When First Mover Is Rewarded And When It Is Not

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Small - Scale Entry

- Smaller risks for firms
- Reduction in long-term rewards

Advantages
- Time to learn about foreign market
- Reduces company exposure

Disadvantages
- Difficulties in building market share
- Limiting further growth potential
- Does not allow for first-mover advantage

Advantages for Large Firms

- Greater amount of resources allow for higher possibility of penetrating foreign market E.g. Coke entering India's food and beverage industry
- Greater wealth and knowledge of internationalising E.g. Nestle, who own over 7,000 sub-brands and significant expansion history
- Large firms have monetary means to withstand periods of negative performance

(Coke, 2013)

Market Entry

- Greater risk in entering market with small amount of previous entries from foreign firms
- Great long term rewards

General Motors
- Entered Chinese market in 1997 and captured many first mover advantages by 2010

(General Motors, 2013)

What issues should a firm consider when deciding on which markets to enter? Why?

Firms should address 3 factors (basic entry decisions)

- Which foreign markets to enter
- When to enter them (timing of entry)
- On what scale they should enter the market

Basic Entry Decisions

Which foreign markets to enter?

- The choice must be based on an assessment of a nations long-run profit potential
- The more than 200 nation-states in the world do not all hold the same profit potential for a firm contemplating foreign expansion (Hill, 2013, p.486)

The attractiveness of a country depends upon balancing the benefits, costs, and risks associated with doing business in that country. These include:

>Size of market
>Present and future wealth of the consumers in the market
>Economic growth rates
>Political stability
>Type of economic system (i.e. market, command, mixed)

Size of market

- China: Population 1.3 billion India: Population 1.1 billion
- China has developed a strong presence in the international markets. India is making waves in the global world with an ever trillion dollar economy (Hillard, Matulich, Haytko & Rastogi, 2012)
- People spend money and buy goods and services, therefore a market comprises of people. This means that wherever there are a large number of people, there will be a large market. However, there is a catch. Just because a market is big in terms of its population, this doesn't necessarily make it attractive.

Type of economic system

MARKET ECONOMY:

COMMAND ECONOMY:

MIXED ECONOMY:

Political Stability

Economic growth rates

The value an International Business can create in a foreign market

- Another important factor is the value an international business can create in a foreign market
- This depends on the suitability of its product offering to that market and the nature of indigenous competition. If the international business can offer a product that has not been widely available in that market and that satisfies an unmet need, the value of that product to consumers is likely to be much greater than if the international business simply offers the same type of product that indigenous competitors and other foreign entrants are already offering.

Once an attractive market(s) has been identified, when should a firm enter that market(s)? Why?

First mover advantages

establishing a strong brand name, build up sales, gaining cost advantage

Large-Scale Entry

Advantages
- Allows for first mover advantages

Disadvantages

ING

(ING, 2013)

- European Insurance Company entered into US market on Large-scale
- Demonstrated commitment to market attracting consumers and distributors
- discouraged other International businesses from entering market because posed a strong threat to their business

References

References

photo credit Nasa / Goddard Space Flight Center / Reto Stöckli

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