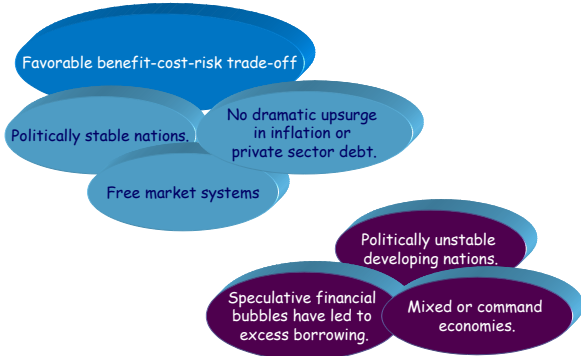
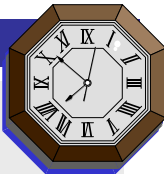


Which Foreign Markets



Timing of Entry

- First-mover advantage.
 - Preempt rivals and capture demand.
 - Build sales volume.
 - Move down experience curve before rivals and achieve cost advantage.
 - Create switching costs.
- Disadvantages:
 - First mover disadvantage - *pioneering costs*.
 - Changes in government policy.



Costs early entrant bears that later entrant can avoid.

Scale of Entry and Strategic Commitments

- *Strategic Commitments* - a decision that has a long-term impact and is difficult to reverse.
- Large scale entry:
 - Plus**
 - Commitment of significant resources.
 - Easier to attract customers (will remain in market).
 - May cause rivals to rethink market entry.
 - Minus**
 - Fewer resources to commit elsewhere.
 - May lead to indigenous competitive response.

Scale of Entry and Strategic Commitments

- Small Scale Entry:

Plus

- Time to learn about the market.
- Limits company exposure.

Minus

- May be difficult to build market share.
- Difficult to capture first-mover advantages.

Entry Modes



Turnkey Projects

Contractor agrees to handle every detail of project for foreign client.

- Advantages:

- Can earn a return on knowledge asset.
- Less risky than conventional FDI.

- Disadvantages:

- No long-term interest in the foreign country.
- May create a competitor.
- Selling process technology may be selling competitive advantage as well.

Wholly Owned Subsidiary

Greenfield

Acquisition

- Advantages:
 - No risk of losing technical competence to a competitor.
 - Tight control of operations.
 - Realize learning curve and location economies.
- Disadvantage:
 - Bear full cost and risk.

Selecting an Entry Mode

Technological Know-How

Wholly owned subsidiary, except:
1. Venture is structured to reduce risk of loss of technology.
2. Technology advantage is transitory.
Then licensing or joint venture OK.

Management Know-How

Franchising, subsidiaries (wholly owned or joint venture).

Pressure for Cost Reduction

Combination of exporting and wholly owned subsidiary.
