of investment, market share, the acceptable risk level, the way of approaching technology and innovation, brand image, independence and cooperation as general approach of business.

KEYWORDS: *competitive strategies, foreign market selection, firm's market portfolio, internationalization*

Introduction

Economic changes occurring in the world, have led to changes in the structure of different national markets and the attractiveness of these markets. Markets, at a given moment, were not attractive to the firm have turned and now represent real opportunities. On the opposite side are the markets where the company is already present but, because of their economic situation, they do not maintain the attractiveness which they have had it when the company entered. These elements are necessary to reconsider the company's portfolio of markets, in order to maintain its parameters. If in the first group of markets, the firm must decide on the sequence and the strategy of penetration, in the second category, where the company has already made investments, it must choose whether to stay or leave. If it decides to leave that market, it must choose an exit strategy with the lowest costs, both present and future.

Due to limited resources a company cannot serve all potential markets in the world in order for customers to be satisfied and business goals achieved, which is why the firm should select the most appropriate markets. It can focus on a single product market, can serve many geographic areas, but may also decide to serve different product markets in a small group of selected geographic areas. Due to the large number and diversity of markets that can choose, analyzing the market attractiveness and selecting the most interesting ones represent a complex activity.

1. The need for reorganizing the foreign markets portfolio

The vast diversity of the markets requires a careful approach to selection of international markets. Differences in income, culture, politics, involve a market by market approach. The similarities between markets help the standardization of the strategies, costs reduction and provide maximum benefit due to transfer of experience.

Choosing the correct market and correct sequence of entrance as well as portfolio reorganization of foreign markets is an integral part of competitive strategy. The successful companies tend to operate in a balanced portfolio of markets, grouped according to their similarities with a deliberate policy of concentration or diversification of marketing efforts depending of the circumstances and setting precise sequence of market entry to ensure the optimal international competitive advantage.

The globalization of markets determined that the problem of portfolio reorganization to get new features and requirements related to identification and selection of transnational market segments. Virtually all firms that are present or intending to enter international markets support their marketing strategies on identification and choosing the most appropriate market or market segment, and on this basis, they are structuring their offer in accordance with specific conditions of these markets.

The markets selection and the portfolio reorganization are processes that establish the markets that are interesting for the firm. These processes include strategic choice of potential buyers groups and the benefits required in order to satisfy their needs. They imply, however, policy harmonization of the marketing policies with the market structure.

The determinants of foreign markets selection can be grouped into two categories:

- Those related to the company: the degree of internationalization and foreign experience; the size of available resources; market type / nature of the business; internationalization goals; existing networks of relationships.
- Those related to the environment: international market structure, degree of internationalization of the market, the host country (market potential, competition, geographical distance; market similarity).

The firm decision on the alternatives for the reorganization of markets portfolio must take into account the fact that this costs money. The costs involved will depend on the objective, the number of markets to be analyzed, each company's market position, whether or not the firm is already present in that market, without forgetting the need for careful and accurate market research. The firm must consider both the costs that probably will not be recovered, and those that will be covered later entry into the selected target markets. Correct estimate of the costs claimed by choosing target markets, however, is a difficult operation.

Firms must consider the amount spent to reorganize the market portfolio as an investment type that can be recovered if those markets will produce results that generate revenues and profits.

The firm must decide whether to concentrate resources on a limited number of similar or alternatively to diversify in a number of different markets. A firm can focus its efforts by entering markets that are very similar in characteristics and infrastructure with the domestic market. Alternatively, a firm may prefer to diversify its risk by entering countries that differ in the environment and market characteristics. An economic recession in one country may be offset by growth in another market. The power of competition can also vary from one market to another. The profits gained from the relatively protected or less competitive markets can be channeled to markets with fierce competition. The spread of operations over a larger geographical area, and investing in various regions of the world may also diversify risk since markets in different parts of the world are not interdependent (a market trends do not automatically spread to another).

For many firms the problem of reorganizing its markets portfolio must take into account the product power (on the national level) and geographic expansion. At the corporate level, the company manages a portfolio of products and geographic markets. Its main coordinates, that is product strength and geographic coverage (number and size of target markets of the firm) should be managed in a balanced manner. If the firm invests too much in trying to strengthen the product may lose some international opportunities, and if invests too much in geographical expansion, may lose sight of the product, weakening its competitive position.

Focusing on one or other of the two problems depends on the firm's position to competition. To resolve this problem, the firm can use the International Competitive Position Matrix with its two axes, namely the power of product and geographic coverage to fit its competitors in four categories: kings, barons, crusaders and ordinary people. (as shown in Figure 1).

Geographic coverage

Product power		**Mică**	**Mare**
	Mare	Barons	Kings
	Mică	Ordinary people	Crusaders

Figure 1 International Competitive Position Matrix

Kings are firms with the strongest position because of their broad geographical coverage and a strong portfolio of products.

Barons have a strong position in a limited number of countries and, therefore, may extend to other countries or into new product areas.

Crusaders have geographical coverage, but are weak in terms of product strength. They are very vulnerable to competition.

Ordinary people have a weak position in terms of both geographical coverage and product strength. Prior to expand geographically, ordinary people must strengthen the position of the product by removing some of the products to create a high market share or developing niche strategies.

Another approach to managing the portfolio of markets and products is proposed by Frank Bradley (2001, p. 161), which classifies products and markets into three categories, in order to manage the products-markets variety:

1. Core products - high revenue and high material value, are often responsible for 80% of sales or profits, but accounting for only 20% of the firm's products.

2. Products-star - have great potential, having the perspective to achieve the status of core products.

3. Edge products - low cost, small returns, being produced with an uncertain future and being less likely to register growth.

In a similar manner it is possible the classification of the firm's markets:

1. Core markets - markets that are vital for the company.

2. Markets-star - is likely to contribute to higher profits in the future, but currently requires investment.

3. Marginal markets - not likely to be important for the firm, of any view.

Albaum and Strandskov (2002, p. 176) see two major strategic alternatives of market expansion: the strategy of markets concentration and the strategy of markets diversification.

The market concentration strategy envisages channeling the available resources to a small number of markets, allocating significant resources and high marketing efforts for each market in an attempt to gain significant market share. After building a strong position in these markets, the company is moving its efforts into other markets and / or consumer segments.

Instead, the strategy of market diversification is characterized by the allocation of company resources for a large number of markets in an attempt to reduce the risk of resources concentration and to exploit the flexibility of economies.

2. The reorganization of the foreign markets portfolio of a Romanian chemical company

The analysis carried out on the foreign market portfolio of a known company, part of the Romanian chemical industry highlighted the need for reorganizing this foreign market portfolio due to the emergence of other new markets with great potential, especially for polyether polyols. The area indicated for identifying and selecting new markets is the Central and Eastern Europe, an area dominated by many economies in the process of development. Also, they are as near Romania, which will facilitate an easier and faster access of the firm on these markets.

The analysis has revealed a major group of potential markets, consisting of Russia, the Czech Republic and Slovakia, on which the company can invest with confidence. Especially in Russia, the increase of the construction sector and the car production, after 2010, will lead to a very large increase in demand for polyether polyols. This market is not yet covered by the major Western European producers of polyether polyols.

The company is already present on these markets, but through indirect export. Now it is time for the company to move to direct export and to give up intermediaries. It is recommended for the company to open a commercial agency on each market of Russia, Czech Republic and Slovakia, which can help it to find customers more easily and to be permanently connected with the development of these markets.

By reorganizing the foreign market portfolio and increasing exports to the markets of Russian, Czech Republic and Slovakia, without abandoning its existing markets, the company can achieve a balanced markets portfolio. It needs to secure exports, given that its current markets have attracted strong competition from Central and Western Europe.

Conclusions

Reorganizing the firm's portfolio of foreign markets is strictly linked to the firm's competitive strategy. Thus, the firm will always look to concentrate on those markets that allow gaining and maintain its competitive advantages. These competitive advantages allow firm to maintain the gained market position and to have a solid foundation in the competitive battle.

In the reorganization of the market portfolio, each company must take into account the most important criteria that can be used for sizing and structuring it, as well as recommended solutions for achieving a balanced portfolio.

Countries or markets that are much closer in terms of business are those that are politically stable, economically well-developed, culturally homogeneous, providing more opportunities and having the legal and trade barriers reduced. Such markets are usually geographically close, and cultural differences and communication problems arising from social differences, attitudes and language are not impediments to business.

Bibliography

1. Albaum Gerald, Strandskov Jesper, *International Marketing and Export Management*, Prentice Hall, Englewood Cliffs, 2002.
2. Boyd W. Harper, Walker C. Orville, Larreche Jean-Claude, *Marketing Management. A Strategic Approach with a global orientation*, Irwin, 1995.
3. Bradley Frank, *International Marketing Strategy*, Prentice Hall, Englewood Cliffs, 2001.

4. Danciu Victor, *Marketing internaţional. De la tradiţional la global*, Editura Economică, Bucureşti, 2001.
5. Danciu Victor, *Marketing internaţional. Provocări şi tendinţe la începutul mileniului trei*, Editura Economică, Bucureşti, 2005.
6. Danciu Victor, *Marketing strategic competitiv. O abordare internaţională*, Editura Economică, Bucureşti, 2004.
7. Hollensen Svend, *Global Marketing: a decision oriented approach*, Prentice Hall, Englewood Cliffs, 2004.
8. Hutt D. Michael, Speh W. Thomas, *Business Marketing Management (eight edition)*, Thomson, South-Western, 2004.
9. Johansson K. Johny, *Global Marketing: foreign entry, local marketing, and global management*, McGraw-Hill, Boston, 2006.
10. Lee Kiefer, Carter Steve, *Global Marketing Management*, Oxford University Press, New York, 2005.
11. Muhlbacher Hans, Leihs Helmuth, Dahringer Lee, *International Marketing. A Global Perspective*, Thomson Learning, 2006.