MODES OF ENTRY INTO INTERNATIONAL BUSINESS

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ABSTRACT

The choice of entry mode represents a key strategic decision facing firms seeking expansion into international markets. The objective of this article is to present a framework of modes of entry into international business. It explain how to serve the oversees market through equity modes and non equity modes. A firm seeking to perform a business function outside its domestic market must choose the best mode of entry for the foreign market. Modes of entry into international business may be equity, non equity and contractual. Entry modes include the exporting, licensing, franchising, turnkey project, contract manufacturing, joint venture, acquisition and Greenfield investment etc. International firm should analysis resource requirement, capability factors, expected future return and risk factor while entry into international business.

KEY WORDS: Exporting, Licensing, Franchising, FDI, Greenfield, Acquisition, Joint venture, Turnkey Project, Management Contract, Export Trading Company(ETC), Export Management Company(EMC), Export Merchant (EM), Equity Modes, Non Equity Modes.

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3 One such indication is from a study by Alan Gregory, which is cited in Kate Burgess, “Acquisition in US, distributors for British companies,” Financial Times (October 11, 2004). 18.
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