



Exporting as a Strategic Option for Institutional Market Penetration into International Markets: Case Study of Condor Company

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Received: 01/02/2025

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Accepted: 19/04/2025

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Published: 27/04/2025

Abstract :

Exporting is a critical mechanism for penetrating international markets. This study examines its impact through the lens of Condor Company, a prominent electronics firm in Algeria. Utilizing interviews to address the research problem and test hypotheses, it was found that exporting serves as an efficacious strategy to facilitate international market entry for companies. Furthermore, exporting has significantly enlarged Condor's operational scope, enabling it to exploit marketing opportunities on a global scale.

Key Words: Export, global market penetration , Condor Company.

JEL Classification : F14, M16, F23

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Introduction

In the context of global economic transformations, the emergence of regional blocs, and the creation of free economic zones, the orientation towards international markets has become indispensable for national economies. This paradigm shift has catalyzed the transition of economic activities from a local to an international scale. Moreover, relying exclusively on domestic markets no longer suffices for companies aiming to ensure their long-term viability and sustainability. Consequently, it is imperative for businesses to explore and engage with foreign markets.

Prior to selecting a market for entry, a thorough analytical review is essential, coupled with the collection of comprehensive information about potential markets. This process is crucial for maximizing the exploitation of available opportunities and for assessing a company's competitive capabilities within these markets.

Upon completing various studies on the international environment, market dynamics, and characteristics, companies are tasked with choosing the most strategic option to penetrate targeted markets. This decision provides them with enhanced control over their marketing endeavors. The strategies available include exporting, contractual agreements, joint ventures, direct investment, and forming strategic alliances (Amr, 1996, p. 31).

The strategy for entering international markets is defined as the long-term approach adopted by producers and companies to access foreign markets and showcase their products to fulfill their strategic objectives. (Abu Obaida, 2012, p.



12). Exporting has long been a focal point of interest, prompting nations to develop policies, procedures, and methodologies that facilitate market entry for companies and diversify their exports. This strategy is aimed at securing a robust market presence and intensifying their competitive edge in the global arena. Notably, exporting is regarded as the most straightforward and least risky method for companies to access international markets.

Typically, companies initiate their international expansion by initially relying on exporting, and later transition to other methods of market servicing. Exporting is recognized as the foundational stage in a company's journey towards globalization. It serves as an ideal strategy for small and medium-sized enterprises (SMEs) by mitigating the risks associated with international transactions. By exporting locally manufactured products to international markets, SMEs do not require substantial initial investments, thus allowing them to gradually accumulate necessary experience.

In light of this discussion, the research problem can be articulated as follows:

How does exporting enable companies to penetrate international markets effectively?

I- Theoretical Framework and Hypothesis Development

1- General Concepts

1-1- Exporting

a. Definition of Exporting: The concept of exporting distinctly differs from broader interpretations of international marketing. Adopting an export strategy does not inherently imply that a company has fully embraced international marketing. (Al-Diwa Ji, 1997, p. 1) Given its critical importance to national economies and its widespread adoption as a method for companies to access foreign markets, the definition of "exporting" varies significantly:

- Philip Kotler and colleagues define exporting as "the easiest way for a manufacturing company to access foreign markets and export part of its production." (Kotler et al., 2015, p. 256)
- J.P. Paulet characterizes exporting as "the process of selling goods and services to other countries." (Paul, 1992, p. 91)
- Fouad Mahmoud describes exporting as "the sale of specific goods from their production centers to their marketing centers, or from one market with a surplus of a product to another market in need of the same product." (Fouad, 1993, p. 235)
- Abdel Mahdi Adel elaborates on exporting as "a process that involves the selling and dispatching of national goods and services abroad." (Abdel Mahdi, 1980, p. 141)
- Farid Al-Najjar views it as "a nation's and its companies' ability to ensure the flow of goods, services, funds, human resources, tourism, and culture to global and international markets to achieve export goals such as profits, added value, expansion, growth, job creation, and exposure to diverse cultures and new technologies." (Al-Najjar, 2008, p. 15)



- Another perspective posits, "Exporting is the most common form of international trade. It is a flexible and straightforward method that requires minimal financial investment and utilizes limited human resources." (Idris, 2013, p. 226)

From these diverse perspectives, exporting can be comprehensively defined as the process of transferring goods and services from local to international markets, ensuring that exported goods adhere to international standards to facilitate their entry and sustain their presence in global markets.

b- Types of Exporting:

b1- Types of Exporting:

Several types of exporting are summarized in *International Business* by Michael R. Czinkota et al. (Czinkota et al., 2002, p. 283) and *Marketing* by Michael J. Etzel et al., as follows: (Etzel et al., 2007, p. 63)

- ✓ **Direct Exporting:** Identified as a primary method in works such as *International Business* by Michael R. Czinkota et al. and *Marketing* by Michael J. Etzel et al., direct exporting allows a company to send its products directly to foreign markets without intermediaries. This can be achieved through several approaches: (Al-Sous, 2012, p. 89)
- **Establishing an Export Department for Foreign Markets:** The company forms a specialized export department within its organizational structure dedicated to managing all export-related activities.
- **Setting Up Branches or Divisions in International Markets:** The company may establish branches specifically responsible for exports and distribution in the target markets, thereby ensuring greater control over its activities in those areas.
- **Dispatching Sales Representatives Abroad:** Sales representatives are sent to target markets to identify potential customers, initiate communications, and negotiate sales agreements.
- ✓ **Indirect Exporting:** As one of the most prevalent methods for entering international markets, indirect exporting involves the company selling its products to a local entity, which then exports them to foreign markets. (Hussein et al., 1999, p. 463) . This method utilizes intermediaries or specialized import-export companies that possess requisite sales expertise, though it generally yields lower profits than direct exporting. Key intermediaries in indirect exporting include: (Al-Sumaidaie, 2000, p. 275)
- **Export Merchant:** An individual who buys manufactured goods and resells them abroad for a profit.
- **Local Export Agency:** An agency that explores foreign markets for local products and negotiates with foreign importers on a commission basis.
- **Cooperative Organizations:** These entities work in collaboration with manufacturing companies to find foreign markets for their products, all while being regulated and controlled by the producers themselves. (Sweidani & Haddad, 2009, p. 363)



- ✓ **Cooperative and Organized Exporting:** This type encompasses the collective efforts of multiple exporters with shared objectives in exporting. It represents a strategic approach to organizing export activities, where companies engage in a cooperative organizational structure to boost their export capabilities. (Al-Amr, 2007, p. 363). Considering the pivotal role of exporting in facilitating international market entry, this study posits the following hypothesis:
 - **Hypothesis 1:** Exporting is an exceptionally effective strategy for companies aiming to penetrate international markets.

Exporting remains a cornerstone of international business and a significant aspect of corporate internationalization, as underscored by the volume of global trade, which surpassed \$32 trillion in 2022, according to the World Trade Organization. It is acclaimed as one of the safest and most accessible means for companies, including those in Algeria, to reach global markets. (Mounia, 2015, pp. 24–25)

Several strategies have been globally implemented at the company level to facilitate successful exporting, including:

- **Production-Oriented Strategy:** This strategy centers on the company's commitment to producing a specific product or a range of products, followed by the search for foreign markets to locate importers and establish contracts. Production engineers are crucial in this process, as they are tasked with designing and preparing the goods to meet consumer needs in their final form.
- **Product-Oriented Strategy:** Focusing on producing high-quality goods, this strategy operates on the premise that superior products inherently attract buyers. The company then seeks out international buyers interested in these high-caliber products and works towards securing export contracts. Quality of production is paramount in this approach.
- **Sales-Oriented Strategy:** Here, the emphasis is on the company's sales efforts within target markets to identify potential buyers and secure contracts. Export sales figures are the primary metrics for assessing the company's efficiency under this strategy.
- **Marketing-Oriented Strategy:** This approach involves the company first analyzing the needs of the target market for goods within its production capacity. It then tailors its production to meet the specifications and demands of the target market, regardless of local demand for these products.
- **Customer Relationship Strategy:** This strategy underscores the company's dedication to the marketing mix elements—product, price, distribution, and promotion—and its commitment to satisfying its customers in foreign markets. It also focuses on the company's corporate social responsibility initiatives.

Among these, the social marketing orientation is often regarded as the most effective in enhancing the exporting capabilities of companies on a global scale.



b2- Penetrating International Markets

- **Types of International Markets and Factors Encouraging Entry:** According to Raib Rateb, international markets are defined as “places located beyond national borders, encompassing a spectrum of transactions from various economic sectors, where international groups compete for dominance, striving to organize or align themselves in defense of their interests.” (Rateb, 1996, p. 209). Companies must engage continuously in detailed analyses and maintain vigilance when entering foreign markets, with a particular focus on understanding the unique characteristics of each target market. These markets are typically classified into three categories: (Al-Turkistani, 2008, p. 65)
- **High-Income Markets:** Characterized by robust economies and significant purchasing power, these markets typically include regions like Europe, America, and Japan, noted for their advanced infrastructure and economic components.
- **Middle-Income Markets:** These markets have witnessed economic growth and advancements in production processes. Efforts are sustained here to achieve optimal economic levels through local economic diversification. Examples include Arab markets, GCC countries, and Asian nations such as Malaysia and Singapore.
- **Low-Income Markets:** Marked by lower income levels and restricted financial resources, with per capita incomes often below \$100 per month, these markets face challenges in engaging with goods and services. Examples include countries like Bangladesh, India, Somalia, and Indonesia.

b3- Challenges Facing Companies in International Markets

Companies aspiring to enter international markets face several formidable challenges: (Taheri & Ben Ghazal, 2013, pp. 194–195)

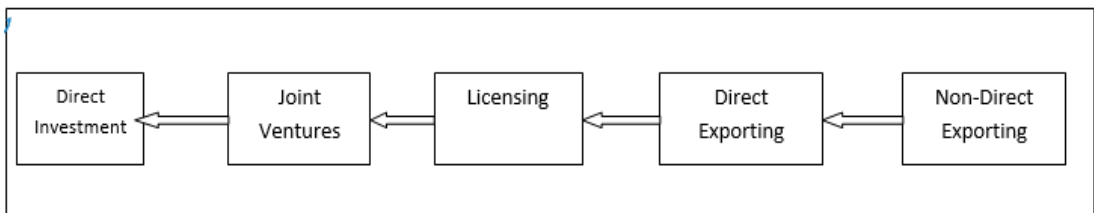
- **High Costs:** Organizations venturing into new markets often incur elevated economic costs for their products relative to competitors. This may be due to higher raw material prices or increased administrative expenses, positioning the organization at a competitive disadvantage and hindering market entry.
- **Invested Capital:** Entering international markets typically requires substantial capital investment in production to match the levels invested by existing competitors or incumbents. This need for significant investment can be a major barrier to new entrants.
- **Governmental Regulations:** Governmental procedures and policies in importing countries can pose substantial barriers. These governments might impose restrictions on foreign products or offer an unaccommodating investment climate, effectively deterring potential new entrants due to stringent requirements and regulatory conditions.
- **Limited Distribution Channels:** Newer companies venturing into international arenas often lack the extensive distribution networks that older, more established competitors enjoy. This lack of established channels can



severely restrict new entrants' ability to effectively access international markets.

- **Number of Competitors:** The lucrative marketing opportunities available in international markets attract a multitude of companies, all competing to capture a larger share of the global market. This intense competition creates a challenging environment for new entrants, making it difficult to compete effectively against an increasing number of rivals.
- **Brand Loyalty:** Established international brands represent a significant challenge for new companies seeking to enter global markets. These new entrants must invest considerable effort to make inroads in markets where strong brand loyalty already exists for established brands.
- **Strategies for Penetrating International Markets** Organizations can adopt various strategies to enter international markets, each aimed at maximizing profitability. It is crucial to identify these strategies to choose the most appropriate one for market entry. Kotler identifies five principal methods for entering international markets, as depicted in Figure 1.

Figure 1: The Five Methods for Entering International Markets According to Kotler



Source: Kotler, Dubois, *Marketing Management*. Public Union, 7th edition, Paris, 1992, p. 395.

Hypothesis 2: The process of selecting international markets is one of the most prominent steps undertaken by institutions concerned with international marketing, as it plays an important role in making subsequent marketing decisions.

This critical process enables organizations to identify promising marketing opportunities, project sales, assess costs, and forecast future profits. Prior to committing to a market, it is essential for organizations to meticulously study and monitor changes in the external environment to optimally leverage available opportunities. While international markets offer both prospects and challenges, thorough marketing research is necessary to effectively evaluate and seize these opportunities timely. This strategic process aids in pinpointing the most suitable and beneficial markets that align with the company's resources and capabilities.

**Methods for Selecting International Markets: (Ben Houhou & Ben Jeroua, 2017, p. 225)**

- **Expansion Method (Clustering Method):** This strategy involves starting from a familiar point—either the local market or the core of an existing international market—and expanding outward. The selection is based on the similarity between markets in terms of economic, political, social, natural, and cultural factors. Such similarities allow for minimal adjustments to products or services, thus facilitating easier market penetration. Markets chosen via this method are typically those that most closely resemble the starting point, ensuring that marketing programs are well-suited to these markets.
- **Contraction Method (Shrinkage Method):** This method starts with a broad pool of potential international markets, which are then categorized regionally based on various economic, political, and cultural criteria. This approach helps in filtering out less promising markets while highlighting and focusing on discovering new, promising ones.

III- Research Methodology:

The primary objective of this study is to elucidate the role of exporting in facilitating access to international markets and its impact on economic institutions. To accomplish this, the study utilized the descriptive method to elucidate various concepts related to exporting and strategies for market penetration, employing secondary sources such as books, dissertations, publications, and scholarly articles. Furthermore, the analytical method was employed to scrutinize and analyze variables, aiming to devise solutions to the research problem. Lastly, given the nature of the study, which calls for field-based insights, a case study approach was adopted, necessitating the use of field survey techniques.

1- Overview of Condor Company

Condor Electronics and Home Appliances, a subsidiary of the Benhamadi Group and legally known as "Antar Trade," was established on February 9, 2002, and commenced its operations on April 23, 2003. The company specializes in the production, marketing, and after-sales service of electronics and home appliances. It is headquartered in the industrial zone of Bordj Bou Arréridj, spanning a total area of 80,104 square meters, and operates under the slogan "Innovation is Life."

2- Condor's Target International Markets

Condor has successfully introduced its products in diverse markets across the continents, establishing a presence in African, Arab, Asian, and European countries. The company stands out as one of the few Algerian enterprises that export non-hydrocarbon goods, which dominate Algeria's export landscape. Moreover, Condor has adapted its assembly and manufacturing processes to meet contemporary requirements, showcasing its innovative approach to product development.

The company's strategic focus is particularly pronounced in African markets, which are prioritized as the primary consumer base, with significant attention also



directed towards Asian and European markets. The following table provides an overview of the target markets of Condor Company:

Table 1: Target Markets of Condor Company

Africa	Asia	Europe
Tunisia	Jordan	Belgium
Morocco	Dubai	France
Benin	United Arab Emirates	Italy
Libya	Yemen	Switzerland
Mauritania	/	/
Senegal	/	/
Congo	/	/
Egypt	/	/
Ivory Coast	/	/
Mali	/	/
Tanzania	/	/

Source: Prepared by the student based on Export Department reports.

This data underscores Condor's extensive market penetration, with a pronounced focus on African markets due to their geographical proximity and lower competitive intensity, followed by Asian and European markets. The absence of market penetration in American territories is attributed to the unique challenges and specificities of these markets, which present higher barriers to entry compared to the African and Arab markets.

3- Analysis of the Export Policy at Condor Company

Despite the availability of various methods for penetrating international markets, Condor primarily relies on exporting as its predominant strategy. This approach is recognized as the most efficient and straightforward method for marketing its products globally. It not only aligns well with the company's financial and human resources but also suits the complex and competitive nature of the markets in which it operates. These markets are characterized by high levels of competition and intricacy, presenting significant challenges for international market entry.

Condor offers four main product categories in the international markets: mobile phones, refrigerators, televisions, and air conditioners. The revenue contribution from each product category is significant and varies by year, as shown in the table below:



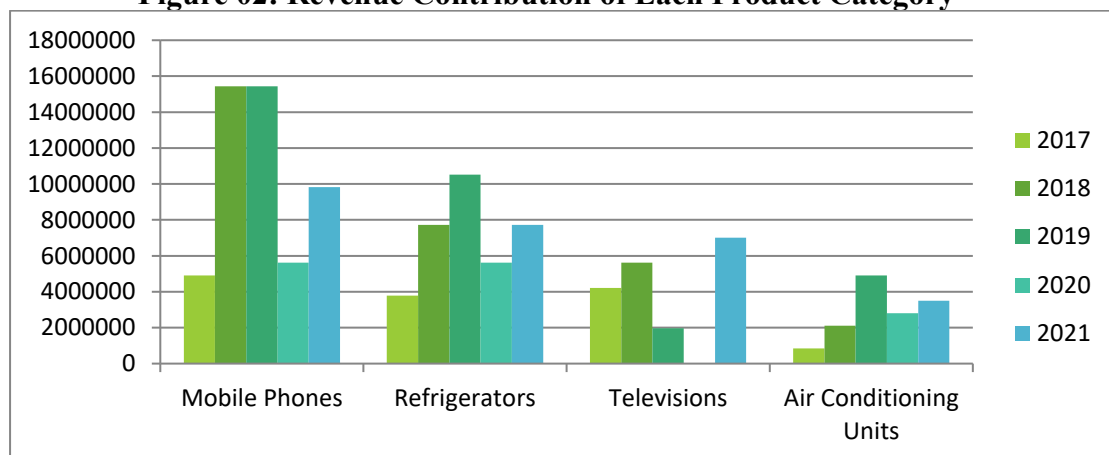
Table 02: Revenue Contribution of Each Product Category (Values in Algerian Dinars)

Years	Mobile Phones	Refrigerators	Televisions	Air Conditioners
2017	4,909,975	3,787,695	4,208,550	841,710
2018	8,417,099	7,715,674	5,611,400	2,104,275
2019	15,431,349	10,521,374	1,963,990	4,909,975
2020	5,611,400	5,611,400	—	2,805,700
2021	9,819,949	7,715,674	7,014,249	3,507,125

Source: Prepared by the student based on Export Department reports.

It is clear from the table that mobile phones have become a dominant export product for Condor, reflecting its emergence as a significant smartphone manufacturer. The revenue from mobile phones has consistently led, followed by refrigerators, televisions, and air conditioners, in descending order.

Figure 02: Revenue Contribution of Each Product Category



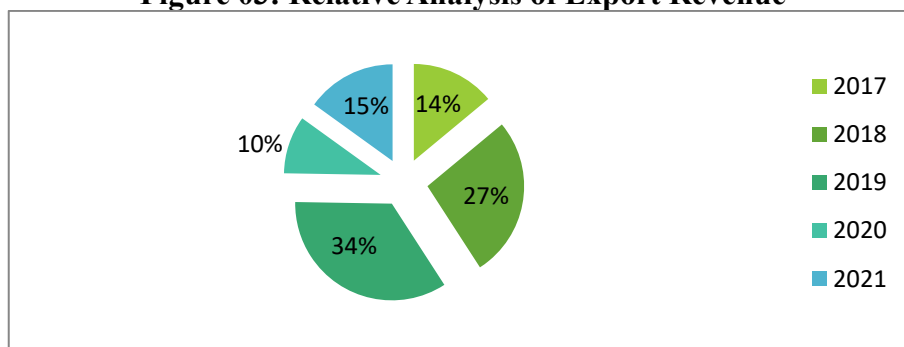
Source: Prepared by the student based on Table 02 data.

This figure highlights that mobile phones are Condor's flagship product, with refrigerators also showing substantial revenue generation, exceeding 14 million DZD. This success is attributed to Condor's adoption of advanced technology, aligning with the demands of the modern technological era.

Table 03: Export Revenue Achieved by Condor Company

Years	Export Revenue (DZD)
2017	1,823,641.976
2018	3,507,003.784
2019	4,488,964.843
2020	1,262,521.362
2021	1,963,922.119

Source: Prepared by the student based on Export Department reports.

**Figure 03: Relative Analysis of Export Revenue**

Source: Prepared by the student based on Table 03 data.

The data indicates a growing trajectory in Condor's export revenues, with an increase of 17% in 2017, 27% in 2018, and peaking at 34% in 2019. This rise is attributed to the company's stability, expanded export activities, and increased production capacity. However, facing political and economic challenges, as well as the impact of the COVID-19 pandemic, export revenues dipped to 10% in 2020 but showed resilience with a rebound to 15% in 2021.

3-1- Strengths and Weaknesses of Condor Company

• Strengths:

- Strategic geographical location.
- A wide range of products and a significant market share in the local market, encouraging exploration of international markets.
- Marketing products under a registered Algerian brand recognized locally.
- High production capacity across various production lines.
- Offering high-quality products at competitive prices.
- Participation in international events (e.g., ALGEX, SAFEX) to showcase its products.
- Possession of ISO certifications: ISO 14001, 9001, and 18001.

• Weaknesses:

- Complexities within the local financial system.
- Limited direct maritime transport lines.
- Relatively long delivery times.
- Lack of oversight for waste management processes at the administrative level.
- Intense competition.

3-2- Prospects and Challenges of Exporting at Condor Company

• Prospects:

- Enhancing the company's competitive position among rivals by adhering to the principles of competition and market adaptation.
- Improving employee welfare and living standards.



- Modernizing current production tools to increase production capacity and revenue.
 - Optimizing the company's resources to achieve international market expansion.
 - Keeping pace with global advancements, driving adaptation to global developments.
 - Enhancing product quality through partnerships with leading industrial companies.
- **Challenges:** Condor, one of Algeria's leading electronics manufacturers, faces many export challenges. The most prominent of these challenges are:
 1. **Competitiveness in international markets:** Condor faces strong competition from large global companies with advanced technologies and a strong reputation in global markets. This makes it more difficult to enter new markets or maintain market share.
 2. **Customs restrictions and legal regulations:** The Condor Foundation faces challenges related to complex customs regulations and trade policies in many countries, which may hinder or delay the export process.
 3. **Financing and liquidity:** Condor exporters may have difficulty securing the financing needed to cover production and export costs, especially in light of the volatility of the global economy and internal financial challenges.
 4. **Lack of export experience:** Despite the expansion into international markets, some Algerian companies such as Condor may lack the necessary expertise in managing international business operations, which may weaken their ability to adapt to the demands of different markets.
 5. **Achieving international standards:** Another challenge is the need for products to comply with international quality standards adopted in different markets, which requires significant investments in quality improvement and product development.
 6. **Difficulty in accessing new markets:** Although Condor has begun to expand to Africa and some European countries, there is difficulty in accessing new markets due to language and cultural barriers, as well as high distribution costs.
 7. **Exchange rate fluctuations:** Since most international business transactions are conducted in dollars or euros, exchange rate fluctuations can significantly affect the profitability of Condor.



Conclusion

Addressing the research problem of the role of exporting in penetrating international markets, the study concludes that exporting is a viable strategic option for institutions seeking growth, expansion, and a robust market presence. The findings of this study include:

- Exporting leads to an increase in current production capacity and allows for greater product availability in local and international markets, effectively utilizing idle resources.
- There are several methods and strategies for entering international markets, including exporting, contractual agreements, foreign investment, strategic alliances, and licensing agreements.
- Exporting is a fundamental and essential tool that enables institutions to penetrate international markets, improve productivity, and thereby increase their market share.
- There are various techniques for selecting international markets that institutions should carefully study and consider to ensure a successful orientation toward global markets.

Based on the findings, the validity of the hypotheses was assessed:

- The first hypothesis posited that exporting is one of the most critical strategies for enabling institutions to access international markets. This strategy is strategically suitable and carries the lowest risk for Algerian institutions. This hypothesis was confirmed through the case study of Condor Company.
- The second hypothesis suggested that the process of selecting international markets is among the most critical steps for institutions engaged in international marketing, as it plays a vital role in subsequent marketing decisions. This hypothesis was also confirmed, as there are numerous techniques that institutions must consider when selecting international markets to ensure successful entry.

Recommendations

Based on the results, the following recommendations are proposed:

- Institutions should place greater emphasis on international markets and recognize their importance for both their growth and the national economy.
- Adopting new methods and strategies to penetrate international markets, such as strategic alliances and foreign investments.
- Engaging with global financial institutions to address financing challenges and benefit from their expertise and efficiency.
- Training personnel in research and development while establishing a dynamic information system for targeted international markets.
- Institutions should regularly participate in international exhibitions, allowing them to interact with foreign companies and gain valuable exposure.



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