॥ सिद्धिः भूषयते विद्याम् ॥

avantika UNIVERSITY

Entry Strategies in International Markets

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What is export?

- Goods produced in one country are shipped to other markets.
- Ship the goods and services out of the port of a country.
- Foreign demand for goods produced by home country.
- The most common way of serving international markets

Actors of Export

- Exporter
- Banks
- Ministry of Foreign Trade
- Customs Administration
- Customs Transport Agency

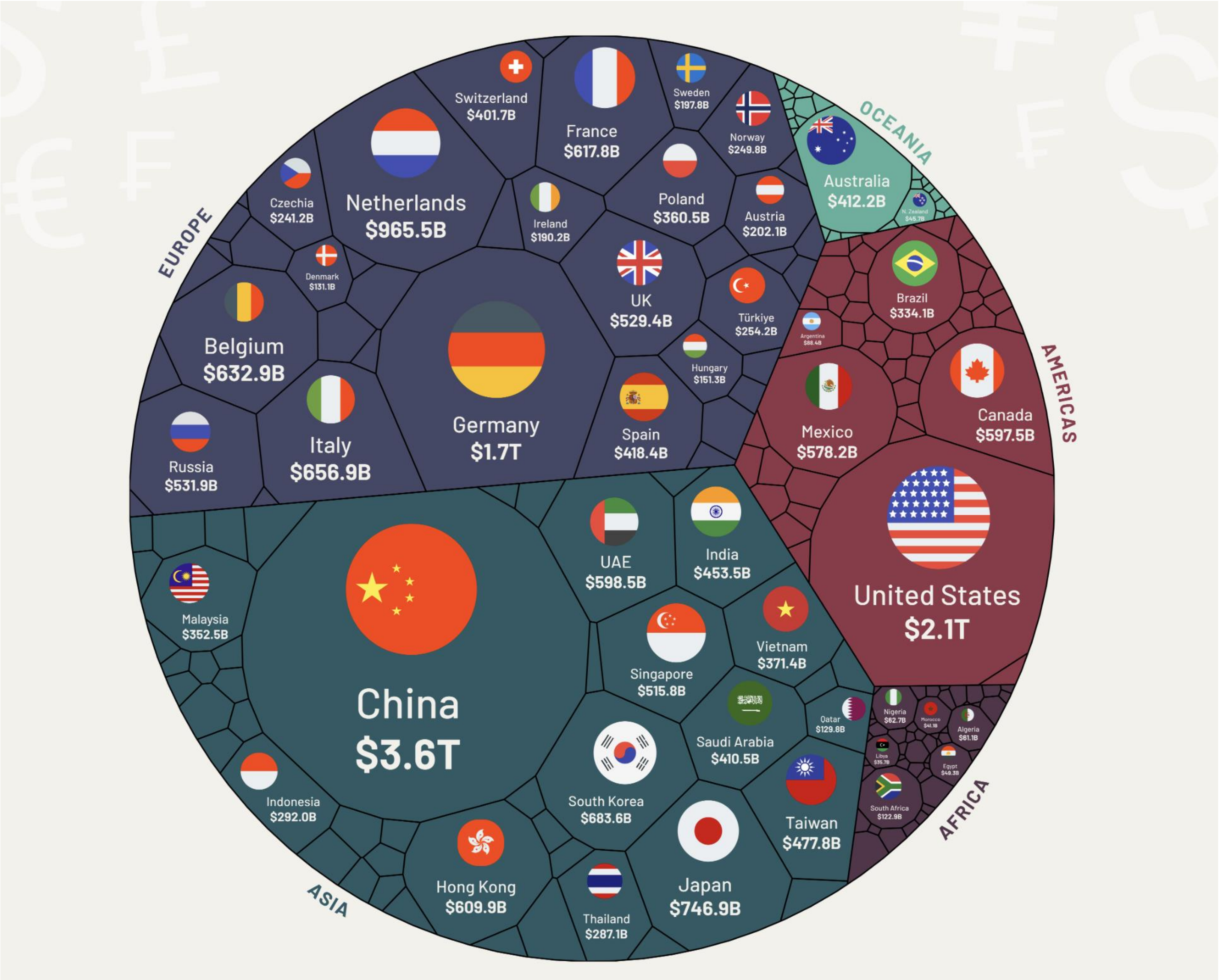
Advantages of export

- Enhance domestic competitiveness
- Increase sales and profits
- Gain global market share
- Exploit corporate technology and know-how
- Extend the sales potential of existing products
- Stabilize seasonal market fluctuations
- Enhance potential for corporate expansion
- Sell excess production capacity
- Gain information about foreign competition

Disadvantages of export

- Develop new promotional material
- Subordinate short-term profits to long-term gains
- Incur added administrative costs Allocate personnel for travel
- Wait longer for payments
- Modify your product or packaging Apply for additional financing
- Obtain special export licenses

Country comparison: Exports



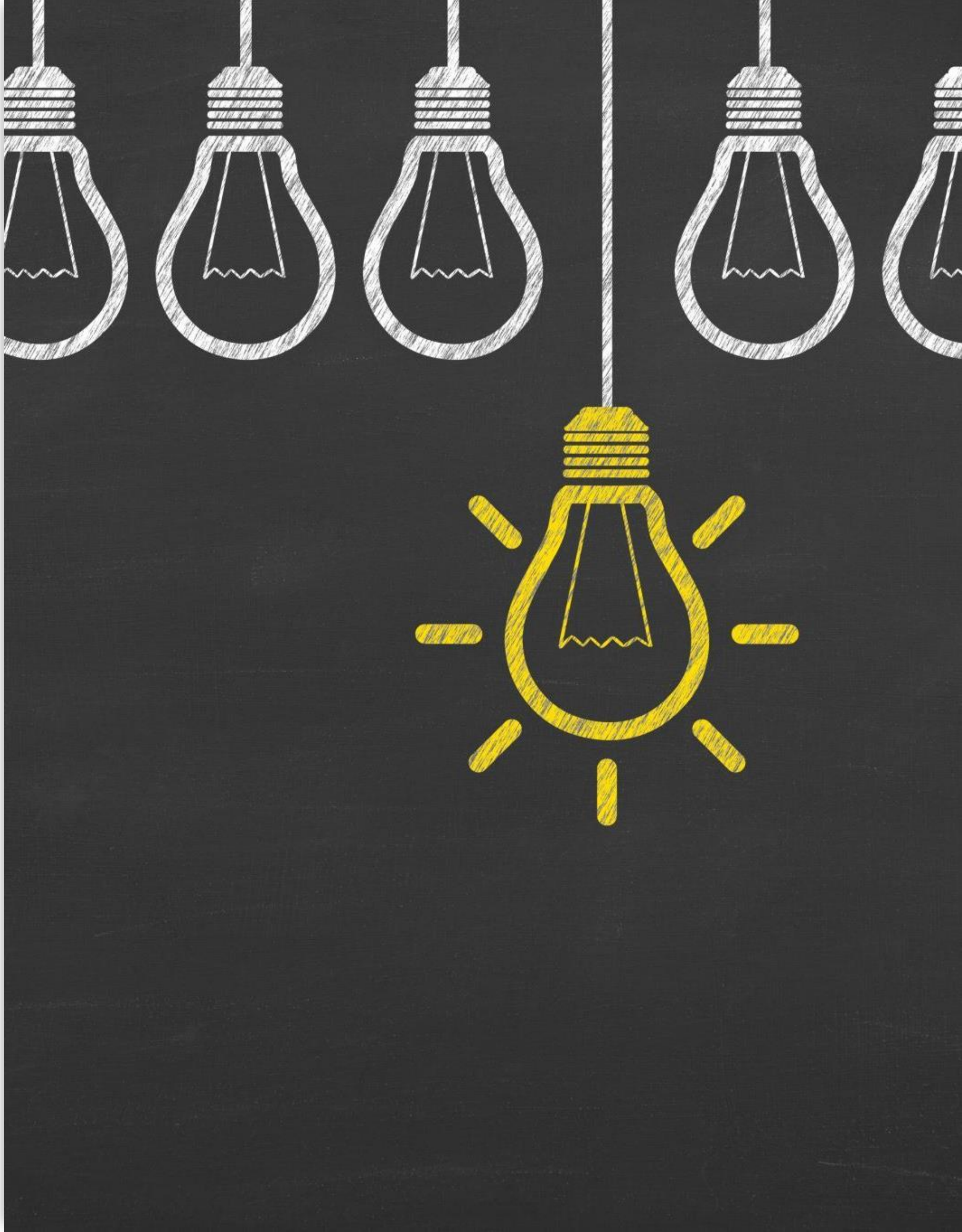
New industrial licensing policy

A license is a written permission granted to an enterprise by the government according to which the products mentioned therein can be manufactured by the enterprise.

The Indian government established a licensing system in order to maintain control over industries according to the industries development nd Regulation Act 1951.

Objectives of licensing

- Encouraging small scale industries.
- Encouraging new entrepreneurs.
- Regulating the location of the enterprise.
- Ensuring balanced regional development.
- Promoting technological advancement.
- Checking the strength of economic power.
- Development and control of industrial investment and production



What is Franchising?

- Franchising is an arrangement where one party (the franchisor) grants another party (the franchisee) the right to use its trademark or trade-name as well as certain business system and processes, to produce and market a good or service according to certain specifications.

Examples

Anytime Fitness: 3,000 franchised located in 20 countries

McDonald's: 36,615 franchises in 119 countries

Subway: 44,882 restaurants in 112 countries

Baskin Robins:Franchises at 7,600 location

Firstcry: More than 400 stores in india

Dominos: More than 1495 stores in india

Jockey: More than 900 stores in india

What is Joint Venture

- A joint venture is when two or more companies perform a business project together for a set period of time.
- Joint Venture is a win /win collaboration between two or more Companies, sharing resources to solve common problems and achieve goals.
- It can be called a Strategic Alliance or Partnering as well

Types of Joint Venture

Domestic Joint Venture: The Domestic Joint Venture means all partners with the same nationality.

International Joint Venture: The international Joint Venture set up by partners of different nationalities

Advantages of Joint Venture

Helps an organization to enter in to new markets or new product lines

Access to increased resources and improved expertise & technology

Helps to build credibility with a particular target market by choosing a well established and credible partner in that market

Reduces risk involved in business due to sharing of losses and expenses.

Exiting from the business in case of failure is easier as compared to solely owned businesses.

Partners in Joint Ventures get preference in buying out the shares of other partners and take over the company

Disadvantages of Joint Venture

It is time consuming and difficult to set up a Joint Venture and poses many challenges.

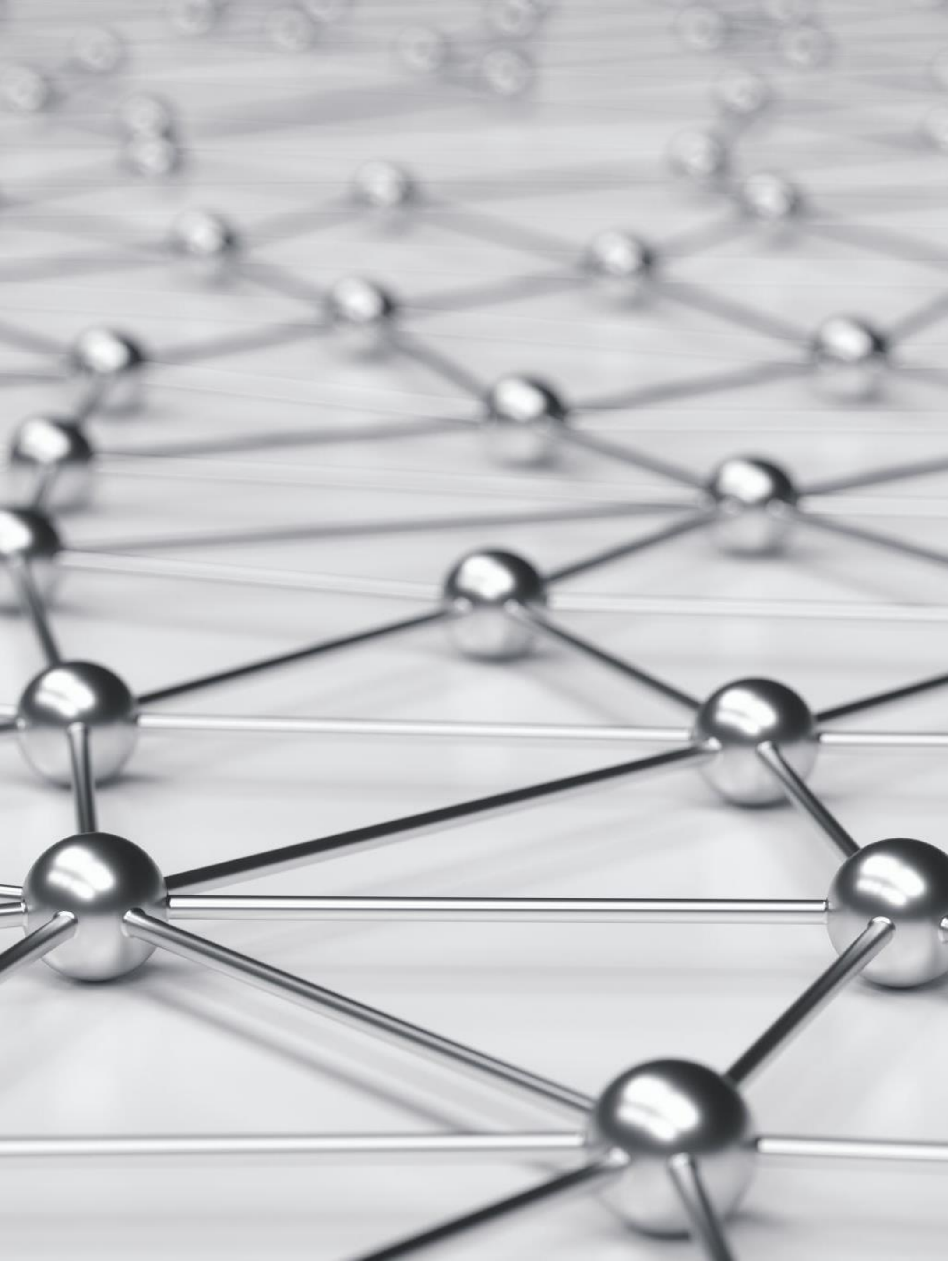
The objectives of the JV may not be clear and understood by all if the partnering organizations do not state and communicate them clearly.

Differences in the cultures and management styles of the organizations may lead to a lack of cooperation and coordination.

Lack of thorough research and feasibility studies in the beginning of the JV may lead to failure of the JV.

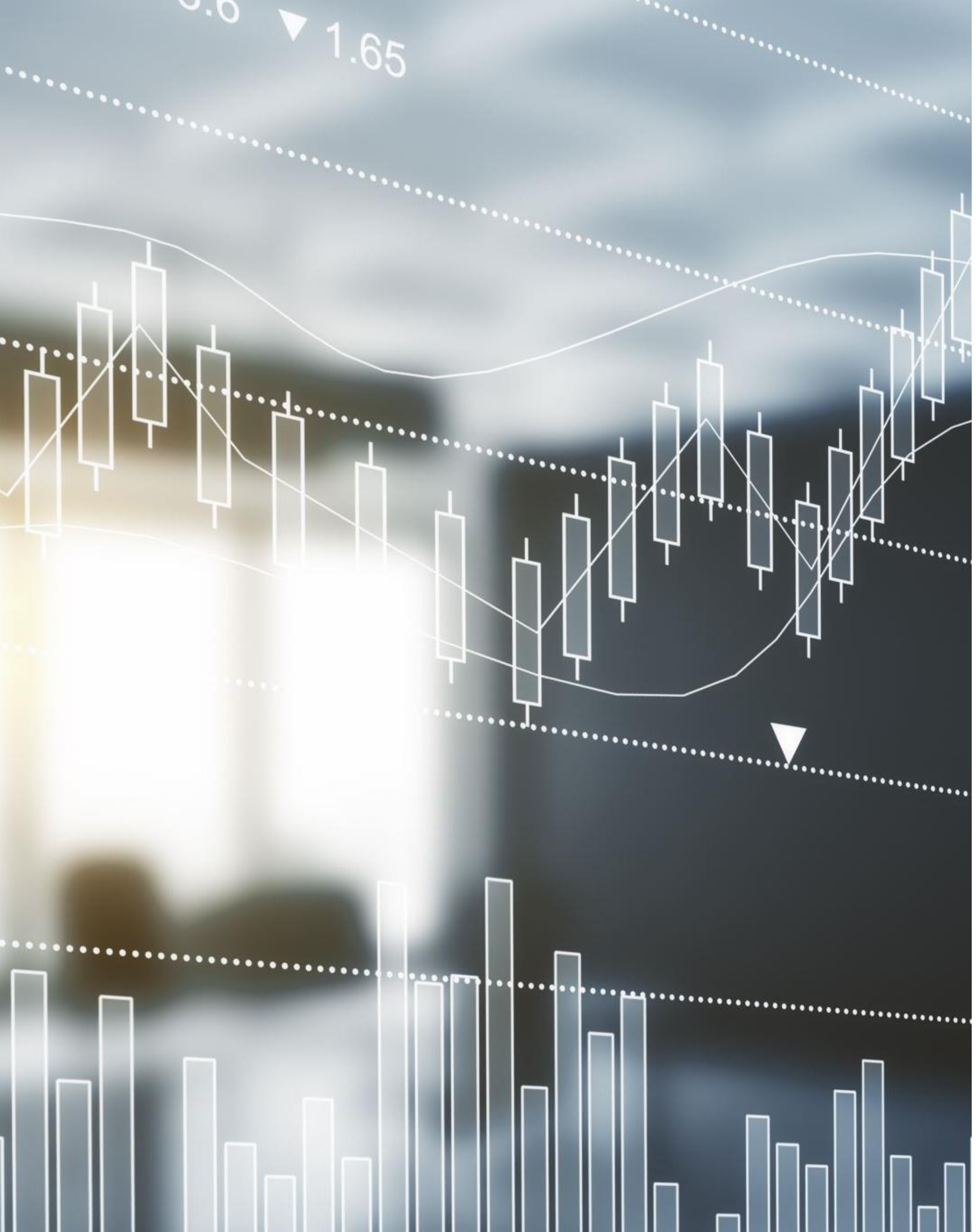
The individual partners may not treat the JV as an integral part of their business and may lead to lack of attention being given to the JV

There can be an imbalance in levels of expertise, investment or assets brought into the venture by the partner



INTERNATIONAL STRATEGIC ALLIANCES

- Strategic alliance is an important mode of doing international business. An alliance is an inter-firm collaboration over a given economic space and time for the attainment of the participating companies' goals. The use of strategic alliance has expanded dramatically over the past decade and it's use will continue to increase in future.
- Strategic alliances are partnerships in which two or more companies work together to achieve objectives that are mutually beneficial while parties remaining independent. Companies may share resources, information, capabilities and risks to achieve this.
- International Strategic Alliance is the combination of two or more firm's agreed upon future objective, which achieved by together practices of the MNCs.



WHAT IS FDI?

- Foreign direct investment is an investment in a business by an investor from anther country for which the foreign investor has control over the company purchased.
- It is also defined as cross border investment made by a resident in one economy in an enterprise in another company.
- FDI is direct investment into production in a country by a company located in another country ,either by buying a company in the target country or by expanding operations of an existing business in that country.

BENEFITS OF FDI

- Improve foreign exchange position of the country.
- Employment generation and increase in production.
- Help in capital formation by bringing fresh capital.
- Helps in transfer of new technologies and management skill.
- Helps in increase exports.
- Increases tax revenues

DISADVANTAGES OF FDI

- Domestic companies fear that they may lose their ownership.
- Small companies fear that they may not be able to compete with world class large companies.
- Foreign companies invest more in machinery and intellectual property than in wages of the local people.
- Government has less control over the functioning of such companies as they usually work as wholly owned subsidiary of an overseas company.