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IDENTIFYING INTERNATIONAL OPPORTUNITIES IN THE TELECOMMUNICATION MARKET

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Abstract: Geetha (2011),"Market analysis and foreign market entry strategies" analyzed about marketing opportunities. Opportunities of marketing exist in all countries regardless of the level of economic development. A marketer always awakes to the far more market opportunities that a firm's limited resources can be pursued. Hence, a marketer has to develop a priority system so that available resources will not be spread too thin for the needed impact. Countries or markets must be screened based on certain relevant criteria for comparing opportunities. Such criteria may include potentiality of market, economic growth, political risk, available natural resources, available labor, and trade barriers. A marketer must therefore employ a set of criteria that is relevant to the market opportunities under the consideration of some predefined conditions.
Chang, Fang, and Yen (2005) "China's telecommunication market for international investors: opportunities, challenges, and strategies" addressed the important on the basis of timing as an international opportunity. Beside the technology and policy for foreign investment, this paper said discussed that Ericsson learned many lessons from its first-mover predecessors, including Siemens, and Ericsson did not enter the market until the Chinese government had somewhat relaxed the environmental regulations. Hence a firm has to need smart short-term and long-term plan when they wished to move foreign market.
The comparative study between the home and host country based on marketing is another criteria identify the opportunities of international market opportunities. Lisitsyn, Sutyrin, Trofimenko and Vorobiera (2005) "Russian Telecommunication **C**ompany **M**obile **T**ele System (here after MTS) goes to the **C**ommonwealth of **I**ndependent **S**tates (here after CIS)" addressed that in each CIS country where MTS operates one could observe sustainable mobile market growth of in market of mobile using. There are two general inferences which explained for this growth:
1. An urgent need for modern communication tools
2. Aggressive marketing campaigns from mobile service providers
Kustin (2004) "Marketing mix standardization: A cross cultural study of four countries" addressed that the positive implications which marketing managers and product producers should be considered regarding program standardization of Marketing Mix variables.
Besides that, a firm needs choice the expertise who has worked in two, or more, host markets when they entered foreign market. This point you can see in the paper "Linking international adaptation strategy, immigrant effect, and performance: the case of home-host and cross-market scenario" by Chung (2010).
Keywords: International opportunities, strategies, marketing

1. INTRODUCTION

Hitt (2009, page 217) "The Management of strategy" indicates that all companies or firms at the business level need follow some generic strategies: cost leadership, differentiation and focus. May be they are multi domestic or global or transnational strategy. And to create competitive advantage, each firm must utilize a core competence.

2. INTERNATIONAL STRATEGIES

To create international strategies for telecommunication companies should identify what is most important and which is their role. We will take in consideration some of them as the following:
1. Cost leadership
Cost leadership is a concept, developed by Michael Porter, is used in business strategy. It describes a way to establish the competitive advantage. It means the lowest cost of operation in the industry. The cost leadership is often driven by company's efficiency, size, scale, scope and cumulative experience. The aims of cost leadership strategy is to exploit the scale of production, well defined scope and other economies, producing highly standardized products, using high latest technology. In the last few years, more and more companies choose a strategic mix to achieve market leadership.
Pels (2009) "Airline network competition: Full-service airlines, low-cost airlines and long-haul markets" agrees that cost leadership is one of the significant reasons of success of international strategy.
In their analyses "Differentiation, Niche and Cost Leadership strategies, Sajeesh and Raju (2007) " studied the impact of cost and showed how cost is an important reason to be successful. Some good examples of cost leadership through economies of scale are as follows: Anheuser – Busch in the beer industry, War - Mart in the

retailer industry. Some South Korean firms used scale of economy of scale as a way to achieve cost leadership in the manufacturing of computer memory chips of computer in the early 1990s.

2. DIFFERENTIATION

Differentiation refers to a product or service that is different or somehow unique as perceived by the customer. A firm can achieve differentiation for its product or services in a number of different ways.

Chan and Ponder (1979) "The small package air freight industry in the United Stated-a review of the **F**ederal **E**xpress (FE) experience "addressed the FE followed a differentiation strategy. They used superior service, including guaranteed delivery within next day, tracking of the package's location, and security of the package.

Greenstein and Mazzeo (2006) "The role of differentiation strategy in local telecommunication entry and market evolution: 1999-2002" give strong evidence of a consistent role of differentiation strategy when a firm wants to expand its markets in local telecommunications market.

Greenstein and Mazzeo (2003) "Differentiation strategy and market deregulation: local telecommunication entry in the late 1990s" addressed the strategy of differentiation is a significant reason of a firm to enter into a new market.

3. Value Chain

A value chain is a chain of activities for a firm which is operating in a specific industry. A value system includes the value chains of a firm's supplier, itself of the firm, the firm's distribution channels and the firm's buyers.

Li and Whalley (2002) "Deconstruction of the telecommunications industry: from value chains to value networks" illustrated the value of transformation of the telecommunication value chain into value networks. They also explained the pressure of the telecommunications industry to deconstruct and a firm needs to reconstruct itself to create new value chain in the market.

Peppard and Rylander (2006) "From value chain to value network: insights for mobile operators" showed the relationship between value chain and value network. They also indicated that a firm needs to recreate new value chain.

3. MODES OF ENTRY

Wymbs (2002) "US firms' entry into the European telecommunications market: A question of modality choice" analyzed the factors of driving the modality choices which are used by US firms to enter the European telecommunications marketplace during 1990s. He showed that US firms' entry into the European market through joint ventures, acquisitions, and alliances have changed over to time of each firm's strategy. Also he indicated on the basis of these factors a firm can enter in the foreign market.

1. Market size of Country
2. Governments' actions
3. Industry dynamics
4. Technology
5. Firm's strategy
6. Project's strategy

McCarthy and Puffer (1996) "Strategic Investment Flexibility for Multinational Enterprises success in Russia: Evolving beyond entry modes" surveyed 49 U.S companies about what strategy they adopted when they entered in Russia. They summarized that it was clear that a number of different strategies were being used; it depends on the situation of that time and other factors

Osland, Taylor, and Zou (2001) "Selecting international modes of entry and expansion" identified and compared the most influential factors that affect the firms of US and Japan when they decided to expand their business in international market. The factors are described in below which are affected most of the Japanese managers than the managers of America.

1. Target market factor:
2. Political risk
3. Investment risk
4. Host government local content requirements
5. Qualifications of local partners
6. Company factors:
7. Need to respond to competitors

And in contrast, the factors are described in below which are affected most of the American managers than the managers of Japan:

1. Target market factors:
2. Host government alternatives
3. Host government expectations for local managers

4. Company factor:
5. International experience
6. Need of local knowledge
7. Synergies among global operations
8. Competitive position
9. Need to protect technology

Minifie andWest (1998) "A small business international market selection model" identified the factors, which influences the success of organizations in the international market place. They presented a model which assist small business, which can select a new market. A model included:

1. Step 0: Select country for analysis
2. Step 1: Government stability?
3. Step 2: Government's partnership?
4. Step 3: Cultural accessibility?
5. Step 4: Market analysis and/or place on final list for further consideration
6. More countries to be considered?
7. Stop

Advantages of this model are many. They included easy understanding parameters, the model is versatile as it can be applied to in various industries, i.e. It can help the small business with more easily as well as it can help to enter in foreign markets.

4. RISK IDENTIFICATION

International strategy always carries multiple risks. Hence, international expansion is difficult and very risky to implement and manage. There are some common risks that a firm has to face when they expand their market in overseas.

1.Political Risks

Political risk is a type of risk faced by investors, corporations and governments. It is a risk that can be understood and managed with reasoned foresight and investment. Broadly, political risk refers to the complications of businesses and governments may be faced as a result of what are commonly referred as political decisions. Political risk faced by firms can be defined as "the risk of a strategic, financial, or personnel loss of a firm because of such nonmarket factors is called as macroeconomic and social policies (fiscal, monetary, trade, investment, industrial, income, labor, and developmental), or events related to political instability (terrorism, riots, coups, civil war, and insurrection).

There are both macro- and micro-level political risks. Macro-level political risks have similar impacts across on all foreign actors in a given location. While these are included in country risk analysis, it would be incorrect to equate macro-level political risk with country risk, as country risk only looks at national-level risks and also includes financial and economic risks. Micro-level risks mainly focus on sector, firm, or project specific risk.

Busse and Kefeker (2006) "Political risk, institutions and foreign direct investment" surveyed 83 developing countries covering 1984 to 2003. They showed that government stability, internal and external conflict, corruption and ethnic tensions, law and order, democratic accountability of government, and quality of bureaucracy are highly significant determinants for the cause of foreign investment inflows.

Henisz and Zelner (1999) in the paper "Political Risk and Infrastructure Investment" addressed that investors contemplating entry into an infrastructure industry need to consider not only the current policy regime in a host country but also the likelihood that the policy regime will be stable in the future. Policy stability is typically analyzed by examining macroeconomic indicators or measures of risk based on managerial perceptions. Additionally, investor should also consider the extent to which a change in policy, should one occur, will be inimical or favorable to their interests. The importance of these extensions of typical risk analysis is greatest in sectors characterized by large sunk costs, substantial economies of scale and highly politicized pricing, such as telecommunications and electricity generation.

In figure 2 they demonstrated that the level of Gross Domestic Product (here after GDP) per capita in a country does not by itself separate out those laggard countries that can be expected to catch up in infrastructure penetration from those that do not. Countries with above average per capita GDP levels appear in the figure as circles, while those countries with below average per capita GDP levels appear as squares. For a group of countries with similar existing levels of infrastructure penetration, income were the main factor separating those with rapid infrastructure growth from those with growth, the circles would, on average, be above the squares.

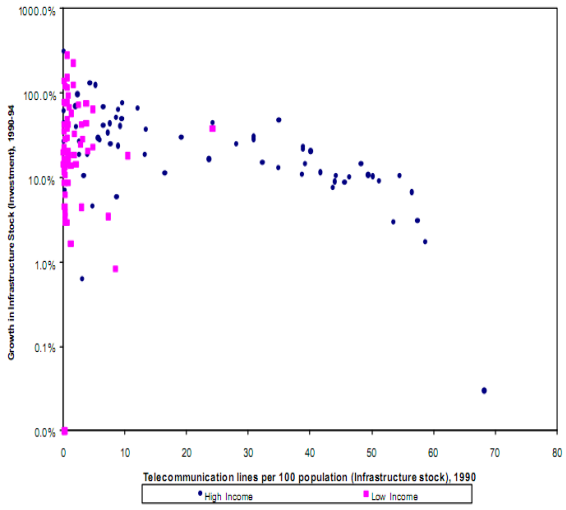

Figure 1. Income Related to Stocks of Telecommunications Infrastructure

In figure 2 they provided a simple illustration of the index in the context of telecommunications infrastructure penetration during the period 1960 – 1994. The horizontal axis of the figure measures a country's initial level of telecommunications infrastructure penetration, measures as main lines per 10,000 inhabitants, and the vertical axis measures the average annual percentage growth rate of infrastructure penetration. Countries signified by triangles have high political constraints index values (in the top third of the sample), while those signified by circles have low political constrains index values (in the bottom third of the sample).

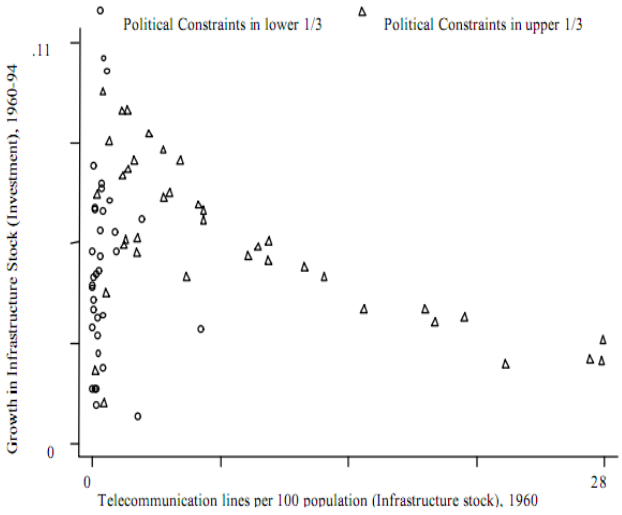

Figure 2. Political Constraints Influence Infrastructure Investment

J. Davidson Frame "Political risk in international technology transfer" addressed that risks can be lowered by undertaking technology sharing agreements only in countries that have a demonstrated interest in maintaining a healthy environment for intellectual property. In higher risk countries, risk may be lowered by working closely with host country agents who are well-acquainted with the most effective ways of conducting business in the country. Besides that he indicated licensing agreements should be put together in such a way as to include a risk premium.

2.Economic risk

Erb, Harvey, and Viskanta (1996) "Political risk, economic risk, and financial risk" addressed the economic risk as a five different level of measurement on the basis of country risk: four measures from the "international country risk guide's political -, financial -, economic -, and composite-risk indexes and one from "institutional investor's country credit ratings. They also indicated the link between fundamental attributes such as book-to-price ratios within each economy and measure the risk on that matter).

Amigun, Petrie and Gorgens (2010) "Economic risk assessment of advanced process technologies for bio ethanol production in South Africa; Monte Carlo analysis showed, using Monte Carlo simulation, which is employed as a tool to determine probability distributions for economic indicators (such as **N**et **P**resent **V**alue (here after NPV) and Return on Investment). They also showed that for NPV > 0, it suggested that the investment will be successful.

On the other hand, business people also can use **I**nternal **R**ate of **R**eturn (here after IRR) to evaluate their investment. If it is higher than the minimum requirement from corporation, and then the project is usually accepted. Additional, when international investors look at an opportunity in a foreign country, the common question will pop up in their minds is "What return can we expect to get out of investment in this country". The answer of this question depends on estimates of the return, expected from the project.

5. STRATEGIC COMPETITIVENESS

Hill (2009, page 232) "The management of strategy" showed that the development of new technology is at the heart of strategic competitiveness. He also mentioned about Porter's model, a national competitiveness depends on part of capacity of its industry to innovate.

In figure 1, Hitt shows the relation between four factors: Production; Condition; Firm strategy, structure and rivalry; Related and Supporting industries. Wecan clearly see that how four factors driving the competitive advantage of nation and how it shows on firm's success in international market.

D'Cruz and Rugman (1994) "France telecom, Alcatel, and the Global Telecommunications Industry" compared the competitive strategies of France Telecom and Alcatel illustrates, two very different kind means of positioning for competitiveness in the global telecommunication industry. France Telecom embraces a more cooperative strategy which depends upon sharing and accessing resources with partner organizations. And Alcatel adheres to the more traditional structure of a multi-divisional, multinational corporation.

Hjelm and Long (2001) "Standards, strategy and wireless network planning" addressed that the new economy has created on a new competitive landscape with much uncertainty. Managing standards development is a very useful tool to limit uncertainty and protect investment when developing new technologies. They also indicated that standards evolution is a continuum. Involvement in the standards process will benefit a company in terms of new technology and industry dynamics as well as strategic tool to protect current investment in network and services. They concluded that new technology and innovations have changed competitive landscapes in way that facilitate small and medium-sized businesses' effects to compete more effectively.

Bourreau and Dogan (2001) in the paper: "Regulation and innovation in the telecommunications industry" addressed the major issues pertaining to the relation between innovation and pricing on the one hand, and innovation and unbundling. Regulation of pricing of both interconnection and retail services also has important impact on innovation. Price cap regulation has been argued to provide the best incentives for innovation among all other schemes. Although it is extensively applied to the pricing of retail services, it is not widely used for interconnection pricing, despite its favorable effects on innovative efforts. Additionally, they asserted that the innovation would lead to lower production costs in the future.

6. CONCLUSION

Gruber (2000) in the paper "Competition and innovation, the diffusion of mobile telecommunications in Central and Eastern Europe" addressed that the diffusion speed is faster in countries that have adopted mobile telecommunications late, implying a pattern of convergence in the diffusion level. The speed of diffusion increases with the number of firms. Diffusion speed increases with the size of the fixed telecommunications network and the length of the waiting list. He showed the relationship between competition and diffusion is particularly emphasized in the economic literature on the diffusion of innovations. The innovation has greatly increased the efficiency of the radio spectrum utilization and therefore widened the market size in terms of potential number of subscribers that can be served by the network. Besides that he also shows the technological innovations in the sector led to exploring new forms of market structure with more scope for competition.

Godoe (1999) in the paper "Innovation regimes, R & D and radical innovations in telecommunications" addressed that innovation regimes have provided a capability of coordination, direction and leadership in the creation of many of the radical technological innovations that have emerged in the sector. So, one may claim that the strong innovation regimes and high Research and Development intensity of the telecom sector, at least until recently, have provided a capability of creating innovations on purpose and for a purpose.

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