

# GLOBAL MARKET ENTRY STRATEGIES





# LICENSING

Make a legally protected asset available to another company.

**Parties:** licensor / licensee

**Assets:** brand name, company name, patent, trade secret, product formulation

e.g. Hugo Boss

advantages: -circumvent tariffs, quotas export barriers

-considerable autonomy (free to adapt goods)

e.g. Disney



# LICENSING

## **Disadvantages:**

- Limited market control
- Short life
- Licensees may turn into competition

## **Remedy:**

- agreements that contemplate cross tech exchange (full cross licensing)

## **Special licensig arrangements:**

- Contract manufacturing
- Franchising



# LICENSING



**Q1:** What did Pilkington did wrong when licensing to Glaverbel?

**Q2:** Which are 3 other advantages of good licensing arrangements?

**Q3:** Why does the Chinese government requires foreign franchisers to set their own stores for at least one year before franchising?



# LICENSING

## **A1:**

They did not include cross tech exchange in the contract.

## **A2:**

- Create export market opportunities,
- Create low risk manufacturing relationships,
- Speed up diffusion of new products or technologies.

## **A3:**

- Increase the direct capital investment.
  - Make sure the business is running well when handed to licensees.
- i.e eliminate entry risks and reduce entry costs



# INVESTMENT

It is used to get partial or full ownership of operations outside the home country.

## **Foreign direct investment (FDI)**

Allows companies to produce, sell, and compete locally in key markets.

e.g. Japanese car plants in USA.

-minority or majority...

[ shares in joint ventures  
equity stakes in other company

-Outright acquisition  
(full ownership)

-Or a combination of both

e.g. UPS

# GLOBAL STRATEGIC PARTNERSHIPS

To succeed in global markets cannot rely only on their technological superiority or core competence.

Look new strategies to enhance environmental responsiveness.

Developing flexible organizational capabilities, innovating continuously, and revising global strategies.





# THE NATURE OF GLOBAL STRATEGIC PARTNERSHIPS

Linkages between companies to jointly pursue a common goal.

Strategic alliances exhibit 3 characteristics:

- 1: Participants remain independent
- 2: They shared benefits and control over the assigned tasks
- 3: They make ongoing contributions on technology, products and others.

## **Disadvantages:**

- Shared control generate management challenges.
- Strengthening a competitor.





# THE NATURE OF GLOBAL STRATEGIC PARTNERSHIPS

Attributes of strategic alliances:

- 1: Joint long term strategy to achieve world leadership by cost leadership/differentiation.
- 2: Companies share their strengths while learning from each other.
- 3: Their visions and efforts are truly global.
- 4: Horizontal relationship (tech sharing, resource pooling)
- 5: In markets out of the agreement national and ideological identities are kept.

Q4: What are the common reasons for establishing alliances?



# THE NATURE OF GLOBAL STRATEGIC PARTNERSHIPS

A4:

- High product development costs
- Lacking the skills, capital, know-how to do it alone
- Securing access to national and regional markets.
- Learning opportunities



# SUCCESS FACTORS

- Mission**
- Strategy**
- Governance**
- Culture**
- Organization**
- Management**

Remember that outside the agreement:

Partners are still competitors

Conflict is expected

Establish limits to cooperation



# INTERNATIONAL PARTNERSHIPS IN DEVELOPING COUNTRIES

Q5: Which markets are attractive because of their big size and untapped business opportunities?

Q6: What makes Russia an excellent location for alliance? Which are the possible problems there?



# COOPERATIVE STRATEGIES IN JAPAN: KEIRETSU

It is an interbusiness alliance or an enterprise group that cooperates to dominate a market or segment.

Usually based on cross ownership of stock through banks between companies, buyers and nonfinancial suppliers.

Sit on each other's boards, Share information, coordinate prices.

Q7: How has Keiretsu contributed to the development and sustainability of Japanese economy?



# COOPERATIVE STRATEGIES IN SOUTH KOREA: CHAEBOL

It is composed by dozens of companies centered around a central bank or holding company and dominated by a founding family.

Q8: How where "chaebols" created?

# XXI CENTURY COOPERATIVE STRATEGIES: TARGETING THE DIGITAL FUTURE

Companies are forming strategic alliances to make the most of the coming era of electronic integration.

Q9: Why was Sematech created?

Beyond strategic alliances In a relationship enterprise groupings of firms in different industries and countries would pursue common goals encouraging them to act as a single firm.

Q10: (Hypothetically) How would airplane builders, airline companies and the Chinese government cooperate into improving the airport transportation in the country and dominate the market?



# MARKET EXPANSION STRATEGIES

**Strategy 1:** Country and market concentration

**Strategy 2:** Country concentration and market diversification

**Strategy 3:** Country diversification and market concentration

**Strategy 4:** Country and market diversification

**Q11:** Which is the strategy most commonly used by US companies and why?



***Thank You***

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