

MARKET ENTRY FRAMEWORK

A market entry framework **involves understanding the rationale behind entering a new market (with a new product/existing product) or an existing market with a new product, with the goal of increasing profits.**

Simply put, **a market entry framework** is one which is used to solve 2 main questions:

1. Is it a good idea to enter the market?
2. How should one enter the market?

If it is decided to enter the market, plans of how it should be implemented are drawn up.

Step 1- Assess the market

Determine the size of the market, growth rate and profit margin on sales.

Step 2- Define your goals & objectives

STRATEGIC GOALS

Geographic expansion - national and/or international
Empire building
Competition - to maintain an advantage, create barriers to entry/exit and customer lock-ins.
Is there any previous experience in moving to new markets
Synergy with existing operations
Game theory perspectives - How strong or weak is each player in the market

ECONOMIC GOALS

Increase in revenue and profits
Investment vs capital cost
Brand equity
Economies of scale
Supply chain & distribution synergies
Market share gains
Patent/proprietary technologies
Cost-Benefit analysis
Organisation structure

Source- Consulting Toolkit 2021, 180 DC JMC

Step 3- Understand the client's capabilities & bottlenecks

Ask questions to determine if the client has the resources to enter the market.

- Does the client have technical skills?
- How is the client performing currently?
- Do they have a ready cost structure?
- Necessary sales and distribution channels
- Do they have an understanding of how to compete in the new market (geographically)/any prior experience?
- What are the customer segments?
- Are they aware of the governmental regulations?

Note- Always try to understand the client and the company: What business is the client operating? What is the company's history with launches?

Step 4- Assess the client's resources relative to investment needs and expected ROI

Barriers to Entry

- Intellectual property
- Government regulations
- Political climate

Timing

- Is there any early mover advantage?
- How fast should we work to get the product out in the market to win?

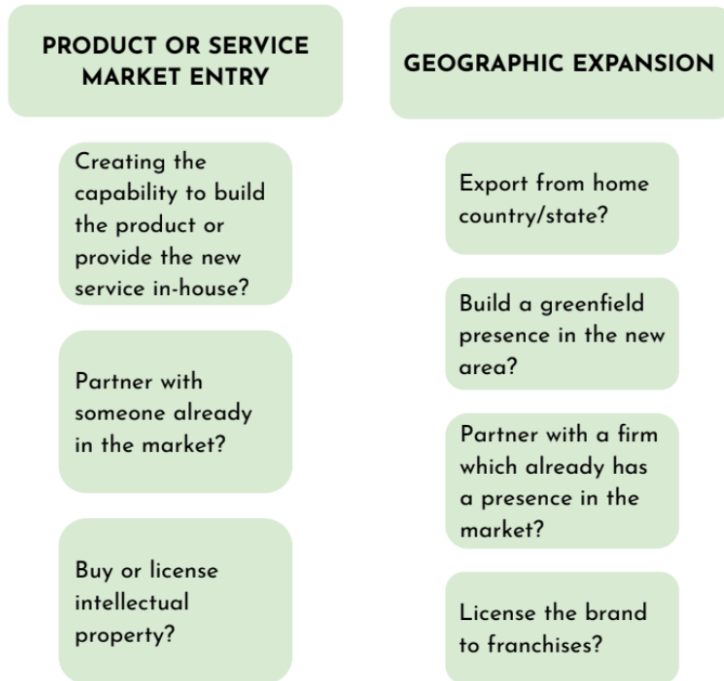
Collaboration

- Should we partner with existing firms?
- What kind of collaboration?
- If we work individually, how long will it take to build capacity in-house?

Source- Consulting Toolkit 2021, 180 DC JMC

Step 5- Finalizing the market entry strategy

After deciding to enter the market, make a plan of HOW to enter the market. Ask the following relevant questions:



Source- Consulting Toolkit 2021, 180 DC JMC

OVERVIEW OF THE FRAMEWORK

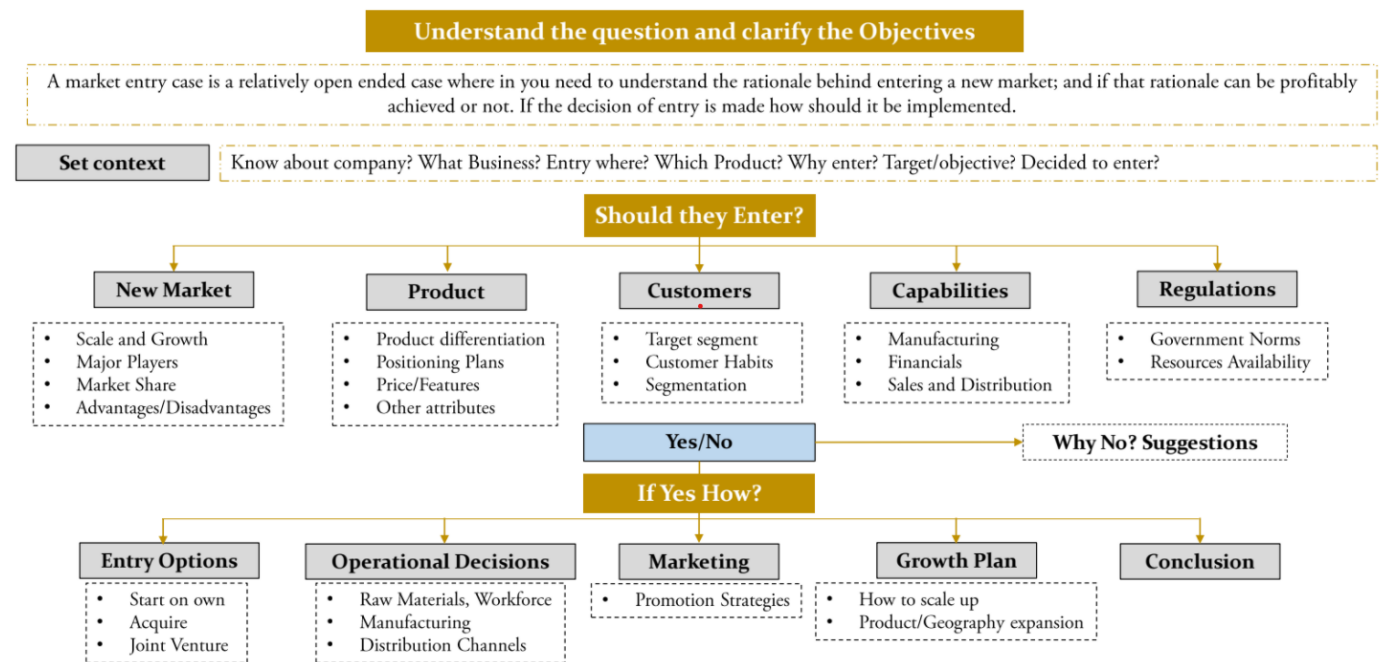
Approach / Framework Overview



Important points:

1. Understand what the company’s objectives and expectations are. Does it make business sense for them/ Does it align with the overall firm strategy. Analyze the feasibility of market entry by considering 4 different buckets. Then recommend whether they should enter or not. If yes, how should they do it?
2. Not every aspect of the framework mentioned will be applicable to all cases. But try to cover as much as you can, so that you get a good idea of the industry and the client's current status. It is very important to identify where the client would stand in the industry compared to the existing competitors and what measures should be taken to mitigate the competitive edge.

Source- Consult Club, IIM Ahmedabad, 2020



Source- The Consulting Club, FMS Delhi, 2020-21

Points to remember:

Strategy	Economics	Risks
<ul style="list-style-type: none"> • Why are they thinking of market entry? <ul style="list-style-type: none"> • Growth • Mature current market • Response to competitors • Resources and Capabilities <ul style="list-style-type: none"> • What does the firm have that makes them think they will be successful? <ul style="list-style-type: none"> • Brand • Patents • Local Expertise • Mode of Entry <ul style="list-style-type: none"> • Self Launch • Acquisition • Joint Venture 	<ul style="list-style-type: none"> • New Market Conditions <ul style="list-style-type: none"> • Market Size • Possible Revenue • Possible Growth • Competition in New Market <ul style="list-style-type: none"> • Market Share • Pricing your product vis-à-vis competitors • Parameters to Consider <ul style="list-style-type: none"> • Investment Required • Client Capacity to invest • Expected Revenue • Expected Profits • Payback Period for investment 	<ul style="list-style-type: none"> • Barrier to Entry <ul style="list-style-type: none"> • Regulatory Barriers • Financial Capabilities • Existing Players and their market share <ul style="list-style-type: none"> • Porter’s Five Forces • Risks <ul style="list-style-type: none"> • Implementation • Political • Currency • Other macroeconomic factors

Source- Consult Club, IIM Calcutta, 2020-21

NEW PRODUCT LAUNCH

This type of framework is a **subset of the market entry framework**. It covers the **introduction of a new product in a market** or **expanding the reach of an existing product in a new market**.



Important points:

1. A company can either introduce a product in a market where it has no presence or can extend the product line in its current market. Launching a product in a market with no presence poses not only operational challenges but viability of product's success in the market also needs to be explored.
2. Extending the product line in the current market may require looking into cannibalization while doing a feasibility check of the product in the market and how the current value chain can be leveraged in making the product available to its customers.

Source- Consult Club, IIM Ahmedabad, 2020

OVERVIEW OF THE FRAMEWORK

Understand the Question and Clarify the Objectives

Provide a blueprint for launching a product in a market, positioning it to achieve competitive advantage. You would typically look at defining the 4Ps after deciding on the target segment. Touching upon all relevant aspects of the problem is much more important than the correct answer. The idea is to identify one/a few issue(s) examining the trade-offs.

Set Context

Objectives, Capabilities, Competition (How many, who all, Market Share, Growth Rate), Customers (Growth Rate, Potential Segments), Products (Existing Products, Substitutes).



Source- The Consulting Club, FMS Delhi, 2020-21