

# **KEEPING AND ENCOURAGING NEW BUSINESS**

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*ABSTRACT: The key for keeping and encouraging new businesses consists in giving a various number of facilities. The paper tries to explain the way the firms choose their businesses locations, the use of new technology in the production process and the methods of gaining and keeping customers.*

*Key words: business; strategy; encouraging businesses; communication methods*

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In the last decades, governments have concentrated their efforts towards promoting the economic growth from inside, encouraging the start of new enterprises and helping the small and medium-sized enterprises to grow.

To achieve economic development, some businesses were forced to invest in a different location and to liquidate the existent investments. This is determined by the existence of three main factors:

- The features of the enterprise or of the activity sector;
- The features of the new location;
- The exterior forces which influence the economy of a place.

The governments of the countries support the opening of new businesses in certain spots in order to achieve the economic revival of that area.

## **Attracting companies from other areas**

In order to attract economic agents, the cities and countries must understand its strong points and weak points. A fair and frequent updating of the own economies, of the activity conditions, of the cost factors and of the quality of life elements ensures the understanding of the advantages an area has too offer in comparison to another.

From the moment a company decided to build a new facility or to move, the selection process takes place in two stages: the first stage implies the search and, in the end, the choice of a region which offers the wanted economic advantages. The regional choice is based on general economic criteria related to production factors: work force, transportation, markets and materials. The second stage implies choosing a settlement within the selected region; the selection process narrows down until the specific placing spot.

The following factors must be analyzed in the process of establishing which firms are considered adequate to be attracted:

- the enterprise's influence factors: the types of practiced strategies; attitude towards risk; the size of the organization; etc.;
- the product's influence factors: the novelty rate; the originality rate; the complexity rate; etc.;

- technological influence factors: the dynamic of the technological development; the technologies' complexity;

In this process of evaluation are also important: the entrepreneur, the company – its characteristics, and the strategy.

*The entrepreneur* – the company's success greatly relies on the entrepreneur's features:

- Reasons: the people "forced" to go into business due to unemployment or other causes have a smaller chance to create companies capable to rapidly grow than the people "attracted" by the advantages offered by the opportunities existent on the market.

- Education and experience: higher education and the previous managerial experience are advantages.

- Age: middle-aged entrepreneurs have better chances to mix the energy demands and the experience necessary for development.

- Number: a business owned by many persons has a better chance to have the knowledge gamut necessary to solve problems.

*The company* – the company's characteristics are also of interest:

- Age: new companies grow faster than old companies.

- Size: new companies tend to grow faster than old companies. Once the age becomes a factor, there is a pressure on small companies to reach the minimum viable size as fast as possible.

- Legal status: limited liability companies develop faster than individual enterprisers or partnerships.

- Location: it can have a significant influence for the development of a company.

- Sector: the general growing rate of the market or of the industrial sector where the company functions.

*The strategy* – four strategic areas which especially influence the growth have been discovered:

- External equity capital: the developing businesses have a better chance to get external funds from individual persons or organizations from the exterior.

- Market positioning: the companies with a high growing rate have the tendency to fill market niches chosen deliberately, where they can explore innovations or technological improvements.

- Innovation: introducing new products is the key for the development of small companies.

- Recruiting the managerial team: selecting, motivating and keeping the managerial team are important for increasing the chances of a firm.

Other forms to attract the firms which are of interest for a market are done through: joint ventures which include license granting, the contractual production, the contractual management, joint ownership; direct investment.

Associating in joint ventures implies the association of a firm with a partner from the host country in order to produce or sell in that country. There are four types of associations in joint ventures: license granting, contractual production and joint ownership.

License granting is a method to penetrate a foreign market, this method implies closing a license agreement with a company from that country, which gives the firm the right to use the production process, brand and patent in exchange of a license fee.

The contractual production represents a joint venture within the framework of the firm that signs a contract with the producers from a foreign market in order to manufacture its products or to provide its services.

Contractual management is a joint venture in which the autochthon company offers expert management competency to a foreign firm, which ensures the business' capital; the autochthon company exports management services, not products.

Within the joint venture the company joins forces with the investors from a foreign market in order to set up a local firm. The ownership and control of this new firm will be shared jointly.

The direct investment is done by entering on a foreign market through the setting up of assembly or production lines in foreign countries.

### **Keeping and encouraging the development of existent enterprises**

Keeping and extending the existent enterprises in a town is one of the most used strategies. When the emphasis is placed on keeping strategies, the town must conduct a strategic analysis meant to bring out the companies which are worth keeping. This analysis divides the companies in three categories:

- The companies which will probably be closed down in the near future;
- The companies which will probably survive, but will remain small-sized;
- The companies which will not only survive, but will grow rapidly.

Within the development process the companies must adopt different strategies and abilities, in accordance with their development rate. According to Drucker, development represents the reason's force and shows how the meaning of marketing, money and employee management is changing, depending on the growing stages of a company.

Marketing: the need of a direction on the market is of maximum importance when the company takes its first steps towards development. The lack of a market focus is a problem for developing firms; failure happens rapidly if the demand is insufficient or if its stimulation is inadequate.

Money: inadequate financial policies are the biggest threat for a company which is entering a new development stage. In this case, the focus must be especially on cash, not on profit, because a developing firm is exceeding its capital base. In order to have a smooth growing process, the firm must change its financial structure and improve the control mechanisms for money.

Management: after penetrating a new market and creating a financial control and structure, the enterprise needs a managerial team.

### **Promoting the existent enterprises on the market**

The most spread instruments for promotion policies, used by the company in order to gain and keep a name on the market are the following: publicity, personal selling and un-personal selling, direct-mail, client cards, client clubs, phone-marketing, on-line marketing, event marketing. Other instruments for promotion policies could be: television, newspapers, magazines, radio and billboards.

Advertisement – when people think about marketing messages, they think about ads. The ad is “a paid non-personal communication, done through various media sources which are identified in the advertisement to an extent and which hopes to inform and/or convince the members of a private audience.”

When deciding the ad's appropriateness as a promotion instrument, the marketing experts take into account problems like the budget or which media channel to use: television, radio, flyers, mails or billboards. When choosing “when”, “where” and “how” to use an ad, the marketing experts decide which is the method that communicates the most efficiently the messages about the product.

Personal selling – implies direct contact between the seller and the client. Personal selling can be done through: face to face meetings with the client, telephone (telemarketing), video or

computer. They provide an immediate feedback to the seller, which helps him to channel the discussion in order to address the needs of that client.

Promotions – when the marketing experts want an immediate growth as a result of the communication, they often use promotions. Promotions are “media and non-media pressures, applied for a predetermined and limited period of time, at the consumer’s level, retail sells or bulk sales in order to encourage probations, it increases the demand to improve the product”.

Publicity – is “the communication of information about a company or product, in a non-payable manner, generally found in a media form”.

The direct mail instrument implies sending catalogues, letters, leaflets or other objects that will attract the client’s attention.

Event marketing includes planning, organizing, staging and controlling events in which clients are involved and which serve as platforms for the enterprise’s communication. For example, possible events are sports or cultural manifestations, or a “doors open day”.

Other instruments are televisions, newspapers, magazines, radio and billboards.

Tabel no. 1

***The profiles of the main types of communication means***

Mean of communication	Advantages	Disadvantages
Newspapers	Flexibility; opportunity; good covering of the local market; general acceptance; high rate of credibility	Short life; low quality of the reprography; limited release
Television	Combines image, sound and movement; appeals to senses; high attention span; high incidence rate	High cost in absolute value; big crowd of messages; passing exposure; less selectivity regarding the audience
Radio	Used by the masses; big geographical and demographical selectivity; low costs	Exclusive audio display; shorter attention span than for television; un-standardized price structures; passing exposure
Magazines	Big geographical and demographical selectivity; credibility and prestige; good quality of reprography; long life; good spreading among readers	Long duration of the cycle „buying space ad – issue”; a certain waste of circulation; no guarantee regarding the page positioning
Billboards	Flexibility; high rate of repeated exposure; low costs; low competitiveness	No selectivity of the audience; limited creativity

Source: Kotler Philip, Haider Donald, Rein Irving, „Marketing Places”, Teora Publishing House, 2001, p.185-186

In order to attract new economic agents and to create a favourable economic space for doing business, the towns and the governments must take a series of measures and strategies, as well as a coherent policy to promote enterprises, correlated with a fair and frequent updating of equities, activity conditions, cost factors and of the quality of life elements.

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