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# GLOBAL MARKETING

5<sup>th</sup> Edition

Introduction Part III and  
Chapter 9 Some approaches to the  
choice of entry mode

# PART III

## Market entry strategies

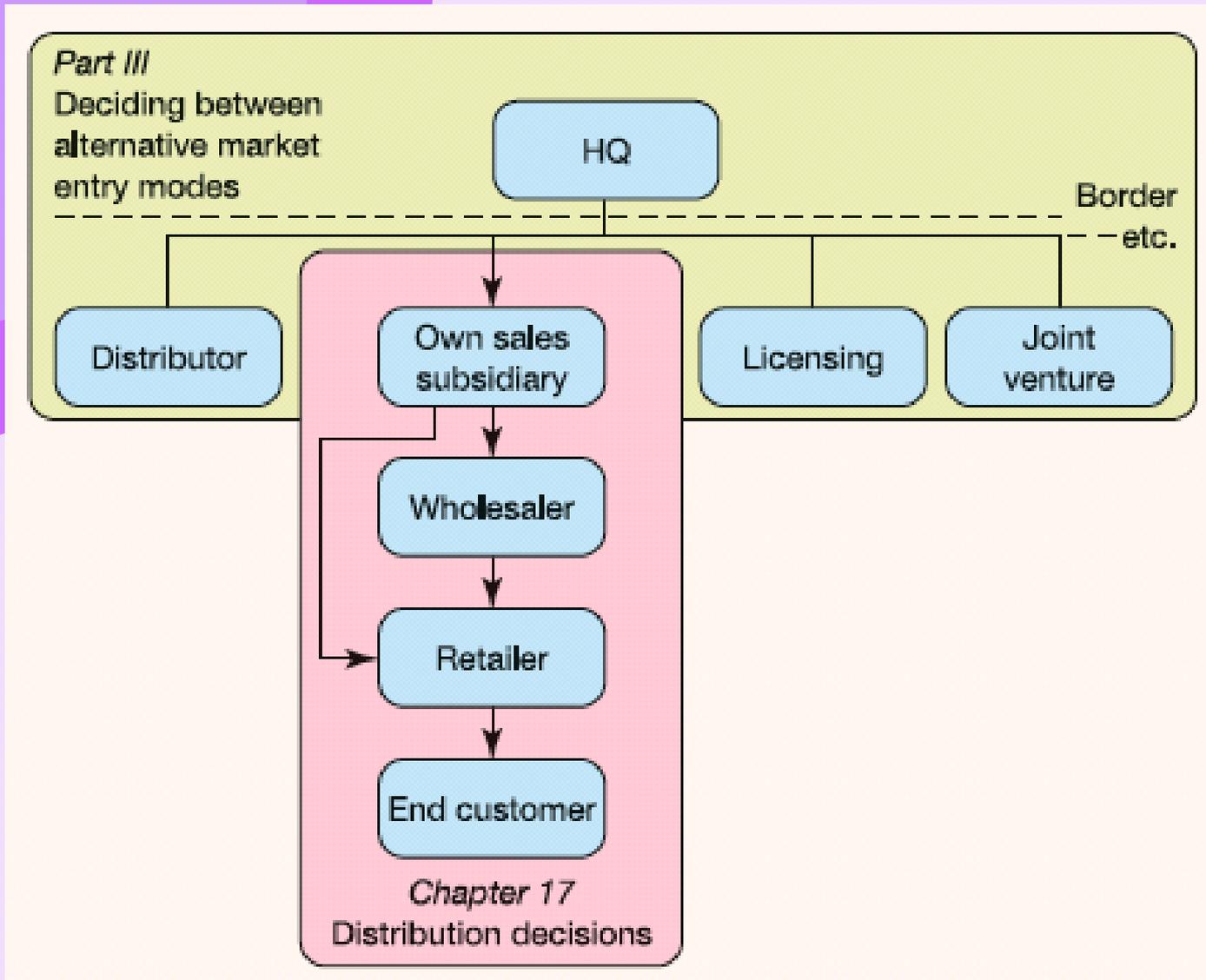


Figure III.1 Examples of different market entry modes and the distribution decision

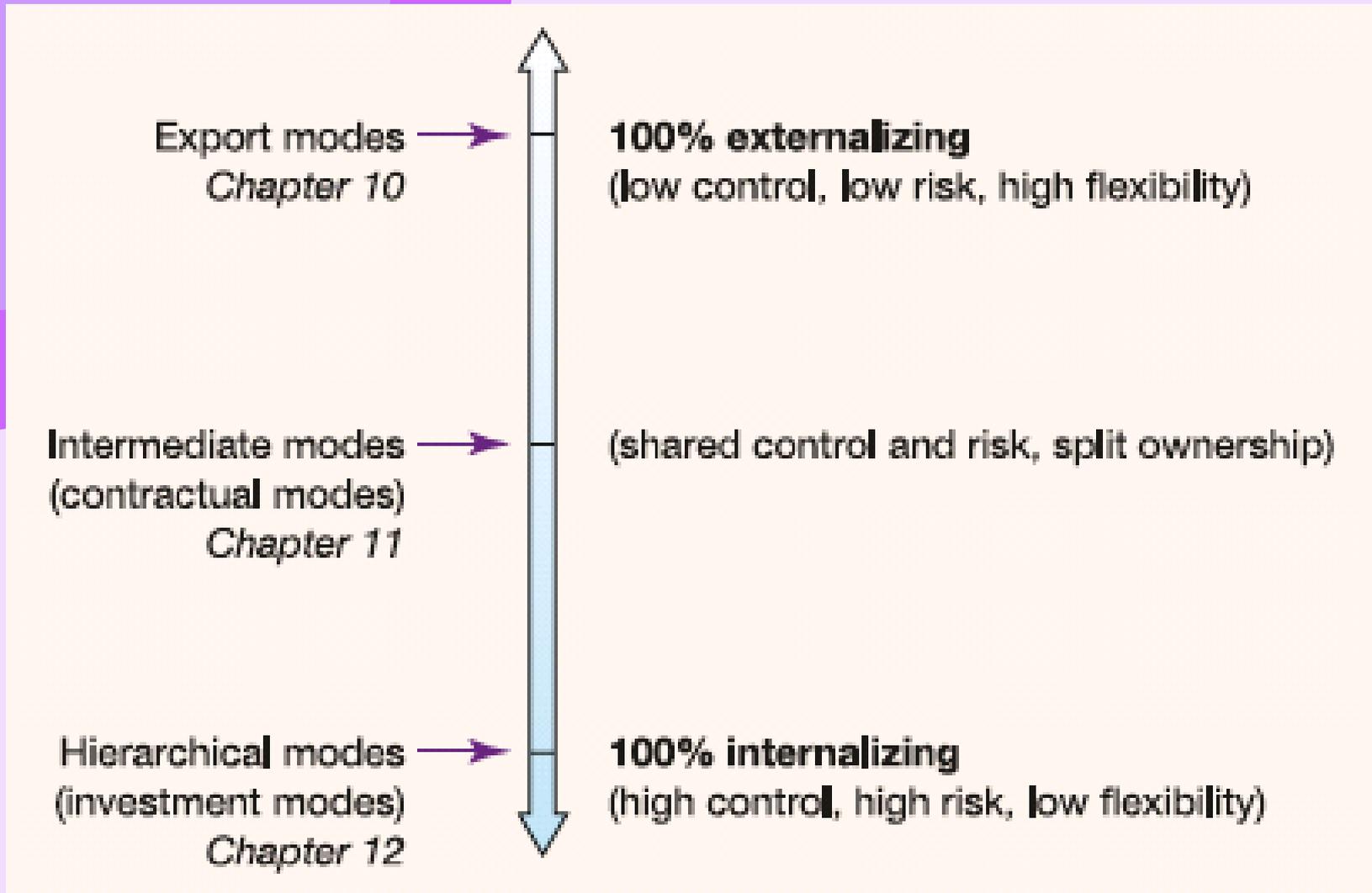


Figure III.2 Classification of market entry modes

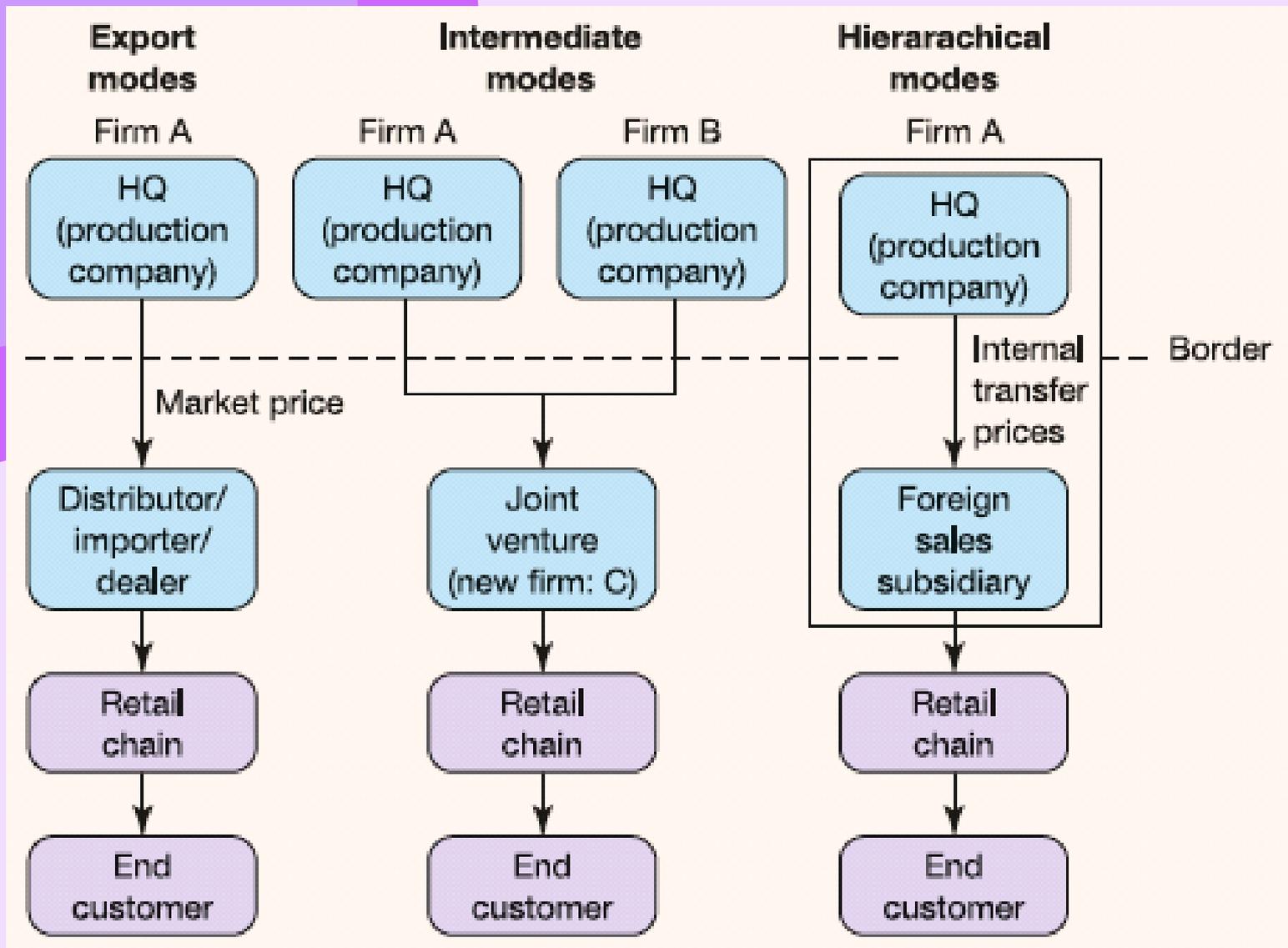


Figure III.3 Examples of the different market entry modes in the consumer market

# CHAPTER 9

Some approaches to the choice of entry mode

# Learning objectives

- Identify and classify different market entry modes
- Explore different approaches to the choice of entry mode
- Explain how opportunistic behaviour affects the manufacturer/intermediary relationship
- Identify the factors to consider when choosing a market entry strategy

# What is this?

An institutional arrangement necessary for the entry of a company's products and services into a new foreign market is known as an \_\_\_\_\_.

**Entry mode**

# Types of entry modes

Export

Intermediate

Hierarchical

# Rules for choosing mode of entry

Naive rule

Pragmatic rule

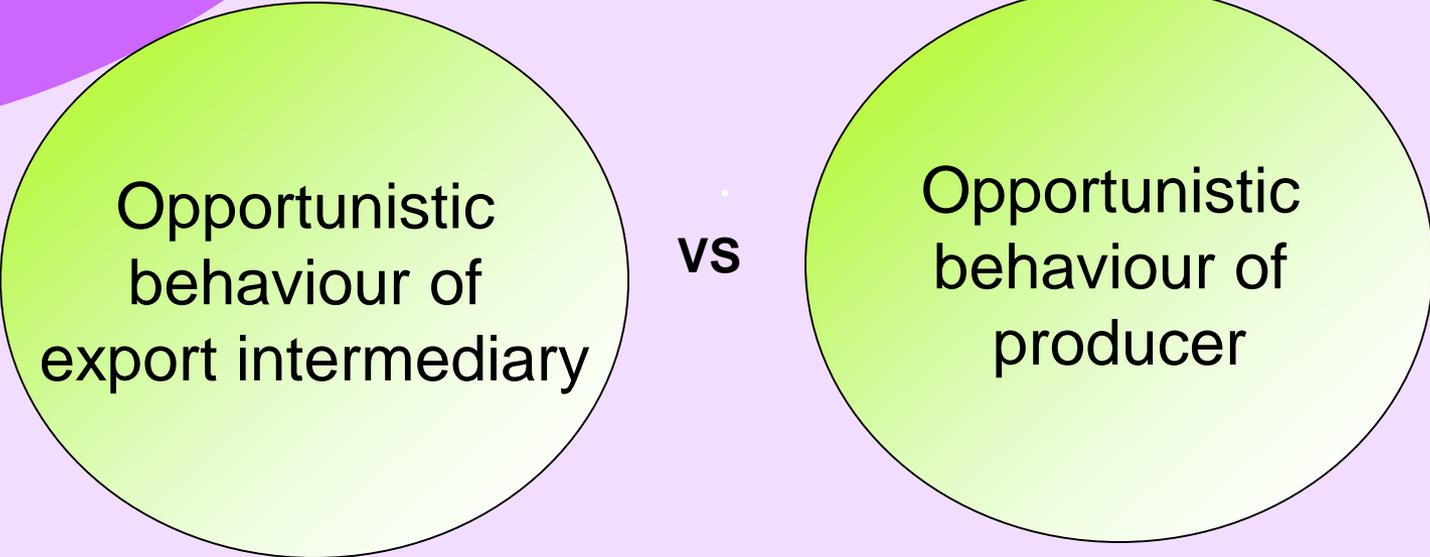
Strategy rules

# What is this?

Which rule for choosing a mode of entry is based upon selecting the mode that maximizes the profit contribution over the strategic planning period subject to (a) the availability of company resources, (b) risk and (c) non-profit objectives?

**Strategy rule**

# Transaction cost approach



Opportunistic  
behaviour of  
export intermediary

vs

Opportunistic  
behaviour of  
producer

# Export intermediary responses to opportunistic behaviour of producer

- Establish personal relations with producer's key employees
- Create an independent identity in connection with selling producer's products
- Add further value to the product

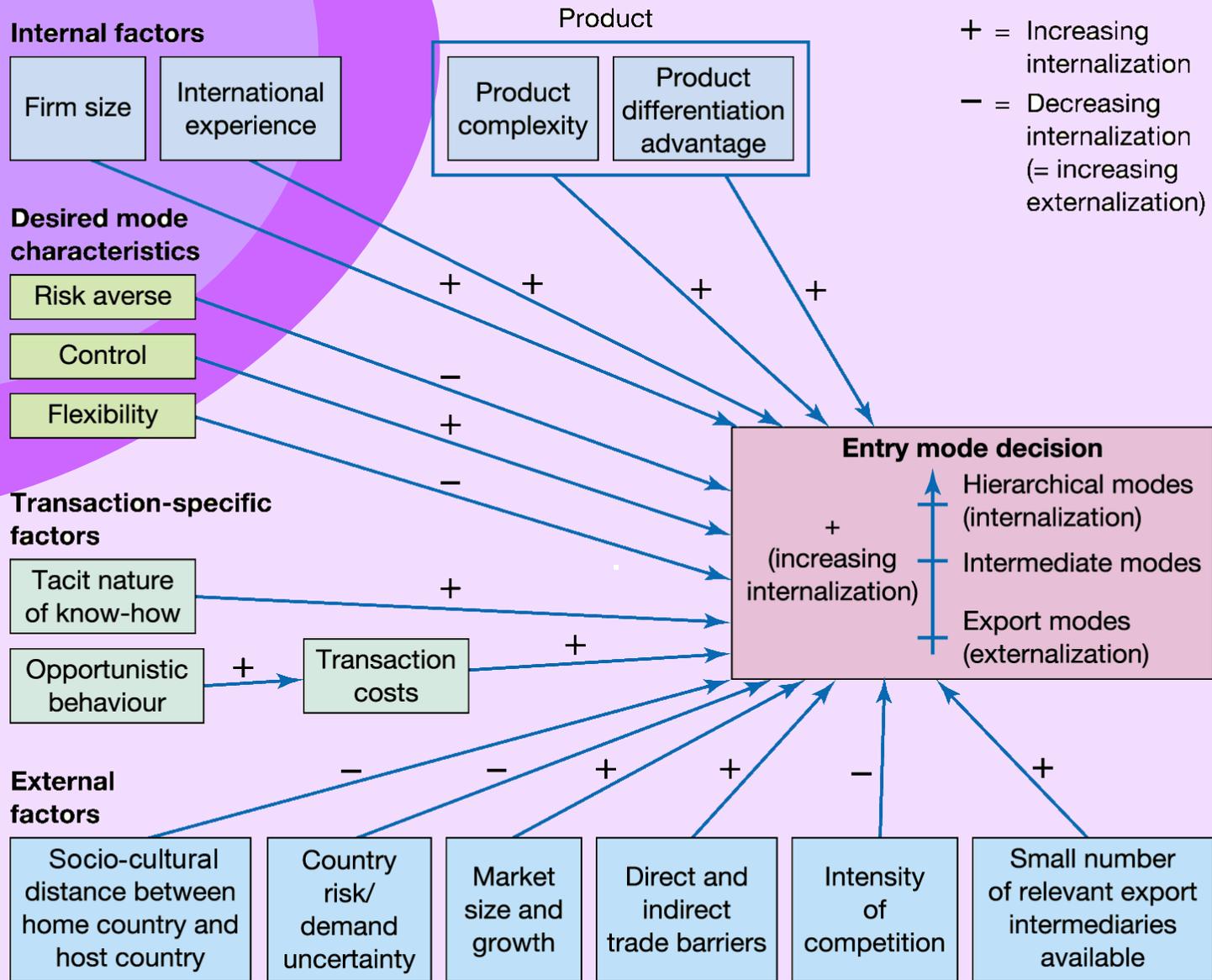


Figure 9.1 Factors affecting the foreign market entry mode decision

**EXHIBIT 9.1** Zara is modifying their preferred choice of entry mode, depending on the psychic distance to new markets



Source: The textbook's Case I.1, p. 147

## CASE STUDY 9.1

**Jarlsberg:** the king of Norwegian cheeses is deciding about entry modes in new markets



## QUESTIONS

1. Which kind of market entry mode would you generally suggest for Jarlsberg
  - (a) in Scandinavia?
  - (b) in Asia?
2. What are the general motives for choosing a hierarchical mode (own subsidiary) in the United States?

## CASE STUDY 9.2

**Ansell condoms:** is acquisition the right way to gain market shares in the European condom market?



**Table 1**Estimated 2008 condom production  
by country

Country	Annual production in billions of pieces
India	3.3
Thailand	2.8
China	2.5
Japan	2.0
Malaysia	1.5
USA	1.0
Europe	1.0
South Korea	0.5
Indonesia	0.3
South America	0.2
Vietnam	0.2
Other	<u>0.1</u>
<b>Total</b>	<b>15.4</b>

**Table 2****World market for male condoms (2008)**

	<b>Per year (billions)</b>
Global public health sector (UN, WHO and local governments)	10
Commercial channels (mainly in the US, Japan and European nations)	<u>5</u>
World market	15

Source: adapted from different public sources.

**Table 3**

Company shares on the world market for male condoms (2008)

Company	Nationality	Major brands	Key strategies (MS = market share)	Market share (%)
Seton Scholl London (SSL)	UK	Durex, Durex Avanti, Durex Pleasure, Durex Fetherlite, Durex Extra Sensitive, etc.	A true global brand with strong positions in all main markets, except US (15 per cent MS) and Japan (5 per cent MS). In UK the Durex MS is 85 per cent	25
Ansell Limited	Australia/US	LifeStyles, Mates, Contempo, Manix, Primex, KamaSutra, Pleasure and Chekmate	Semi-global company with relatively strong market positions in US, UK, Asian and AUS/NZ markets. Local/regional brands, e.g. LifeStyles for US and Mates for UK	14
Church & Dwight Co	US	Trojan, Trojan Magnum, Trojan Pleasure, Trojan Enz	Market leader in US market, minor position in UK	8
Okamoto Industries	Japan	Beyond Seven, Skinless Skin	Home market-oriented: 60 per cent MS of the Japanese market, but with little exports, mainly to US	10
Others: Sagami Rubber Industries (JP), Fuji Latex Co (JP), DKT Indonesia (Indonesia), Mayer Laboratories (JP) and about 70 other manufacturers around the world			Domestic-and regional- oriented companies with strong positions in local markets	43
<b>Total</b>				<b>100</b>

Source: estimations based on different public sources.

## QUESTIONS

1. What are the differences between the global strategies of Ansell and the other three competitors?
2. Which entry mode would you recommend for Ansell's sourcing (purchasing or production) of condoms?
3. What are the pros and cons for Ansell acquiring a European competitor? In your opinion, is it a good idea?

## **VIDEO CASE STUDY 9.3** Understanding entry modes into the Chinese market

download from [www.pearsoned.co.uk/hollensen](http://www.pearsoned.co.uk/hollensen)

### Questions

1. What factors do companies consider when determining the best form of operation to use when entering the Chinese market?
2. What have been the challenges and opportunities for foreign companies in establishing collaborative arrangements in China?
3. How have Chinese government policies and attitudes towards foreign businesses evolved? How have these changes affected foreign companies' forms of operations in China?

# Questions for discussion

- Why is choosing the most appropriate market entry and development strategy one of the most difficult decisions for the international marketer?
- Do you agree with the view that LSEs use a 'rational analytic' approach to the entry mode decision, while SMEs use a more pragmatic/opportunistic approach?
- Use Figure 9.1 to identify the most important factors affecting the choice of foreign entry mode. Prioritize the factors.