a. What explains the pattern of Jollibee's international expansion? Why do you think it entered the countries it did?

b. Jollibee's expansion into the United States has been quite limited. Why might this be so?

c. Jollibee now seems to be focusing on India and China for overseas growth. Why are these countries attractive to Jollibee?

d. Why is Jollibee considering entering India via an acquisition?

9. Reread the case about JCB at the beginning of the chapter, then answer the following questions:

a. Do you think entering India via a joint venture was JCB's optimal choice in 1979? What other options did it have?

b. Why do you think JCB picked India for its first direct foreign investment?

c. Was JCB right to take full control of its Indian joint venture in the 2000s?

8. Reread the case about JCB at the beginning of the chapter, then answer the following questions:

a. What are the benefits of Cisco's alliance with Fujitsu? What are the risks and associated costs?

b. Given your assessment of the benefits, risks, and cost associated with this alliance, did it make sense for Cisco to enter the alliance?

c. How might Cisco mitigate the risks associated with the alliance?

Research Task

Use the globalEDGE™ site to complete the following exercises:

1. A vital element in a successful international market entry strategy is an appropriate fit of skills and capabilities between partners. As such, the Entrepreneur magazine annually publishes a ranking of America's top 200 franchisors seeking international franchisees. Provide a list of the top 10 companies that pursue franchising as a mode of international expansion. Study one of these companies in detail and provide a description of its business model, its international expansion pattern, desirable qualifications in possible franchisees, and the support and training typically provided by the franchisor.

2. The U.S. Commercial Service prepares reports known as the “Country Commercial Guide” for countries of interest to U.S. investors. Utilize the Country Commercial Guide for Brazil to gather information on this country. Considering that your company is producing laptop computers and is considering entering this country, select the most appropriate entry method, supporting your decision with the information collected.

Tesco Goes Global!

Tesco is the largest grocery retailer in the United Kingdom, with a 25 percent share of the local market. In its home market, the company's strengths are reputed to come from strong competencies in marketing and store site selection, logistics and inventory management, and its own label product offerings. By the early 1990s, these competencies had already given the company a leading position in the United Kingdom. The company was generating strong cash flows, and senior management had to decide how to use that cash. One strategy they settled on was overseas expansion. As they looked at international markets, they soon concluded that the best opportunities were not in established markets, such as those in North America and Western Europe, where strong local competitors already existed, but in the emerging markets of Eastern Europe and Asia where there were few capable competitors but strong underlying growth trends.

Tesco's first international foray was into Hungary in 1994, when it acquired an initial 51 percent stake in Global, a 43-store, state-owned grocery chain. By 2004, Tesco was the market leader in Hungary, with some 60 stores and a 14 percent market share. In 1995, Tesco acquired 31 stores in Poland from Stavia; a year later it added 13 stores purchased from Kmart in the Czech Republic and Slovakia; and the following year it entered the Republic of Ireland.
Tesco's Asian expansion began in 1998 in Thailand when it purchased 75 percent of Lotus, a local food retailer with 13 stores. Building on that base, Tesco had 64 stores in Thailand by 2004. In 1999, the company entered South Korea, where it partnered with Samsung to develop a chain of hypermarkets. This was followed by entry into Taiwan in 2000, Malaysia in 2002, and China in 2004. The move into China came after three years of careful research and discussions with potential partners. Like many other Western companies, Tesco was attracted to the Chinese market by its large size and rapid growth. In the end, Tesco settled on a 50/50 joint venture with Hymall, a hypermarket chain that is controlled by Ting Hsin, a Taiwanese group that had been operating in China for six years. Currently, Hymall has 25 stores in China, and it plans to open another 10 each year. Ting Hsin is a well-capitalized enterprise in its own right, and it will match Tesco's investments, reducing the risks Tesco faces in China.

As a result of these moves, by early 2005 Tesco had 814 stores outside the United Kingdom, which generated £9.2 billion in annual revenues. In the United Kingdom, Tesco had some 1,900 stores, generating £32 billion. The addition of international stores has helped to make Tesco the fourth-largest company in the global grocery market behind Wal-Mart, Carrefour of France, and Ahold of Holland. Of the four, however, Tesco may be the most successful internationally. By 2005, all of its foreign ventures were making money.

In explaining the company's success, Tesco's managers have detailed a number of important factors. First, the company devotes considerable attention to transferring its core capabilities in retailing to its new ventures. At the same time, it does not send in an army of expatriate managers to run local operations, preferring to hire local managers and support them with a few operational experts from the United Kingdom. Second, the company believes that its partnering strategy in Asia has been a great asset. Tesco has teamed up with good companies that have a deep understanding of the markets in which they are participating, but that lack Tesco's financial strength and retailing capabilities. Consequently, both Tesco and its partners have brought useful assets to the venture, which have increased the probability of success. As the venture becomes established, Tesco has typically increased its ownership stake in its partner. Thus, under current plans, by 2011 Tesco will own 99 percent of Homeplus, its South Korean hypermarket chain. When the venture was established, Tesco owned 51 percent. Third, the company has focused on markets with good growth potential but that lack strong indigenous competitors, which provides Tesco with ripe ground for expansion.

In March 2006, Tesco took its international expansion strategy to the next level when it announced it would enter the crowded United States grocery market with its Tesco Express concept. Currently running in five countries, Tesco Express stores are smaller, high-quality neighborhood grocery outlets that feature a large selection of prepared and healthy foods. Tesco will initially enter on the West Coast, investing some £250 million per year, with breakeven expected in the second year of operation. Although some question the wisdom of this move, others point out that in the United Kingdom Tesco has consistently outperformed the ASDA chain, which is owned by Wal-Mart. Moreover, the Tesco Express format is not something found in the United States.63

Case Discussion Questions

1. Why did Tesco's initial international expansion strategy focus on developing nations?
2. How does Tesco create value in its international operations?
3. In Asia, Tesco has a long history of entering into joint venture agreements with local partners. What are the benefits of doing this for Tesco? What are the risks? How are those risks mitigated?
4. In March 2006, Tesco announced that it would enter the United States. This represents a departure from its historic strategy of focusing on developing nations. Why do you think Tesco made this decision? How is the U.S. market different from others Tesco has entered? What are the risks here? How do you think Tesco will do?