

INTERNATIONAL ENTRY STRATEGIES – A TACTICAL APPROACH

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ABSTRACT

When pursuing an international marketing strategy, organizations must balance the benefits of foreign direct investment in a local office against the costs of establishing the office and the risk of the failure to achieve marketing success. Opening a sales office in another country has a number of advantages for a manufacturer. The first major advantage is the additional selling opportunities of a new market with new customers as well as foreign locations of existing customers. Another advantage of being closer to customers in a foreign market is the ability to conduct better market research on the customers and the region through observing customers and their interactions with their business environments. The information is enriched by the ability to talk face-to-face with local OEMs and distributors. This rich information is not possible when conducting research from abroad. In addition to rich information, marketing control of the brand is enhanced by the presence of the manufacturer's marketing management.

The cost of opening is affected by several factors including the location, city size, etc. (Holmes, 2005) as well as industry – clean high technology industries that employ large numbers of employees are considered to be very desirable to local governments. This means the costs of establishing the sales office may be minimized through the inducements offered by the local government as encouragement for the manufacturer's investment in the country. These inducements can take the form of tax holidays, credit for hiring/training people, and other cost saving vehicles (Coulibaly and Camara, 2022; Ślusarczyk, 2018). The other cost saving opportunity provided by a wholly owned sales office is to employ intercompany transfer pricing on product shipments from the parent company (Narayanan and Smith, 2000). Opening a wholly owned sales office can result in lowering worldwide taxes.

For the above cost saving tactics to work properly to mitigate the risk of opening a sales office, it is imperative the process should follow a defined path from a Representative Office to a Sales Office, then ultimately, to a Regional Sales Office. This is for two reasons: the first is where to open a sales office for marketing impact and the second is that local governments may have no incentive to negotiate inducements if they realize the manufacturer is already planning to invest.

Keywords: *Selling, Industrial Sales, B2B Sales, Business to Business Sales, Buying Centers, Channels, Distributors, International Marketing, OEMs, Regional Sales Office, Sales Office*

1. INTRODUCTION

Foreign direct investment in a local sales office has been discussed so often in the literature that it is now in textbooks about international marketing (Caetora, et al, 2016 and 2019). However there is little discussion of what the different types of sales offices are and what they do as well as the timing that should be utilized in opening the various offices for maximum cost relief. This is the contribution to the literature of this article.

Johanson and Vahine (1977) and Johanson and Wiedersheim-Paul (1975) conceptualized internationalization as a gradual, evolutionary process starting with minimal indirect export and then through export via independent intermediaries, which is followed by establishment of a foreign sale office and finally to the establishment of foreign production units. Later Caetora, et al, (2019) confirm that international