

STRATEGIES FOR PLANNED GROWTH TO INTERNATIONAL MARKETS An application to the SME APPISTEAR

Estrategias para el crecimiento planificado de los mercados internacionales
Una aplicación para la PyME APPISTEAR

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ABSTRACT

This research aims to find the most appropriate strategy to bring the Mexican SME Appistear to an international market, focused on Latin America, so our investigation turns depending on the research question, what is the optimal internationalization strategy for the Appistear SMEs? Using a qualitative method, based on the revised theories, the best strategy for the specific case of Appistear is obtained.

Key words: Internationalization of smes, smes in Mexico, technological applications.

RESUMEN

El presente trabajo de investigación tiene el objetivo de encontrar la estrategia más adecuada para llevar la PyME mexicana de Appistear a un mercado internacional, principalmente enfocado a Latinoamérica, por lo que nuestra investigación se torna en función de la pregunta de investigación ¿Cuál es la estrategia de internacionalización óptima para la PyME de Appistear?, utilizando un método cualitativo basado en las teorías revisadas, se obtiene la mejor estrategia para el caso específico de Appistear.

Palabras clave: Internacionalización de pyme, pyme's en México, aplicaciones tecnológicas.

INTRODUCTION

Small and medium enterprises (SMEs) are companies of a reduced size and have different classifications depending on the country that determines; for Mexico as designated by the Ministry of the Interior (SEGOB, 2009) in a decree published on June 6, 2009 in the Official Gazette, the SME's are classified as follows:

- a) Micro companies: those that have no more than 10 employees and annual sales of less than 4 million pesos.
- b) Small businesses: trading between 11 and 30 workers and services between 11 and 50 and annual sales of less than 100 million pesos.
- c) Medium enterprises: trade between 31 and 100 workers and services between 51 and 100 workers with annual sales of less than 250 million pesos.

Its extension is a very important representation for the Mexican economy, which is recorded on this instrument. Another important point to discuss is the globalization that now is a change that facilitates and streamlines communication and integration at a global level (IMF, 1997). In business matters, sometimes globalization seems to favor only large and transnational corporations. This is not based on any facts as they are cultural, strategic issues and knowledge of resources factors limiting firms to reach international markets.

In reality, being an SME has certain characteristics that benefits it and gives it many opportunities to grow and venture into a foreign market. Even one of the strategies used by large companies to obtain higher productivity is precisely to be divided into SME's. Certainly the situation to achieve lead SME's to such market is not the same all over the world, and it is observed a greater lack of support for internationalization in Latin American economies as mentioned by Wilska & Tourunen (2001), presenting this said situation in Mexico.

So in this research are discussed possible strategies to achieve carry on a concept of SME a mobile application to other markets, mainly to the rest of Latin America. It should consider all theories propounded by the great authors and their application to the small Mexican firm.

The SME for this analysis is the company's Appistear, a concept of downloadable mobile application for free on any smartphone operating system, and offers a home service and marketing of wines, spirits and snacks. It is mainly aimed at a youth market and a night market. It arises from the need of coexistence of family and friends against the risks of making their purchase in presently form. Appistear Company has a varied menu of wines and spirits, as well as a wide range in beer and snacks.

BACKGROUND

Today the Mexican business sector is basically made up of micro, small and medium enterprises; these represent the majority of the Mexican economy as the SME (2015) Institute in a study conducted. According to the INEGI there are 4 million 734 business units representing about 99% of the Mexican economy, proving to be the real basis of the economy in the country.

Although, as mentioned earlier about the difficulty of internationalization in Latin America, Mexico has managed to enter the list of the ten trading nations worldwide and the first in Latin America, with a share of 45% in exports and 50% in total imports from Latin America. So it is clear that a percentage of approximately half of businesses in Mexico, which is now known that are mostly SME's, are those that gain entry to foreign markets for exports. Logically, the Mexican balance of payments still leans more towards imports than exports, giving a negative result, however, increased SME's exporters is a current trend to be analyzed to boost SME's missing.

The SME in this case is a concept born thanks to Lic. Carlos Galvez, who discovers some needs in the market of the city of Guadalajara in February 2014 by a home service that allows the Tapatío market to have access to products and wine liquors at any time. Based on this, its mission is as follows:

"Making fun and alcohol consumption in Mexico are achieved responsibly and safely, and especially sharing with our friends using the technology as a point of convergence."

As mentioned in its mission, the company also combines the technology factor creating a brand specialized software. However, it must have internet, and be within the distribution area delineated by the same company, in order to access the service and fulfill its orders.

Although it has a very interesting competitive advantage over the schedule, there is a loophole that does not regulate the cellars, warehouses or distribution of alcoholic beverages only for businesses that sell to the public. And being Appistear a company that has only service through the sales application it issues permits regulated in sales, alcohol permits, operating licenses or civil protection, etc. Thanks to this same emptiness, Appistear can cater to customers who request it at any time.

It is also necessary to mention its current major disadvantage. Appistear does not have sufficient infrastructure within warehouses, personnel and inventory to meet the demand of the entire metropolitan area of Guadalajara (MSG), and limits the making exclusive service in a certain geographical area (Northwest of town). So, if the customer is outside this area or in another city, Appistear software recognizes and prevents him/her from ordering. It currently has two stores one northwest and one in the southwest of the

MAG, covering the western part of the city serving primarily Zapopan and Guadalajara.

PROBLEM DELIMITATION

It is known that SME's represent the mainstay of the operation of the country's economic system within the economy and the workplace. However, not all SME's have business opportunities. Peng and Lee (2004) speak of five main business opportunities that can be detected to give impetus to the signature: the first is the creation of a new product, creating a new method of production of a new market, discovery or creation of a new factor of production and the creation of a new organization or industry.

Because of this the company Appistear is based on indicating as international entrepreneurship initiative (McDougall and Oviatt, 2000), a discovery of a new market in Latin America is achieved, as well as creating a new industry on the technology sector and the combined with the distribution and home delivery of alcohol. So that leads us to the following research question:

What are the optimal strategies of internationalization to bring the concept of the company SME in Appistear to international markets, mainly in Latin America?

It should be analyzed the different strategies proposed by theorists regarding internationalization processes and the internationalization of SME's, and considerations based on other theories, industry, institutions and resources.

JUSTIFICATION

In accordance with what has been revised hitherto and herein in this study and the economic characteristics found in Mexico, it is needed to push fervently international activities with the aim of changing the balance of payments to a positive balance and support the market against a huge demand investment and foreign companies are entering the country at an accelerated rate, even with existing cultural problems.

It is known from the data collected in the previous sections that SME's in Mexico are the foundation of the economy not only with the percentage of companies that are currently SME's, but with what they generate. Pro-Mexico (2014) mentions in its article, according to data from INEGI that SME's in Mexico are responsible for 52% of gross domestic product (GDP) and 72% of jobs nationwide. However, firms of this size continue to reflect a very low participation as Mexican exports are concerned. So that an opportunity is detected to grow in new markets and develop strategies that integrate economies and their small and medium size firms.

Although it should be considered other aspects to the internationalization of SME's such as the financial, economic, legal, cultural and market that are analyzed in this paper in order to take advantage of all resources and create opportunities for venture globally. Thus, in this way contribute positively to the

economic environment and to meet increased demand for labor with higher wages.

These reasons are the pillars to boost the company Appistear to bring its concept to such foreign markets. Regarding the company itself, it is known that in the technology industry in Mexico currently there are 33 million users of applications to make some contact with a company for a service or product. 67% of applications are downloaded for free and 50% of these are social networking; For Latin America there are 341 million users according to an article Direct Marketing (Marketing Directo 2014) and growth is displayed up to 374 million by 2017.

58% of SME's currently use applications for marketing and sales purposes, 31% of those using this media reported an increase in their sales and profit. An article by CONACYT prepared by Guerrero (2015) mentions relevant information of this industry in Mexico, 85.8% of the population have mobile devices, which means that the phone market will reach the end of this year to 173 million users in the republic.

Regarding industry selling alcohol and beer in Mexico is a widely consumed beverage. According to data in an article of the day by Gonzalez (2013), Mexico ranks 6 on the list of countries with the highest per capita beer consumption of 62 liters per year. As it is clear that the product is sold without advertising support or a conviction of market, is a desired and known product in the Latin American market.

These data allow glimpsing a possible success in these markets for the concept of Appistear, and offering some assurance to venture such marketing. However, it must first review the strategies of internationalization that SME's Mexican implemented, which strategies implemented and expose the most relevant theories on which to base the firm. Similarly, to find the opportunities and risks that faces the firm.

THEORETICAL ASSUMPTION

The strategy, resources and innovations of the Mexican company SME Appistear positively impact Mexico's exports to Latin America.

CONCEPTUAL FRAMEWORK

To analyze internationalization theories, Vargas, Guerra and Bojorquez (2014) mention that first must be analyzed the firm on certain considerations based on three main pillars, in order to prepare for its quest for internationalization.

a) Considerations based on industry

To analyze these considerations, it is necessary to mention the framework of the five forces of Porter (1980) that mentions and should clarify first to give an idea of the position of SMEs analyzed in their own industry. To Appistear it has the following table:

Table 1 Forces Porter Appistear

Rivalry between firms	Due to the type of service and product offered by the company, the rivalry with other companies with a mobile application is very high. The war becomes primarily geographically, to locate stores in certain locations and cover the market.
Entry barriers	They are mainly geographical and local suppliers, competitors may know the area better and have special deals with local suppliers to reduce their costs.
Bargaining power with suppliers	This should be levered from the outset as to Appistear getting an economy of scale is a key point for the development of the company as well as to reduce risks such as creating their own barriers to entry.
Bargaining power with buyers	This is very big and no matter the market to which it is directed, as the product is very noble in the sense that it does not require great publicity nor is a new product. However, it is in great demand in all markets worldwide.
Threat of substitute products	There are no substitute products as the goal that gives the product is unique. Obviously the menu should cover all products handled at national and local level in each place.

Source: Own elaboration

Therefore, it is observed that the analysis in this regard should focus on bargaining power with suppliers and rivalry among firms, which are the main factors that can create barriers for the firm. Peng (2012) mentions that when bargaining power with suppliers is very large, it is necessary to reduce it as it can break the chain of supply of the product or significantly reduced having to raise prices and removing the competitive advantages of the company.

b) Resource-based considerations

In this sense, it should be considered the framework VRIO model proposed by Peng

(2015), which tells of the values and rarities, not imitation and organization of company resources. These are usually intangible, although there are tangible items that can generate these values. Vargas, Guerra & Bojorquez (2014) speak of the interaction of the resources available to the company by creating an objective strategic development of factors and making capabilities generate competitive advantages.

The resources available to the company of Appistear can generate factors within the framework VRIO are mainly its trade mark registered only in Mexico and must register with the WIPO (World Organisation for

Industrial Property), and in each country Latin America to decide venture. This is a very important resource since it is generated by the presence in the minds of the market and gives a dynamic quality of service and value of their products.

Another important resource to mention is the software with which the application operates as its development took more than two years and currently keeps changing according to current market demands. So it has the need to follow updated to provide better performance and accessibility and allow users to make this resort a competitive advantage over other applications of lower technological development.

In this way it could be found this time that the SME provides with a new business positioning resources as something rare or unique (Barney, 1997).

c) Considerations based on the institutions.

Institutions can be formal or informal but they all generate certain restrictions issuing the rules, referring to the way in which they must operate firms (Peng, 2012), just as North (1993) defines them apart from regulatory, as devised constraints representatives that shape and give guidelines to the interaction of society that represents them. Also, he mentions the differentiation between formal and informal institutions pointing to the former as those that generate the rules, laws and regulations of society and to the second as values, culture and ethics of society itself.

This is very important as businesses rely on these institutions for their competitiveness or decrease or increase in transaction costs as mentioned by Vargas, Guerra and Bojorquez (2014) with reference to Fadahunsi. In the case of SMEs analyzed is even a point more relevant, because as mentioned, the company operates under a loophole in Mexico that allows you to reduce transaction costs in a very relevant way and allows it to operate out of certain restrictions not be fully regulated the operation of mobile applications.

In the case of SMEs analyzed is even a point more relevant, because as mentioned, the company operates under a loophole in Mexico that allows it to reduce transaction costs in a very relevant way and also allows it to operate out of certain restrictions not be fully regulated the operation of mobile applications. In the case of Latin America, it is something that should be reviewed in each of the legal frameworks of countries. Overall in Latin America do not have a time restriction and can consume and buy alcohol at any time. However, all establishments offering the products are regulated. In the case of Appistear there is a store that offers products directly, although the regulations that have for stores and warehouses of such goods should be reviewed.

In this sense represents a great risk for SMEs that should be considered. Also, informal institutions represent an important point. Culture addresses the problems of alcoholism and other vices that can create barriers at the

time of entering certain markets that have a more religious cultural or morally ethical.

d) Theory of internationalization

This theory has its first approach thanks to Coase (1937) who explains the application about the size of companies and the cost of using the market. Its main approach says that multinational firms are a mechanism to manage value activities across national borders. For SME's face certain obstacles to bring them to an international market, the first is the high transaction costs. These costs must be reduced with an internalization and check with local suppliers if possible to get inputs or resources.

Dunning (1988) one of the main creators of international theories talks about the advantages that allow internationalization: first is the advantage of the assets owned by the company. In the case of Appistear it is mainly remembered their intangible assets such as brand and software is a technological capability that allows you to create a competitive advantage. Another is the ability of management and internal coordination of the activities of the firm and is the last location that should include considerations of institutions and providers in the specific geographic area where it is intended to venture.

Regarding the internationalization process, there are certain approaches that differ from the above, an example of which is Uppsala, which analyzes the internationalization as a gradual process, and the means that

companies start their operations on their domestic market, and that internationalization is a direct consequence. This theory can be tailored more to the SME in question that has been two years in the domestic market. However, still has a wide range to grow in the domestic market, and with great potential to boot from this time to an international market in the same way.

Analyzed what shows the theory of internationalization can raise the strategies that are most optimal for SMEs. Peng (2012) points out mainly three: direct export, licensing or franchising and foreign direct investment. The first of these strategies is the direct export, which is to sell manufactured products in the country of origin of the company to other countries (Vargas et al. 2014). This strategy is not very attractive for SMEs being analyzed in this paper as the export products would increase transaction costs to the point of returning to nonperforming without profit firm. However, the product is fortunately anywhere in the world, with local extras products.

As for the next strategy, through licensing or franchising first Vargas et al. (2014) mentioned the difference between these two concepts. Licensing is where the company agrees to give some of their rights, and certain processes or the use of the mark, this is mainly in manufacturing. Instead, franchises are more common in services and consist of granting certain rights to the company in exchange for economic compensation fees or royalties calls.

In the case of Appistear it may be a good idea to pass this way its know-how and intangibles in exchange for certain fees and controls in other Latin American locations and resources as the investment in this way should not be directly by the company and the marketing structure can be used equally nationwide. Finally, it is the foreign direct investment strategy in which to devise strategic alliances with potential partners in the country where it wanted to enter, and sell or subsidize overseas property. This way it can be set abroad and control and manage the firm with its resources of the place and the proximity of customers.

As in the first alternative transaction costs can become very high and sometimes depending on the intended market can return very complex operations, so that apart from investment and financing a certain level of administrative commitment is needed.

To Appistear is an SME understaffed this measure is not possibly the most optimal, unless a partnership with someone committed to the business as a strategic alliance or through Joint Venture is made. These measures are more flexible and there are a large number of successful cases concerning the internationalization hereby. However, it must be considered certain advantages and disadvantages that this strategy leads to implement with SME's. Within the advantages include reduced costs, risks and uncertainty faced by companies, since they not really know the market where are targeting, partners can support with ideas that they know that work in your area. Another

advantage is the opportunity to learn from these same partners and networking as a real option. This way it can help create better vertical channels Logar.

Among the disadvantages, it is choosing a bad partner, i.e. not to support the cause. Another point remains in negotiation and coordination costs of the alliance and that the target market is in a faraway place these costs can raise dramatically. A disadvantage of this strategy can also be the possibility of suffering opportunism of the partner and stay to the end without getting any benefit from the alliance made. Finally, there is a risk of aiding the development of potential competitors and eventually leave only knowledge and the firm is displaced.

In this sense, Appistear can perform certain controls to choose potential partners well and reduce this uncertainty. It may also have a planning on what are the things that can share and what resources will remain private for the company. One should also consider that although partners are handled should increase national organizational structure to give help and support to partners in other distribution points.

ANALYSIS OF RESULTS

Based on the revised considerations and strategies presented for a possible internationalization of SME's (Peng, 2012), it can be analyzed the best strategies for Appistear and its expansion abroad is through strategic alliances and licensing or franchising.

In both situations is achieved investment partners in the international market where it is intended to penetrate. The main difference between them is that strategic alliances an investment is required by the Mexican SME whenever necessary to open a new point of operations or conduct negotiations with another new partner. But it does not require an extra initial investment, the company is in an excellent spot to conduct a market study and start with the most attractive countries for investment.

But for franchises it is needed an initial investment to create the structure, manualization, financial and legal development and to offer such a business model with international quality. This initial investment will be reflected when it starts selling franchises and will be not necessary a new extra investment every time is opened a new operating point or a new negotiation that comes to closing for sale because no longer will be necessary all these transaction costs which already are included in the franchise fee and will ultimately be covered by the investor and next franchisee.

Both options require growing an organizational structure where the firm was born to support and give help for future partners as well as the need to share. In the case of Appistear, its intangible resources, i.e., its brand and software, like the knowhow of the company refers to current processes that use and have been successful in the domestic market.

A very important point to consider between these two options are the remunerations and the alliance that does not require initial investment but continuous at each point of sale and if the franchise is upside down, also the final salaries are different. In the case of strategic alliances the company shares the profits of each business developed and distributed in terms of resources and funding invested in it, so Appistear already has a great contribution of resources.

In the case of franchises they handle a much lower risk because profits will directly profit partner. However, the entrepreneur has secured a share called royalties in which monthly or yearly the partner or franchisee agrees to pay. There are different ways of royalties that may be percentage points to the net sales of the franchisee or may be a flat fee regardless of whether or not sell. The disadvantage of the former is equally share some risk, even if the business is also growing profits for both. The second form is not shared any risk, but if the company grows will not receive any incentive because of it, and otherwise the operating point close it has a direct impact on the brand name.

CONCLUSIONS

In conclusion, it can be assessed that based on the resources and organization, Appistear accounts to be the company that the best strategies are strategic alliances or franchises. In opinion it is believed that franchising is the best choice to start with more firmness and less risk in the

international market, and also this structure to organize its manuals and legal documents will allow it to really know its local market and a possibility to expand the same at national and international levels simultaneously.

Another point that offers the franchises is the control that is lost with the alliances more easily, as partners feel to be the owners alike of the concept and brand. Instead, franchises are made using finite contracts that allow maintaining controlled and supervised during the duration. Also, regulated to not change the essence of the organization and that all change this under a prior authorization.

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