LUISS

Department of
Business and Management

Chair: Managerial Decision Making

Similarities and Differences of Entry Strategies of International Automotive Companies in Host Developed and Developing Countries: The Case of Toyota in USA, the UK, Indonesia, and China

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Academic Year: 2021/2022

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Introduction

The rise of cross-border transactions and globalization, the process of a firm's internationalization is already one of the strategies that a corporation should pursue. (Ristovska et al., 2014).

The **relevance** of our work was based on the possible interest and valuation of some existing businesses considering internationalization. The **timeline** of our work will try to take in consideration different years, from the year of entry until nowadays. Through our work we would like to fill a **gap** in the existing literature because it is not possible to find other studies that compare host developed and host developing entry strategies in the automotive industry. We will try to close the gap with this work that will study similarities and differences between host developed and developing country entry strategy in the automotive sector. We were motivated to conduct this study, which may be interesting and valuable to some existing businesses considering internationalization. The **object** of our work is the **entry strategies of international companies**. The **subject** of the work is **entry strategies of international automotive companies**. Our **goal** in this study is to **highlight the similarities and differences of entry strategies of international automotive companies on host developed and developing countries.**

For our case analysis we will take in consideration different years, from the year of entry of the company in the selected country of our case until nowadays.

To reach the goal we will perform **tasks**:

1) To study the word strategy and its relation to the internationalization theories.

2) To study the literature on entry strategies.

3) To study the automotive industry

4) To study the host developed and developing countries.

5) To analyze the case of Toyota entry strategies in selected host developed and developing countries

6) To find the similarities and differences of entry strategies of international automotive companies on host developed and developing countries.
7) To analyze the most suitable entry strategies of international automotive companies for host developed and host developing countries.
8) To provide some recommendations for other companies, new entrants, and further research.

Furthermore, our research seeks to answer the following **research question** while investigating an international automotive company such as Toyota and its entry strategies in two host developed countries (US and UK) and two host developing countries (Indonesia, and China).

- **What are Similarities and Differences of Entry Strategies of International Automotive Companies on Host Developed and Developing Countries?**

Our work is composed by three chapters as descripted here below:
In the first chapter we will explore all the literature to implement the theoretical aspects of the work. We will review the object and subject of our study, that relate to the similarities and differences of worldwide automotive companies' entry strategy in host developed and developing countries.

In the second chapter we will go over the entire analytical section of our work. We will put our effort on the analysis of the automotive industry and related markets. Then, we will focus on the entry strategies used by Toyota in two host developed countries (US and UK) and two host developing (Indonesia and China).

In the third chapter are highlighted the findings of our entire work. Moreover, we will provide recommendations for other entrants' companies and further research and limitations.

Furthermore, the **methodological basis** of our research is composed by a **qualitative approach.** Thanks to the study of the literature review, we will approach to entry strategy and to the process of internationalization. The qualitative approach will help us to better understand the entry strategies in the automotive industry, focusing the attention on the ones used by international automotive companies on host developed and developing countries. The second chapter is composed by two different methods because we will attempt to evaluate some data acquired using a **quantitative approach**, with the help of **case study analysis**. The financial data will be collected through different financial reports of Toyota and some specialized database such as Statista and Carsalesbase.

This research is based on the **literature** of prominent authors, such as Vernon's (1966) product life cycle theory, which studied the process by which a product is exposed to and delivered to the international market. Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977) developed the Uppsala internationalization model, which is based on four basic processes for accessing an international market. Buckley and Casson's (1976) internalization theory examined the activities of multinational corporations. Dunning's (1988) Eclectic paradigm explains why a firm chose to do business in a foreign market, where the company decides to produce, and what the relationship is with the chosen market. Furthermore, we attempted to define the term strategy and the various entry strategies using works ranging from Sun Tzu to Porter's (1996), Hollensen's (2007) Global Marketing, Root's (1994) Entry Strategies for International Markets, and other notable authors.

1. Theoretical aspects of similarities and differences of entry strategies of international automotive companies on host developed and developing countries

In this chapter we are going to review all the theoretical aspects which relates with similarities and differences of entry strategies of international automotive companies on host developed and developing countries. Inside of this chapter there are three different subchapters. In the first one subchapter is reviewed the literature about the object of the work so entry strategies of international companies. In the second one, the attention is focalized on the theoretical aspects of the subject of the work. So, we go deeper trying to relate the theories of entry strategies to international automotive companies, that is the market segment in which the work is based. In the last subchapter, the work aims to study the similarities and differences of international automotive companies' entry strategies in host developed and developing countries. Moreover, we will perform some tasks as:

1) To study the word strategy and its relation to the internationalization theories.
2) Study the literature on entry strategies.
3) Study the automotive industry.
4) Study the host developed and developing countries.

1.1 Literature review of entry strategies of international companies

In this subchapter we are going to review literature which relates with entry strategies of international companies. More specifically, the attention is posed on the main study of strategy and moreover the aim is to explain the meaning of entry strategy through different theories of prominent authors. At the end, we try to relate the entry strategy to international companies. In this subchapter we will perform the tasks:

1) To study the word strategy and its relation to the internationalization theories.
2) Study the literature on entry strategies

Strategy

Strategy is not a simple word, but it might be linked to several areas such as warfare, chess, politics, sport, or business. In each of these areas the strategy plays an important role that makes possible to reach the best results possible. (Grant, 2016)

To better study what **strategy** is, we will refer to different sources and authors. The first source that we are going to use is anchored to his time but is a phenomenon from which we can also derive some advice. Sun Tzu in *the art of war (*4th-5th century BC) said that: "**Strategy** is the great work of the **organization**. In situations of life or death, it is the Tao of survival or extinction. Its study cannot be neglected". Thanks to Sun Tzu, the Chinese general and philosopher, we may understand why is important to study the **strategy** because **it may play a crucial role in achieving the success if it is combined to a great work of organization.** Moreover, according to Grant (2016) "**strategy** is about achieving success and it is not a detailed plan or program of instructions; It is a unifying theme that **gives coherence and direction** to the actions and decisions of an individual or an organization." For Grant (2016) there are different factors that could influence a strategy: **Clear, consistent, long-term goals; Profound understanding of the competitive environment; Objective appraisal of resources; Effective implementation**. Freedman (2013) describes **strategy** as "being about maintaining a **balance** between **ends, ways and means**; about identifying **objectives**; and about the **resources and methods available** for meeting such objectives." The authors show the importance of the appraisal of **resources** to reach the prefixed **goals.** However, Rumelt (2011) focuses on **strategy**. He said that "**strategy** is a **cohesive response** to an **important**

challenge". For this reason, thanks to a **good strategy** is possible to find the **challenge** and the **method** to hold on.

Moreover, another prominent researcher that studied strategy is Porter (1996) which defines **strategy** as something related to competition, "deliberately choosing a **different set of activities** to deliver a **unique mix of value**", specifically, the reaction of your **business** might be the most important thing to notice when someone starts to **compete** with you and your environment. In fact, according to Porter (1996) "Strategy is the big picture of how the organization is going to win in its environment, whatever that is." Always according to Porter (1996) there are five factors (forces) that could influence the strategy. So, it might be possible to define strategy traying to relate a firm with each of **Porter's Five Forces**, that are:

- *Threats of new entry:* assess the difficulty of entering your market from competitors who could threaten your firm and consequently adapt your strategy to this feasibility.

- *Threat of substitution:* asses the possibility to replace your product or service by the competitors who may consider his product or service as an alternative to yours.

- *Supplier power:* analysis of you suppliers, of its products or services, assess possible alternatives. This analysis makes you realize how much suppliers can raise their prices.

- *Buyer power:* assess the possibility of your buyer to reduce the price of your product or service through the analysis of your buyers.

- *Competitive rivalries*: the already mentioned forces turn around this one that analyze your competitors.

Entry strategies

After the theoretical study of strategy, we will study internationalization of international companies and entry strategies used to undertake the process.

According to Vernon (1966), a company's internationalization is related to the process of exposing and bringing a product to the international market, as well as its maturation and subsequent decline. As stated in his **product life cycle theory**, the product passes through three different stages:

1. **The first stage** is the product introduction in the market. The product released in the developed market is new and non-standardized, yet the company may confront a low level of sales at first. As a result, by keeping production local, prioritizing direct market contact, and tailoring the product to the needs of consumers, sales will rise. It is chosen to export the product to other developed markets once it has established itself in that market. (Vernon, 1996)

2. **The second stage** is the maturity stage. In this stage, in order to fulfill the growing demand, the company chooses to open numerous production plants in industrialized countries where the goods is well established. This results in a significant reduction in export and production expenses. Scale economies are established. As a result, competition continues to rise, but demand in developing countries begins to rise as well. (Vernon, 1996)

3. **The third stage** is characterized by the standardization and streamlining of the manufacturing process on the developing country. Until a new product reaches the market, demand in developed countries begins to decline. The first-comer country becomes a net importer during this stage. Alternatively, the company may decide to leave the market for the product in question to

pursue an innovative strategy and offer new substitute products, allowing another product life cycle to begin. (Vernon 1996)

Moreover, according to Johanson and Wiedersheim-Paul (1975) and Johanson and Vahlne (1977), **the Uppsala internationalization model process** is based on four different steps of entering an international market:

Step 1: No regular export activities (sporadic export), when a company start to sell its products in the local market.

Step 2: Export via independent representative (export mode), when the company decides to expand to foreign markets through export thanks to better resources.

Step 3: Establishment of a foreign sales subsidiary, when the company starts to be established in the selected foreign market.

Step 4: Foreign production and sales subsidiary, when the company starts the production in the foreign market with the aim to reduce production cost.

Therefore, they stated a matrix model to explain the correlation between market knowledge and the commitment decisions. So, accumulating market knowledge about a specific country market, the company increases the businesses and the commitment in the selected market. In this way, there is the transition to the next step of internationalization.

Moreover, Buckley and Casson (1976) analyzed the operations of the multinational enterprises stating a **theory of internalization**, whereby a company may distribute resources to develop different products or to different markets, arguing that companies attempt to maximize earnings while decreasing production costs. Furthermore, if intermediate products markets are imperfect, firms are compelled to substitute transactions in these markets with domestic transactions.

According to the **eclectic paradigm** of Dunning (1988), It is possible to say why a company chooses to undertake business in foreign countries market, in which it chooses to manufacture, and what the relationship is with the chosen market. Furthermore, Dunning linked the company's international expansion to its ownership advantages and how it chooses to employ them, as well as its geographic advantages. So according to the OLI model (ownership, location, internalization), the strategies of the companies are determined by these advantages:
The **ownership advantages** are developed by companies in their own market and are needed to address the foreign market.

The **locational advantages** are derived from the country in which it is decided to internationalize referring to lower production costs.

The **internalization advantages** refer to the ability and preference of a company to transfer its specific advantages across national borders with its own organization trying to avoid any type of problem.

Moreover, according to Dunning (1993), the eclectic paradigm state that the more a company in each country possesses the ownership advantages and grater is the incentive to internalize the use; The more interest the firm can find in exploiting these advantages from a foreign country and more likely it will start a production abroad.

Moreover, according to Bain (1956) and Sylos-Labini (1962) a company decides to enter a **new market** when is possible to gain **extraordinaries future profits.**

Entering a **new market** is one of a company's most critical **strategic decisions**; it necessitates a significant investment of financial and managerial resources, as well as a variety of research methodologies in a variety of areas such as country size and development, trade, and infrastructure. (Mitra & Golder, 2002). According to Root (1994), an international market entry mode creates the **feasibility to enter a foreign country market** by organizing company's products, technology, human skills, management, and other resources**.** Moreover, Anderson and Gatignon (1986) stated that "international entry mode choices are most usefully and tractably viewed as **a tradeoff between control and the cost of resource commitments**, often under conditions of considerable risk and uncertainty." Green, Barclays and Ryans (1995) define an entry strategy when new products entering a new or existing market make **a long-term impact on the market** from their time of entry, the magnitude of investment at entry, and the area of competitive emphasis at entry. When a firm intends to expand by entering a foreign market, it is critical to choose the correct entry mode because **it will have an impact on all subsequent decisions the company makes**. (Hollesen, Boyd and Ulrich, 2011); Root (1994) affirmed that this choice is **one of the most critical strategic decisions** for MultiNational Enterprises (MNEs); According to Kumar and Subramaniam (1997), Chung and Enderwick (2001), Nakos and Brouthers (2002) the choice is not only a critical strategic decision for MNEs but also for companies having in mind to run a business overseas.
We continue our study with the study of entry modes.

Exporting

Exporting is a **cross border sale** of domestically grown or produced goods. (Knight and Cavusgil, 2004). The most common mode for a firm to enter in a new foreign market and to begin an international expansion is export entry mode because it is the easiest way. Exporting refers to the **marketing and sale of domestic products** in the foreign market (Mariadoss, 2018). According to Hollensen (2007) export entry modes occur when firms manufacture products in the domestic market or a third country, they then move them to the foreign market via direct or indirect channels. Furthermore, due to marketing charges, shipping costs, customs, and the payment of some distributors for various services provided, exporting entails some significant costs. Exporting, on the other hand, is marked by a low degree of risk, a low level of control, a low level of commitment, and a quick entry. Then, “exporting does not give a company firsthand experience in staking out a competitive position abroad, and it makes it difficult to customize products and services to local tastes and preferences.” (Mariadoss, 2018) As a result, local knowledge is limited, and it is probable that transportation will have a detrimental environmental impact. But it is true that “firms export mostly to countries that are close to their facilities because of the lower transportation costs and the often-greater similarity between geographic neighbors” (Mariadoss, 2018). According to Mariadoss (2018), companies may find a way to sell and market their products in the new country, and contractual agreements with a local company and distributor are required to accomplish so. Furthermore, exporters must pay close attention to the labeling, packaging, and price of their products in relation to the market. It could be a well-defined strategy for a small business unwilling to commit a lot of resources in the worldwide market. It is possible to classify exports into **indirect export, direct export, and cooperative export** (Hollensen, 2007):

1) Indirect export: “the manufacturing firm does not take direct care of exporting activities. Instead, another domestic company, such as an export house or trading company, performs these activities, often without the manufacturing firm’s involvement in the foreign sales of its products”. (Hollensen, 2007) As a result, the manufacturing company is not responsible for collecting payment from the international customer or managing shipment logistics. (Delaney, 2019)
According to Kotler and Armstrong (2012) is the entrance strategy with the lowest risk because the company is not exposed to the foreign market's uncertainties.

Indirect exporting is a practice employed by companies that do not feel they need to invest a significant amount of resources to international expansion, and whose purpose is to test the overseas market before making a large investment. One disadvantage can be that it's tough to understand the overseas market because the company lacks information owing to its restricted contacts. (Hollensen, 2007)
According to Hollensen (2007) indirect export could be led through five different modes:

Export buying agent is a local agent in the exporter's own country who tries to contact as many sellers as possible to export some requested products to a foreign market. This intermediary of overseas purchasers oversees exporting the goods. (Hollensen, 2007)

Broker is a local agent who works in the exporter's own country to bring importers and exporters together. As a result, the broker is an expert in the contractual side of the deal. (Hollensen, 2007)

Export management companies/export houses: "EMCs are specialist companies set up to act as the 'export department' for a range of companies." (Hollensen, 2007)

Trading company is a firm that engages in a variety of export operations, including transportation, warehousing, finance, consultancy, and other services. (Hollensen, 2007)

Piggyback the novice exporting company (rider) strikes an agreement with a larger company (carrier) already functioning in a foreign market, and the rider's goods is exported using the carrier's export infrastructure and overseas distribution. (Hollensen, 2007)

2) Direct export*:* "occurs when a manufacturer or exporter sells directly to an importer or buyer located in a foreign market area". (Hollensen, 2007) When a firm decides to perform direct export activities try to cooperate with different agents:

Distributors (importers): "Independent company that stocks the manufacturer's product. It will have substantial freedom to choose own customers and price. It profits from the difference between its selling price and its buying price from the manufacturer." (Hollensen, 2007)

Foreign based agents: "Independent company that sells on to customers on behalf of the manufacturer (exporter). Usually, it will not see or stock the product. It profits from a commission (typically 5–10%) paid by the manufacturer on a pre-agreed basis." (Hollensen, 2007)

3) Cooperative export: when a group of companies decides to work together to form an export marketing group through collaboration agreements, the manufacturers are attempting to penetrate new export markets for the first time. They may be stronger in the desired foreign market because of this collaboration. (Hollensen, 2007)

Licensing

International licensing is an agreement that allows companies in the targeted foreign market **the rights to use the property of the licensor** (Kotler and Armstrong, 2012) and the other company creates whatever is needed after or above this property. In exchange for royalty fees, an international licensing agreement allows a foreign corporation (licensee) to market the products of a producer (licensor) or to exploit its intellectual intangible property (such as patents, trademarks, and copyrights) and to also provide technical support. (Mariadoss, 2018). Licensing has a minimal risk, is not affected by economic or political conditions, has a high return on investment, and is preferred by local governments. (Agrawal & Ramaswami, 1992)

However, one downside is the difficulty of operating from a distance, as the control is limited, making it difficult to generate significant returns. (Mariadoss, 2018) Furthermore, licensing may lower the company's potential profit because the low level of control over licensees may impair the company's image, and by doing so, you are feeding a potential future competitor. (Brouthers, 2013)

Franchising

“In the business circle today the meaning of a franchise is a contract that is granted by a national or regional chain giving a **unique right to operate one of their channels** within a specific area based on a payment of an initial percentage of sales; usually using the parent company equipment, supplies, merchandising and advertising”. (Cavaliere & Swerdlow, 1988) According to Kotler and Armstrong (2012), “franchising is an entry strategy where a semi-independent company (the franchisee) pays fees and royalties to the franchiser to use a company’s trademark and sell its products and/or services.” Moreover, according to Hollensen (2007) and Paliwoda e Thomas (1998), it is feasible to sell a business service to small independent investors with operating money but no or little business experience through franchising. A franchise agreement is made up of several terms and conditions, the most important of which are: equipment, operations and management manual, staff training, and location approval. (Alon, 2014) As stated by Jeannet e Hennessey (2004) and McAuley (2001) A franchise agreement must have a common name, shared know-how, and frequent technological and commercial assistance from the franchisor. In addition, “the franchisee is responsible for all operations but agrees to operate according to a business model established by the franchiser”. (Mariadoss, 2018)

According to Cavaliere and Swerdlow (1988) is possible to recognize two different types of franchising:

Product and trade name franchising that are mainly agreements between franchisor and franchisee centralizing the business on one franchisor's products line, such as automobile and truck dealerships, gasoline service stations and soft drink bottlers. (Cavaliere and Swerdlow, 1988) And about soft drink bottlers, according to Paliwoda and Thomas, (1998) the Coca Cola's franchising is the one that best fit with the definition of franchising.

Business format franchises it is more than just a sales agreement between the franchisor and the franchisee because the franchisee receives its whole business model from the franchisor. The marketing strategy, all plans and controls, and continual communication between the elements should all be included in the format. (Cavaliere and Swerdlow, 1988)

According to Grant (1985) business format franchisee is "the granting of license for a predetermined financial return by a franchising company (franchisor) to its franchisees, entitling them to make sure of complete business package, including training, support, and the corporate name, thus enabling them to operate their own businesses to exactly the same standards and format as the other units in the franchised chain."

It is possible to identify numerous advantages of franchising. It attempts to connect a franchisor with a franchisee who is familiar with the environment of the targeted international market. Furthermore, it has a low degree of risk, and the franchisor is unaffected by foreign market hazards. (Alon, 2014) The speed of entrance in the market is high because it is only required to reach an agreement. (Grant, 2016) In the other hand, according to McAuley (2001), because of the lack of control over franchises, franchising may result in a decrease in the franchisor's brand quality. Furthermore, profits are not split between franchisors and franchisees, and the first gains only through royalty fees. Moreover, Paliwoda and Thomas (1998) determined that franchisees may become a competitor to franchisors in the future. This should take place because franchisors share their knowledge and technology.

But at the end we might state, according to McAuley (2001), that because of franchising, many businesses and entrepreneurs have built successful businesses all over the world.

Management contracting

It is another entry mode based on **cooperative relations through contracts** between different partners. According to Wach, (2014) it is a service based on the selling of operational management know how of a domestic firm and acquired by a foreign firm, that according to Alon and Jaffe (2012) consist of the expertise, technology, or specialized services to run its business for a given period and set fee or percentage of sales.

It could be a smart option for businesses looking to generate more money while committing to a modest degree of financial and legal obligations. (Alon and Jaffe, 2012). However, while the foreign company may benefit from the fact that its capabilities and brand are put into practice without requiring a large investment, there is no guarantee that the foreign company will continue to exist in the long run because the contract may be renewed, or the foreign company may purchase the entire business. (Alon and Jaffe, 2012)

Turnkey operations

These operations are agreements between a foreign company (exporter) and a purchaser (importer) that according to Alon and Jaffe (2012) **regard the design, construction and equipment of a large facility** and the assistance to the personnel in the first period. The exporter's goal is to run the investment within the contract's time frame, then transfer the entire investment and hand over the key to the ready-to-run facility (Wach, 2014). According to Onkvist and Shaw (2004) is possible that the personnel of the purchaser control these investments.

Alon and Jaffe (2016) stated that there are two different categories of turnkey operations:

Self-engineered: when the tasks are split between the importer and the exporter, the former establishes the performance requirements, while the latter specifies the equipment and plant design while under the threat of performance failure. (Alon and Jaffe, 2012)

Construction to specification: when the importer sets the facility's standards, putting the facility in risk of failure, and the exporter builds according to the specifications. (Alon and Jaffe, 2012)

However, is needed a high level of long-term commitments of resources.

Contract manufacturing / international subcontracting

It is an entry mode used by the firms to reduce costs of labor and raw materials for the production in a targeted foreign market. (Wach, 2014)

According to Dunning (1993) these type of operations by companies should be motivated by the intention to search resources and efficiency. As stated by Hollensen (2007) **a whole product's production and thus manufacturing processes are outsourced to another specialized firm**, while the company that decides to outsource should only manage core activities such as research and development, logistics, trade, and marketing.

There are a variety of benefits to contract manufacturing, one of which is the firm's solid flexibility, which means there is a low level of risk and a significant cost savings. Furthermore, the corporation may focus on the quality of the local manufacturing firm's output and be aware of the possibility that the manufacturing firm would steal the company's idea and technology and become a competitor in the future. (Hollensen, 2007)

Joint Ventures / Strategic alliances

A **joint venture is a strategic agreement** between two or more firms or businesses with the primary objective of pursuing a business opportunity. The parts that should earn an ownership position and a share of any profits may contribute funds and resources. (Dunung, 2011)

Mariadoss (2018) stated that a joint venture is a **business agreement in which the parties agree to create a new corporation and new assets with equal contributions from both parties.** Anyway, according to Hill (2013) it's possible that joint venture shares aren't evenly distributed, but it's also likely that some corporations aim to hold a majority of shares to maintain control. According to Grant (2016) "a joint venture is a particular form of equity alliance where the partners form a new company that they jointly own". Moreover, for Kogut (1988) a joint venture is an alternative where different firms combine a part of their resources to develop a common legal organization. According to Oviatt and McDougall (2005) a joint venture is a type of strategic alliance in which a foreign entrant and a local enterprise decide to manage a business or form a partnership together. With a commercial alliance, a joint venture is a way of entrance that is part of a long-term collective plan that allows the companies that are part of the agreement to reach beyond national and cultural boundaries. (Yan, 1998)
However, according to Albaum and Duerr (2011), issues in the firm market's environment, such as local government rules, patriotic attitudes, and intense competition, may drive various enterprises to run a business opportunity in a foreign targeted market through a joint venture.

When companies decide to form a joint venture, it may be necessary to have a shared vision of the partnership's objectives and goals in order for the endeavor to succeed. As a result, the joint venture partners may agree ahead of time on the market of entry and the associated level of risks and rewards, the technology they wish to use, product development, and foreign government rules. (Kotler & Armstrong, 2012). Moreover, according to Chang, Chung & Moon (2012) in order to have a successful joint venture, the partners must share similar aims, have a limited market share compared to the market leader, and be able to learn from one another without sacrificing their competitive edge or intellectual property.
As we can see from the various studies, joint venturers have many advantages, such as shared risk of failure and shared costs.

However, according to Mariadoss (2018), there are some disadvantages or risks, such as a medium level of control in the business because you must find the right partner, as well as the possibility that the partner will steal the know-how to create its own competitive product and thus become a potential competitor.

Foreign direct investment (FDI)

According to the International monetary Fund, Foreign Direct Investment (FDI) is an investment made by a domestic firm or economic entity in the business of a foreign firm or entity with the goal of making a long-term profit. Moreover, according to the World Trade Organization (1996), Foreign Direct investments is the acquisition of an asset, based on a different country from yours, with the aim to handle that asset. According to Chang and Rosenzweig (2001) a Foreign Direct Investment is an investment that allows you to own and manage another business entity. The company must determine if it wants full ownership or just a part of it, and whether it wants to start from scratch or buy an existing company. According to Chung and Enderwick (2001), when a corporation decides to undertake a Foreign Direct Investment, it gains a significant amount of power over how the business is conducted in the foreign host country. Furthermore, the company frequently makes large profits, but it must contend with the likelihood of a high level of risk and the difficulties of obtaining skilled management.

Brownfield operations

Acquisition is an entry mode of the process of wholly owned subsidiaries, through which a company decides to enter the targeted foreign market acquiring the 100% of the foreign company. (Yiu and Makino, 2002)

As Klaus, Meyer and Estrin (2001) suggested "a brownfield is a **foreign acquisition** undertaken as part of the establishment of a local operation. From the outset, its resources and capabilities are primarily provided by the investor, replacing most resources and capabilities of the acquired firm."

With brownfield projects there is an initial combination of the resources between the acquirer and the acquired and so initially the acquirer try to have control over the acquired during the first phase of the acquisition to fully transform the acquired company from the outset. (Klaus, Meyer and Estrin, 2001)

According to Hollensen (2007) acquisition is a fast entry mode because the firm might enter directly in the targeted foreign market given that as stated from Yiu and Makino (2002) the acquirer usually might use the name, the brand, the customer base, the distribution channel, the management experience and reputation of the existing firm. Moreover, the acquirer entering a new market might have high control, high commitment, high presence and high risks and reward.

Mergers and Acquisitions

According to Roberts, Wallace and Moles (2012) for companies a merger or an acquisition are the **unification of different firms into a new business entity**. Moreover, there are some differences between a merger and an acquisition. The merger is characterized from the process of negotiation between different companies preceding the merger to a unique business entity. Instead, the negotiation is not necessarily needed with the acquisition, and it might be a friendly or a hostile acquisition: Friendly when the acquired does not oppose the acquisition of the business, and instead see in the acquisition a possibility to develop and expand thanks to the resources offered by the acquirer. Hostile when the acquired is not willing to sell the business, and the acquirer decides to buy a great number of target's shares in the open market. (Robert, Wallace and Moles, 2012) According to Berkema and Vermeulen (1998), mergers and acquisition are the buying of stocks of the targeted foreign firms in order to control it.

Brennan (2004) stated that there are different reasons to undertake a mergers and acquisitions including revenue synergy, acquisition of market power, diversification and a bargain presenting itself.

As affirmed before, the entry is fast but, according to Alon and Jaffe (2012), finding the right partners takes a long time and the only additional time and costs required came from integrating the new business within the already present organization. Moreover, the competition is less aggressive but in the other hand no jobs are created.

Greenfield operations

Establish a greenfield venture is a form of foreign direct investment where a company decide to enter in the foreign market **setting up a new venture from scratch**. (Hennart and Park, 1993; Slangen and Hennart, 2007)

According to Yiu and Makino (2002), a greenfield operation consists of the setting up in the new market of a new company and a new legal organization.

However, due to the high commitment of resources needed to establish a greenfield venture, a greenfield investment might be considered an ideal strategy of growth through the own internal resources. (Romanowska, 2009)

As stated from Alon and Jaffe (2012) the new legal entity might be characterized from the same market and internal organizational objectives and needs. Moreover, according to Dunning (1998), through a greenfield investment a company might develop the organization of the employment and the technical and economic characteristics adopted from the new entity could reflect the ones of the main company and these could lead to the exploitation of the firm-specific advantages. Then, there might be the possibility to create jobs and to introduce in the targeted foreign market a new technology. In the other hand, there might be the possibility to have a lot of competition on the selected market and are needed a lot of time and resources to undertake this investment. (Alon and Jaffe, 2012).

Moreover, according to Slangen and Hennart (2007), the greenfield investment allows to modify the project of investment if problem arises, but in the other hand it is a risky operation because there might be a lot of liability at the beginning of the project.

This subchapter focused the attention on the different studies of strategy and of entry strategies. From the prominent authors we studied the internationalization process that a company may undertake choosing one of the already mentioned and reviewed entry strategies. In the table 1 we collected the entry strategies studied in this subchapter.

ENTRY STRATEGIES
EXPORTING
LICENSING
FRANCHISING
MANAGEMENT CONTRACTING

TURNKEY OPERATIONS
CONTRACT MANUFACTURING / INTERNATIONAL SUBCONTRACTING
JOINT VENTURES / STRATEGIC ALLIANCES
FOREIGN DIRECT INVESTMENT (FDI)
BROWNFIELD OPERATIONS
MERGERS AND ACQUISITIONS
GREENFIELD OPERATIONS

Table 1-Entry Strategies - Compiled by the author from the data collected from Knight and Cavusgil (2004), Hollensen (2007), Mariadoss (2018), Kotler and Armstrong (2012), Cavaliere & Swerdlow (1988), Alon and Jaffe (2012), Wach (2014), Hill (2013), Chang and Rosenzweig (2001), Yiu and Makino, (2002), Roberts, Wallace and Moles (2012), Hennart and Park (1993)

International company

According to Barlett and Ghoshal (1991), an international company is a firm that base its strategy on the reduction of costs and on transmission of the main company's know-how to a new market with the aim to align the businesses.
According to Grant (2016), the trade of goods and services and direct investments in a foreign market are the main steps through which a company becomes international.

Moreover, the international company bases his strategy on the centralization of resources and capabilities on the main firm decentralizing the core to subsidiaries. Moreover, the international company may customize in low level the product offering and marketing to leverage core competencies within local markets. (Connelly, Hitt, DeNisi and Duane Ireland, 2007)
According to Grant (2016), international companies may face a higher level of competition and industry profits may be lower.

In this subchapter we have reviewed the main entry strategies type. Specifically, we started introducing the definition of strategy highlighting different definitions of strategy and we saw that the term strategy could be related to different fields. Moreover, we moved on concentrating on the definition of entry strategy and in addition we reviewed nine different entry strategies: Exporting; Licensing; Franchising; Management contracting; Turnkey operations; Contract manufacturing; Joint ventures; Acquisitions; Greenfield operations. The different entry strategies are studied by different authors. In the last part the attention is posed on the definition of international company. Moreover, in this subchapter we performed some tasks because we studied the word strategy and its relation to the internationalization theories, and we studied the literature on entry strategies.

1.2 Theoretical aspects of entry strategies of international automotive companies

In this second subchapter we are going to review the theoretical aspects related to entry strategies of international automotive companies performing the task to define the automotive industry.

Automotive industry

The term "automotive" usually refers to everything related to the manufacture and sale of "motor vehicles", which are all passenger cars used for transport. (Unioncamere and Prometeia, 2016)

The automotive industry is mainly composed by the companies that produce motor vehicles and its components, such as engines and bodies. The principal products of the industry are **passenger automobiles and light trucks, including pickups, vans, and sport utility vehicles**. (Binder, Rae, and Bell, 2020)
According to Sturgeon, Memedovic, Van Biesebroeck and Gereffi (2009) the growth in the emerging markets, such as China, India, Brazil, and Russia, led the global vehicle production to double since 1975. For this reason, during the last years the major vehicle manufacturers started to extend their reach, producing, and selling vehicle in several markets. (Sturgeon, Memedovic, Van Biesebroeck,

Gereffi 2009). However, according to Binder, Rae and Bell (2020), the mass production, which requires heavy investment in equipment and tooling, caused that motor vehicle production is in the hands of few very large manufacturers, letting disappear the small independent producers.

Furthermore, nowadays this industry is very challenging and undertaking this business is becoming even more difficult because there is a strong rivalry between the car manufacturers and the prices for raw materials are increased. (Keller, 2012). Moreover, during the last years this industry is facing a strong pression by the governments to be more environmentally friendly (Keller, 2012).

According to Nieuwenhuis and Wells (2003), in the automotive industry it is possible to distinguish **three different types of manufacturers**:

1) **High volume**: they are the main producers and are characterized by producing at the highest volumes and lowest prices, differentiating the purpose cars trying to reach the mass of consumers. (Ford, VW, Fiat, Toyota, Nissan, and GM). (Nieuwenhuis and Wells, 2003)

2) **Specialist producers**: they base their production on larger or higher performance cars that demand higher prices, and they offer a deal between exclusivity, quality, and utility. (Mercedes, Volvo, Audi, Bmw). (Nieuwenhuis and Wells, 2003)

3) **Niche producers**: they produce exclusive and extreme performances vehicles but those are characterized by limited practicality and extremely high costs. (Lotus, Alpine, Ferrari). (Nieuwenhuis and Wells, 2003)

Moreover, there are several principal categories in which the industry is based on. According to the report the "Global Automotive Market, Growth & Forecast, Impact of Coronavirus, Industry Trends, By Region, Opportunity Company

Analysis" of Business Wire (2021**) the principal categories of the automotive industry are**: **Electric Vehicle, Hybrid Electric Vehicle, Plug-in Hybrid Electric Vehicle, Mild Hybrid Vehicle, Natural Gas Vehicle, Fuel Cell Electric Vehicle, Diesel Vehicle, Petrol Vehicle.**

According to Gao, Kaas, Mohr and Wee (2016) these categories are the result of changes over the years that has led to the digitalization, increasing automation and new business models revolutionizing the automotive industry as well. "These forces are giving rise to four disruptive technology-driven trends in the automotive sector: diverse mobility, autonomous driving, electrification, and connectivity" (Gao, Kaas, Mohr and Wee, 2016).

Moreover, in the automotive industry should be better to analyze the performance of its companies by using a quantitative method and some financial data based on different KPI (Key Performance Indicator) such as:

- **Sales**: they are the top line of the financial statement and could be analyzed to justify the revenues achieved by the company and to understand better trend or possible weakness or threats on the structure of the company.

- **Market share**: this KPI could help us to demonstrates how the firm ranks to its competitors and especially for the outside investors should be essential to analyze its position in the host market and understand the main key points where to improve.

International automotive companies

Nowadays, the automotive industry could be considered as one of the main and strategic industry of the manufacturing sector as well as the largest manufacturing industry in the world. (Amrina and Yusof, 2011)

According to Statista Industry Report (2021) this industry is facing a rapid change due to the emergence of electric vehicles and of self-driving technology that is shaping the future of the companies that operates in this industry.
However, for our analysis we are going to refer to the leading automakers companies worldwide.

As stated from some statistics of Statista (2021), based on the revenues generated by the companies, the leading automakers companies in 2020 are:

1) ***Volkswagen Group:*** is the main automotive company in the world. According to Thread in motion (2021) it designs and manufactures passenger vehicles (both low-consumption small cars and luxury vehicles), trucks, and light commercial vehicles including buses. According to Volkswagen group website (2022) we might say that the group is composed by ten different brands that operates as an "independent entity on the market". The Brands are Volkswagen, Volkswagen commercial vehicles, Skoda, Seat, Cupra, Audi, Lamborghini, Bentley, Ducati, Porsche.

2) ***Toyota Motor***: According to Thread in Motion (2021) Toyota produces car, truck, minivan, and commercial vehicle. The Group is composed also by Daihatsu, Hino, Lexus, and Scion.

3) ***Daimler:*** According to Thread in Motion (2021) Daimler produces Passenger cars, vans, off-road vehicles, and commercial vehicles, such as transport trucks and buses and owned some brand like Mercedes Benz or Smart. According to Mercedes Benz Group website (2022) from the 1st of February the Daimler group changes name and becomes Mercedes Benz Group AG.

4) ***Ford Motor:*** According to Thread in Motion (2021) Ford develops, produces, and serves cars, SUVs, vans, and trucks. According to Ford

group website (2022) the company also owns the luxury segment Lincoln and some other services as vehicle finance and leasing.

5) ***General Motors:*** According to Thread in Motion (2021) GM designs and manufactures cars, trucks, and vehicles parts. According to the website of General Motors (2022) the company is composed mainly by four brands that are Chevrolet, Buick, GMC, and Cadillac.

6) ***Honda Motor:*** According to Thread in Motion (2021) the company produces and develops automobiles, trucks, vans, all-terrain vehicles, motorbikes, and vehicles and motorbikes parts. According to Honda website (2022) the luxury brand of the company is Acura.

7) ***BMW Group:*** According to Thread in Motion (2021) BMW produces luxury vehicles and motorbikes. According to BMW websites (2022) the main brands of the groups are BMW, MINI and Rolls-Royce.

8) ***SAIC Motor:*** According to Thread in Motion (2021) "SAIC Motor Corporation Limited is a Chinese state-owned international automotive design and production corporation".

9) ***Stellantis:*** According to Thread in Motion (2021) it is a new multinational company that is bornin 2021 from the merger between FCA and PSA. According to Stellantis website (2022) the company manages several brands as Abarth, Alfa Romeo, Fiat, Lancia, Chrysler, Dodge, Jeep, Ram trucks, Citroen, DS, Maserati, Opel, Peugeot, and Vauxhall.

10) ***Hyundai Motor:*** According to Thread in Motion (2021) the firm produces Passenger cars, lorries, and commercial vehicles. According to

Hyundai Motor web site (2022) the group is composed by KIA Motors and Genesis that is the luxury division of Hyundai.

Entry strategies of international automotive companies

The Table 2 shows us different entry modes of the leading international automotive companies, and in the subchapter 1.2 we will try to study them using the table 2.1 and the literature used until now.

According to Machková, and Collin (2015), the automotive industry is characterized by different entry strategies, but the most used and probably the most useful are, in general, greenfield investments, joint ventures and mergers and acquisitions. What we have found from our study is in line to what the researchers stated, apart from exporting strategy that according to our study is also one of the most used, and probably most successful strategy especially in the last century and in the first years of expansions of the automotive companies. All the leading automotive companies taken in consideration used the greenfield operations. According to Alon and Jaffe (2012) to undertake greenfield investments are needed a lot of time and resources. This is surely a consequence of the fact that car manufacturing companies are large companies that are not afraid to make large investments and prefer the setting up in the new market of a new company and a new legal organization with new production plants. (Yiu and Makino, 2002) Moreover, the joint venture is chosen to enter according to Miller, Glen, Jaspersen, and Karmokolias (1997), the domestic company can assist with market knowledge, experience with the local and political environment, and knowledge of facilities and real estate. In addition to greenfield operations and joint ventures, one of the main entry strategies used by international automotive companies are contract manufacturing, according to Watch (2014) this strategy is undertaken to reduce costs of labor and raw materials for the production in a targeted foreign market or according to (Dunning, 1993) moved by the intention to seek resources and efficiency in developing countries. At the end, we might state that mergers and acquisitions in the automotive industry is a common strategy. In addition, the transactions are already cross-border, and the companies try to operate in different geographic area, the same as the company merged and acquired, to better react to the different economic cycles that may occur in different markets.

In the Table 2 are represented all the entry strategies studied in the subchapter 1.1, used by the international automotive companies.

Table 2 in Appendix A

In this subchapter we have reviewed the largest international automotive companies, highlighting the revenues generated by the companies and the main production and brands. Moreover, from the study made on the literature of the entry strategies, we found out that eight out of ten are used in the automotive industry. The ones used are exporting, licensing, franchising, contract manufacturing, joint ventures, mergers and acquisitions, brownfield operations and greenfield investments. Moreover, we performed the task to study the automotive industry.

1.3 Similarities and differences of international automotive companies' entry strategies on host developed and developing countries

The last subchapter of the first chapter will deal with the study of host developed and host developing countries. Moreover, it will study the different entry strategies used in both, highlighting the similarities and differences found. We will perform the task to study the host developed and developing countries.

Developed and developing countries

To better understand the definition of developed and developing countries it might be important to define the word development, and as stated from the United

Nations Development Program's (UNDP) annual Human Development Report (HDR), human development refers to the growth of the standard of living through the expansion of people's freedom and capabilities. According to Todaro and Smith (2011), the word development can be defined as a process that led to the improvement of quality, standard of living, self-esteem, and freedom. There are different factors to measure the development and developing countries, one of these is the UNDP's Human Development Index (HDI) that groups the countries by income, health, and education. (Low, medium, high, very high). However, the World Bank classifies countries by their level of Gross National Income. (Low income, Lower-middle income, upper-middle income). According to Todaro and Smith (2011), to measure the economic well-being of a population, might be used Gross National Income (GNI) and more specifically the Gross Domestic Product (GDP). At the end, to define what are the developed and developing countries we are going to use the definitions of Todaro and Smith (2011):

Developed countries: "the now economically advanced capitalist countries of western Europe, North America, Australia, New Zealand and Japan." (Todaro and Smith, 2011)

Developing countries: "Countries of Asia, Africa, the Middle East, Latin America, eastern Europe, and the former Soviet Union, that are presently characterized by low levels of living and other development deficits." (Todaro and Smith, 2011).

Entry strategies of international automotive companies in host developed and host developing countries

Mode of entry	Companies, countries, and years	Host developed countries	Host developing countries
Exporting	All the main automotive companies		

	export their cars among all the world		
Licensing	**Ford, Stellantis** (Turkey, 1960); **Hyundai** (Russia, 2000)		Turkey; Russia.
Franchising	**VW** (India, 1996)		India.
Contract manufacturing	**BMW** (Egypt, 2003 - India, 2007 - Indonesia, 2011 - Malesia, 2018 - Russia, 1999 – Austria, 2001 – Netherlands, 1999) **Daimler** (Austria, 1998 - Finlandia, 2013 – Russia, 2011 – India, Indonesia, Malesia, Tailandia, Vietnam); **Hyundai** (Egypt, 1990);	Austria; Netherlands; Finland.	Egypt; India; Indonesia; Malesia; Russia; Thailandia; Vietnam.
Joint ventures / Strategic alliances	**VW** (China, 1984,1991 – Russia, 2011 – Indonesia, 1998); **BMW** (China, 2003 – Austria, 2001 – India, 1998) **Daimler** (China, 2014 – Russia, 2010 – India, 1995);	Austria	China; Russia; Indonesia; India; Thailandia; Taiwan; Pakistan; Turkey; Serbia; Iran; Vietnam.

	Ford (China, 2013 – Tailandia, 1995 – Taiwan, 1972 – Russia, 2011); **GM** (Russia, 2001 – China, 1997); **Honda** (India, 1997, China, 1998); **Saic** (Pakistan, 2020); **Stellantis** (China, 2010 – Russia, 2010 – India 1997 – Turchia 1969 – Serbia, 2008 – Iran, 1966); **Hyundai** (China, 2002 – Vietnam, 2011).		
Mergers and acquisitions	**Daimler and Benz (Daimler AG),** 1926 **Daimler and Chrysler (DaimlerChrysler AG),** 1995 **Fiat and Chrysler (FCA),** 2009 **Fiat Chrysler and PSA (Stellantis),** 2021		
Brownfield operations	**BMW (Rover)** (UK, 1994)	UK	
Greenfield operations	**BMW** (South Africa, 1973 – Austria; 1979 – UK, 2003 – USA, 1992) **Daimler** (South Africa, 2004 – France, 1994 – Spain, 1954 –	Austria; UK; US; France; Spain; Portugal; Belgium; Sweden; Germany; Canada; Italy; Australia	South Africa; Hungary; Argentina; India; Poland; Czech Republic; Russia; Slovakia; Mexico; Brazil; Venezuela; Romania; Morocco;

	Hungary, 2012 – USA, 1995 – Argentina, 1951); **VW** (South Africa, 1960 - India, 2001 – Poland, 1996 – Portugal, 1994 – Czech Republic, 1991 – Russia, 2007 – Slovakia, 1991 – Spain, 1953 – Hungary, 1997 – Belgium, 1949 – Sweden, 1946 – Mexico, 1964 – Argentina, 1976 – Brazil, 1959 – USA, 1978); **Ford** (Spain, 1973 – Venezuela, 1962 – Germany, 1931- Argentina, 1962 – Canada, 1953 – Mexico, 1946 - Romania, 2008 – South Africa, 1923 – UK, 1931 – USA, 1924); **Stellantis** (Argentina, 1963 – Brazil, 1976 – Canada, 1928 – Morocco, 2018 – Mexico, 1968 – Poland, 1975 – Slovakia, 2006 –		Thailandia; Egypt; Colombia; South Korea; Ecuador; Indonesia; Perù; Kenya; Nigeria; Bangladesh; Vietnam; Philippines; Pakistan;

	Spain, 1958 – Italy, 1939 – USA, 1938); **SAIC** (India, 2007 - UK, 2006 – Thailandia, 2017); **GM** (Egypt, 1985 – Colombia, 1956 – South Korea, 1962 – Ecuador, 1981 – Canada, 1907 – Brazil, 1930 – Mexico, 1981) **Hyundai** (USA, 2005 –Brazil, 2012 – Czech Republic 2007 – Turkey, 1997 – Russia, 2010 – India, 1998 – Indonesia, 2021); **Honda** (USA, 1978 – Canada, 1979 – Argentina, 1978 – Mexico, 1985 – Brazil, 1977 – Perù, 2006 – France, 1986 – Italy, 1971 - Kenya, 2013 – Nigeria, 1979 – India, 1985 – Bangladesh, 2012 – Vietnam, 1996 – Philippines, 1973 – Pakistan, 1962 – Australia, 1987 – Thailandia, 2000 – China, 1992).		

Table 3-Entry strategies on host developed and developing countries – Compiled by the author based on: : World's top export.com, TagAz.ru, Akpinar, M. (2013), Mukherjee, A., and Sastry, T. (1996), Bmw website, Mercedes website, Volkswagen website, Ford website, General Motors website, Hyundai website, Honda website, Saic website, Stellantis website, Research of "Commissione Industria, Commercio, Turismo del Senato della Repubblica Italiana" (2014)

Similarities and differences of entry strategies of international automotive companies in host developed countries

The Table 3 shows us different entry modes of the leading international automotive companies differentiated by host developed and host developing countries. In this paragraph, we are going to explain the similarities and differences of the ones undertaken on host developed countries.

Moreover, the Table 3 show us that to enter in host developed countries **the most used entry strategies are greenfield operations and exporting**. We might state that **exporting is one of the most crucial entry strategies** for all the automotive companies in both developed and developing countries, especially on the first stage of internationalization of the company. Nowadays it is also one of the most used strategies because, despite all the investments and the differentiation on the strategy undertaken, the international automotive companies export different models of cars produced only in selected countries. Moreover, according to Kotler and Armstrong (2012) exporting is the entrance strategy with the lowest risk because the company is not exposed to the foreign market's uncertainties.

According to Alon and Jaffe (2012) to undertake greenfield investments are needed a lot of time and resources and these types of operations are safer in host developed countries and especially for the international automotive companies that are financially very stable. However, **despite joint venture is a common strategy for host developing countries**, the table 3 shows us that **some international automotive companies use this strategy to enter in host developed countries** because according to Chang, Chung & Moon (2012) in order to have a successful joint venture, the partners might be able to learn from one another, and this is common in the automotive industry where shared technology and manufacturing process could lead to strong results.

However, through the table 3 we found that **no international automotive companies used to enter in host developed countries with management contracting, turnkey operations, franchising, licensing.**

Similarities and differences of entry strategies of international automotive companies in host developing countries

According to the table 3, we might state that the international automotive companies use various entry strategies to enter on host developing countries, certainly more than on host developed countries.

As we have been able to see, **the most common entry strategies on host developing countries are joint ventures and greenfield operations.**

As said before, the joint venture is chosen to enter a developing country because, according to Miller, Glen, Jaspersen, and Karmokolias (1997), the domestic company can assist with market knowledge, experience with the local and political environment, and knowledge of facilities and real estate. These considerations are unquestionably more critical in a developing country with less stability and a more unfamiliar market.

Therefore, the table 3 shows us that **greenfield operations is the most used strategy for both developed and developing host market for international automotive companies**. As stated before, this is surely a consequence of the fact that car manufacturing companies are large companies that are not afraid to make large investments and prefer the setting up in the new market of a new company and a new legal organization with new production plants. (Yiu and Makino, 2002)

In addition to greenfield operations and joint ventures, the main entry strategies used on host developing countries are contract manufacturing by BMW, Daimler, and Hyundai, especially, according to Watch (2014) to reduce costs of labor and raw materials for the production in a targeted foreign market or according to (Dunning, 1993) moved by the intention to seek resources and efficiency in developing countries.

At the end**, as far as exports are concerned, it is still one of the most frequently used strategies to sell cars directly in both developing and developed countries.**

In the subchapter 1.3 we studied the host developing and developed countries performing the related task. Moreover, thanks to the table 3 and the theoretical aspects we found some similarities and differences that could help us in the final findings of our work.

In the first chapter reviewed the theoretical aspects which relates with similarities and differences of entry strategies of international automotive companies on host developed and developing countries. In the first one subchapter we reviewed the literature related to entry strategies of international companies. In the second one, we focused on the theoretical aspects of the subject of the work. So, related the theories of entry strategies to international automotive companies, that is the market segment in which the work is based. In the last subchapter we studied the similarities and differences of international automotive companies' entry strategies in host developed and developing countries. Moreover, we performed some tasks as:

1) To study the word strategy and its relation to the internationalization theories.
2) Study the literature on entry strategies.
3) Study the automotive industry.
4) Study the host developed and developing countries.

2. Analysis of Similarities and differences of entry strategies of Toyota in US, UK, Indonesia, and China

In this second chapter we will make an analysis of all the data and the analytical part. More in detail, we divided the work of this second chapter in three part and on the first part we will analyze the automotive market conducting a thorough overview of it. On the second part, we are going to present the company that we chose for this work: Toyota. Then, we will analyze the different entry strategies used by the company to enter on host developed countries (US and UK) and on host developing countries (Indonesia and China). We will perform the task to analyze the case of Toyota entry strategies in selected host developed and developing countries

2.1 Automotive industry and markets overview

The goal of this subchapter is to review all aspects of the automotive industry, from production geography to industry composition, to study the markets based on production and consumption, as well as to analyze the characteristics that have changed over the last years.

Global automotive industry overview

According to a market research report on the global cars and automobile manufacturing industry made by IBISworld (2021) and to Statista (2021), in 2022, the Global Car & Automobile Manufacturing sector will generate $2.8 trillion in sales.

Global automotive manufacturing industry revenue between 2020 and 2022 (projection)

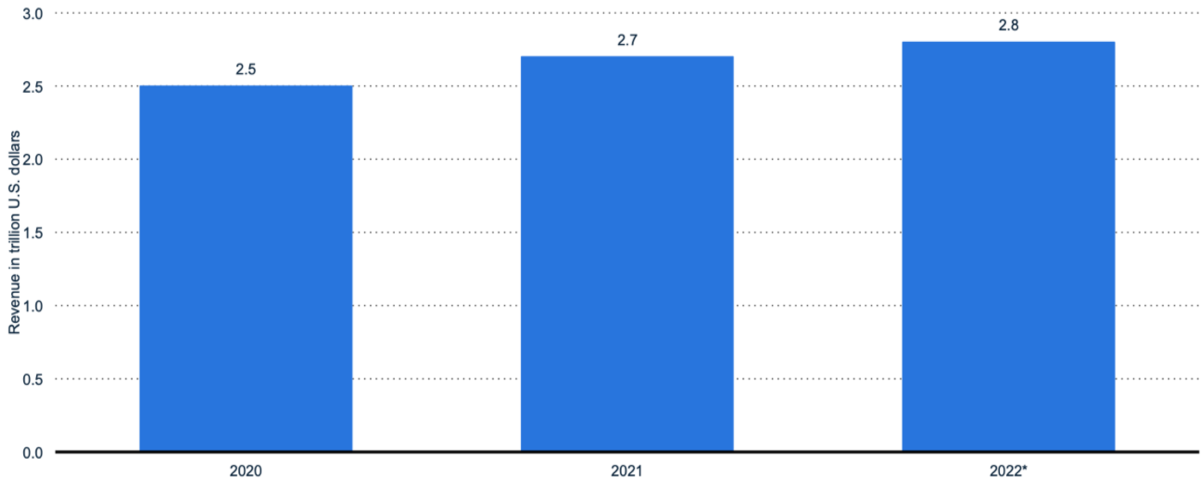

Table 2.1 - Global automotive manufacturing industry revenue between 2020 and 2022 (projection) (In trillion US dollars)
Source: IBISWorld

This figure is fundamental to understand the size of the automotive sector worldwide and how it is important for GDP. According to IBISworld (2021), we might cope with **a 4% increase in the market size during the 2022**. Thisincrease in the last two years is due to the disastrous year 2020 hit by Covid pandemic[1].

According to a report on the global automotive market overview made by Crescendo Worldwide (2019), the employment on the global automotive industry is of over 8 million people consisting of more than 5% of the world's total manufacturing employment. Moreover, the automotive industry puts a lot of economic effort into innovation and invests around 93.66 billion on research, development, and production. (Crescendo Worldwide, 2019) According to a study made on the global automotive industry by Statista (2021), the production worldwide of the global automotive industry is around 78 million vehicles.

[1] [1] Global pandemic of coronavirus disease 2019 (COVID-19) caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). The pandemic triggered severe social and economic disruption around the world, including the largest global recession since the Great Depression.

Estimated worldwide motor vehicle production from 2000 to 2020

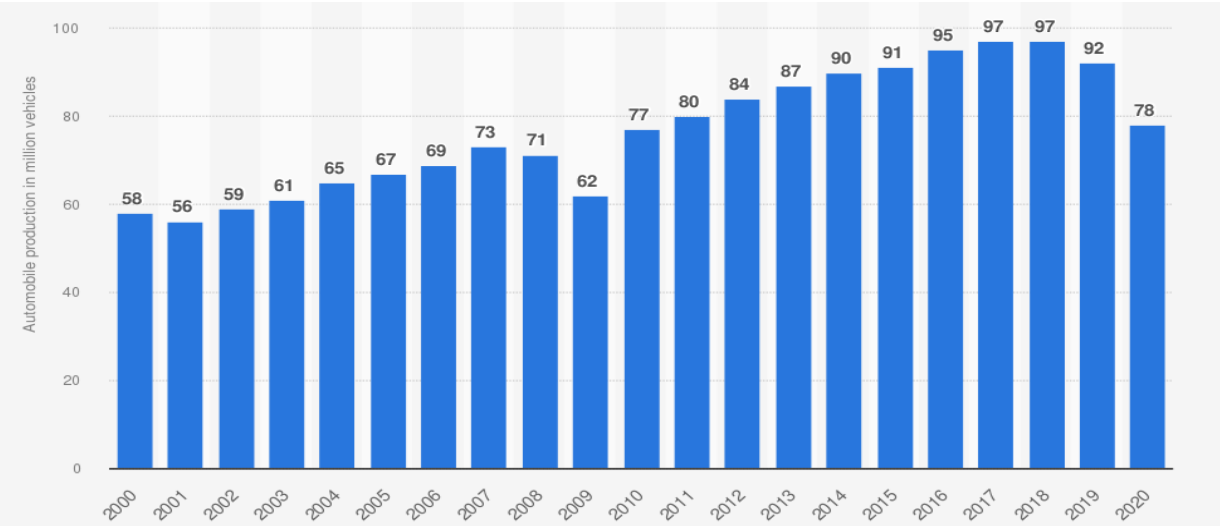

Table 2.2 - Estimated worldwide motor vehicle production from 2000 to 2020

(In million vehicles)

Source: OICA

Looking at this chart, according to Statista (2021), the figure shows that between 2019 and 2020 there has been a strong decline of around 15% on the production. This data could be justified by the COVID-19 pandemic that stopped the production for some months. (Faist website, 2021) The same happened in between the 2008 and 2009 with the global financial crisis where its impact, according to Van Biesebroeck and Sturgeon (2010) has been very critical.

Estimated worldwide car production in selected countries in 2020

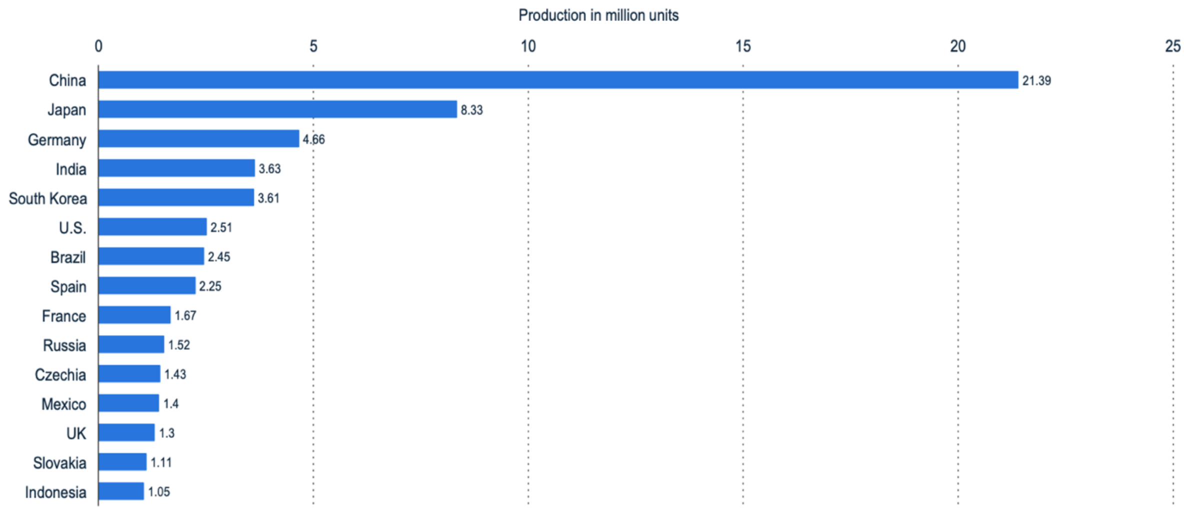

Table 3.2 – Estimated worldwide car production in selected countries in 2020

(In million units)

Source: OICA

According to the table 3.2, it shows us that China is the leading automotive producer worldwide with 21.39 million units manufactured in the country. According to Statista (2021) and our studies made in the first chapter, this result could be a consequence of the gained market share through the many joint ventures made between foreign partners and Chinese producers. Moreover, Japan and Germany are in a such high position because the great home production of company as Toyota and Volkswagen. (Statista, 2021)

Worldwide motor vehicle sales from 2005 to 2020

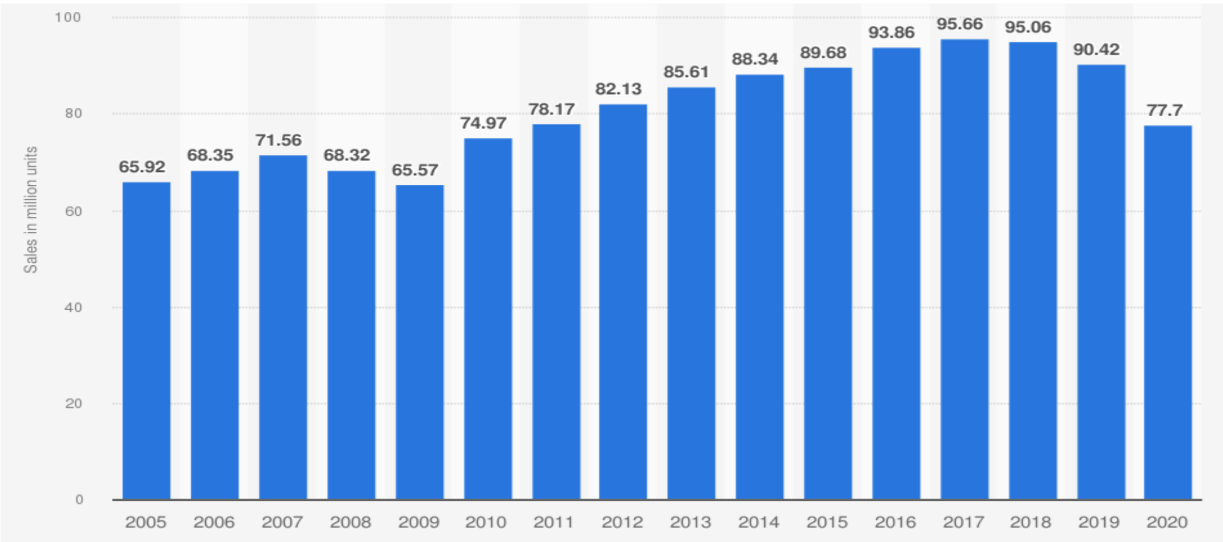

Table 4.2 – Worldwide motor vehicle sales from 2005 to 2020
(In million units)
Source: OICA

Instead, in the table 4.2 is possible to notice the worldwide vehicle sales from 2005 to 2020, and we might highlight the decline of around 14% of the global sales in 2020. According to Statista (2021), the decline started in the first half of the year for the lockdown measures in response to COVID-19. Despite the huge demand for the plug-in hybrid and the fierce recovery of the Chinese market, it has not been possible to regain that lost in the first period of the year. (Statista, 2021)

Global automotive market share in 2021, by brand

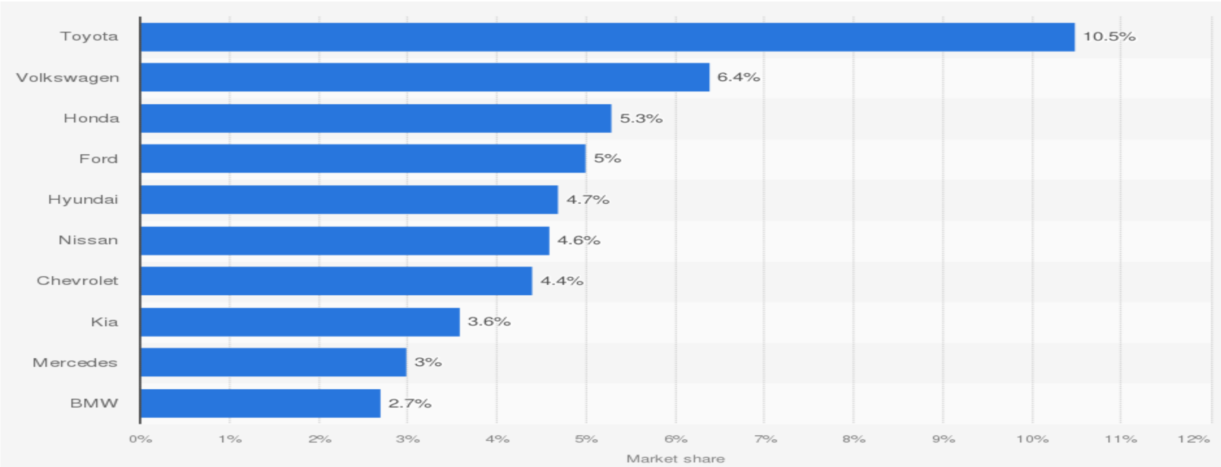

Table 5.2 – Global automotive market share in 2021, by brand
Source: Focus2move

According to Focus2move (2021), during the last years the landscape of the automotive industry has undergone a substantial change because of manufacturers' successes or failures in following evolution of market dynamics. As a result, in 2021, the market share globally is dominated by Toyota, with 10,5% market share, that nowadays is enjoying an excellent global coverage while effectively managing its brand portfolio (Focus2move, 2021). In 2020, Toyota surpassed Volkswagen group as market share, that now stand at the second place with 6,4%. The Japanese group demonstrated greater resilience to the bad year 2020 and a ready resumption of operations compared to the other international automotive companies. (Statista, 2021)

Most valuable automotive brands worldwide by brand value 2021

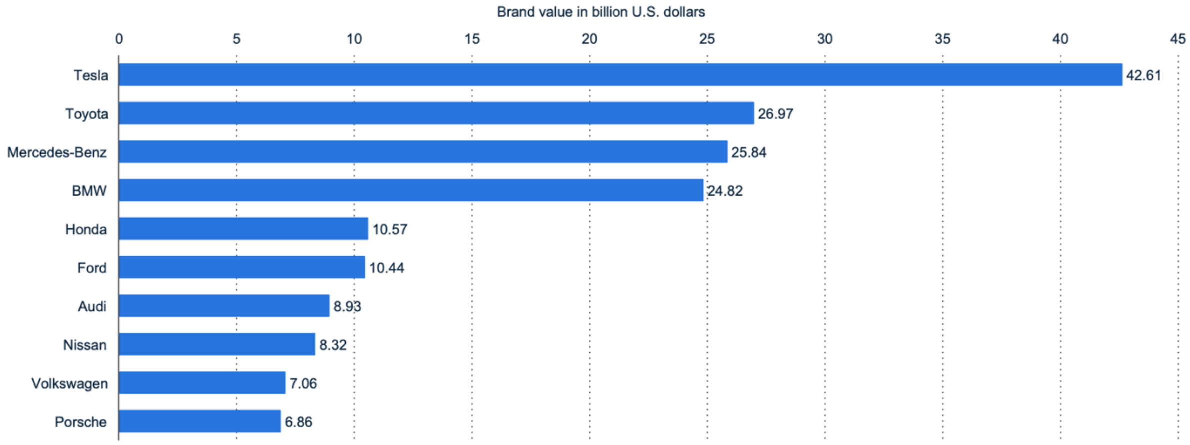

Table 6.2 – Most valuable automotive brands worldwide by brand value 2021
(In billion US dollars)
Source: Kantar Millward Brown, Bloomberg

According to Kantar Milward Brown and Bloomberg (2021), Toyota was surpassed only in 2021 by Tesla that leads the ranking with 42.6 billion US dollars and Toyota follows with a value of 26.97 billion US dollars.

Leading motor vehicle manufacturers worldwide in 2020 and 2021, based on sales worldwide

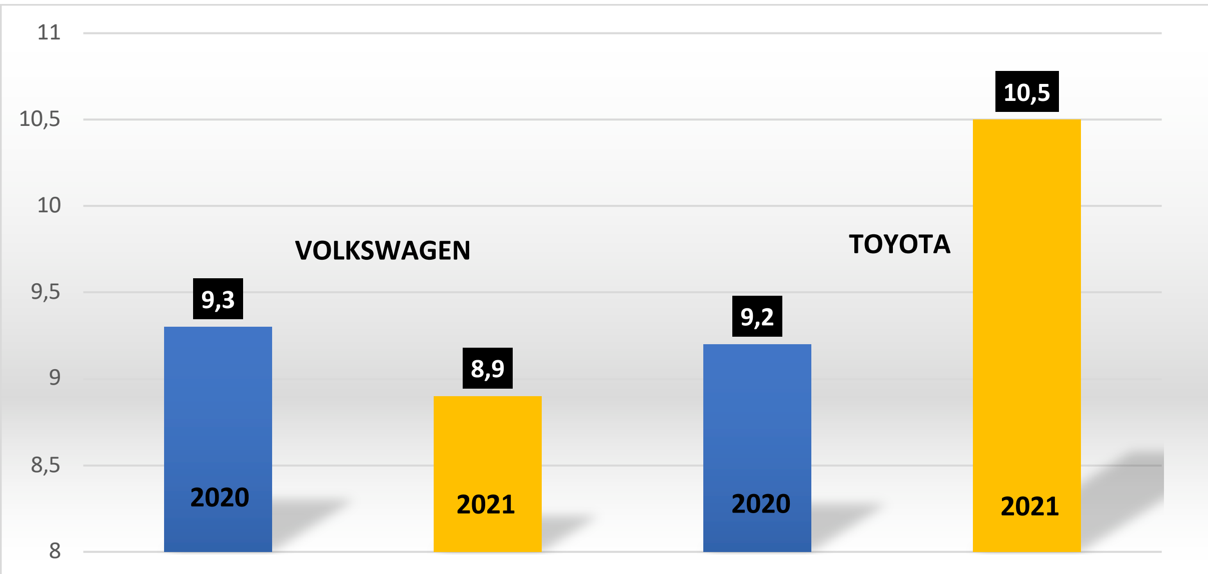

Table 7.2 – Leading motor vehicle manufacturers worldwide in 2020 and 2021, based on sales worldwide
(In million units)
Left side: Volkswagen
Rights side: Toyota
Source: dailykanban.com

From the table 7.2 we can notice that, in this special ranking between the leading motor vehicle manufacturers worldwide basing it on sales, Toyota has overtaken Volkswagen by 2021 producing around 10.5 million vehicles. After a tough year in 2020 due to the economic downturn caused by Covid, Toyota recovered much better than Volkswagen, especially in the Asian market, which was the lifeline at the end of the year. (Statista, 2022)

USA, the UK, Indonesia, and China automotive markets overview

In this part, we will make an overview of the selected developed and developing market for our analysis: USA, the UK, Indonesia, and China. We are going to focus our attention on the production and sales

Motor vehicle production in the selected countries in 2020

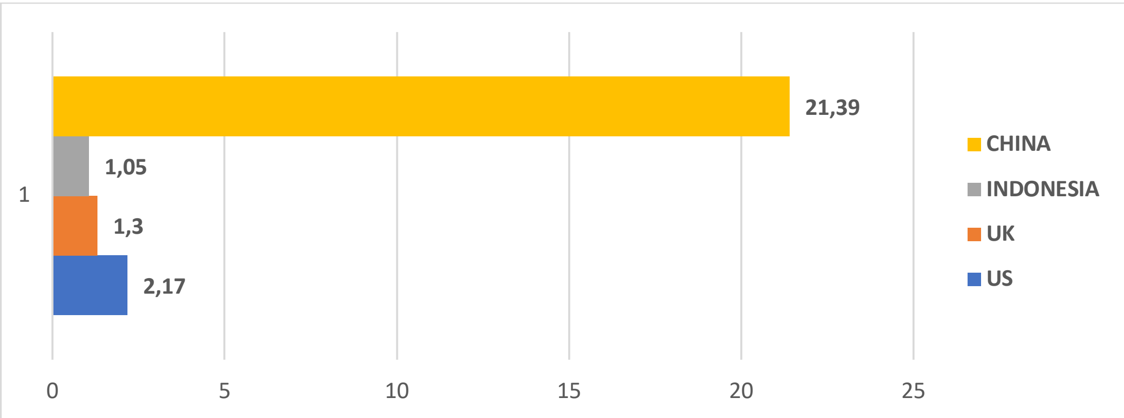

Table 8.2 –Motor vehicle production in the selected countries in 2020
(In million units)
Source: OICA

According to the table 8.2 we saw the big difference between China, which is the leader countries worldwide for the production, and the other selected countries for our analysis. According to Statista (2022), China maintains 29.7% of the world vehicle production. Given the huge demand in the Chinese market, car production in China has increased dramatically over the years. Given the huge demand in the Chinese market, car production in China has increased dramatically over the years. Unfortunately for Chinese car manufacturers, the gap with other international companies is very wide. “Furthermore, almost all of the leading bestselling cars in China are the product of joint ventures with foreign manufacturers". (Statista, 2022) Moreover, according to Statista, COVID restrictions decreased all the production of the selected countries either US (ranked 6th in the worldwide car production countries, with 2.5 million cars produced), UK (ranked 13th with 1.3 million car produced), or Indonesia (ranked 15th with 1.05 million car produced). For the UK, it is possible to say that the reduction in the production over the years is due also to Brexit. (Statista, 2022)

Motor vehicle sales in the selected countries in 2020

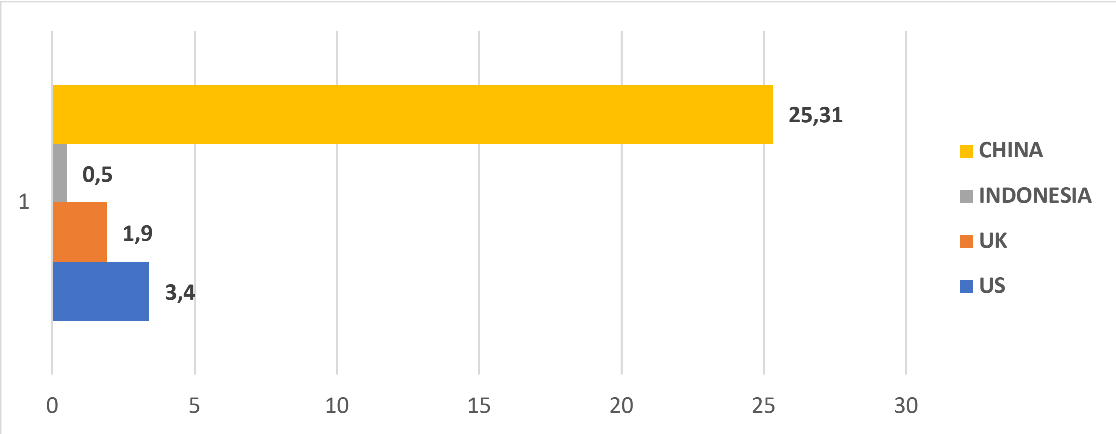

Table 9.2 –Motor vehicle sales in the selected countries in 2020
(In million units)
Source: OICA; BEA; CAAM, Statista

As with production, China is also the undisputed leader in sales with 25,31 million units sold. For this reason, the automotive sector is one of the main driving forces in Chinese economy. However, as with production, Covid pandemic destabilized the worldwide sales in 2020. According to Statista (2022) US and Indonesia suffered a lot this situation, returning to normal only in May but with a continuing drop of sales also in 2021 with 2% year per year. Instead, UK is maybe the one that suffered most the last years, due to Covid and Brexit, losing the position as the second largest car market in Europe to France and falling of almost 30% in sales from 2016, but the automotive sector contributed to the British economy with 15 billion pounds. (Statista, 2022)

Market share of the main automotive brands in China

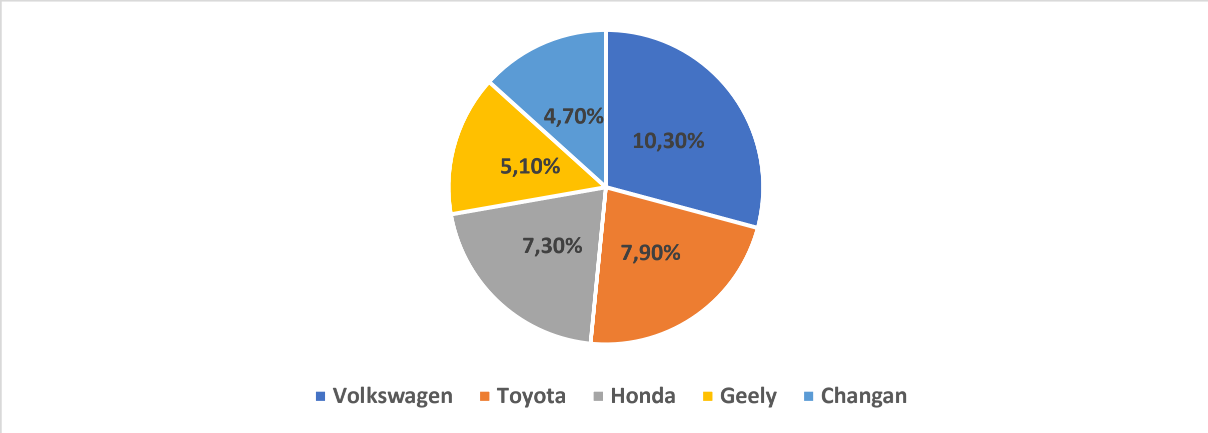

Table 10.2 – Market share of the main automotive brands in China
Source: Carsalesbase.com

The Chinese automotive industry is composed by different companies but leaded by two home automotive companies Geely and Changan with respectively only 5,10% and 4,70% of market share. Apart from Toyota, the other two main leading companies are Volkswagen and Honda. According to Volkswagen website (2022), the German company entered in the Chinese market with two **joint ventures in 1985 and 1991** and establishing its own subsidiary in 2004 resulting the largest, earliest, and most successful international partner in Chinese automotive industry. In the other hand, Honda also entered in the Chinese automotive industry with a **joint venture with GAC in 1998** and resulting nowadays as the third leading automotive brands in China.

Market share of the main automotive brands in Indonesia

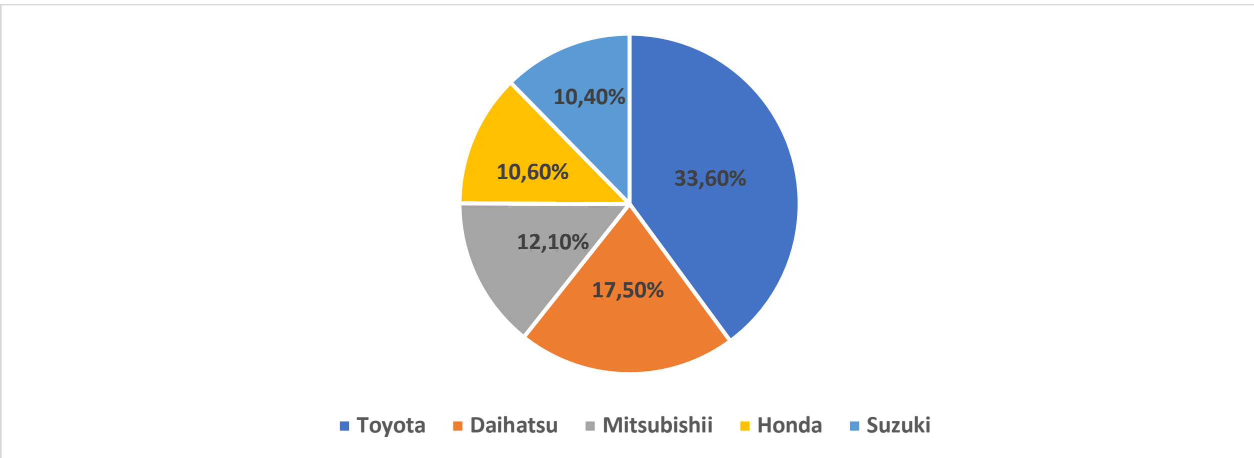

Table 11.2 – Market share of the main automotive brands in Indonesia
Source: GAIKINDO

The Indonesian automotive market is dominated by Toyota with a 33,6% and then followed by Daihatsu that, according to Daihatsu website (2022), started to **import** its vehicles in Indonesia in **1973** and then in **1992 PT Astra Daihatsu Motor was founded as a joint venture** with Astra Motor and it result as the main automotive company for the production. Moreover, according to Mitsubishi motors website (2022), the Japanese company **imports** in Indonesia from **1970** and in **2017** started to produce its vehicles in Indonesia from 2017 **establishing PT Mitsubishi Motors Krama Yudha Indonesia.** In the other hand Honda started to **import in 1968** and then in **1999 a joint venture** with Prospector Motor was established. (Honda website, 2022). Moreover, Suzuki entered in Indonesia through a **joint venture in 1978** with Indomobil Group.

Market share of the main automotive brands in USA

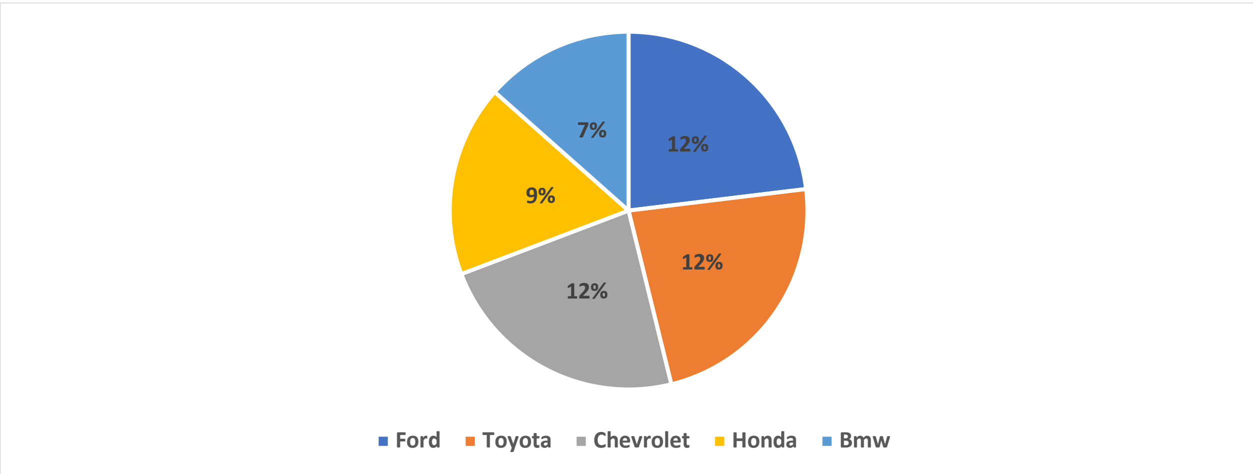

Table 12.2 – Market share of the main automotive brands in US
Source: Statista

The US automotive industry is dominated by two American brands Ford and Chevrolet, a division of General Motors, and Toyota with 12% of share each.
The other leading automotive companies are Honda and Bmw. According to Honda website (2022), the Japanese company entered in USA establishing its **wholly owned subsidiary in 1958** resulting nowadays the second foreign automotive company in USA. Moreover, Bmw entered in the American market

through **exporting in 1956** and starting to manufacture its own vehicles in 1994 in USA.

Market share of the main automotive brands in the UK

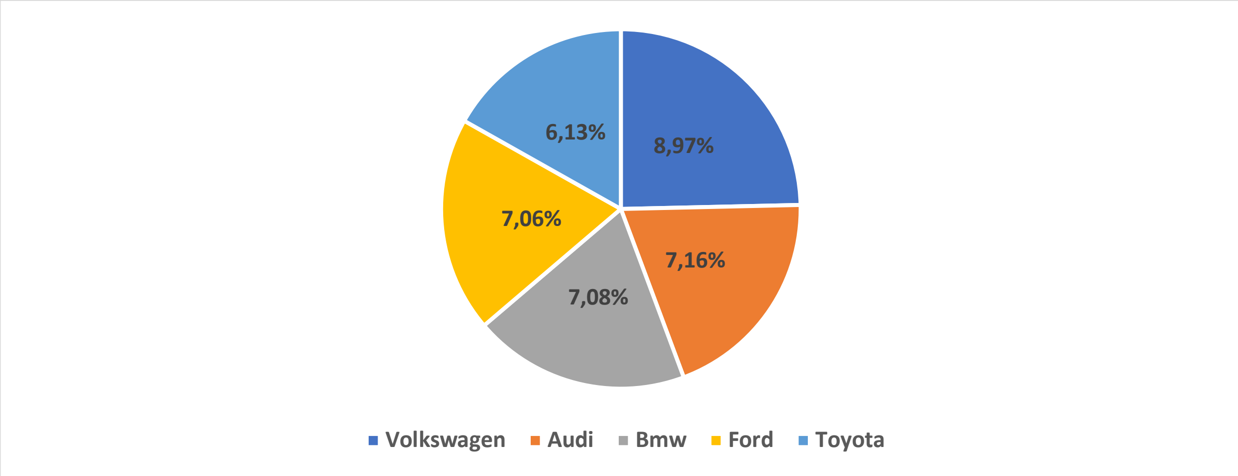

Table 13.2 – Market share of the main automotive brands in UK
Source: Statista

According to Volkswagen website (2022), Volkswagen and Audi, that are parts of the same group, entered in UK in **1953** through **exporting**. Moreover, Bmw **acquired Rover group** (composed at the time by Mini, Land Rover, Rolls Royce, MG brands and Austin and Morris) **in 1994.** Moreover, Ford is the earliest to enter in the UK automotive industry, it entered **in 1903** through **exporting** and then **established its own subsidiary in 1909**.

In this subchapter we highlighted the automotive industry worldwide analyzing the production, sales, and revenues. Furthermore, we focused our attention on four countries, two developed and two developing, chosen also for the next case analysis of Toyota in the next subchapter.

2.2 Analysis of Toyota in host developed countries (USA and the UK)

This chapter will be the presentation of the company that we chose to analyze on host developed and host developing countries. In the first part we will analyze in a more generic way the company, then we will start the accurate analysis of the entry strategies and especially its results of Toyota on host developed countries (USA and UK).

Global Toyota overview

According to Britannica (2021), Toyota was established by Toyoda Kiichiro in 1933 as a division of the Toyoda Automatic Loom Works. In 1937 it became Toyota Motor Co. According to Toyota website (2022), it headquarters in Japan. The organization has a large range of models to choose from.

According to the Toyota website is the company is one of the second largest automotive company worldwide because it is guided by strong guiding principles and with the aim to produce the best innovative product and service possible in a sustainable way contributing to the development of society. (Toyota official website, 2022)

According to Britannica (2021), the first car produced was the AA sedan in 1936. The World War II has been a difficult moment also for Toyota that stopped the manufacturing of cars focusing on trucks until 1947. The main reason of the great expansion and internationalization of Toyota has been the study of the American automotive industry which at that time manifested economic supremacy in all fields and for this reason in 1957 Toyota Motor Sales USA Inc. was founded. (Britannica, 2021). According to Toyota official website (2022), in 60s and 70s the firm quickly grew thanks to the beginning of exporting considerable quantities of vehicles abroad and tasting different markets. The real breakthrough came in the last years of the century with various innovations such as the introduction of its luxury brand, Lexus, (1989) and the production of the first mass-produced hybrid-powered vehicle in the world, the Prius (1997). (Britannica, 2021) After the listing on London stock exchange and New York stock exchange in 1999, Toyota is nowadays the second largest automakers by market capitalization, surpassed only by Tesla. (PwC and Bloomberg, 2021). Nowadays, Toyota operates in about 170 countries and markets all over the world. (Toyota official website, 2022)

Toyota's retail vehicle sales from 2017 to 2021

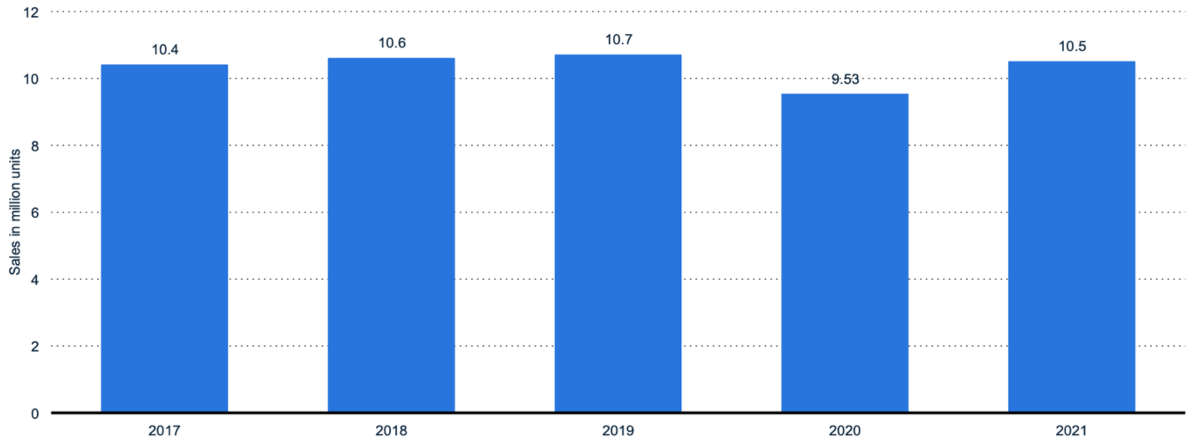

Table 14.2 – Toyota's retail vehicle sales from 2017 to 2021
(In million units)
Source: Toyota

The table 14.2 shows us that Toyota sold 10.5 million vehicles in 2021 increasing by 10% after the disastrous year 2020 and reaching again the level before COVID. Moreover, according to Statista (2022), the leading market for Toyota is Japan and more specifically the other Asian countries are for Toyota the third more important markets where the company sells more. (Statista 2022),

Worldwide number of vehicles produced by Toyota from Financial Year 2007 to 2021

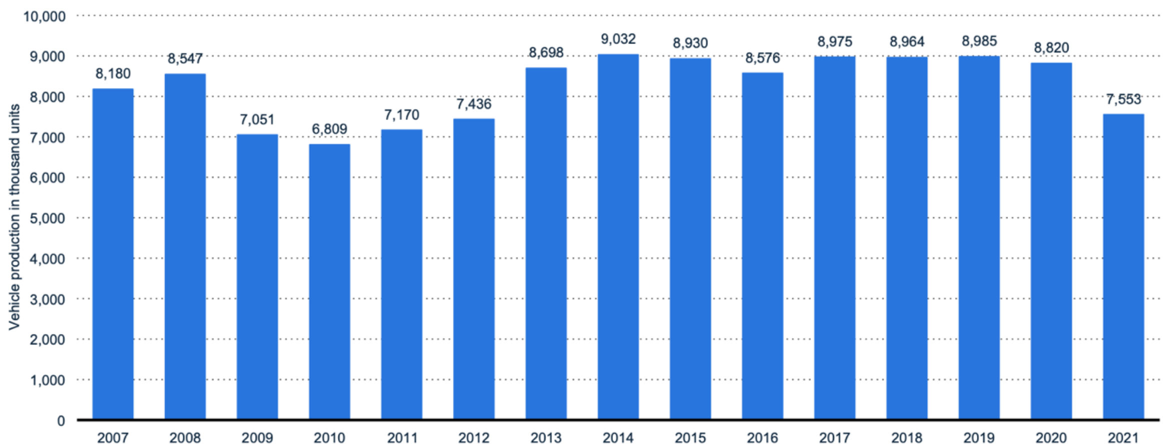

Table 15.2 – Worldwide number of vehicles produced by Toyota from Financial Year 2007 to 2021
(In thousands of units)

Source: Toyota

While sales in 2021 managed to return to pre-covid levels, the same did not happen with production, which fell by around 14.4% suffering the problem arised in the supply chain and reaching 7,6 million units produced. The same contraction can be noticed after the 2008 crisis. (Statista, 2022)

Toyota's net revenue from financial year 2012 to 2021

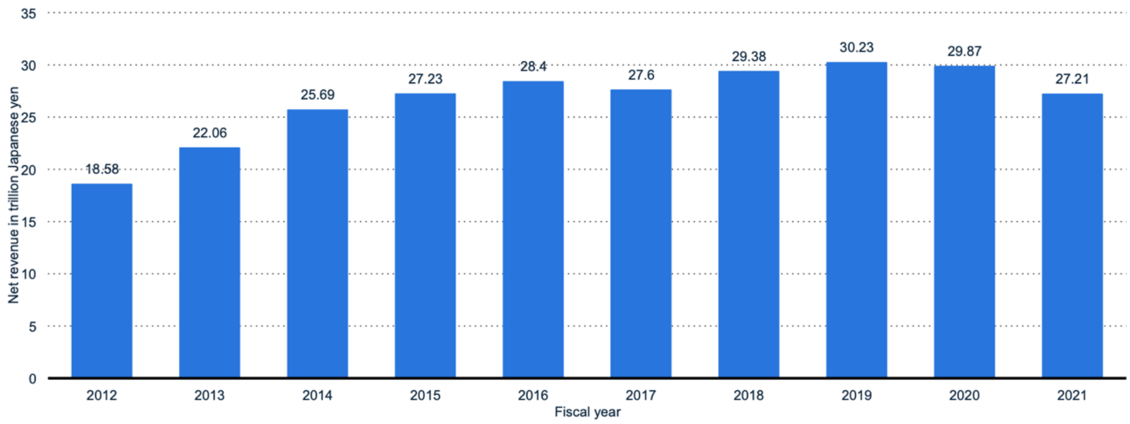

Table 16.2 – Toyota's net revenue from financial year 2012 to 2021
(In trillion Japanese Yen)
Source: Toyota

Despite ending the fiscal year with a negative result in terms of production, according to Toyota website, the selected company has also reduced its net revenue from 2020 to 2021 by around 3% to 28 trillion Japanese yen (approximately USD 247 billion). The worrying result for 2020 is undoubtedly due to the covid pandemic and the problem raised with chip production, which has led to a deterioration in results in non-domestic Asian markets and in North America. In 2021, a recovery to pre-covid results is expected. (Statista, 2022)

Toyota’s revenue in financial year 2021, by region

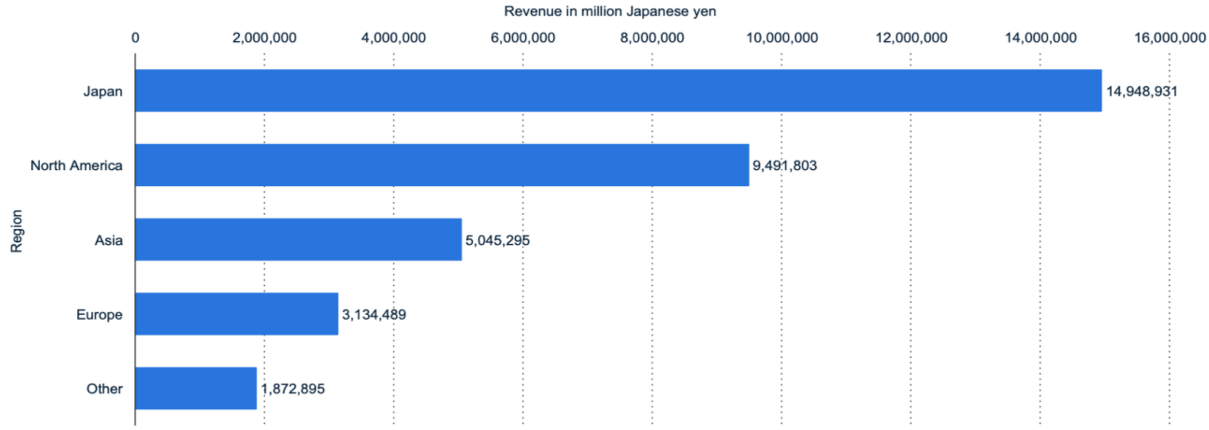

Table 17.2 – Toyota’s revenue in financial year 2021, by region.
(In million Japanese Yen)
Source: Toyota

According to Toyota website, to understand better how Toyota's revenues are distributed around the world in 2021, we can see this table which shows that Japan, the domestic market, is the main one for Toyota, which leads it with 15 trillion Japanese yen (almost 137 billion dollars), while the second main market is North America with around 87 billion dollars. In the latter market Toyota is considered a very reliable company, among the top ten in the automotive sector. (Statista, 2022)

Global automotive market share in 2021, by brand

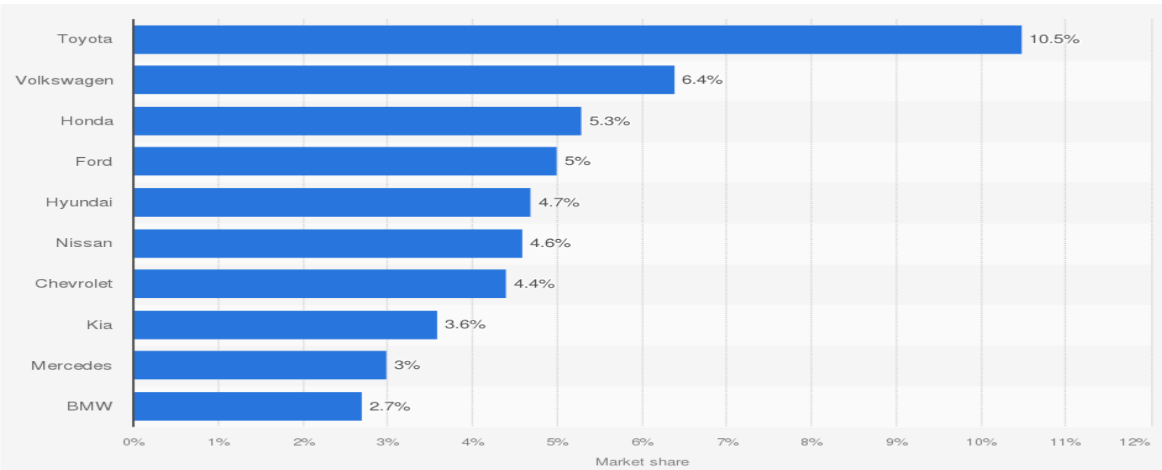

Table 6.2 – Global automotive market share in 2021, by brand
Source: Focus2move

At the end of this subchapter, according to the sells worldwide of the leading automotive companies and brand, and according to an analysis made by focus2move, we might state that Toyota is the leading automotive company worldwide with a market share of 10,5%. This data confirms again the greatness of the work done by Toyota worldwide that is also result of its process of internationalization.

Toyota in USA

According to the global Toyota overview made in the 2.1, we noticed that the process of internationalization has been one of the most important strategic decisions for the company. Toyota studied the American industry and then **opened of the first international subsidiaries Toyota Motor Sales USA Inc. in 1957, in California**. In the first steps, this subsidiary was in charge of Toyota's sales, marketing, and distribution in the United States (Toyota website, 2022). Moreover, always according to the history of Toyota in its website (2022), Toyota started to manufacture in US thanks to a manufacturing **joint venture with General Motors in 1984**, establishing NUMNI (New United Motor Manufacturing Inc.) and so avoiding tax on imported cars and to better understand American tastes and environment. On the other hand, GM wanted to learn the manufacturing idea and system of Toyota, but this manufacturing joint venture ended in 2010 due to a bankruptcy reorganization by GM. (Benjamin Gomes-Casseres, 2009). Nowadays, the main Toyota company in US is Toyota Motor North America and it controls all company's activities, such as research and development, production, sales, marketing and corporate functions in Canada, Mexico, and US. (Toyota website, 2022). According to Toyota website, the Japanese company started to sell its cars in US thanks to the new subsidiary during the 1958, selling 287 Toyopet Crown and 1 Land cruiser.

Toyota annual vehicle sales in USA

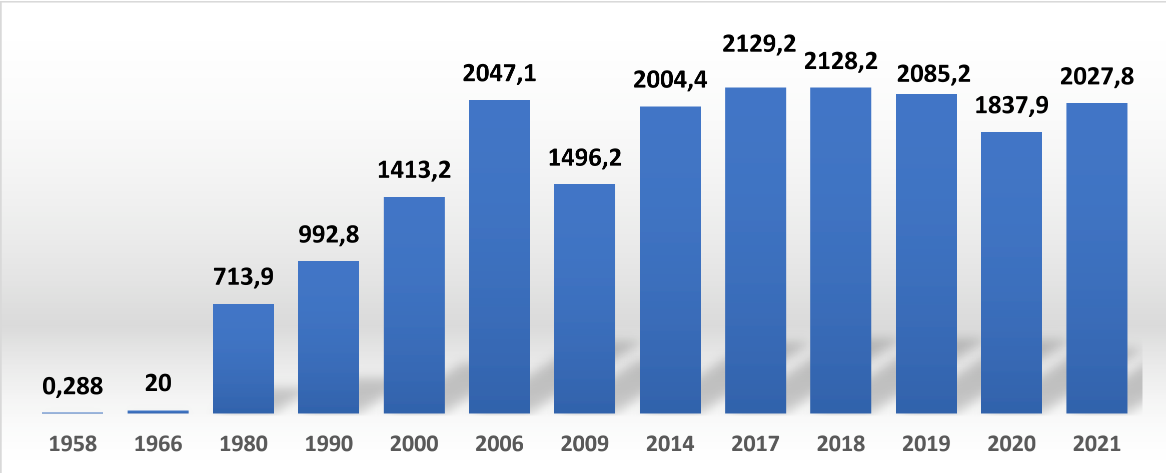

Table 18.2 – Toyota annual vehicle sales in USA
(In thousands of units)
Source: Carsalesbase.com

According to the table above and to Carsalesbase.com, we can see the sales of Toyota in selected years, starting from 1958 with 288 vehicles sold and arriving to 2021 in which the sales has been approximately 2 millions of US dollars. Therefore, according to Carsalesbase.com we might state that Toyota suffered a severe backlash due the various crisis in 2008 and 2020, has we can also see from the table, because, for the first time, for the first time in 2006 the company sold about 2 million cars and only in 2014 the company reached again this great result. Moreover, quit the same happened in 2020 where the company dropped its sales of about 11% going again under the two million thresholds. (Carsalesbase.com, 2022)

Market share of the selected automotive companies in USA

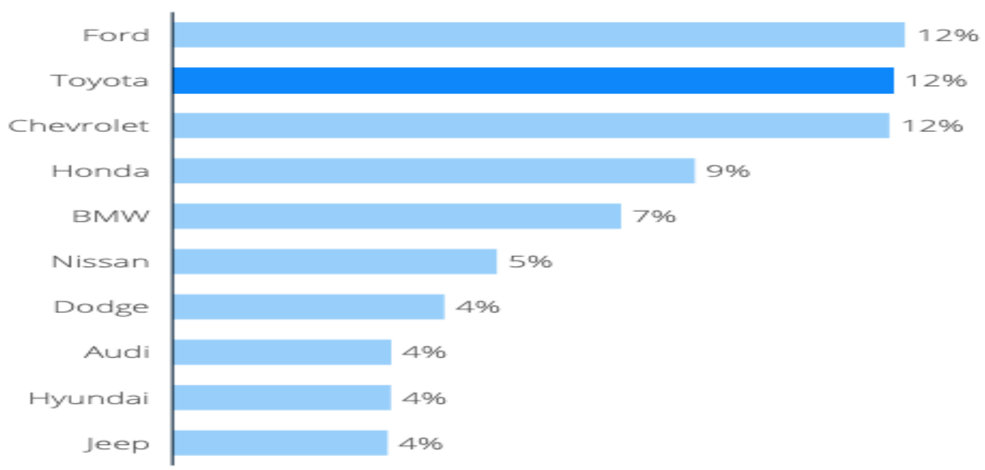

Table 19.2 – Market share of the selected automotive companies in US
Source: Statista

According to the table 15.2, the market share of Toyota is quite similar to the ones of two main American automotive companies. Despite being the number one Japanese company in the American market for years now, Toyota is challenging Ford and Chevrolet (General Motors) more and more every year. (Carsalesbase.com)

Market share of Toyota in USA

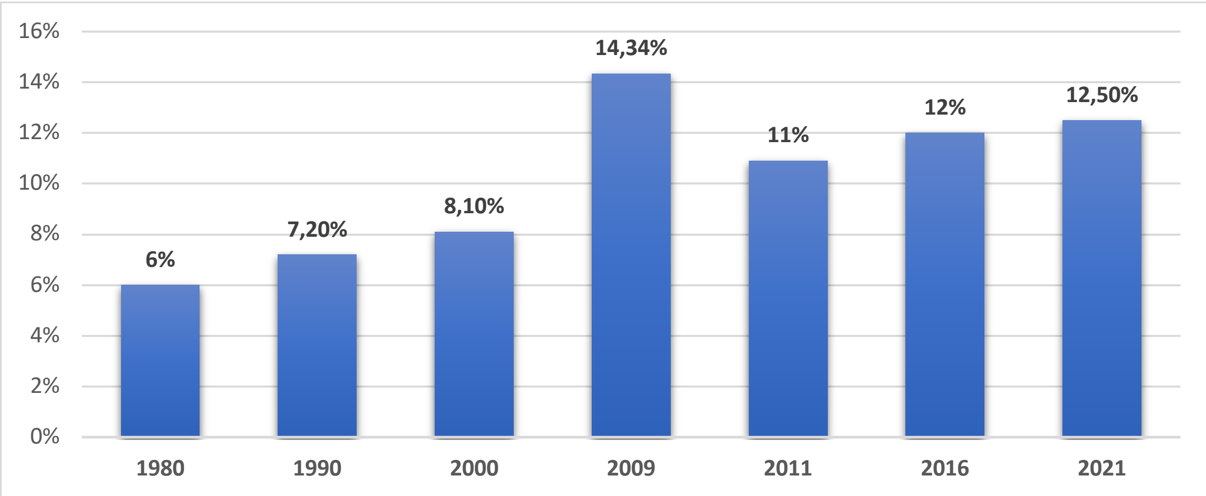

Table 20.2 – Market share of Toyota in USA
In percentage, out of 100.
Source: Carsalesbase.com

In the same way, to better analyse the trend of the American subsidiary of the main Japanese automotive brand we might see the table 16.2. According to Carsalesbase.com and thanks also to the analysis of the sales made before, we might state that the grow year per year form the beginning of the business in US is evident with some problem during the crisis, but Toyota has always managed to get back.

Toyota in the UK

United Kingdom has been for Toyota one important market for its expansion in Europe. (Toyota, 2022). According to Toyota website (2022), the Japanese company entered in UK **exporting** its cars through a deal made with a small family company called Pride and Clark, launching Toyota Corona in UK **in 1965.** On the next steps, the next year, in the 1967 the small family company became Toyota GB launching other type of cars. (Toyota, 2022)

In **1978**, Toyota passed from exporting in UK to a **joint venture** agreement with Inchcape Group a British publicly traded firm having global holdings in a variety of automotive industry. This agreement ended in 1998 when Toyota Motor Corporation decided to purchase a 51% stake in Toyota GB before 2000 when it was completely taken by Toyota Motor Corporation. (Toyota, 2022)

In **1992**, Toyota Manufacturing UK, a **wholly owned subsidiary**, was born for the first time in Europe thanks to an investment of more than £2.75 billion to date but more and more are coming. It was based in Burnaston, Derbyshire, and in Deeside, in North Wales, and the first car produced has been Carina-E. (Toyota, 2022)

Toyota sales in UK from 2003 to 2020

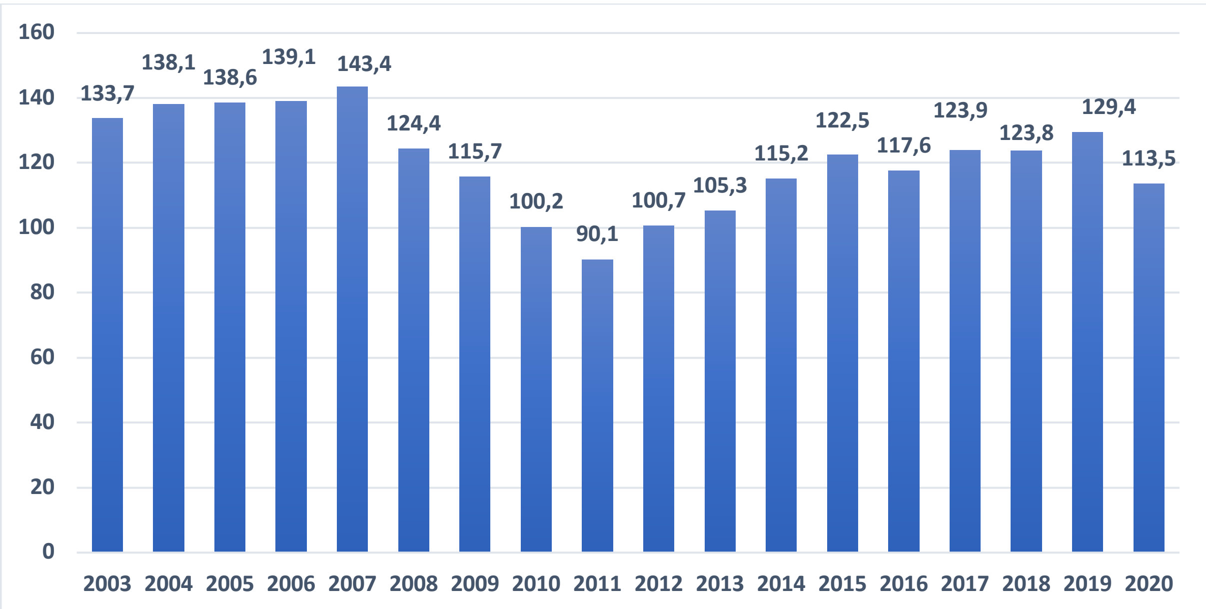

Table 21.2 – Toyota sales in UK from 2003 to 2020
(In thousands of units)
Source: Toyota

A glance at the table shows the similarity in sales trends over the years between the UK and US markets. In fact, according to data collected by the Toyota website

(2022) and carsalesbase.com (2022), there is a clear drop in numbers both after the 2008 crisis and during the covid period in 2020 and chips production. Furthermore, 2007 was the best sales year for Toyota in the up with 143436 vehicles sold, just before the decline started in 2008 and arriving to the worst moment in 2011. Since then, Toyota has tried to recover in the UK market, but despite the fierce competition in a foreign market, the Japanese car manufacturer has always kept its numbers in line, while increasing its market share year on year as we will see in the table below. (SMMT, 2022)

Toyota market share in UK from 2015 to 2020

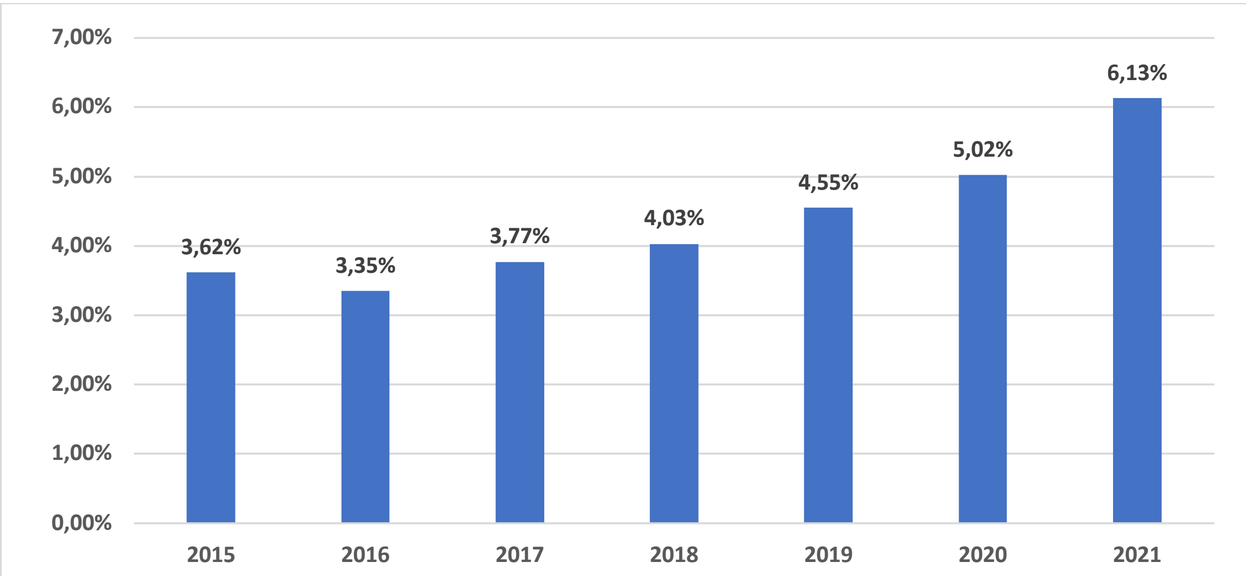

Table 22.2 – Toyota market share in UK from 2015 to 2020
Source: SMMT

As shown before, the market share of Toyota between 2015 and 2020, increased year by year, apart from a minor decline in 2016. According to Statista (2022), years 2018 and 2020 affected the market share due to diesel restrictions in 2018 and due to covid restrictions in 2020. In this period, Toyota reacted better than the other brands because despite the restrictions it grew compared to the year before (Statista, 2022). Moreover, growth in 2020 and 2021 is attributable to the large rebound effect in June after the austerity in the first months of 2020, and to the lower decline compared to competitors. (Statista, 2022).

We have analyzed the entry strategy used by Toyota in US and in UK. Toyota entered in both developed countries through **exporting**, then, to learn as much possible from the partner in the selected countries, decided to use a **joint venture**. In the last steps of the strategy used by the Japanese company we found, in both countries, a **greenfield investment** establishing a wholly owned subsidiary. In our analysis we highlighted the strategy used by Toyota, and we analyzed the financial data founded in terms of sales and market share to better understand the penetration in the foreign market.

2.3 Analysis of Toyota in host developing countries (Indonesia and China)

In this subchapter we are going to review what entry strategy Toyota used to enter in the selected developing countries: Indonesia and China. Basing the analysis on financial data to understand the results that Toyota achieved in these developing countries.

Toyota in Indonesia

Toyota entered in Indonesia signing a **joint venture** agreement with Astra International in **1971**, with shares equally divided between the two companies. The new formed company PT Toyota-Astra Motor was in charge as sole agent of the **importing** and distribution for Toyota vehicles in Indonesia, introducing for the first time in the Indonesian market such models as Corona and Corolla. (Toyota, 2022) As stated by Toyota official website (2022), the Japanese company decided to enter in this developing country with a joint venture because there have been some complications in the negotiations with the local government due to the establishment of the foreign company in the Indonesian market.

According to Toyota (2022), starting from **1998** TAM focus major efforts on the **production** but **from 2003**, the manufacturing process in Indonesia is undertaken by **another foreign subsidiary of Toyota, PT Toyota Motor Manufacturing Indonesia (TMMIN),** entered in the Indonesian market through a **greenfield**

investment to operate in Sunter and Karawang with five different plants nowadays. The ownership of this subsidiary belongs to Toyota Motor Corporation for 95% and 5% belongs to Astra-International. (Toyota, 2022)

Toyota sales in Indonesia from 2017 to 2021

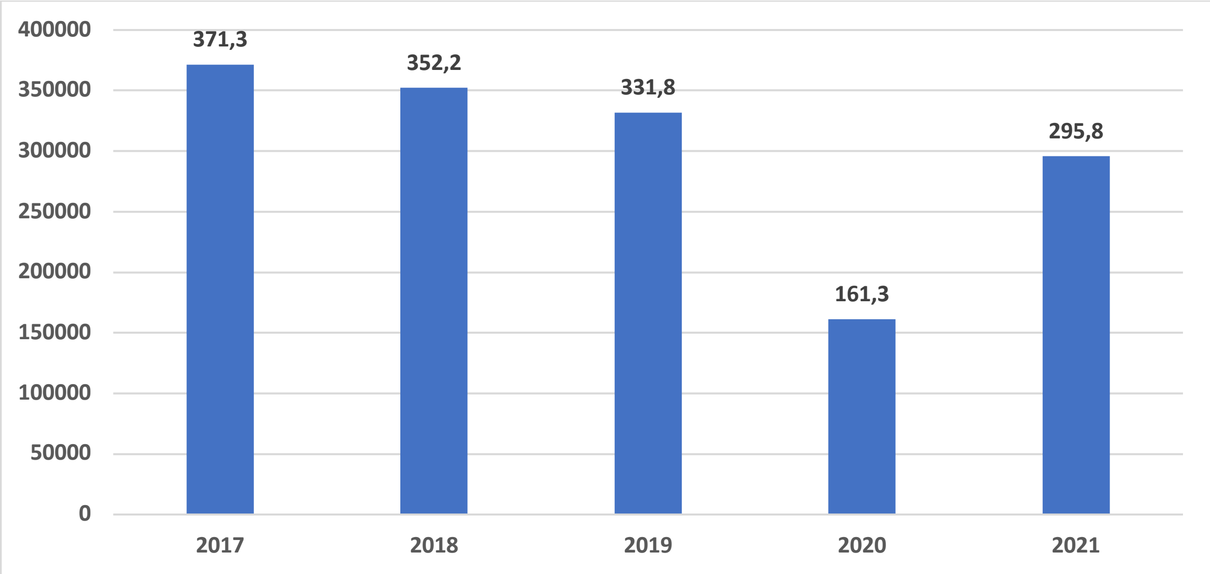

Table 23.2 – Toyota sales in Indonesia from 2017 to 2021
(In thousands of units)
Source: GAIKINDO

According to Indonesian automobile manufacturers associations (Gaikindo, 2022), sales of Toyota during the last five years have decreased, although not by much, year after year. Between the first three years analyzed there has been a decrease of approximately 5,5% year by year but the sharp fall occurred in 2020 due to Covid pandemic with a decrease of around 51,4% in sales. Given that, in 2021 Toyota recovered strongly and certainly better than its competitors with a percentage increase of 83,4% compared to the difficult 2020. (Gaikindo, 2022)

Toyota market share in Indonesia from 2017 to 2021

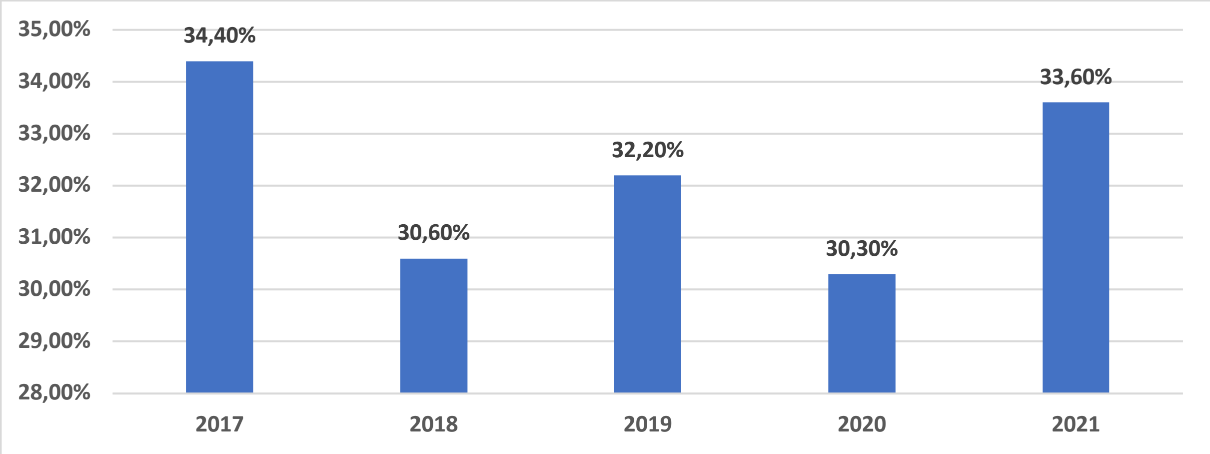

Table 24.2 – Toyota market share in Indonesia from 2017 to 2021
Source: GAIKINDO

The market share has also fluctuated over the last few years like the sales. According to Gaikindo (2022), Toyota achieved its best result in 2017 with 34.4% market share. Significantly, in 2020, despite an 83.4% drop in sales, the Japanese company maintained its market share at over 30%. Moreover, the recovery was excellent with a result in 2021 exceeding 33% and absolute leadership in the Indonesian market. In fact, Toyota has been the leader in the Indonesian car market since 1997. (Gaikindo, 2022)

Best-selling car brands market share in Indonesia in 2021

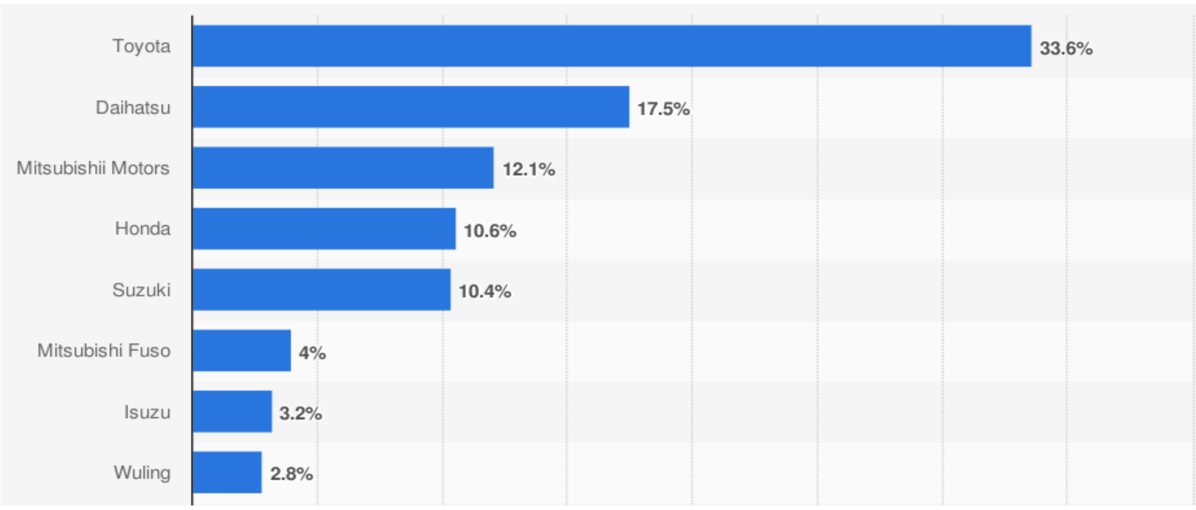

Table 25.2 Best-selling car brands market share in Indonesia in 2021
Source: GAIKINDO

As stated before, according to Gaikindo (2022), Toyota is the leader automotive company in Indonesia because it is a market based on imports or on home production by foreign companies, as Toyota does. Moreover, according to Statista (2022), the Indonesian market doesn't own automotive manufacturers so all the companies that operates in the Indonesian market are foreigners.

The best car brands in the Indonesian market are Japanese, probably for their importance in the Asian market and because they caught the needs of Indonesian of large family-friendly vehicles. (Statista, 2022)

Toyota in China

Toyota entered for the first time in China with the **exporting** of Toyota Crown in **1964.** (Toyota, 2022) According to Guawei (2013), with the intention of cooperation with different local manufacturers, Toyota decided in **1998** to sign a **joint venture agreement with First Automobile Works (FAW)**. Thanks to this agreement, the new formed joint venture Sichuan FAW Toyota Motor started to produce for the first time Toyota line cars in China. According to Guawei (2013) after a new **joint venture signed in 2000 with Tinajin Auto Group** to manufacture Vios, Toyota was "15 years slower r as compared with VW and 5 years as compared to GM". After the acquisition of Tianjin Auto Group by FAW, Toyota had to sign again a joint venture agreement in 2002 forming Tianjin FAW Toyota Motor. (Guawei 2013) However, only in **2004** Toyota decided to implement its penetration also in the south of China, and for this reason signed a **joint venture agreement also with GAIC**, establishing Guangzhou Toyota Motor Company. (Guawei 2013)

Toyota sales in China from 2003 to 2021

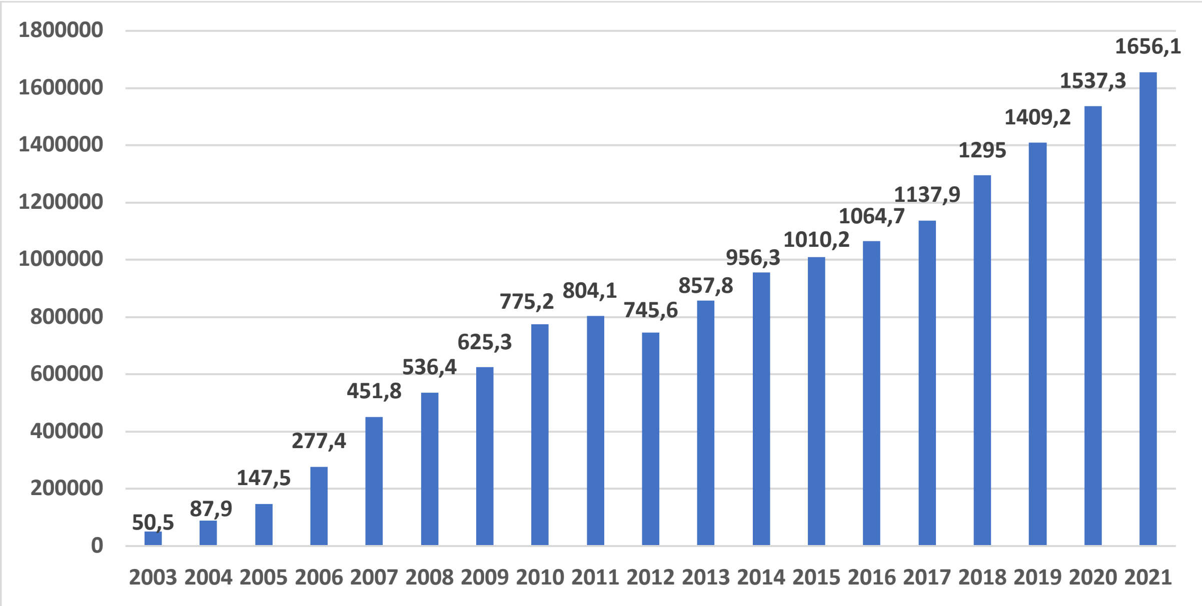

Table 26.2 Toyota sales in China from 2003 to 2021
(In thousands of units)
Source: Carsalesbase.com

Unlike the other markets analyzed, the trend of Toyota sales in China has been one of constant growth since the early years. According to Reuters (2012), Toyota suffered a loss in sales in 2012 mainly for two reasons: widespread anti-Japan protests triggered by a territorial dispute and the high price for the new Yaris.
However, it is interesting to note that Toyota in the hard years of 2008 and 2020 has still managed to record growth and will probably continue its growth in 2022 thanks to the ease with which the Chinese market has managed to overcome covid and pandemic crisis.

Toyota market share in China from 2003 to 2021

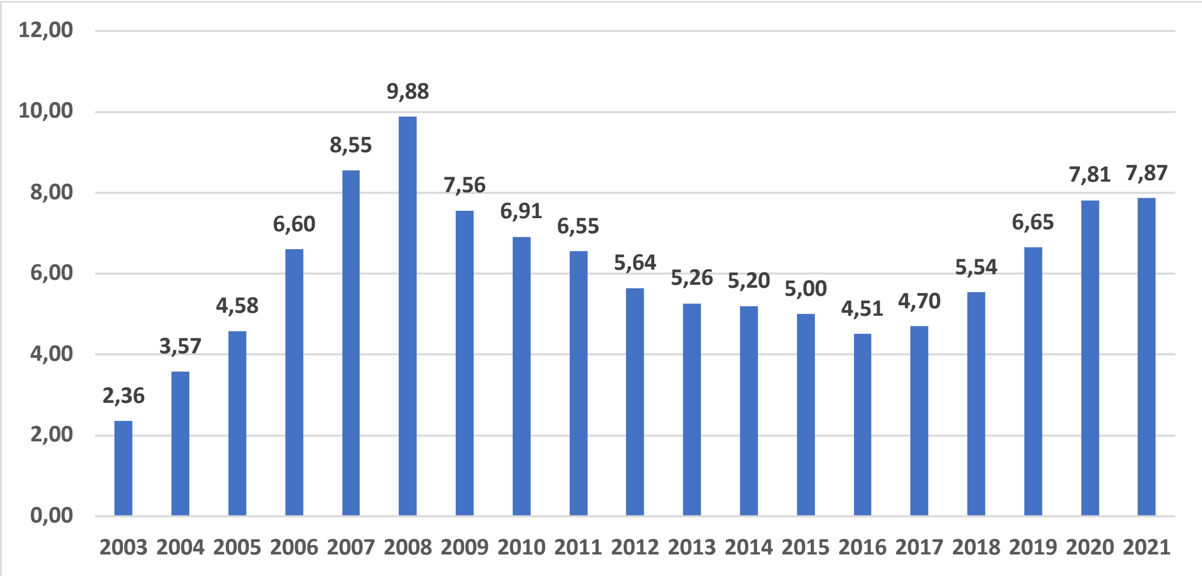

Table 27.2 Toyota market share in China from 2003 to 2021
(In percentage)
Source: Carsalesbase.com

Thanks to the two different joint venture signed by Toyota, the Japanese Company is still one of the leading foreign companies operating in the Chinese market, thanks to 7,87% market share in 2021. Despite its strong performance in 2008, Toyota has not been able to maintain that competitive advantage over its competitors, given the good work done by other foreign car companies with joint ventures and the increased sales and market of local manufacturers. (Marketlines, 2022)

As we had the opportunity to analyze, Toyota used different strategies to enter in host developed and developing countries. In all the markets analyzed, Toyota entered successfully. The different entry processes, especially in developed markets, make us understand that exporting in the first steps of the entry strategy can be profitable, but afterwards, as Toyota also entered developed markets very early on, the use of a joint venture in an intermediate process is justified because in such years they were not such known and studied market. Moreover, in developing countries Toyota entry strategy in Indonesia was based on joint venture and greenfield investment. This last strategy used in Indonesia was not possible in China due to problems of the Chinese authorities with foreign investors and aiding and abetting joint venture agreements.

In this chapter we analyzed the entry strategy and the results of Toyota in US, UK, Indonesia, and China. We started analyzing the automotive industry making a market overview highlighting all the features of the automotive market focusing the attention also on the four selected countries for the analysis.

In addition, we started the second part of this chapter posing the attention on the company taken in consideration: Toyota. After a brief digression on its history, we analyzed the entry strategies on host developed and developing countries through the company's examples in US, UK, Indonesia, and China.

3. Findings and recommendations of similarities and differences of international automotive companies and Toyota's entry strategies

Thanks to the literature used in the first chapter and the analysis of the results of the entry strategies used by Toyota in host developed and developing countries, in this chapter we will review the outcomes related to the first two chapters. More deeply we will compare the findings obtained from the entry strategies used by international automotive companies in host developed and developing countries and the ones used by Toyota in US, UK, Indonesia, and China. In the end of the chapter, we will make some recommendations for existing companies that are willing to enter one of those selected markets, and some recommendations for further research.

3.1 Research findings

The study made through the first and second chapter, show us the various entry strategies used by international automotive companies for both developed and developing countries. More specifically, our work demonstrates that there are **no cases of international automotive companies that used to enter in a foreign market with management contracting and turnkey operations.** However, according to Cheng (2006), the distinction between brownfield and greenfield investments is not always simple because many acquired enterprises are typically fully reformed, such as by changing management or upgrading and rebuilding plants. In addition, we highlighted **that exporting and greenfield operations are common strategies for both markets and the most common to enter in developed markets is greenfield operations and exporting and in the other hand, the most common to enter in developing countries are greenfield operations, exporting and joint venture.**

The analysis made on Toyota's entry strategies in host developed and developing countries show us different similarities and differences. For example, we noticed that **Toyota used the same entry strategies to enter in host developed countries: exporting, joint venture, and greenfield investment.**

The entry strategies have been **successful** until now in both developed and developing countries. It is surely to keep in consideration that by now Toyota is a reality so great and with a so great brand, to go ahead almost alone. Therefore, especially in developed markets, there are great chances of success. However, we must not forget that, although **Toyota is the leading company in the automotive sector**, competition in developed markets is very high and costs are certainly higher (Gurrìa, 2008). The success of this company in the already mentioned markets is also given by the great results in terms of market share where Toyota competes with companies of the home country. **The strategy used by Toyota is in line with other international automotive companies**, where exporting is chosen as the primary and principal method of entry especially in the early stages of a company's development, especially if these stages coincide with the first half of the last century. However, the difference is to be found mainly in the use of joint ventures, which is however justified by the early entry into the foreign market. In addition, Toyota has used this joint venture step to try to get closer to entry through a wholly owned subsidiary with its own production. Indeed, **Toyota's key performance indicators are excellent due to its various entry strategies.** In Indonesia, through the joint venture with Astra motor, Toyota has become a leading company in the Indonesian automotive market, paving the way for a greenfield operation to produce cars in Indonesia today. In the other hand, Toyota started its experience in China through exporting, succeeding in 1998 to make a joint venture to penetrate further in the Chinese market. It should be considered that Toyota is an Asian company already close to selected developing markets, so the results may also be influenced by certain characteristics already known in these markets. According to our study, Toyota in China, despite the very good results obtained up to now, has had to cope with a somewhat delicate governmental situation for its own development, above all because in Indonesia it has not had major problems in setting up its wholly owned subsidiary.

As we have seen, exporting is a strategy used also in developing country and furthermore the most used entry strategies in developing countries have been the same also for Toyota, especially in Indonesia: joint venture and greenfield operation.

Companies / Entry Strategies	**Exporting**	**Contract Manufacturing**	**Joint Venture**	**Brownfield investment**	**Greenfield investment**
Volkswagen	All the world				Portugal (1994), Spain (1953), Belgium (1949), Sweden (1946), US (1978)
Daimler	All the world	Austria (1998), Finland (2013)			France (1994), Spain (1954), US (1995)
Ford	All the world				Spain (1973), Germany (1931), Canada (1953), UK (1931), US (1924)
General Motors	All the world				Canada (1907)
Honda	All the world				US (1978), Canada (1979), France (1986), Italy (1971), Australia (1987)

BMW	All the world	Austria (2001), Netherlands (1999)	Austria (2001)	UK (1994)	Austria (1979), UK (2003), US (1992)
SAIC	All the world				UK (2006)
Stellantis	All the world				Canada (1928), Spain (1958), Italy (1939), US (1938)
Hyundai	All the world				US (2005)
Toyota	**USA (1957), UK (1965)**		**USA (1984), UK (1978)**		**USA (1986), UK (1992)**

Table 1.3 – Entry strategies of international automotive companies and Toyota in host developed countries – Compiled by the author based on: : World's top export.com, TagAz.ru, Akpinar, M. (2013), Mukherjee, A., and Sastry, T. (1996), Bmw website, Mercedes website, Volkswagen website, Ford website, General Motors website, Hyundai website, Honda website, Saic website, Stellantis website, Research of "Commissione Industria, Commercio, Turismo del Senato della Repubblica Italiana" (2014)

Companies / Entry strategies	**Exporting**	**Licensing**	**Franchising**	**Contract Manufacturing**	**Joint Venture**	**Greenfield investment**
Volkswagen	All the world		India (1996)		China (1984, 1991), Russia (2011), Indonesia (1998)	South Africa (1960), India (2001), Poland (1996), Czech Republic (1991), Russia (2007), Slovakia

						(1991), Hungary (1997), Mexico (1964), Argentina (1976), Brazil (1959)
Daimler	All the world			Russia (2011), India, Indonesia, Malesia, Thailand, Vietnam (no years available)	China (2014), Russia (2010), India (1995)	South Africa (2004), Hungary (2012), Argentina (1951)
Ford	All the world	Turkey (1960)			China, (2013) Tailandia, (1995) Taiwan, (1972) Russia, (2011);	Venezuela (1962), Argentina (1962), Mexico (1946), Romania (2008), South Africa (1923)
General Motors	All the world				Russia (2001), China (1997)	Egypt, (1985), Colombia (1956), South Korea (1962), Ecuador (1981), Brazil (1930),

						Mexico (1981)
Honda	All the world				India (1997), China (1998)	Argentina (1978), Mexico (1985), Brazil (1977), Perù (2006), Kenya (2013), Nigeria (1979), India (1985), Bangladesh (2012), Vietnam (1996), Philippines (1973), Pakistan (1962), Thailand (2000), China (1992)
BMW	All the world			Egypt (2003), India (2007), Indonesia (2011), Malesia (2018), Russia (1999)	China (2003), India (1998)	South Africa (1973)
SAIC	All the world				Pakistan (2020)	India (2007), Thailand (2017)

Stellantis	All the world	Turkey (1960)			China, (2010), Russia, (2010), India (1997), Turchia (1969), Serbia (2008), Iran (1966)	Argentina (1963), Brazil (1976), Morocco (2018), Mexico (1968), Poland (1975), Slovakia (2006)
Hyundai	All the world	Russia (2000)		Egypt (1990)	China (2002), Vietnam (2011)	Brazil (2012), Czech Republic (2007), Turkey, (1997), Russia (2010), India (1998), Indonesia (2021)
Toyota	**CHINA (1964)**				**INDONESIA (1971), CHINA (1998, 2000, 2004)**	**INDONESIA (2003)**

Table 2.3 – Entry strategies of international automotive companies and Toyota in host developing countries – Compiled by the author based on: : World's top export.com, TagAz.ru, Akpinar, M. (2013), Mukherjee, A., and Sastry, T. (1996), Bmw website, Mercedes website, Volkswagen website, Ford website, General Motors website, Hyundai website, Honda website, Saic website, Stellantis website, Research of "Commissione Industria, Commercio, Turismo del Senato della Repubblica Italiana" (2014)

Similarities and differences of international automotive companies' entry strategies in host developed and developing countries

Through our study made on the chapters before, we might find and list, in this case, the similarities and differences of international automotive companies in host developed and developing countries.

About the **similarities** we may list:

1) No international automotive companies and neither Toyota used to enter in a foreign market with the following mode of entry: Management contracting, Turnkey operations, and brownfield investments.
2) Exporting resulted a successful operation for both developed and developing countries especially on the first stages of internationalization.
3) The joint venture provides benefits to both partners in host developed and developing countries. For example, automotive companies acquire a partner who is familiar with the local market, and the partner can use the leading automotive company as part of his expansion strategy.
4) Joint ventures are selected to enter host developed and developing countries to identify the best site, transmit local market knowledge, and avoid challenges caused by the strong local and political environment.
5) All the leading automotive companies used greenfield investments as a strategy to enter in host developing and developed countries. Despite undertaking this strategy there is a big risk and a big expense it can be said that the selected international automotive companies are large companies that are not afraid to make large investments and prefer the setting up in the new market of a new company and a new legal organization with new production plants.
6) The process of internationalization of the automotive companies could be made from different steps using different entry strategies to enter in developed and developing countries.

However, in addition to similarities, there are also some **differences** that we may list as below:

1) Licensing and Franchising are strategies used only to enter in host developing country, but we found only few cases.
2) Joint venture is a strategy more frequently used in developing countries compared to developed countries.

We didn't find other relevant similarities and differences in the work without considering the results given by the analysis of the case of Toyota in US, UK, Indonesia, and China.

Similarities and differences of Toyota's entry strategies on host developed and developing countries

In the second chapter we analyzed the entry strategies and the results achieved by Toyota in two developed and two developing countries. Thanks to this analysis we could make a further analysis of the similarities and differences found in Toyota's entry strategies in the selected markets and the other international automotive companies.

As **similarities** we may list:

1) Toyota used the same process to enter in host developed countries: exporting – joint venture – greenfield investment. All the other automotive companies used exporting especially on the first stage of their process of internationalization. The final part of integration within a foreign market was to establish wholly owned subsidiaries through greenfield investment, as all other automotive companies have done.
2) Most of the other automotive companies used joint venture on the first stage and then greenfield investments to enter in developing countries. For this reason, Toyota is in line with the other automotive companies on host developing countries.

In addition, we found some **differences** comparing the entry strategies used by Toyota in the selected countries and the other international automotive companies:

1) Toyota used joint venture in US and UK that is not a so frequently used strategy, but as Toyota also entered developed markets very early on, the use of a joint venture in an intermediate process is justified.
2) In China Toyota didn't used a greenfield investment as done by all the other automotive companies in host developing countries and as done by Toyota in Indonesia. But, In China the situation is a little bit difficult due to problems with foreign investors, so the entry strategy of Toyota is based only on joint venture.

No other relevant similarities and differences were found in the whole work.

3.2 Recommendations for existing companies and new entrants

We may be able to give some recommendations based on the work we have done so far to companies looking to join a foreign market. First, our recommendation is to **conduct a market analysis** to determine which markets are appropriate for your product. When deciding to enter a foreign market, we propose **analyzing competitor scenarios and adapting entry strategies** to host developed and host developing countries. As we have shown, entry strategies and achievements are likely to differ between developed and developing countries.

However, thanks to the analysis made on the second chapter on the case of Toyota and the study made on the entry strategies used by the leading international automotive companies, we might , . We may consider export as one of the most used and most successful strategy especially if it is undertaken as first stage of a process of internationalization composed by other strategies, as the example of Toyota in US and UK that used export – joint venture – greenfield operation.

Moreover, if a company decide to enter in a developing country through a joint venture, as made by Toyota in Indonesia and China, **we might recommend**

analyzing the potential partner so that you can enter a potential market quickly, but with certain cultural and political issues that may occur, while also meeting consumer demand. Indeed, any issues will not arise especially if you are a well-established and robust organization that decided to enter in a developed country. Moreover, the advantage of being a large company like most international automotive companies, is not only to minimize problems but also to have the economic possibilities to make large investments in both developed and developing countries. For this reason, **we might recommend using greenfield operations** to internationalize your company and personally control the production of your products in foreign markets.

3.3 Limitations and recommendations for further research

During the study and the analysis of this work, we found some **limitations** that have slowed down our work and didn’t allow us to carry it out as precisely as possible. Although, the timeline used is very broad, we could not find some data regarding Toyota's results especially concerning the last century.

Moreover, it has not been possible for us to make a fair difference between cases of brownfield and greenfield operations. Since in the sector analyzed there are many these operations that can be considered like each other if more possible characteristics of the investment are not specified.

Moreover, at such a high level it is not possible to consider mergers and acquisitions as strategies to enter foreign markets because the companies that carry out a M&A already have inside them different brands coming from different countries. Therefore, cross border operations have already been carried out and that do not allow to identify the market in which they are trying to enter more deeply, but we could surely consider them as strategies of business expansion.

For this reason, after analyzing the similarities and differences between the entry strategies, **we might recommend for further research to conduct another type of analysis still related to the expansion strategy of a company**.

Furthermore, **we recommend locating a market and a firm to analyze**, both of which should have complete financial data for each market in which they operate. However, **we recommend differentiating the methodology** and, consequently, identifying some company's employers with whom to chat and conduct a survey for a better analysis of the company's outcomes.

The aim of this last chapter was to review and summarize the findings of the work helped by the right study of the two chapters before. Thanks to this work done we found the similarities and differences of international automotive companies and Toyota in host developed and developing countries. These findings were justified by the table 1.3 and 2.3 and by the results given by Toyota's example.

Therefore, thanks to the findings made we tried to provide some recommendations for existing companies and new entrants to understand the easiest and most successful way to enter in a developed or developing country. In addition, we provided some recommendations for further research, given the limitations that we found in the work.

We completed certain tasks in this chapter because we discovered similarities and differences in host developed and developing country entry methods. We investigated the best entry strategies for both developed and developing countries. We made several suggestions for other businesses, newcomers, and additional research.

Conclusion

Thanks to the work done, we found the similarities and differences of entry strategies of international automotive companies in host developed and developing countries. We were able to achieve our goal helped also by Toyota case study, analyzing the entry strategies used and the results achieved by Toyota in two host developed countries, US and UK, and two host developing countries, Indonesia and China.

The first chapter was characterized by a review of the theoretical aspects of entry strategies. More in particular, we defined the word strategy, we reviewed the literature on entry strategies and internationalization and at the end we studied the host developed and developing countries.

In the second chapter, we highlighted the similarities and differences of entry strategies of Toyota in US, UK, Indonesia, and China. In the first part of the second chapter, we reviewed the automotive industry making a market overview. Therefore, we focused on the company taken in consideration: Toyota analyzing its the entry strategies in the selected host developed and developing countries.
In the third chapter, we summarized the findings of the work, highlighting the similarities and differences of international automotive companies and Toyota in host developed and developing countries.

In our work, developing a set of possible entry strategy used by international automotive companies, we compared the ones used in the developed countries and the ones used in the developing ones. Thanks to the analysis of the data collected, results achieved in Toyota's cases, we were able to develop some findings that helped us to answer to our research question.

However, our work underlined how entry strategies are so common for international automotive companies. Indeed, the international automotive companies analyzed didn’t use only: management contracting, turnkey operations. Moreover, the most used are exporting, joint venture and greenfield operations.

Therefore, Toyota highlighted the use of different strategies to enter in host developed and developing countries, using exporting, joint venture and greenfield operation in the selected developed countries, joint venture, and greenfield operation in Indonesia, but only joint venture in China. However, we might state that, in all the markets analyzed, Toyota entered successfully, being nowadays one of the best automotive companies.

At the end, we can conclude by saying that our work reached his goal to find the similarities and differences of the entry strategies used by international coffee companies on host developed and developing countries and we answered to our research question, and we provided recommendations for other companies, new entrants, and further research.

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Appendix A

Table 2

Mode of Entry	Companies	Countries and years
Exporting	All the main automotive companies	All the world
Licensing	**Ford** **Stellantis** **Hyundai**	Turkey, 1960; Turkey 1960; Russia, 2000
Franchising	**VW**	India, 1996
Management contracting	No automotive companies	
Turnkey operations	No automotive companies	
Contract manufacturing / International subcontracting	**BMW** **Daimler** **Hyundai**	Egypt, 2003 - India, 2007 - Indonesia, 2011 - Malesia, 2018 - Russia, 1999; Austria, 1998 - Finlandia, 2013 – Russia, 2011 – India, Indonesia, Malesia, Tailandia, Vietnam; Egypt, 1990
Joint ventures / Strategic alliances	**VW** **BMW** **Ford** **GM** **Honda** **Saic** **Stellantis** **Hyundai**	China, 1984,1991 – Russia, 2011 – Indonesia, 1998; China, 2003 – Austria, 2001 – India, 1998; China, 2013 – Tailandia, 1995 – Taiwan, 1972 – Russia, 2011; Russia, 2001 – China, 1997; India, 1997, China, 1998; Pakistan, 2020; China, 2010 – Russia, 2010 – India 1997 – Turchia 1969 – Serbia, 2008 – Iran, 1966;

		China, 2002 – Vietnam, 2011
Brownfield operations	**BMW**	UK, 1994
Mergers and acquisitions	**Daimler and Benz (Daimler AG)** **Daimler and Chrysler (DaimlerChrysler AG)** **Fiat and Chrysler (FCA)** **Fiat Chrysler and PSA (Stellantis)**	1926 1995 2009 2021
Greenfield operations	**BMW** **Daimler** **VW** **Ford** **Stellantis** **SAIC** **GM** **Hyundai** **Honda**	South Africa, 1973 – Austria; 1979 – UK, 2003 – USA, 1992; South Africa, 2004 – France, 1994 – Spain, 1954 – Hungary, 2012 – USA, 1995 – Argentina, 1951; South Africa, 1960. India, 2001 – Poland, 1996 – Portugal, 1994 – Czech Republic, 1991 – Russia, 2007 – Slovakia, 1991 – Spain, 1953 – Hungary, 1997 – Belgium, 1949 – Sweden, 1946 – Mexico, 1964 – Argentina, 1976 – Brazil, 1959 – USA, 1978; Spain, 1973 – Venezuela, 1962 – Germany, 1931- Argentina, 1962 – Canada, 1953 – Mexico, 1946 - Romania, 2008 – South

		Africa, 1923 – UK, 1931 – USA, 1924; Argentina, 1963 – Brazil, 1976 – Canada, 1928 – Morocco, 2018 – Mexico, 1968 – Poland, 1975 – Slovakia, 2006 – Spain, 1958 – Italy, 1939 – USA, 1938; India, 2007 - UK, 2006 – Thailandia, 2017; Egypt, 1985 – Colombia, 1956 – South Korea, 1962 – Ecuador, 1981 – Canada, 1907 – Brazil, 1930 – Mexico, 1981; USA, 2005 –Brazil, 2012 – Czech Republic 2007 – Turkey, 1997 – Russia, 2010 – India, 1998 – Indonesia, 2021; USA, 1978 – Canada, 1979 – Argentina, 1978 – Mexico, 1985 – Brazil, 1977 – Perù, 2006 – France, 1986 – Italy, 1971 - Kenya, 2013 – Nigeria, 1979 – India, 1985 – Bangladesh, 2012 – Vietnam, 1996 – Philippines, 1973 – Pakistan, 1962 – Australia, 1987 – Thailandia, 2000 – China, 1992.

Table 2 - Entry strategies of international automotive companies- Compiled by the author based on: World's top export.com, TagAz.ru, Akpinar, M. (2013), Mukherjee, A., and Sastry, T. (1996), Bmw website, Mercedes website, Volkswagen website, Ford website, General Motors website, Hyundai website, Honda website, Saic website, Stellantis website, Research of "Commissione Industria, Commercio, Turismo del Senato della Repubblica Italiana" (2014)

Summary

The rise of cross-border transactions and globalization, the process of a firm's internationalization is already one of the strategies that a corporation should pursue. (Ristovska et al., 2014).

The **relevance** of our work was based on the possible interest and valuation of some existing businesses considering internationalization. The **timeline** of our work tried to take in consideration different years, from the year of entry until nowadays. Through our work we would like to fill a **gap** in the existing literature because it is not possible to find other studies that compare host developed and host developing entry strategies in the automotive industry. We tried to close the gap with this work that studied similarities and differences between host developed and developing country entry strategy in the automotive sector. We were motivated to conduct this study, which may be interesting and valuable to some existing businesses considering internationalization.

Reviewing the literature, we focused our attention on the main study of strategy and moreover the aim is to explain the meaning of entry strategy through different theories of prominent authors.

Freedman (2013) describes **strategy** as "being about maintaining a **balance** between **ends, ways and means**; about identifying **objectives**; and about the **resources and methods available** for meeting such objectives." Porter (1996) which defines **strategy** as something related to competition, "deliberately choosing a **different set of activities** to deliver a **unique mix of value".**

After the theoretical study of strategy, we studied internationalization of international companies and entry strategies used to undertake the process. We found out different entry strategy used by international company:

- **Exporting** is a **cross border sale** of domestically grown or produced goods. (Knight and Cavusgil, 2004). The most common mode for a firm to enter in a new foreign market and to begin an international expansion is export entry mode because it is the easiest way. Exporting refers to the

marketing and sale of domestic products in the foreign market (Mariadoss, 2018). According to Hollensen (2007) export entry modes occur when firms manufacture products in the domestic market or a third country, they then move them to the foreign market via direct or indirect channels. Furthermore, due to marketing charges, shipping costs, customs, and the payment of some distributors for various services provided, exporting entails some significant costs. Exporting, on the other hand, is marked by a low degree of risk, a low level of control, a low level of commitment, and a quick entry.

There are three different types of export: Direct, Indirect and Cooperative Export.

- **Licensing** is an agreement that allows companies in the targeted foreign market the **rights to use the property of the licensor** (Kotler and Armstrong, 2012) and the other company creates whatever is needed after or above this property. In exchange for royalty fees, an international licensing agreement allows a foreign corporation (licensee) to market the products of a producer (licensor) or to exploit its intellectual intangible property (such as patents, trademarks, and copyrights) and to also provide technical support. (Mariadoss, 2018). Licensing has a minimal risk, is not affected by economic or political conditions, has a high return on investment, and is preferred by local governments. (Agrawal & Ramaswami, 1992)
- **Franchising "**in the business circle today the meaning of a franchise is a contract that is granted by a national or regional chain giving a **unique right to operate one of their channels** within a specific area based on a payment of an initial percentage of sales; usually using the parent company equipment, supplies, merchandising and advertising". (Cavaliere & Swerdlow, 1988) A franchise agreement must have a common name, shared know-how, and frequent technological and commercial assistance from the franchisor. In addition, "the franchisee is responsible for all operations but agrees to operate according to a business model established

by the franchiser". (Mariadoss, 2018) According to Cavaliere and Swerdlow (1988) is possible to recognize two different types of franchising: Product and trade name franchising; Business format franchises.

- **Management contracting** It is another entry mode based on **cooperative relations through contracts** between different partners. According to Wach, (2014) it is a service based on the selling of operational management know how of a domestic firm and acquired by a foreign firm, that according to Alon and Jaffe (2012) consist of the expertise, technology, or specialized services to run its business for a given period and set fee or percentage of sales.
- **Turnkey operations** are agreements between a foreign company (exporter) and a purchaser (importer) that according to Alon and Jaffe (2012) **regard the design, construction and equipment of a large facility** and the assistance to the personnel in the first period.
- **Contract manufacturing / international subcontracting** is an entry mode used by the firms to reduce costs of labor and raw materials for the production in a targeted foreign market. (Wach, 2014) According to Dunning (1993) these type of operations by companies should be motivated by the intention to search resources and efficiency. As stated by Hollensen (2007) **a whole product's production and thus manufacturing processes are outsourced to another specialized firm**, while the company that decides to outsource should only manage core activities such as research and development, logistics, trade, and marketing.
- **Joint venture** is a **strategic agreement** between two or more firms or businesses with the primary objective of pursuing a business opportunity. The parts that should earn an ownership position and a share of any profits may contribute funds and resources (Dunung, 2011). Mariadoss (2018) stated that a joint venture is a **business agreement in which the parties agree to create a new corporation and new assets with equal**

contributions from both parties. When companies decide to form a joint venture, it may be necessary to have a shared vision of the partnership's objectives and goals for the endeavor to succeed. As a result, the joint venture partners may agree ahead of time on the market of entry and the associated level of risks and rewards, the technology they wish to use, product development, and foreign government rules. (Kotler & Armstrong, 2012)

- **Brownfield operations** is an entry mode of the process of wholly owned subsidiaries, through which a company decides to enter the targeted foreign market acquiring the 100% of the foreign company. (Yiu and Makino, 2002) As Klaus, Meyer and Estrin (2001) suggested "a brownfield is a **foreign acquisition** undertaken as part of the establishment of a local operation. From the outset, its resources and capabilities are primarily provided by the investor, replacing most resources and capabilities of the acquired firm." According to Hollensen (2007) acquisition is a fast entry mode because the firm might enter directly in the targeted foreign market given that as stated from Yiu and Makino (2002) the acquirer usually might use the name, the brand, the customer base, the distribution channel, the management experience and reputation of the existing firm.
- **Mergers and Acquisitions** according to Roberts, Wallace and Moles (2012) are the **unification of different firms into a new business entity**. Moreover, there are some differences between a merger and an acquisition. The merger is characterized from the process of negotiation between different companies preceding the merger to a unique business entity. Instead, the negotiation is not necessarily needed with the acquisition, and it might be a friendly or a hostile acquisition: Friendly when the acquired does not oppose the acquisition of the business, and instead see in the acquisition a possibility to develop and expand thanks to the resources offered by the acquirer. Hostile when the acquired is not willing to sell the business, and the acquirer decides to buy a great number of target's shares

in the open market. (Robert, Wallace and Moles, 2012) According to Berkema and Vermeulen (1998), mergers and acquisition are the buying of stocks of the targeted foreign firms in order to control it.

- **Greenfield operations** is a form of foreign direct investment where a company decide to enter in the foreign market **setting up a new venture from scratch**. (Hennart and Park, 1993; Slangen and Hennart, 2007) However, due to the high commitment of resources needed to establish a greenfield venture, a greenfield investment might be considered an ideal strategy of growth through the own internal resources. (Romanowska, 2009) As stated from Alon and Jaffe (2012) the new legal entity might be characterized from the same market and internal organizational objectives and needs.

Then we reviewed the theoretical aspects related to entry strategies of international automotive companies performing the task to define the automotive industry. The automotive industry is mainly composed by the companies that produce motor vehicles and its components, such as engines and bodies. The principal products of the industry are **passenger automobiles and light trucks, including pickups, vans, and sport utility vehicles**. (Binder, Rae, and Bell, 2020)

For our study we took in consideration the 10 leading automotive companies by revenues generated: Volkswagen Group, Toyota Motor, Daimler, Ford Motor, General Motors, Honda Motor, BMW Group, SAIC Motor, Stellantis, Hyundai Motor.

To define what are the developed and developing countries we are going to use the definitions of Todaro and Smith (2011):

Developed countries: "the now economically advanced capitalist countries of western Europe, North America, Australia, New Zealand and Japan." (Todaro and Smith, 2011)

Developing countries: “Countries of Asia, Africa, the Middle East, Latin America, eastern Europe, and the former Soviet Union, that are presently characterized by low levels of living and other development deficits.” (Todaro and Smith, 2011).

According to Machková, and Collin (2015), the automotive industry is characterized by different entry strategies, but the most used and probably the most useful are, in general, greenfield investments, joint ventures and mergers and acquisitions. What we have found from our study is in line to what the researchers stated, apart from exporting strategy that according to our study is also one of the most used, and probably most successful strategy especially in the last century and in the first years of expansions of the automotive companies. All the leading automotive companies taken in consideration used the greenfield operations. This is surely a consequence of the fact that car manufacturing companies are large companies that are not afraid to make large investments and prefer the setting up in the new market of a new company and a new legal organization with new production plants. In addition to greenfield operations and joint ventures, one of the main entry strategies used by international automotive companies are contract manufacturing, according to Watch (2014) this strategy is undertaken to reduce costs of labor and raw materials for the production in a targeted foreign market or according to (Dunning, 1993) moved by the intention to seek resources and efficiency in developing countries. At the end, we might state that mergers and acquisitions in the automotive industry is a common strategy. In addition, the transactions are already cross-border, and the companies try to operate in different geographic area, the same as the company merged and acquired, to better react to the different economic cycles that may occur in different markets.

In the second chapter we made an analysis of all the data and the analytical part. More in detail, we divided the work of this second chapter in three part and on the first part we analyzed the automotive market conducting a thorough overview of it. On the second part, we presented the company that we chose for this work: Toyota. Then, we analyzed the different entry strategies used by the company to enter on host developed countries (US and UK) and on host developing countries (Indonesia and China).

According to a market research report on the global cars and automobile manufacturing industry made by IBISworld (2021) and to Statista (2021), in 2022, the Global Car & Automobile Manufacturing sector will generate $2.8 trillion in sales. . According to IBISworld (2021), we might cope with **a 4% increase in the market size during the 2022**. This increase in the last two years is due to the disastrous year 2020 hit by Covid pandemic. between 2019 and 2020 there has been a strong decline of around 15% on the production. This data could be justified by the COVID-19 pandemic that stopped the production for some months. (Faist website, 2021) The same happened in between the 2008 and 2009 with the global financial crisis where its impact, according to Van Biesebroeck and Sturgeon (2010) has been very critical. that China is the leading automotive producer worldwide with 21.39 million units manufactured in the country. According to Statista (2021) and our studies made in the first chapter, this result could be a consequence of the gained market share through the many joint ventures made between foreign partners and Chinese producers. Moreover, Japan and Germany are in a such high position because the great home production of company as Toyota and Volkswagen. (Statista, 2021) According to Focus2move (2021), during the last years the landscape of the automotive industry has undergone a substantial change because of manufacturers' successes or failures in following evolution of market dynamics. As a result, in 2021, the market share globally is dominated by Toyota, with 10,5% market share, that nowadays is enjoying an excellent global coverage while effectively managing its brand portfolio (Focus2move, 2021).

We made an overview of the selected developed and developing market for our analysis: USA, the UK, Indonesia, and China. We focused our attention on the production and sales.

According to Statista (2022), China maintains 29.7% of the world vehicle production. Given the huge demand in the Chinese market, car production in China has increased dramatically over the years. Moreover, according to Statista, COVID restrictions decreased all the production of the selected countries either US (ranked 6th in the worldwide car production countries, with 2.5 million cars produced), UK (ranked 13th with 1.3 million cars produced), or Indonesia (ranked 15th with 1.05 million car produced). For the UK, it is possible to say that the reduction in the production over the years is due also to Brexit. (Statista, 2022)

As with production, China is also the undisputed leader in sales with 25,31 million units sold. For this reason, the automotive sector is one of the main driving forces in Chinese economy. However, as with production, Covid pandemic destabilized the worldwide sales in 2020. According to Statista (2022) US and Indonesia suffered a lot this situation, returning to normal only in May but with a continuing drop of sales also in 2021 with 2% year per year. Instead, UK is maybe the one that suffered most the last years, due to Covid and Brexit, losing the position as the second largest car market in Europe to France and falling of almost 30% in sales from 2016, but the automotive sector contributed to the British economy with 15 billion pounds. (Statista, 2022)

- The Chinese automotive industry is composed by different companies but leaded by two home automotive companies Geely and Changan with respectively only 5,10% and 4,70% of market share. Apart from Toyota, the other two main leading companies are Volkswagen and Honda. According to Volkswagen website (2022), the German company entered in the Chinese market with two **joint ventures in 1985 and 1991** and establishing its own subsidiary in 2004 resulting the largest, earliest, and most successful international partner in Chinese automotive industry. In the other hand, Honda also entered in the Chinese automotive industry with a **joint venture with GAC in 1998** and resulting nowadays as the third leading automotive brands in China.

- The Indonesian automotive market is dominated by Toyota with a 33,6% and then followed by Daihatsu that, according to Daihatsu website (2022), started to **import** its vehicles in Indonesia in **1973** and then in **1992 PT Astra Daihatsu Motor was founded as a joint venture** with Astra Motor and it result as the main automotive company for the production. Moreover, according to Mitsubishi motors website (2022), the Japanese company **imports** in Indonesia from **1970** and in **2017** started to produce its vehicles in Indonesia from 2017 **establishing PT Mitsubishi Motors Krama Yudha Indonesia.** In the other hand Honda started to **import in 1968** and then in **1999 a joint venture** with Prospector Motor was established. (Honda website, 2022). Moreover, Suzuki entered in Indonesia through a **joint venture in 1978** with Indomobil Group.
- The US automotive industry is dominated by two American brands Ford and Chevrolet, a division of General Motors, and Toyota with 12% of share each. The other leading automotive companies are Honda and Bmw. According to Honda website (2022), the Japanese company entered in USA establishing its **wholly owned subsidiary in 1958** resulting nowadays the second foreign automotive company in USA. Moreover, Bmw entered in the American market through **exporting in 1956** and starting to manufacture its own vehicles in 1994 in USA.
- According to Volkswagen website (2022), Volkswagen and Audi, that are parts of the same group, entered in UK in **1953** through **exporting**. Moreover, Bmw **acquired Rover group** (composed at the time by Mini, Land Rover, Rolls Royce, MG brands and Austin and Morris) **in 1994.** Moreover, Ford is the earliest to enter in the UK automotive industry, it entered **in 1903** through **exporting** and then **established its own subsidiary in 1909**.

After the review of the automotive industry and the selected markets we made an overview on Toyota and on the entry strategy used to enter in two host developed and two host developing countries.

Toyota in USA

According to the global Toyota overview made in the 2.1, we noticed that the process of internationalization has been one of the most important strategic decisions for the company. Toyota studied the American industry and then **opened of the first international subsidiaries Toyota Motor Sales USA Inc. in 1957, in California**. In the first steps, this subsidiary was in charge of Toyota's sales, marketing, and distribution in the United States (Toyota website, 2022). Moreover, always according to the history of Toyota in its website (2022), Toyota started to manufacture in US thanks to a manufacturing **joint venture with General Motors in 1984**, establishing NUMNI (New United Motor Manufacturing Inc.) and so avoiding tax on imported cars and to better understand American tastes and environment. On the other hand, GM wanted to learn the manufacturing idea and system of Toyota, but this manufacturing joint venture ended in 2010 due to a bankruptcy reorganization by GM. (Benjamin Gomes-Casseres, 2009). Nowadays, the main Toyota company in US is Toyota Motor North America and it controls all company's activities, such as research and development, production, sales, marketing and corporate functions in Canada, Mexico, and US. (Toyota website, 2022). According to Toyota website, the Japanese company started to sell its cars in US thanks to the new subsidiary during the 1958, selling 287 Toyopet Crown and 1 Land cruiser.

Toyota in the UK

United Kingdom has been for Toyota one important market for its expansion in Europe. (Toyota, 2022). According to Toyota website (2022), the Japanese company entered in UK **exporting** its cars through a deal made with a small family company called Pride and Clark, launching Toyota Corona in UK **in 1965.** On the next steps, the next year, in the 1967 the small family company became Toyota GB launching other type of cars. (Toyota, 2022)

In **1978**, Toyota passed from exporting in UK to a **joint venture** agreement with Inchcape Group a British publicly traded firm having global holdings in a variety of automotive industry. This agreement ended in 1998 when Toyota Motor Corporation decided to purchase a 51% stake in Toyota GB before 2000 when it was completely taken by Toyota Motor Corporation. (Toyota, 2022)

In **1992**, Toyota Manufacturing UK, a **wholly owned subsidiary**, was born for the first time in Europe thanks to an investment of more than £2.75 billion to date but more and more are coming. It was based in Burnaston, Derbyshire, and in Deeside, in North Wales, and the first car produced has been Carina-E. (Toyota, 2022)

Toyota in Indonesia

Toyota entered in Indonesia signing a **joint venture** agreement with Astra International in **1971**, with shares equally divided between the two companies. The new formed company PT Toyota-Astra Motor was in charge as sole agent of the **importing** and distribution for Toyota vehicles in Indonesia, introducing for the first time in the Indonesian market such models as Corona and Corolla. (Toyota, 2022) As stated by Toyota official website (2022), the Japanese company decided to enter in this developing country with a joint venture because there have been some complications in the negotiations with the local government due to the establishment of the foreign company in the Indonesian market.

According to Toyota (2022), starting from **1998** TAM focus major efforts on the **production** but **from 2003**, the manufacturing process in Indonesia is undertaken by **another foreign subsidiary of Toyota, PT Toyota Motor Manufacturing Indonesia (TMMIN),** entered in the Indonesian market through a **greenfield investment** to operate in Sunter and Karawang with five different plants nowadays. The ownership of this subsidiary belongs to Toyota Motor Corporation for 95% and 5% belongs to Astra-International. (Toyota, 2022)

Toyota in China

Toyota entered for the first time in China with the **exporting** of Toyota Crown in **1964.** (Toyota, 2022) According to Guawei (2013), with the intention of cooperation with different local manufacturers, Toyota decided in **1998** to sign a **joint venture agreement with First Automobile Works (FAW)**. Thanks to this agreement, the new formed joint venture Sichuan FAW Toyota Motor started to produce for the first time Toyota line cars in China. According to Guawei (2013) after a new **joint venture signed in 2000 with Tinajin Auto Group** to manufacture Vios, Toyota was “15 years slower r as compared with VW and 5 years as compared to GM”. After the acquisition of Tianjin Auto Group by FAW, Toyota had to sign again a joint venture agreement in 2002 forming Tianjin FAW Toyota Motor. (Guawei 2013) However, only in **2004** Toyota decided to implement its penetration also in the south of China, and for this reason signed a **joint venture agreement also with GAIC**, establishing Guangzhou Toyota Motor Company. (Guawei 2013)

Through our study made on the chapters before, we might find and list, in this case, the similarities and differences of international automotive companies in host developed and developing countries.

About the **similarities** we may list:

7) No international automotive companies and neither Toyota used to enter in a foreign market with the following mode of entry: Management contracting, Turnkey operations, and brownfield investments.
8) Exporting resulted a successful operation for both developed and developing countries especially on the first stages of internationalization.
9) The joint venture provides benefits to both partners in host developed and developing countries. For example, automotive companies acquire a

partner who is familiar with the local market, and the partner can use the leading automotive company as part of his expansion strategy.

10) Joint ventures are selected to enter host developed and developing countries to identify the best site, transmit local market knowledge, and avoid challenges caused by the strong local and political environment.

11) All the leading automotive companies used greenfield investments as a strategy to enter in host developing and developed countries. Despite undertaking this strategy there is a big risk and a big expense it can be said that the selected international automotive companies are large companies that are not afraid to make large investments and prefer the setting up in the new market of a new company and a new legal organization with new production plants.

12) The process of internationalization of the automotive companies could be made from different steps using different entry strategies to enter in developed and developing countries.

However, in addition to similarities, there are also some **differences** that we may list as below:

3) Licensing and Franchising are strategies used only to enter in host developing country, but we found only few cases.
4) Joint venture is a strategy more frequently used in developing countries compared to developed countries.

We didn't find other relevant similarities and differences in the work without considering the results given by the analysis of the case of Toyota in US, UK, Indonesia, and China.

Similarities and differences of Toyota's entry strategies on host developed and developing countries

In the second chapter we analyzed the entry strategies and the results achieved by Toyota in two developed and two developing countries. Thanks to this analysis we could make a further analysis of the similarities and differences found in Toyota's entry strategies in the selected markets and the other international automotive companies.

As **similarities** we may list:

3) Toyota used the same process to enter in host developed countries: exporting – joint venture – greenfield investment. All the other automotive companies used exporting especially on the first stage of their process of internationalization. The final part of integration within a foreign market was to establish wholly owned subsidiaries through greenfield investment, as all other automotive companies have done.
4) Most of the other automotive companies used joint venture on the first stage and then greenfield investments to enter in developing countries. For this reason, Toyota is in line with the other automotive companies on host developing countries.

In addition, we found some **differences** comparing the entry strategies used by Toyota in the selected countries and the other international automotive companies:

3) Toyota used joint venture in US and UK that is not a so frequently used strategy, but as Toyota also entered developed markets very early on, the use of a joint venture in an intermediate process is justified.
4) In China Toyota didn't used a greenfield investment as done by all the other automotive companies in host developing countries and as done by Toyota in Indonesia. But, In China the situation is a little bit difficult due to problems with foreign investors, so the entry strategy of Toyota is based only on joint venture.

No other relevant similarities and differences were found in the whole work.

Moreover, we provided the work with some recommendations for existing companies, new entrants and further research and we listed the limitations of the work.