**Date:** **11/27/2013**

**To:** **James Reinnoldt**

**From:** **Misha Ward**

**Subject:** **Assignment 4: Modes of Entry**

## Part 1:

### *Direct Export:*

***Question 1:*** *Which two companies are involved? What is the industry?*

***Answer 1:*** Although the two companies were not mentioned by name, the article does mention Canadian Natural Resources Ltd. and "Gulf refineries". I believe that gulf refineries refer to companies like British Petroleum, Chevron, or Exxon. The industry is oil extraction/refinery.

***Question 2:*** *In which market? When?*

***Answer 2:*** The market is mostly in the U.S. as Canada is trying to export excess oil to the Gulf. Although this process is occurring today, the article mentions the Keystone pipeline which would help with the exportation process. Another market which was mentioned was China and how Canada might start to consider exporting oil due to their high demand for resources.

***Question 3:*** *Why do you think these two companies chose this mode of entry? Please be both thorough and insightful here by referring to the pros and cons of the various modes of entry and commentary on why you think they chose the specific model. This must be through enough to educate reader who knows nothing about the companies, modes of entry or the country concerned.*

***Answer 3:*** I think there are many reasons the two companies chose to use this mode of entry. One of the reasons because the U.S. has a major refinery processes which Canadian companies might not want to take the risk in operating such plants. Additionally, exporting the oil to the U.S. allows for risk transfer. Canadian firms like Canadian Natural Resources Ltd. will not have to worry about selling or distributing the refined oil. Another reason for this chosen mode of entry is that Canada might not have the human capital or financial resources to sustain oil refineries. This is especially true due to harsh weather conditions for most of Canada during the winter where travel and working outside can be disrupted due to snow, ice, or wind. Ultimately, one of the biggest drivers for exporting would be the Keystone pipeline which would make it even more efficient to export excess oil to the U.S.

http://online.wsj.com/news/articles/SB10001424127887323997004578644390357748314

## *Licensing (manufacturing):*

***Question 1:*** *Which two companies are involved? What is the industry?*

***Answer 1:*** The companies involved are Quiksilver and Li & Fung USA (a Hong Kong headquartered design, development, sourcing, and Distribution Company) in the retail clothing industry.

***Question 2:*** *In which market? When?*

***Answer 2:*** The licensing manufacturing agreement is aimed at producing clothing for specifically the U.S. market by fall 2014 holiday season.

***Question 3:*** *Why do you think these two companies chose this mode of entry? Please be both thorough and insightful here by referring to the pros and cons of the various modes of entry and commentary on why you think they chose the specific model. This must be through enough to educate reader who knows nothing about the companies, modes of entry or the country concerned.*

***Answer 3:*** These two companies have numerous reasons for choosing this mode of entry. One of the biggest reason is that it is far cheaper for the U.S. company Quiksilver to license their clothing lines to a distinguished clothing company like Li & Fung USA. By doing this, the American company receives a royalty from the firm which helps bring in consistent cash flow for the firm. Additionally, by using a distinguished clothing manufacture, Quiksilver increases the odds of avoiding worker abuse scandals while getting quality products at a low cost. Furthermore, for Quiksilver, this allows them to minimize their startup costs and enter in markets quickly. This seems true for this case as building a plant, hiring workers, and all the other needs for manufacturing processes would usually take years to set up. By using a license manufacturing agreement, Quiksilver is able to increase supply in the U.S. market within a year.

http://business.transworld.net/144530/features/quiksilver-announces-licensing-agreement-youth-apparel/

## *Licensing (franchising):*

***Question 1:*** *Which two companies are involved? What is the industry?*

***Answer 1:*** The two companies involved in this licensing franchising are Disney and EA Canada which both firms participating in the retail video game industry.

***Question 2:*** *In which market? When?*

***Answer 2:*** The markets include a possible worldwide distribution but focused mainly on the U.S. video game retail space. Although the article does not include a release date for the video game, they do mention that the project is underway. This game could be out possibly in line with the new Star Wars movie.

***Question 3:*** *Why do you think these two companies chose this mode of entry? Please be both thorough and insightful here by referring to the pros and cons of the various modes of entry and* *commentary on why you think they chose the specific model. This must be through enough to educate reader who knows nothing about the companies, modes of entry or the country concerned.*

***Answer 3:*** Disney and EA Canada might have chosen this form of entry for many reasons. As a franchise, EA Canada will have to abide too many set of rules and procedures that Disney will place on them. Although this may seem limiting at first, Disney understands that their main competency is entertainment, not making video games. By allowing EA Canada to make the game, Disney will get a product that is high quality, done in a timely manner, while at the same time having control over many of the aspects of the development of the game. Additionally, Disney will not have to hire or train staff. The trade-off however is that Disney will receive small royalties from sold games, thus greatly limiting their profit margins.

http://www.ubergizmo.com/2013/11/ea-canada-working-on-open-world-star-wars-game/

## *Management contract:*

***Question 1:*** *Which two companies are involved? What is the industry?*

***Answer 1:*** The two companies involved in this management contract are Hilton Worldwide and Goverdhandham Estate Pvt. Ltd. while the industry is international hospitality.

***Question 2:*** *In which market? When?*

***Answer 2:*** The two companies have signed the contract to run and manage a hotel property in the city of Jaipur, India by the last quarter of 2015.

***Question 3:*** *Why do you think these two companies chose this mode of entry? Please be both thorough and insightful here by referring to the pros and cons of the various modes of entry and commentary on why you think they chose the specific model. This must be through enough to educate reader who knows nothing about the companies, modes of entry or the country concerned.*

***Answer 3:*** I believe these two companies selected this model of entry for multiple reasons. One of the main reasons for this that this type of entry model limits the risks tremendously for Hilton Worldwide while they still receive a portion of the sales (about 2-5%) for the use of their highly recognized and branded name. However, they do provide services such as training for both staff and managers in order to uphold the Hilton brand. This however, can be a minimal cost compared to actually setting up a hotel independently. Another important factor for choosing this entry model is the fact that startup capital is minimal for the Hilton Worldwide allowing for consistent cash flows. By providing such services, Hilton can also gain some market expertise and develop ways to customize their services for the Indian audience.

http://articles.economictimes.indiatimes.com/2013-11-27/news/44520131_1_hilton-worldwide-rinck-new-property

## *Joint venture:*

***Question 1:*** *Which two companies are involved? What is the industry?*

***Answer 1:*** The two main companies involved are Burger King and Bertrand Holding Co (however they are also partnering with Natixis). The industry that these two companies are in is fast food.

***Question 2:*** *In which market? When?*

***Answer 2:*** The market that these companies will work together in is France. They plan on having four restaurants opened by December 17, 2013.

***Question 3:*** *Why do you think these two companies chose this mode of entry? Please be both thorough and insightful here by referring to the pros and cons of the various modes of entry and commentary on why you think they chose the specific model. This must be through enough to educate reader who knows nothing about the companies, modes of entry or the country concerned.*

***Answer 3:*** I believe that these companies have many reasons for choosing this mode of entry. One of the greatest reasons is that they are trading dissimilar resources in hopes to mutually benefit each other. In this case, Burger King was looking for capital and a distribution network while Bertrand Holding Company would provide the distribution channel needed to run a fast food restraint. At the same time, Natixis would help provide the startup capital and expertise of the French markets. For Burger King, this joint venture will reduce profits due to having to share with their partners but still will be worth it due to the foot hold they will be able to secure in such a quick time. Furthermore, Burger King might have chosen to enter the French market with a joint venture due to “Strong Nationalism” which might be apparent in France. Such strong nationalism might hinder certain American companies. By having local French partners, Burger King can actively show their involvement in the French community and not be considered so foreign.

http://www.chicagobusiness.com/article/20131126/NEWS0702/131129814/burger-king-takes-on-mcdonalds-with-new-joint-venture-in-france#

## *DFI: Minority ownership:*

***Question 1:*** *Which two companies are involved? What is the industry?*

***Answer 1:*** The two companies involved are (U.S. company) Easton Pharmaceuticals and (Canadian company) XILIVE. The industry that these two companies are in is the pharmaceutical industry.

***Question 2:*** *In which market? When?*

***Answer 2:*** The market that this minority ownership took place in was Canada by November 7th, 2013.

***Question 3:*** *Why do you think these two companies chose this mode of entry? Please be both thorough and insightful here by referring to the pros and cons of the various modes of entry and commentary on why you think they chose the specific model. This must be through enough to educate reader who knows nothing about the companies, modes of entry or the country concerned.*

***Answer 3:*** Easton Pharmaceuticals might have chosen this strategy for multiple reasons. One of the reasons might be due to having control over a firm they believe has products that could be very valuable. In this example, Easton Pharmaceuticals bought the 10% share for Xilive due to clinical trials showing positive results. The company placed terms in the acquisition of the 10% share that they could buy the rest of the shares within the next 12 months. By doing this, the company limits its risk but also can fully enjoy the upside potential that the drug could have if endorsed by the FDA.

http://manufacturing.pharmaceutical-business-review.com/news/easton-pharmaceuticals-acquires-minority-ownership-interest-in-experimental-cancer-drug-071113

## *DFI: Majority ownership:*

***Question 1:*** *Which two companies are involved? What is the industry?*

***Answer 1:*** The two companies that are involved in are SolarWorld and Bosche Solar Energy. The industry is solar energy.

***Question 2:*** *In which market? When?*

***Answer 2:*** The markets that these firms participate in is Germany while the acquisition was immediate and took affect December 1st, 2013.

***Question 3:*** *Why do you think these two companies chose this mode of entry? Please be both thorough and insightful here by referring to the pros and cons of the various modes of entry and commentary on why you think they chose the specific model. This must be through enough to educate reader who knows nothing about the companies, modes of entry or the country concerned.*

***Answer 3:*** I believe the company chose this model due to the fact that they solely wanted the people at the other firm. It was noted in the article that Bosche Solar Energy was in fact losing money but that the company believe that their technology and production facilities that could increase SolarWorld's scale of operations. By increasing their scale of operations, they can then better compete with Chinese firms. Other reasons to acquire a major ownership in Bosche Solar Energy was to gain total control and create synergies between the two companies. Additionally, there were tax advantages by acquiring a firm that was posting losses due to debt. Ultimately however, companies that chose this way to enter new markets usually do so for the people, patents, or other resources that the firm has in the market. In this case, the firm Bosche Solar Energy was appearing to become a going concern and that the SolarWorld wanted the technology, people, and production that Bosche Solar Energy could provide.

http://cleantechnica.com/2013/12/01/solarworld-buys-boschs-solar-arm/

## *Greenfield:*

***Question 1:*** *Which two companies are involved? What is the industry?*

***Answer 1:*** The companies involved are Amazon.com, Dick Smith, and Big W (both sellers and distributors). The industry is tablet computers.

***Question 2:*** *In which market? When?*

***Answer 2:*** The market that the tablets are going to be entering into is the Australian market by November 2013.

***Question 3:*** *Why do you think these two companies chose this mode of entry? Please be both thorough and insightful here by referring to the pros and cons of the various modes of entry and commentary on why you think they chose the specific model. This must be through enough to educate reader who knows nothing about the companies, modes of entry or the country concerned.*

***Answer 3:*** Like many of the other modes of entry listed above, Amazon.com had many reason to pick this mode of entry. Reasons include a desire to control distribution channels and have more control over the products release. In addition, amazon might be trying to learn more about the Australian marketplace and working on creating efficient distribution channels. Furthermore, by having a Greenfield investment, Amazon might be able to establish their brand name quicker than if in a joint venture. They also will not have the down side of working with another partner to come up with capital, resources, or other business needs.

http://www.aegindia.org/2013/11/amazon-kindle-tablets-in-australia-kindle-fire-hd-fire-hdx-7-inches-and-fire-hdx-8-9-inches/2136154.html

## *Strategic partnership:*

***Question 1:*** *Which two companies are involved? What is the industry?*

***Answer 1:*** The two companies involved are The Weather Channel and WeatherFX. The industry that they are involved in is weather forecasting.

***Question 2:*** *In which market? When?*

***Answer 2:*** The market that this partnership will occur across Europe and currently does not have a clear date for beginning of the partnership but seems like it began on the article date which was November 29$^{th}$, 2013.

***Question 3:*** *Why do you think these two companies chose this mode of entry? Please be both thorough and insightful here by referring to the pros and cons of the various modes of entry and commentary on why you think they chose the specific model. This must be through enough to educate reader who knows nothing about the companies, modes of entry or the country concerned.*

***Answer 3:*** I believe that these companies chose this mode of entry due to the large technical aspects of their product but also due to their skill set. The deal is focusing on having the Weather Channel use WeatherFX's sophisticated marketing programs to increase revenues and page glances. WeatherFX specializes in showing products that correlate to what going on with the weather, for example, is if it is raining, WeatherFX's algorithms will show umbrellas or other products associated with rainy weather. By using a strategic partnership, both firms help each other by also quickening the pace for market entry. Due to focusing on their expertise, they will be able to develop the product quicker. For the weather channel, they will be able to increase their advertising revenues while WeatherFX will be able to work with a leader in the weather forecasting market. Both firms will continue to compile market research and strengthen their core competencies.

http://www.thedrum.com/news/2013/11/29/weather-channel-launches-weatherfx-through-strategic-partnership-starcom-mediavest

## Part 2:

This assignment taught me a lot about the use of strategic modes of entry and how they can be used to efficiently by companies to enter new markets. It was very interesting for me to see how companies chose certain modes over other options and the thought process that goes along with these decisions. Additionally, it was really interesting to assess the time to market and risk approach of some of the modes. This was especially true for Burger King and their reentry into Europe by doing a joint venture with two firms in hopes to maximize their resources efficiently. By working with two other companies, Burger King was able to enter into a growing market sooner than if going in alone due to having a distribution channel and additional capital. Ultimately, the major lesson I learned from this assignment is that careful analysis must be made for a successful enter into a market. Failure to research the market and find the correct strategic entry mode will surely result in a business failure and loss of capital.