Globalization strategies

During the past sixty years the business world has changed a lot. The globalization movement is one of the primary reasons for the changes. Organizations began to realize that in order to achieve growth firms had to expand beyond their domestic markets. If a country only has a population of one million this implies that the amount of potential customers is limited to the population of the country. A globalization strategy on the other hand allows a firm access to a global customer base of 6. 9 billion people (Census, 2011). Firms utilize various market entry strategies to achieve globalization. The four primary market entry strategies are exporting, licensing, joint ventures, and direct investment. The simplest and easiest globalization strategy to implement is exporting. There are two types of exporting: indirect and direct export. When a company begins to use exporting to achieve globalization they implement indirect exporting. Indirect exporting involves the use of intermediaries to introduce a product into a foreign market. One of the disadvantages of indirect exporting is that the profits have to be shared with the intermediary. The second type of exporting strategy is direct exporting. Direct exporting can be implemented in several ways. Four ways to implement direct exporting are: Domestic based export department or division Overseas sales branch or subsidiary Traveling export sales representative Foreign based distributors or agents (Kotler, 2003). A second market entry strategy is licensing. Licensing is also considered a relatively easy way to achieve market penetration into a foreign marketplace. In a licensing agreement the licensor licenses a foreign company to use a manufacturing process, trademark, patent, trade secret, or other item of value for a fee or a royalty (Kotler, 2003). Due to the fact that a second party is involved in the process the profitability of this market

entry strategy is lower than other options. An advantage of using a licensing strategy is that it is simple to implement for the licensor due to the fact that the license does all the work. The third market entry strategy is joint ventures. A joint venture can be defined as a contractual agreement joining together two or more parties for the purpose of executing a particular business undertaking (Answers, 2011). The companies involved in a joint venture agreement share in the profits and losses based on the contractual profit split agreement. Both ownership and control are shared in a joint venture. A joint venture can be a good strategic move due to political reasons. Prior to China’s entrance into the World Trade Organization (WTO) in 2001 the only way for a foreign company to penetrate the Chinese marketplace was through the use of joint ventures. The fourth market entry strategy that can be implemented to achieve globalization is direct investment. Direct investment involves establishing a physical presence and infrastructure in the foreign country. When a multinational corporation establishes a subsidiary in a foreign country they are using a direct investment strategy. Direct investment is the most profitable of all four market entry strategies. References Census. gov (2011). U. S. and World Population Clocks. Retrieved March 13, 2011 from http://www. census. gov/main/www/popclock. html Investorswords. com (2011). Joint Venture. Retrieved March 13, 2011 from http://www. investorwords. com/2671/joint_venture. html Kotler, P. (2003). Marketing Management (11th ed.). New Jersey: Prentice Hall.