

## STRATEGIC MANAGEMENT APPLICATION DURING THE ENTRANCE and BUSINESS DEVELOPMENT in FOREIGN MARKETS – KOSOVO MARKET CASE

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### Abstract

*FDI (Foreign Direct Investments) are very important for many businesses worldwide including Kosovo as a country which is seeking for foreign investors to get healed from distraction of the past. Due to the capacity and purchasing power it has, market of Kosovo can be attractive for small and middle businesses intending to invest. Best options prospering in this sort of market, similar to Kosovo market, is by building of partnership or emerging businesses between foreign investors and domestic businesses as the best alternative for both parties. I would stress out the Kosovo market has potential for foreign companies to use the strategic management in order to expand their businesses, in this case in close cooperation or any kind of partnership with local companies by using opportunity in doing business in the field of distribution, representation and sales. Foreign interested companies intending to invest in Kosovo can use the strategic management in the field of operation such are: Distribution – usage of distribution strategies by getting into the partnership with domestic companies, Representation – practicing strategic planning of products offering in partnership with local businesses, Sales – can be mingled experience of companies which operate in Kosovo with best practices from other markets. This combination can afford reaching strategy planes effecting on better sales and aligning the company politics for: Logistic marketing – appropriate for current market of operation, Storage of goods – using the warehouses of partners or distributors, Transportation – using the vehicles of transport that partners are working with according to the agreement between partners – investor and native businesses- about the obligation and expenses for goods transportation.*

**Key Words:** Strategic Management, Investments, Distribution, Representation, Sales, Kosovo market.

### Introduction

FDI in a broader scope consist many fields of business. Due to mutual interests that represent FDI, looking from investors' angle objectives finding the new affordable place or market doing business and expanding geographically is an additional opportunity to take advantage of. As well as the country that receives or hosts foreign investments has some pretty lucrative advantages of opening gates with minimization of obstacles by giving to the interested foreign investors chance using their country for business purposes.

FDI mainly are seen as positive economic boost for many countries that lack cutting edge technology, investments funds, raw material, and even labor force. On the other hand, cross-border business doing opportunities are an incentive for numerous potential investors.

Many definitions and thoughts about FDI has been said and stated, so "Inflows are a sign that the outside world considers an economy a worthwhile place to park capital and are a signal that a country has "made it." FDI allows countries without the domestically grown know-how to develop resources that it may not have been able to otherwise (Radcliffe, 2013)," is among those which express bright side of it. Additionally, "FDI is defined as cross-border investment by a resident entity in one economy with the objective of obtaining a lasting interest in an enterprise resident in another economy. The lasting interest implies the existence of a long-term relationship between the direct investor and the enterprise and a significant degree of influence by the direct investor on the management of the enterprise (OECD, 2008)."

FDI is very important topic in emerging and developing markets. Though, current economical and social situation in Southeast Europe, precisely in countries of Balkans' majority of them passed thru the huge war time distractions of 90's, are swiftly modifying polices, improving legal and regulatory framework getting attention from businesses abroad aiming to absorb as much as they can foreign direct investments having in mind that these countries are heavily depended in money stream from abroad.

Every investment has some degree of risk on it, inescapably FDI. Since risk investments avoidance in many cases is manageable, prior to taking a step into the new market company should have basic knowledge about the market. Diminishing the risk of investments, application of strategic management and its usage can surely make numerous

businesses thinking and behaving easily while looking for international ventures. Kosovo as a case where many investors seek to get market share, invest and do business, in contrary of perception as a small market, Fast Moving Consumer Goods, FMCG, companies adore this country. Being part of day to day developments in FMCG, as a manager, I see some opportunities for foreign companies that seek to invest in my country by not being stressed and worried about the risk of their money invested. This can be done and conducted by venturing in distribution, representation and sales in FMCG products.

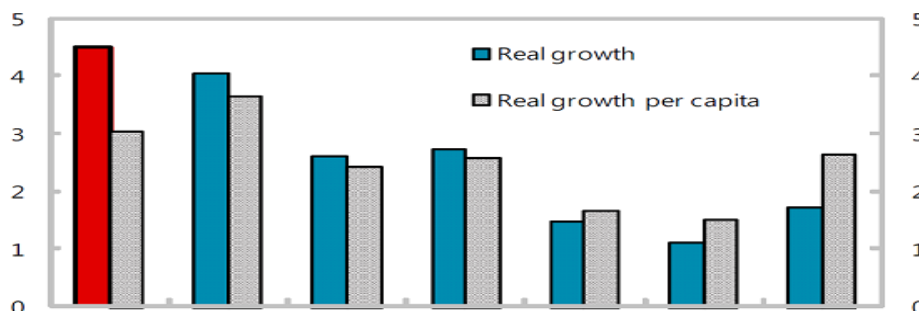
Frankly, Balkans' have some experience in foreign direct investments including Kosovo as part of it. Kosovo as case which my paper is trying to explain reasons investing in Kosovo trying to provided facts and elaborates about the other possibilities which according to me some tiny but precious gaps can be fulfilled with usage of strategic management.

### Kosovo's economic facts and FDI throughout the years

As stated above, Kosovo position in regional market concerning to foreign direct investments stands pretty much about the average comparing to other South-East countries. Based on that, Kosovo economical growth is much higher in comparison with regional Balkan countries as depicted in the graph provided beneath, it is obvious that Kosovo can be counted as promising market for foreign investments.

Western Balkans Growth 2007 – 2012 -Growth and Living Standards in Western Balkans

**Western Balkans: Growth, 2007-12**



Kosovo Albania Macedonia Montenegro Romania Serbia Bulgaria

Source: World Economic Outlook (WEO)

While table below shows foreign direct investments thru the years which as seen investments fluctuate from year to year averaging 348.6 million Euros annually.

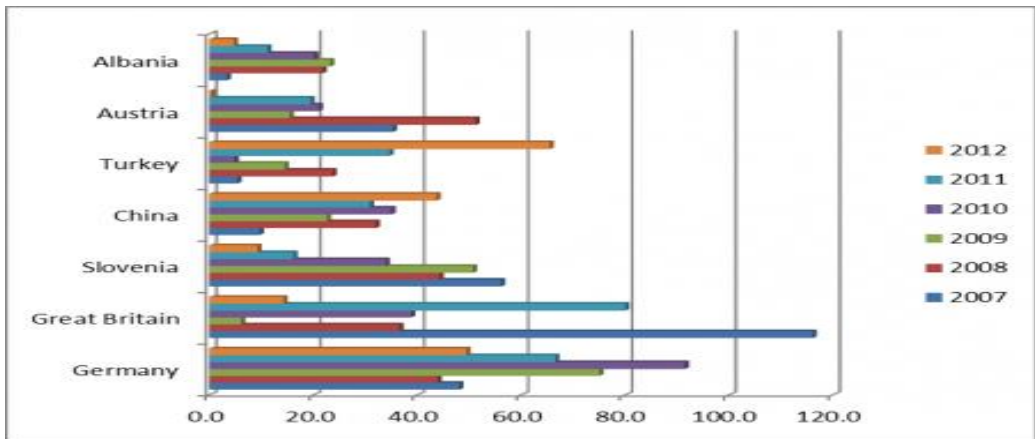
FDI growth 2006 –2012 (in mil EUR)

Year	2006	2007	2008	2009	2010	2011	2012	Total
FDI	294.8	440.7	366.5	287.4	365.8	393.9	291.1	2,378.1

Source: Central Bank of Kosovo

Additionally, tables and graph provided illustrate major investor countries in Kosovo starting from year 2007 until 2012.

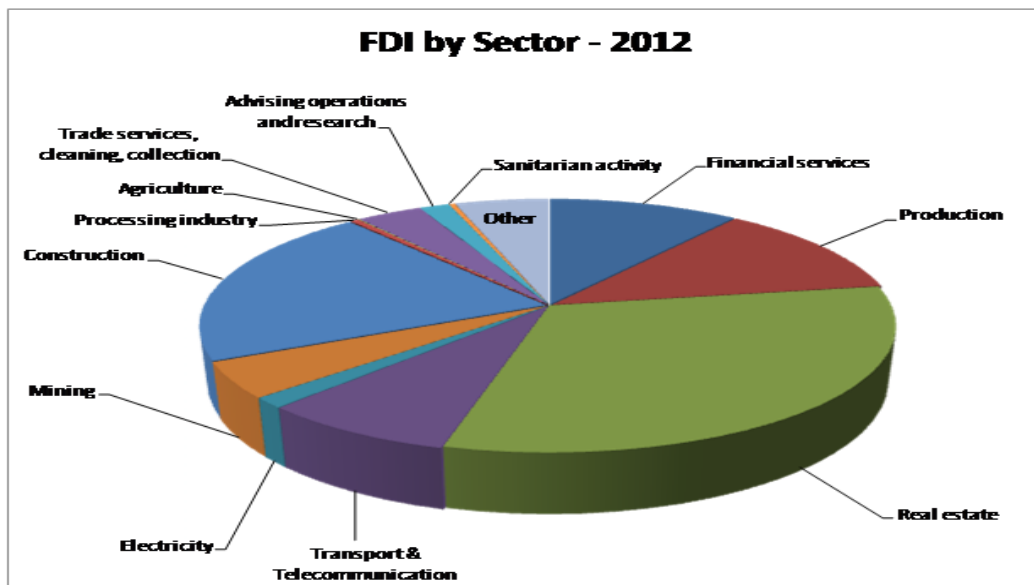
Graphical Representation of main investors



Source: Central Bank of Kosovo

Description/Year	2007	2008	2009	2010	2011	2012
Financial Services	23.1%	34.9%	25.5%	19.5%	8.9%	10.4%
Production	9.0%	6.0%	17.1%	19.8%	12.8%	12.1%
Real Estate	7.0%	16.8%	14.9%	13.4%	16.3%	31.7%
Transport & Telecommunication	29.3%	13.8%	7.4%	4.0%	6.2%	7.9%
Electricity	0.6%	4.5%	2.9%	0.1%	0.0%	1.3%
Mining	9.4%	4.7%	2.4%	2.7%	0.8%	4.6%
Construction	1.2%	3.7%	12.0%	24.9%	34.3%	20.8%
Processing Industry	8.0%	8.5%	2.4%	6.9%	0.5%	0.4%
Agriculture	1.8%	2.3%	4.4%	0.6%	0.1%	0.1%
Trade Services, Cleaning, Collection	2.9%	2.7%	5.5%	3.3%	2.1%	3.6%
Advising Operations & Research	1.0%	0.6%	0.9%	2.3%	2.0%	1.6%
Sanitarian Activity	2.9%	0.6%	0.8%	0.7%	0.0%	0.3%
Other	3.8%	0.9%	3.8%	1.9%	16.0%	5.1%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Central Bank of Kosovo



Source: Central Bank of Kosovo

## Distribution

Most producers use intermediaries to bring their products to market. They try to develop a distribution channel (marketing channel) to do this. A distribution channel is a set of interdependent organizations that help make a product available for use or consumption by the consumer or business user (Shujaat, 2009).

Presumably, in the first glance a lot of people wouldn't think about the importance of distribution. They may perceive as mere function the flow of goods from the producer to the customer since distribution in a gross picture can be seen so. In fact, distribution is more complex as such. Having this fact in mind and being witness of daily business operation I hardly believe that many foreign companies can operate within the Kosovo market by investing their potential to this precious field of business.

Why is so important for foreign companies to make leap getting into the small market by getting focused in such easy job to be handled, some may wonder?

Reason behind this idea relies on that since majority of renowned companies whose goods are present and make a good turnover in Kosovo market doesn't have engaged or assigned any specialized distribution company for completion of this professional service while those companies may lose a bunch of money by neglecting or omitting this important business activity.

Additionally, nowadays Kosovo customer demand, which according to business people, is changing rapidly and forcibly determines "rules" on the market making business behaving according to consumers' wishes. Getting in updated with desires and wishes of "sacred" consumer, business must change operation strategy. Getting aligned with immense market demands, many companies should ask for cooperation or knotting the business deals with many experienced foreign companies which are ready and enthusiastic to invest in Kosovo market even buying shares of some existing companies. Hence, demands for fulfillment of consumer satisfaction slowly prepares a territory for foreign companies to invest solely or in any sorts of partnership since changing buying culture asks for new strategies which are tightly connected with distribution.

For any potential investor, distribution strategy has to be chosen carefully in order to succeed. Based on my point of view, managing distribution strategy definition given below suits the current market situation in Kosovo and can be used as an advice to be pursued:

A distribution strategy defines how you are going to create and satisfy demand for your products.

A distribution strategy defines how you are going to move products from point of creation to points of consumption in an efficient and cost-effective manner.

A distribution strategy also defines how you are going to develop and maintain customer loyalty.

But first and foremost, a distribution strategy must be in sync with how customers want to shop and buy.

Today's customers shop and buy very differently than ever before.

Their access to high-quality information via the internet, combined with their heightened price sensitivity, has created a customer that is more sophisticated, better informed and often times, more adversarial than customers of the past.

This new breed of customer no longer plays by the rules of traditional distribution channels. Despite this fact, manufacturers and distributors continue to support outdated distribution strategies that actually make it hard for customers to shop for and purchase their products (Shujaat, 2009).

A well chosen a distribution strategy, is necessary because it constitutes a significant competitive advantage and is designed to save cost, improve and increase efficiency, provide reutilization of transactions, provide a larger customer base, and allows businesses to focus on the other aspects of the organization. It is important that the channel also provide business with strategy promotion, brand strategy, and provide convenience for customers while bridging the gap between the assortment of goods and demand from consumers (Abeer,2009).

## **Representation**

Cease of war in Kosovo, 1999, brought not only the peace but along it many foreign and international dwellers who resided in Kosovo for long years thereafter. Since those people came from worldwide, their buying behavior was different than native ones. Number of those new residents was in thousands including NATO soldiers, as result, all those people asked for their preferred foods and beverages of their country the products they grew up with and used with. This fact of internationalization of Kosovo population made many companies to import exclusively international brands to satisfy new residents' need and retain some good profit for themselves. Ever since, thanks to new demography, Kosovo was seen as a market where many international companies as Kraft, Nestle, Mars, Coca Cola, Wrigley, Ferrero, Procter and Gamble, Nivea, and many others saw potential of geographical market expansion, as result companies started to deal with domestic companies representing their companies. As years passed, many international companies sought for better representatives, thus often changes of partnerships with representatives shows their mood of "happiness" dealing with some domestic firms.

Seeing this situation, a pressing need for a proper representation company in Kosovo is mandatory. Therefore, sufferings of many international companies would end in case of any international company enters into the Kosovo market as representative company for many international producers. It would be easier, for instance of, any foreign decide to get in partnership with some prominent native companies which side by side both firms can fulfill the breach which previous low working temper companies lacked to achieve.

According to me, partnership between Kosovo and any international firm with go along because both companies have many things in common and many things to learn from each other. International firm will learn about the culture and way of doing business in Kosovo, while native company would learn about working with high standards of operations, the way many international businesses do operate.

Best of all, foreign companies interested for investments in Kosovo, choosing representation as an appropriate service have many issue to offer to the market of Kosovo. for instance, to be successful company needs to be recognizable by clients and consumers which via domestic company can be achieved such reputation. Important issue is maintaining close relationships with current business partners and tries to get deal with potential ones. Try hard to expand business network within current market and try to obtain new deal into the Balkan markets and constantly be knowledgeable of current local developments. All aforementioned points can be achieved with a careful strategic planning since burden of brand representation in front of principals may weight upon shoulders of both partners in business, while as venture companies may cope with many obstacles which can be conquered easily with long term operation strategic planning.

## Sales

With the marketplace changing so rapidly and product lives shortening, sales have become a strategic issue (Shapiro, Slywotzky & Doyle, 1997).

Up to date businesses that inspire higher portion of market share doesn't perceive selling in archaic way. By archaic way I mean the out-dated meaning of market as a place where seller and buyer meet for mutual interests consequently selling takes place either as a process of exchange of goods for money or bartering. Era of market changes with selling approach initially started in Balkans since fall of communistic system. Span of time counting in years it may look long time ago while in practice changes more than 2 decades doesn't make many businesses being satisfied with entire business surroundings environment. While in developed markets selling is seen as an "art" or "science" inside of businesses and majority of planning, short or long terms, is concentrated in boosting abilities of selling by creating miscellaneous strategies of sales, in Balkans and in Kosovo more precisely, selling improvement approaches, according to me, moves in sluggish pace. Taking these facts, therefore, Kosovo market can be suitable for international business companies with advanced selling management strategies and surely they will do well and succeed in investing via purchase of shares of native companies or even getting in partnership with some semi-up to date companies which managerial policies seek a smart path obtaining competitive market advantage.

In an environment where customer demands predominate because competition is both relentless and increasingly international, the world of selling must accommodate a dramatically changed world of buying. Crucially, sales management itself must catch up to this new world of selling. Many companies currently experience tectonic shifts because their selling abilities do not meet the needs of more demanding customers (Shapiro, Slywotzky & Doyle, 1997).

Being assured that new market, Kosovo market isn't risky, a new entrance as foreign investor or operator would diminish doubts in case of joining domestic companies which objectives and goals align with objectives and goals of investing company as result both parties as partners in business will take advantage of.

Among filed of operation worth to operate in Kosovo market is logistic marketing.

Marketing logistics is described as a system of planning and acting which guarantees that ordered goods will be supplied on time, with using of proper means of transport, in the quickest way and possibly the cheapest, Dwiliński (1998). It's so obvious for market knowledgeable people that logistics and marketing isn't advanced enough to that extent at the level of comprehending that both logistics and marketing in new contemporary operation business environment contemplate.

Good storage is another opportunity for investment for experienced companies in this field. Whilst, many may ignore this fact, day by day request of international companies which operate in Kosovo market are relied and prerequisite for high standards of good storage in order to sign partnership agreement with native businesses. As a person part of daily businesses operation, I see good storage as a prospective investment that can generate satisfactory incomes meanwhile start slowly creating another working culture within Kosovo market.

Among most important and key elements of business is also transportation. Lack of transportation strategies, many businesses in Kosovo lost market share either lacking strategy or avoiding expenses that transportation service causes. Customers demand their shipments be delivered as they require--on the date needed, by the carrier preferred, in the proper shipping packaging method and complete, both shipped complete and delivered complete and in good order. Being able to have a transportation program with can do this provides customer satisfaction and can give your company a competitive advantage (Craig, 2012). Investing in transportation service company is a wise and potential business filed that many experienced foreign companies can easily cover Kosovo market with proper managerial strategy.

## Conclusion

Market of Kosovo is small but attractive. Based on recent date taken from World Economic Outlook (WEO) Kosovo stand I very good position attractive for foreign investment. Its geographical position is so important due to the connectivity with other Balkan countries. Exploring Kosovo for investment purposes in worth action for venture businesses. As it said world is shrinking, many distinguished companies target countries like Kosovo to invest in. So far, majority of best and high quality brands can be found in shelves even of traditional trades sellers. Day by day, Kosovo's consumer taste is changing requiring besides quality products also quality services. This change is seen but not so much followed from many domestic companies as consequence makes them losing race with foreign competition businesses. As matter of fact, new market changes enable foreign companies to seek for investment opportunities in some valuable services. Advance which can be taken from foreign investors is the fact that some native companies are more than willing to join and get into partnership

with international companies aiming to prospect and take competitive advantage since open market trades from surrounding Balkan countries is threatening with new market expanding strategies applied.

### Recommendation

Investing internationally or in foreign countries is willingness or venture that many companies make a step forward. As every other investment, aim is for higher return of investments. Even objective of companies is to find most sustainable business of country to invest in; nowadays international business climate offers such opportunities for wise and brave farseeing strategic managers.

Kosovo is among countries that offer such opportunity for international businesses. With usage of proper strategic management, market of Kosovo can be used as affordable and secure place with fast returns of investments. As a person who is engaged in daily operation business, I see that many international companies can solely or in partnership with native companies take a good piece of market share of even penetrate with some new service businesses. Among opportunities for investments I see sectors suitable to invest in as bellows:

Distribution of goods mainly, representation of international companies with products and services, and professional sales operations. Apart from that a potential field of investment would offer a logistic marketing, storage of goods and transportation service businesses which by using strategic management will doubtlessly succeeded in Kosovo market.

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