

Virtual Office as an E-based Mode of Entry to Foreign Markets Suitable for Small and Medium Companies from Central Europe



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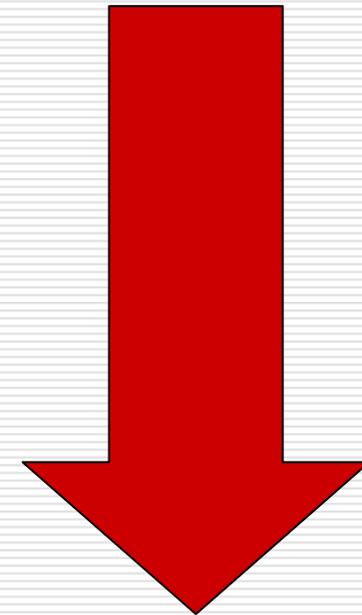
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Outline

- Background
 - Introduction
 - Virtual office as a marketing tool
 - Case studies
 - Summary
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Background

- Small and medium companies are under pressure:
 - Salaries grow relatively fast:
 - Average salary 900 EUR/ month
 - Increased for 10,4 %
- Appreciation of the Czech currency
 - 1999: 1 EUR = 36,882 CZK
 - 2007: 1 EUR = 26,73 CZK
 - Yesterday: 1 EUR = 24,655 CZK
- **Czech SMEs are losing competitiveness**



Competitiveness of Czech SMEs on the European market

□ Strengths:

- Flexible response to market changes
- Individual customer care
- Personal enthusiasm of the owners
- Ability to operate small market segments effectively

□ Weaknesses:

- Capital resources
- Market knowledge
- Main competitive advantage- Price
- Marketing
- Marketing communications
- Advertising

Based on research: EU Entry from the point of view of managers of small and medium companies, University of Economics, Prague, 2004

Introduction

- Relatively young marketing tool
- Almost no interest from researchers
 - Presentation based on my own experience and field research
- Sometimes called mailbox companies
 - Rather negative impression
- Some similarities with call- centers
- Virtual office = specific entry mode to foreign market, marketing communication tool
- Definition of virtual office (outsourced foreign representation of the company)



Virtual office as a marketing tool- how it works?

- ❑ Capital- intensive mode of entry
- ❑ Communications´ tool:
 - Personal selling
 - Public relations
- ❑ Ex: Business Center Regensburg
 - 130 companies from different countries
 - Just 22 offices
 - Back office and call- center service provided by four assistants
 - Main advantage: Cost sharing, cross- cultural knowledge
 - Monthly costs for one company: 79 EUR



Source: Personal interviews with the owner of BCR Mr. Schießl

Case studies

□ Czech Producer:

- Well established producer of wiring systems
- Fully owned subsidiaries abroad
- New concept for German market
- Objective: to overtake existing wholesaler
- Result: Succeeded
- Total costs: 7000 EUR

□ Slovak Service Provider:

- Planning and designing industrial networks
 - Outsourcing solutions
 - Some projects already in the German market
 - Objective: To enter the German market
 - Result: Did not succeed
 - Total costs: 6.000 EUR
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Conclusions

- Virtual office:
 - Mode of entry
 - Marketing communication's tool
 - Market research (market test)
 - Advantages:
 - Lower costs = lower risk
 - Cross- cultural competence and knowledge
 - Direct presence on the foreign market
 - Success factors:
 - Strategy
 - Organization and calculations created in advance
 - Suitable for:
 - Small and medium companies
 - Sectors: B2B, E- business, IT, E- shops....
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Thank you for your kind
attention!



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