

How SMEs Develop International Markets

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Abstract: With the acceleration of the globalization process and the intensification of market competition, SMEs are gradually realizing that the development of international markets is crucial to their future development. However, due to their relatively limited capabilities, SMEs face many challenges in the process of international market development, including financial and resource constraints, asymmetric market information, legal and policy barriers, cultural differences and language barriers. In response to these challenges, SMEs' internationalization requires identifying suitable international markets, customizing product and marketing strategies, ensuring product quality and compliance, cross-border cooperation and resource integration, and establishing reliable logistics and supply chain systems.

Keywords: Small and medium-sized enterprises, International market, Opportunities and challenges.

1. Introduction

With the rapid development of global trade and economy, SMEs are receiving increasing attention in international market development. SMEs play an important role in economic activities around the world, not only contributing significantly to national economic growth, but also creating a large number of opportunities for employment. However, compared to large multinational corporations, SMEs face many challenges in the international market [1].

First, SMEs are usually constrained by limited resources and capabilities. They often lacked adequate financial, human, technological and market information support, which made it difficult for them to compete with large enterprises. Second, SMEs face the dilemma of asymmetric market information in the international market. Due to a lack of relevant experience and expertise, they have relatively little knowledge about the needs of their target markets, their competitors and the size of the market, which creates uncertainty and risk for them. Thirdly, legal and policy barriers are also one of the factors hindering SMEs' international market development. Differences in laws, tax policies, trade barriers and intellectual property protection between countries make SMEs face a complex regulatory environment when entering new markets [2]. Fourth, cultural differences and language barriers are also challenged that SMEs need to overcome in the process of international market development. Cultural habits, values and business practices may differ significantly across countries and regions, while language barriers may prevent SMEs from communicating and interacting effectively with customers [3]. Fifth, brand awareness and reputation building of SMEs are also difficulties in international market development. Compared to large firms, SMEs often lack globally recognized brands and reputations, which makes them face trust and recognition problems when entering international markets.

Therefore, in order to promote international market development for SMEs, it is necessary to study in depth the challenges faced by SMEs and to propose corresponding strategies and measures. Through targeted support and policy advocacy, SMEs will be able to make better use of their advantages and actively engage in international trade to

achieve sustainable growth and globalization. This study therefore aims to provide guidance and recommendations on how SMEs can develop international markets in order to facilitate their participation in the globalization process and promote economic prosperity and sustainable development.

In view of this, this paper analyses in detail the challenges faced by SMEs in international market development, gives strategies for SMEs' international market development, and introduces internationalization experiences by borrowing several case companies.

2. Challenges of International Market Development for SMEs

2.1. Funding and resource constraints

SMEs usually face limited financial and human resources [4].

Any company may need to invest a large amount of money in market research, product development, brand promotion, marketing activities, etc., in the process of international market development. Compared to large enterprises, SMEs often have difficulty in obtaining sufficient financing and loan support, which limits their mobility in international market development. International market development also involves establishing co-operative relationships with foreign customers, carrying out cross-border logistics and payments, etc., all of which require additional capital investment. For SMEs with limited capital, these additional costs may increase business risks and financial pressure.

In terms of human resources, SMEs may lack talents with experience in international market development and foreign language communication skills [4], which will affect their ability to communicate and co-operate with overseas customers.

2.2. Market information asymmetry

Market information asymmetry refers to the fact that in international markets, SMEs may lack accurate knowledge and comprehensive information about the target market relative to large and local firms [5]. This information asymmetry may involve market demand, consumer preferences, competitive landscape, laws and regulations.

Market information asymmetry has many effects on the international market development of small and medium-sized enterprises. (1) Misjudging market demand. Due to the lack of accurate market information, SMEs may not be able to fully understand the needs and trends of the target market, resulting in inaccurate positioning of products or services that fail to meet the actual needs of consumers, and thus making it difficult to build up a stable market share. (2) Struggle against the competition. Information asymmetry makes it difficult for SMEs to understand the competitive landscape of the target market, and the strengths and strategies of major competitors. This restricts SMEs from making correct decisions on market positioning, pricing strategies, etc., and increases competitive pressure. (3) Unknown legal and regulatory restrictions. In the international market, there are various laws and regulations in different countries and regions, involving product access, intellectual property protection, and business practices in the target market. Due to information asymmetry, SMEs may not be able to fully understand and comply with the relevant regulations, and thus face marketing risks and legal disputes.

2.3. Legal policy barriers

It is an important challenge for SMEs to face legal and policy barriers in the process of international market development [6].

(1) The complexity of laws and regulations. A variety of different laws and regulations exist in different countries and regions, covering product access, intellectual property protection, labour regulations, and so on. SMEs may face difficulties in understanding and complying with these regulations. (2) Access restrictions and approval processes. Certain countries and regions impose access restrictions on foreign firms, for example, by setting up industry access thresholds, requiring joint ventures or authorizations, and so on. These restrictions may pose obstacles to SMEs' international market development, increase the cost and risk of market entry and take up SMEs a lot of time and resources. (3) Intellectual property protection. Intellectual property protection is an important legal and policy obstacle for SMEs in international market development. Some countries and regions do not have a high level of protection of intellectual property rights, and there are problems of infringement and piracy. This poses a risk to SMEs' technological innovation and brand building, and limits their room for development in market competition. (4) Taxation and financial regulations. Differences in tax systems and financial requirements in different countries and regions may increase financial costs and management complexity for enterprises, and regulation of cross-border transactions and financial flows may also limit the growth of SMEs' international business.

2.4. Cultural differences and language barriers

Cultural differences and language and writing barriers are two important challenges for SMEs in the process of international market development [7]. These challenges not only affect SMEs' effective communication with potential customers, partners and local governments, etc., but also have a profound impact on business co-operation and marketing activities.

Differences in cultural backgrounds, values and customs in different countries and regions can have a direct impact on business exchanges and the establishment of cooperative relationships. For example, in some cultures, business negotiations emphasize personal relationships and trust, while

in other cultures, result orientation and contractual spirit are more important. If SMEs fail to understand and adapt to the local culture, this may lead to misunderstandings, bad impressions or even a breakdown in cooperation. Different countries and regions use different languages, and language differences make business communication difficult. Challenges that SMEs need to face include verbal communication, translation of written documents and understanding of local business terminology. Without the ability to overcome language barriers, SMEs may encounter difficulties in negotiations, contract signing and marketing.

2.5. Brand awareness and reputation building

Small and medium-sized enterprises (SMEs) face a series of challenges in the process of international market development, of which brand awareness and reputation building are two very important aspects [8].

Building brand awareness is a difficult task for SMEs. Compared to large multinationals, SMEs have less exposure in the international market, making it more difficult for target customers to understand and remember their brands and products. As a result, SMEs need to put in more effort to increase brand awareness. This includes actively participating in industry exhibitions, events and social media, and expanding brand exposure through online and offline promotions to increase brand awareness in target markets.

Establishing credibility is key for SMEs to win the trust of their customers and partners in international markets. Credibility is the reputation and image of an enterprise, and it is one of the important considerations for customers when making decisions on purchases or cooperation. SMEs can build credibility in the international market in a number of ways, such as providing high-quality products and services and responding positively to customer feedback and complaints.

SMEs face branding challenges from competitors in international markets. Large multinational enterprises (MNEs) usually have large market shares and strong brand influence, which pose competitive pressure on SMEs. To break through this challenge, SMEs can differentiate themselves from their competitors through differentiation strategies to create their own unique brand image and value proposition. For example, it focuses on product innovation and personalization to provide more flexible and efficient customer service. In addition, SMEs can enhance their recognition and image in their target markets by partnering with local businesses, non-profit organizations or communities.

In terms of brand awareness and credibility building, SMEs can use a range of marketing strategies and tools, such as market research, market positioning, branding and social media marketing. Besides, active participation in industry organizations, chambers of commerce and exhibitions is an effective way to increase SMEs' exposure and credibility in their target markets.

3. Strategies and Practices for SMEs' International Market Development

3.1. Positioning and target market selection

Positioning and target market selection are very important strategic steps for SMEs in the process of international market development. Correct positioning and target market selection can help enterprises to make the best

use of their limited resources, improve their market entry success rate and achieve sustainable growth.

First, positioning refers to determining the position and competitive advantage of an enterprise in the international market. SMEs should do a good job of positioning in the following areas. (1) Product or service positioning: Define the characteristics, core competencies and differentiating advantages of the products or services offered by the enterprise. By positioning the unique value proposition of a product or service, SMEs can attract customers in the target market and differentiate themselves from competitors. (2) Customer Positioning: Understand the needs and preferences of customers in the target market and identify the most promising customer groups. SMEs can use market research, data analysis and customer feedback to understand customers in the target market and then target marketing activities and product customization. (3) Market Positioning: Determine the geographical scope and characteristics of the target market, and select the market with potential and suitable for enterprise development. SMEs can consider the size, growth rate, degree of competition, regulatory environment, cultural differences and other factors of the target market, and choose the market that is most in line with their own strength and development strategy.

Secondly, target market selection is the screening and prioritizing of markets identified on the basis of the enterprise's positioning. SMEs can follow the following steps for target market selection. (1) Market assessment: Evaluate the potential market, including market size, growth trends, competition, consumer demand, etc. Through market assessment, SMEs can identify markets with potential and opportunities. (2) Competition analysis: To understand competitors and their strengths in the target market, and to assess the enterprise's competitive position and opportunities in that market. Through competitor analysis, SMEs can look for positioning points and market gaps that are different from those of their competitors and avoid direct head-to-head competition with large competitors. (3) Cultural and regulatory considerations: Consider factors such as the cultural background, laws and regulations, and political environment of the target market. SMEs should comply with local laws and regulations and consider the impact that cultural differences may have on product customization, marketing and sales models. (4) Feasibility assessment: Comprehensively consider the enterprise's resources, strengths and market access feasibility, and select the most promising and implementable target market. SMEs should ensure that they have sufficient resources and capabilities to develop the target market and formulate corresponding marketing and sales strategies.

At the positioning and target market selection stage, SMEs can make use of resources such as professional market research institutes, chambers of commerce and industry associations to conduct market research and analysis and obtain key market information and insights to make more informed decisions.

3.2. Customization of products and services

Customization of products and services is an important strategy and practice for SMEs in international market development. By personalizing their products and services to address the characteristics and customer needs of different international markets, SMEs can improve their market competitiveness, satisfy their customers' needs and succeed in

international markets.

Customized products and services can be described according to the following aspects: (1) Market research and analysis: SMEs need to have an in-depth understanding of consumer needs, preferences and behavioral habits in the target market. Through market research and analysis, they can understand the cultural background, consumption habits, competition and other factors of the target market, so as to determine the direction of customization of products and services. (2) Product customization: SMEs can customize the design and functional adjustments of their products according to the needs of consumers in different international markets. For example, electronic products sold in different regions can consider adapting to local voltage specifications and plug types; food and beverage companies can adjust product formulations and packaging according to local tastes and dietary preferences. (3) Service customization: In addition to product customization, SMEs can also provide personalized after-sales services to meet customer needs. For example, to accommodate cultural differences in different countries and regions, companies can provide multilingual customer service hotlines or online customer service for better communication and support with customers. (4) Logo and brand communication: SMEs can customize their corporate logo and brand image according to the characteristics of their target market. For example, modifying the color, shape or pattern of the corporate logo to match the aesthetic habits of the local culture; adjusting the branding campaigns and advertising language for different markets to better integrate into the target market. (5) Partner and channel customization: In the process of international market development, SMEs can establish cooperative relationships with local partners to achieve product and service customization through the partners' resources and channel advantages. Partners can provide local market insights and promotion channels to help SMEs better adapt to and meet the needs of the target market.

3.3. Marketing and branding

Marketing and branding are very important strategies and practices for SMEs in international market development. Through precise positioning and target market selection, as well as innovative marketing and branding, SMEs can increase their visibility, expand their customer base, maintain their brand image and succeed in international markets.

The following are some specific strategies and practices in marketing and branding for SMEs. (1) Market positioning and target market selection: SMEs should select the international market that best suits their development based on their own strengths and resources, and determine a marketing strategy suitable for that market. At the same time, the enterprise should clarify the characteristics and differentiation advantages of its own products or services and take them as the key to market positioning. (2) Brand positioning and brand value proposition: SMEs need to clarify their brand positioning and brand value proposition, and establish their brand image and brand culture. SMEs can integrate their core strengths and product characteristics into brand building to form a unique brand image and brand story, thus improving brand awareness and brand loyalty. (3) Market publicity and promotion: SMEs can carry out market publicity and promotion in a variety of ways, including advertisements, promotions, public relations, social media and so on. For different markets and customer needs, SMEs can choose appropriate marketing channels and methods to increase

market exposure and product sales. (4) Brand protection and upgrading: Brand protection and maintenance is an important part of brand building. SMEs should avoid losses caused by intellectual property infringement through intellectual property protection such as patents and trademarks. At the same time, continuous brand upgrading and enhancement of brand image to attract more customers and increase brand value. (5) Partner and channel building: SMEs can establish cooperative relationships with local partners in international market development, and realize the expansion of their products and services through the partners' resources and channel advantages. Partners can provide local market insights and promotion channels to help SMEs better adapt to and meet the needs of target markets.

3.4. Partnerships and alliances

Partnerships and alliances are very important strategies and practices in the process of SME international market development. By establishing close ties with local partners, SMEs can take advantage of local resources and channels, better adapt to local market demand, and achieve product and service expansion. The following are some specific strategies and practices for SMEs in terms of partnerships and alliances in international market development. (1) Finding the right partner: When looking for a partner, it is necessary to consider the strengths and weaknesses of the other party's professional competence, market knowledge, resources and channel advantages, etc., to ensure that the partner is able to provide assistance to SMEs in the target market. (2) Establish a good partnership: Establishing a good partnership is a prerequisite for cooperation. SMEs should maintain close communication and co-ordination with their partners, and solve problems and conflicts in cooperation in a timely manner to enhance the stability and sustainability of the partnership. (3) Formulation of cooperation agreements and plans: Before establishing a partnership, SMEs should formulate detailed cooperation agreements and plans to clarify the rights and obligations of both partners, as well as the specific content, duration and objectives of cooperation. (4) Alliance building: SMEs can establish alliances with other peer enterprises or enterprises in the relevant industrial chain to jointly develop target markets. The alliance can improve the market competitiveness and influence of the whole alliance by means of resource sharing, business synergy and brand promotion. (5) Managing and assessing partnerships and alliances: SMEs should establish an effective partnership management and assessment mechanism, and conduct regular assessments and adjustments of partnerships and alliances to ensure the stability and sustainability of cooperative relationships.

3.5. Participation and cooperation of transnational corporations

SMEs' participation and cooperation with TNCs in international market development can be an effective strategy and practice. Co-operation with TNCs can bring many opportunities, such as sharing TNCs' resources and experience, expanding market channels, and enhancing brand awareness. The following are some specific strategies and practices for SMEs to participate and co-operate with TNCs in international market development. (1) Finding suitable co-operation opportunities: SMEs can take the initiative to look for MNCs related to their own business, especially those with rich experience and resources in the target market. They can learn about and contact potential partners through industry

exhibitions, business exchange activities and professional platforms. (2) Establish strategic partnership: Establishing a strategic partnership with MNCs can provide support and assistance in many ways. For example, sharing market intelligence and channel resources, co-operating in R&D projects, and jointly conducting brand promotion and marketing activities. Both parties can formulate cooperation agreements to clarify their respective rights and responsibilities and jointly pursue long-term cooperation and win-win situation. (3) Learning and drawing on experience: TNCs often have rich international experience and successful cases. SMEs can learn from multinational corporations in terms of market development strategies, brand building methods, supply chain management and other aspects of experience, as well as learn from their advanced management concepts and operational models. (4) Improvement of supply chain and quality standards: To co-operate with TNCs, SMEs must improve their own supply chain and quality standards in order to meet TNCs' requirements for suppliers. This includes providing high-quality products and services, ensuring timely delivery, and ensuring sustainability and compliance. (5) Strengthening communication and cooperation: Effective communication and cooperation with TNCs is the key to successful cooperation. SMEs should maintain close communication with TNCs to understand their needs and expectations, and make corresponding adjustments according to market changes. Both sides can establish regular meetings and communication mechanisms to ensure that information flows smoothly and problems are solved in a timely manner.

3.6. Innovation and technology-driven

Innovation and technology-driven SMEs are a very important strategy and practice in international market development. Through continuous innovation and technological advancement, SMEs can improve their competitiveness and gain more opportunities and benefits in the international market. The following are some specific strategies and practices of innovation and technology-driven SMEs in international market development. (1) Invest in R&D and innovation: SMEs should invest more resources and energy in R&D and innovation. Through continuous innovation, SMEs can come up with more advanced, unique and innovative products and services to meet customers' needs and gain more differentiated competitive advantages in the international market. (2) Carry out technological co-operation: SMEs can actively look for suitable technological partners to jointly carry out technological research and innovation projects. Through cooperation with other enterprises or organizations, SMEs can share knowledge and technology and reduce the costs and risks of conducting R&D and innovation. (3) Establishment of R&D center: SMEs can establish special R&D center to gather talents and resources and focus on research and innovation. By establishing R&D center, SMEs can carry out technological innovation and development more efficiently and improve the success rate of innovation and product quality. (4) Promote intelligent manufacturing: SMEs can promote intelligent manufacturing technology and apply it to their own production and management. Through intelligent production and management, SMEs can improve productivity and flexibility, and reduce costs and resource consumption. (5) Strengthen talent training: SMEs should strengthen talent training and introduction, and attract and retain talents with innovative capabilities and technical expertise. By introducing and

cultivating talents, SMEs can improve their innovation and technology levels and provide strong support for international market development.

4. Conclusion

How SMEs develop international markets is a hot topic in current economic development. By analyzing and summarizing relevant research data, this paper points out the challenges faced by SMEs in internationalization, including financial and resource constraints, market information asymmetry, legal and policy barriers, cultural differences and language barriers. In response to these challenges, this paper argues that SMEs can break through the following practices. (1) Finding suitable international markets. SMEs exploring international markets first need to identify suitable target markets for themselves. Through market research and data analysis, they should determine the target market's demand, consumption habits, cultural background, laws and regulations, and understand and assess their own strengths, so as to avoid mistakes caused by improper market selection. (2) Customized products and marketing strategies. In order to be competitive in the international market, SMEs need to customize and improve their products according to the characteristics and needs of the target market and formulate corresponding marketing strategies. For example, they should adjust product design and quality appropriately, take into account local cultural background and consumer habits, and at the same time actively conduct brand promotion and marketing activities through online and offline channels. (3) Ensure product quality and compliance. SMEs in the international market need to ensure that their products and services comply with relevant local laws and regulations and quality certification standards. By obtaining relevant certificates and accreditations, they can improve the credibility of product quality and enhance the competitiveness of their products in the international market. (4) Cross-border cooperation and resource integration. Through cross-border cooperation and resource integration, SMEs can take advantage of their knowledge, technology and channel strengths and improve their ability and influence to enter the international market by establishing cooperative

relationships with local agents, distributors or manufacturers. For example, SMEs may choose to set up branches or joint ventures in target countries or regions to better develop markets and provide localized services. (5) Establish a reliable logistics and supply chain system. SMEs need to establish a reliable logistics and supply chain system to ensure timely delivery of products in the international market, reduce transport costs and risks, and thus improve customer satisfaction and market competitiveness.

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