

## Internationalization Strategies for Global Companies: A Case Study of Arla Foods, Denmark

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### Abstract

Entry mode is a highly meaningful choice for all companies that are thinking of expanding their company to emerging least developed and even developed markets. Most of the literature works that has been done concerning internationalization and entry mode focus more on the service companies. This study, however, seeks to find out some of the entry strategies that can be used by food companies. There are numerous reasons why companies consider going into international. There are those who find it appropriate when the domestic industry is too competitive; there are those who take this direction with the aim of expanding their business and many other reasons. The study aims at giving a critical analysis of market entry strategies that can be used by Arla Foods to enter into international market.

The study explores multiple entry modes as well as various entry theories from the previous work. The analysis is done to find out whether the international market, particularly, the least developed countries in Asia are viable for Arla Food Company, Denmark. From the secondary data, the market has a fair share of weaknesses, but it is very viable from the opportunities it has. The entry mode that is found to be the best for Arla to enter into the market is export. Export is considered effective because it has very low risk and does not require substantial funds.

**Keywords:** Globalization; Internationalization; Franchising; Direct export; Greenfield investment; Adaptation; Licensing

### Introduction

Internalization has been of great interest to nearly every company. There is no single and universally accepted definition of internationalization but from an economics point of view, it is defined as the process where business gets more involved in the international markets. In the contemporary world, businesses begin their operations domestically but must draw up a long-term plan on how the business will be going international. Internationalization phenomenon has significantly changed the landscape for most business resulting to a very dynamic market situation with severe competition for the companies. The reason behind going for international market varies from one company to another. However, most firms pursue internationalization because domestic market has become inadequate because of the economies of scale and multiple opportunities that are available in the foreign markets [1]. Most successful executives will always want to try another market after any successful one.

Internationalization has been one of the strategies being used by most executives to reduce the cost of operations [2]. Businesses with overhead costs can have the excess cost cut down in countries that have relatively deflated currencies as well as low cost of living. Most business in the United States finds it relatively cheaper operating in countries that have free trade arrangement with U.S. One way in which internationalization help companies reduce the cost of doing is business is through reduced labor costs. Companies that are interested in going international usually look for those markets that have a low cost of leaving as that makes it cheaper hiring employees in such countries. There are those companies that consider going international when in the financial crisis. Executives of companies that are experiencing a financial crisis in the domestic market will formulate the budget and go for the foreign markets. Institutions are commonly defined as humanly made constraints the give economic, social interactions and political shape. The institution can also be looked at as a wide range of structures that widely affect contract enforcement, protection of investors, economic outcome, property rights, and even political system.

Institutions play a very crucial role in the market economy. The

main aim of institutions is to ensure that there is effective functioning of the market mechanism. This sees to it that those firms that take part in the market can carry out their transactions without suffering undue loss or being exposed to risk. Some of the reason behind the popularity of internationalization among current companies include opening up of trade borders by most countries across the world, elimination of trade barriers among many others. Companies are no longer secure staying in the domestic market and therefore most companies tend to go for internationalization to be able to spread their risks. Internationalization has become much easier due to the communication and technological advancement. Communication and technological advancement are vital in ensuring that foreign businesses are properly and timely operated without experiencing problems. Internationalization is achieved through very different ways [2]. There are those companies that take part through exporting their products to foreign countries and continue to strengthen their home market. Some adopt a highly aggressive approach which includes acquiring firms, coming up with alliances, embrace joint venture or just establish their subsidiary. All these entry strategies differ in regards to the risk associated with each, control, level of resource commitment and return on investment that internationalization promises.

There are many entry modes that companies can use to join foreign markets but all these modes can be categorized in two broad modes. The first mode is the non-equity mode, which comprises of export and contractual agreements. The second mode is referred to equity mode of entry, which is known to include wholly owned subsidies and joint

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Received August 19, 2016; Accepted September 22, 2016; Published September 29, 2016

Citation: Azuayi R (2016) Internationalization Strategies for Global Companies: A Case Study of Arla Foods, Denmark. J Account Mark 5: 191. doi:10.4172/2168-9601.1000191

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ventures. From all the available market entry, the one that offers the lowest risk level and the lowest market control is the export and import [3]. The one with the highest risk level but highest market control is considered to be expected return on investment. The expected return on investment is majorly connected with a direct investment such as acquisition as well as Greenfield investments. Export and importing is the most common strategy that most firms use to pursue internationalization. Export is known as the process of selling services and goods to countries other than the domestic one [1]. The company can directly be involved in the export or use an agent.

The other strategy that is equally popular is licensing. International licensing firms are known to give out licensee patent rights, copyrights, trademark rights, or even know-how on processes and products. Licensee does a production of licensor's products, marketing it within the assigned territory and payment of licensor's fee together with sales-related royalties in return [4]. This strategy is mostly welcome by foreign public authorities as it is the way through which technology is leaked into the country.

Another strategy which is more like licensing is franchising. The only difference between licensing and franchising is the fact that franchising is more directly involved in development as well as control of the activities that take place in the market [5]. The strategy is defined as the system where semi-independent business owners, commonly known as franchisees, pay a small fee and royalties to their parent company, referred to as (franchiser). This is done because of the right offered of being identified with the trademark. With the trademark, a firm is allowed to sell products and services besides being able to use the business format and system. This mode of entry offers numerous rights and resources. It has both advantages and disadvantages that companies intended to pursue internationalization need to analyze first. There is the other strategy that companies use to enter foreign markets and that is joint ventures. Unlike licensing strategy, the foreign joint venture has equity position as well as management of the business in the international firm [4]. What takes place in the joint venture is the formation of a partnership between home country and the host company, which always results in the development of the third firm. In most cases international firm gets much better control over operations as well as access to the local market knowledge, which is not possible with companies that have gone for licensing strategy. Strategic alliance mode of entry is more of cooperative agreements that are done by different firms [5]. Most of the companies that consider strategic alliance as the best mode of entry are companies that deal in Technology innovation. The primary objective of the strategic alliance is to exchange technology.

Finally, there is the direct investment. This is an arrangement that involves 100 percent ownership. This can be achieved through the direct acquisition of the host market. It can also be realized through owning facilities, and this is known as Greenfield investment. This research provides extensive analysis of internationalization, entry strategies, factors affecting the choice of strategy and Arla Food's entry strategy to Nepal.

### Research objective

The study is guided by four primary objectives, which include:

- Critically analyze the internationalization strategies.
- Collect and analyze data on dairy market internationally
- Critically, discuss and identify the most appropriate entry strategy for Arla Food.

- Recommend the optimal strategy to Arla Foods in the international market.

### Literature Review

From economic perspective, Internationalization has widely been defined as a process that used to increase involvement of business activities in an internationalization. In the contemporary world, there is increased level of pursuit of business related activities across national borders. The company and international environment are conglomerates that depict particular situations and conditions. This is an extraordinary diversity that is clearly reflected by internationalization. Internationalization has been promoted by the existence of comparative advantages among countries across the world. Internationalization involves designing product such a way that it conforms to the needs of international users. Regardless of the size of an enterprise, business development across the world is more of a condition of existence for business strategy and companies and has to respond to the globalization demands. There is increased freedom of action which is a characteristic of evolution of contemporary society. Through the increased freedoms of trade actions across borders, businesses get a wide field of functional integration overseas.

Internationalization has been embraced by firms of different sizes across the world it has been facilitated by multiple factors some of which include removal of trade barriers among trading countries. There are equally multiple advantages that accrue from internationalization of a business one of which includes accessing less saturated markets. Just like many firms find more appropriate to go international, Arla Foods, which is a dairy firm, has equally considered internationalization a beneficial strategy. Arla Foods has been successful in many countries and is even more inspired to access more international markets.

### Emerging markets

According to Daszkiewicz and Wach, emerging markets is known to be those markets that provide the most promising environment for doing business in future for highly competitive companies in the world. Emerging markets are majorly in countries with lower economic development that is expressible in gross domestic product per capita. It is found in countries that are undergoing transitional economy where democratic society is being promoted and the government attempts to create an environment that promotes trade for both external and internal investors. For nearly more than two decades, emerging markets have generated a more successful investment opportunities across the world. Economies such as Asia, Eastern Europe, and Latin America started growing at a much faster pace to the extent that it surpassed most developed countries. In the contemporary world, emerging markets provides a more different investment scheme as they have become great players in the world's economy. Emerging markets unlike Western countries, are highly resourced, have young work force, and very strong balance sheets. Emerging markets currently represents 86 percent of the population in the world, about 75 percent of the land mass and resources, and forms the worlds GDP of 50 percent. Emerging markets are known to be of different sizes and forms. Most of these emerging markets will eventually ascend to developed market status like Korea and Taiwan. Economies such as Nepal are one of those economies that have the greatest potential of being very resourceful for internationalization. The country had constitutional reformation in 2015, which is a positive thing towards making a country viable for trade, and there are efforts the government is taking to make the market promising for trade. Nepal therefore remains to be one of the emerging markets and that explains why Arla Food finds it the best market for its

internationalization strategy despite the most recent earth quark that led to massive destruction.

### Least developed country

Least developed countries are those countries with the lowest indicators of socio economic development as well as Human Development Index in the world. Classification of least developed country based on poverty level with General National income of US \$1035. Countries with very weak human resource as regard to nutrition, education, health and level of literacy. Finally a country falls under least developed when it is economically vulnerable such instability in exports of goods and services. Nepal is one of the countries that are regarded to be least developed and it provides one of the most interesting case study. The country is geographically located in a land locked area with an extended open border with India which is a large neighbour. Nepal has made remarkable beginning when it comes to implementation of market oriented reform as well as promoting FDI. However, it still has serious steps to enjoy from the integration of the global economy through the promotion of FDI. This makes the country the most attractive market for Arla Food products despite the disadvantage of the country's geography in attracting FDI. There is much focus on the best ways to enhance trade in least developed countries. High costs and complexity of doing business in least developed countries is currently the focus of the world to enhance capacity of countries such as Nepal. This make Nepal market be of interest to companies such as Arla Food as it will be doing well soon.

### Reasons for entering international markets

Internationalization is more of an expansion of business from its home market into foreign markets. The decision to internationalize is one of the strategic decisions that have a fundamental effect on any firm and all its internal and external operations. It equally affects the management of the company. In the current world, the rate at which companies operate outside their domestic market has significantly increased. Even though internationalization has become a very popular thing amongst many companies around the world, it is highly important for every company to consider their motives for going international [6]. There are multiple reasons why companies consider going international. The most common reason for going international is the need for pursuing potential abroad and the desire to diversify risk. Most companies consider expanding their product line in the foreign market when launching a new product. Companies like Coca-Cola had only to introduce bottled water after going to nearly every country in the world. In most cases domestic competition grows so fierce to the extent that companies consider foreign markets so attracting. It explains why Ford which was second after General Motors in United States market became internationalized much faster compared to General Motors. Most of the Chinese firms are considering internationalization due to intense competition in china's market. The other good reason for going to a foreign market is to avoid the risk that comes with operating in a single market [7]. Most firms go international with an aim of diversifying risk. With an alternative market in a foreign land can be greatly of help in offsetting negative results various uncertainties such as economic downturns or political intolerance. Starbuck's is a good example of companies that enjoyed the advantages of going international during U.S. recession, which significantly devastated sales within the home market [6]. Foreign market covered company loses through the overwhelming performance overseas.

Many other companies consider going international to achieve a different growth rate. Different markets have different growth rate

and most companies in slow-growth countries will always consider internationalization with an aim of going to countries with faster growth rate. Companies operating in the food industry have varied growth rate from one market to another. The variations come when some countries experience maturity in say food production. Such companies will; look for countries whose markets are still at the advancing stage. Besides major reasons that attribute to profitability, companies equally consider going international not to gain financially but to gain knowledge [6]. There are so many firms that have entered the international market to find out what need to be changed from the existing product to make it acceptable globally. Government incentives also promote internationalization. There are those companies that consider going overseas not for growth, not because of competition in the domestic market but because the government gives them incentives to export some of the local products. Through government incentives, most companies have managed to access markets that they would have not accessed [6]. So many countries such as the United States provide its companies with a wealth of help to start the business of exporting products to foreign countries.

It can be seen the companies have varied reasons for pursuing internationalization. Therefore, every company that decides to go overseas have a specific objective that it place to accomplish. This, therefore, means that most businesses would always adopt different modes of entry in specific markets [7]. Since there are numerous reasons for going international, there can never be a right or wrong mode of entry. All the many modes of entry are either right or wrong depending on the reason why the company is going international. There are multiple and different theories that surround entry methods to international markets.

### Theories and model of international market entry

Earlier studies of international business were majorly focused on economic theories that were done in the early 1930s. Internalization theories were however introduced in the around 1960s and 1970s. So many theories have been developed to help in the understanding of internationalization.

**Eclectic paradigm:** The first theory in this study is the eclectic paradigm. The eclectic paradigm was proposed by Dunning, and it is more of a synthesis of most of the theories on international production. It describes the extent, form and pattern of international production and is centered on the connection of the ownership-specific advantages of organizations that are thinking of producing products in foreign markets [8]. The theory is based on internalizing cross-border markets for products as well as the attractions of a foreign market for the production [9].

This theory focuses more on analyzing reason behind the decision of the firm about its location, ownership, and internationalization advantages [10]. Advantages that come from ownership are unique to a specific firm that gives it the capabilities of exploiting opportunities in the foreign land. Internationalization advantages are considered to be the gains that come from the domestic markets that allow the firm to remain advantageous in external market and all the costs that come by joining the new market. Finally, advantages accrue from the location are more accurate to a country from where the firm originates.

According to the eclectic paradigm, a business that considers pursuing internationalization are competitive and have ownership advantages as regard to their competitors both in the domestic market and the international market. Such competitive and ownership advantages can be exploited by locating the firm in countries that

possess location advantages. There is an argument that international network easily controlled by international business because of the international advantages [8]. The international advantages originate from the firm's ability to appropriate full return on what it owns as well as from the coordination of complementary assets usage. It is a transactional failure that results in internationalization advantages. The eclectic paradigm theory is developed from very valuable points, which makes it a very important theory in the study of internationalization.

Eclectic paradigm focuses more on the advantages that accrue from the geographical location of the country targeted by the company pursuing internationalization [11]. Looking at Nepal, it can be seen that the country does not enjoy location advantage as that is the greatest undoing for the country. The country is located in a land locked area which makes it very difficult to have a direct way to the country by external investors. It therefore means that eclectic paradigm theory will not be most appropriate for determining market entry for Arla Food in Nepal.

**Institutional based view:** Institutions are commonly defined as humanly made constraints the give economic, social interactions and political shape. The institution can also be looked like a wide range of structures that widely affect contract enforcement, protection of investors, economic outcome, property rights, and even political system [7]. Three major categories of institutions include cognitive, regulative, and normative. A legal or regulative aspect of institutions usually assumes the form of regulations and laws. These are meant to offer guidance on all actions and perspectives of the business organizations through threats of sanctions. Normative which is also known as a social aspect of the institution will always take the form of rules of thrum, specific operating procedures, educational standards, and occupational standards [9]. This institution aspect coordinates actions and perspectives of the firm or an organization through professionalization or social obligation. Cognitive, which is also known as the cultural aspects, is comprised of signs, gestures, symbols, and even gesture.

Institutions play a very crucial role in the market economy. The main aim of institutions is to ensure that there is effective functioning of the market mechanism. This sees to it that those firms that take part in the market can carry out their transactions without suffering undue loss or being exposed to risk. Institutions include legal framework and process of enforcement, regulatory regimes, property rights, and information systems. These institutions will only remain valuable when they allow for voluntary exchange reinforcement market mechanism that is highly effective [7]. Institutions will, on the contrary, referred to as "weak" when they undermine smooth exchange in the market. In well-developed economies, the role of institutions is mostly invisible. On the contrary, the absence of these institutions in developing markets will be very noticeable. Institutional differences are more important for small and medium size entrepreneurs that operate in numerous institutional contexts. According to the formal rules, the establishment of a range of entry choices is permissible. According to Andersen, Ahmad, and Chan [12], this decision on entry choices can be affected by informal rules. It, therefore, means that equity stake that investors in the foreign land are supposed to hold can be limited by legal restrictions. There are informal norms that may promote norms such as taking of bribery from the foreign investor which will give locally owned firms an advantage [13]. Since there is so much cost involved in all process, investors must come up with a strategy that will enable them to overcome the limitations.

Nepal has significantly improved as regard to development of policies that promote trade both domestically and even from external investors. The newly enacted constitution is considered the first step

towards the promotion of trade [14]. Institutional view is crucial for the current study as it defines crucial institutions that can directly affect Arla Food's operation in its intended market, Nepal. Institutions such as government are likely to determine how successful the business will be based on the rules and regulations it makes. This view remains very instrumental to the present study and determination of the entry method can be best achieved through the proper understanding of institutional theory in internationalization.

**Uppsala model theory:** Uppsala Model theory is an internationalization theory that is based on Swedish study manufacturing firms that pursue foreign markets [15]. The assertion by Uppsala is that internationalization is more of a slow incremental process. It is the situation where being without the market knowledge and uncertainty is transformed into an experiential learning process. This leads to a notable gradual increase in various activities as regard to direct investment and foreign sales. The theory is derived from behavioral theory [8]. The strength of Uppsala is principled on the knowledge on how best business can be conducted in the foreign market. Without that knowledge the company intending to go international will not be able to realize the dream. Most of the firms that use Uppsala theory are mostly successful in entering a new market through psychic and geographic distance. There is a tremendous role being played by cultural differences and socio-cultural factors when a company is entering a foreign market. While in overseas, the way of life, government, as well as organizations will not be the same as that in the domestic market of the entering firm [16]. The knowledge needed for the success of internationalization include general or objective knowledge. This knowledge is usually taught either in class or during seminars. There is also the experiment knowledge that is commonly learnt through personal experience, and it is mostly tough to transfer ones acquired. Internationalization requires much more of experimental knowledge as it is not possible to acquire it like general knowledge.

It is therefore important that Arla Food have full understanding of socioeconomic factors of Nepal market before initiating the process of entering. The success of the company in Nepal focuses more on how much the social, economic and political environment is understood and how best the company can adapt to fit the needs of the foreign market. Uppsala Model theory therefore remains one of the most crucial theories for the present study.

**Transactional cost theory:** This theory refers to the cost usually incurred when creating economic trading in an international market. It involves all costs that are incurred from the beginning of a given transaction until to its logical conclusion [14]. It can be referred to as the summation of all expenses incurred when establishing a new market in a foreign market. Transaction cost theory includes both implicit and explicit costs. Those who are affected by this cost are a customer as well as the service or product provider, which is the entering firm.

Dunning [9] further explains that international market entry strategy decision is a very sensible issue. Since the cost of transaction plays an important role, they need to be analyzed. Transaction cost analysis is a crucial tool to explain verbal integration decisions that relate to how organizations assess whether or not they want to establish a manufacturing subsidiary in an international market [9]. The industrial network approach states that every organization has a relationship with its customers, distributors and suppliers like a network [17]. There are four variables that influence the interaction process. These are elements and processes of interaction, attributes of the parties (customers, suppliers) that are involved, the atmosphere surrounding the interaction and the environment in which the interaction takes place [13].

When deciding on which entry strategy to use, Arla Food need to properly understand costs of each and every strategy with an aim of identifying the one that is economical and efficient in accomplishing the greater goal of the company. In the analysis, both implicit and explicit costs need to be understood because they are directly related to the success or failure of the company.

**Business strategy theory:** The business strategy method is established on the philosophies of pragmatism. The Business strategy theory states that organizations make tradeoffs between some variables in their decision to internationalize and the methods they adopt to do so [7]. Reid further argues that international expansion is contingency based and takes place by making a choice between competing expansion strategies that are directed by the nature of the market opportunity, organizational resources, and managerial philosophy. According to Turnbull and Ellwood [13], the factors that need to be evaluated while using the business strategy approach are market attractiveness, psychic distance, accessibility, and informal barriers [2]. The selection of the organizational structure to serve the market is dependent on market characteristics and company specific factors like international trading history of the company, company size, export orientation and commitment.

Business strategy theory is important for the present study as it helps in the understanding crucial variables that need to be traded off when making important decision as regard to internationalization. Through the theory, the attractiveness of Arla Food, its accessibility, and possible informal barriers can be identified prior to the implementation of the internationalization plan (Figure 1) [18].

### Types of entry mode strategies

**Market entry strategy:** According to Kotapati [19], from the many reasons business enter into international firms, there are also so many strategies that companies use for entry depending on their reasons for entry. No single market entry strategy will be effective for all internationalization markets. Some of the reasons companies go for different strategies include tariff rates, adaptation level of the product, transportation and marketing costs and so many others. Some of the strategies that firms are expected to choose from include:

**Direct exporting:** Export as an entry strategy is divided into two as direct and indirect approaches. Direct exporting is entry strategy that allows the firm to sell its products directly into the market of interest. Direct export unlike indirect exporting, the organization makes a direct commitment to the international market [14]. Through direct commitment, the company is capable of having control of its brand and all its operations in the foreign market more than it would be with indirect exporting. Piggybacking is one of the direct exporting where new products of the entering firm use the already existing distribution and logistics of a different business. The other one is the consortia which are the coming together of small or medium-sized enterprises with an aim of marketing their related or even unrelated goods in the international market. Arla Food can choose to enter Nepal by simply selling its dairy product to Nepalese market [20]. The company can as well go employ indirect export strategy where it chooses an urgent in Nepal through which it distributes its product to the new market.

**Licensing:** Licensing is entry strategy that gives an overseas company the right to use its product or service within a given time. Most of the properties that are normally licensed include copyright, designs, formulae, patents, trademarks, and brand names [21]. In most cases, licensing is used in the manufacturing sector where firms are offered the right to use process technology, and royalty payment is given in return. Financing international expansion can be best done through the use of licensing strategy. It reduces risks and chances of the product appearing on the black market. It is important for the company to analyze properly analyze this strategy as it has the potentials of restricting future activities of the company and reveal much other information that may give an advantage to future competitors. Licensing strategy is not of much importance to Arla Food's plan of getting to Nepal Market as it majors more on the formulae, patent, trademarks and such like which is not an area Arla majors so much. The company is also not so much of a manufacturing sector like other manufacturing firms that dearly need the licensing strategy.

**Franchising:** Franchising as a market entry is where a single company supplies other firms with intangible property. This entry mode is mostly used in the service sectors such as car rental, hotels, and restaurant chains. Franchising is known to work well for companies

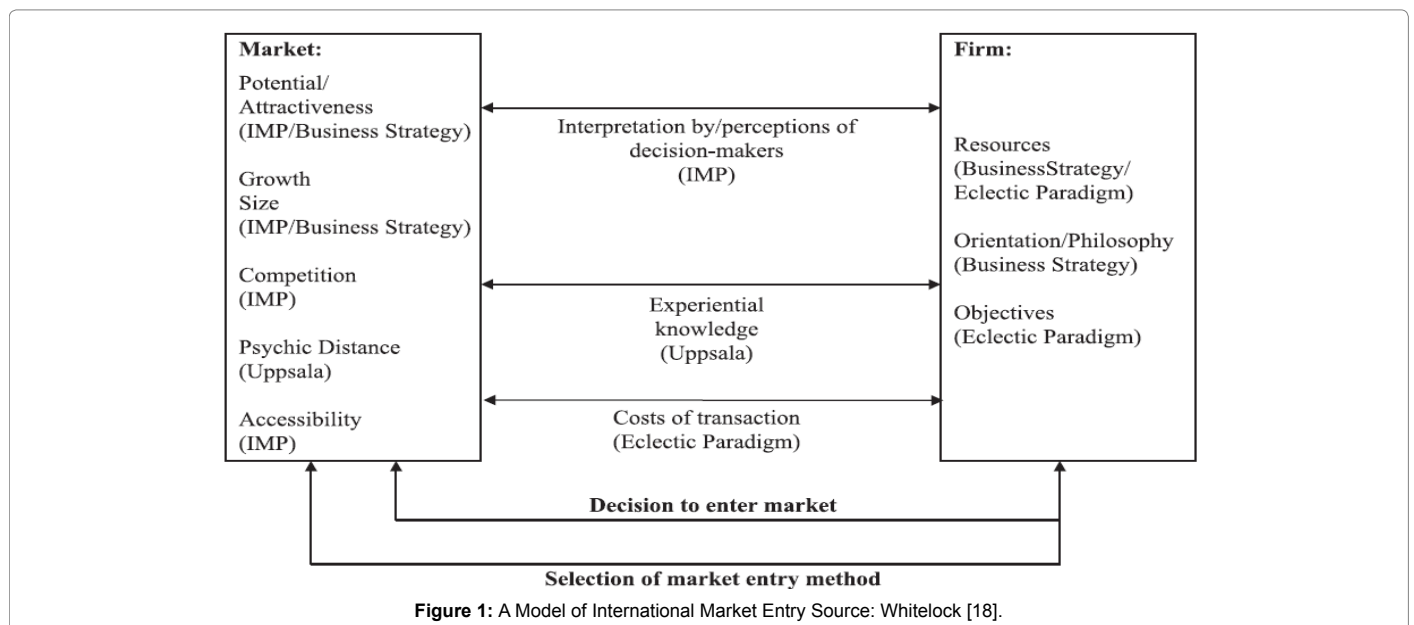


Figure 1: A Model of International Market Entry Source: Whitlock [18].

with a repeatable business model like food outlets, which are easily transferable to other markets. The caveats needed to use franchise model has strong and unique brand recognition that is capable of being utilized internationally [9]. There the need for being cautious when going for franchising entry strategy is necessary because it can lead to the creation of future competition in the field of the franchisee.

Arla Food which is interested in going to the new firm can consider going for franchising strategy as it deals more on repeatable business model. The company can allow investor in the new market to do promote the sales of the company product in their own premises but by maintaining the company set policies and goals of Arla Food.

**Research strategy:** According to Saunders et al., [22], the research strategy is the way researcher wants to carry out the research work. Some of the different approaches that are found under research strategy include action research, interviews, systematic literature review and case study. Out of the many approaches discussed under research strategy, the present research picks on the case study. A case study is defined as an empirical inquiry investigating the phenomenon that falls within real life [23]. The present research is an exploratory research, which does not need a survey or even archival research strategy. The present study focuses on a contemporary issue, which is the current internationalization and entry method of Arla Food Company. The present study needs a clear understanding of how interaction occurs between the phenomenon and the context, which is very crucial in the study. This makes experiment strategy unsuitable as it disconnects the context and phenomenon. There are two different cases of case study one being a single case study and the multiple case studies design [22]. The widely used type of case study is single case research, which has low generalizability and does not have enough statistical data as it is only a single case. There is a higher chance for biases in a single case research as the researcher equally has an interactive role when it is expected that researcher remains very passive throughout the process. This, therefore, means that multiple case studies are more advantageous due to the availability of numerous cases to analyze. In the present study, the type of case chosen is a single case in as much as it has a number of disadvantages.

The choice of single case study for the present research is justified by the fact that its aim is not meant to support or even contest any theory. Instead, it is meant to illustrate the application of a model that is more conceptual in business' real life situation. The case study has five important sequential processes that begun from a selection of the researchable area and coming up with research objectives and research questions (Saunders et al., 2009). The next beat is the collection of data, sorting and analysis of the collected data and the last beat is to present research findings for the case study.

### Data collection

A collection of data can be done using two different sources. There is the primary and the secondary sources of data [23]. Primary data is a firsthand source, which can be historical first hand or data sort from respondents through survey or interview data. Secondary data, on the other hand, is a data driven from work or opinion from the past research works. The present study uses evidence that comes from secondary sources. Some of the data are available in the public domain like information on Arla Food Company, which operates in the international market.

There are also numerous studies that had been done on the various market entry strategies in the international market which is the focus of the present study. This information is available from the

official company websites, company reports, journals, articles, books and international magazines [22]. There are numerous issues that come with the use of secondary data. One of the major drawbacks of secondary data is the fact that availability of secondary data is highly limited which makes it nearly impossible to answer questions needed in entirety [11]. There is also the problem of authenticity of the secondary data being used in the study. In as much as there are weaknesses in using secondary data, it remains the best for the present study as it getting employees from Arla Food that was ready to disclose information needed by this study is not easy. The business is always not very ready to disclose important information other than those that are available to the public hence the only option remaining is the use of publishing information [24]. The advantageous part of using secondary data is that it limits cases of bias as those that collect secondary data do that for the same reason as that of the present study. The data collection method seen as the most appropriate for this study is highly economical both in time and costs [25,26].

### Data analysis

There are numerous ways through which data can be analyzed depending on the type of the research being conducted. Out of the many methods, the one that will be used in the present study to help in analyzing secondary data is known as content analysis. Content analysis is a method that is used in giving contextual data meaning [22]. The analysis will involve identification of patterns and theme from the data. There will be the use of research questions and the available literature in scrutinizing secondary texts into themes and coming up with a logical recombination to give meaning.

### Research Reliability and Validity

The fact that the data used in the present study is secondary data only makes the reliability of the study low. It is not possible to rely entirely on the secondary data. Even with the low reliability, thorough and objective evaluation of the secondary information gives an assurance for increased reliability level [24]. On the other hand, the internal validity of the secondary sources used is doubtful. Internal validity is significantly low because the secondary data used in the study is not compared with primary data [22]. External validity is not of great importance to the present study because the methodology used is a single based case study.

### Ethical Consideration

The research study focuses so much on ensuring that every process in the study especially in the data collection remains highly ethical. The study seeks to conform to the already set research standards. Issues such as informed consent, data confidentiality, deception data protection Act will not be of great concern as regard to ethical issues as there is no use of secondary data in the present study [22]. The major ethical concern in the study since it involves heavy usage of the secondary data is plagiarism, which is the use of others work without acknowledging them. The present is properly referenced, and unoriginal sections are properly referred to avoid any cases of plagiarism. The present study has not practiced the art of copy and pasting or even careless paraphrasing of the work done by other people.

### Limitation of the Study

The major limitation of the study is the use of secondary sources only, which has the potential of reducing the objectivity and cogency of the study.

## Analysis and Discussion

### SWOT analysis of Arla Food

Arla Foods has its strength which keeps it going, weaknesses that need to be adjusted now that it is entering an entirely new market, opportunities that ought to be grabbed and threats that have to be dealt with for they can pull the company down. The SWOT analysis is, therefore, essential in knowing the current stand of the company in light of the stated components of the analysis. The analysis gets to reveal the internal and external factors that are in the enterprise.

#### Strengths

One of the strengths of the company is that it enjoys reliable supply of the dairy products. Thus, the countries that the company serves do not complain of shortages. Due to this reliability of supply, a lot of trusts is built in the countries are supplied to by the company. The continued supply means more sales and high profits. When this company makes its way into Nepal, the reliability in supplying the dairy products will be in the forefront. Additionally, the products produced by Arla Foods Company are among the strongest brands in Europe. The commodities supplied by the company to northern and southern Europe are believed to be the best due to the Company's strong name and eventually strong brand. This aspect of the company being a strong brand in Europe makes it possible for the company to sell big in Europe and are easily able to internationalize their consumer base. The innovation capabilities are also strength of the company. This innovativeness makes it possible for the company to make the necessary adjustments on the products that they supply to the consumers as well as the coming up with more dairy products that eventually sell big in the market (Reardon, Coe, & Miller 2015). The aspect of innovativeness is a key in helping the company adjust to the changes that are always experienced in the markets, especially when it is a competitive market. Therefore, the company is in a position to be internationalized and enter the said country. Due to this innovative capability of Arla, these are an ease of the company to enter the Nepalese dairy market due to the variety of the products that are produced by this innovative capability. The presence of the company in the Latin America is another strength that expands the company's consumer base and helps the company in maximizing sales. Maximization of sales means high amount of income that can alternatively be used in expanding the company and making it known and gaining entry into different country including Nepal. These strengths, therefore, makes the company be in a position to access the dairy markets in Nepal. The Nepalese dairy market gets to benefit from the varieties of the brands that the company produces out of innovation.

Additionally, the strengths make the company stable. This stability is essential for the company's entry into the international market.

#### Weaknesses

Amid the strengths, the company has a few weaknesses which need to be adjusted to ensure for the internationalization and to make the company suitable to gain access to the Nepalese dairy market. One of the weaknesses facing the company is the lack of Knowledge on the Market most of the international market. This translates to poor sales experienced in the area as well as a weak consumer base. This is, therefore, a weakness that should be thought through to help the company gain access to such markets. When this happens, the internalization of Arla markets will, therefore, be at a stake.

Additionally, there exists lack of brand recognition in certain countries. Some countries do not recognize Arla Foods brands. This

lack of recognition of the brands makes it difficult for the company to access the markets in such countries and this, therefore, means that the competing companies gain a strong base and limits the access of Arla foods in such countries. Another weakness is that the company charges higher cost in some countries than the competing companies. This, therefore, favours the competitors. The company limits the amount of its products sold in these markets due to the high costs charged. This weakness is seen as a hindrance to the entry of the company into the international markets. Chile happens to be one of such countries

#### Opportunities

The opportunities that the companies have will make it be in a position to find a way into the international markets, Nepal inclusive. The company has many opportunities that get to propel it. There is a rising preference for healthy foods within the globe. The company is known to be good at supplying the healthy foods. The increase of this preference makes the company gain access to different markets to supply the healthy foods. The company can, therefore, gain entry into the Nepalese dairy market due to this demand for the healthy commodities. Additionally, there is a growing dairy consumption in different countries. This opportunity makes it possible for the company to gain the access to the markets in such countries. The company will, therefore, get to sell the commodities in the countries, and the brands will be known. It is therefore an eye opener for internationalization for the Arla Foods market. The aging population within the globe dictates for functional foods. The company is among the companies that supply the functional foods that are essential for the aging population. The company is in a position to gain access to different countries to supply foods for the aging population.

Apparently, Nepal is one of such countries with the aging population that dictates for the functional foods. Through this, the Nepalese dairy market becomes attractive to the Arla Foods. Similarly, there are relatively large middle-class groups which get to buy the products. The middle class will provide market for the commodities produced by the company in the international market.

#### Threats

The company is as well faced with different threats that might prevent it from gaining proper access to the global markets and entry into the Nepalese market. The company is faced with the threat of strong competitors with extensive market knowledge. The enterprises competing Arla Foods have a strong market knowledge that they use to compete Arla Foods. In Chile, for example, the competing firms have much knowledge about the market as opposed to the knowledge that the Arla Foods have. Similarly, another threat that faces the company is that the competitor's value proposition is close to that of the Arla Foods. This makes competition difficult thereby making it difficult for the company to gain full access to the international markets. Additionally, the price sensitive markets are another threat that faces the company. These markets make the company sell at relatively lower prices thereby making it difficult for the company to make profits. The company should, therefore, find a way of dealing with the risks to make it easily access the external markets and limit these threats.

#### General market entry mode

Different companies use different strategies to gain entry into the international markets. These strategies can equally be adopted by the Arla Foods to get access to the Nepalese dairy markets. Exporting is one of such strategies [21]. Exporting involves the transportation of commodities produced in one country into another for the sake of sale.

Although the marketing strategy, in this case, is limited, the products exported to these countries get to market. Arla Foods Company can also use this method to gain entry into the international market as well as gaining entry into the Nepalese Dairy market. The company can export the commodities to the external markets and through this; they are entitled to expanding their market. Licensing is another market entry mode which is used by different firms to enter into different markets. In this case, the companies transfer the right to use a service or a product to another company. This idea makes it possible for internationalization. Arla Foods Company can, therefore, gain access to the international markets through buying a large number of market shares in the market that they want to enter into. This can also apply to the Nepalese dairy farm.

The company can buy shares in Nepalese dairy company, and this will therefore enable the company to gain entry into the dairy market. Franchising is another method that the firms have used to get access to the international markets. The method is typical of North America. Franchising is essential in the expansion of the market. It is mainly operational where individuals deal in unique products. For this strategy to operate efficiently, the company involved has to have a high brand recognition which is utilized internationally [21]. Apparently, Arla Foods stands a better chance to exploit this opportunity and enter into the international markets. As stated in the strengths, the firm has a strong brand recognition, and it deals in food products. Franchising is, therefore, easier in this way. Franchising makes it possible for the company to gain access to the international markets. Joint ventures is another aspect that makes it possible for companies to enter into the global markets. It involves the creation of a third company which is independently managed. Two companies can agree to work together to create the third company [20]. Arla Foods Company can, therefore, adopt this strategy to enable it to get into the international market.

The joint venture may work best with the Nepalese dairy market to create a third company since they trade in related commodities. Partnering is another aspect that can be employed by different firms to gain access to the international market. Arla Foods Company can as well adopt this strategy when entering international market base. The company can partner with another company to facilitate their entry into the global market.

## Conclusion and Recommendation

From the analysis and recommendation section, in-depth analysis of the state of dairy market has been done. SWOT analysis which is a tool used to check for the strength, weaknesses, opportunity and strength have been effectively used to provide useful data that informs objective conclusion. With up to more than 500 000 households involved in milk market, the market shows that there is significantly large farm that needs to be served by a dairy firm.

In the SWOT analysis, Nepal dairy market looks very promising for any interested investor as it gains its strength from human resources that offer considerably cheaper labor in the processing of dairy products. The dairy is, however, facing challenges of political instability that has been experienced in the country for a while. The country seems not to invest so much in research and development and as such is not able to remain innovative. This makes it even a better destiny for Arla Food which has been in various international markets and has large finances that can be used in conducting search necessary research. There is increased interest in organic foods such as dairy products Nepal which is one of the best opportunities the industry has. The fact that the government of Nepal issue subsidies to firms that are interested in the dairy farming

as well as selling dairy products is a positive sign that such a business is encouraged in Nepal. The greatest threat is natural calamities such as the recent earthquake that lead to massive destruction as well as the hostile environment is some of the major threats facing Nepalese dairy market. From the analysis of both internal and external factors affecting dairy farming in Nepal, it is clear that this market remains highly attractive for Arla Foods and the plan should be put in place to take advantage of the many opportunities.

Analysis of Arla Market shows that it has a wealth of experience in international markets and such is capable of navigating various challenges that come by internationalization. SWOT analysis has offered numerous strengths, weaknesses, opportunities and threats but one thing that comes out is the potentials of the organizations to enter Nepal and exploit the emerging market with already accumulated experience. Successful attempts that Arla has made into other international markets have been made majorly through the use of eclectic paradigm which is one of the many entry strategies that has been discussed in greater depth. Eclectic paradigm has remained a successful strategy for Arla Food in various instances as it focuses on the experience of the owners, internationalization, and possible advantages regarding location. There is, however, a need to change strategy from one country to another depending on some factors.

This study recommends that the company employee the use of direct import as an optimal entry strategy. This is because the strategy is cost effective. Besides being cost effective direct export is less risk. Nepal experiences political instability that can significantly affect the operation of the firm should be other entry strategies like Greenfield is used.

While considering using direct export, the study recommends that the company focuses on building its brand internationally to give it an easy time for the product to be readily embraced in the new market.

Another recommendation is on the threats posed concerning earthquake that significantly hurt the economy of Nepal by bringing down their infrastructure and massive destruction of properties besides the loss of lives.

The company must be careful when considering entry to Nepal as the country is geographically not accessible. Nepal is a landlocked country that is difficult accessing especially when exporting dairy products to the market.

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