Routes to Foreign Market

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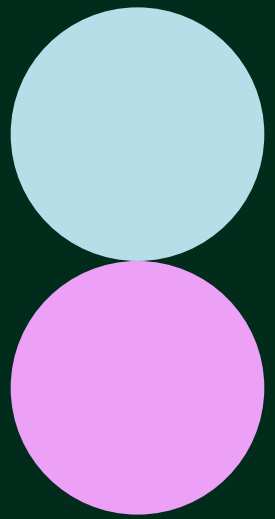
“In the world of global business, the question is not whether to go international, but how”

Peter Drucker

Agenda

- Introduction
- Export Modes
- Intermediate Entry Modes
- Wholly Owned Subsidiaries
- Literature Review
- Article of Significance (Non-Traditional Modes)
- References



Going International

WHY? WHEN? HOW?

01 Seek new markets

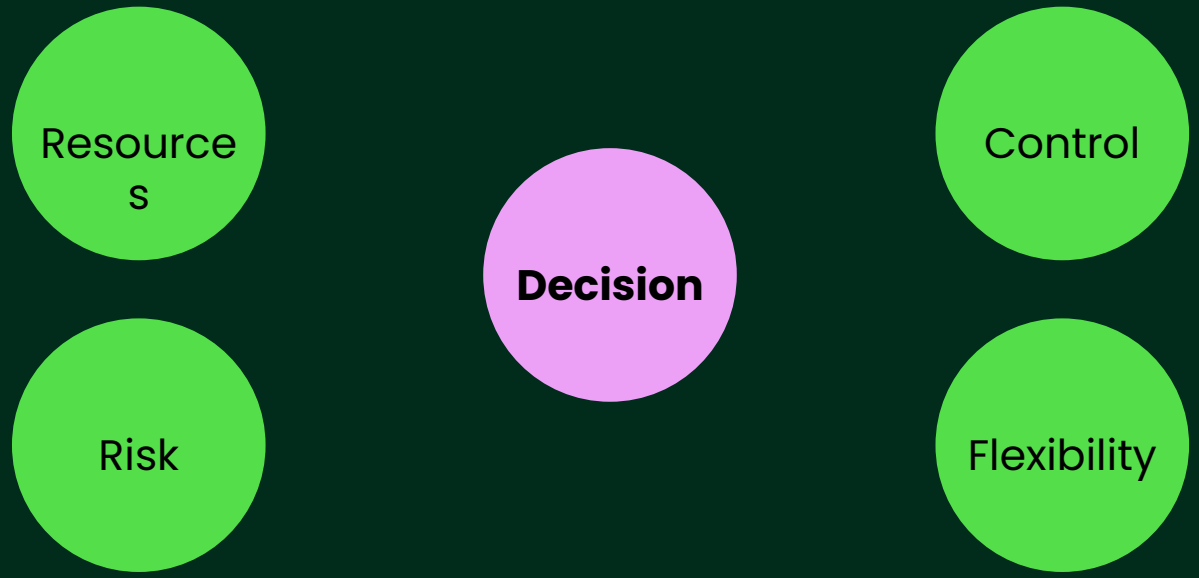
02 Access to resources

03 Competitive advantages

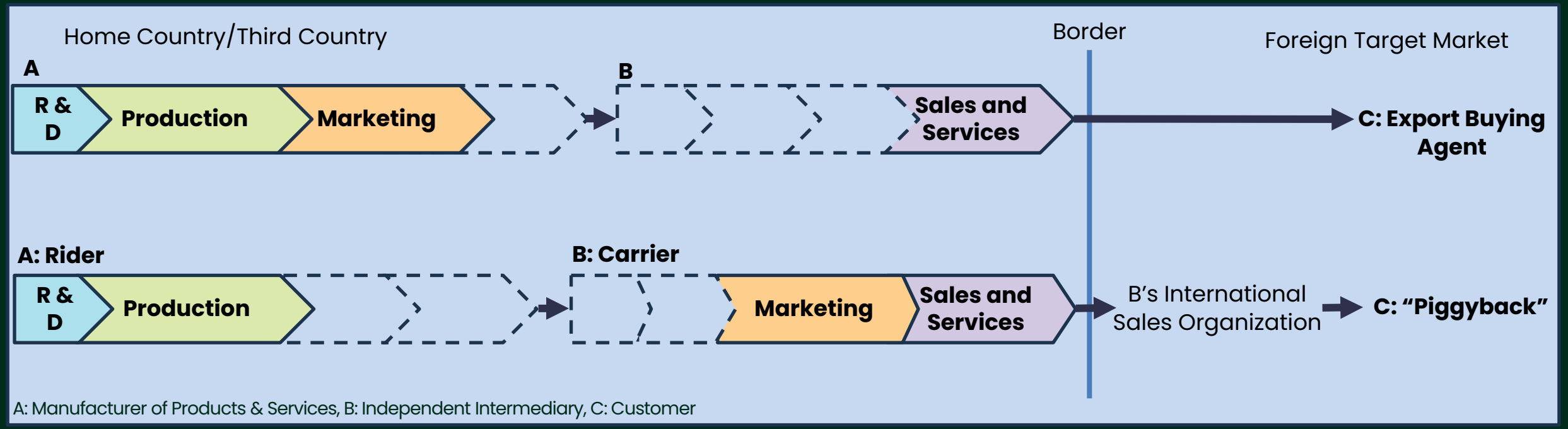
Global expansion is no longer optional—it's strategic

Entry Modes

"Choosing the right entry mode can mean the difference between global growth and international failure"



Indirect Export Modes



Low Cost & Minimal Risk vs Lack of Control & Poor Market Feedback

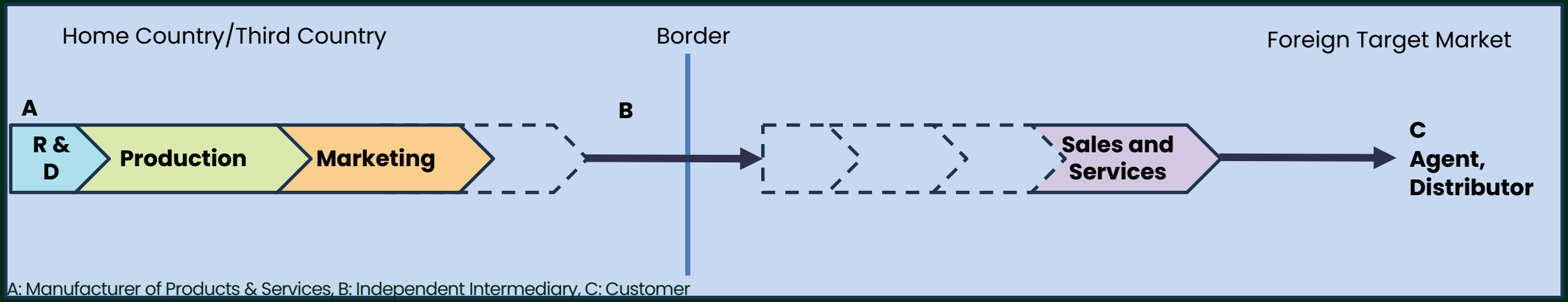
Reliance on Intermediaries in the Home Country

- Export Buying Agents
- Brokers
- Export Management Companies (EMCs)

Piggybacking - Small Medium Enterprises (SMEs)

An SME (the "Rider) utilizes the established distribution network of a larger company (the "Carrier") for exporting its products to a foreign market.

Direct Export Modes



Direct Engagement

Manufacturer sells directly to Agents/Distributors in Target Market.

- More control
- Better market knowledge

Distributors

Distributors buy and sell, they own some type of Inventory. They have higher degree of Independence.

Agents

Earning commission on the products they sell.

- Higher Resource Commitment
- Need for International Expertise

Decision Factors – Indirect vs Direct

Advantages and Disadvantages of Indirect and Direct Export Modes for the manufacturer

Export Mode	Advantages	Disadvantages
Indirect Exporting (Buying Agent, Broker, or Export Management Company)	• Limited Commitment • Market Diversification • Experienced Exporter Internationalization • No prior experience required • Minimal risk	• No Control Over Marketing Mix - Product focused • Complex Distribution Chain • More members – smaller manufacturer's profit • Lack of foreign market knowledge chance • Commercial Selling – Limited product experience
Direct Exporting (Distributor or Export)	• Access to foreign market Experience • Contacts beyond borders • Shorter distribution chain (than in Indirect) • More Control Over Marketing Mix • Local selling support and services	• Tariffs! – Tough without know-how • Distributors – Weak pricing influence (no control) • Investments in Sales • Possible trade restrictions • Cultural differences

Indirect best for: SMEs, limited resources, testing new markets

Direct best for: Firms with experience, need for market control

Examples

- Direct Export via Distributors (e.g. Racke GmbH in Germany)
- Decision involvement, e.g. switching from one importer to another

- The company outsources export activities, rather than managing them directly.
- These Intermediaries are often located in India.

The world today – Trade Barriers and Export

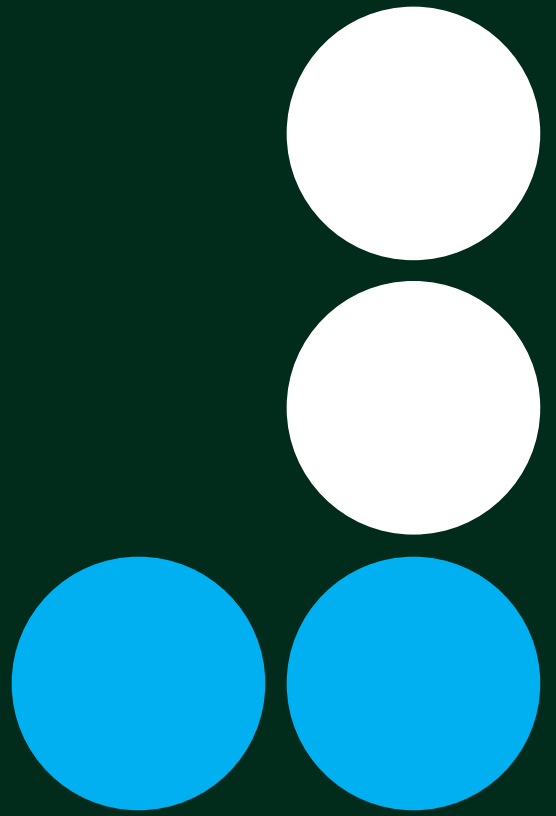
- Trade wars and tariffs impact mode selection.
- U.S. – China tariff war led firms to shift from direct exports to indirect channels via third countries.
- Firms mitigate geopolitical risk via export mode adjustments.

"Tariff uncertainty and firm export strategies"
Journal of International Business Studies

Cooperative Export Modes

Export Marketing Groups

"Firms with complementary products cooperate on downstream functions (e.g., distribution, marketing) while maintaining independent upstream production"



Cooperative Export Modes
Why Not Sell Myself?

Exporting & marketing in the name of an association

Freight, negotiating rates and chartering ships

Allowing uniform contracts and terms of sale

Setting prices for export

Allowing cooperative bids and sales negotiation

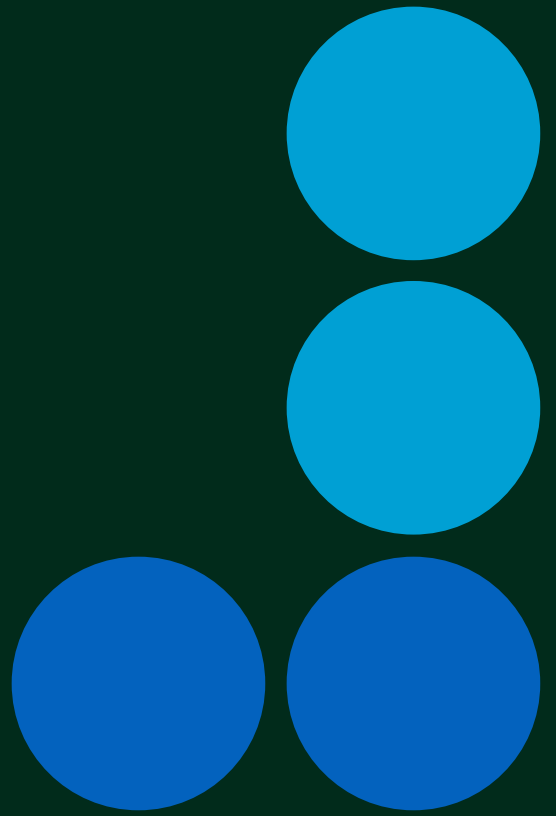
Cooperative Export Modes Example

Cooperative Export Modes
Advantages & Disadvantages

ADVANTAGES	DISADVANTAGES
✅ **Shared risks:** Shared costs & risks of internationalization	❌ **Conflict of interest:** Associates might have different objectives
✅ **Providing comprehensive solutions:** Complete product line or system sales	❌ **Letting go:** SMEs reluctant to give up their independence
✅ **Access to Larger Buyers:** Create a stronger brand name	❌ **Free-Rider Problem:** Lazy members benefit without contributing

Contract Manufacturing

"Hiring a local factory to make your product while you control branding/sales"



Contract Manufacturing

Why Produce Abroad?

Desirability of being close to foreign customers

Foreign production costs are low
Such as labor & materials

Transportation costs may render product noncompetitive
E.g. heavy or bulky products

Tariffs or quotas can prevent entry of an exporter's products

Government preference for national suppliers

Contract Manufacturing
Example

PRIMARK®

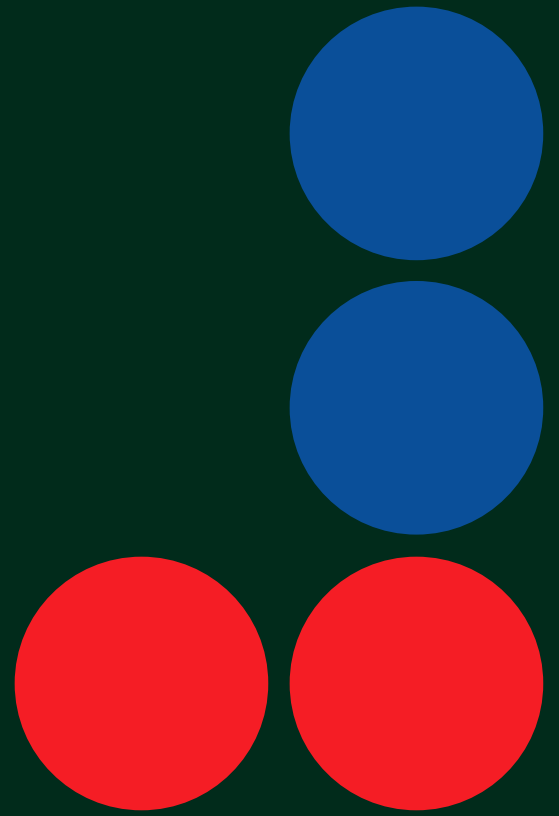
Contract Manufacturing

Advantages & Disadvantages

ADVANTAGES	DISADVANTAGES
✅ **Saving costs:** No equity investment	❌ **Quality control & standardization:** Risking brand image over manufacturer
✅ **Keep control over brand image:** R&D, marketing and distribution	❌ **Hidden costs:** Audits, training and logistics
✅ **Flexibility & risk reduction:** Easily switch manufacturers	❌ **Dependency:** Contractors may steal designs or raise prices

Licensing

"Renting your brand/tech to a local partner for royalties."



Licensing

Licensing Agreement

- **A patent covering a product or process**
- **Manufacturing knowhow not subject to a patent**
- **Technical advice and assistance**
  including the supply of components, materials or plant
- **Marketing advice and assistance**
- **Use of a trademark/trade name**

Licensing Example

TOSHIBA ELARABY

PRODUCTION

MARKETING

SALES & AFTERSERVICE

Licensing Example

TOSHIBA ELARABY

HOOVER
ALBA
SEIKO
TOSHIBA
SHARP
Be Original.
LA GERMANIA
HITACHI
SONY
CANDY

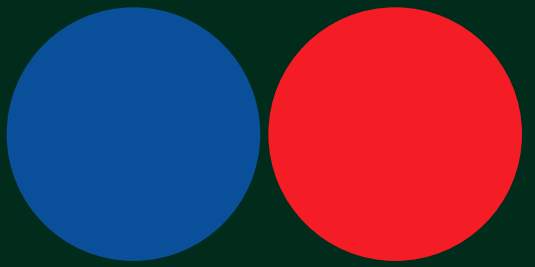
العربي
تأسست ١٩٦٤
صُنّاع الثقة

Licensing
Example

ELARABY TORNADO

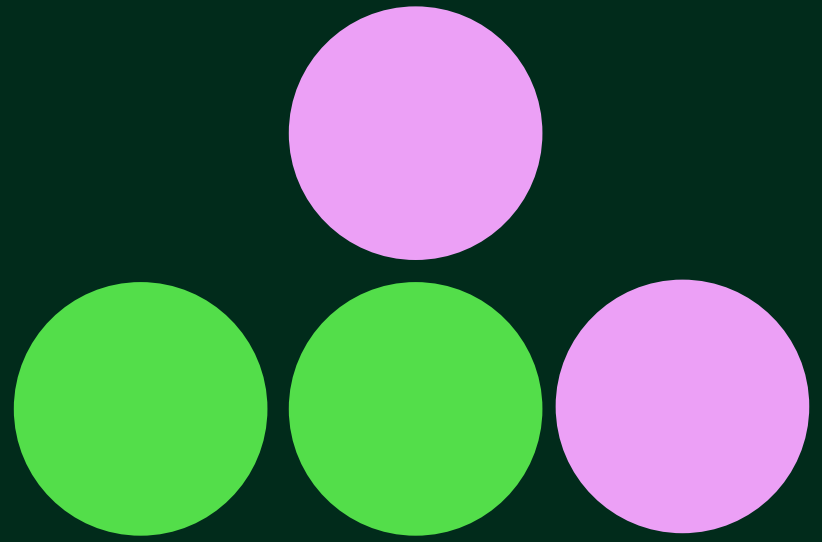
Licensing

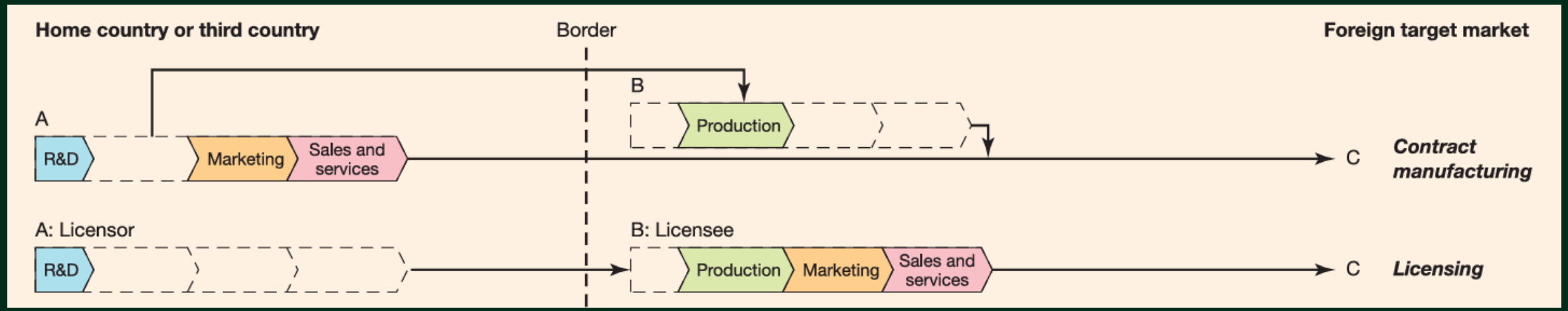
Advantages & Disadvantages



ADVANTAGES	DISADVANTAGES
✅ **Licensing stretches product life cycles:** Old models reused	❌ **Tech leakage:** Licensees can become competitors
✅ **Zero production costs:** Royalties fund R&D	❌ **Brand dilution:** Over-licensing harms reputation
✅ **Bypass trade barriers:** No tariffs on locally made goods.	❌ **Limited control:** Licensors lose grip on quality and pricing

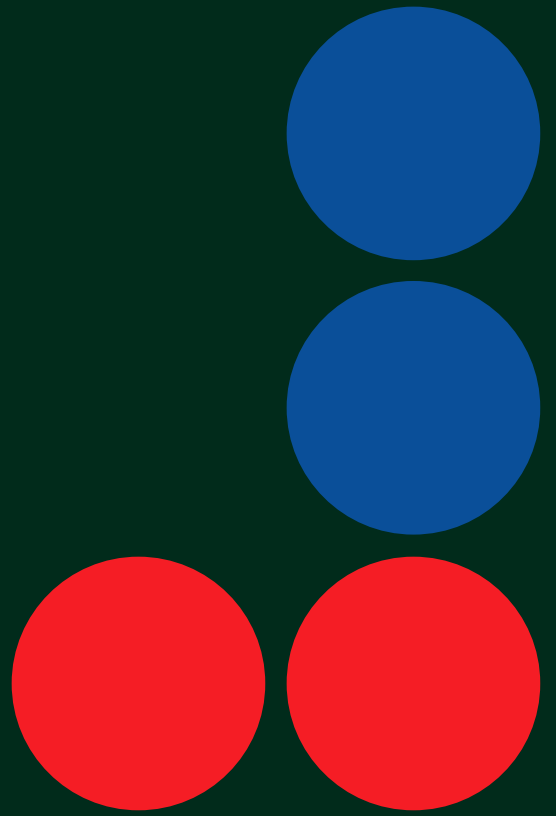
Recap




Home country or third country
Border
Foreign target market
A
R&D
Marketing
Sales and services
B
Production
C
Contract manufacturing
A: Licensor
R&D
B: Licensee
Production
Marketing
Sales and services
C
Licensing

Franchising

"A business model where a brand licenses its operations to independent operators for a fee"



Franchise – The right to use a specific business name & sell goods/services under that name

Franchisor – The company that grants the license to use its trade name, trademark & business system

Franchisee – The individual or entity that purchases & operates the franchise

Franchising – A cooperative relationship between the franchisor & the franchisee to operate under a shared brand

Franchising Agreement

Franchisee pays an initial fee & ongoing royalties based on sales

Franchisee must follow the franchisor's operational guidelines & quality standards

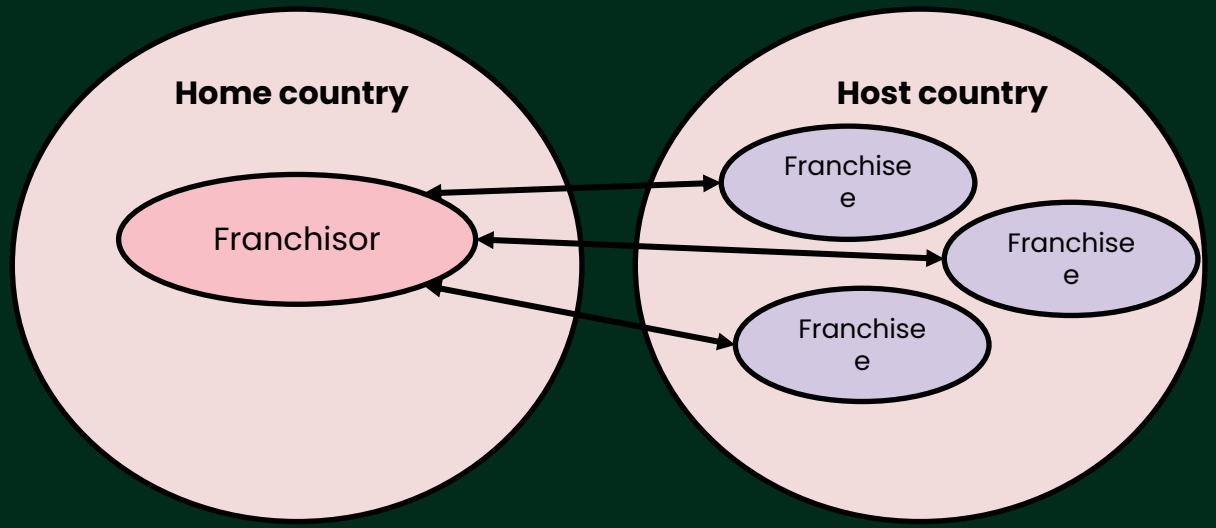
Franchisor provides support in areas like training, branding & sometimes setting up facilities

Agreements typically include territorial rights, duration, renewal terms & conditions for termination

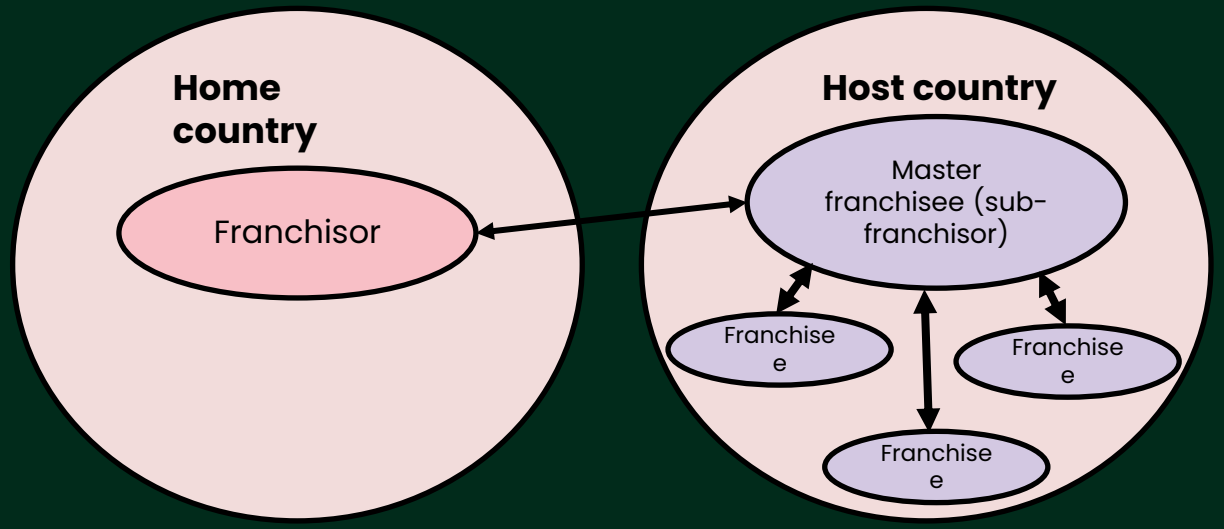
Franchisor retains ownership of trademarks, business systems & intellectual property

Types of Franchising

Direct Franchising



Indirect Franchising



Franchising Examples

FRANCHISE

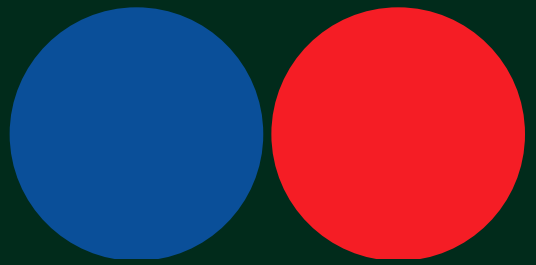
MCDONALD'S

- Fast Food Restaurant
- 38,000 franchises in 100+ countries
- Founded in 1955
- Franchising started in 1955

SUBWAY

- Fast Food Restaurant
- 37,000 franchises in 100+ countries
- Founded in 1965
- Franchising started in 1974

Advantages & Disadvantages



ADVANTAGES

✅ **Low financial risk**

Investment & operational costs borne by the franchisee

✅ **More control than licensing**

Franchisor can enforce brand standards & operational procedures

✅ **Rapid expansion**

Multiple markets can be entered simultaneously

✅ **Local Market Knowledge**

Helps adapt offerings to local consumer preferences & culture

DISADVANTAGES

❌ **Limited market opportunities & profits**

Earnings depend on franchisee & local market conditions

❌ **Possibility of creating future competitors**

Trained franchisees may later start competing businesses

❌ **Reduced flexibility & operational complexity**

Standardization may limit innovation & slow adaptation

Balancing Standardization & Flexibility

- Consistent brand identity (logos)
- Unified customer experience across locations
- Operational best practices
- Centralized training & onboarding
- Quality control & compliance

- Localized marketing campaigns
- Community engagement & sponsorships
- Regional product/service adaptations
- Local Language/cultural relevance

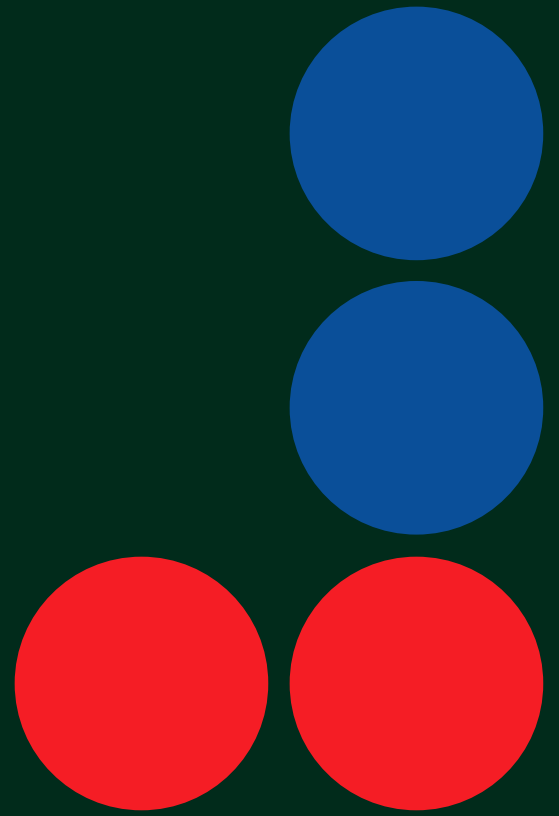
STANDARDIZATION FLEXIBILITY

Franchise success lies in the balance - protecting the brand while empowering local innovation

Licensing vs. Franchising

	Licensing	Franchising
Scope	Right to use intellectual property, trademark, tech	Right to use brand, system & full business model
Control	Minimal control by licensor	Significant control by franchisor
Support Provided	Little to no support	Extensive support (training, marketing, systems)
Business Format	No standardized business operation	Standardized operations & branding enforced
Regulations	Fewer legal formalities	Heavily regulated (franchise laws)
Examples	Disney licensing characters to toy companies	McDonald's

Joint Venture



"A business arrangement where two or more parties pool resources to accomplish specific objectives"

Joint Venture

Entering new markets

- Leverage local knowledge and distribution networks

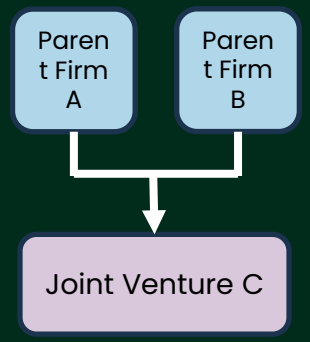
Reducing Costs

- Share production, R&D, or operational costs

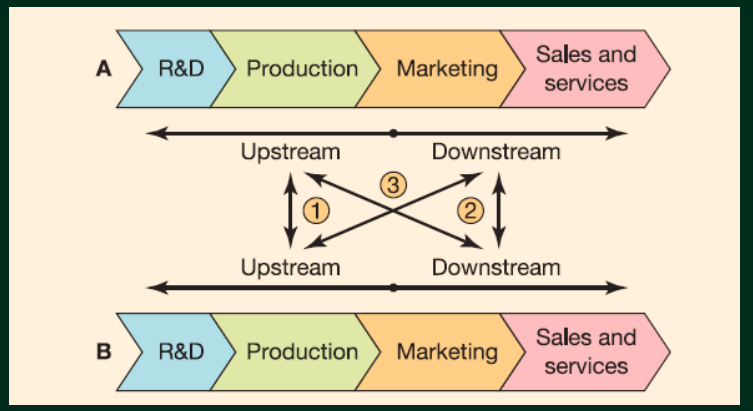
Technology & Innovation

- Collaborate on development and faster diffusion of technology

- **Equity-based** (new entity Joint Venture)



- **Contract-based** (strategic alliance =non-equity joint venture)

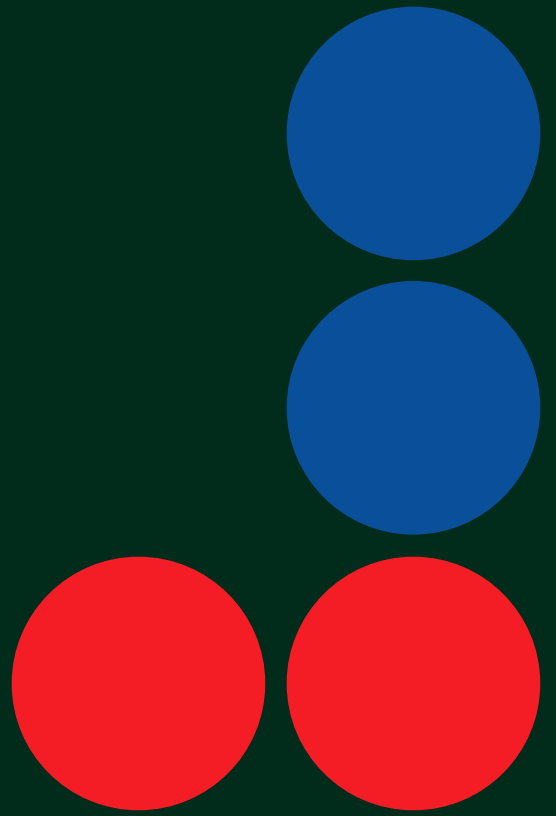


No.	Coalition Type	Description	Real-world Example
1	Y coalition	Upstream - A and B collaborate on R&D and production	Pfizer & BioNTech
2	Y coalition	Downstream - A and B collaborate on marketing, distribution, sales and/or service	
3	X coalition	A and B have different but complementary competences at each end of value chain	Apple & Foxconn

WOS Modes

(Wholly Owned Subsidiary)

"Establishing and owning the foreign operation to maintain full control over strategy, resources, and outcomes."



WOS Modes

Mode 1: Domestic-based sales representatives/OEM/Manufacturer's own sales force

3M

R & D → Production → Marketing → Sales and Services → C

Direct

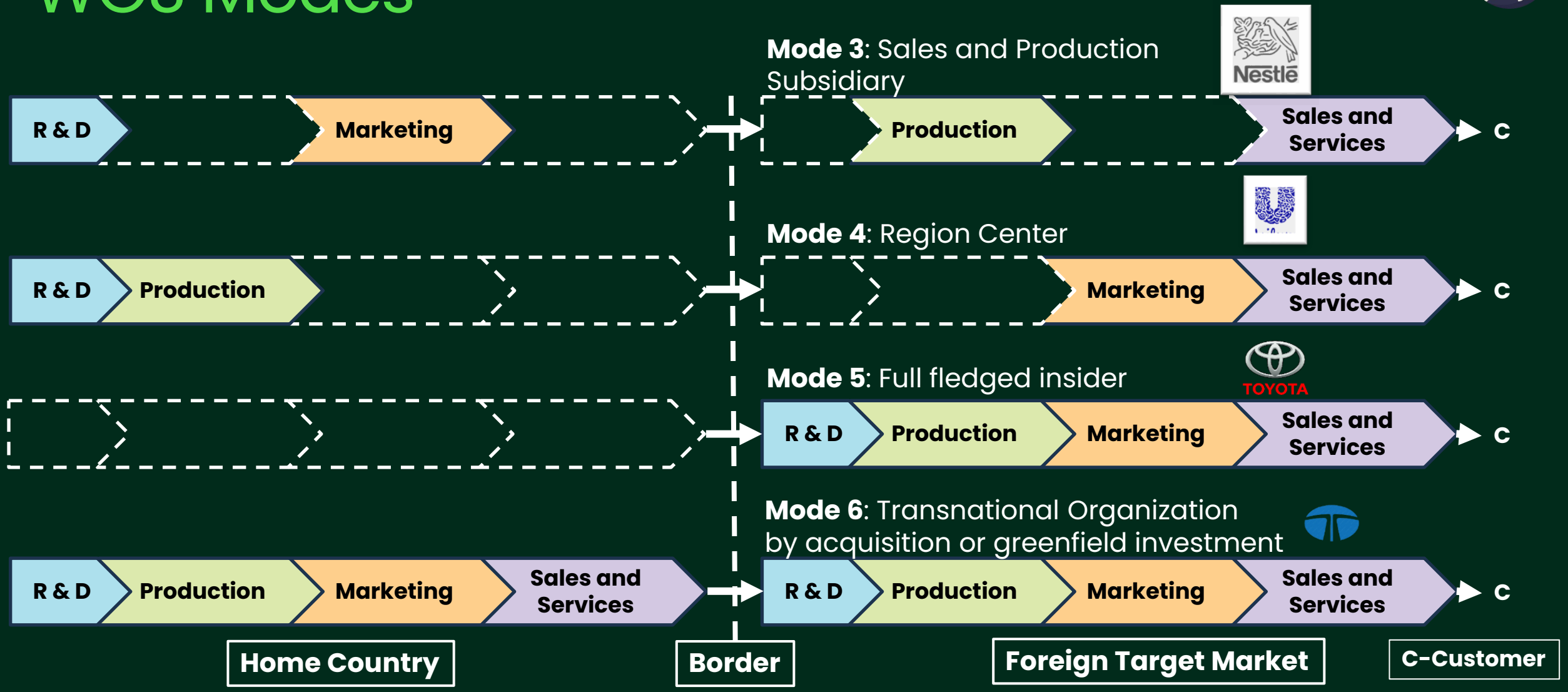
Mode 2: Resident sales representatives/sales subsidiary/sales branch

BOSCH

R & D → Production → Marketing → Sales and Services → C

Home Country | Border | Foreign Target Market | C-Customer

WOS Modes


Mode 3: Sales and Production Subsidiary
R & D
Marketing
Production
Sales and Services
C
Mode 4: Region Center
R & D
Production
Marketing
Sales and Services
C
Mode 5: Full fledged insider
R & D
Production
Marketing
Sales and Services
C
Mode 6: Transnational Organization by acquisition or greenfield investment
R & D
Production
Marketing
Sales and Services
R & D
Production
Marketing
Sales and Services
C
Home Country
Border
Foreign Target Market
C-Customer

Zara's Global Entry Playbook

ZARA

GROUP 4

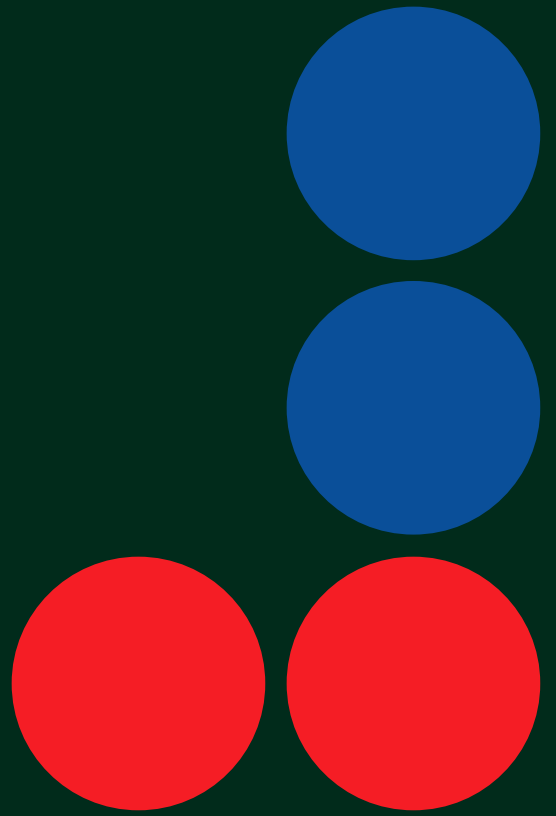
Jenny

Images source: Google

Routes to foreign Market
Literature Review

Conducted Based on 5 step process followed in:

Schmitz/Urbano/Dandolini/de Souza/Guerrero, 2017: Innovation and entrepreneurship in the academic setting: a systematic literature review, in: International Entrepreneurship and Management Journal 13, 369-395.



Step 1 – **Search Keywords**

Goal: Identification of keywords related to “Routes to foreign Market”

Sources used for identification: Pre-reading materials

Primary keywords chosen:

"entry mode", "entry strategy", "global strategy", "routes to market", "international trade", "international business", "global market", "foreign entry", "foreign market", "international market", "international joint venture", "joint venture", "franchise", "foreign license", "license", "foreign direct investment", "outsource", "acquisition", "market selection", "internationalization", "relocate corporate", "Greenfield", "multinational".

Step 2 – **Articles Search**

Goal: Search relevant articles about “Routes to foreign Market” in the academic setting

Chosen Database: **Web of Science** (free source)

2.1 Boolean Search String:

(TS=("entry mode*") OR TS=(“entry strateg*”) OR TS=("global strateg*") OR TS=("routes to market") OR TS=("international *trade") OR TS=("international business*") OR TS=("global market*") OR TS=("foreign entry") OR TS=("foreign market*") OR TS=("international market*") OR TS=("international joint venture*") OR TS=("joint venture*") OR TS=("franchis*") OR TS=("foreign licens*") OR TS=("licens*") OR TS=("foreign direct investment") OR TS=("outsourc*") OR TS=("acquisition*") OR TS=("market selection") OR TS=("internationalization") OR TS=("relocat* corporate") OR TS=(“Greenfield”) OR TS=("multination*"))

Total initial output from Web of Science: 3738 Articles

2.2 WOS Filters Used:

Parameter	Selection
Selection	TS topic based (title, keyword, abstract)
Language	English
Publication Date	2014-2025
Document Type	Article
Web of Science Categories	Economics, Management, Business, Business finance
Publication title sources	Journal of International Business Studies, International Business Review, Journal of World Business, Strategic Management Journal, Journal of International Marketing, Long Range Planning, journal of business research, Journal of marketing channels

Step 2 – **Articles Search**

Goal: Search relevant articles about “Routes to foreign Market” in the academic setting

Chosen Database: **Web of Science** (free source)

2.3 Excel Filters Used:

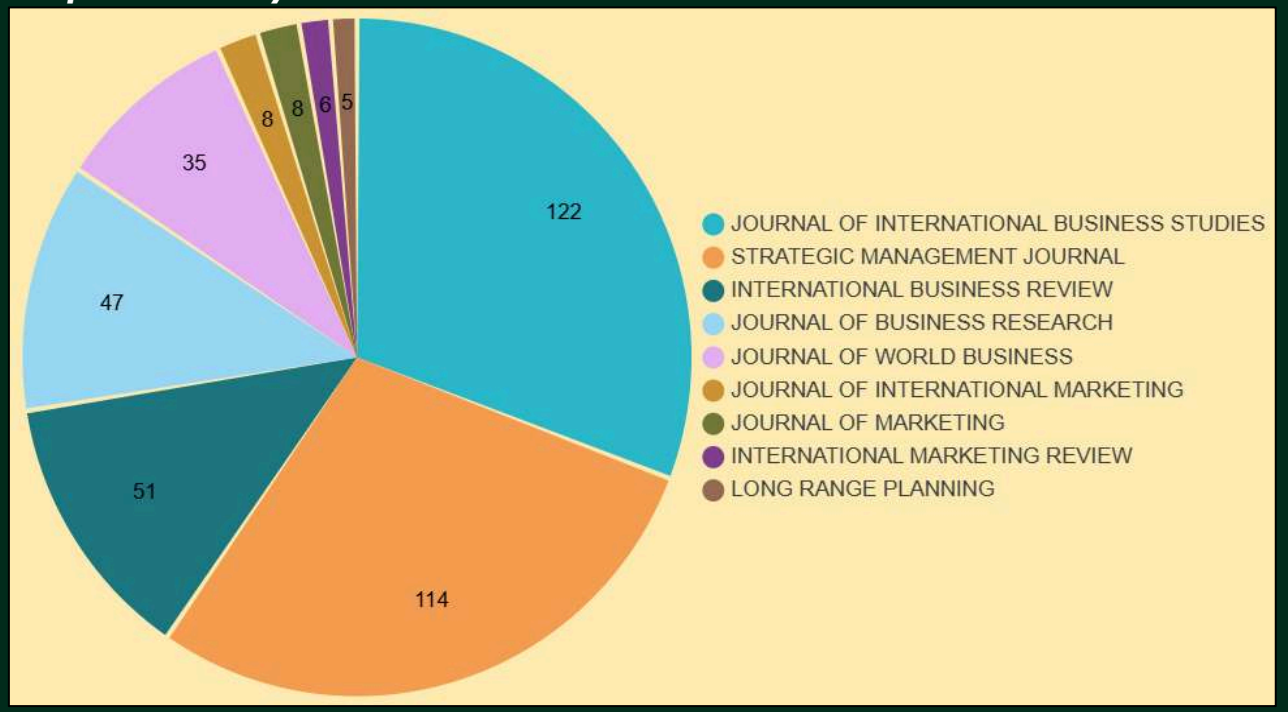
Parameter	**Selection**
Times Cited, All Databases	Greater than 50
Since 2013 Usage Count	Greater than 150

Final output after filteration:
396 Articles

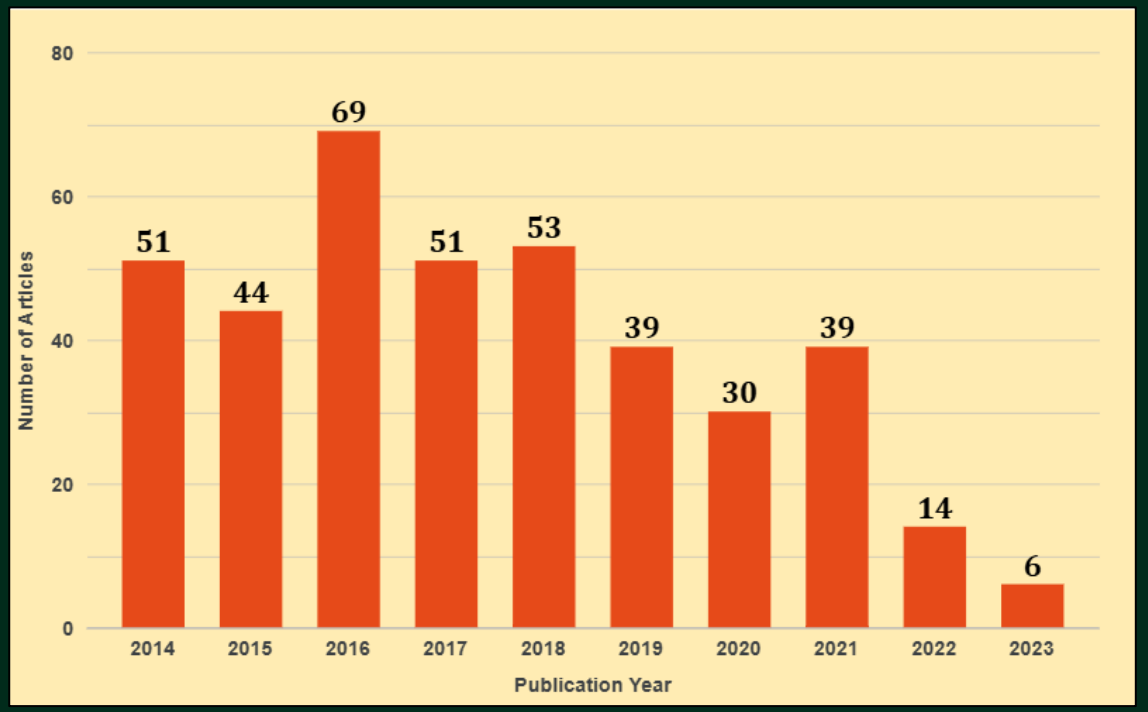
Step 3 – **Bibliometric Analysis**

Goal: Analyze patterns and trends from the **396 Articles** using columns like publication year, journal, author keywords, citation count, etc.

Top Journals by Publication Count

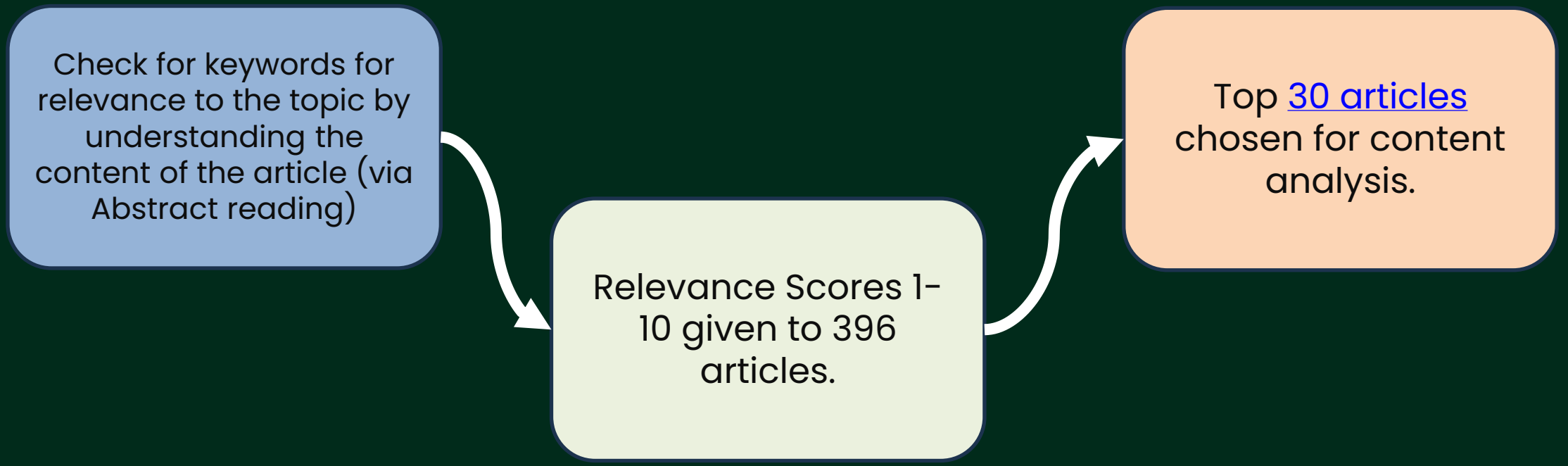


Publication Trend Over Time



Step 4 – **Article Selection for Content Analysis**

Goal: Selection of 30 articles best fitting the objective of the study.



Step 5 – **Content Analysis- Terms/Frameworks**

Goal: Identification of terms, definitions, theoretical frameworks, and research gaps & trends.

Terms	Frequency
Internationalization	60
Entry mode	23
Market entry	15
Foreign market	11
Acquisition	9
Foreign direct investment	4
Embeddedness	3
Non-traditional entry	2

Step 5 – **Content Analysis- Terms/Frameworks**

Goal: Identification of terms, definitions, theoretical frameworks, and research gaps & trends.

Theoretical Framework	Frequency (Out of 30)	Summary
Uppsala Model of Internationalization	6	Firms internationalize gradually through **learning and experience**; commitment increases with knowledge.
Transaction Cost Economics (TCE)	5	Firms choose entry modes that **minimize transaction costs** in uncertain or opportunistic environments.
Eclectic Paradigm (OLI Model)	5	Entry mode depends on **Ownership, Location, and Internalization** advantages.
Resource-Based View (RBV)	4	Entry is based on leveraging **unique, valuable internal resources** and capabilities.
Institutional Theory	3	Entry strategy is shaped by **host** country's formal/informal **institutional environments**.
Dynamic Capabilities Framework	2	Firms **adapt and reconfigure** resources to respond to dynamic international environments.
Network Theory	2	Firms enter new markets through **existing relationships and networks**; especially relevant for SMEs.

Step 5 – **Content Analysis-Research Gaps/Trends**

Underexplored Non-Traditional Entry Modes

Limited Integration of Digitalization in Entry Mode Theories

Weak Coverage of Emerging Markets as Entry Targets

Lack of Multi-Level or Mixed-Method Approaches

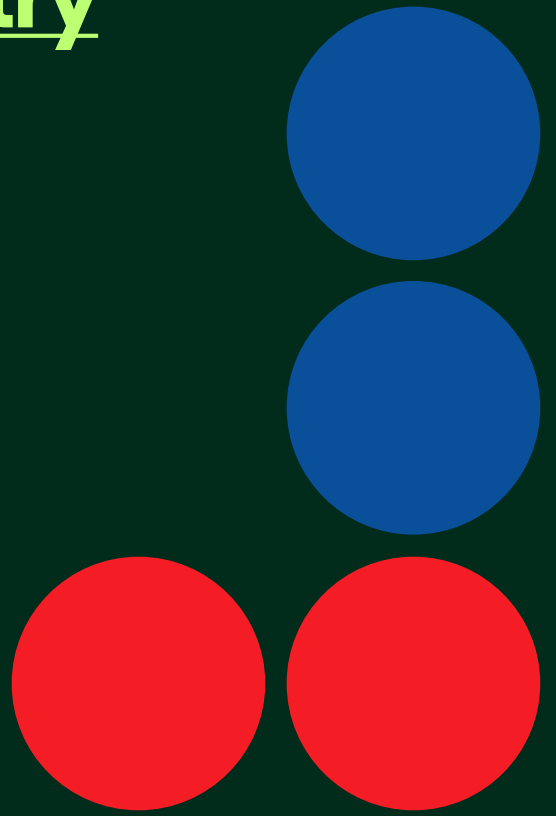
Limited Attention to SME and Startup Internationalization

Few Comparative Studies Across Industry Sectors

Charting new courses to enter foreign markets: Conceptualization, theoretical framework, and research directions on non-traditional entry modes.

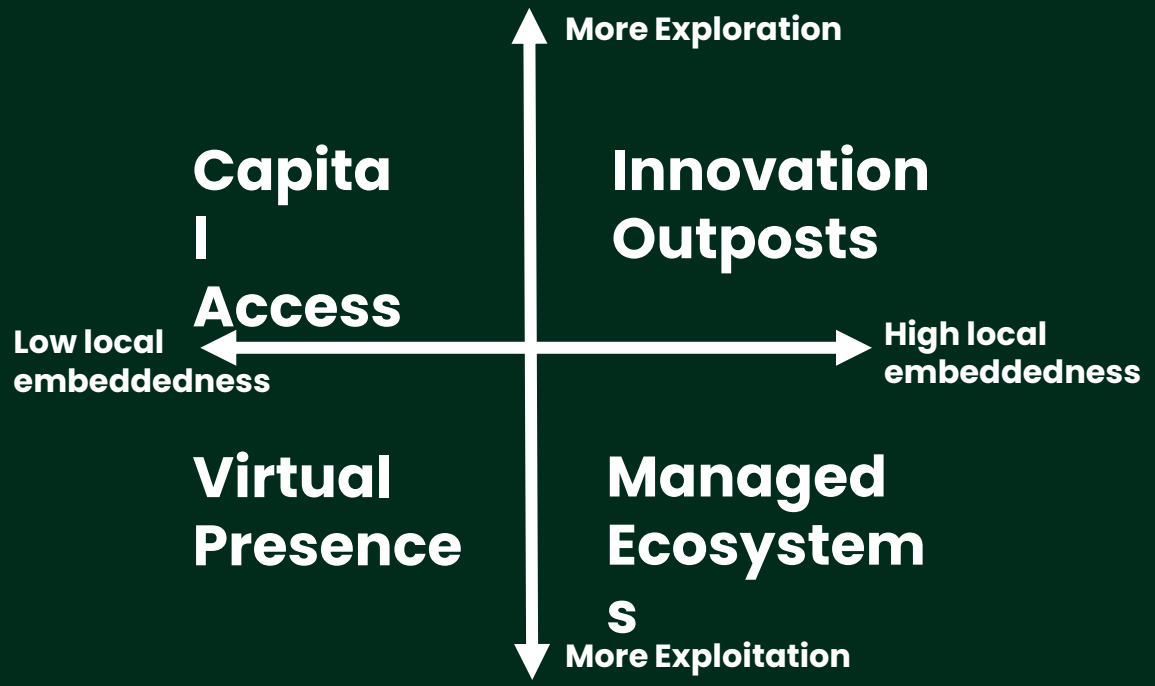
Authors: Keith D. Brouthers, Liang Chen, Sali Li, and Noman Shaheer.

Source: Journal of International Business Studies (Vol. 53, 2022, pp. 2088–2115) – Published April 22, 2022



New Paths to Foreign Markets

Traditional → Non-Traditional (Digital Evolution)



Capital Access-"**Reverse**" Foreign Direct Investment

"Entering a foreign market **financially** rather than physically"

How It's Done: List shares on a foreign stock exchange, issue bonds or get loans abroad, or attract overseas venture capital and private equity

Why It Matters:

- Provides **access** to large pools of capital and often global credibility
- It's a **low-control, low-cost** entry mode.
- No new foreign subsidiary needed

Alibaba.com

Innovation Outposts – **Global Idea Scouts**

"Setting up a small **"listening post"** or **R&D team** in a foreign innovation hotspot to **scout** new ideas, **cutting-edge** technologies, or practices"

How It Works: The outpost team continuously **builds relationships** with local startups, universities, and experts – becoming "**insiders**" in the local scene

Contrast to Traditional:

- Instead of entering to generate sales, this mode enters to **import local knowledge**
- **No need** for distribution channels or immediate revenue

Virtual Presence – **Going Borderless Online**

"**No physical entry, no local offices** – the firm appears **"present"** to foreign customers purely via the internet"

How It Works: Acquire customers abroad through **platforms**. Deliver value electronically or ship products across borders **without** setting up local stores

Contrast to Traditional:

- **No need** for local distributors, agents, or franchise partners
- **No spending** on foreign retail space or joint ventures

Managed Ecosystems – **Platform Plays Abroad**

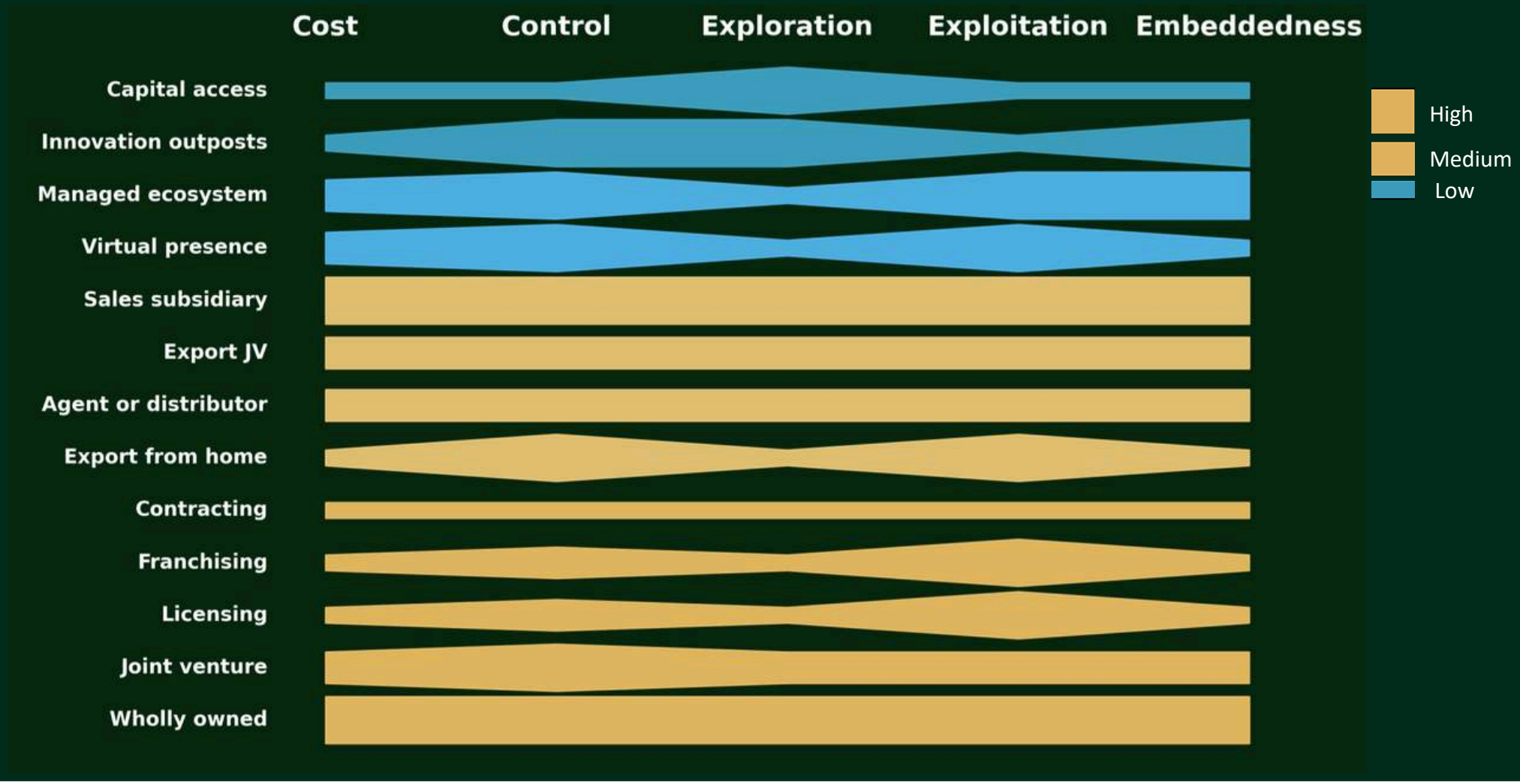
"Entering foreign markets via a **multi-sided platform model**"

How It Works: The firm **bridges** foreign demand and supply by **extending its digital platform** into the target country, enabling local users and service providers to transact.

Contrast to Traditional:

- Unlike a franchise or JV, the local contributors are usually independent actors who choose to use the platform **to attract customers**.
- Platform owns **no physical assets**.

Summary: Routes to Foreign Market



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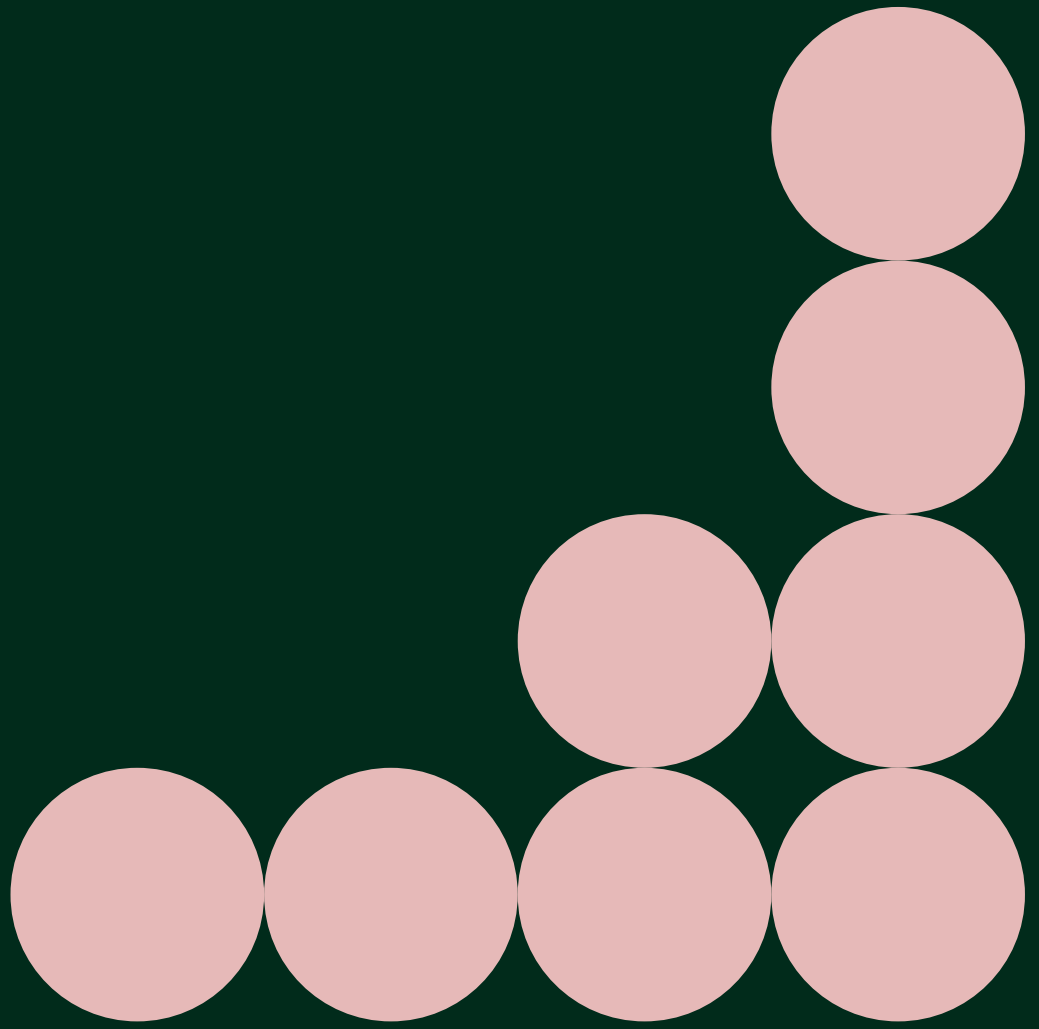
Thank you.