

8.1: Global Market Entry Modes Summary

Summary

Companies that wish to move beyond exporting and importing can avail themselves of a wide range of alternative market entry strategies. Each alternative has distinct advantages and disadvantages associated with it; the alternatives can be ranked on a continuum representing increasing levels of investment, commitment, and risk. Licensing can generate revenue flow with little new investment; it can be a good choice for a company that possesses advanced technology, a strong brand image, or valuable intellectual property. Contract manufacturing and franchising are two specialized forms of licensing that are widely used in global marketing.

A higher level of involvement outside the home country may involve foreign direct investment. This can take many forms. Joint ventures offer two or more companies the opportunity to share risk and combine value chain strengths. Companies considering joint ventures must plan carefully and communicate with partners to avoid “divorce.” Foreign direct investment can also be used to establish company operations outside the home country through greenfield investment, acquisition of a minority or majority equity stake in a foreign business, or taking full ownership of an existing business entity through merger or outright acquisition.

Cooperative alliances known as strategic alliances, strategic international alliances, and global strategic partnerships (GSPs) represent an important market entry strategy in the twenty-first century. GSPs are ambitious, reciprocal, cross-border alliances that may involve business partners in a number of different country markets. GSPs are particularly well suited to emerging markets in Central and Eastern Europe, Asia, and Latin America. Western businesspeople should also be aware of two special forms of cooperation found in Asia, namely Japan’s keiretsu and South Korea’s chaebol.

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