ENTRY OF FURNITURE INDUSTRY
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Abstract
The main intention of this work is to identify and to analyze the elements of the strategic models of entry to the international markets that can follow the companies SMEs of manufacture of the furniture industry in the municipality of San Martín Hidalgo that may follow SMEs involved in manufacturing furniture industry in order to contribute to the development of a strategic model of entry to foreign markets of the Mexican domestic enterprises. The used method is an analytical approximation both of the models and of the theories that contribute a frame of reference to this end. The principal conclusion is that of three analyzed models, which more are adapted are the model Uppsala since it provides the best frame of reference that there can be implemented by the companies that belong to the furniture industry of the municipality of San Martín de Hidalgo, Jalisco to create better entry strategies to the international markets.

Key words: Internationalization, SME’s, strategies.

1. Introduction
The internationalization strategy is the most complex than any company can deploy. The increasing globalization of markets may become increasingly necessary to expand small and medium enterprises that have focused on national markets. Internationally, the furniture industry sector contributes 30% of total exports. Most of the Mexican foreign trade for the last fifteen years has been with our largest trading partner, the United States. In 1990, 95% of exports of wood and their manufactured articles were heading to the United States (Maslatón, 2005). According to statistics published by the National Institute of Statistics, Geography and Informatics (INEGI) and the Ministry of Economy, the Mexican furniture industry, including furniture repair, plays an important role in Mexico’s manufacturing sector for their contribution to the gross domestic product GDP (1.8% of the manufacturing industry in 2010) and their ability to create jobs (3.2% of the manufacturing industry in 2012).

With growing competition, some companies have made significant branch modernization efforts that have allowed them to increase their competitiveness and be incorporated successfully to export markets. Already in 1995 the furniture industry and the federal government agreed to a set of measures and actions oriented to comprehensively strengthen the competitiveness of the industry. The Bank of Mexico reports that Mexican industry for 2000 the Mexican furniture industry reached 2,864 million in US dollars in exports, which represents a growth of 19% over the past four years.

So the importance of being able to apply a strategic model for Mexican furniture industry is the aim of this work. It aims to identify and analyze the elements of strategic models of entry into international markets that can guide SMEs manufacturing companies in the furniture industry, all located in the town of San Martín de Hidalgo, Jalisco. Thus, this paper aims to develop a model that can be followed by the regional furniture industry and contribute to the improvement of entry strategies.

2. Background
The country occupies a privileged position, because it has one of the largest number of trade agreements. Has preferred access to 42 countries, which together account for 920 million potential consumers. However, these treaties have not been fully exploited, as nearly 90% of exports go to the United States (Bancomext, 2004). The theme of the internationalization of SMEs is recent in the literature and refers primarily to the decision to export. There is a scarcity of such studies concerning exporting SMEs in the furniture industry.

Hence the relevance of research that analyzes the competitive advantages that come with small and medium enterprises in the furniture industry may provide relevant information to

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enable them to succeed positioning and have presence internationally by improving their decision-making processes.

3. Justification

Whereas in the town of San Martin de Hidalgo, Jalisco, productive potential exists in furniture making that provides for the opportunity to develop a model that allows these small companies to have adequate internationalization processes in order to enable products to reach to their different markets and not only the United States and Germany. Learning from other municipalities like Ocotlán can support the objective of this work and possibly make a model can that be replicated by a larger number of companies.

4. Hypothesis

Table 1. Deployment of variables and indicators of research

<table>
<thead>
<tr>
<th>Variable</th>
<th>Description</th>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>X</td>
<td>Internationalization process of SMEs</td>
<td>Information from various sources Theory on the internationalization</td>
</tr>
<tr>
<td>Y</td>
<td>Model input and strategic international markets.</td>
<td>Main countries with a potential market Furniture styles Raw material required</td>
</tr>
</tbody>
</table>

A. General hypothesis

Ho. = X0 - Y0

The internationalization process of SMEs contributes to the development of a strategic entry into international markets.

5. Research goal

A. General objective

To develop a strategic model of international market entry SMEs furniture manufacturing industry in the town of San Martin de Hidalgo, Jalisco, depending on the internationalization of SMEs.

B. Specific objectives

• Obtain information from secondary sources to help identify the relevant elements of the different major models of internationalization.
• Identify potential markets internationally to export the products manufactured by the furniture SMEs companies in the municipality of San Martin de Hidalgo, Jalisco.
• Analyze the processes of internationalization obtained from different sources to adapt to the present study.
• Designing international promotion strategies for companies in the municipality of San Martin de Hidalgo, Jalisco aimed to positioning within the identified potential markets.
• Implement a work plan to improve administrative processes leading to the furniture companies in the the municipality of San Martin de Hidalgo, Jalisco to acquire these best practices and give them a structural platform to expand into foreign markets.
• Determine the installed capacity of furniture SMEs of the municipality of San Martin de Hidalgo, Jalisco to establish the level of supply that can achieve to analyze if they can meet the demand of the identified potential markets. Also set furniture styles that will be exported to different countries.

6. Conceptual and theoretical frameworks of internationalization

A. concepts

Villarreal (2005) defines the internationalization of business companies as a corporate strategy of growth through international geographic diversification and through an evolutionary process and long-term dynamics that gradually affects different value chain activities and organizational structure of the company. The business companies develop a growing commitment and involvement of their resources and capabilities with the international environment, and knowledge-based augmentative.

B. Theoretical framework of internationalization

Internationalization theory is rooted in the ideas of Coase (1937), who postulated that the expansion of the size of the companies reflected the fact that the cost of using the market could be avoided or reduced through the internationalization of certain transactions, such as research, marketing and recruitment, among others. So while costs were more expensive of the market, companies have greater incentives to expand, in order to internalize costs and through them, decrease them.

Somehow, the possibility of reducing such costs through its internalization explains the growth of transnational corporations, because if nationals are higher, companies tend to expand their production operations outside its borders. It is then when arise multinational companies and the FDI starts flowing into new markets. In recent years, the theory of internalization has built a powerful analytical tool to improve understanding of the investment activities of multinationals (Buckley, 1988, Buckley and Casson, 1998).

Johnson and Vahlne (2009) speak of this trend in an article significantly subtitled “the responsibility of foreign origin to outsidership responsibility” in which they review the new model Uppsala internationalization process published in 1977. They posit that this type of internationalization is best understood as a product of a firm’s efforts to improve its position in the network or networks. Using a business network view Covelli and Munro (1999), and Johnson and Vahlne (2009) argue that the challenges faced by firms in complex international companies and also the possibilities that they can
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Enjoy is less a matter of a country specificity than regarding the specificity of the relationship. Rather provocatively, they write on the difficulties and rewards of international firms.

The main focus of the Uppsala model is to consider that a large number of companies started its operations in its home market, with the internationalization of its operations direct result of a series of incremental decisions. The starting point of this model indicates that the stages of internationalization should be considered as a global process. Thus, the model states that the company goes through four stages in the penetration of a foreign market:

- a. Exports sporadic.
- b. Export through independent representatives.
- c. Establishment of commercial branches abroad.
- d. Establishment of production units abroad.

The model predicts that in a particular country, the company will gradually increase the resources committed to the same as it gains experience of the activities in that market (Johanson and Vahlne, 1990).

The model of the product life cycle explains why the process of internationalization of companies develops over several stages, starting with strategies that require less commitment of resources to end with those requiring greater commitment in terms of function of the phase where the focus is on the product offered.

7. Entry strategies for international markets

A. Theoretical framework of entry strategies

The choice of the form of entry into a foreign market is one of the critical strategic decisions facing the company that has decided to internationalize, as it will define the degree of commitment to development and international marketing strategies and exert a significant influence in its business success. Thus, this choice depends largely on the ability to choose product strategies, pricing, etc. Consequently, it will determine the amount of work in international marketing that needs to be made by the company (Jiménez, 2007).

Once the company decided to be international, must assess, on the one hand, the attractiveness of the markets where it intends to enter and select those that guarantee certain chance of success. That is to decide which markets to enter, and secondly, the firm must decide what form or entry mode must use in that market. In practice, according to Sallenave (1990), both decisions are taken jointly and interactively. Deciding which markets to enter further involves the decision to enter certain countries, to concentrate or disperse forces in many countries, which will determine the decision on which method to use.

By contrast, participation in one or two markets, mainly in the early stages of the internationalization process, allows greater freedom of choice of entry strategies. Nieto Churrucu & Llamazares (1995) define indirect exports as domestic sales, as all marketing tasks are implemented by other companies or organizations. These intermediaries are located in the same market of the exporter, responsible for export tasks on behalf of the company, or buying and reselling in foreign markets on their own. The exporter delegates all international marketing activities to the intermediary, other than amendments necessary to market the product in other markets.

There is agreement in the literature regarding the cooperation strategy allows companies to achieve certain goals that could not address operating individually. Depending on the classification of Jarrillo and Martínez Echezárraga (1991), strategic alliances are considered as those that do not involve property or create a new organization, to the Piggy-Back operations, licensing, strategic alliances and franchises. And as alliances involving property and create a new entity: the Joint-Ventures and export consortia.

A. Strategic alliances

Strategic alliances are considered as horizontal cooperative agreements, and strategic networks as vertical cooperative agreements. Exporting is the most common strategy to penetrate foreign markets. In general, exporting is the first step that companies give in the long process of internationalization. It is the strategy that involves less risk and effort, because it avoids many of the fixed costs of doing business abroad. Also, exporting is the one that generally has greater support on the part of governments and involves producing goods in the local market and sell them in foreign markets. It does come in different forms, the distinction being more generic differentiation between direct and indirect exports (Jiménez, 2007).

When analyzing the term internationalization, one of the key words behind the definition is strategy. This explanation is more a way to show the cooperation between companies and reflects the mutual interest in sharing joint projects. Although not very specific about the elements, it is inferred that these future activities are based on a relationship of interests and needs. Related to this point, Teengen (1989) believes that alliances are partnerships between two or more companies, company or government and state owned enterprises (SOEs) more durable than simple market transactions. Strategic alliances take the form of some kind of subcontracts as subsidiaries, buy-back, counter trade, licensing, franchising, technology transfer, outsourcing and joint venture.

B. The joint ventures

These alliances are relatively recent, dating from the seventies
and prevalent today for success. The joint ventures (JVs) are according to Arellames () a meeting of forces between two or more companies of the same or different countries, in order to perform a specific operation, industrial, commercial, insertion, production or foreign marketing. The JVs are a type of strategic alliances between firms usually given and based on cooperation to increase opportunities to meet their needs, achieve their goals, and more efficiently meet the challenges of globalization. Cooperation between the merging companies has several causes to explain the following theories.

Johanson and Mattsson (1988) argue that as firms internationalize, the number of actors that have to interact through the network increase and enhance close relationships among them. The company establishes and develops positions on foreign markets depending on their characteristics, as they are different if the company is highly internationalized or not, and the degree of internationalization of the network to which it belongs.

Among the approaches, there is a phenomenon known as Born Global or International New Ventures (INV), newly established international companies. Under this internationalization phenomenon it occurs with a dynamic character that analyzes small and medium enterprises deciding to internationalize. The choice of the form of entry into a foreign market is one of the critical strategic decisions facing the company that has decided to internationalize, as it will define the degree of commitment to development and international marketing strategies and exert a significant influence in its business success. Thus, this choice depends largely on the ability to choose product and pricing strategies. Consequently, it will determine the amount of work on international marketing that the company will need to do.

Once the company decides to be international, must assess, on the one hand the attractiveness of the market that intends to entry and select which aims to ensure that certain chance of success, thus to decide which markets to enter, and secondly, it must be decided the form or entry mode to be use in that market. In principle, there are three generic ways of accessing foreign markets: Export, license or make own investments directly. In practice, these different subtypes show alternatives being difficult to define a method where it ends and another begins.

In direct export activities, the exporter sells directly from the home market of origin to an importer, agent, distributor or final buyer located in a foreign market. The responsibility and international sales activities remain in the hands of the exporting company or a marketing organization located in the foreign market. In these cases the final contact with the consumer still are performs these local agents (Czinkota and Ronkainen, 2002).

8. Importance of the furniture sector in Mexico

Disclosed is a study that provides a diagnosis of the Mexican furniture industry, published in the Magazine "Sector Mueblero" (Year 1, No. 4, July 2003). The furniture industry in Mexico is considered relatively young, with little resistance to change and style. However, to stay in the domestic market and be in a position to compete in the international market, the furniture sector needs to improve its production processes in terms of finish and functionality of products, develop designs and marketing channels (Bancomext, 2003).

The main purpose of this work is to analyze employing the descriptive method of models and theories about the process of internationalization of SMEs contributing to the development of a strategic model of entry into international markets for the furniture industry located in the Municipality of San Martin de Hidalgo, Jalisco.

9. Object of study

In order to know the geographical, physical, economic and transport links including the manufacturing of furniture manufacturing business of San Martin de Hidalgo, this information has been accessed from 2009 INEGI economic censuses.

A. Geographic location

San Martin de Hidalgo is located in the central region of the state. The municipality is bordered on the north by the municipalities of Ameca, Tala Teuchitlán and on the east by the municipalities of Tala, Cocola Villa Corona and on the south by the municipalities of Cocola and Tecolotlán, west with the municipalities of Tecolotlán and Ameca.

B. Map of the municipality of San Martin de Hidalgo, Jalisco.

![Figure 1. Map of the municipality of San Martín Hidalgo. Fuente obtenida de INEGI (2009). Censos económicos.](image-url)
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C. Secondary sector: Manufacturing
San Martín de Hidalgo, Jalisco has 20 affordable companies in the furniture industry. As a matter of example, and to give an idea, here are depicted two business units.

Table 1. Sample of manufacturing companies and general characteristics

<table>
<thead>
<tr>
<th>Company</th>
<th>Mueblería Julio</th>
<th>Muebles Peña</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year of foundation</td>
<td>2000</td>
<td>1964</td>
</tr>
<tr>
<td>Size of the enterprise</td>
<td>Small enterprise counts having 11 workers</td>
<td>Small enterprise counts with 15 workers</td>
</tr>
<tr>
<td>Market segment</td>
<td>Home furniture</td>
<td>All general consumers and have not specific market.</td>
</tr>
<tr>
<td>Type of manufactured furniture</td>
<td>Manufacturing all types of furniture</td>
<td>Manufacturing all types of furniture, kitchens, bedrooms, closets, etc</td>
</tr>
<tr>
<td>Distribution channels</td>
<td>Branch and own trasport</td>
<td>Branches for sales</td>
</tr>
<tr>
<td>Time exporting</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>Market</td>
<td>Regional</td>
<td>Regional</td>
</tr>
</tbody>
</table>

Source: Own elaboration based on data of companies.

10. Proposed strategic model for the furniture industry
Much of the success in the international activities of the furniture companies lies in an appropriate strategic direction of its internationalization process. The model of strategic direction for the internationalization of the industry considers furniture business growth as the basic objective.

Based on the need for a business model to help address the stages of the internationalization process, and the theories reviewed and based on the Uppsala internationalization model, it is proposed a model of internationalization strategies suitable for the furniture industry located in the municipality of San Martín de Hidalgo and thus to achieve growth and entry into new foreign markets.

In addition to the stages of the Uppsala model approach for internationalization which are sporadic exports, export via independent representatives, establishing overseas trade branches and establishment of production units abroad, the author proposes a model that includes a preliminary decision to sell abroad. The first important strategy in this model is that the furniture industry should make the decision to sell abroad, based on considerations of cost and economic benefits for growth in developing markets that present opportunities for its product.

The furniture industry can venture into foreign markets opting for export. Given that the furniture industry has no export experience, the proposal is to link with public or private exporters. Indirect exports can be conducted through sales agents, wholesalers’ purchases that stores or sells to other wholesalers. If the company wants to export directly, it requires a direct seller to promote and make sales at international fairs and also it has alternatives of different modes, such as to internationalize through electronic commerce as it is a new innovative process on the web where the company would conduct its own Internet marketing, making a website, which customers in different countries are bound to order the product, translating the site in at least two languages.

Another proposed strategy is to determine the characteristics of the environment facing the company and their own abilities and skills. Also to do a structural analysis and internal and external dimensions that competes. This process model and strategic direction for the furniture industry internationalization have alternatives. The company should consider the strategy of location advantage to select the country taking into account market threats and opportunities. The model assumes the component of control and guides the international activities of the company.

The first step that involves the physical presence of the company in the foreign country is to activate a branch. This model rises to make an optimal choice of internationalization strategies requiring addressing the interpreting of the conditions and positioning of the company within the global context as possessing great leadership skills and decision-making power.

11. Results and conclusions
Considering that the main objective of this research is to develop a method for the development strategies of the furniture industry in the town of San Martín de Hidalgo, which may serve as entry strategy to international markets, primarily in the production of furniture, for contribution to the development of furniture enterprise competitiveness. The empirical model here proposed may be useful for the SMEs in the furniture industry located in San Martín Hidalgo to begin a process of internationalization, the next big step.

Assuming that there is a dearth of empirical studies on internationalization, especially in countries that are entering into a phase of industrialization and trade liberalization, as is the case of Mexico, is relevant to conduct further research to obtain information on the application of theory to cases individuals.

References
1. Arellanes ()