Modes of entry into a foreign market, the concept of market penetration

**1. Exporting**

Exporting involves marketing the products you produce in the countries in which you intend to sell them. Some companies use direct exporting, in which they sell the product they manufacture in international markets without third-party involvement. Companies that sell luxury products or have sold their goods in global markets in the past often choose this method.

Alternatively, a company may export indirectly by using the services of agents, such as international distributors. Businesses often choose indirect exporting if they're just beginning to distribute internationally. While companies pay agents for their services, indirect exporting often results in a return on investment (ROI) because the agents know what it takes to succeed in the markets in which they work.

**2. Piggybacking**

If your company has contacts who work for organizations that currently sell products overseas, you may want to consider piggybacking. This market entry strategy involves asking other businesses whether you can add your product to their overseas inventory. If your company and an international company agree to this arrangement, both parties share the profit for each sale. Your company can also manage the risk of selling overseas by allowing its partner to handle international marketing while your company focuses on domestic retail.

**3. Countertrade**

Countertrade is a common form of indirect international marketing. Countertrading functions as a barter system in which companies trade each other's goods instead of offering their products for purchase. While legal, the system does not have specific legal regulations like other forms of market entry do. This means companies may solve problems like ensuring other companies understand the value of their products and attempting to acquire goods at a similar level of quality. Countertrading is a cost-effective choice for many businesses because the practice may exempt them from import quotas.

**4. Licensing**

Licensing occurs when one company transfers the right to use or sell a product to another company. A company may choose this method if it has a product that's in demand and the company to which it plans to license the product has a large market. For example, a movie production company may sell a school supply company the right to use images of movie characters on backpacks, lunchboxes and notebooks.

**5. Joint ventures**

Some companies attempt to minimize the risk of entering an international market by creating joint ventures with other companies that plan to sell in the global marketplace. Since joint ventures often function like large, independent companies rather than a combination of two smaller companies, they have the potential to earn more revenue than individual companies. This market entry strategy carries the risk of an imbalance in company involvement, but both parties can work together to establish fair processes and help prevent this issue.

**6. Company ownership**

If your company plans to sell a product internationally without managing the shipment and distribution of the goods you produce, you might consider purchasing an existing company in the country in which you want to do business. Owning a company established in your international market gives your organization credibility as a local business, which can help boost sales. Company ownership costs more than most market entry strategies, but it has the potential to lead to a high ROI.

**7. Franchising**

A franchise is a chain retail company in which an individual or group buyer pays for the right to manage company branches on the company's behalf. Franchises occur most commonly in North America, but they exist globally and offer businesses the opportunity to expand overseas. Franchising typically requires strong brand recognition, as consumers in your target market should know what you offer and have a desire to purchase it. For well-known brands, franchising offers companies a way to earn a profit while taking an indirect management approach.

**8. Outsourcing**

Outsourcing involves hiring another company to manage certain aspects of business operations for your company. As a market entry strategy, it refers to making an agreement with another company to handle international product sales on your company's behalf. Companies that choose to outsource may relinquish a certain amount of control over the sale of their products, but they may justify this risk with the revenue they save on employment costs.

**9. Greenfield investments**

Greenfield investments are complex market entry strategies that some companies choose to use. These investments involve buying the land and resources to build a facility internationally and hiring a staff to run it. Greenfield investments may subject a company to high risks and significant costs, but they can also help companies comply with government regulations in a new market. These investments typically benefit large, established organizations as opposed to new enterprises.

**10. Turnkey projects**

Turnkey projects apply specifically to companies that plan, develop and construct new buildings for their clients. The term "turnkey" refers to the idea that the client can simply turn a key in a lock and enter a fully operational facility. You might consider this market entry strategy if your clients comprise foreign government agencies. International financial agencies usually manage arrangements between companies and their overseas clients to ensure the companies provide high-quality service and the client pays the full amount due.