

Section 2: Foreign Market Entry Strategies of Focal Firms

Cross-border business transactions can be grouped into three categories:

- 1. Trade:** buying and selling of products (mainly exporting and importing)
- 2. Contractual exchange of services or intangibles** (mainly licensing and franchising)
- 3. Equity ownership in foreign operations:** establishing foreign presence through direct investment (FDI)

Examples of Contractual Strategies

Licensor: Focal firm grants the right to the foreign partner to use certain intellectual property in exchange for royalties.

- Mega Bloks (Canadian toymaker) signed an agreement with Disney that gives the SME the right to manufacture toys that feature Disney characters like Winnie the Pooh, Power Rangers.

Examples of Contractual Strategies (cont'd)

Franchisor: Focal firm grants the right to the foreign partner to use an entire business system in exchange for fees and royalties.

- For firms like Subway or KFC, it's an efficient way to internationalize,
- In China, Subway is the third-largest U.S. fast-food chain.