
International entry modes

http://cnettv.cnet.com/tata-nano/9742-1_53-50000141.html



EXPORTING



- - number and type of intermediaries, functions performed – full-service → high specialization (clearing goods)
PARTNER MINDSHARE (= measurement of the strength of a relationship - effort, involvement, sales performance...
 - drivers: (1) commitment and trust; (2) collaboration; (3) mutuality of interest and common purpose + product, brand and profit
- 3 major types:
 - a) indirect export – another domestic company – export house, trading company... performs exporting activities
 - b) direct export – company performs exporting activities (majority of or all) itself
 - c) cooperative export – collaborative agreements with other organizations – some exp. activities

Indirect export modes

- Limited international expansion objectives
 - Minimal resources
 - Gradual market entry
 - Test of market
 - Little or no control over the way the product is marketed
 - No contact
 - Little or no information
1. Export buying agent (export commission house) – the overseas customer's hired purchasing agent operating on basis of orders received from the customer/buyer – scan domestic market
 2. Broker – to bring a buyer and seller together; performs a contractual function; does not actually handle the products sold or bought; the broker is paid a commission (cca 5%); commodity specialist
 3. Export management company (export house) – „export department“ for a range of companies; conduct business in the name of each manufacturer it represents; knowledge of the market!!!; specialization by geographical area, product or customer type; paid a commission;
 - competitive products, interest in high profitable products, lower specialization...
 4. Trading company – colonial times, Africa and East Asia, in Japan over 50% of whole export; barter – or counter trade, financing
 5. Piggyback – non-competitive but related and complementary products; SME with a larger exporting company – full utilization of export facilities of a larger company

Direct export modes

Manufacturer sells directly to the importer located in the foreign market

DISTRIBUTOR

- independent company that stocks the manufacturer's product
- It has freedom to choose own customer and price
- Profit from the differences between seller and buyer price
- Exclusive representatives = sole distributors in a country
- Buy on their own accounts
- Usually represents the manufacturer in all aspects of sales and servicing

AGENT

- Independent company that sells on behalf of the manufacturer
 - Usually it will not see or stock the product
 - Exclusive, semi-exclusive, non-exclusive
 - Commission on a pre-agreed basis
 - Sells to wholesalers and retailers
 - Some furnish market and financial information
-

Cooperative export - export marketing groups

- Functions:
 - exporting in the name of the association
 - consolidating freight, negotiating rates and chartering ships
 - performing market research
 - appointing selling agents abroad
 - obtaining credit information and collecting debts
 - setting prices for export
 - allowing uniform contracts and terms of sale
 - allowing cooperative bids and sales negotiation
 - Usually SMEs – more effective
-

INTERMEDIATE ENTRY MODES

■ = transfer of skills and knowledge

- (1) **Contract manufacturing** – outsourced to an external partner specialising in production and production technology – lower risk, lower costs, access to foreign market demand; better interaction with local market, high local market penetration; high flexibility; product could be exported
- (2) **Licensing** – patent covering a product or process, know-how, technical/marketing advice and assistance, use of trade mark/name – concentration on core competences - R&D, lower expertise for overseas, the end of the PLC in home country, government regulations restrict foreign direct investment...
- (3) **Franchising** – product and trade name, business format package (trade mark/name, copyright, design, patent, trade secret, business and management know-how, geographic exclusivity, market research for the area...)
- (4) **Strategic alliances/joint ventures** – new opportunities, speed up market entry, lower costs compared to solely business; up-stream collaboration – on R&D and/or production; down-stream – marketing, distribution, sales, service - = **Y coalition**; both streams – **X coalition**



- Seeking for resources:
- Development know-how
- Sales and service expertise
- Low-cost production facilities
- Strategically critical manufacturing capabilities
- Reputation and brand equity
- Market access and knowledge
- Financial resources...
- ? Who is the leading company?
- ? Double..management?
- ?Repatriation of profits?
- ? Shared equity?
- Mixing different cultures!
- Developing trust!
- Providing and exit strategy!



HIERARCHICAL ENTRY MODES



- The firm completely owns and control foreign market entry mode
 - Allocation of responsibility and competence between head office and subsidiaries
- (1) Domestic-based sales representatives/manufacturer's own sales force
 - (2) Resident sales representatives/sales subsidiary/sales branch
 - (3) Sales and production subsidiary
 - (4) Region centre
 - (5) Transnational organization(globally integrated)

