

ENTERPRISE STRATEGIES FOR ENTERING FOREIGN MARKETS

Olshevska V.O.

National technical university "Kharkiv polytechnic institute", Kharkiv

If a company has decided to expand its business and enter external (including foreign and world) markets, it has several ways to do it. The choice of method for a firm to enter the external market depends on factors such as cost, degree of risk and level of control over the process.

In global practice, there are three basic strategic directions of this process: export, intermediation, hierarchical business structure.

Export activities involve the production of goods and services in the main domestic market of the company and the sale of these goods in the target foreign market. The main disadvantage of export activities is the low level of control of selected resellers in the target country. A company with an aggressive market capture strategy must consider additional leverage with its resellers to comply with product guidelines, meet sales targets, and promote the product to market.

Mediation is a type of work with foreign markets, which presupposes incomplete ownership of a company operating in a foreign market, but sharing with it a certain degree of responsibility and control.

There are 4 types of cooperation in this area: licensing, franchising, contract manufacturing or joint venture.

Licensing in international activities is a type of cooperation in which a company in one country transfers the right to a company in another country to use its unique production processes, patents, trademarks, technological advances and other valuable skills for a fee that is established under the contract.

Franchising is a type of licensing of activities in which a franchisor company transfers to its intermediary (franchisee company) a license to operate under its own trademark.

Contract manufacturing involves the transfer of production to the company in the local market, and the preservation of other functions (marketing, sales, distribution) for the parent company.

Joint ventures are separate companies created by two or more enterprises in which the degree of responsibility and risk is shared between the owners.

Hierarchical business structure. This method of entering foreign markets is also called an investment method of expanding a business. It assumes full control of the business in the target foreign market, namely full ownership of the firm in the target country. This business can take the form of a branch or a separate enterprise independent of the parent company.

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