The authors present a new country market selection model using a three filter/two phase approach to scanning: 1) a macro filter using mega aggregate country statistics (external environments) in the rough cut phase with “broad fit” company compatibilities (values, vision, goals, capabilities, management feel) and critical success factors (make or break issues); 2) an EM filter to consider and evaluate emerging country markets of potential, also in the rough cut phase, matching the EM factors “broad fit” with the critical success factors of the organization and 3) a micro filter using key success factors for the company and product, market structural factors, and industry/competition factors which produce a “narrow fit” in the diamond cut phase with the organization’s objectives, strategies and resources. The emerging markets will be given full consideration in this model and factors selected will be chosen with the “fit” of the specific company, product, strategies, internal and external environments pertinent to the unique blend of variables in the industry/organization.

1. Introduction
Locating a business outside of the country is commonplace today and makes sense if the company desires increased sales, larger profits, market share, competitive positioning and scales of economy (Gaston-Breton and Martin, 2011; Hajidimitriou and Georgiou, 2000; Sowinski, 2000). With the interdependence of the world and the ability to research global options more readily through the internet, company managers are expected to conduct environmental scanning of countries and markets and the best possible strategies to enter these markets as a typical part of their jobs. Even small and medium sized firms will be compelled to find cost savings and/or increased revenues and profits across national borders (Knight and Cavusgil, 2004; Stray, Bridgewater and Murray, 2001). As Thomas Friedman (2005) says in his book, The World is Flat, that at the beginning of the 21st century, the world entered a new phase of globalization based on disruptive social, political and technological events (“flatteners”). In this flatter world, companies and individuals will be able to collaborate and compete more successfully, whatever their size and wherever they are. Those that fail to adapt will suffer.

2. Literature Review

2.1 Location of Country Markets And Scanning Process
Locating the right country and market within that country is similar to finding the right mate in a dating scene. It can seem very difficult (almost like locating a needle in a haystack) unless you have a refining process for going through all the candidates. Many experts suggest a phased approach going from preliminary screening and in depth screening of identified candidates to selection (Cateora, 1995; Cavusgil, 1985; Johanson, 1997; Koch, 2001; Kumar, StamandJoachimsthaler, 1994; Root, 1994). In fact, BrouthersandNakos (2005) found the use of such models was tied to better performance; the small businesses which used a systematic model for screening were more successful in their international expansion than those who used ad hoc methods. The authors agree that following a systematic phased model is helpful but contend that the “preliminary screening” phase needs to be refined further. That is the purpose of this paper – to give insights and new direction to the scanning process of country market selection.
For a country market, managers need to conduct an analysis of the company’s core values and competencies as well as the goals (desires) it has for global expansion and find country markets that match these. In the negotiation world, these are called “deal breakers” and companies know them as the “key success factors” or broad “fit”. Internet “Scanning” helps to “weed” out the potential country market opportunities from the over 200 possible country market potentials in the world. The factors for “weeding” should be customized to the
company. In addition to using multiple factors, it is important to decide which factors are of highest priority, and when does one apply the various filters. Successful companies learn there is a pattern to globalization and the processes of scanning, from rough cuts to diamond cuts, are formulated. Because of differences in industries, products and companies, the variables can and should be uniquely chosen. This paper recommends factor categories and steps in this “filtering” process, which will enhance the effectiveness of the scanning process.

2.2 Past Model Descriptions of Scanning Process And Limitations
Previous models show grouping of countries approaches based on similarities or market potential. The models which use similarities help the managers select countries by their similarities on variables in the external environment, primarily on social, economic and political indicators (Cavusgil, Kiyak and Yeniyurt, 2004; Huszagh, Fox and Day, 1985; Samli, 1977). Models ranking market potential use aggregate market potential and overall attractiveness variables such as size, growth, competition, import demand of products or changes in import shares, economic development and ease of access (Armstrong, 1970; Conners, 1960; Dickensheets, 1963; Green and Allaway, 1985; Lindberg, 1982; Samli, 1977).

Although the grouping models have been criticized for their over-reliance on broad based factors and not enough emphasis on product specific factors, they can help to narrow the field of country choices (Douglas, 1971; Papadopoulos, 1983; Sakarya, Eckman and Hyllegard, 2007). The “rough cuts” are broad indicators and therefore are not sufficient alone for effective screening. The authors have added another phase of “diamond cuts” related directly to the product and industry to overcome this criticism in their model. In addition, most grouping models do not include factors which truly estimate what emerging markets bring to the table (Anderson and Strandskov, 1998; BjoErkman and Eklund, 1991; Ellis, 2003; Sakarya et al., 2007; Sowinski, 2000). This limitation is addressed by the “rough cut” Filter II for emerging country selection.

3. The 3/2 Model to Country Market Selection
The authors recommend a three filter, two phase approach in their model to country market selection (scanning process) in order to get the maximum benefit of the current research and thinking. To start with, the analysts should conduct simultaneous selections of countries using the traditional mega statistics groupings in the arenas of economic, socio-cultural, technological and political factors. These factors are the basic tools of the “traditional mega analysis filter.” Economic factors typically include GNP, GNP growth rate, size of market, economic development, inflation rate, stability of exchange rate and GDP. Socio-cultural variables could be demographics such as population, age, and income distribution, cultural practices, lifestyle, literacy rates and religious practices. Political factors looked at could be political stability, level of government control of business and sophistication of political environment including human rights and intellectual property rights.

Technological/infrastructural factors may be included as well, which look at the level of technology adoption, technology skills, communication systems and infrastructure such as access to markets which includes roads, shipping and air transportation, and availability of water and electricity. Also included in this filter are the synergies (“broad fit”) with the core elements of the organization – do the vision, values and goals of the firm mesh with the market? Will the market be big enough to fulfill the goals of the organization? Are managers committed to enter the market and feel they are ready for new market entry? From this “traditional mega analysis filter” the researchers are able to glean the “best potential mega candidates”. There should be about 6-10 traditional countries to begin the scanning process and the filter should narrow the choices to 3 or 4. Table 2 shows the “traditional mega analysis filter” elaboration of factors.

3.2 Emerging Market Analysis Filter (II)
When evaluating markets, it is important not to overlook a candidate based on the general traditional aggregate categories usually applied to country analysis such as “indicators of wealth”, “size”, “growth”, “competition” and “ease of access” or indirect factors of market potential using “economic development”, “internal stability”, and “cohesion” factors, all of which tend to favor larger developed countries since they are bigger, more stable and less risky. Although mega statistics used in traditional models are valuable in assessing and comparing countries overall, these factors measure a country at a point of time. They often do not take into consideration how the population is expected to grow in the future but rather measure static or past info such as “GNP per capita”, “GNP levels” and “balance of payments trends” as market potential (Arnold and Quelch, 1998; Cavusgil et al., 2004; Sowinski, 2000; Stobaugh, 1969).

Making the selection of criteria geared to the goal of “growth and expansion” may lead to criteria which better assess the
opportunities of the “emerging market” countries. Intuitively and statistically, experts see that many developed countries are slowing in their growth and economies, becoming saturated and have highly competitive market structures. In contrast, emerging markets are highly attractive due to their increasing disposable incomes, large populations of young consumers and economic liberalization (Alexander and de Lira e Silva, 2002; Reda, 1998; Sowinski, 2000).

The variables which are more conducive to emerging markets proposed include “long-term market potential”, “culture”, “competitive strength of the industry”, and “customer receptiveness to the products of the foreign industry and its country of origin” (Evanschitzky and Waggenheim, 2006, p. 79; Sakarya et al., 2007, p. 215; Samli, 1977, p. 49). In their research, Yeniyurt and Townsend (2003) showed that the variable of “culture” was significant in new product acceptance while Kogut and Singh (1988) found “culture” to influence entry mode selection. The variable “psychic distance” was utilized by Brewer (2007) in his model. Shariff, Brewer and Lusch (2010) show that “cultural distance” has a direct impact on the level of exports. Also Cavusgil (1997) developed a “market potential index” for emerging markets using 13 different economic, social and political variables whereas Arnold and Quelch (1998) suggest firms find their own ways to predict long term market potential in emerging markets. Table 3 shows these types of factor comparisons for the Emerging Markets Analysis Filter (Filter II). The potential risk may be greater for emerging markets but the potential gain is also higher, like picking the “long shots” in horse racing. Using the “emerging market analysis” filter, the 3-4 “Best Potential EM Candidates” emerge from the original playing field of 6-10 emerging country markets. Then from these two rough cut filters of “mega analysis” and “emerging markets”, the company chooses the top candidates, which are combined as the “Best Potential Candidates.

3.3 Micro Fit Analysis Filter (III)

After the simultaneous rough cut filters are applied, a more “micro approach” filter (Filter III), which is very specific to the company’s strengths and strategies as well as product/industry, should be conducted to evaluate the weeded down potentials. Normally this filter chisels the candidates down to 3-4 options. These would be more detailed demand variables such as Burger King’s “growth in the shopping malls” and competitive forces analysis such as “franchisees with experience and capital.” These are now going from “rough” to the “diamond” cut. What areas of “fit”, “core competencies” and “key success factors” are needed to be effective in the country market for their particular mix of products?

In addition, this filter needs to consider the most effective potential entry mode. In the case of Burger King, they have narrowed down the choice to franchising. In addition, researchers have shown the importance of integrating decisions with research factors. Fit does matter. Strategies in marketing and manufacturing have a significant impact on selecting the right location overseas (Caneland Das, 2002); goals of the firm influence international site selection decisions (Hadjidimitriou and Georgiou, 2000); market orientation is tied to international market selection (He and Wei, 2011). Table 4 illustrates the categories of factors and fit variables to be integrated during the “micro fit analysis” filtering.

4. Scanning Phases

The 3/2 Country Market Evaluation Model has 2 scanning phases: 1) rough cuts phase and 2) diamond cuts phase. These “macro” and “micro” phase approaches to scanning are supported in the literature (Gaston-Breton and Martin, 2011; Westhead, Wright and Ucbasaran, 2002).

4.1 Rough Cuts Phase

Companies want to assess the country markets they are selecting, making sure their minimum requirements are met. These “rough cut” criteria are the basis of the scanning process. For example, Burger King uses the criteria of “large populations (especially of young people), high consumption of beef, availability of capital to franchisees for growth, a safe pro-business environment, growth in shopping centers, and availability of a potential franchisee with experience and resources” to narrow down its country markets choices (Daniels et al., 2013, p. 472).

As you can see, these factors can be categorized into two phases, including broad external environmental factors encompassing socio-cultural (i.e. demographics: population size, age; lifestyle: eating habits), economic (i.e. availability of capital), and political (i.e. safe and pro-business environment) variables and more micro factors, such as “growth in shopping centers” and “potential franchisee with experience and resources.” The broad variables are what constitute “rough cuts” and should be the “must haves” for any company. The “fit” here is about the “core values” with the broad based analysis. The “rough cuts” phase typically narrows the field down to 3-4 mega candidates and 3-4 emerging market candidates, thus totally 6-8 in number. Please refer to Table 1 for the pictorial model of the “rough cuts” phase.

4.2 Diamond Cuts Phase

The authors recommend that the company think about the best market entry mode for their company during the diamond cutting phase, as this choice will often impact on which micro-variables are significant. As in the case of Burger King, they have chosen “franchising” as their preferred mode of entry and they are interested in researching the micro-variables of “resources and experience of the franchisees” during this “diamond cutting” phase in their scanning process. Andersen and Buvik (2002) show in their research a significant relationship between mode of entry and the selection of market partners. This is also where the company’s orientation to international business, their past experiences globally, the stage of internationalization, the company’s core success factors (Kinkel and Ercog, 2004; Knight and Cavusgil, 2004; Westhead, Wright, Ucbasevan and Martin, 2001) and even the basis of their assessment (are they looking at risk vs. benefit evaluation or methods comparing cost vs. marketing control) are internal factors which impact the decision of a country market and the entry mode chosen (Chen and Mesner, 2011; Erramilli and Rao, 1993). External factors to assess include country market potential for a particular product, the strategic significance of the market (i.e. competitors/partners.
there, important resources there) and anticipated overseas market risks, industry and company specific information, supporting industries’ level of development as well as market barriers such as tariff barriers and government regulations related to product, distribution access, industry feasibility, and market growth rate (Cavusgil, 1985; Koch, 2001; Rahman, 2003; Stray, Bridgewater and Murray, 2001; Swoboda, Schwartz and Halsig, 2007; Whitelock, 2004). As these variables are applied, a strategic “fit” is found between the product mix, country market environment and the company, thus allowing the best country markets to emerge.

4.3 In Depth Screening and Final Selection

Thus the scanning phase is completed (the object of this model) and the more detailed work on analyzing these “best overall candidate” markets through personal networking, in country visits and more expensive (primary data) collection of company/competition/partners and/or customers/market research information begins. This is typically what the experts call “in depth screening.” During this stage, companies narrow down the search from 3-4 country markets to 1 particular country market, which they then select as their targeted country, called “final selection”. This completes the overall selection of country markets.

5. Conclusions

This model is unique to the literature since it looks at “rough cut” compatibilities of the company with the aggregate data on country markets, focuses on evaluating opportunities of more risky emerging markets (outside the context of mega statistics) which most models do not fully include, and then pinpoints analysis of synergies between the company (its objectives, policies, strategies, orientation, experiences, resources) and its market on external environmental factors such as the market potential (i.e. consumer demand financially measured in sales, revenues, profit), product/industry factors (i.e. partnerships/alliances, suppliers, competitive environment) and structural barriers to particular product/market entry (i.e. governmental, tariff, legal, political, distribution, infrastructure, business practices).

The array of variables to study can be overwhelming for any company, but it pays to be both systematic and integrative in the scanning process for country market selection as it is a significant decision. Each company has a unique set of capabilities, values and goals. Their products are diverse as well as their strategies and resources. Each country has a unique set of variables in its own environment in general and specific to a particular industry/product. The industry itself has its own characteristics and key success variables. These factors need to be brought together in a model which can be molded to the situation.

The 3/2 model presented in this paper builds on the past models of country market selection while adding unique “fit” components and gives firms the latitude to pick the variables that best match them. It is unique because it offers the firm an opportunity to take a rough cut look at traditional countries and emerging countries as separate sets.

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