

# **MODE OF ENTRY TO INTERNATIONAL MARKETING**

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# **INTERNATIONAL MARKET ENTRY SUPPORTING FACTORS**

## **1. Quality of management**

- The idea to enter the international market
- The international marketing expansion strategic management capability

## **2. Management understands foreign language**

- Direct communication

## **3. Success and business foundation in home country**

## **4. Reducing the unit cost of production**

## **5. Production potential of the company**

## **6. Tax benefits**

- Investing in countries with lower tax rate resulted in less tax being paid

## **7. Maintain market share**

## **8. Other factors**

# INTERNATIONAL MARKET ENTRY STRATEGIES

1. Exporting
2. Licensing
3. Franchising
4. Joint venture
5. Contract manufacturing
6. Wholly own

# 1.EXPORTING

- Shipping products sold in the country to foreign countries
- Import-Export company
- Market test and Brand awareness – prior to investment in production in that country
- [www.moc.go.th](http://www.moc.go.th)

# THE KEY FACTORS OF EXPORTING

## ***1. Seeking foreign customer***

### 1.1 Embassy or Consulate

- Demand for products or services

### 1.2 Internet

### 1.3 Website of the Company

- Development (International)

### 1.4 International Exhibitions

### 1.5 Other sources

- Business partner referral

## ***2. The export process***

### 2.1 Direct exporting

- Manufacturers export the merchandise themselves
- Complicated process

### 2.2 Indirect exporting

- Merchandise exported by representatives or business partners
- More convenience

#### 2.2.1 Export management companies (EMC)

#### 2.2.2 Piggy back

#### 2.2.3 Agent

## 2.LICENSING

A business arrangement in which one party gives another party permission to manufacture and sell its products for specified payment under specified terms.

- Licensor – famous brand names
- Low technology business - not confidentiality

Ex textile business

## 2.LICENSING (Continued)

### Advantages

- No need to invest in a foreign country
- Company can increase sales without high investment and no risk
- Company can establish brand awareness for their products in each country by relying on expertise of the business partner within that country.

### Disadvantages

- No confidentiality
- Difficult quality control
- When company (licensor) wants to start manufacturing its own products in, it can be in conflict with the original licensee.

# 3.FRANCHISING

- One party grant another party the right to use its trademarks or trade-name to produce and market goods or services.
- Service business - To expand the branches  
Ex 7-eleven, McDonald's, KFC, Starbucks

## **Elements of Franchising**

- Franchisor – famous, management system
- Master franchise
- Franchisee
- Initiation franchise fee
- Royalty fee

# 3.FRANCHISING (Continued)

## Advantages

- Franchisee normally cover initial expenses to open new locations
- Incomes from initial franchise fee
- Accelerate expansion over wide area
- Avoid employee related problems

## Disadvantages

- If mismanaged, it can damage system-wide image of the franchisees
- Lack of absolute control

# 3. JOINT VENTURE

- Association of two or more individuals or companies to engage in a solitary business enterprise
- Split duties
  - One party responsible for manufacturing and the other parties responsible for sales

Split duties

- Technology Development and Marketing
  - Ex Sony from Japan and Ericsson from Sweden

# 3. JOINT VENTURE (Continued)

## Advantages

- Less capital needed for foreign market expansion
- Reduced investment risks
- Gain most advantage by complimenting each other's expertise

## Disadvantages

- Lack of total control can lead to future problem
- Some technology might be disclosed and a joint venture partner may use it in later opportunities
- Integrity issues

# 4.CONTRACT MANUFACTURING

- Investing in manufacturing process on your own may not worth the risk
- Sales are not enough to set up factory

# 5.WHOLLY OWN

- Foreign direct investment with 100% ownership
- High skill in international marketing  
Ex Japanese car

## **Advantages**

- Management has full control
- Technology and trade information can be kept secret
- Maximum profit from expanding

## **Disadvantages**

- High investment risk
- Difficult to fund the market expansion