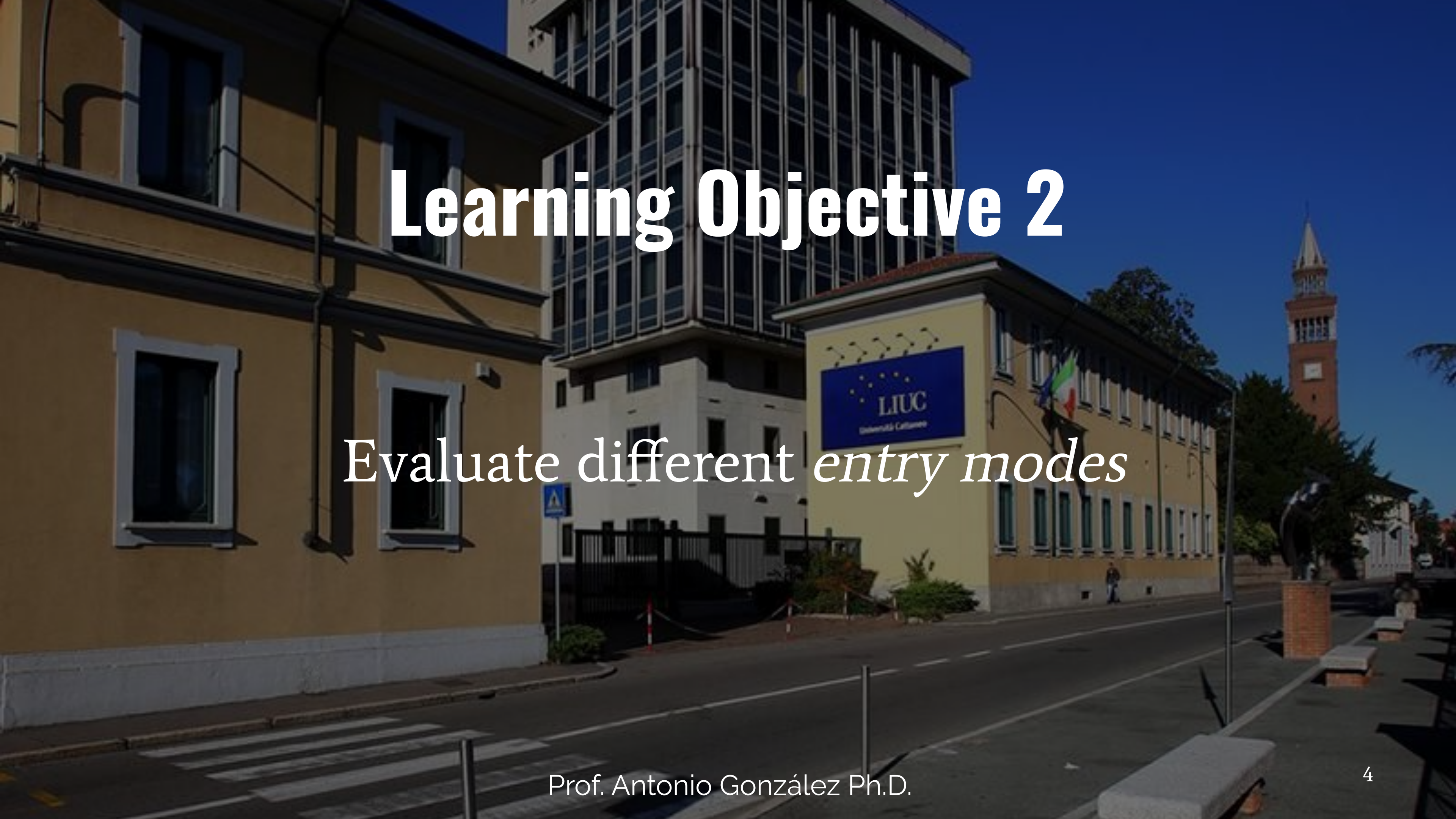
Students' version

International Marketing

7th of october, 2019

Contents of the session

1. Your takeaways of the previous session
2. International Marketing Strategies
3. Export: Direct & Indirect
4. Agreements & Alliances



Learning Objective 2

Evaluate different *entry modes*

International Marketing Course

Prof. Antonio González Ph.D.

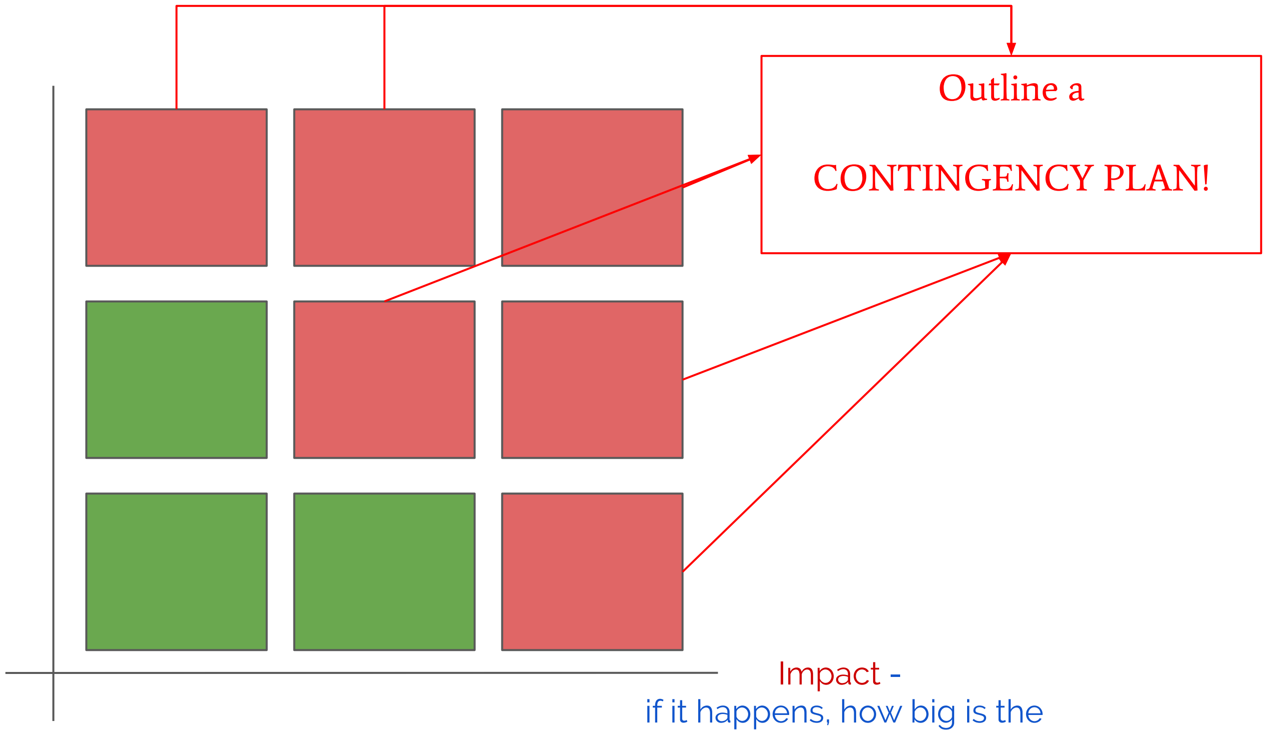
Introduction

What are the implications for the company when expanding business?


Market potential / product fit
3 operative dimensions of going abroad
Involvement & risk management
Investment (cost)

Risk management matrix

Probability-
how likely is a risk
to happen?



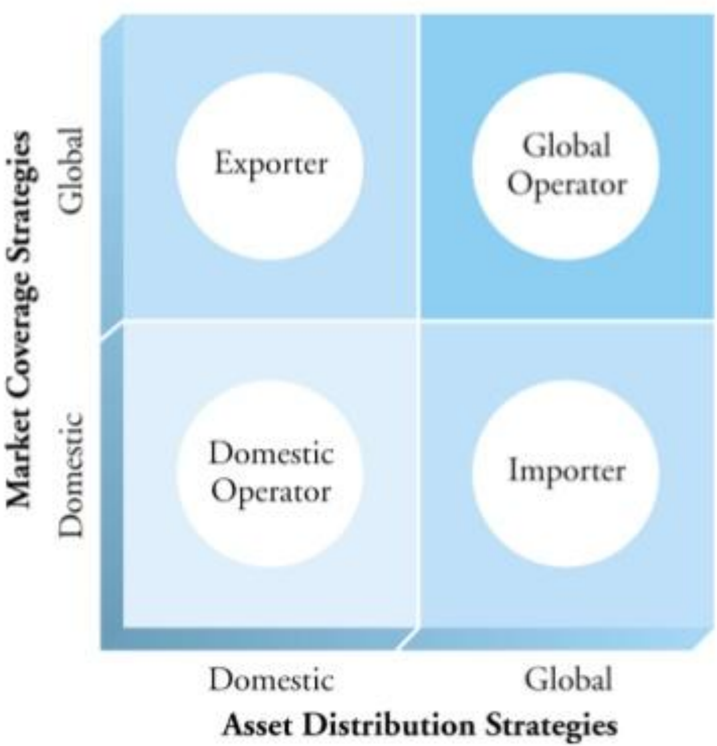
Impact -
if it happens, how big is the
damage for the
business/project?

1. International Marketing Strategies

Market coverage

&

asset allocation



Jeannet, J.-P., Hennessey, H. D., & Jeannet, J.-P. (1992). *Global marketing strategies*. Boston: Houghton Mifflin.

Considering the investment,

How many types of expansion do we have?

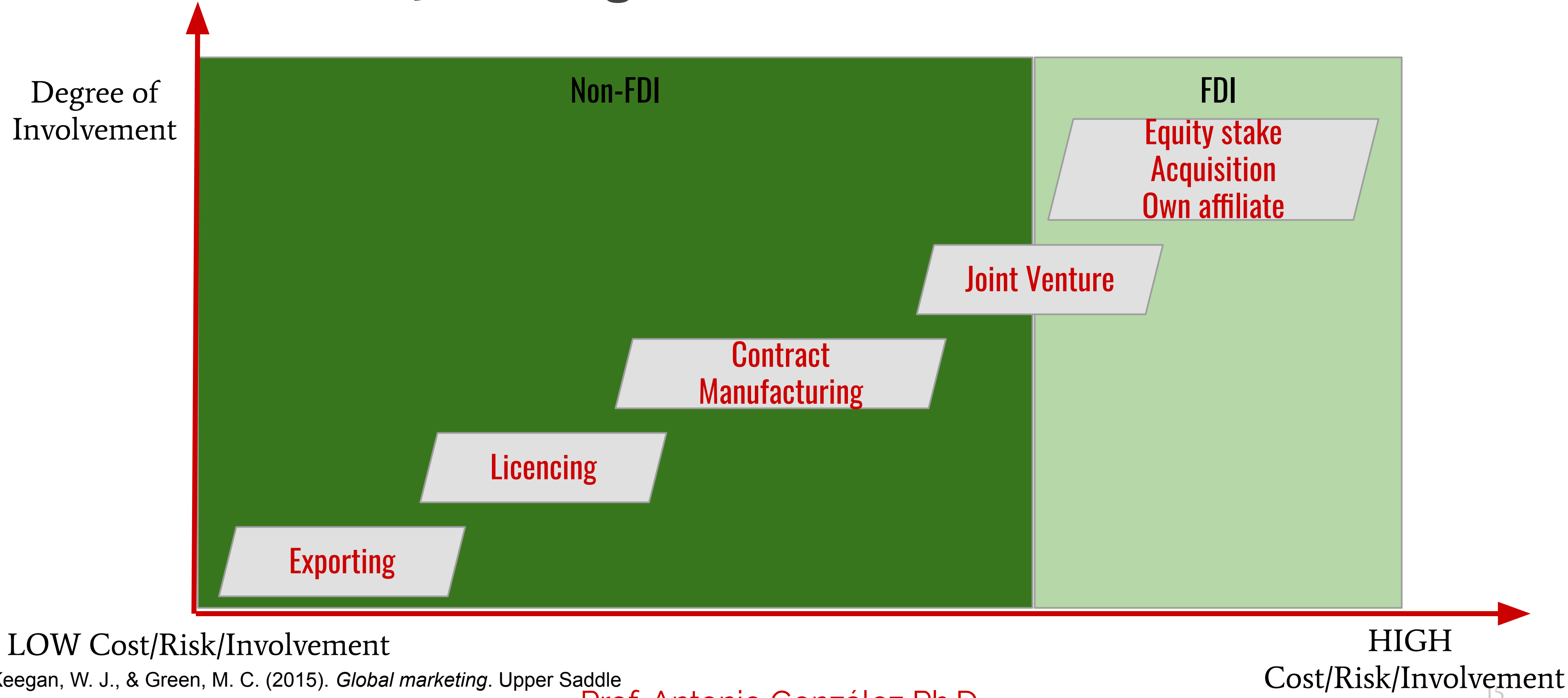
Non-FDI

FDI

What is FDI?


PAY ATTENTION TO THIS
IT IS IMPORTANT
imgflip.com

1. Market Entry Strategies



Keegan, W. J., & Green, M. C. (2015). *Global marketing*. Upper Saddle River, N.J: Pearson/Prentice Hall.

1. International Marketing Strategies: Non-FDI

1. Market Entry Strategies: non-FDI

A) Exporting

- Many countries do not offer a market big enough to justify a branch/factory/sales office/affiliate
- Companies manufacture a product from one country to many, obtaining *economies of scale*
- Exports add volume to current production with high *marginal profitability*
- It can be *direct* or *indirect exporting*

1. Market Entry Strategies: non-FDI

Indirect Exporting

- Companies located in the home country (production country) support the process of moving the goods away
- It simplifies the process, specially when it is the 1st try

Direct Exporting

- It happens when the company moving aways its goods exports through an intermediary (ie wholesaler, distributor, importer) located in the foreign country

1. Market Entry Strategies: non-FDI

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Direct Exporting - option 1: wholesaler/distributor

- The channel partner earns a margin on the selling price of the product
- This intermediary margin it not a cost for the exporting company but also a lost opportunity for additional revenue
- Lack of promotion, control and selling organisation frequently pushes exporting companies to create its own sales branch

1. Market Entry Strategies: non-FDI

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Direct Exporting - option 2: sales subsidiary

- ➔ Manufacturers exports their goods through their own affiliates in the foreign country, avoiding the distributors and gaining their markup on price
- ➔ The sales subsidiary (sales branch or sales office) takes the role of distributor:
  - Manage the sale to customers in destine country
  - Stocks the products and handles distributions
  - Provide financial (manages risks) credit to customers

1. Market Entry Strategies: non-FDI

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B) Licensing

Occurs when a company allows (for a period of time)a third party the right to use a patent (which protects a technology, a process or a product)or a *trademark* (that protects a brand) in exchange of money (fee or royalty). Companies do licensing because:

- Lack of money to invest (CAPEX) abroad
- No additional investment required and its yields additional revenues (royalties)
- Market opportunity can be too low to manufacture locally
- Lack of skills for develop business globally
- Licensing adds volume to current manufacturing
- Licensing absorbs political and economic risks

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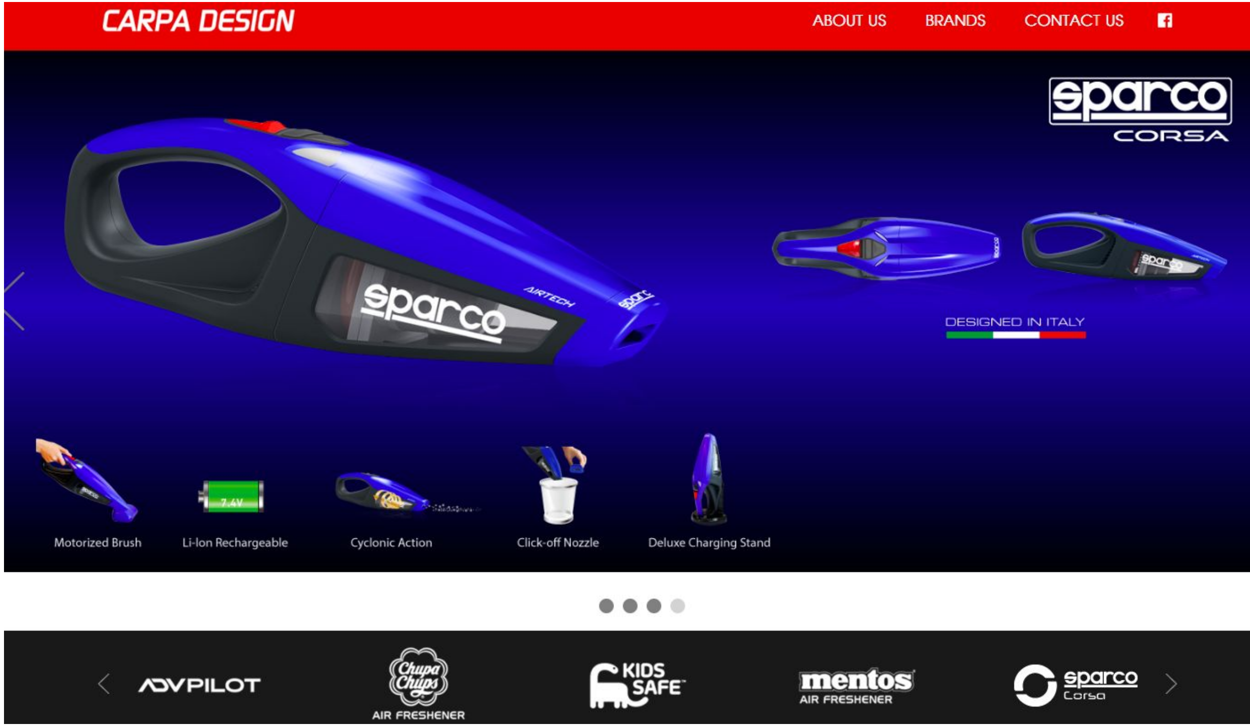
Example of Licensing:
Land Rover "Santana" in Spain at XX century

Prof. Antonio González

Flonorm®
α Rifaximina 200 mg
24 tabletas recubiertas
Vía Oral
Bajo licencia
ALFA WASSERMANN



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AIR FRESHENER
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sparco
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1. Market Entry Strategies

Franchising as a form of Licensing

The franchiser makes available a total marketing program (brand, product, promotion, operations and even pricing!)

Examples:

- Fast food companies
- Hotel chain (Holiday Inn)
- Car rentals (Hertz)

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License vs franchising

1. Market Entry Strategies: non-FDI

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C) Contract Manufacturing

A company agrees to manufacture its products by an independent local company in the foreign country under the regulation of a contract agreement

Contract manufacturing is a convenient entry mode for foreign markets with low potential under protectionist policies, avoiding tariffs through local production

On opening a company in China

1. Market Entry Strategies:

D) Joint Venture (JV)

This form of cooperation between companies occurs when a company invites an outside party to share the stock of the ownership in order to exploit together an opportunity in the market or a given project.

- It secures both parties implication
- Normally happens between companies operating in the same industry but with different positioning to a given opportunity (resources, technology, HR, etc)
- Companies in JV share benefits, costs, management, production, etc
- It's between FDI/non-FDI regarding partners' agreement

Il Gruppo LVMH inaugura la Manifattura Thelios, nuovo sito di produzione italiano dedicato all'eyewear

LVMH · 24.04.2018

UPDATE 1-Venezuela detains local head of oil joint venture with China - sources

PUBLISHED SAT, OCT 5 2019·12:00 PM EDT

REUTERS

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Thelios: JV LVMH + Marcolin


SAXO TV
VESTAS IS WORLD'S LARGEST WIND TURBINE MAKER

2. International Marketing Strategies: FDI

2. Market Entry Strategies: FDI

ACQUISITION (Equity stake>Acquisition>Own Affiliate)

Direct investment to buy a foreign company as entry strategy will yield maximum control and rapidly entry to a foreign market

- Product and geographical diversification (remember Ansoff Matrix)
- Acquisition of expertise (technology, human resources, etc)
- Governments normally welcome FDI since it increases employment and tax base
- Acquisition is sensitive because it can be as matter of national pride since its replaces local ownership, even can be perceived as exploitation

Examples of acquisitions

March 26, 2008: Tata buys Jaguar and Land Rover

$2.3b gives the emerging Indian automaker a model line-up ranging from ultra-cheap to high-end luxury

Published: March 25, 2018 17:03
Abdul Kareem, Head of Archive

Peugeot buys Vauxhall and Opel from General Motors for £1.9bn: But what happens next?

share

Save 29

PSA CEO Carlos Tavares shakes hands with GM boss Mary Barra on Monday morning

Examples of acquisitions II

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Air Liquide SA (+ Add to myFT)

Air Liquide agrees to buy Airgas for $13.4bn

Deal marks vote of confidence in American industrial economy

Richard Blackden and **Ed Crooks** in New York NOVEMBER 18 2015

0

French industrial gas group Air Liquide said on Tuesday that it had agreed to buy US-based Airgas in a $13.4bn deal, in a vote of confidence in the American industrial economy.

2. Market Entry Strategies: FDI

MERGERS

- The opening of financial markets has facilitated the rise of mergers (and acquisitions)
- Mergers normally have to follow antitrust policies
- Often, mergers imply divest to satisfy regulators

Linde-Praxair try to save $83 billion merger after antitrust blow

Alexander Hübner, Jörn Poltz — 5 MIN READ

MUNICH (Reuters) - Industrial gases giants Linde LIN1.DE and Praxair PX.N are in talks to try to salvage their $83 billion merger after U.S. competition regulators demanded they sell assets that generate more than $4.3 billion in sales.

Praxair, Inc. Signs Agreement to Sell European Assets to Taiyo Nippon Sanso Corporation

3. Alliances & Agreements

3. Strategic Alliance & Agreements

- Two companies pool all their resources and go beyond JV (where allocated resources are limited) joining forces by bringing particular skills or resources that complement the other partner
- 3 types of alliances:
  - Technology-based
  - Production-based
  - Distribution-based

3. Strategic Alliance & Agreements - tech based

Normally @IoT and Biotech industries:

- Alliance to enter markets
- Exploitation of complementary technology
- Co-creation and innovation

3. Strategic Alliance & Agreements - production based

Particularly in automotive industry

2,341 views | Aug 31, 2011, 12:30pm

Ford And Toyota's Hybrid Partnership

Althea Chang Contributor
Vehicles
Cars, Tech, Toys, Luxury

Ford and Toyota are teaming up to develop a new hybrid powertrain for light trucks and SUVs, allowing drivers who want the capabilities of a larger vehicle to get the gas mileage of a smaller car.

Today In: Lifestyle

By collaborating, the companies expect to offer hybrid trucks and SUVs earlier than they would if they worked separately, the companies explained in a recent press release.

3. Strategic Alliance & Agreements - distribution based

Distribution based strategic alliances are becoming increasingly common

LA JV BEVERAGE PARTNERS WORLDWIDE TRA COCA-COLA E NESTLÈ-NESTEA SI CONCENTRA SU EUROPA E CANADA

Nestlé SA e The Coca-Cola Company hanno annunciato di aver stipulato un accordo per concentrare la portata geografica della loro joint-venture Beverage Partners Worldwide (BPW), relativa al thè freddo RTD in Europa e in Canada. A Taiwan e Hong Kong, The Coca-Cola Company firmerà un accordo di licenza con il marchio Nestea del gruppo Nestlé. Nel resto del mondo, la joint venture sarà gradualmente sciolta entro la fine del 2012, fatte salve eventuali autorizzazioni di legge.

Remember:

We r selling 24/7!

Thanks for your attention

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