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Conlan, Eileen; McGowan, Karina; Johnston, James B.; Moran, Danielle; Ridout, Scott

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## **Post pandemic international market selection in practice: A United Kingdom (UK) SME case study approach**

**Abstract** The aim of the study is to address challenges for UK SMEs, post pandemic, adopting an international marketing expansion growth strategy, examining the management and implementation of the market selection process.

**Design/Methodology/Approach** - This study adopts a deductive approach, starting with a theoretical framework that conveys an approach to market selection for international growth. Then via two case studies of UK SMEs, and an action research method the framework is applied in a practical context.

**Findings** – The combination of both academic and industry ability intends to further develop the original framework in action recording any adaptations needed. Currently the research has highlighted the area of product fit as being applied in more detail.

**Originality** – The newly adapted frameworks will add to theoretical literature relating international market selection implementation and management. The academic perspective and industry perspective approaches to research will also add to action research method literature.

**Track: Word count (excluding tables and references): 2234**

### **1. Introduction**

The UK business operating environment and associated current practices has been challenged through major marketplace changes including BREXIT and the Covid Pandemic. As businesses move forward in 2022 there is a renewed focus on growth, in particular international expansion. Via two mKTP (Management Knowledge Transfer Projects), government funded by Innovate UK, the UWS (University of the West of Scotland) has the opportunity to support two UK SMEs through the international expansion selection process. The SMEs are from vastly different industries but are applying the same theoretical concept and systematic approach to international market selection. One case study is from the dry cleaning and fashion rental industry whilst the other is from the financial reconciliation industry. This research project seeks to identify the relevance of current international market selection methods in practice and identify if these are transferrable across industry or if each industry is unique in nature and will adopt varied selection criteria. As such the case selection criteria must compare two SMEs that are embarking on international expansion but are from diverse industries. Due to the need to observe the companies

approach and monitor the implementation and outcomes the method of action research via mKTP associates fits well.

The dry cleaning and fashion rental company has been in business since 1997, operates throughout the UK and has the majority market share in Scotland. The company is well known in the fashion rental industry and engages with many high-profile fashion brands. The company looks to expand in Europe. Whilst the financial reconciliation software company is a new high-tech start-up company that offers reconciliation solutions for vending machines, parking machines and ATMs. The start-up looks to expand in the domestic UK market and Asian markets.

Through application of the theoretical international market selection model presented by Keegan and Schlegelmilch (2001) indicated in diagram 2. The research records the adaptations to the framework that both companies made when selecting markets. This was obtained through an action research approach where researchers collaborate with a client to identify a problem and develop and implement the solution (Bryman & Bell, 2015). Two mKTPs associates were employed and embedded within the companies to manage the marketing selection and implementation activities.

### **Summary and concluding propositions**

In summary the research makes the following propositions and aims to prove or disprove these. In the scenario P2 where adaptations are found these will be mapped into examples of an adapted framework.

**P1** Post pandemic Keegan's International Selection Model provides SMEs a good foundational approach to international marketing selection.

**P2** Post pandemic Keegan's International Selection Model can be adapted to suit the specific needs of the UK SME.

## **2. Literature Review**

### **International business and marketing**

International business is viewed as an organisations activities across national borders encompassing both investment and trade (Cavusgil, Knight, Riensnberger (2014). There are several drivers to international business including globalisation of markets, international trade, international investment, international business risks, participants (firms, intermediaries, facilitators, governments etc.) and foreign market entry strategies, with an "increasing pressure on international businesses and governments to work together" (Ruël and Visser, 2014, p.303).

The globalisation of markets is viewed as, "ongoing economic integration and growing interdependency of countries worldwide" (Cavusgil et al, 2014, p.5). Businesses adopting a global approach to strategy do so from the perspective that the world is the marketplace and that around the globe they will find pockets of their target groups, the entire world is open for business. Whilst

internationalisation is more “systematic” in nature and involves strategy that selects the most attractive country to do business in (Cavusgil et al, 2014; Czinkota, Ronkainen and Zvobgo, 2011). This, in turn, impacts business strategy and the ability of organisations to find opportunities in global marketplaces. Strategically businesses can adopt either a globalisation or internationalisation approach. Decision making is influenced by the extent an organisation has in achieving a competitive advantage via, “integrating and leveraging operations on a worldwide scale” (Keegan and Green, 2008, p. 7). On the other hand, resources, capabilities, and market context can direct the organisation towards a systematic internationalisation approach. These decisions influence the approach to marketing either from a global or international perspective and further require detailed market research. International marketing includes the activities that, “create, communicate, deliver and exchange offerings” that transcend across national boundaries (Czinkota et al, 2013, p.5). Part of international marketing activity is the market selection process; finding the most attractive markets for success.

There are many named benefits to international trade a few include access to new markets, better consumer prices, diffusion of technology and exploitation of economies of scale (Gov.uk, 2018). The UK government encourages international trade and is actively seeking new trade deals that specifically support SMEs e.g., US-UK Future of Atlantic trade in Aberdeen, Scotland (Gov.uk, 2022). An important part of UK government strategy is to encourage SMEs to embark on successful international growth therefore it is important that SMEs understand the criteria which they can assess potential success by.

### **International marketing and selection process**

When adopting an international marketing approach the marketer does not view current products and services ‘as is’ but looks to identify what adjustments need to be made to align with the future market and target customer needs (Keegan and Schlegelmilch, 2001; Hollensen, 2020). Decision making relating to the selection process considers a variety of influences including the product fit, potential market size, the company's capabilities and resources, the competitive environment, shipping costs, barriers to trade and any additional costs (Keegan et al, 2001; Keegan et al, 2008; Czinkota et al, 2013). Keegan et al (2008) suggests that there are four groups of selection criteria including market related characteristics, cost related aspects, regulatory conditions, tariffs and trade barriers the importance of which can vary across industries. However, it is further argued the approach to an internationalisation strategy is also a result of the market opportunities, the company resources and managerial philosophy (Reid, 1983; Welford and Prescott, 1994). Other considerations include culture differences and the associated psychic distance (Hollensen, 2020; Hofstede, 2001).

### **Traditional selection model**

Aligning the company resources with the most appropriate marketplace opportunity in order to create value and successful international expansion is challenging. One method for selecting the most appropriate market is presented by Keegan et al, (2001) in diagram 2. Keegan et al's (2001) model applies a scoring method to assess the current marketplace situation in line with the

company context, this is a systematic approach to finding the most attractive markets for entry. Initially the marketer will set specific criteria that will help eliminate countries early in the process, as the list gets narrower more detailed market research, relating to the remaining countries, will be carried out. The model considers market potential, tariffs, non-tariff barriers, product fit, competitive intensity and shipping costs, providing each with a weighting / score of importance. However, this research seeks to understand if Keegan’s model is still relevant post pandemic and if the selection criteria named is relevant to all industries.

This research reviews the application of Keegan’s model in practice and seeks to understand any adaptations made when SMEs apply this approach.

| Selection criteria | 1 Market potential |     | 2 Tariffs |     | 3 Non-tariff barriers |     | 4 Product fit |     | 5 Competitive intensity |     | 6 Shipping costs |     | Summated score | Rank |
|--------------------|--------------------|-----|-----------|-----|-----------------------|-----|---------------|-----|-------------------------|-----|------------------|-----|----------------|------|
|                    | Weights            |     | W = 5     |     | W = 17                |     | W = 25        |     | W = 22                  |     | W = 16           |     |                |      |
| Countries          | E                  | W×E | E         | W×E | E                     | W×E | E             | W×E | E                       | W×E | E                | W×E | Max 400 P.     |      |
| Denmark            | 2                  | 30  | 2         | 10  | 1.5                   | 25  | 3.5           | 87  | 0.5                     | 11  | 3.5              | 56  | 219            | 4    |
| Sweden             | 3.5                | 52  | 4         | 20  | 3.5                   | 59  | 25            | 62  | 2                       | 44  | 3                | 48  | 285            | 2    |
| Norway             | 2                  | 30  | 3         | 15  | 2                     | 34  | 3.5           | 87  | 1                       | 22  | 2.5              | 40  | 228            | 3    |
| Finland            | 4                  | 60  | 4         | 20  | 3.5                   | 59  | 3             | 75  | 4                       | 88  | 1.5              | 29  | 326            | 1    |
| Portugal           | 0                  | 0   | 3         | 15  | 1                     | 17  | 0.5           | 12  | 2                       | 44  | 2                | 32  | 120            | 5    |
| Germany            |                    |     |           |     |                       |     |               |     |                         |     |                  |     |                |      |
| Austria            |                    |     |           |     |                       |     |               |     |                         |     |                  |     |                |      |
| Spain              |                    |     |           |     |                       |     |               |     |                         |     |                  |     |                |      |
| ⋮                  |                    |     |           |     |                       |     |               |     |                         |     |                  |     |                |      |
| ⋮                  |                    |     |           |     |                       |     |               |     |                         |     |                  |     |                |      |

W = Weights of selection criteria  
E = Estimates (0 = very bad conditions; 1 = bad conditions; 2 = acceptable conditions; 3 = favourable conditions; 4 = very favourable conditions)  
W×E = weighted estimate

Diagram 2 International Selection Model (Keegan et al, 2001, p. 267)

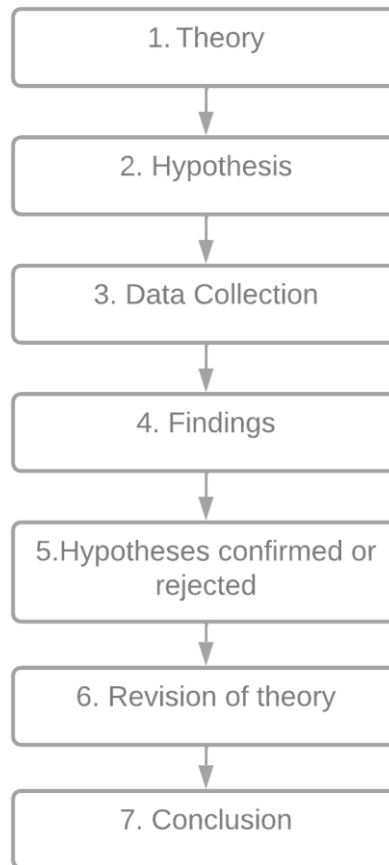
### 3. Methods

The research design follows a deductive method (diagram 3) acknowledging that the study is based on theory and hypothesis which then drive the empirical research and associated data gathering via action research (Bryman & Bell, 2015; Merton, 1967). The research phases follow a cycle of planning, acting, observing and reflecting. As Eden and Huxham (1996) acknowledge action research involves the input of both the company and the academics to realise a solution to an identified problem. Argyris, Putnam and Smith (1985) further state that action research, whilst being an iterative process, can lead to the development of theory. Hence the overall deductive approach to the project. Whilst there are cycles of research embedded in the research, with both company and academics involved, the project starts with a theoretical concept and ends with theory development, confirmed via quantitative measurements.

The first stage of the research was a critical examination of the literature relating to international market selection and further understanding of the Keegan et al’s (2001) international market selection model. Through action research the model was evaluated and, through qualitative interview techniques with senior management, strategic consultants and mKTP associates embedded in the businesses, market selection

frameworks were developed, the frameworks were then applied to the problem. It is expected that the evaluation of success research findings will be used to develop the frameworks.

This is a developmental paper; therefore, the studies next research phase aims to develop a quantitative questionnaire issued to like industries that will aim to confirm the significance of the selection criteria across the industry, there will be a revision of theory resulting in theory development.



**Diagram 3 Deductive Approach**

#### **4. Theoretical contribution and early findings**

The research proposes to critically examine the application of Keegan et al's (2001) International Selection Model in an applied context. The research examines practical approaches to International Market Selection via two UK SMEs (post pandemic) that are adopting a growth strategy. The contribution to knowledge will be to record the practicalities and challenges of applying theoretical knowledge in the context of UK SMEs and recording the adapted Keegan et al's (2001) framework to reflect 'actual' practice for both the Dry Cleaning and Rental Clothing Industry and Financial Reconciliation software industry.

Phase 1 of the research involved qualitative workshops with the strategy team at senior level for both companies. These concluded that for the purpose of international growth, unique considerations were found that were wider than the criteria presented in Keegan’s (2001) model. The themes from the qualitative research were identified and categorised into meaningful measurements. Both companies had different selection criteria considerations, showing that what was important for one company did not necessarily transfer to other SMEs seeking international growth. The selection criteria considered as important for each company is indicated in Table 1.

| <b>Selection Criteria Identified from phase 1</b>           |  |
|---|--|
| <b>Company 1: Dry Cleaning and Rental Clothing Industry</b> | <b>Company 2: Financial Reconciliation software industry</b> |
| Product fit   | Market potential   |
| Cultural barriers   | Tariffs / Non-Tariff barriers                                |
| Shipping costs  | Covid-19 barriers  |
| Ease of travel  | Product fit  |
| Funding / incentives  | Competitive intensity  |
| Employer costs  | Political and legal barriers                                 |
| Cost of land  | Cost of securing contracts                                   |
|   | Cultural barriers  |

**Table 1 International Market Selection Criteria per company**

Company two, applied all the original criteria and included covid-19 barriers, political and legal barriers, market costs of securing contracts and cultural barriers. Whilst company one only kept product fit and shipping costs adapting the selection criteria to include cultural barriers, ease of travel, funding / incentives, employer costs and cost of land. Both companies included the new criteria of cultural dimensions. In addition to this the research has found that the element of Product Fit is further refined in practice.

Weighting metrics were then assigned as can be seen in diagram 4 and 5.

| Selection Criteria | 1           |      | 2           |      | 3              |      | 4              |     | 5                    |      | 6              |      | 7            |     | Sumated score | Rank |
|--------------------|-------------|------|-------------|------|----------------|------|----------------|-----|----------------------|------|----------------|------|--------------|-----|---------------|------|
|                    | Product fit |      | Culture fit |      | Shipping costs |      | Ease of travel |     | Funding / incentives |      | Employer costs |      | Cost of land |     |               |      |
| Countries          | W = 12.5    |      | W = 5       |      | W = 15         |      | W = 20         |     | W = 12.5             |      | W = 25         |      | W = 10       |     | Max = 400     |      |
| Weights            | E           | WxE  | E           | WxE  | E              | WxE  | E              | WxE | E                    | WxE  | E              | WxE  | E            | WxE |               |      |
| Netherlands        | 2.5         | 31.3 | 4           | 20   | 2.5            | 37.5 | 4              | 80  | 3                    | 37.5 | 1              | 25   | 3            | 30  | 261.25        | 3    |
| Germany            | 4           | 50   | 3.5         | 17.5 | 3              | 45   | 3.5            | 70  | 3                    | 37.5 | 2.5            | 62.5 | 2            | 20  | 302.5         | 2    |
| France             | 2           | 25   | 2           | 10   | 2.5            | 37.5 | 3              | 60  | 2.5                  | 31.3 | 2.5            | 62.5 | 3            | 30  | 256.25        | 4    |
| Poland             | 1           | 12.5 | 2           | 10   | 4              | 60   | 3              | 60  | 3.5                  | 43.8 | 4              | 100  | 4            | 40  | 326.25        | 1    |

**Diagram 4 Dry cleaning and rental clothing framework in action**

| COUNTRY      | 1. Market Potential |       | 2. Tariffs |       | 3. Covid-19 Barriers |       | 4. Product Fit |       | 5. Cultural Barriers |       | 6. Competitive Intensity |       | 7. Political and Legal Barriers |       | 8. Cost of Securing Contracts |       | Total Score | Rank |
|--------------|---------------------|-------|------------|-------|----------------------|-------|----------------|-------|----------------------|-------|--------------------------|-------|---------------------------------|-------|-------------------------------|-------|-------------|------|
|              | WEIGHTING           |       | WEIGHTING  |       | WEIGHTING            |       | WEIGHTING      |       | WEIGHTING            |       | WEIGHTING                |       | WEIGHTING                       |       | WEIGHTING                     |       |             |      |
|              | E                   | W x E | E          | W x E | E                    | W x E | E              | W x E | E                    | W x E | E                        | W x E | E                               | W x E | E                             | W x E |             |      |
|              | Max = 400           |       |            |       |                      |       |                |       |                      |       |                          |       |                                 |       |                               |       |             |      |
| Bahrain      | 4                   | 80    | 2          | 15    | 3                    | 30    | 2              | 25    | 3                    | 45    | 3                        | 22.5  | 3                               | 45    | 2                             | 25    | 272.5       | 2    |
| Kuwait       | 2                   | 40    | 3          | 22.5  | 3                    | 30    | 2              | 25    | 3                    | 45    | 4                        | 30    | 3                               | 45    | 2                             | 25    | 262.5       | 3    |
| Oman         | 3                   | 60    | 4          | 30    | 3                    | 30    | 4              | 50    | 2                    | 30    | 4                        | 30    | 2                               | 30    | 2                             | 25    | 285         | 1    |
| Saudi Arabia | 3                   | 60    | 1          | 7.5   | 3                    | 30    | 2              | 25    | 1                    | 15    | 3                        | 22.5  | 2                               | 30    | 2                             | 25    | 215         | 5    |
| UAE          | 2                   | 40    | 2          | 15    | 3                    | 30    | 2              | 25    | 2                    | 30    | 3                        | 22.5  | 4                               | 60    | 3                             | 37.5  | 260         | 4    |

**Diagram 5 Financial reconciliation and software framework in action**

The next phase of research will evaluate the approaches success and update the frameworks; this will be followed by quantitative research targeted at like industries to identify if the industry specific selection criteria is agreeable across the industry or company orientated.

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