

UDC 33

DOI: 10.34670/AR.2023.13.21.097

Strategic analysis during Internet company's entry into the international market in a crisis of the external environment

Yang Fan

Graduate Student,
Peoples' Friendship University of Russia,
117198, 10/2, Miklukho-Maklaya str., Moscow, Russian Federation;
e-mail: 1032208765@rudn.ru

Raju Mohammad Kamrul Alam

PhD in Economics, Senior Lecturer,
Peoples' Friendship University of Russia,
117198, 10/2, Miklukho-Maklaya str., Moscow, Russian Federation;
e-mail: radzhu-mokhammad-k@rudn.ru

Abstract

The article shows that the field of activity of Internet companies has significant specifics that distinguish it from the real sector of the economy or services. First of all, this refers to the intangible and mass nature of the provision of services. However, carrying out activities in collaboration with other sectors of the economy, the characteristics of the field of activity change significantly. It is shown that the ideas about the specifics of the activities of Internet companies that have developed in the scientific literature do not correspond to reality. As a result of the analysis of the practice of entering the market of Internet companies and expert opinions, it was revealed that the most significant factors in the conditions of instability of the external environment are political and technological factors that determine the possibility of operating in a new national market. Economic and social factors are also very significant and determine the possibilities of access to resources, the level of investment and profit, but they can be attributed to less significant ones. It is shown that in order to take into account all the factors that affect the possibility of entering the international market of an Internet company, they must be ranked in order of importance, determining the possibility of entry and influencing the level of return on investment. At the same time, the results of a strategic analysis should allow one to draw a conclusion about the level of competition, the presence of a target audience, the choice of a product and the identification of channels for its promotion.

For citation

Yang Fan, Raju Mohammad Kamrul Alam (2023) Strategicheskii analiz pri vykhode na mezhdunarodnyi rynek internet-kompanii v usloviyakh krizisa vneshnei sredy [Strategic analysis during Internet company's entry into the international market in a crisis of the external environment]. *Ekonomika: vchera, segodnya, zavtra* [Economics: Yesterday, Today and Tomorrow], 13 (3A), pp. 853-858. DOI: 10.34670/AR.2023.13.21.097

Keywords

Internet companies, external environment, international market, strategic analysis, institutional restrictions.

Introduction

The current market for the services of Internet companies in the modern economy now includes more and more types of activities [Dzyubenko, 2021]. In fact, today all service sectors in one way or another carry out operations through network technologies. At the same time, in contrast to the markets of the real sector of the economy, where there is a significant differentiation in access to innovative technologies, and, accordingly, in developed countries it was significantly higher than in developing ones, at present, the situation is reversed with respect to the activities of Internet companies. Developing countries such as China, India and Russia may use more advanced Internet technologies than developed countries. In addition, access to information resources is crucial for national security, so all countries in the world to some extent restrict the access of foreign Internet companies to the domestic market. Therefore, the problem of conducting a strategic analysis when entering international markets is a scientific task that needs to be investigated from the standpoint of the basic principles and methods of the digital economy.

Main content

When forming the conceptual foundations for entering the market of Internet companies, it is necessary to highlight the main characteristics of the activities of Internet companies. According to a number of Russian and foreign researchers, the following should be attributed to them.

The activities of an Internet company are not limited by the geographical boundaries of the market. That is, the technologies used can be scaled up taking into account the specifics of the local market [Yampolskaya, Starostin, Koimur, 2016]. However, modern Internet companies can operate in the service sector, and therefore significantly depend on the conditions of the national market. So, in 2020, DiDi Chuxing, a Chinese company focused on providing taxi and passenger coordination services, tried to enter the Russian market, but its entry was limited only to the territory of Kazan. However, she could not compete with the Russian service of the Internet company Yandex.

Also, a common position in the expert community is the opinion that an Internet company has a significantly lower level of costs compared to other types of business [Katsikeas, Leonidou, Zeriti, 2020]. Obviously, in relation to material production, the level of capital intensity is indeed significantly lower, but the cost of software for Internet companies and its maintenance is highly costly. In addition, the information infrastructure is subject to great risks. Hacker attacks on the resources of an Internet company can have a critical impact, while a limited number of highly paid specialists can repair the damage.

One can agree with the opinion that Internet companies can count on rapid growth in the market due to the opportunities for rapid scaling and business expansion, however, a significant limitation of this is high competition, as well as dependence on innovations and customer acquisition tools [Bala, Verma, 2018]. At the same time, not only Internet marketing tools are used, but also "traditional" types of advertising, such as, for example, television or outdoor.

Thus, despite the fact that this type of business is attractive because of its opportunities, it is also a high-risk one that requires the formation of a strategic vision of the future for each of the regional

(national) markets. At the same time, in recent years there has been a multiple increase in threats to the external environment due to macroeconomic and geopolitical factors. Under these conditions, it is necessary to transform approaches to identifying opportunities to enter new international markets [West, Ford, Ibrahim, 2015].

From the most general positions, the strategic analysis of the company's external environment is the process of studying and evaluating factors outside the company and influencing its activities. It helps the company to understand what opportunities and threats the external environment presents for its business, as well as what trends and changes are taking place in the industry in order to make effective strategic decisions.

The external environment can be divided into several categories [Grant, 2021]:

1. Economic environment – includes inflation, unemployment, exchange rates and other economic factors that may affect the company's income and expenses.
2. Technological environment – includes new technologies that can change the way products are produced and distributed.
3. Political environment – includes government laws, taxes and regulations that may affect the company's business.
4. Social environment – includes demographic factors such as age, gender and education of the population, which may affect the demand for the company's products.
5. Ecological environment – includes changes in the environment that may affect the production and distribution of the company's products.

Let us determine the significance of these factors for the type of business under study.

Obviously, for the activities of an Internet company when entering new national markets, the most significant is the political environment that determines the institutional environment.

Currently, in many countries there is legislation that prohibits access to personal data of citizens of foreign companies and their storage on servers physically located outside the country. Russia is one of those countries. Thus, when entering the Russian market, Internet companies must either use the server storage of local companies or plan significant investments in the development of their activities. Thus, political factors determine the very possibility of foreign Internet companies entering the market.

The factor of the technological environment is no less significant, since for the organization of the activities of Internet companies it is necessary that a significant part of the population has access to high-speed access to the Internet, 4G or 5G format. In Russia, hard-to-reach remote territories account for up to 70 percent of the entire area of the country. In some of them, there is currently no access to the Internet and the digitalization process, despite the fact that it is actively developing, still does not cover all settlements.

The level of investment and profit, as well as the availability of all types of resources, is determined by economic and social factors. The environmental factor is less significant, since the activities of Internet companies are not actually related to the problem of environmental pollution and do not use natural resources for their activities.

Thus, for the strategic analysis of the activities of Internet companies, the following factors are key:

- political and technological – determine the possibility of entering the market;
- economic and social – determine the possibility of access to resources, the level of investment and profit.

To conduct a strategic analysis of the company's external environment, various tools can be used, such as SWOT analysis, PEST analysis, competitive environment analysis, etc. As a result of the analysis, the company can determine its competitive advantages and disadvantages, as well as choose the most effective business development strategy.

1. SWOT analysis – allows you to identify the strengths and weaknesses of the company, as well as the opportunities and threats of the external environment.

2. PEST analysis – analyzes the political, economic, social and technological factors that may affect the company's business.

3. Analysis of the competitive environment – analyzes the company's competitors, their strengths and weaknesses, as well as the strategies they use.

4. Analysis of macroeconomic factors – analyzes macroeconomic trends such as inflation, unemployment, exchange rate, etc.

5. Analysis of demographic factors – analyzes demographic trends such as age, gender and education of the population.

6. Analysis of environmental factors – analyzes changes in the environment, such as climate change, environmental pollution, etc.

7. Analysis of government regulations - analyzes laws and regulations that may affect the company's business, such as tax regulations, labor protection regulations, etc.

According to the author, the most significant method for analyzing political and technological factors is PEST-analysis, which makes it possible to identify the impact of a complex of factors. However, in the case of an analysis of an Internet company entering the international market, it must be carried out taking into account the ranking of the significance of these factors.

The results of the strategic analysis should ultimately include the following:

- analysis of the market and competitors to determine their niche in the market to develop a strategy that will be most effective for this segment;

- definition of the target audience based on the identification of what needs it has. This will help develop products and services that will be most in demand in the market.

- choosing the most promising product to enter the market or creating a unique offer that will allow one to stand out from the competition and attract the attention of the target audience;

- identification of promotion channels that will be most effective for the target audience. These can be social networks, search engines, contextual advertising, etc.

Conclusion

Thus, the field of activity of Internet companies has significant specifics that distinguish it from the real sector of the economy or services. First of all, this refers to the intangible and mass nature of the provision of services. However, carrying out activities in collaboration with other sectors of the economy, the characteristics of the field of activity change significantly. It is shown that the ideas about the specifics of the activities of Internet companies that have developed in the scientific literature do not correspond to reality. As a result of the analysis of the practice of entering the market of Internet companies and expert opinions, it was revealed that the most significant factors in the conditions of instability of the external environment are political and technological factors that determine the possibility of operating in a new national market. Economic and social factors are also very significant and determine the possibilities of access to resources, the level of investment and profit, but they can be attributed to less significant ones. It is shown that in order to take into account all the factors that affect the possibility of entering the international market of an Internet company, they must be ranked in order of importance, determining the possibility of entry and influencing the level of return on investment. At the same time, the results of a strategic analysis should allow us to draw a conclusion about the level of competition, the presence of a target audience, the choice of a product and the identification of channels for its promotion.

References

1. Bala M., Verma D. (2018) A critical review of digital marketing. In: M. Bala, D. Verma (2018). *A Critical Review of Digital Marketing. International Journal of Management, IT & Engineering*, 8 (10), pp. 321-339.
2. Burns P. (2016) *Entrepreneurship and small business: start-up, growth and maturity*. Bloomsbury Publishing.
3. Dzyubenko I.B. (2021) Zakonomernosti i faktory razvitiya vysokotekhnologichnykh bystrorastushchikh kompanii v usloviyakh tsifrovoi ekonomiki [Patterns and factors of development of high-tech fast-growing companies in the digital economy]. *Strategicheskoe upravlenie razvitiem tsifrovoi ekonomiki na osnove umnykh tekhnologii* [Strategic management of the development of the digital economy based on smart technologies], pp. 585-608.
4. Grant R.M. (2021) *Contemporary strategy analysis*. John Wiley & Sons.
5. Katsikeas C., Leonidou L., Zeriti A. (2020) Revisiting international marketing strategy in a digital era: Opportunities, challenges, and research directions. *International Marketing Review*, 37 (3), pp. 405-424.
6. Kozinets N.V. (2015) Evolyutsiya pravovogo regulirovaniya transgranichnoi elektronnoi trgovli v zakonodatel'stve SShA [Evolution of the legal regulation of cross-border e-commerce in US law]. *Aktual'nye problemy rossiiskogo prava* [Actual problems of Russian law], 9(58).
7. Mathews S. et al. (2016) Internet marketing capabilities and international market growth. *International business review*, 25 (4), pp. 820-830.
8. Shen H. (2018) Building a digital silk road? Situating the internet in China's belt and road initiative. *International Journal of Communication*, 12, pp. 19.
9. West D.C., Ford J.B., Ibrahim E. (2015) *Strategic marketing: creating competitive advantage*. Oxford University Press, USA.
10. Yampol'skaya D.O., Starostin V.S., Koimur A. (2016) Elektronnyi marketing kak instrument soprovozhdeniya kompanii pri vykhode na vneshnii rynek [Electronic marketing as a tool to support the company when entering the external market]. *Vestnik universiteta* [Bulletin of the University], 11, pp. 237-243.

Стратегический анализ при выходе на международный рынок интернет-компаний в условиях кризиса внешней среды

Ян Фань

Магистрант,
Российский университет дружбы народов,
117198, Российская Федерация, Москва, ул. Миклухо-Маклая, 10;
e-mail: 1032208765@rudn.ru

Раджу Мохаммад Камрул Алам

Кандидат экономических наук
Старший преподаватель
Российский университет дружбы народов,
117198, Российская Федерация, Москва, ул. Миклухо-Маклая, 10;
e-mail: radzhu-mokhammad-k@rudn.ru

Аннотация

В статье показано, что сфера деятельности интернет-компаний имеет существенную специфику, отличающую ее от реального сектора экономики или услуг. В первую очередь это относится к нематериальному и массовому характеру предоставления услуг. Однако, осуществляя деятельность в коллаборации с другими сферами экономики, характеристика сферы деятельности существенно меняется. Показано, что сложившиеся в научной

литературе представления о специфике деятельности Интернет-компаний не отвечают действительности. В результате анализа практики выхода на рынок интернет-компаний и экспертных мнений было выявлено, что наиболее значимыми факторами в условиях нестабильности внешней среды являются политические и технологические факторы, определяющие возможности осуществления деятельности на новом национальном рынке. Экономические и социальные факторы также являются весьма значимыми и определяют возможности доступа к ресурсам, уровень инвестиций и прибыли, однако их можно отнести к менее значимым. Показано, что для учета всех факторов, оказывающих воздействие на возможности выхода на международный рынок интернет-компаний, их необходимо ранжировать по значимости на определяющие возможность входа и воздействующие на уровень окупаемости инвестиций. При этом, результаты стратегического анализа должны позволять делать вывод об уровне конкуренции, наличии целевой аудитории, выбора продукта и определения каналов его продвижения.

Для цитирования в научных исследованиях

Ян Фань, Раджу Мохаммад Камрул Алам. Strategic analysis during Internet company's entry into the international market in a crisis of the external environment // *Ekonomika: vchera, segodnya, zavtra* [Economics: Yesterday, Today and Tomorrow], 13 (3A), pp. 853-858. DOI: 10.34670/AR.2023.13.21.097

Ключевые слова

Интернет-компания, внешняя среда, международный рынок, стратегический анализ, институциональные ограничения.

Библиография

1. Дзюбенко И.Б. Закономерности и факторы развития высокотехнологичных быстрорастущих компаний в условиях цифровой экономики // Стратегическое управление развитием цифровой экономики на основе умных технологий. 2021. С. 585-608.
2. Козинец Н.В. Эволюция правового регулирования трансграничной электронной торговли в законодательстве США // Актуальные проблемы российского права. 2015. № 9(58).
3. Ямпольская Д.О., Старостин В.С., Коимур А. Электронный маркетинг как инструмент сопровождения компании при выходе на внешний рынок // Вестник университета. 2016. № 11. С. 237-243.
4. Bala M., Verma D. A critical review of digital marketing // M. Bala, D. Verma (2018). A Critical Review of Digital Marketing. International Journal of Management, IT & Engineering. 2018. Vol. 8. No. 10. P. 321-339.
5. Burns P. Entrepreneurship and small business: start-up, growth and maturity. Bloomsbury Publishing, 2016.
6. Grant R.M. Contemporary strategy analysis. John Wiley & Sons, 2021.
7. Katsikeas C., Leonidou L., Zeriti A. Revisiting international marketing strategy in a digital era: Opportunities, challenges, and research directions // International Marketing Review. 2020. Vol. 37. No. 3. P. 405-424.
8. Mathews S. et al. Internet marketing capabilities and international market growth // International business review. 2016. Vol. 25. No. 4. P. 820-830.
9. Shen H. Building a digital silk road? Situating the internet in China's belt and road initiative // International Journal of Communication. 2018. Vol. 12. P. 19.
10. West D.C., Ford J.B., Ibrahim E. Strategic marketing: creating competitive advantage. Oxford University Press, USA, 2015.