



larly strategic but you have the ability to succeed there, clearly you should consider going there. However, this should be viewed as an opportunistic rather than high priority move. Often enough, succeeding in ten smallish markets does not deliver the same financial returns as succeeding in one mega-market. On the other hand, why leave loose change on the table if it's there for you to pick up? Finally, the case of non-strategic markets that are difficult to crack is very clear; better leave them alone.

DESIGNING AN ENTRY STRATEGY

There are many components of entry strategy. Should you go

Wal-Mart entered Mexico through a 50-50 joint venture with a local retailer. Having learned from its Mexico experience, Wal-Mart then entered Brazil, this time with a 60-40 joint venture. Having learned from both Mexico and Brazil, Wal-Mart's next move into Argentina was through a 100% owned operation.

The answer to the question of whether you should target the end-customer directly or serve as a back-end private label supplier rests on how crucial and how easy it is to build a direct relationship with the end customer. If you are an Egyptian company selling standard hospital beds at low prices to hospitals in the state of Florida, then it's clear that a brand name is relatively inconsequential and front-end selling abilities are easy to develop. In this case, you would deal with the end customer directly. But, what if you are manufacturing dishwashers or bicycles in China and want to penetrate the US market. In the case of both dishwashers and bicycles, brand names are important in the mature US market. Yet, it can take many years, often decades, to build a strong brand name. In such a case, the two equally viable options are: either become a private label supplier to a local name-brand company or buy your way in. China's Little Swan, which supplies dishwashers to General Electric is an example of the former. D'Long International, also from China, is a good example of buying your way in. D'Long bought a well-known US company, Murray, kept the American front end, but shifted bulk of the manufacturing operations to China. The case of Tata Tea acquiring Tetley, a well-known brand in many markets including the US, is another example of buying your way towards building a direct contact with the end customer.

For most companies, the goal generally is (and should be) to have their own front end presence and direct contact with the end customer in strategic markets. It is important to remember, however that building front-end presence in a foreign market take time, persistence, and learning. One can speed up the process by buying your way in. However, that is not a fail-safe approach either. Acquisitions are financially expensive and difficult to integrate. A strategy of acquisitions should be viewed as a process of learning when you start with small low risk acquisitions and move up in scale as you learn how to do the deal and how to integrate.

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GLOBALISE YOUR MARKETS

So you want to sell in China, Mexico, Norway. Before you put the finishing touches on your globalisation strategy, analyse the competition and the strategic importance of the market

Anil K Gupta

ONCE CORPORATE leaders have decided to flex the company's muscles and pursue customers in foreign markets, the two most important issues to address are: choice of markets, and the choice of an entry strategy for the selected market.

The sequence in which a globalizing company enters foreign markets should be guided by two factors: the strategic importance of the market, and the firm's ability to exploit that market while remaining profitable.



Gupta: To market, to market

The strategic importance of the market depends on two factors: the size of the market, and the learning and reference value of the market. The importance of market size is obvious and that is why every Fortune 500 company is migrating to markets such as China and India. However, on occasion, some markets must be deemed as strategic even if they are not very large. Consider, for example, the Nordic countries of

Denmark. This region is globally among the most advanced in mobile telecommunications. Thus, if your company is a provider of technology or applications for the mobile telecom market, being a player in the Nordic region can have significant learning and reference value. The learning and reference value can yield huge spillover advantages in the push into larger markets like the US, continental Europe, and Japan.

In addition to the strategic importance of a market, executives must also examine their ability to succeed in the particular market. Chasing a strategic market without factoring in whether you can win in that market is an almost certain route to disaster. This is a costly lesson that many European retailers have learned in their forays into the US market. Many European retailers assumed that because they were leaders in their home markets, they had what it took to also succeed in the US. Yet, they ignored the fact that, unlike European retail markets which have historically been smaller and more protected, the US is the largest, most open, and most competitive retail environment in the world. Thus, particularly on its home ground, even a second or third best American retailer may be more competitive than the best European retailer.

Putting the two dimensions together (see graphic 'A Framework For Choice of Markets'), it is clear that the most rapid entry should be into those strategic markets where the company is reasonably

pete and win. Some good examples would be the US-based Starbucks' aggressive push into Japan, Infosys' push into the US, and South African Breweries' big push into China.

What if the market is clearly strategic but you doubt your company's ability to succeed there for any number of rea-

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sons: very different market characteristics, very intense competition, and so forth. In such a case, the company should first explore a beachhead market where the risks are low and yet the market offers a huge opportunity to learn how to succeed in the eventually targeted strategic market. Take the case of Yahoo. Before Yahoo entered China, it created a website called "Yahoo Chinese" targeted at the Chinese diaspora rather than at the population in mainland China. This migration path helped Yahoo learn how to cater to Chinese customers thereby reducing its risks when entering China proper.

alone or partner with a local player? And, should you target the end-customer directly (eg, by investing in your own brand name) or should you serve as a back-end (eg, private label) supplier of goods and/or services to a local company who interfaces with the customer? The right answer to both questions may differ from one market to another and depends on the company's capabilities at the time of entry and long-term ambitions.

Leaving aside the need to take on a local partner when local laws dictate this to be the only way to enter the market, there are many situations where pure business logic would suggest that partnering is better than going alone. The choice rests on how different the local market is compared to other markets where the globalizing company already has experience. The more different the local market, the greater the need for local know-how and, thus, for a local partner. Take the case of Wal-Mart. Its first move outside the US was to Mexico. Although Wal-Mart was already well above \$50 bil-

A FRAME WORK FOR CHOICE OF MARKETS



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