The desired mode characteristics apply embark scenario management essay

Once the ¬⁾rm has analyzed, identified and chosen target markets abroad the question arises as to the best way to enter those markets. An international market entry mode is an institutional preparation necessary for the entry of a company's products, technology and human capital into a foreign country or market.

If a firm may expose to an unwise market entry selection in the initial stages of its internationalization it can threaten its future market entry and expansion activities. Since it is common for ¬⁾rms to have their initial mode choice institutionalized over time, as new products are sold through the same established channels and new markets are entered using the same entry method, a problematic initial entry mode choice can survive through the institutionalization of this mode. Low in courage in the shift process of entry modes delays the transition to a new entry mode. The displeasure of ¬⁾rm to change entry modes once they are in place, and the dif¬⁾culty involved in so doing, makes the mode of entry decision a key strategic issue for ¬⁾rms operating in today's highly dynamic internationalizing marketplace.

For most SMEs the market entry means a critical ¬⁾rst step, but for established companies the problem is not how to enter new emerging markets, rather how to grab the right opportunities more effectively within the environment of their existing network of international operations.

There is, however, no ideal market entry strategy, makes firms to adopt to different market entry methods for entering the same market and/or by the same ¬⁾rm in different markets. A ¬⁾rm often combines modes to enter or develop a speci¬⁾c foreign market. Such ‘ mode packages’ may take the form of combination use of several operation modes in an integrated, matching way. In some cases a ¬⁾rm uses a combination of modes that compete with each other. Sometimes this occurs when a ¬⁾rm tries a tough attack of an export market. The existing local distributor might be able to resist giving up the market, depending on the nature of existing duty and responsibility, but the exporter however may establish a completely owned sales subsidiary.

The three types of entry modes are:

Export

Intermediate

Hierarchical

The Choice of entry mood-Apply Embark scenario

Entry modes available to companies offer an advantage of foreign market opportunities. At this point concerned with the question: what kind of strategy should be used for the entry mode selection?

There are three different rules:

Naive rule

The decision-maker prefers the same entry mode approach for all foreign markets. This rule ignores the diverse characteristics of the individual foreign markets.

Pragmatic rule

The decision-maker uses a workable and feasible entry mode for each foreign market. In the early stages of exporting the ¬)rm typically initiates the business with a low-risk entry mode. Only if the particular initial mode is not feasible or pro¬)table, the ¬)rm will step for another practical entry mode. In this case not all potential alternatives are investigated, and the workable entry may not be the ‘ best’ entry mode.

Strategy rules

This approach requires that all alternative entry modes are systematically compared and evaluated before any choice is made. An application of this decision rule would be to choose the entry mode that maximizes the pro¬)t contribution over the strategic planning period subject to (a) the availability of company resources (b) risk and (c) non-pro¬)t objectives.

Desired mode characteristics -Apply Embark scenario

Risk-averse

If the decision-maker is risk-averse they will prefer export modes (e. g. indirect and direct exporting) or licensing (an intermediate mode) because they typically involve low levels of ¬)nancial and management resource commitment. A joint venture provides a way of sharing risk, finance and the cost of establishing local distribution networks and hiring local personnel, but it seems that negotiating and managing joint ventures often take up considerable management time and effort. Modes of entry that need minimal levels of resource facilitation and therefore minimal risks are doubtful to promote the development of international operations. That may result in signi¬⁾cant loss of opportunity.

Control

Mode of entry decisions also need to consider the degree of control that management requires over operations in international markets. Control is often closely related to the level of resource commitment. Modes of entry with minimal resource, such as indirect exporting, provide little or no control over the conditions under which the product or service is marketed abroad. In the case of licensing and contract manufacturing management needs to ensure that production meets its quality standards. Joint ventures also limit the degree of management control over international operations. So it can be a source of considerable con¬, ict where the goals and objectives of partners disagreement. Fully owned subsidiaries (hierarchical mode) provide the most control, but also require a substantial commitment of resources.

Flexibility

Management must also examine the ¬, exibility associated with a given mode of entry. The hierarchical modes (involving substantial equity investment) are typically the most costly but the least ¬, exible and most dif¬⁾cult to change in the short run. Intermediate modes (contractual agreements and joint ventures) constraint the ¬⁾rm’s ability to adapt or change strategy when market conditions are changing rapidly.

Export Mode- Intro

With export entry modes a ¬⁾rm's products are manufactured in the domestic market (or a third country) and then transferred mainly directly (sometimes indirectly as well) to the host market.

Export is the most common mode for initial entry into international markets.

Encouraging factors happened to the ¬⁾rm to consider international markets

Spontaneous order received from a buyer in a foreign country

Domestic customer expands internationally and places an order for its international operations

Extensive economies of scale within the home market

Limited number of buyers in the market worldwide (e. g. for aerospace)

As a result exporting is typically used in initial entry and gradually evolves to the success and development towards foreign-based operations.

Exporting can be organized in a variety of ways, depending on the number and type of intermediaries. As in the case of wholesaling, export and import agents are varying to a great extent in the range of functions performed.

E. g.: Some (E. g. export management companies) are the same of full-service wholesalers and perform all functions relating to export. Others are highly specialized and handle only freight forwarding, billing or clearing goods through customs.

In establishing export channels a ¬)rm has a really important and critical responsibility to decide which functions will be the responsibility of external agents and which will be handled by the ¬)rm itself. While export channels may take many different forms, for the purposes of simplicity three major types may be identi¬)ed: indirect, direct and cooperative export marketing groups.

Indirect export

This is when the manufacturing ¬)rm does not take direct approach of exporting activities. Instead another domestic company, a third country company or host country company , such as an export house or trading company performs these activities, often without the manufacturing ¬)rm's involvement in the foreign sales of its products.

Direct export

This usually occurs when the producing ¬)rm takes care of exporting activities and is in direct contact with the ¬)rst intermediary in the foreign target market. The ¬)rm is typically responsible in handling documentation, physical delivery and pricing policies, with the product being sold to agents and distributors.

Cooperative export

This involves mutual collaborative agreements with other ¬)rms (export marketing groups) concerning the performance of exporting functions.

Partner mindshare- Relevant to ESPIRIT…Do other companies uses Espirit to promote their brands? Only Emabrk at Germany2 promote? Den PM s hgh n strng rshp. But globally Espirit may have other companies too share.

No matter which of the three export modes the manufacturer uses in a market, it is important to think about what level of ' mindshare' the manufacturer occupies in the mind of the export-partner. Partner mindshare is a measurement of the strength of a relationship in terms of trust, commitment and cooperation. There is a strong and proven correlation between mindshare levels and how willing an export intermediary is to place one company brand in front of another, or how likely the intermediary is to defect. Mindshare also expresses itself very clearly in sales performance. Intermediaries who have high mindshare will, typically, sell more than those with low mindshare.