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AN AUTOMOTIVE GUIDE TO MARKET ENTRIES: THE KEY FACTORS THAT INCREASE THE SUCCESSFULNESS OF A CAR BRAND'S MARKET ENTRY INTO A NEW FOREIGN MARKET

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Executive summary

The purpose of this study is to explore and explain the key factors that a car brand has to take into account when it plans to enter a new foreign market. This study addresses the existing knowledge gap regarding the successfulness of market entry strategies on the automotive market in order to present industry-specific recommendations and to contribute to the extant literature on international market entries. By evaluating various internal and external factors that play a role when a car brand enters a new market, it becomes possible to identify the key factors that significantly increase the odds of having a successful market entry into a new foreign market. Consequently, the most effective strategy to enter a new foreign market successfully can be presented. To be able to present this strategy, this study tries to find an answer to the following central research question: 'What are the key factors that increase the successfulness of a car brand's market entry into a new foreign market?'

In order to answer the abovementioned central research question, a multilayered research has been conducted, which included a literature study on the extant literature, a quantitative analysis of 202 market entries and a qualitative analysis based on interviews with experts in the field of automotive. The quantitative analysis is based on an ordinal logistic regression which covers the period from 1984 to 2017. 202 market entries originating from 33 car brands have been investigated in order to statistically identify the internal and external key factors that have a significant effect on the successfulness of a new foreign market entry. The results of the quantitative analysis were explained and supplemented by nine expert interviewees that were willing to give full in-depth interviews on the topic of international market entries on the automotive market. This study reveals that the key factors that were identified in the extant literature as having a significant effect on market entries do not have a similar significance when applied to the automotive market. It shows that the extension of the field of international market entries with the analysis of the automotive market leads to new findings that could possibly contribute to the current extant literature and may open a new direction to conduct future research in. This study finds that firm size and entry mode form the internal factors, and cultural distance, market size and country safety form the external factors, that have a significant effect on the successfulness of a car brand's market entry. From these significant factors, firm size, cultural distance and entry mode (exports) have a significant negative effect on the successfulness of a market entry, whereas the market size of the host country and the country safety have a significant positive effect on the successfulness of a market entry. Furthermore, several additional factors were found that could have a significant effect on the successfulness of a market entry, which include the distribution facilities in the host country, the technological advancement of the firm and the host country, government regulations concerning

the automotive market, brand positioning, adaptiveness to the local market, innovation rate, brand reliability and the sales volume potential of the new foreign market. Moreover, this study makes a prediction about the future direction of the automotive industry, stating that car brands will change their focal point to key factors such as the development of alternative fuels, smart mobility, maximizing safety, usage instead of ownership, global networks and above all sustainability.

Finally, this study reveals the most effective market entry strategy for a car brand to increase the successfulness of its entry into a new foreign market. This strategy should be aimed at preventing the firm size to grow excessively, reducing the cultural distance between the home and host country through adaptation, choosing a country with a large potential market size and a high degree of safety, whereby an entrance through exports is strongly dissuaded. In addition, key factors such as distribution facilities, technological advancement, government regulations, brand positioning, adaptiveness, innovation rate, brand reliability and sales volume potential, should be taken into account carefully. However, in order to be sustainable for the long-term, the strategy should always have a critical consideration of the current and future developments on the automotive market.

Based on the research outcomes, several recommendations to the automotive industry can be made, which include: A) a stronger focus on the internal and external factors that increase the likelihood of having a successful market entry instead of developing a market entry strategy that takes all factors equally into account. In particular, a specific focus on the significant key factors that are found in this study is recommended. B) Encourage the analysis of market entry possibilities with a franchise, a joint venture/strategic alliance or a wholly owned subsidiary, whereby a market entry through exports is dissuaded. C) A careful analysis of the additional internal factors, such as the brand's positioning, technological advancement, adaptiveness, innovation rate and image, and external factors, such as the host country's infrastructure, government regulations, sales volume potential and level of technological development. D) Incorporate sustainability as a key factor in the market entry strategy. Finally, the study makes several recommendations for future research. First of all, future studies could proceed with and build on the findings of this research in order to analyze and find new key factors that could possibly have a significant effect on the successfulness of a market entry. Secondly, future research could focus on one specific car brand over a longer period of time, whereby all market entries of the same brand are investigated. Thirdly, future studies could examine the development of market entry strategies over the course of years. Finally, the structure and outcomes of this study could be used as a starting point to further analyze the effect of several internal and external key factors on the successfulness of a market entry in a specific branch of the automotive market.

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Chapter 1: Introduction

1.1 The origin of the study

In 2010 the Boston Consulting Group stated: 'For the next decade, the future of the automotive industry lies in the BRIC countries' (Lang and Mauerer, 2010). They predicted a significant change in global market strategies of car brands. Since the significant economic rise of emerging markets, which include the BRIC-countries (Brazil, Russia, India and China), the automotive industry has tried to shift their focus from the developed countries to the emerging and developing countries. This is caused by the promising growth in the demand that is expected to come from the countries that are economically emerging. Especially for the luxury car segment a significant increase in demand is expected, for example, China's luxury car segment has increased at an outstanding rate of 36% a year in the last decade and it is predicted to grow at an annual rate of 12 percent through 2020, thereby reaching a total of three million premium car sales (Sha, Huang and Gabardi, 2013).

However, not all car manufacturers are well established in these upcoming markets. For example, The PSA group (Peugeot and Citroen) had major struggles in establishing a well-defined and strong position on the Chinese market, which is seen as the world's next biggest car market. The demand for cars in China is predicted to be 2.7 million cars a year by 2020 (CNBC, 2013). The PSA group is unable to differentiate the two brands from one another in order to obtain recognition and increase its market presence. Besides, the PSA group fails to meet the needs of the Chinese consumer, which leads to declining sales. PSA has a joint venture in China with Dongfeng Peugeot-Citroen Automobile Co., Ltd. and they had set the goal of selling 700.000 units at the beginning of the year 2017. However, the sales volume of Peugeot dropped by 36.7% to 102.199 units in the first half of the year and Citroën's sales plummeted 63.2% to 45.630 units (China Daily, 2017). In other words, the PSA group is not able to succeed on the Chinese auto market.

Volkswagen AG, on the other hand, had a very successful market entry into the Chinese car market. Volkswagen started very early with its market entry and is now well-established. Volkswagen AG's Audi currently ranks among the top three luxury car brands on the Chinese car market when it comes to sales volume and brand awareness. According to Jeff Chung, an auto-sector analyst for the Japanese Daiwa Securities, this success comes from the fact that Volkswagen AG immediately changed their production process by establishing a production plant in China from the start and consequently producing nine out of ten cars in China, which resulted in lower costs and more affordable cars (CNBC, 2013).

Besides, Volkswagen AG invested greatly in marketing and consumer research which led to a more precise and effective market entry strategy. A successful example of Volkswagen's marketing research was the customer-based brand name. They found out that Chinese customers prefer names that are easy to recall and to pronounce, which means that Chinese brand names have a greater effect on brand awareness than English brand names. Volkswagen AG took this into account and changed their name into a Chinese language variant, which was written as '大众'. This approach immediately contributed to higher brand awareness and caused the brand to be widely known in China.

Jaguar Land Rover got inspired by the market entry strategy of Volkswagen AG and they decided to enter many new foreign markets with wholly owned subsidiaries in order to be close to the market and respond quickly to the local demand. Jaguar Land Rover international corporate strategy is aimed at becoming a more global competitive business by expanding its manufacturing operations into new foreign markets. In their Letter of Intent, they state: 'The creation of new international plants allows Jaguar Land Rover to increase its presence in regions that have been identified as having growth potential, protect against currency fluctuations and achieve a more efficient, globally competitive business' (Tata Motors, 2015).

Nevertheless, not all car manufacturers implement the same market entry strategy when striving for successfulness, especially when it comes to emerging or developing markets. Some car manufacturers, like Lamborghini and Maserati, argue that the potential market size of the new foreign market is too small to be attractive enough to consider a market entry and that moving the production outside the home country would break down the brand identity. Moreover, based on several internal and external key factors, it could be the case that a brand finds it unwise to enter a new foreign market.

A company has to take several different aspects into account when making the decision of entering a new foreign market. As a result, there are various possible market entry strategies for a car brand, whereby every strategy has its own degree of success. It is therefore interesting to investigate the key factors that are, in general, necessary for a car brand to consider when it wants to enter a new foreign market. By exploring and identifying the internal and external key factors that increase the odds of having a successful market entry, it will become possible to develop and present the most effective international market entry strategy for car brands.

1.2 The purpose of the study

There has been conducted quite some research on international market entries. In general, the research focuses on international market entries on a company- or industry-level of a specific market in order to identify common rules and pitfalls in the market entry process.

However, there is a clear knowledge gap when it comes to research on the effectiveness of international market entries on the automotive market. This research will endeavor to be of great value for the automotive industry by providing scientifically based recommendations to car companies that could increase the successfulness of new foreign market entries. The study intends to explore and explain the most important internal and external key factors that a car brand has to take into account when it desires to enter a new foreign market in order to be enabled to give industry-specific recommendations.

Furthermore, based on the existing knowledge gap, this research aims at contributing to the extant literature on international market entries by placing a specific focus on the automotive market and accordingly broadening the scope of research in the field of international market entries. By doing this, the study strives to open a new research direction that will trigger other academics to investigate the area of international market entries on the automotive market to a greater extent, and subsequently develop the extant academic literature on this topic, which eventually could greatly benefit the automotive industry in practice.

In conclusion, the study tries to contribute to a comprehensive understanding of international market entries on the automotive market and to present the most effective market entry strategy that could increase the odds of having successful market entry into a new foreign market.

1.3 Summary of the research objectives

The research objectives of the study are as follows:

1. To investigate the factors that influence an international market entry on the automotive market.

2. To analyze the significance of the corresponding factors and to determine their effectiveness.

3. To understand the extent to which specific factors determine the degree of successfulness of international market entries on the automotive market.

4. To develop the most effective market entry strategy that could increase successfulness.

5. To present various study-based recommendations to the automotive industry.

1.4 Central research question and corresponding sub-questions

The study tries to fill up the knowledge gap that exists in the extant literature regarding international market entries on the automotive market and their corresponding success.

Hence, this study is aimed at identifying the key factors that are essential to increase the odds of having a successful market entry into a new foreign market and to develop a comprehensive market entry strategy. Consequently, this leads to the central research question of the study:

'What are the key factors that increase the successfulness of a car brand's market entry into a new foreign market?'

To be able to answer the central research question, the research will be divided in theoretical and empirical research sub-questions to investigate certain factors more extensively and to look more closely at their effects.

Theoretical sub-questions:

A) What is the motivation for a car brand to enter a new market?

B) What does the process of country selection look like for a car brand when entering a new foreign market?

C) What are the common pitfalls of a car brand's market entry into a new foreign market?

D) How can the successfulness of a market entry on the automotive market be defined?

Empirical sub-questions:

E) What types of entry modes increase the successfulness of a car brand's market entry into a new foreign market?

F) What factors have a significant effect on the successfulness of a car brand's market entry?

The research questions create the possibility of comparing the findings from the extant literature with the findings of the quantitative and qualitative research in order to derive the most important key factors of a market entry. By answering the sub-questions, it will become possible to evaluate all key factors and to determine to which extent they play an important role in a market entry. As a result, the central research question of the study can be answered, and the most effective market entry strategy can be presented.

1.5 Thesis outline and summary chapter contents

Chapter 1: Gives an introduction to the study and explains the reasons for conducting the research. It demonstrates the academic relevance and indicates the objectives of the research. Furthermore, it gives an outline of the research structure and summaries of the chapter contents.

Chapter 2: Reviews the extant literature on international market entries and summarizes its key findings. Moreover, it identifies the research gap within the literature and presents the central research question of the study with the corresponding sub-questions.

Chapter 3: Presents the research justification of the study and describes the selected research methodology, including data collection, data processing and data analysis.

Chapter 4: Discusses the research outcomes of the data-analysis and the related opinions of the expert interviewees.

Chapter 5: Presents the conclusion of the research by comparing the findings from the data-analysis and the expert interviews with those of the extant literature. On the basis of the research outcomes, the central research question and the corresponding sub-questions will be answered. Thereafter, several recommendations to the automotive industry will be made and a new study-based international market entry strategy will be proposed. Finally, the limitations of the research and directions for future research will be presented and a final reflection will be made.

Chapter 2: Literature study

2.1 Definitions of market entry and internationalization

First of all, it is vital to have a definition of a market entry, since this concept will play a central role throughout the entire study. In the extant literature there are different views when it comes to the definition of a market entry. Anderson and Coughlan (1987) state that a market entry is the decision of a domestic manufacturer to introduce a product into a foreign market. Kumar, Stam and Joachimsthaler (1994) view a market entry as the decision of a company to move a part of its operations to a new market. Helfat and Lieberman (2002, p.2) argue: 'market entry refers to the initial production of a product or provision of a service, as distinct from technological entry that refers to patenting and in new areas.'

Lee, Abosag and Kwak (2012) see foreign market entry as an initial step of expanding business networks to a new market. In this study a combination of the various definitions from the extant literature will be used, whereby a market entry will be defined as *'the decision of a company to bring a specific product or service to a new foreign target market, where it was not previously active in.'*

Together with the concept of market entry, the concept of internationalization is of great importance to the study of international market entries. Yet, in the extant literature there is no overall consensus on the definition of internationalization. Wind, Douglas and Perlmutter (1973) view internationalization as a process of attitudes or orientations that are associated with successive stages in the evolution of international operations. Johanson and Vahlne (1977) have stated that internationalization of firms is a process in which firms gradually increase their international activities. Welch and Luostarinen (1988:36) define internationalization as: 'The process of increasing involvement in international operations.'

Beamish, Morrison and Rosenzweig (1997:3) extended this definition by stating: 'Internationalization is the process by which firms both increase their awareness of the direct and indirect influence of international transactions on their future and establish and conduct transactions with other countries.' Calof and Beamish (1995:116) built on this definition and redefined it as: 'The process of adapting a firm's operations to international environments.' Based on these definitions, Andersen (1997:3) derived a combined definition, which states: 'Internationalization is the process of adapting exchange transaction modality to international markets.' In this research, the definition of Ruzzier, Hisrich and Antoncic (2006:3) will be adopted, due to its simplicity, validity and accuracy, which says: 'internationalization is a synonym for the geographical expansion of economic activities over a country's national borders.'

2.2 Motivation to perform a market entry

In the extant literature, the decision to enter a new market had already be identified as one of the most important and critical moments for a firm in the field of international marketing (Wind and Perlmutter, 1977). However, the motivation to enter a new market may depend on many different aspects that are idiosyncratic for every firm. In the extant literature, there are various frameworks that try to give a general explanation of market entries. In order to understand the motivation to perform a market entry, these frameworks will be extensively reviewed.

Madhok (1997) stated that a firm only enters a new particular market when there is a possibility to exploit an advantage that a firm possesses, to strengthen an existing one or to develop a new one. Andersen (1997) found that there are four conceptual frameworks which could explain why a firm would want to enter a new international market (internationalization). First, he makes a clear distinction between a theory and a conceptual framework. He states: 'A theory is a systematically related set of statements, including some lawlike generalizations that is empirically testable. A conceptual framework is a logically developed, described and elaborated network of associations among concepts that have been identified through theoretical and empirical research (Sekaran, 1992).' Andersen (1997:30) explains the purpose of a theory: 'To increase scientific understanding through a systemized structure capable of both explaining and predicting phenomena (Hunt, 1991) and the purpose of a conceptual framework: it indicates how a research perceives the phenomena being investigated, and which factors and how they influence the phenomena.'

The four conceptual frameworks include: entry mode as a chain of establishment, the transaction cost approach, the eclectic framework and the organizational capability framework. The entry mode as a chain of establishment framework sees a market entry as a time-dependent process, whereby a firm follows different stages leading to the establishment in a foreign market. This process of staging, from low to high independency, consists of four steps: A) there is no export and the firm is not active in a foreign market. B) The firm starts to export with the help of independent representatives or agents. C) The firm distributes its products with the assistance of sales subsidiaries, which are companies that are owned by the parent company and are responsible for the sales of the corresponding goods in the foreign market. D) The firm is able to establish production/manufacturing plants in the foreign market and start its operations locally.

The transaction cost approach states that the decision to enter a new market depends on the comparative transaction costs, which are the costs of running operations in a foreign market.

The amount of transaction costs depends on the degree of control that a firm wants to have and the level of vertical integration it aims to achieve. The higher the degree of control, the higher the amount of transaction costs.

According to Anderson and Gatignon (1986) there are three factors that influence the choice for a specific framework: 1. The degree of specificity of the assets involved in the business transaction 2. The uncertainty surrounding the transaction 3. The frequency of the transaction. They found that the control a firm wants to have in the new foreign market is the most important determinant of risk and return. Besides, the reputation of the firm in terms of the quality of their products seems to be a fundamental key factor for having a successful market entry.

Zhao, Luo and Suh (2004) stated that intrafirm assets form the main determinant in the transaction cost approach. When a firm has high valuable assets that give it a competitive advantage, the firm will not be willing to share this with other companies and it wants to be in full control. However, when there is no such thing as highly valuable assets and the core business is mainly about selling vast amounts of non-differentiated goods in a competitive market, the choice of low control and low transaction costs may be preferred. As a result, the application of the transaction theory for market entries is highly firm specific and not generalizable.

The eclectic framework provides a multi-theoretical approach to explain market entries. The framework investigates various interrelated determinants and combines three main theories of market entry: international trade theory, resource-based theory and transaction cost theory.

Agarwal and Ramaswami (1992) have investigated the main determinants which influence the market entry decision of a firm, namely: ownership advantages, locational advantages and internationalization advantages. Ownership advantages are firm specific and comprise of the firm's points-of-difference in the products it sells, which give it competitive advantages and make it more attractive for a firm to exploit this advantage by entering a new market. Locational advantages include the various external factors that make a country attractive for entry, such as market potential, investment risk, infrastructure and safety. The internationalization advantages define whether it is beneficial for a company to enter a market with a high degree of control and vertical integration, which depends on the level of transaction costs (Dunning, 1988).

These determinants can lead to various types of market entries, that is to say: no involvement, exporting, joint venture, licensing/franchising and wholly owned subsidiaries.

Yet, these determinants are influenced by three main theories that constitute the eclectic framework. The international trade theory explains the decision to enter a market based on comparative advantages between markets. A firm or a country can benefit from trade by exploiting its comparative advantage in a certain market where others are at a position of comparative disadvantage. In this way, it can be profitable to enter a market, since the firm will have a more efficient production and it may achieve a greater success than its competitors.

The resource-based theory focuses on the overall strategic posture of a firm and looks at the resources of a firm within the organizational structure. Hill, Hwang and Kim (1990) state that the overall strategic posture of a firm must be considered in a market entry, with other words, the way a company wants to enter a new market depends on how it uses its resources strategically. For example, when a firm has imperfectly imitable resources and wants to fully protect them, it will choose to expand while maintaining full control.

According to Galende (2006) a firm should be placed within the resource-based view as a bundle of resources that are heterogenous and firm-specific, which create a source of competitive advantage and generate other new resources. In order to sustain the competitive advantage, the resources of a company should be valuable, rare and inimitable (Barney, 1991).

Peng (2001) has identified three main differences between the transaction cost theory and the resource-based theory. Firstly, both theories predict the entry mode based on control in different ways. The transaction cost theory predicts a high-control market entry when there is opportunistic behavior on the firm's side, whereas the resource-based theory bases the degree of control on the complexity of its resources and the possibilities of the prospective partner to integrate that knowledge and to convert it into production. The more complex the resources, the higher the degree of control that the firm resources, according to the theory.

Secondly, the transaction cost theory sees a market entry as a one-time event, whereas the resource-based theory sees it as a dynamic process where the firm is able to learn from previous entries and to improve its knowledge for future entries.

Thirdly, the transaction cost theory focuses on the exploitation of firm-specific competitive advantages, whereas the resource-based theory emphasizes not only the exploitation, but also the development of these advantages in order to exploit the existing advantages more effectively and to develop new advantages in the future.

The last framework that Andersen (1997) reviews is the organization capability framework. Madhok (1997:5) explains organizational capability as: 'A bundle of relatively static and transferable resources, which are then transformed into capabilities through dynamic and interactive firm-specific processes, where individual skills, organizations and technology are inextricably woven.' In other words, the theory states that a company possesses valuable resources that are being developed over time and therefore significantly influence the decision of the company to enter a market, because of their increased relative importance. The value of the resources and the firm's capabilities mainly determine if a firm wants to collaborate or internalize when entering a new market. This framework is also based on the presumption that ownership advantages increase the preference for further internationalization. However, when market knowledge is limited, firms will have a bigger incentive to cooperate. Besides, the intensity of market competition has a direct effect on the necessity for a firm to develop its resources. Madhok describes that if firms want to strongly develop their resources, instead of economizing on transaction costs in order to obtain a competitive advantage, they are more willing to collaborate.

In contrast to the transaction theory, the organization capability theory focuses on the value of the firm's capabilities and value-based considerations. Therefore, the extent to which a firm wants to collaborate strongly determines the entry mode into a new market and the overall decision to enter a new market. The organizational capability theory emphasizes the importance of the firm's capabilities and their influence on the market entry decision.

Buckley and Casson (1998) extended the insights of internationalization and elaborated on the reasons why a firm should invest in a foreign market. They made a clear distinction between production and distribution benefits. The degree of competition coming from rivals that are already present on the market are seen as one of the main determinants of a firm's entry strategy. They state that firms mainly define their decision based on the external factors of the market.

Kogut and Zander (1993) introduced the knowledge-based view, which suggests that firms have the ability to share and transfer information with and to other parties. If they do this successfully, it will improve strategic processes, capabilities and performance, which will generate a competitive advantage. Firms may want to exploit this competitive advantage in other markets and therefore make them desire to execute a market entry into a new market.

Ekeledo and Sivakumar (2004) offered an overall conceptual framework for market entries in which the main determinants of a successful market entry are dependent on firm-specific resources, home country factors, host country factors, the nature of the product, the degree of control sought by the firm and financial opportunities.

They built the model based on the outcome of their previous research (Ekeledo and Sivakumar, 1998) that indicated that the mode of entry was strongly influenced by the firm type. When a firm is a service deliverer, the characteristics of the firm are completely different from a manufacturing firm, which changes the mode of market entry fundamentally.

Helfat and Lieberman (2002) found that there is a consistent theme throughout all market entries. The greater the similarity between the firm's resources and the required resources in the market, the greater the likelihood that the firm will enter that market. In other words, firms are more likely to enter a new foreign market when there is enough potential and when the potential can be met by the firm.

Roberts and Greenwood (1997) introduced the institutional concept, which, according to them, significantly influenced the organizational design of a firm in a foreign market. They state that firms are forced to adopt an organizational design that is socio-politically legitimate in the host country. As a result, the company cannot freely choose the way it wants to set up its subsidiary in the new market. For example, the institutional structure that a company chooses may be impeded, due to legal restriction of foreign ownership in the host country, which eventually creates an entry barrier. Delios and Beamish (1999) confirm this phenomenon with their research on market entries in Japan. It was found that government regulations in Japan have a significant effect on a firm's performance and successfulness.

Brouthers (2002) built on this institutional concept and transformed it into a market entry theory that could partially explain the motivation for a company to enter or to not enter a certain market and that could be an addition to the existing frameworks concerning market entries. The institutional theory says that a firm's ability to enter a new market may differ across international markets, due to differences in institutional environments of the host countries. The institutional environment of a country determines the rules and restrictions for companies that want to enter the market and therefore influences the entry strategy of a company. Besides, the institutional theory has a significant effect on the entry mode of a firm into a new market.

All in all, Brouthers (2002) concluded that firms that select their entry mode based on a combination of the transaction cost theory, institutional theory and the cultural context of the host country should achieve a better performance in the new market than the firms that do not elect their entry mode in a similar way. In this way, the institutional theory adds to the comprehension of market entries and it tries to fill up the gaps of the existing conceptual frameworks.

In conclusion, the motivation of a company to enter a new market depends on various factors. Several conceptual frameworks and additional theories have tried to find a complete explanation regarding a firm's decision to enter a new market. None of the reviewed theories is able to fully explain a firm's market entry decision. Therefore, in order to obtain a final framework that is capable of explaining a market entry decision with the highest level of explanatory power, a combination of theories is needed.

For that reason, all relevant factors which play a significant role when it comes to international market entries have to be taken into account and resulted in the use of the eclectic framework as a fundament with the institutional theory to complement it. In this way, a combination of the most relevant frameworks and theories can be made, which consequently helps to formulate the best explanation for a market entry:

The decision to enter a new market depends on various internal and external factors which influence a firm's entry mode and requires a firm to adapt accordingly to the circumstances. Based on this assessment of factors, the firm decides for itself to enter or to not enter a certain market.

This section has tried to give a review of the most commonly used conceptual frameworks in order to explain the motivation of firms to enter a new market. The selection of the reviewed theories has been based on the ranking made by Canabal and White (2008) concerning the most cited theories and constructs in market entry research. According to their study, these theories have the highest scientific relevance and explanatory power in the field of international market entries

2.3. The process of country selection

When a firm wants to expand globally, it has to make crucial choices about which countries it wants to enter. The process of selecting potential markets is called 'country selection' and there are different approaches to make this selection.

Firstly, Papadopoulos and Denis (1988) give four reasons why deliberate country selection is essential for expansion. A) It is the main determinant of success or failure, in particular in the early stages of internationalization. B) Target market decisions influence the development and nature of foreign marketing programs. C) The nature and geographic location of selected markets influence a firm's capabilities to coordinate its foreign activities. D) Establishing the firm in the right locations can lead to a successful global competitive positioning strategy.

Furthermore, their study suggests that there are two types of approaches to international market selection: the qualitative and the quantitative approach. The qualitative approach comprises of the systemic gathering and analysis of qualitative information, like host government resources, international experts and foreign market visits, coming from a selection of potential countries. The quantitative approach comprises of analyzing large amounts of secondary statistical data about various foreign markets in order to make a selection, whereby the approach can be divided in two categories: market grouping and market estimation. Market grouping comprises of the clustering of countries based on similar characteristics and market estimation comprises of the differentiation of markets based on potential.

In opposition to Papadopoulos and Denis (1988), Andersen and Buvik (2002) proposed a selection strategy which used the foreign customer as a unit of analysis instead of foreign country indicators in order to determine which country is the best to enter. The proposed selection process is based on a relationship approach, which means that a firm looks at the possibilities to form business relationships in the new market. If a market offers valuable exchange partners that can bring a competitive advantage to a firm, this will lead to the selection of the corresponding market.

The selection process consists of three steps: 1. Awareness - the identification of potential partners. 2. Exploration – attraction of partners through negotiations, communication and bargaining, which leads to a careful consideration of the benefits and risks of cooperation. 3. Choice – selection of the exchange partner. A limitation of this approach is that it does not take into account that a firm may be able to enter a new market without the establishment of partner relationships, which means keeping the expansion fully vertical integrated.

Kumar et al. (1994) introduced an interactive multicriteria approach to identify new potential foreign markets. The approach incorporates the multiple objectives that a firm has set, resource constraints and its market expansion strategy, whereby the proposed methodology evaluates potential markets and assesses whether the market fits within the current market portfolio of the firm. The approach is based on a three-stage process: the screening stage, the identification stage and the selection stage. This process is based on five components which define the methodology: data collection, computation of statistics, analyzing and processing the results, optimizing the solutions and comparing them, and finally finding the optimal decision.

Russow and Okoroafo (1996:2) propose another method of selecting potential markets, namely global screening, whereby a generic technique of screening is used to identify potential markets without being dependent on the entry mode. They define global screening as: 'A preliminary stage in the assessment of global opportunities. It is a process of identifying potential markets which are prime candidates for subsequent in-depth analyses.' The assessment is being carried out by comparing and evaluating multiple characteristics between countries. When this has been done for all selected countries, a ranking can be set up and the final decision can be made.

Sakarya, Eckman and Hyllegard (2007) extended the global screening model by adding market dynamics and future potential to the market selection process in order to make it valid for emerging markets. They did this by using a tool that consists of four criteria specific to the preliminary assessment of emerging markets: long-term market potential, cultural distance, competitive strength of the related industry and customer receptiveness. The criteria were added to complement the traditional selection approach of preliminary screening, identification and final selection.

Additionally, Brouthers and Brouthers (2000) suggest that the cultural context plays a significant role in the country selection process. However, it should be seen as an addition to the selection approaches instead as an approach itself. The cultural context sketches the potential and the risks of a certain country and guides the firm in its decision-making process. Cultural context also defines the investment risks, since it also takes economic, legal, political and cultural risks into account. This illustrates the attractiveness of a country for a firm, whereby the firm tends to choose for the markets with the highest potential and the lowest associated risk.

Finally, Kotabe and Helsen (2014) propose a complete four-step procedure that a firm can use when screening potential markets and eventually making a final selection. This procedure is based on the various approaches in the extant literature and tries to simplify the selection process. Figure 1 presents a flowchart that depicts the entry decision process.

The four-step procedure explains the flowchart in brief by categorizing the most important steps:

1. *Select the relevant indicators and collect data.* A company must identify the indicators that it finds important for its market entry strategy, like political, economic or social factors.

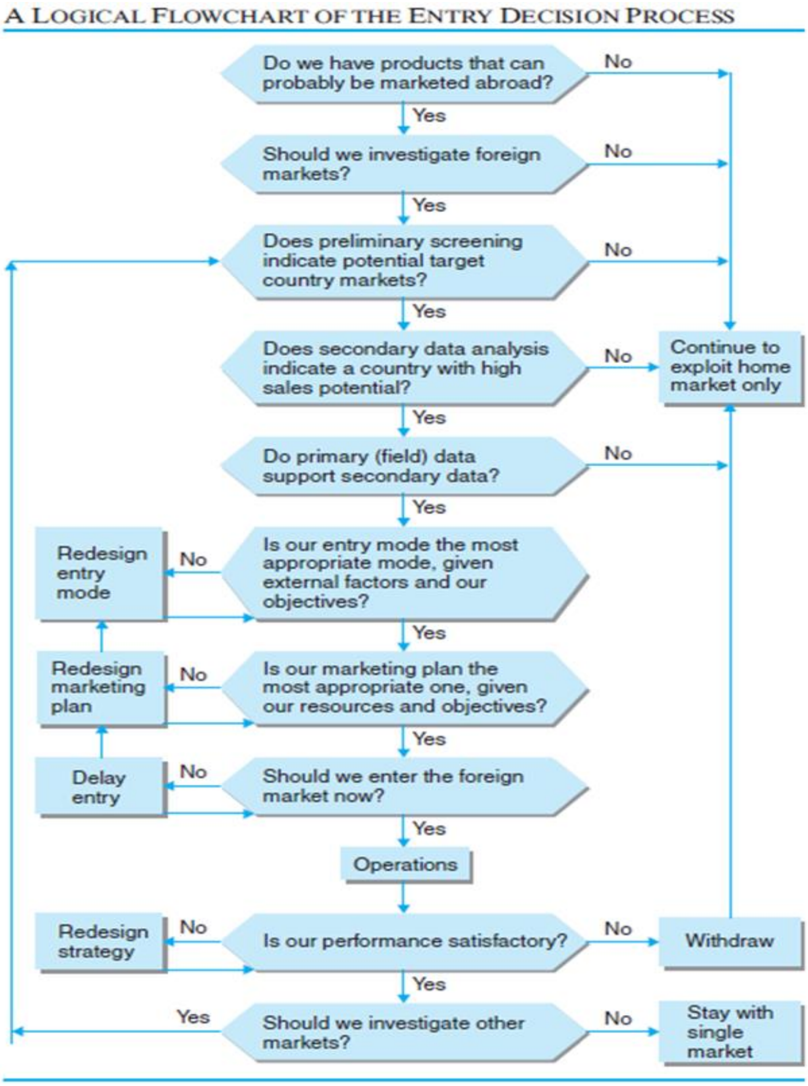
2. *Determine the importance of country indicators.* After putting weights on all the relevant indicators, each indicator has to be ranked.

This can be done by using various weight allocation techniques, for instance, the constant-sum technique, whereby the firm has to divide 100 points over all indicators, based on their estimated relevance.

3. *Rate the countries in the pool on each indicator.* Each of the potential countries that a firm wants to enter will be given a rating based every single indicator. In this way, each country can be assigned a score per indicator.

4. *Compute the overall score for each country.* Finally, all assigned scores for all countries have to be summed up and compared with each other. Hence, a ranking of the countries can be constructed based on their attractiveness and the final selection can be made.

Figure 1: A Logical Flowchart of the Entry Decision Process



Source: Exhibit 9-1 from Kotabe, M., & Helsen, K. (2014). International marketing. Hoboken, NJ: John Wiley & Sons Inc., 6th edition, International student version.

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This selection procedure tries to minimize the chance of ignoring countries that offer great opportunities for the products of the firm and to minimize the time wasted on countries that have no or little potential.

In conclusion, there are various approaches that try to explain the international market selection process and each one of them contributes to a better understanding. However, the best selection procedure differs for every firm, due to its idiosyncratic characteristics. All approaches considered, Kotabe and Helsen (2014) have presented the most comprehensive general overview of the process, due to its explanatory power, validity and simplicity. The four-step procedure constitutes a logical representation of the country selection procedure for a firm and therefore can be seen as a very useful and relevant tool in the field of country selection.

2.4 Common pitfalls of an international market entry

Entering a new market requires a careful consideration of the internal and external factors that influence the entry process. For example, there are several caveats that should be taken into account when entering a market in order to prevent a failure.

First of all, it is important to estimate the correct scale of entry. Lack of scale may lead to inability to compete with other competitors, due to ineffective coverage and the inability to attract attention. Gielens, Helsen and Dekimpe (2012) state that the scale of entry is a vital aspect of a firm's globalization strategy, but it is quite often overlooked. The scale decision may have very diverse outcomes, since it has two extremes in which a lot of variation is possible.

On the one hand, a company could decide to enter a new market through a small scale of entry with the goal of discovering the market before making major investments. On the other hand, a company could enter a new market on a large scale in order to immediately conquer the market. The entry scale is very dynamic, since a firm has the possibility to widen its scale in the foreign country based on its performance over time. Although a company may want to strive for a certain scale of entry, it will still be bound by its resources. Not all companies have enough capital to enter a market on a large scale nor are they willing to invest a vast amount of capital in markets where there is a high risk of failure and great uncertainty about the return of investment. Especially in the case of a high degree of uncertainty about the foreign market, firms tend to enter the market with a moderate scale. Due to uncertainty, firms may be reluctant to choose the most optimal scale of entry, because this kind of entry might entail higher costs than the firm is willing to pay. However, this creates a pitfall in the international marketing entry strategy of the company.

Conducting a market entry with a well-considered scale of entry may have several advantages like economies of scale, effective coverage, high awareness and an increased post-entry performance (Audretsch and Mahmood, 1994).

Secondly, it is sensible to choose the right timing of entry. When a firm is considering an entry into new foreign market, it will have to decide at what specific time it is willing to perform the entry. An inadequate timed entry may significantly harm the likelihood of having a successful market entry (Lilien and Yoon, 1990).

Mitra and Golder (2002) developed a valuable concept concerning the entry timing of a firm, the so-called 'near-market knowledge approach'. This approach is defined as using the knowledge from previously conducted market entries to the firm's advantage by incorporating it in the new market entry strategy. They found four key findings regarding the importance of near-market knowledge in the entry timing of a firm into a new foreign market:

A) The higher the accumulated near-market knowledge from previous market entries, the earlier the firm's market entry into the new market.

B) Cultural similarity has a significant effect on market entry success, but not on the entry timing, since the near-market knowledge accumulation enables a company to bridge cultural differences more easily.

C) Countries with an attractive economic environment are likely to be entered earlier.

D) Near-market knowledge causes economic factors to be more influential than cultural factors when it comes to the timing of entry decision.

Gaba, Pan and Ungson (2002) found several factors that influence the entry timing decision of a firm. They state that larger firms, which have a greater level of internationalization and economies of scope, will enter a foreign earlier than other competitors. Besides, the modes of entry, the degree of competition intensity and the levels of country risk have a significant effect on a firm's timing.

In essence, the timing of a market entry plays a significant role in its success. However, timing is dependent on various factors that a firm cannot always take into account completely. Due to its uncertain nature, firms are prone to consider timing as an element of luck. Nevertheless, the timing of a market entry should be carefully considered and incorporated into the international marketing strategy of a firm in order to increase the likelihood of having a successful market entry.

Lastly, a company should correctly choose a marketing mix. When entering a market, it is crucial to go through all important marketing decisions that influence the process and to make them coherent. Kotabe and Helsen (2014) stress the importance of constructing an international marketing strategy that covers all important aspects of a market entry. A common pitfall is that firms focus on one specific decision and subsequently give less attention to other relevant decisions, which lead to incoherent marketing strategies. Therefore, a coherent strategy whereby all market entry decisions are well-coordinated with each other will increase the chance of having a successful market entry.

2.5 The measurement of market entry success

To investigate whether certain factors have a significant effect on the successfulness of a market entry, it is essential to determine what success is and how it can be measured.

In the extant literature there is a wide range of definitions of success and associated performance measures. McDougall, Shane and Oviatt (1994) define the success of international market entries as the ability to leverage the knowledge gained from foreign operations, whereby the importance of profitability and revenue growth are seen as key performance indicators.

According to Cavusgil and Kirpalani (1993), market entry success should be evaluated with the help of three criteria: 1. Whether or not the expectations of the firm were met with regard to the market entry, indicating the subjective part of success. 2. The sales volume and market share attained by the firm, indicating the objective part of success. 3. The contribution to the total profit of the venture, also indicating the objective part of success.

Zahra, Ireland and Hitt (2000) identified two main performance measures in order to determine success: sales growth and return on equity. They found this selection based on the scale of usage of the performance measures by trade and industry experts, venture capitalist and international firms.

Helfat and Lieberman (2002) used a range of performance measures to identify market entry success, which included: accounting return, sales volume, market share and firm longevity. Besides, they refer to the research of Klepper and Simons (2000) that also measured rates of innovation, gained market shares, survival rate and survival time compared to the other entrants.

In contrast to the preference by researchers from the extant literature for financial performance measures, Johnson and Tellis (2008) introduced an outline for evaluating the success or failure of a market entry based on a variety of financial and non-financial performance indicators.

They conducted a content-analysis of scientific articles from several sources reporting on the market entry performance of firms. As a result, they developed a set of terms that are used to describe success and failure by researchers from the extant literature on market entries. The terms were grouped into five different levels of success, which enabled them to measure success with a valid and comprehensive tool. Table 1 demonstrates the outline that Johnson and Tellis used for measuring and classifying success.

Table 1: Measurement outline for evaluating the success or failure of a market entry

Evaluation Market Entry	
Successful Entry: 5	•Making more margins than their global margin •Market share leader •Well-functioning partnership •Above-average industry leadership •Top three in industry profitability •Top three in market share •Exceeded investment criteria
Good Entry: 4	•Successfully selling •Met investment criteria •Increasing investments •Growing shipments •Rapidly evolved into a major force in the industry
Acceptable Entry : 3	•Hope to recover investment in time •Entry awaiting removal of market restrictions •Establish a beachhead •Continuing operations
Poor Entry: 2	•No initial lead buyers •Conflicting expectations •Fail in system integration and optimization •Struggled to make headway •Underperformance •Priced out •Stiff competition •Market restrictions •Executives frustrated with entry
Failed Entry : 1	•Quit or withdrawal from market •Break up with cessation of venture

Source: Appendix C: Content Analysis Outline from Johnson, J., and Tellis, G. J. (2008). Drivers of Success for Market Entry into China and India. Journal of Marketing, 72(3), 1-13. doi:10.1509/jmkg.72.3.1

In conclusion, in this study a preference is given to the evaluation of success carried out by Johnson and Tellis (2008) in order to determine the successfulness of a market entry.

By developing a multifactor outline whereby several financial and non-financial performance measures are taken into account, through the usage of content analysis to identify specific terms related to success, a more comprehensive, valid and representative measurement tool of market entry success is being used. By doing this, it becomes possible to accurately and consistently define the degree of market entry success.

2.6 Modes of entry

An entry mode has been defined as an institutional arrangement for organizing and conducting international business transactions, such as contractual transfers, joint ventures and wholly owned subsidiaries (Root, 1998).

Sharma and Erramilli (2004:2) redefined an entry mode as: 'A structural agreement that allows a firm to implement its product market strategy in a host country either by carrying out only the marketing operations (i.e., via export modes), or both production and marketing operations there by itself or in partnership with others (contractual modes, joint ventures, wholly owned operations).'

In this study, a mode of entry will be defined as: *a firm's approach to organizing its foreign business activities in a new market.*

Kotabe and Helsen (2014) have identified the most common and frequently used modes of entry by businesses in the field of international marketing, which include: exporting, licensing, franchising, joint ventures and alliances, acquisitions and mergers, and Greenfield operations. They state that the choice for a specific entry mode depends on a trade-off between control and risk. The higher the control the firm seeks, the higher the risk associated with the entry and vice versa. Ideally, a company wants to achieve the highest amount of control, however, this requires vast amounts of resource investments and large degrees of risk-taking.

Canabal and White (2008) support this finding with their research, which describes that in the extant literature (extensive review of relevant published articles) control and risk are seen as the main determinants of the entry modes.

In this section the various types of entry modes will be reviewed, and the pros and cons will be considered. The various types of entry modes can be applied on the automotive industry and are therefore relevant to discuss with regard to international market entries of car brands.

Exporting

Exporting can be divided into three different types: indirect, cooperative and direct exporting. Indirect exporting means that a firm uses an intermediary in the host country to take care of the exports. The use of indirect exporting has several advantages. First of all, the company has the possibility to make use of professionals that have local market knowledge. Secondly, the intermediary can appraise the market opportunities of the local market and provide valuable information to the firm. Thirdly, it requires very little resource commitments and involves no major risks.

However, it also has some downsides, such as a low level of control, export restraints due to the limited resources of the intermediary and a high-level of dependency. Overall, the indirect exporting method is seen as a first-stage low cost and low risk method in order to identify potential international markets.

Cooperative exporting is an alternative to indirect exporting, whereby a firm does not want to set up its own distribution network in the host country, but it does want to export its products to the new market through a partner's distribution network. In other words, the firm makes use of the distribution network of another company with whom they have established a partnership contract to sell its own products, the so-called piggyback exporting (Gubik and Karajz, 2014).

When a firm chooses for direct exporting, it sets up its own exporting department in the foreign market with the use of a local intermediary. In contrast to indirect exporting, direct exporting brings the company much more control over its activities, thereby making it less dependent. Besides, the company is able to build its own network, which in the course of the years can be further developed and magnified. Nonetheless, there are significant more costs and resources involved than in the case of indirect or cooperative exporting.

Licensing

Kotabe and Helsen (2014:270) describe licensing as: 'A contractual transaction in which the firm, the licensor, offers some proprietary assets to a foreign company, the licensee, in exchange for royalty fees.' In other words, a firm gives another firm permission to sell its products in return for a specified payment. The benefits of using a licensing agreement include: the fast penetration of foreign markets, no substantial company resources are required, low-commitment and, above all, it enables a company to enter markets that are closed for imports or require a partnership with a local company.

However, Mottner and Johnson (2000) have identified several caveats of licensing in the business practice. Firstly, licensing is associated with a of dependence on the licensee, due to the fact that the licensor is bound by the degree of commitment of the licensee. The licensee influences the sales potential, the brand image in the local market and the prosperity of the product. Therefore, licensing can be seen as a low-cost entry mode, but with low associated controllability and high-risk.

In addition, the risk is magnified in the case of valuable assets that are shared with the partner. After the licensing agreement has finished, the former partner could become a competitor and abuse the gained know-how. In order to prevent this from happening, a company can draft very detailed and extensive licensing proposals, however, this will have a significant impact on the firm's resources and the partner's willingness to participate.

Franchising

Kotabe and Helsen (2014:272) also give an exact definition of franchising: 'An agreement whereby the franchisor gives the franchisee the right to use the franchisor's tradenames, trademarks, business models and know-how in a given territory for a specific time period, normally 10 years and in exchange the franchisor gets royalty payments and other fees.'

The pros of using a franchising construction are the possibility to expand to foreign markets with a minimum amount of capital and the beneficial performance fee construction, which means that the franchisee's revenue is tied with its efforts leading to an increased motivation to work effectively and efficiently. Besides, the franchisor has the benefit that it can take advantage of the local market knowledge of the franchisee. Despite the beneficial construction, there are also some downsides of a franchising construction. First of all, finding a trustworthy and suitable partner can be difficult in certain markets, especially in markets where the franchising construction is barely known and understood (McCosker, 1998). Secondly, the franchisor does not have full control over the franchisee, which can lead to a conflict in the firm's international operations and marketing strategy.

Joint ventures and alliances

Harrigan (1986) defines joint ventures as separate entities with two or more active firms as partners in order to carry out an economic activity in a market, whereby the partners take an active part in the joined economic strategic decision making. In other words, two or more firms team up by parting resources and as a result they start a new separate entity in a new market. There are generally two types of joint ventures: cooperative and equity-based joint ventures.

A cooperative joint venture is an agreement between partners to collaborate in a specific economic activity, but without equity investments. In the case of equity joint ventures, partners agree to raise capital together for their operating activities and share it together.

A strategic alliance refers to an extended form of partnership, which comprises a coalition of two or more firms in order to achieve strategically significant goals that will benefit all parties (Murray and Mahon, 1993). Establishing a joint venture or a strategic alliance brings a company much more control over its foreign activities than in the case of exporting, licensing or franchising. In addition, joint ventures and alliances bring the benefit of enabling a company to make use of and share highly valuable resources. Besides, it provides a strategic solution for markets in which entrance through full ownership is prohibited and it offers the opportunity to exploit synergy effects.

Nevertheless, there are also a caveat that should be taken into account when a firm chooses to establish a joint venture or a strategic alliance. There is a lack of full control with strong mutual dependence, which can cause conflicts about the market strategy of the alliance. An example of a conflict between partners in the field of joint ventures on the automotive market is the Autolatina case (Turner, 1995). Ford and Volkswagen set up a joint venture together in Latin America with the goal of conquering the market by sharing resources, mutual funding, knowledge transfers and a combined brand strategy. However, after seven years the cooperation ended, due to the culture shock between the two companies. The cultural differences between the American and the German employees were unbridgeable and led to a conflict of interests. Even though the international marketing strategy had been correctly developed, the weak collaboration impeded it from succeeding.

Wholly owned subsidiaries

When a firm wants to enter a new market with 100% ownership in order to have full control, it will have to establish a wholly owned subsidiary in the foreign country.

In this way, the holding company sets up a second subordinate company in the market it wants to enter and remains fully in charge of the equity. A benefit of this entry mode is that hold-up problems are minimalized, since the company is not dependent on outside partner firms. Besides, all revenue goes to the own company and the firm can independently determine its market strategy. However, the high degree of control also comes with high resource costs and full liability. The firm will be accountable for all possible external risks (political, economic, market-related) and in the case of a market entry with a wholly owned subsidiary, the firm may encounter great opposition from the host country, due to the country's protectionist laws and regulations.

Mergers and acquisitions

Mergers and acquisitions describe a market entry mode whereby full control is maintained through the process of buying up existing companies and making them part of the mother company. In this way, a company can quickly access foreign markets and execute an aggressive global expansion strategy.

However, the entry mode also carries substantial risks. Firstly, there can be significant differences between the corporate cultures of two firms which impede a successful acquisitions or merger. Secondly, an acquisition of a company can be blocked by antitrust laws in the host country or it can be affected by certain government-led conditions (Shimizu, Hitt, Vaidyanath and Pisano, 2004). Thirdly, a market entry through mergers and acquisition is a high-cost global expansion strategy.

Greenfield investments

When a company wants to enter a foreign market, but there are no acceptable acquisition candidates, it can decide to independently build up a new subsidiary through Greenfield investments. Li (1995) found that in certain situations Greenfield investments can be more cost-effective than performing an acquisition, since the firm can escape the integrating costs of making a foreign partner part of the internal organization of the parent company. Besides, the company has full freedom to establish and configure the subsidiary the way it wants to and to set up an independent international marketing strategy.

Yet, there is also a considerable disadvantage, namely, the firm has to make a vast amount of investments consisting of time and capital, which also significantly affects the profitability of the parent company. Therefore, starting up Greenfield operations is the riskiest entry mode of all, but it is also the one with the highest degree of control.

To complement the various possible entry modes, it is vital to take the influences of the transaction costs and the institutional theory into account. The transaction costs theory emphasizes the trade-off between the costs of integrating an operation within the same firm and the costs of using an outside partner positioned in the foreign market. The amount of transaction costs significantly influences the choice of entry mode, for example, when the transaction costs of finding, negotiating with and monitoring a partner are low, firms will choose an entry mode that requires collaboration. However, when the transaction costs are high, a firm will tend to choose for an entry mode with full control (Williamson, 1985).

The institutional theory suggests that the institutions of the host country may force a company that wants to enter the foreign market to choose a specific entry mode (Brouthers, 2002). In countries in which there is strong influence from the government or weak institutional protection of international companies, a firm may prefer to work in an alliance with a local partner instead of entering the market as a wholly owned subsidiary in order to minimize the risk of its foreign operations. Makino and Beamish (1998) found empirical evidence for this statement in the Asian region. Due to the high institutional environment companies were practically forced to enter the markets in an alliance with a local partner. Eventually, the companies that collaborated with a local partner had a higher survival rate than the companies that entered the markets with a wholly owned subsidiary.

In short, there are several possible entry modes for car brands to enter a new market. Each entry mode has its own degree of risk and control, whereby there is great diversity in the duration of the commitment. Based on the reviews of the various entry modes, one must conclude that no unequivocal answer has been found in the extant literature to the question which entry mode is the most effective in increasing the successfulness of the market entry.

In the extant literature there is no consensus about the most effective and successful market entry mode. Hence, based on the literature, it must be concluded that a car brand should base its entry mode decision on the internal factors affecting the firm and the external factors affecting the market of interest. Dependent on the objectives of the car brand in the new foreign market, the adequate entry mode can be chosen.

2.7 Internal and external key factors

In order to answer the central research question concerning which key factors increase the successfulness of a market entry, it is vital to investigate which factors actually have a significant effect on success. In the extant literature, much research has been conducted on what could be seen as the key drivers of market entry success. Overall, there seem to be two categories of factors that can be distinguished: internal factors, which are firm-specific and relate to the firm's objectives and resources, and external factors, which are environment-specific and relate to the market conditions of the foreign country.

Johnson and Tellis (2008) investigated new market entries by making use of this division between internal and external factors, whereby they conducted an in-depth analysis of the drivers of success regarding market entries into China and India. They found that smaller firms are more successful than larger firms and firms entering more open emerging markets have less success.

Besides, greater success is achieved with earlier entry, greater control of entry mode, and shorter cultural and economic distances between the host and home countries. A surprising finding was that with or without control for these drivers, firms have less success in India than in China.

In the extant literature the following internal and external factors are most frequently cited as being significant for international market entries.

Internal factors

Entry mode. In section 2.4 (modes of entry) the importance of the entry mode of a firm has been reviewed and highlighted. Anderson and Gatignon (1986) suggested that the desired mode of entry depends on the degree of control that a firm want to have in the foreign market, whereby the chosen entry mode significantly affects the success of the market entry. Pan and Chi (1999) found that high control entry modes require high resource commitments, which eventually affects the profitability and the associated financial success of the market entry.

Firm size. Luo (1997) found that the size of the firm significantly affects market entry performance, even after the entry mode effects have been taken into account. A larger firm size is associated with more financial and managerial resources which positively effect market performance (Terpstra, Sarathy and Russow, 2006). However, according to Chandy and Tellis (2000), a larger firm size leads to more bureaucratic effects, decreasing its organization efficiency which eventually harms innovative ability and market performance. Therefore, the direction (positive or negative) of the effect of firm size can be seen as ambiguous, yet, its significance is undisputed.

Financial resources. Helfat and Lieberman (2002) stated that the success of a market entry is associated with a firm's capabilities and resources. A large part of these resources is based on the financial capacity of the firm. The financial power of a firm determines the degree of commitment it can have to its entry and the associated level of control. According to Agarwal and Ramaswami (1992) the long-term success of a market entry significantly determined by the firm's financial resources.

Experience. Klepper and Simons (2000) found that firms with pre-entry and market experience have a greater likelihood of achieving a successful market entry. In addition, their performances in the fields of sales, innovation, market share and profitability are significantly better than competitors without or little experience. Carroll, Bigelow, Seidel and Tsai (2007) applied the experience concept to the automotive industry and found that car brands that enter new markets with relevant pre-entry experience survive longer than their direct competitors with no or less experience. Klepper (2002) found the same result for start-ups and entrepreneurial spin-offs that entered the automotive market with relevant pre-entry experience, thereby confirming the significance of experience.

External factors

Economic distance. Johnson and Tellis (2008:4) defined the economic distance as: 'A measure of economic disparity between two countries.' This was measured as the difference between the GDP of the host country and the home country. They found that the greater the similarity between the economic conditions of the home and host country, the greater the success of the market entry. Besides, Dunning (2014) confirmed this finding by stating that firms that entered a new market with an economic situation that is particularly different from the home country, will need to adjust their strategy to the new market conditions to control for the corresponding impact on the successfulness of the market entry.

Cultural distance. According to De Mooij (2004) culture has a significant effect on consumer behavior, indicating that it is not solely led by economic considerations. Therefore, when entering a new market, a firm should also take cultural differences into account. Kwon and Konopa (1993) suggested that cultural differences have a significant effect on the international expansion strategy of a company and the corresponding successfulness of its market entries. They found that cultural distance is related to the degree of control in the foreign market. When a firm has a low degree of control, because of a large cultural gap, the costs of doing business in the foreign market will increase. Johnson and Tellis (2008) state that firms have the tendency to start their operations in markets that show cultural resemblance to their own markets.

Erramilli (1991) found in his in-depth study about market entries performed by US firms that when the experience with international markets grows, firms tend to seek out to markets that are culturally and geographically more distant from the home country. Terpstra et al. (2006) applied this concept to the automotive industry and found that car brands first enter the markets with similar cultural characteristics and after that stage they expand to new markets with larger cultural distances.

Market size. Kotabe and Helsen (2014) suggested that in many situations, the market size is being seen as the main determinant of the entry mode decision. Based on the potential of the market, firms set up their international marketing strategy and resource commitments.

Russow and Okoroafo (1996) indicated that in the field of international screening of market opportunities, market size is highly recommended as a key indicator of market potential. Ball and McCulloch (1993) supported this statement by saying that in order to assess the potential of a country, an evaluation of the market size and economic development must be made in advance.

Country risk. Country risk may reduce the successfulness of a market entry due to the uncertainty that firms might suddenly lose their investments in the new market, which motivates firms to anticipate the risk and refrain from making large investments, which could significantly decrease the profitability of the entry (Kim and Hwang, 1992). Country risk can be defined as the uncertainty about the market environment of the foreign country, which can be derived from three main sources: economic, financial and political risk (Erb, Harvey and Viskanta, 1995).

When the country risk is high, a firm may want to enter a new market because of its market potential, but it will be bound to keep investments low until the market stabilizes and a real option emerges (Brouthers et al., 2008). According to Morschett, Schramm-Klein and Swoboda (2010), country risk can have a substantial effect on the successfulness of a firm's market entry into a new market and should therefore be carefully considered.

Country openness. Kotabe and Helsen (2014) identify government regulations as a major determinant in entry mode choices and market entry success, since they can deliberately constraint the international market entry strategy of a firm. The openness of a country strongly relates to the institutional theory of section 2.2 (motivation to perform a market entry).

Johnson and Tellis (2008) define country openness as the lack of regulations that impede the entrance into a specific foreign market. They found the effect of country openness to be ambivalent, due to its up and downsides. The upsides are: free entry to a new market, increase of product quality due to competition on the market, increased demand and opportunities for growth.

However, the downsides are: competition may lower prices, which can lead to a decrease in profitability, intense competition may force a company to invest more than desired and too many entrants may lead to extensive fragmentation of the market. They state that the effect of country openness depends on the degree of competition.

Morschett et al. (2010) identify country openness, which they define as the legal environment of the host country, as the last environmental characteristic that has a significant influence on a market entry.

Altogether, in the extant literature the following factors have been identified as being most influential: internal – entry mode, firm size, financial resources and experience. External – economic distance, cultural distance, market size, country risk and country openness.

2.8 Key findings and identification of the existing knowledge gap

The literature study shows that there are several aspects that play an important role when it comes to a new international market entry. In order to investigate the effects of several key factors on the successfulness of a market entry, it is vital to review the most important decisions that a firm has to make when it wants to enter a new market.

Section 2.1 provided the definitions of a market entry and internationalization, since these two concepts play a central role throughout this study. A market entry has been defined as: *'The decision of a company to bring a specific product or service to a new target market, where it was not previously active in.'*

Besides, internalization has been defined according to the definition of Ruzzier et al. (2006:3): *'Internationalization is a synonym for the geographical expansion of economic activities over a country's national borders.'*

Section 2.2 explained a firm's motivation to enter a new market by reviewing various conceptual frameworks complemented with theories. The four conceptual frameworks were: entry mode as a chain of establishment, the transaction cost approach, the eclectic framework and the organizational capability framework. In order to complement the frameworks, multiple theories have been added to the extant literature, among which: the international trade theory, the transaction costs theory, the resource-based theory and the institutional theory. They concluded that the motivation to enter a market depends on various factors, whereby none of the reviewed theories or frameworks was able to fully explain the phenomenon. All frameworks and theories considered, the use of the eclectic framework was preferred with the institutional theory to complement it. Consequently, the motivation to enter a foreign market was formulated as: '*The decision to enter a new market depends on various internal and external factors which influence a firm's entry mode and requires a firm to adapt accordingly to the circumstances. Based on this assessment of factors, the firm decides for itself to enter or to not enter a certain market.'*

Section 2.3 described the process of country selection by reviewing different approaches, which included: qualitative and quantitative selection, relationship-based, interactive multicriteria-based, global screening, and a four-step procedure approach. The best selection procedure differs for every firm due to its idiosyncratic characteristics. All aspects considered, the four-step approach by Kotabe and Helsen (2014) was identified as the most appropriate description of the country selection process, due to its explanatory power, validity and simplicity. The four-step procedure constitutes a logical representation of the country selection procedure for a firm and can therefore be seen as a very useful and relevant tool in the field of country selection.

Following the description of the country selection process, section 2.4 discussed the common pitfalls of an international market entry, which included a lack of scale of entry, wrong entry timing and an incorrectly chosen marketing mix.

Section 2.5 determined how success should be defined and how it can be measured. After reviewing the extant literature on the measurement of entry success, it could be concluded that the definition and measurement of success differed for each research. This study gives preference to the evaluation of success carried out by Johnson and Tellis (2008), which comprises a multifactored outline whereby several financial and non-financial performance measures are taken into account.

Section 2.6 illustrated the various types of entry modes, whereby market entry was defined as: '*A firm's approach to organizing its foreign business activities in a new market.'*

The entry modes that were reviewed based on their scientific relevance with regard to international market entries and applicability to the automotive market, included: exporting, licensing, franchising, joint ventures and alliances, wholly owned subsidiaries, mergers and acquisitions, and Greenfield operations.

Based on the review of the various entry modes, it could be concluded that there is no unequivocal answer to the question which entry mode is the most effective. Hence, a car brand should base its entry mode decision on the internal factors affecting the firm and the external factors affecting the market of interest. Dependent on the objectives of the car brand in the new foreign market, the adequate entry mode can be chosen.

Lastly, section 2.7 discussed the various internal and external factors that have a significant influence on the successfulness of a market entry. The most frequently cited factors in the extant literature in the field of market entries were: internal – entry mode, firm size, financial resources and experience, and external – economic distance, cultural distance, market size, country risk and country openness.

Chapter 3: Research methodology

3.1 Research justification and purpose

This study aims to contribute to the extant literature in the field of international market entries. It tries to expand the existing knowledge with regard to international market entries of car brands, since there is a clear knowledge gap in the extant literature. When it comes to international market entries on the automotive market, there is no academic relevant literature in contrast to the large amount of available research in the field of international market entries on other product- or industry-specific levels. This research tries to fill the gap by conducting a study focused on the analysis of several internal and external factors that increase the successfulness of a car brand's market entry into a new foreign market. Based on the research outcomes, it becomes possible to present the key factors that should be taken into account by car brands when planning to enter a new country.

Consequently, this study can make several recommendations to the automotive industry, which could benefit car brands in their future market entries. By providing valuable recommendations to the automotive industry, car brands may increase the successfulness of their international market entries, which is beneficial for the brand, since costly failures are less likely to occur.

3.2 Previous research methodologies from the extant literature

In the field of international market entries there has been conducted a variety of quantitative and qualitative research. However, most of the research had a quantitative emphasis, since it was focused on the statistical analysis of the relationship between several variables with the goal of identifying the most significant factors affecting a firm's international market entry.

In the extant literature 33 studies have tried to analyze the effect of external and internal factors on the successfulness of international market entries by using a quantitative research methodology (Agarwal and Ramaswami, 1992; Audretsch and Mahmood, 1994; Banerji and Sambharya, 1996; Brouthers, 2002; Brouthers and Brouthers, 2000; Brouthers et al., 2008; Buckley and Casson, 1998; Carroll et al., 2007; Cavusgil and Kirpalani, 1993; Chandy and Tellis, 2000; Ekeledo and Sivakumar, 1998; Erramilli, 1991; Gaba et al., 2002; Gubik and Karajz, 2014; Johanson and Vahlne, 1977; Johnson and Tellis, 2008; Kim and Hwang, 1992; Klepper, 2002; Kogut and Zander, 1993; Krishna Erramilli and Rao, 1990; Kumar et al., 1994; Kwon and Konopa, 1993; Li, 1995; Lilien and Yoon, 1990; Luo, 1997; Makino and Beamish, 1998; Mitra and Golder, 2002; Morschett et al., 2010; Pan and Chi, 1999; Russow and Okoroafo, 1996; Sakarya et al., 2007; Zahra et al., 2000; Zhao et al., 2004).

Furthermore, 21 studies investigated the aforementioned effects by using a qualitative research methodology (Andersen, 1997; Andersen and Buvik, 2002; Anderson and Gatignon, 1986; Calof and Beamish, 1995; Delios and Beamish, 1999; Dunning, 1988; Dunning, 2014; Ekeledo and Sivakumar, 2004; Helfat and Lieberman, 2002; Hill et al, 1990; Lee et al, 2012; Madhok, 1997; McDougall et al, 1994; Mottner and Johnson, 2000; Murray and Mahon, 1993; Roberts and Greenwood, 1997; Ruzzier et al., 2006; Sharma and Erramilli, 2004; Shimizu et al., 2004; Welch and Luostarinen, 1988; Wind et al., 1973). These studies focused in particular on the explanation and understanding of the relationships, which were found in the quantitative studies, between the relevant external and internal factors and the successfulness of a firm's international market entry.

The qualitative analyses were mostly executed by conducting interviews or providing a new academic review of the existing literature.

Altogether, the topic of international market entries has been predominantly examined with the use of quantitative research methodologies. Yet, the extant literature has also been complemented with academic research based on qualitative research methodologies. Nevertheless, there is a clear research gap in the extant literature when it comes to analyzing international market entries by conducting a multilayered research. All studies that have been analyzed in the field of international market entries conducted a fully quantitative or qualitative research, however, none of them have combined both type of studies in a multilayered research.

This study tries to fill the research gap by conducting a research that consists of a qualitative part, which is based on an extensive review of the extant literature and in-depth interviews with experts in the field of automotive, and a quantitative part, which is based on a statistical analysis of previously performed market entries on the automotive market. In this way, this study aims to contribute to the extant literature and the corresponding research methodologies.

3.3 Research methodology description

Prior to the description of the research methodology of this study, it is vital to elaborate on the difference between quantitative and qualitative research in order to understand why a combination of research methodologies has been chosen.

Punch (2014) explains the difference between quantitative and qualitative research. Quantitative research is a variable-oriented research, whereby the relationship between several variables is analyzed in an empirical way with a focus on numerical data. Qualitative research, on the contrary, is case-oriented, in which certain phenomena are explained by looking at the reasons why and how certain relationships exist.

This requires a thorough investigation of specific cases and corresponding situations instead of analyzing large amounts of numerical data. Hence, there is a significant difference between quantitative and qualitative research. However, the importance of combining both types of research methods when studying a certain phenomenon is highly stressed by Punch (2014). He stated that in order to have a full understanding of a specific topic and to perform a high-quality research, the use of academic research based on a mix of both methods is needed.

Onwuegbuzie and Leech (2005) suggested that by using quantitative and qualitative research within the same framework, it is possible to incorporate the strengths of both methodologies. Moreover, by considering both types of methods and combining them, the researcher enables itself to address the research questions in a way that suits the research the best. Therefore, the use of both methods can be highly beneficial and useful for academic research, since several problems associated with the use of a single research method can be significantly reduced or solved.

Based on these findings and the purpose of the research, this study will consist of three parts that will complement each other to increase the validity of the outcomes.

First of all, a literature study will be conducted in which the extant literature will be reviewed and summarized as key findings. This makes it possible to compare the findings from the extant literature with the key findings from the research. The literature study will focus on the research that has been conducted on the topic of international market entries, thereby having an emphasis on external and internal factors that influence the successfulness of a market entry. Based on the extant literature, the most relevant factors in the field of international market entries can be identified. Consequently, the most relevant factors can be taken into account in the second part of the research, the quantitative analysis.

The empirical part of the research will be executed by collecting and analyzing quantitative data from various data sources and subsequently investigating the relationships between several variables. The quantitative analysis enables one to determine the significance of severable independent variables on the dependent variable of interest. Correspondingly, by performing a quantitative research, it becomes possible to statistically analyze the variables of interest and accordingly identify the key factors that have a significant effect on the successfulness of a market entry.

The third part of the research is qualitative, in which an explanation is given for the relationships found in the quantitative part of the research. This part will consist of nine interviews with experts in the field of automotive and international market entries.

The qualitative part provides a more thorough understanding of the complex relationships, thereby revealing crucial background information which explains why certain behavioral patterns exist. Moreover, the qualitative part adds a new dimension to the research by supporting, contradicting or correcting the quantitative outcomes with real practice views and experiences. In this way, the research outcomes will be displayed in a broader context which causes the results to be more valid and subsequently more applicable to the real-life business environment. Lastly, the qualitative part will incorporate recommendations and criticisms from the interviewees with regard to the international market entry strategies of car brands. Consequently, this will contribute to the development of an international market entry strategy that can increase the odds of having a successful market entry.

In conclusion, the research methodology will be based on a literature study, a quantitative analysis and a qualitative part using expert interviews. In this way, this study aims to investigate the effect of several key factors on the successfulness of market entries on the automotive market, whereby the validity, reliability and generalizability of the research outcomes will be preserved as much as possible.

3.4 Data collection methodology

To conduct the quantitative part of the research, the relevant and appropriate data had to be collected. To be able to perform the statistical analysis, all variables of interest had to be quantifiable. Consequently, several data sources had to be used and specific relevant information had to be consulted at multiple authorities.

The selection of an appropriate data selection method was therefore crucial in order to obtain the required data for the analysis. Stock and Watson (2015) have proposed several general data collection methods which can be chosen for research, which included: direct observation, surveys, personal interviews, mail questionnaires and online registers (public data sources).

The use of direct observations was not suitable, since the data for the quantitative analysis could not be measured directly from one source but had to be collected from several online registers and specifically requested sources (table 2). The required database has been built by processing numerous observations from various sources and combining them into one large data source.

This study makes use of external data in order to retrieve factual observations and to conduct a representative statistical analysis. For the purpose of the research, questionnaires or surveys were not suitable, since the research is focused on objective measurable internal and external factors.

The use of opinions from a group of respondents does not fit the purpose of the research well, because the successfulness of an international market entry strategy should not be measured based on people's valuations, but on actual figures. Due to the inappropriateness of a survey, the quantitative analysis has been fully focused on external factual data which has been collected, adapted and generated in line with the purpose of the study.

The data that had to be collected needed to be variable-specific, which meant that all variables that were incorporated in the empirical analysis had to be quantified and assigned an independent value. To be able to find these data, various external data sources were consulted. Table 2 represents the different variables that were incorporated in the research, their description and the data source that was needed to quantify the variable.

By collecting documents and records from several databases and generating new data based on various calculations, it became possible to create a new database. The calculations consisted of computing the financial resources and market experience of a car brand, the economic and cultural distance between countries, and the market size, openness and risk of the host country.

Furthermore, the use of personal interviews was implemented as a data collection method for the qualitative part of the research. The personal interviews supported the research by providing in-depth knowledge coming from automotive experts which could explain the quantitative relationship between several variables. As a result, the research could obtain a multidimensional character whereby quantitative and qualitative researches were combined.

Table 2: Data collection – variables and data sources

Variable	Description	Data source
Entry mode	Entry strategy	Car history sources – e.g. brand's website + official press releases
Firm size	Number of employees	Annual reports from car brands
Financial resources	Liquidity (cash flow)	Annual reports from car brands
Experience	Year of establishment until market entry	Car history sources and year of market entry
Economic distance	Difference between the GDP of the two countries	OECD.org/data.worldbank.org
Cultural distance	Numerical difference based on 6 dimensions.	Hofstede Insights

Market size	Population size	OECD.org/data.worldbank.org
Country Safety	Degree of political, financial and economic risk	International Country Risk Guides
Country openness	Foreign Direct Investment in host country	OECD.org/data.worldbank.org

The variable 'entry mode' describes the entry strategy of the car brand when it entered a new foreign market. In this research, the following entry modes were included: export, franchising, joint ventures or strategic alliances and wholly owned subsidiaries. To be able to gather data about the entry mode of the car brand, it was vital to analyze the history of the brand's international operations. This means, reviewing the historic timeline of each car brand, to identify when it had entered a new foreign market and through which entry mode. Most of the historic expansion paths of the car brands could be found on the official website of the brand. However, in some cases the information on the official car brand website was not sufficient. In such cases, to obtain enough additional information in order to carry out the research, various official press releases concerning the international operations of the car brands were consulted. Combining both sources of information, it became possible to determine the year of entry and the corresponding mode of entry into the new foreign market.

The same data collection strategy was used to gather information about the experience of the car brand on the international automotive market. In this case, the difference between the year of establishment and the year of entry into the new foreign market was calculated on the basis of information coming from the historic archives on the car brand's official website.

To calculate the firm size and the financial resources of the car brand, it was necessary to collect data about the assets and the number of employees of the car brand. Since this concerns internal information about the car brand, the data had to be gathered from multiple officially published annual reports, which could be found on the corresponding websites. An overview of the official car brands' websites that have been used in this research can be found in appendix A.

The variable 'economic distance' measured the difference in GDP between the country that was entered and the country-of-origin of the car brand. This variable was created to see if large economic differences between countries could lead to significant differences in the successfulness of the market entry.

The information regarding the GDPs of the countries could be collected from the official website of the Organization for Economic Co-operation and Development, OECD.org. This website contains national information of all countries that are part of the OECD covering multiple topics ranging from society and health care to economic development. However, only 37 countries are member of the OECD, this means that a majority of countries are not included in the data from the OECD. Several market entries were executed in countries that were not part of the OECD, for example, Opel's entrance into the Malaysian market. To solve problems concerning representativity, relevant information about the countries that were not part of the OECD was collected from the official website of the World Bank, which included information about 189 countries in the world. With the use of both data sources, it was possible to find the required information about the economic distance between the countries of interest.

Accordingly, the websites of the OECD and the World Bank were also used to collect information about the market size of the country, which was based on the population size of the country, and the openness of the country that was entered, which was based on the level of foreign direct investment into the host country. The country's openness was calculated by dividing the level of foreign direct investment cash inflow in the host country by its corresponding GDP. In this way, a fraction could be obtained for each country separately, which would indicate the convenience of doing business in the host country. The higher the value of the division, the greater the openness of the host country to do international business.

To collect data about the variable 'cultural difference' another source had to be consulted. The variable 'cultural difference' measured the difference between the cultures of the host country and the country where the headquarters of the car brand were based. This difference was based on a six-dimension model that was created by the company Hofstede Insights which is specialized in organizational culture and intercultural management. The model was built on the findings of the works of Professor Geert Hofstede in the field of intercultural research and studies. The Hofstede approach consists of six cultural dimensions which define the national culture of a country and allow for international comparison.

The six dimensions include: 1) the power distance index (PDI), which indicates the level of equality of power within the country. The higher the index, the higher the level of social inequality among the members of society. 2) The individualism versus collectivism index (IDV), which denotes the strength of the social framework within the country. A higher index means a higher level of self-care and individuality. 3) The masculinity versus femininity index (MAS), which demonstrates the toughness or tenderness of the society.

A high index indicates that society is harsh and competitive, and a low index indicates a softer and consensus-oriented society. 4) The uncertainty avoidance index (UAI), which indicates the degree of risk-averseness of the society. A high index points out a strong control coming from society, which means maintaining rigid codes of conduct and intolerance of deviancy, whereas a low index indicates a more relaxed society where practice is more important than principles. 5) The long-term pragmatic orientation versus the short-term normative orientation index (LTO), which denotes the existential goals of society. A high index indicates that the country values the future possibilities more than the present situation and is inclined to make changes in order to prepare for the future. Whereas, a low index indicates that the country strongly values tradition and therefore remains conservative about societal changes. 6) The indulgence versus restraint index (IND), which demonstrates the level of gratification of needs. A high index means that society is inclined to be less bound by social norms which restrict the enjoyment of life but are more attracted to social norms that allow for having fun. A low index indicates a society which tries to suppress the gratification of needs and preserve moderation with strict social norms.

With the use of the Hofstede six dimensions model, it became possible to calculate the difference between the national culture of the host country and the home country, and subsequently quantify the variable indicating cultural difference.

Finally, it was necessary to collect data about the riskiness of the host country that was entered by the car brand. This variable was defined as 'country safety', which indicates the degree of risk of entering the market in the host country. The variable displayed a high value when the country possessed a high safety ranking and the variable displayed a low value, when the country had a low safety ranking. The riskiness of the country was defined as a measure from 0 to 100, whereby the number 0 indicates no safety (maximum risk) to do business and the number 100 indicates full safety (no risk).

The riskiness was based on three types of risks, which included: political, financial and economic risk. Johnson and Tellis (2008) encouraged the use of the International Country Risk Guides in order to determine the riskiness of a certain country. They state that the International Country Risk Guides possess a multidimensional measure which takes each component of country risk into account by virtue of economic, financial and political risk. As a result, the measure captures the level of country risk with the greatest possible accuracy and therefore seems to be the most suitable measure to quantify the variable 'country risk' in this research.

The International Country Risk Guides are published every year by the PRS Group and every issue provides the economic, financial and political risk of each country that has been monitored (140 countries worldwide). However, the guides provide information for every year separately and therefore all desired issues need to be purchased independently and directly from the PRS Group. Due to the large amount of required data (all available issues from 1984 until the present) and the limited financial budget of the research, direct collection of the risk guides was not feasible.

Fortunately, by special request, the World Bank provided a specified database which included all data regarding international country risk from 1984 up to and including 2017 for all 140 affiliated countries. The database was based on the International Country Risk Guides made by the PRS Group and it was especially designed for research by the World Bank.

Through the use of data coming from the International Country Risk Guides, it became possible to calculate the riskiness of each country that was entered by a car brand separately, which subsequently allowed for comparison and quantitative analysis.

To summarize, table 3 represents an overview of the dates of retrieval of the data sources and how they were obtained.

Table 3: Data collection overview and sequence

Type of Data	Date of Retrieval	Data collection method
➢ **Entry mode** ➢ **Experience**	1st of May 2018	Official websites of the car brands
➢ **Firm size** ➢ **Financial resources**	12th of May 2018	Annual reports from official websites car brands + official press releases concerning the annual results of the company.
➢ **Economic distance** ➢ **Market size** ➢ **Country openness**	14th of May 2018	Data.oecd.org/data.worldbank.org
➢ **Cultural distance**	22nd of May 2018	https://www.hofstede-insights.com/product/compare-countries/
➢ **Country risk**	31st of May 2018	Data received from World Bank statistics team via data@worldbank.org by special request

3.5 Interviews with experts

The qualitative part of the research has been based on nine interviews with specialists in the field of automotive. The interviews were aimed at obtaining authentic insights with regard to international marketing and positioning strategies. The interviewees have been chosen based on their diverse background and expertise in order to provide an all-round perspective on the topic of international market entries on the automotive market.

The advantage of conducting interviews with experts in the field of automotive is that it provides an explanation for certain trends that are visible in the quantitative analysis. The qualitative part complements the quantitative analysis which leads to a more comprehensive interpretation of the outcomes. Besides, all experts have gathered much experience in real practice, which contributes to more valid and representative research outcomes.

The interviews were conducted in a predetermined way, which means that the questions were asked in the following order: a general question to comfort the interviewee, specific questions to gain knowledge about the core issue of the research and finally individual-based questions to enquire about the personal views of the interviewee on the topic. The questions were made by virtue of the findings of the literature study and the quantitative analysis.

All interviewees were first contacted by email to ask if they were willing to answer some questions on the topic of international market entries on the automotive market. Besides, the interviewees were asked if they would prefer to be interviewed by email, phone or face-to-face. Five out of the nine interviewees preferred to be interviewed by email, since they wanted to study the questions and prepare their answers in advance. One interviewee asked for a conversation by phone prior to the interview in order to assess the questions and the purpose of the study. Ms. Kuch from Daimler AG asked for a telephonic assessment on Monday 16th of July at 10.30 am. Directly after the assessment, she was willing to answer all questions by phone. Four out of the nine interviewees preferred to be interviewed by phone. Two of the four interviews that were conducted by phone have been recorded, based on the approval of the interviewees, whereas the two other interviewees agreed with a written transcription of the interview.

All of the interviewees were informed about the purpose of the research, the relevance of the interviews, the processing of their answers and the use of their answers in the research. In addition, the confidentiality of their answers was guaranteed by agreeing to only use the answers for research purposes only.

24 other experts were approached for an interview, however, they were not able to answer within reasonable time, due to unavailability, private reasons, company regulations or the fear to leak sensitive company information. Ultimately, this led to a response rate of 28, 1%, since nine out of the 32 approached experts were willing to give a full interview. Hence, based on the time span of the research and the response rate, the total number of interviews was limited to nine experts.

Most of the interviews started with a broad question about the rise of upcoming markets like the BRIC countries. The interviewees were asked what their predictions were about the development of the automotive industry and the future significance of these upcoming markets. In the other cases, the interview was started with a generic question about the company with which the interviewee was affiliated. After the generic question, the specific questions were based on the expertise of the interviewee and their view on the topic of international market entries on the automotive market.

Lastly, the personal questions were focused on the opinion of the interviewee about the relevance of certain internal and external factors when entering a new foreign market and the interviewee's personal view about the future of the automotive industry.

In order to limit possible research bias to a minimum, all questions were asked with an open-end and with a special focus on the interviewees' personal opinion, without judging the content of the answers. Additionally, by enabling the interviewee to answer the questions freely and by allowing them to tell any complimentary information, new insights and details were obtained, which would not have been found when the predefined questions could solely be answered by a simple yes or no.

Besides, before approaching the interviewees, their corresponding background was checked to prevent that the answers would be biased due to an insufficient separation in corporate interests, field of expertise or personal connections. Furthermore, to prevent that the order in which the questions were asked would influence the answers, the so-called priming of questions, the order was randomized for every interviewee. In addition, the questions were specifically designed for each interviewee separately, based on their expertise, in order to obtain varying answers.

Lastly, the researcher tried to take away all barriers that could have limited the interviewee to give his honest opinion. This means that the researcher has tried to pose all questions in the most objective and unbiased way as possible and did not to try to influence the answers of the interviewee for the sake of the research outcomes. All in all, the researcher has tried to conduct the research with the greatest care for the required research ethics.

To conclude, table 4 provides a general overview of the interviews that have been conducted in the research.

Table 4: Overview of the conducted interviews

Interviewee	Job	Date	Time	Interview Type	Interview language
Willem Jan Oosterveld	General Manager and Marketing Mitsubishi Motor Sales	13th of July	14:31	Email	Dutch
Susanne Kuch	External Affairs Daimler AG	16th of July	10:30	Telephone	English
Bas van Werven	Dutch presenter, journalist and automotive expert	17th of July	10.30	Telephone	Dutch
Bas Heideman	Chief Editor of Top Gear Magazine	17th of July	12.15	Telephone	Dutch
Ashwin Boedhoe	Public relations Suzuki Motors The Netherlands	18th of July	13.48	Email	Dutch
Willem Verschuur	General Manager Marketing at Louwman and Parqui B.V.	20th of July	08.00	Telephone	Dutch
Market Management Department MBC	Mercedes-Benz International Operations Department	24th of July	18.33	Email	English
Product Management Department	Mercedes-Benz Beijing Sales Service Co., Ltd.	25th of July	14.33	Email	English
Corporate Communications Department	Royal Dutch Touring Club ANWB	25th of July	14:52	Email	Dutch

3.6 Data analysis methodology

The quantitative analysis has been based on a historical examination of 202 market entries of 33 car brands in the period from 1984 up to and including 2017. This period of examination has been chosen, since it was vital that there was sufficient information for every variable in the analysis. The information about country risk did not go further back than the year 1984. Besides, the annual reports of several car brands, which were essential for the variables 'firm size' and 'firm resources', became less available, reliable and accurate before the year 1985. Therefore, the time horizon of the research was limited to a period of 33 years. In order to collect data about the market entries of several car brands, careful examination of the records concerning market entries of the past was required.

When analyzing a specific market entry, it was necessary to collect all relevant data for each independent variable separately in order to examine the relationship between the external and internal factors concerning a market entry and the corresponding successfulness. However, for each independent variable, several computations had to be made, to match the data with the corresponding variable in order to be compatible for analysis.

The first independent variable was the mode of entry of a certain car brand. The variable was categorized into the four most commonly used entry modes on the automotive market. Based on the historical analysis of the market entries, the following four categories were made: category 1 = export, category 2 = franchising, category 3 = joint ventures or strategic alliance, and category 4 = wholly owned subsidiaries.

Subsequently, the variable 'firm size' had to be calculated by looking at the total number of employees affiliated with the car brand in the year it entered the new foreign market. The number of employees could be found in the company profile section of each annual report.

Correspondingly, the variable 'financial resources' could be retrieved from the financial statements of the brand, which could be found in the annual reports. The variable was calculated by analyzing the assets of the car brand in the year that the new foreign market was entered. Accordingly, it became possible to determine the liquidity of the company. Based on the condition that the liquidity of the firm should be calculated in the same way for all car brands, it was necessary to search for a common denominator across all financial reports, which would unanimous indicate the degree of liquidity of the firm. It was found that all car brands assessed their liquidity based on the amount of cash and cash equivalents that the company possessed in a certain year.

Subsequently, this measure of liquidity was incorporated into the research in order to determine the degree of liquidity of the company. Consequently, the degree of liquidity was used to assess the magnitude of the firm's financial resources. Liquidity is a valuable tool to determine if a company is able to use its current assets to meet its current liabilities, which indicates if the company has a financially strong or weak position. Besides, a high liquidity suggests that the company is able to generate sufficient cash in order to expand the business and to meet its obligations. As a result, the liquidity of a company is a recommended measure to assess a company's financial position and the strength of its financial resources (Weygandt, Kimmel and Wiley, 2015).

Thereafter, the independent variable 'market experience' had to be calculated. The variable was computed by taking the difference between the year a car brand entered a new market and the year the brand was established. In this way, the amount of years that a car brand had been active on the automotive market could be investigated. The larger the amount of years that a car brand had spent on the automotive market in the past, the higher the amount of market experience that could be attributed to the car brand.

Furthermore, the independent variable 'economic distance' had to be computed in a way that made comparison between countries possible. The difference could be measured by subtracting the GDP of the host country from the GDP of the home country (the country where the car brand has its headquarters). Due to the fact that in certain situations the GDP of the host country exceeded the GDP of the home country, which would lead to a negative outcome, the difference in GDP between the countries had to be measured in absolute values. This means that the outcomes could not be negative, since they were automatically transformed into non-negative values. In this way, the magnitude of the difference in GDP could be analyzed without encountering problems in the sign of the difference (positive or negative). Hence, the variable was calculated in the following way:

$$\text{GDPdifference} = \left| \text{GDPhome - GDPhost} \right|$$

Next, the market size had to be calculated on the basis of the population size of the host country. To be able to indicate the size of the market, the number of citizens of the host country was used as a measure. Due to the limitations in the available data about the target population in each host market (car buyers), the entire population size was adopted as a reference to estimate the market size. In other words, the population size of the country would be used as an indicator of the potential market size of the host country.

To quantify the independent variable 'country openness', the amount of Foreign Direct Investment (FDI) in the host country needed to be calculated. The Foreign Direct Investment flows indicate the value of cross-border transactions concerning direct investment in a certain country during a specific period of time. To estimate the openness of a country, the amount of net inflows was retrieved for each host country. The inward flows represent the willingness of foreign investors to invest into the specific host country and therefore indicate the FDI restrictiveness of the country and the corresponding openness. After the total amount of FDI inflows was obtained, it was divided by the country's GDP to assess the country's openness. Dividing the FDI inflows by the GDP was crucial in order to prevent biased results, due to the size of the host country's economy. Countries with a large economy usually receive higher amounts of foreign direct investments than countries with a smaller economy, due to the difference in economic activity. However, this does not reflect the openness of a country accurately, since it does not solely depend on the amount of inflows. The openness can be assessed by looking at the fraction that depicts the amount of FDI inflows divided by the total GDP of the host country. This will give an accurate representation of the convenience to do business in a country.

To illustrate this consideration, a significant example can be found in the country openness valuations between the Netherlands and China. The amount of FDI inflows (i.e. in 2014) is much larger in China ($268.1 billion) than in the Netherlands ($117.6 billion), thus, judging solely based on the amount of inflows, this would suggest that China has a more open economy than the Netherlands. However, when dividing the amount of FDI inflows by the GDP of the country, it is clearly visible that the fraction is much larger for the Netherlands (0.13) than for China (0.03), indicating that the Netherlands is more open for international business than China. This gives a result which fits the real practice more accurately, since the Netherlands has been ranked as one of the most open economies in the world (Volkskrant, 2013). Hence, the use of a fraction that depicts the amount of FDI inflows divided by the country's GDP, which indicates the country openness, leads to more valid results than in the case of solely measuring FDI inflows.

The cultural distance between countries formed another external factor, which was incorporated as an independent variable in the model. The cultural distance between countries was calculated by virtue of the Hofstede Insights. The six-dimension model of the Hofstede approach allowed for the computation of the cultural difference between the host and the home country. The difference of each of the six dimensions between the countries (power distance, individualism, masculinity, uncertainty avoidance, long-term orientation and indulgence) could be computed to obtain the overall cultural difference. In essence, this means that for each dimension a corresponding score could be calculated, after which all independent scores could be added to one overall score.

However, like in the case of the variable 'economic distance', it could be possible that the difference between two countries with respect to one specific dimension of culture would result in a negative outcome. In order to solve this problem, equivalent to the variable 'economic distance', the results were noted as absolute values, which could not be negative. Consequently, the magnitude of the cultural difference could be analyzed, and the corresponding significance could be tested. The difference between the six dimensions of culture was calculated as follows:

$$\text{Cultural difference} = |\text{Power Distance}_{home} - \text{Power Distance}_{host}| + |\text{Individualism}_{home} - \text{Individualism}_{host}| + |\text{Masculinity}_{home} - \text{Masculinity}_{host}| + |\text{Uncertainty Avoidance}_{home} - \text{Uncertainty Avoidance}_{host}| + |\text{Long Term Orientation}_{home} - \text{Long Term Orientation}_{host}| + |\text{Indulgence}_{home} - \text{Indulgence}_{host}|$$

The independent variable 'country safety' was calculated by virtue of the International Country Risk Guides. The approach of the risk guides is to give a numerical value to a country representing the corresponding riskiness. The value 0 represents a maximum risk and no safety and the value 100 represents no risk and full safety. Between these two values, the safety of a country is assigned a number between zero and hundred, e.g. 50 indicating moderate safety. Hence, a specific value could be attributed for each country's safety at the moment that the market was entered by a car brand.

The dependent variable of the model was the 'successfulness of a market entry', in which an increase in the dependent variable indicated an increase in the odds of having a successful market entry and a decrease in the dependent variable indicated a decrease in odds of having a successful market entry. The successfulness of a market entry is a relative variable, since the definition of success is open to interpretation. However, in this research, the preference is given to the evaluation of success carried out by Johnson and Tellis (2008). They made use of a multifactored outline, whereby several financial and non-financial performance measures are considered and subsequently the degree of success can be put into one of the five existing categories of success.

In spite of the existing framework created by Johnson and Tellis (2008), the degree of success had to be determined in a slightly different way in this research, due to differences in the amount of available information regarding the market entries of the car brands. Therefore, the following evaluation framework (table 5) had been created to determine the successfulness of a market entry.

Table 5: Framework for defining market entry success

Evaluation Market Entry	
Successful Entry: 5	•Sales growth leader •Above-average industry leadership in market share growth •Top three in profit growth •Top three in sales growth •Top three return on investment growth •Firm impressed by market entry success •Substantial publicity about market entry success
Good Entry: 4	•Above-average sales growth •Rapidly gaining market share •Increasing investments •Rising profits •Above-average return on investment •Firm enthusiastic about market entry
Acceptable Entry : 3	•Average sales growth •Steadily increasing market share •Constant investment rate •Break-even revenue •Continuing operations •Average return on investment growth •Firm moderately positive about market entry
Poor Entry: 2	•Below-average sales growth •Fail in obtaining market share •Decreasing investment rate •Making a significant loss •Below-average return on investment •Firm is being outperformed by competitors •Firm is frustrated about the market entry
Failed Entry : 1	•Quit or withdrawal from market •Break up with partners •Large losses due to failed market entry •Firm announces failure of the market entry

Consequently, all independent variables were computed separately for each market entry executed by a car brand into a new foreign market. In total, 228 market entries were fully analyzed for the sake of the research. However, 26 market entries could not be verified through official reports and several records were missing that were vital for further analysis. Therefore, these observations were excluded in order to have a complete database with fully verified records and no missing values. As a result, the research covered 202 market entries that were suitable for further analysis.

All observations were collected and processed into one large dataset, which made an analysis of the relationship between the internal and external factors of a market entry and the degree of successfulness feasible. As a result, the significance, strength and magnitude of the independent variables could be calculated, and the effect of the corresponding relationship could be quantified and estimated.

The analysis of the data was based on a regression model, which gives an explanation for the relationship between several independent and one dependent variable. This model was chosen, since the research is focused on the relationship between the internal and external factors relating to a market entry and their corresponding effect on the successfulness of the market entry. However, as can been seen in table 5, the dependent variable has been categorized in one of five possible categories. The five categories have a clear ordering from low to high successfulness, in which category 1 indicates a failed entry and category 5 indicates a successful entry. However, they cannot be treated as an interval variable, since the differences between the categories do not have a meaning. In other words, a market entry which falls in category 2 (a good entry) cannot be valued as twice as good than an entry which falls in category 4 (a poor entry). To have statistical accurate and valid results, it is vital to have a correct classification of the dependent variable.

In this case, the dependent variable is ordinal, which means that a simple linear regression model does not suffice to analyze the results, but an extended and appropriate alternative has to be used. The ordinal regression model is the adequate regression method in the case of an ordinal dependent variable, since it solves the problem of an ordinal classification of the dependent variable, which impedes the use of a simple linear regression.

An ordinal regression allows for the analysis of the significance of the effects of various independent variables on the ordinal dependent variable. The analysis is based on the odds that a change in a certain independent variable leads to a higher or lower value of the dependent variable. With regard to categorical independent variables, ordinal regression enables the interpretation of the odds that a certain group (e.g. entry mode 1 = export) will result into a higher or lower value of the dependent variable compared to another group (e.g. entry mode 4 = wholly owned subsidiaries). This allows for the comparison between multiple groups in the analysis. With regard to continuous independent variables (e.g. financial resources), ordinal regression makes it possible to see the effect of an increase or decrease in one unit of the independent variable on the odds that the value of the dependent variable will be increased or decreased. Furthermore, the approach gives a possibility to predict the dependent variable with the use of the independent variables, which means that the prediction power of the ordinal regression model can be determined.

In principle, the ordinal regression model could be performed by using various different statistical methods, which include: OLS regression, ANOVA, multinomial regression, ordered probit regression and an ordered logistic regression (Moore, McCabe, Craig, Alwan and Duckworth III, 2011). The OLS regression would not be feasible, since the assumptions of the OLS, which are prerequisite to do the analysis, are violated due to the non-normality of the dependent variable. This means that the error terms will not be normally distributed, that there will be heteroskedasticity and that the predicted values will fall outside the logistic boundaries of zero and one (boundaries of an ordinal dependent variable). In short, since the dependent variable is not an interval or continuous variable, but an ordinal variable, an OLS regression would not be suitable to do the analysis. When a variable has a normal distribution, it is possible to use a simple linear regression model, yet, this is not the case for an ordinal dependent variable. Therefore, it was neither possible to use an ANOVA analysis, since it is based on the assumption that the population is normally distributed. Besides, the comparison between several populations was not the scope of the research.

A multinomial regression is also based on a logistic regression function, however, it can only be used when there is a categorically distributed dependent variable, this means, the dependent variable can be classified into several categories, which are not ordered. In this research, the dependent variable is defined as the successfulness of the market entry, which has been classified into five categories that are ordered from low successfulness to high successfulness. So, the multinomial regression would not be suitable in this case. Therefore, the method was not used in order to conduct the analysis.

Hence, the appropriate models to analyze an ordinal dependent variable are: the ordered logistic and ordered probit model.

In practice, the results of the analysis are very similar without any significant difference in the inferences. The main difference lies in the interpretation of the results. Using the logistic function, it becomes possible to interpret the odds ratio of the results. This means that the coefficients from a logistic regression can be transformed into odds ratios by exponentiating the value. Consequently, it becomes possible to determine the predicted change in the odds of falling in another category of the dependent variable (ordered categories) when the unit of a certain variable is increased or decreased. A logistic regression allows for the interpretation of the coefficients in order to determine their significance and magnitude in explaining the dependent variable, whereas the coefficients of a probit regression are much more difficult and less straightforward to interpret.

Since this research is aimed at investigating and interpreting the effects of several internal and external factors on the successfulness of a market entry, the ordinal regression based on a logistic function was preferred and was eventually chosen to conduct the analysis. Additionally, in SPSS the ordinal regression is automatically linked to a logit function, which enables for a comprehensive interpretation of the results.

Norris et al. (2006) stated that the ordinal regression model can make the most accurate estimations of the effects of the independent variables on the ordinal dependent variable in comparison with other possible regression models, i.e. simple logistic or linear regression models. A combination of ordinal and logistic regression models provides the most comprehensive interpretation of the results. Therefore, the choice for an ordinal logistic regression using odds ratios for interpretation prevails over other methods of analysis. Thus, the ordinal logistic regression model fits the purpose of the research best and is therefore used as the statistical method to perform the quantitative analysis.

Next, to be able to perform the ordinal logistic regression analysis, it is required to make use of adequate statistical software. There are various programs available, however, based on the purpose of the research and the deviant type of regression (ordinal instead of simple), there is one specific statistical software program that prevails, viz. SPSS (Statistical Package for Social Sciences). SPSS is a special statistical software program that has been specifically developed for quantitative analyses of large amounts of data.

Besides, SPSS allows for the investigation of the significance of several variables and their corresponding relationship to one another. Moreover, SPSS provides various tools for the examination of multiple variables, which allows for a more flexible research design and the possibility to use alternative statistical methods in order to obtain reliable, valid and robust results. In addition, SPSS possesses the option to perform the ordinal regression based on an ordered logit function, which has been found to be the most suitable analysis in order to obtain the desired results. Accordingly, the SPSS software offers multiple statistical tools to check the accuracy and representativeness of the results and to detect possible errors or deviations in the analysis.

Lastly, the SPSS program is praised and advocated by several researchers with regard to its superior capabilities in the case of ordinal regression analysis (Sentas, Angelis, Stamelos and Bleris, 2004; Chen and Hughes, 2004; Norris et al., 2006).

Based on the abovementioned reasons, the SPSS software program has been chosen to conduct the quantitative part of the research.

To conclude, table 6 represents an overview of the data analysis sequence of the research and the corresponding process stages to give an impression of the research analysis process.

Table 6: The sequence of the data analysis process

Process stage of the analysis	Time period
Data collection from several data sources	15th of April – 15th of May
Merging and inserting the collected data into one Excel database	16th of May – 28th of May
Perform data calculations to have numerical values for all variables	29th of May – 18th of June
Important Excel spreadsheets into SPSS dataset and control for errors	19th of June – 23th of June
Perform SPSS data analysis	24th of June – 30th of June
Check results for robustness and reliability	1st of July – 5th of July
Collect results and transform them into Word tables and figures	6th of July – 9th of July
Interpretation of results	10th of July – 14th of July

Chapter 4: Research outcomes

4.1 Descriptive statistics

Table 7 presents the statistical summary of the market entries that have been analyzed empirically. The table shows that a total of 202 market entries were analyzed for the sake of the research, whereby no missing values were detected. This means that for all market entries, all corresponding independent and dependent variable values were available and could be matched accordingly to the entry. From the marginal percentage column, which indicates the relative amount of observations for a certain category in comparison with the total number of observations, several conclusions can be drawn about the dominance of the categories. The categories comprising the acceptable and good market entries were dominant with a marginal percentage of 27.2%. These categories were followed by the poor entry (18.3%), the successful entry (17.3%) and the failed entry (9.9%) respectively. This means that the category with failed market entries was the least dominant of all types of market entries, which indicates that in this sample, the failed entry is the least common market entry to occur.

Furthermore, it is possible to draw conclusions about the dominance of the several entry modes. From table 7 can be deducted that export was by far the most dominant entry mode with a marginal percentage of 40.1%, followed by the joint venture or strategic alliance (21.8%), wholly owned subsidiaries (21.3%) and franchising (16.8%) respectively. The entry modes joint venture or strategic alliance and wholly owned subsidiary share an almost equal share of market entries frequency, whereby franchising occurs less frequently, indicating that it is least doming entry mode.

Table 7: Descriptive statistics summary of the empirical analysis

Case Processing Summary			
		N	**Marginal Percentage**
Successfulness of the Market Entry	**-Failed Entry**	**20**	**9,9%**
	-Poor Entry	**37**	**18,3%**
	-Acceptable Entry	**55**	**27,2%**
	-Good Entry	**55**	**27,2%**
	-Successful Entry	**35**	**17,3%**
Entry mode	**-Export**	**81**	**40,1%**
	-Franchising	**34**	**16,8%**

	-Joint Venture/Strategic Alliance	**44**	**21,8%**
	-Wholly Owned Subsidiary	**43**	**21,3%**
Valid		**202**	**100,0%**
Missing		**0**	
Total		**202**	

4.2 Validity of the model

In order to assess the validity of the model, several tests have been executed which indicate the significance, accuracy, consistency and explanatory power of the model.

Table 8 provides the model fitting information, which indicates the statistical significance of the model. When the p-value (significance) is below the significance level of 5% (0.05), then it is allowed to assume that the model is statistically significant. There are several aspects of the test that need further clarification in order to understand the outcome. The 'intercept only' box suggests a situation whereby there are no predictor (independent) variables and there is only one intercept that tries to predict the dependent variable.

The 'final' box compares the outcome with the outcome of the 'intercept only' box and checks if the model, that included multiple predictor variables which maximize the log likelihood of the outcome, leads to an improvement of the intercept only model. The difference can be retrieved from the '-2 Log Likelihood' column, whereby the significance is calculated through a Chi-square test, which tests if at least one of the predictor variables is not equal to zero. In other words, it tests if at least one of the predictor variables has some explanatory power. The 'df' box shows the amount of degrees of freedom of the Chi-square distribution that are used to calculate the Chi-square statistic. Consequently, the p-value, which is shown by the box 'sig.' (significance), indicates the probability that the predictor variables have no effect and are therefore equal to zero (the null hypothesis). The significance level of 0.000, which can be seen in the last column of the table, indicates that at least one predictor is not equal to zero and that the null hypothesis can be rejected. Correspondingly, the conclusion can be drawn that the model is statistically significant and is therefore appropriate to use for the analysis of the estimates. Additionally, it should be noted that the ordinal regression analysis is based on a logistic function (linked), which explains why it is mentioned in the last row of the table.

Table 8: Model Fitting Information

Model Fitting Information				
Model	**-2 Log Likelihood**	**Chi-Square**	**df**	**Sig.**
Intercept Only	**627,015**			
Final	**547,746**	**79,270**	**11**	**,000**
Link function: Logit.				

Moreover, it is vital to test if the model fits the observed data well and if the observed data are consistent with the model. The test examines the difference between the observed values and the values that are expected under the model. The null hypothesis states that the model fits the data well, whereas the alternative hypothesis states that the model does not fit the data well. Therefore, it is crucial that the null hypothesis will not be rejected, which means that the p-value (significance) of the test should be greater than the significance level of 5% (0.05). The test has common features like the model fitting information test, such as the Chi-square test and the use of degrees of freedom. Nevertheless, the test has two additional features, the Pearson value and the Deviance value. Both display the results of two types of Goodness-of-Fit tests.

A Pearson Goodness-of-Fit test is based on a score test and a Deviance test is based on a likelihood ratio test statistic (Moore et al., 2011). The goal of the tests is to see if the model fits the data in a sufficient way or if the model needs additional interactions or non-linearities in exchange for a better fit. When the p-value is below 0.05, the model does not fit well and should be modified. As can be seen from table 9, the p-values from both the Pearson test and the Deviance test are significantly higher than 0.05, which demonstrates that the model has a statistically good fit with the observed data.

Table 9: Goodness-of-Fit test

Goodness-of-Fit			
	Chi-Square	**df**	**Sig.**
Pearson	**792,625**	**793**	**,497**
Deviance	**547,746**	**793**	**1,000**
Link function: Logit.			

In a simple ordinary least squares regression (OLS) it is possible to calculate the R-squared test statistic, the so-called coefficient of determination, to determine the proportion of variance in the dependent variable that can be predicted by the independent variables. In other words, it indicates how well the outcomes are predicted by the model. So, the higher the score of the test statistic, the higher the predictive capability of the model. However, in the case of a (ordinal) logistic regression, a simple R-squared test statistic cannot be computed, since the relationship between the independent and the dependent variable is not linear, and the dependent variable is not continuous. To assess the predictive power of a (ordinal) logistic model, several measures have been invented, but there is no consensus about which method should be used (Cohen, Cohen, West and Aiken, 2002). In general, there are three types of measures that are most commonly used to give an assessment about the predictive power of the model, which are also the most recommended ones for advanced statistics (Allison, 2014). The Cox and Snell, Nagelkerke and McFadden tests have different statistic foundations, but all three give a rough estimation about how much of the variation is explained by the model.

Despite the fact that the models try to give an impression of the predictive power of the model, the results cannot be interpreted in the same way as the results of a simple R-squared test from the ordinary least squares regression. Interpreting the results from the pseudo R-squared test without comparison does not have a statistical significance. In other words, the standalone results are not meant to be interpreted, but they serve as a tool to compare the predictive power of various models.

Table 10 represents the results from the Pseudo R-squared test regarding the most predictive model in order to give an impression about the goodness of fit of the model. There is no clear criterion about what an acceptable Pseudo R-squared value is due to the difference in outcomes between the various measures (Cohen et al., 2002). Nevertheless, if the highest Pseudo R-squared value is analyzed from the table, it possible to conclude with great caution that the value of 0.340, coming from the Nagelkerke statistic, indicates that the model has a good fit with the observed data (34% of the variance is explained by the model, an acceptable range according to Moore et al., 2011).

Table 10: Pseudo R-Square test

Pseudo R-Square	
Cox and Snell	**,325**
Nagelkerke	**,340**
McFadden	**,126**
Link function: Logit.	

Finally, it is crucial to test if the proportional odds assumption of the ordinal logistic regression is respected or violated. The proportional odds assumption states that the slopes of each variable stay the same across different logit equations, indicating that there is constant proportionality. When the assumption is respected, then it is allowed to interpret the coefficients with the use of one model. If the assumption does not hold, several models need to be compared to describe the relationship between the different outcome groups.

The assumption can be tested by virtue of the Test of Parallel Lines, which checks if the odds for each variable are consistent across each outcome variable. In other words, it checks the consistency of the odds and therefore the validity of the model, which is an essential condition to interpret the results of the ordinal logistic regression. The null hypothesis of the test states that the slope coefficients are the same across all response categories. When the null hypothesis is rejected, the alternative hypothesis is accepted, which states that the odds are not consistent, thereby indicating that the proportional odds assumption has been violated. The null hypothesis is rejected when the p-value of the test (significance) is lower than the significance level of 5% (0.05). In the last column of table 11, it is possible to see that the p-value is higher than the significance level of 5%, namely 0.109 > 0.05. Therefore, the conclusion can be drawn that the null hypothesis is not rejected, which means that the proportional odds assumption is respected by the model. Consequently, it is allowed to interpret the coefficients without being hindered by validity issues.

Table 11: Test of Parallel Lines

Test of Parallel Lines[a]				
Model	**-2 Log Likelihood**	**Chi-Square**	**df**	**Sig.**
Null Hypothesis	**547,746**			
General	**504,510**[b]	**43,236**[c]	**33**	**,109**
The null hypothesis states that the location parameters (slope coefficients) are the same across response categories.				
a. Link function: Logit.				
b. The log-likelihood value cannot be further increased after maximum number of step-halving.				
c. The Chi-Square statistic is computed based on the log-likelihood value of the last iteration of the general model.				

4.3 Model estimates

Table 12 represents the final outcomes of the ordinal logistic regression. However, several terms of the table need further elaboration in order to be able to interpret the results.

First of all, there is a difference between the threshold estimates and the location estimates. The threshold value represents the response (dependent) variable in the analysis, whereby the estimates indicate the cutoff value between the different categories of the dependent variable. This means, the value whereby the transition from one category to the other is made. The cutoff demonstrates where the categories are differentiated in the case that the predictor variables would be equal to zero. So, when the predictor values would be zero and the response variable would have a value of -0.613 or less (column estimates, row 1 thresholds), then it would be classified as a failed entry (successfulness = 1). The successive threshold values share the same interpretation for each category of successfulness. The thresholds give an impression of the intercepts of the model, however, they are not the point of focus when interpreting the estimates of the model.

The location estimates indicate the slope coefficients, which are the parameters of interest in the analysis. Based on these estimates it is possible to investigate the magnitude of the effects of the independent variables on the dependent variable. The estimates are measured in ordered log-odds, which means that when the independent variable (predictor) is being changed by one unit, the dependent variable (response) is expected to change by the corresponding regression estimate in terms of log-odds, assuming that the other factors remain constant. The coefficients are measured in log-odds, because the model is linked to a logit function. The log-odds demonstrate the sign of the effect of a one-unit change in the predictor variable. In other words, it shows if the dependent variable will change positively or negatively by an alteration in the predictor variable. However, in order to analyze the magnitude of the effect it is beneficial to interpret the results in terms of cumulative odds ratios. The odds ratios indicate the odds, which depict the likelihood that a certain outcome will happen, that the dependent variable will have a higher value (i.e. higher odds of having a successful market entry), when the predictor variable is changed by one unit. The outcomes are measured in odds instead of probabilities, since the model is not based on a linear regression model, but on a logistic regression model. The odds ratios can be obtained by taking the exponent of the log-odds.

Furthermore, the standard error can be found in the table, which defines the standard deviation of the individual regression coefficients. The standard errors are used by the analysis to calculate the significance levels of the coefficients and the confidence intervals.

The confidence intervals indicate the percentage of confidence with which it is possible to say that the true value of the coefficient in an unknown population would fall between the stated intervals (Moore et al., 2011). In last column of table 12, the 95% confidence intervals can be found for each regression coefficient separately, which indicate that it can be stated with 95% confidence that the true value of the regression coefficient will fall between the calculated intervals.

The significance levels of all the predictor variable coefficients have been computed by virtue of the Wald Chi-Squared test, of which the test results are given in table 12. The Wald Chi-Squared test checks if the value of the estimates significantly differ from the value zero and can therefore be interpreted. The column containing the degrees of freedom of the test (df.) indicates the degrees of freedom that were required to test the significance of the coefficients. The degrees of freedom are necessary for the performance of the Wald Chi-Square test, which explains why they are used in the analysis. In essence, for each independent variable, one degree of freedom is required.

By running the Wald Chi-Squared test, the desired associated p-values are calculated (column Sig.), which enable the testing of the significance of the coefficients. The testing of the significance can be performed by comparing the p-values with a predetermined significance level of 5% (0.05). When the p-value is lower than 5%, it can be concluded that the estimate of the coefficient is significant and can therefore be interpreted. If the p-value is larger than the significance level of 5%, the coefficient is not significant and may not be interpreted, regardless of its sign or magnitude. The reason for this limitation can be found in the inability of rejecting the null hypothesis, which states that the estimate of the coefficient is equal to zero. In other words, if the null hypothesis cannot be rejected, it is required to regard the coefficient as not significantly different from zero, which takes away the possibility of interpretation.

In short, the significance levels (p-values) of the coefficients indicate if the estimates are significant, which subsequently determines if a further interpretation of the outcomes is allowed.

4.4 Interpretation of the outcomes

Based on the explanation of the various components of the analysis that can be found in table 12, it becomes possible to interpret the outcomes of the ordinal logistic regression analysis. The scope of the research is aimed at analyzing the effects of the independent variables (internal and external key factors) on the dependent ordinal variable (the successfulness of the market entry). Therefore, the estimates and corresponding significant levels of the coefficients that fall under the 'location' section have been further analyzed and interpreted.

Table 12: Outcomes of the ordinal logistic regression

Parameter Estimates								
		Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Threshold	[Successfulness = 1]	-,613	1,016	,364	1	,546	-2,605	1,379
	[Successfulness = 2]	1,003	1,012	,982	1	,322	-,981	2,986
	[Successfulness = 3]	2,567	1,029	6,219	1	,013	,549	4,584
	[Successfulness = 4]	4,233	1,051	16,219	1	,000	2,173	6,293
Location	Firm Size (thousands of employees)	-,006	,002	8,587	1	,003	-,010	-,002
	Financial Resources (billions of €)	,058	,031	3,528	1	,060	-,003	,119
	Experience	-,003	,005	,378	1	,539	-,012	,006
	Economic Distance (billions of $)	-,063	,039	2,577	1	,108	-,139	,014
	Cultural Distance	-,005	,002	3,850	1	,050	-,009	-0.000478
	Market Size (millions of people)	,001	,000	17,281	1	,000	,001	,002
	Country Safety	,053	,010	26,836	1	,000	,033	,073
	Country Openness	,036	,034	1,120	1	,290	-,031	,103
	[Entrymode=1]	-1,372	,372	13,629	1	,000	-2,101	-,644
	[Entrymode=2]	-,560	,430	1,694	1	,193	-1,402	,283
	[Entrymode=3]	,109	,415	,069	1	,793	-,705	,923
	[Entrymode=4]	0[a]	.	.	0	.	.	.

Link function: Logit.

a. This parameter is set to zero because it is redundant.

4.4.1 Firm size (thousands of employees) – internal factor

The effect of firm size is the first variable that has been analyzed by virtue of the ordinal logistic regression. The significance of the estimate, the p-value, shows if it is allowed to interpret the coefficient of the estimate based on its statistical significance. When the p-value is larger than the significance level of 0.05 (5%), then it is not allowed to draw statistically significant conclusions about the coefficient, because it cannot be proven that the value is significant different from zero, which impedes further interpretation. The p-value of firm size displays a value of 0.003, which means that the coefficient is strongly significant and can be interpreted, since 0.003 is much lower than the significance level of 0.05.

The estimate of the coefficient indicates a small and negative value of -0.006, which implies that firm size has a small negative effect on the successfulness of a market entry, however, this is measured in terms of log-odds, which can only indicate the sign (positive or negative) of the effect. To interpret the magnitude of the effect it is necessary to convert the log odds into proportional odds ratios, which can be done by taking the exponent of the estimate. In this case, that could be written down as $e^{-0.006,}$ which means that the exponent of firm size has been taken. This results into a value of 0.994 in terms of odds ratios. The value of the odds ratios is lower than 1, which confirms that the effect of firm size has a negative effect on the successfulness of the market entry. The interpretation of the value can therefore be formulated as follows, when the variable firm size is increased by one unit (one thousand employees), the odds of having a successful market entry (category 5 of the dependent variable) are 0.994 times lower compared to having a less successful market entry (categories 1 to 4), given that all other variables remain constant. In percentages this would mean that the odds of having a successful market entry is lowered by 0.6% (1-0.994 multiplied by 100), when firm size is increased by one unit (one thousand employees).

4.4.2 Financial resources (billions of €) – internal factor

The coefficient of the variable financial resources displays a value of 0.058, which would mean that an increase by one unit in the financial resources (1 billion euro) would have a positive effect on the successfulness of the market entry, when measured in terms of log odds. Despite the positive sign of the coefficient, it is not allowed to interpret the value of the estimate based on its p-value. The p-value of financial resources shows a value of 0.060, which is greater than the significance level of 0.05. Thus, a further interpretation of the coefficient could not be executed, since it could not be proven that the value of the estimate is significantly different from zero. This means that the variable ‘financial resources’ does not have a significant effect on the successfulness of a market entry.

4.4.3 Experience (number of years) – internal factor

The last internal continuous factor that has been analyzed is the experience of a firm. The estimate of the variable experience presents a value of -0.003, which would mean that increasing the experience of the brand by one unit (one year) would have a negative effect on the successfulness of the market entry in terms of log odds. However, the estimate cannot be interpreted, since the p-value of experience (0.539) is much higher than the significance level of 0.05 Therefore, it is not possible to interpret the sign or magnitude of the effect of experience on the successfulness of a market entry. As a result, it could be stated that experience does not have a statistically significant effect on the successfulness of a market entry.

4.4.4 Entry mode (categories one to four) – internal factor

Entry mode forms the only categorical variable that has been analyzed in the ordinal regression model. The variable entry mode forms the last internal factor that has been analyzed. Based on its type of variable, categorical instead of continuous, the interpretation is different from the other variables. The variable has been split into four categories, whereby category one indicates export as a mode of entry, category two indicates franchising, category three indicates joint ventures and strategic alliances, and category four indicates wholly owned subsidiaries. Since the variable entry mode is categorical instead of continuous, the analysis uses one of the categories as a reference level. Table 12 shows that category four (wholly owned subsidiaries) has been chosen as the reference level in the ordinal logistic regression. This means that the effect of the other categories has to be compared with the reference category in order to present a valid interpretation of the results.

For category three (entry mode =3) a value of 0.109 is given, which means that the log odds of having a successful market entry would be higher in comparison with entering the market with base category four. In other words, entering the market with a joint venture or strategic alliance would have led to higher log odds in comparison with entering the market with a wholly owned subsidiary. However, the p-value of the estimate 'entry mode = 3' shows a value (0.793), which is much greater than the significance level of 0.05. This means that it not allowed to interpret the estimate of the coefficient, since it is not significantly different from zero. As a result, it cannot be concluded if the successfulness of a market entry significantly differs between entry modes three and four.

Likewise, the coefficient of category two, which implies franchising as a mode of entry, cannot be interpreted, since the p-value (0.193) of the estimate is greater than the significance level of 0.05.

Accordingly, it cannot be stated that the estimate is significantly different from zero and that is why it is not allowed to make statements about the difference in effects between entering the market through a franchise (category two) or a wholly owned subsidiary (category four).

Nevertheless, there is a statistically significant difference between entering a new market through exports (category one) or with a wholly owned subsidiary (category four). Table 12 shows a value of -1.372 for exports with a corresponding p-value of 0.000, which means that the result is statistically significant because it is lower than the significance level of 0.05. Therefore, it is allowed to interpret the value of the estimate and draw a conclusion about the effect.

The value of -1.372 indicates that entering the market through exports will decrease the log odds of having a successful market entry by 1.372 in comparison with entering the market with a wholly owned subsidiary. For a better interpretation of the result, the log odds had to be converted into proportional odds ratios by taking the exponent of the estimate. This led to an odds ratio of 0.254, which implies that entering the market through entry mode one will have a negative effect on the successfulness of the market entry in comparison with entering the market with entry mode four, since the value is smaller than one (0.254 < 1).

In essence, it could be stated that when a market is entered through exports, the odds of having a successful market entry will be 0.254 times lower in comparison with entering the market with a wholly owned subsidiary, given that all other variables remain the same. In percentages this would mean that the odds of having a successful market entry is lowered by 74.6% (1-0.254 multiplied by 100), when the market is entered through exports in comparison with entering the market with a wholly owned subsidiary.

4.4.5 Economic distance (billions of $) – external factor

The variable 'economic distance' is the first external key factor that has been analyzed by virtue of the ordinal regression analysis. The value of the coefficient shows a negative estimate of -0.063, which means that an increase in the economic distance between the home and host country by one unit (one billion euros) leads to a negative effect on the successfulness of a market entry. Yet, the p-value of the estimate (0.108) displays a value that is greater than the significance level of 0.05, which indicates that the coefficient does not significantly differ from the value zero. Therefore, it is not allowed to interpret the estimate of this variable and it must be concluded that the economic distance between countries does not have a statistically significant effect on the successfulness of a market entry.

4.4.6 Cultural distance - external factor

The variable 'cultural distance' demonstrates the effect of cultural differences between the home and host country on the successfulness of a market entry. The estimate of the coefficient shows a p-value that is quite exceptional, since it is exactly borderline significant.

The p-value displays a value of 0.05, which means that the estimate is just significant to be interpreted. The estimate of the variable 'cultural distance' has a value of -0.005, which suggests that when the cultural distance between the host and home country increases by one unit (i.e. one point on the Hofstede Insight scale), there is a 0.005 unit decrease in the log-odds of having a successful market entry. Hence, cultural distance has a negative effect on the successfulness of a market entry. Nonetheless, it is crucial to convert the log-odds into proportional odds ratios to investigate the magnitude of the effect. When taking the exponent of the log-odds estimate, a value of 0.995 arises. The value of the odds ratios is lower than one, thus, the negative effect of cultural distance on the successfulness of the market entry could be confirmed.

The odds ratio of 0.995 can be interpreted in the following way, when the variable 'cultural distance' is increased by one unit (Hofstede Insight cultural point), the odds of having a successful market entry are 0.995 times lower compared to having a less successful market entry (categories one to four), given that all other variables remain constant. To illustrate the effect in percentages, it would mean that the odds of having a successful market entry is lowered by 0.5% (1-0.995 multiplied by 100), when cultural distance is increased by one unit.

4.4.7 Market size (millions of people) – external factor

The variable 'market size' defines the potential size of the market that a car brands wants to enter and according to the p-value of the estimate, this effect has been found to be significant. The p-value that corresponds to market size shows a significance of 0.000, which is lower than the significance level of 0.05, thereby indicating the strongest level of significance, since the level cannot be lower than 0.000. Consequently, it is allowed to interpret the value of the estimate, which shows a value of 0.001, which means that market size has a positive effect on the successfulness of a market entry.

When the log-odds value is converted into proportional odds ratios by taking the exponent of the estimate, it is found that market size has an odds ratio of 1.001. This means that when the variable market size is increased by one unit (one million people), the odds of having a successful market entry are 1.001 times higher, compared to having a less successful market entry, keeping all other variables constant.

In percentages the effect would amount to an increase in the odds of having a successful market entry by 0.1% (1.001-1 multiplied by 100), when the market size is increased by one unit. In other words, a greater market size has a statistically significant positive effect on having a successful market entry.

4.4.8 Country safety- external factor

The next variable that can be found in table 12 is the external factor 'country safety'. Country safety illustrates the degree of political, financial and economic risk based on the International Country Risk Guides. The p-value of the estimate of 'country safety' is strongly significant, since it has a value of 0.000. As a result, it is allowed to interpret the sign and magnitude of the estimate. The estimate of country safety shows a value of 0.053, which means that when the variable 'country safety' is increased by one unit (one-point increase in safety or an equivalent decrease in riskiness), the log-odds of having a successful market entry would by higher by 0.053 units, assuming that all other variables remain the same. Accordingly, the value demonstrates that country safety has a positive effect on the successfulness of a market entry.

To investigate the magnitude of the effect of country safety, the estimate has been converted into odds ratios by taking its exponent. This leads to an odds ratio of 1.054, which means that when variable 'country safety' is increased by one unit, the odds of having a successful market entry are 1.054 times higher, compared to having a less successful market entry, keeping all other variables constant. The positive sign of country safety effect is confirmed, since the odds ratio is larger than one (1.054 > 1). When transforming the odds ratios into percentages, the magnitude of the effect becomes clearly visible. When the variable 'country safety' is increased by one unit, the response would be an increase in the odds of having a successful market entry by 5.4% (1.054-1 multiplied by 100). Hence, country safety has a statistically significant positive effect on the odds of having a successful market entry.

4.4.9 Country openness – external factor

The variable 'country openness' constitutes the last external variable that has been analyzed in the ordinal logistic regression. The variable 'country openness' indicates the ease and convenience to do business in the host country, whereby the change in units has been measured by the change in the fraction FDI inflows divided by country's GDP. So, an increase in the openness of the country represents an increase in the corresponding fraction, whereby the amount of FDI inflows grows compared to the country's GDP.

Table 12 shows that the estimate of the variable 'country openness' represents a value of 0.036, which means that an increase in the openness of a country by one unit (one billion US dollars of FDI investments) would have a positive effect on the successfulness of the market entry in terms of log odds. However, due to the p-value of the estimate, it is not allowed to make an interpretation or a further analysis of the estimate. The p-value of country openness (0.290) is considerably higher than the significance level of 0.05 Therefore, it is not possible to interpret the magnitude of the effect of country openness on the successfulness of a market entry. Consequently, it could be stated that country openness does not have a statistically significant effect on the successfulness of a market entry.

In summary, the quantitative analysis has shown which internal and external factors have a significant effect on the successfulness of a market entry. Regarding the internal factors, firm size has been found to have a negative significant effect on the successfulness of a market entry. In addition, entry mode has been identified as a significant factor, whereby it was found that a market entry through exports entry had a significantly negative effect on its successfulness in comparison with entering the market with a wholly owned subsidiary. However, the two other internal factors, among which the firm's financial resources and experience, were found to be not significant, thereby indicating that they do not have a significant effect on the successfulness of a market entry.

With regard to the external factors, the results revealed that three of the five external factors had a significant effect on the successfulness of a new foreign market entry. Firstly, cultural distance had a negative significant effect on the successfulness of a market entry. Secondly, market size was found to have a positive and significant effect. Thirdly, country safety was identified as a key factor, whereby it demonstrated a positive and significant effect. Conversely, economic distance between the home and host country and the openness of a country appeared to be insignificant with regard to their effect on the successfulness of a new market entry into a new foreign market.

4.5 Qualitative elaboration on the results

By virtue of the ordinal logistic regression, it became possible to identify the key factors that had a significant influence on the successfulness of a new foreign market entry. However, by solely looking at the quantitative analysis of the market entry data, crucial background information about why certain outcomes arise could be missed. The qualitative part, which is based on interviews with experts in the field of automotive, tries to provide an explanation for the relationships that were found in the ordinal logistic regression of the data. Besides, the interviews add a new and valuable dimension to the research by supporting, contradicting or correcting the quantitative outcomes with real practice views and experiences.

4.5.1 The negative and significant effect of firm size

The analysis of the variable 'firm size' showed that it had a negative and significant effect on the successfulness of a market entry. In other words, increasing the size of the firm by hiring more employees decreases the odds of having a successful market entry.

Bas van Werven endorsed this finding by stating that in the past car brands were convinced that increasing the size of the firm would make the brand more powerful and capable to produce vast amounts of cars, which subsequently would make them more successful when entering a new market.

Besides, Van Werven describes that in the last two decades car brands shifted their focus from having a labor-intensive production to a more capital-intensive production. The role of technology has become considerably more important, since the production process could be enhanced while reducing the labor costs. Especially, the Japanese car brands introduced the concept of almost fully machinal built cars, whereby human interaction was kept to a minimum. In this way, car brands were able to produce more efficiently, whereby reducing the number of employees became a more common practice than increasing the amount employees. This trend could be clearly seen in the annual reports of the several car brands. For example, Renault wanted to further automate their production process in order to increase their efficiency, so they reduced their total number of employees from 166.114 in 2000 to 120.136 in 2015.

Verschuur endorses the finding by describing the difficulties of operating within a massive sized organization like Toyota (369.124 employees in 2018). He says that when a firm becomes too large, it becomes more difficult to align processes, make fast decisions and be consistent. Besides, he states that vast amount of choices has to be made due to the many different departments that all need their own guidelines and objectives.

However, Verschuur also point out the 'balancing-effect' of having a large firm size. He states: 'Due to the massive size of Toyota, it is possible to cover many markets and subsequently to increase activity in those markets, since there are more employees to deploy. In comparison to the PSA group (Peugeot, Citroën, Opel, Vauxhall and DS automobiles), Toyota has much more success outside of the main markets of Europe and the US, thanks to its greater scale of international activities, which is attainable due to its large networks and firm size. Thus, a balance has to be made, whereby a large firm size can be beneficial for the scale of international activities, but an oversized organization will lead to efficiency and decisiveness problems. A firm should therefore manage its growth effectively by preventing excessive growth and encouraging gradual expansion.'

4.5.2 The significant difference between exporting and wholly owned subsidiaries as entry modes

Based on the analysis of the outcomes, it could be concluded that entering a new foreign market through exports significantly decreased the odds of having a successful market entry in comparison with entering the market with a wholly owned subsidiary.

Bas Heideman states that the difference can be explained by the corresponding responsiveness of the modes of entry. He says: 'With a wholly owned subsidiary a brand can more easily adapt to the rules and regulations of the local market. Besides, being close to the local market enables a brand to respond quickly to the wishes of the local consumers and change its production processes adequately. Holding on too tight to production in your own country can have fatal consequences.'

Heideman mentions the market entry of Renault into the Chinese market as a real practice example. He describes: 'When Renault entered the Chinese market, the management did not want to transfer production to China, because they wanted to preserve employment in France and hold tight onto a France production of cars. It resulted in a very opposing Chinese government who did not facilitate the entry of Renault into China and created several barriers for the sake of diminishing Renault's exports. Moreover, the French products were not adapted to the local markets and the products were not successfully welcomed. Long story short, the entry completely failed.'

Van Werven supports the statements of Heideman by describing that all car brands with large sales volumes are shifting their production to the local markets in order to be present near to the market. Van Werven declares: 'In practice it is much more beneficial for car brands with large sales volumes to produce locally instead of exporting the products. They prevent several complications with the shipping and they can profit from the advantageous circumstances in the local market.'

He adds: 'In countries like China and India the size of the skilled labor force is enormous. For example, every year there graduate more PhD students in China and India than in the whole of Europe together. Thus, it can be incredibly beneficial for a car brand to set up a wholly owned subsidiary in the local market.'

The representatives of Daimler and Suzuki endorsed the statements of Van Werven and Heideman. Susanne Kuch explains that the strategy of Daimler is aimed at increasing the amount of wholly owned subsidiaries in foreign markets in order to decrease the level of exports. She states: 'It is vital for a modern car brand to be close to the market, to be able to bring the product faster to the market and enhance the processing of feedback coming from the market.' She adds: 'Currently, one third of the Daimler cars that are sold in China are produced locally.'

Mercedes-Benz market management department MBC stresses the importance of choosing the right entry mode and its corresponding effect on the successfulness of a market entry. They state: "We would value the choice of entry mode (select the right models (portfolio), import vs. local production, distribution strategy (own retail vs. general distributor) as the most important one, as making an error here is usually fatal to the business endeavor.'

Hence, with regard to entry modes, the findings of the quantitative analysis can be strongly confirmed, especially when looking at the real-life practices on the automotive market.

4.5.3 The insignificance of a firm's financial resources and experience

The analysis demonstrated that a firm's financial resources and experience do not have a significant effect on the successfulness of a market entry.

Van Werven gives an explanation for the outcomes. He states: 'It is not a firm's experience and financial power anymore which are determinative for its success. The current automotive market is much more focused on strategy, whereby car brands closely track the steps of their competitors and accordingly adapt their strategy.' He declares: 'The greatest strategist will have the greatest success instead of the brand with the largest assets or experience.' Van Werven mentions the upcoming Chinese car market, which is based on strategic moves instead of experience or accumulated knowledge.

He says: 'Take, for example, the Chinese car manufacturers, they are masters in copying the technology from major European car brands in the local markets. They learn from the existing car brands within an extremely short period of time. European car brands needed 50 years to develop cars as we know them today, Japanese car brands came up with competitive cars within a period of 25 years, the Korean brands did the same within a period of 10 to 15 years and the Chinese car brands are nowadays developing competitive cars within a period of five years. They are faster and smarter in obtaining state-of-the-art technology and converting it into cars that can compete with the established car brands. In essence, they accumulate the knowledge from the European car brands and subsequently improve their products, whereby they can offer consumers a Chinese product for a lower price and with the same technology and features as, for example, a Volvo. In this way, they can conquer the car market without the need of having large financial resources or building years of experience over a long period of time.'

Heideman confirms this trend, which is especially visible on the Chinese and Indian car markets. He mentions the example of Volvo: 'Geely is a good example of how the Chinese make use of the technology that has been developed by the European car brands.

Geely bought the Swedish brand Volvo in 2010 and they made it a wholly owned subsidiary of the Zhejiang Geely Holding Group. As a consequence, they had access to all technology that was developed by Volvo and they learned to make similar cars. Within a period of six years, Geely founded a wholly owned subsidiary called Lynk & Co, which was fully based on the technology acquired from Volvo but was slightly different positioned in the market to target another group of consumers. This shows how important the strategic acquisition and use of knowledge has become. The period of dominating the market solely based on firm size, financial resources and experience is definitely over.'

Lastly, the Mercedes-Benz market management department MBC endorses the insignificance of financial resources and experience by declaring: 'Lacks in resources, size and experience can be (partly) offset by choosing the right entry mode.' In other words, a well-defined market entry strategy with a correctly chosen entry mode is more important in defining the successfulness of a market entry than a firm's financial resources and experience.

4.5.4 The negative and significant effect of cultural distance

The outcomes from the analysis have shown that an increased cultural distance between the home and host country decreases the odds of having a successful market entry.

Van Werven illustrates the result with the use of an example, he says: 'Tata Motors is a huge Indian car manufacturing company. Tata wanted to expand to the European market in order to increase its international operations and to strengthen its position. For that reason, the Indians wanted to acquire the Jaguar Land Rover Holding Company, which owned the British car brands Jaguar and Land Rover. Thanks to the small cultural distance between India and Great Britain with regard to mentality, attitude, education and above all language, the acquisition resulted in a prosperous cooperation between the two car manufacturers. They joined forces and a revival of the Jaguar and Land Rover brand arose, whereby Tata Motors further strengthened its position on the global automotive market.'

Van Werven emphasizes the downside of large cultural differences with an example regarding the American car industry. He says: 'The American car manufacturers held on too tight to their own mentality and vision, which resulted in the downfall of several car brands like Chevrolet, Chrysler and Dodge.' He continues: 'The Americans were focused on building cars that satisfied the wishes of its domestic consumers instead of looking at the wishes of the consumers outside the US. Consequently, the American automotive industry was and is falling behind the Chinese, European and Japanese car brands.

Except Ford, they have a different mentality and they are actually prospering, since they do actually look at the developments on the global car market and adequately adapt their product range to it.'

Heideman remarks: 'Cultural difference drives a wedge between the objectives of the car brand and the actual performance in the host country.'

Boedhoe makes a nuance to the statements of Van Werven and Heideman, he states: 'Cultural difference is only important when one wants to make modifications in the internal procedures of the company in the different territories where it is active in. When the brand creates a strategy that is specifically designed for the local market, it is possible to overcome cultural differences in every market. The ability to adapt is vital, when you don't take the right steps to reduce the cultural difference between the home and host country, it could negatively affect the successfulness of the market entry.'

Oosterveld emphasizes the importance of cultural distance as a key factor in determining the successfulness of a market entry. He describes that country-of-origin effects are closely linked to the perception of culture, whereby a positive perception can contribute significantly to the successfulness of a car brand. He says: 'Thanks to the positive perception of Japanese culture, which radiates craftmanship, precision and reliability, Mitsubishi is able to achieve great successes.'

4.5.5 The positive and significant effect of market size

The analysis of the factor 'market size' displayed a significant and positive effect of market size on the odds of having a successful market entry.

Van Werven endorses this outcome by describing the strategic behavior of European and Japanese car brands. He explains that these car brands have identified a great potential in upcoming markets that have a large target population, among which the Chinese and Indian car markets. He states: 'It is fundamental for the growth of a car brand to enter new markets with large amounts of potential customers. A good example is Porsche, they have entered multiple markets within a short period of time and they are planning to enter another 15 markets by 2020. The result of this aggressive expansion strategy is evident, namely Porsche is currently selling more cars than ever before.'

Heideman supports the statement of Van Werven by saying: 'Car brands will predominantly focus on the markets with the largest number of potential customers, for the simple reason that they can achieve the largest amount of sales in those countries. Sales are crucial to grow as a company.'

Boedhoe confirms the comments of Van Werven and Heideman by stating the following: 'Suzuki's expansion strategy is particularly focused on upcoming markets with significant market sizes. At the moment, India forms the biggest and most important market for Suzuki in terms of sales.'

Oosterveld explains that the mere strategy of entering new markets is not sufficient, he says: 'The markets of the US, Europe and Japan are "aftermarkets", which means that we cannot expect significant changes of sales volumes in these markets. On the contrary, new markets with a large potential do have the power to increase global sales significantly. Hence, the focus of a car brand should be balanced between existing markets with a significant market size and upcoming markets. In this way, the growth of the company can be guaranteed, and the successfulness of the brand can be increased.'

4.5.6 The positive and significant effect of country safety

The examination of the external key factor 'country safety' showed that when the safety of a country is increased, the odds of having a successful market entry become significantly higher.

Heideman notes: 'Especially the countries that have a high degree of safety and where the local convenience of doing business is substantial are seen as very attractive potential markets by car brands.'

The Mercedes-Benz market management department MBC endorses the importance of country safety on the successfulness of a market entry. They state: 'Out of the external factors we would value country openness and riskiness to be the two decisive factors to define whether a market entry is viable or not. A supportive business environment with a manageable risk scenario is a must have to even start considering a market entry.' Hence, it can be concluded that the safety of the host country should be carefully taken into account before entering the new foreign market, since it could have a significant impact on the successfulness of the entry.

4.5.7 The insignificance of economic distance and country openness

Based on the outcomes of the analysis of the external key factors 'economic distance' and 'country openness', it could be concluded that both factors did not have a significant effect on the successfulness of market entry.

The insignificance of the economic distance between the home and host country was addressed by Van Werven. He says: 'The era that car brands made a homogeneous product range with the same prices for all the markets they were active in, which made them dependent on the purchasing power of the host country consumers, is over.

Nowadays, car manufacturers make products that are specifically developed for the local economic, political and financial circumstances. Car brands adapt their product range to the local environment to prevent a failed positioning of their products and to increase the successfulness of their entry into the market.'

Verschuur adds: 'The economy of the market is not decisive anymore, because car brands nowadays make thorough market attractiveness analyses, which are based on various country indicators that shape the market entry strategy of the car brand. Toyota, for example, looks at the local conditions of the market and adapts its market entry strategy accordingly to overcome differences in vital country indicators, such as economy, infrastructure and market maturity.'

Heideman addressed the importance of country openness. He states: 'The entry into a new foreign market can be complicated by the host country, however, nowadays there are more car brands that adapt their strategies to the local market laws and regulations. This enables them to adjust themselves to the openness of the country instead of being dependent on it.' Heideman illustrates his statement with a real practice example: 'In contrast to Renault, there were also car brands that, such as Citroën and Volkswagen, that adapted their strategy to the host country regulations and, as a result, had a successful market entry. I personally have experienced their success on the Chinese market, when I went to Peking in 2007. Broadly speaking, two out of the three cars that I saw driving in Peking were Citroën, in particular the ZX sedan, or Volkswagen, the Santana. These cars were specifically made for the Chinese market and were extremely popular. Hence, the better a car brand is able to adapt themselves to the host country's circumstance, the higher the chances that it will be successful in the new market.'

In contrast to the other experts, Mercedes-Benz market management department MBC highlights the importance of country openness. Yet, they particularly emphasize the importance of a supportive business environment and a manageable country risk as determinants of market entry success.

4.6 Missing and complementary factors

Even though the most commonly cited factors in the extant literature were examined in the analysis, the interviewees brought several other key factors forward that, according to them, also could have a significant effect on the successfulness of a market entry.

Oosterveld explains that when Mitsubishi Motors is planning to enter a new market they especially look at the distribution facilities in the host country, i.e. infrastructure and networks.

Van Werven points out the importance of technologic advancement of the firm and the host country as a key factor in determining the successfulness of a market entry. He says: ‘A car brand’s degree of technological knowledge will become its most valuable asset and the ability to transform the technology into desired products will define its success. Besides, the technological advancement of host country will be crucial, for example, the market entry of a car brand that sells electric vehicles, like Tesla, cannot be successful if the infrastructure of the host country has not been developed sufficiently for electric vehicles. Technological advancement is therefore a very important internal and external key factor.’

Heideman mentions the external key factor concerning government regulation on the automotive industry as being determinative. He says: ‘The car regulations that a government makes can significantly define the successfulness of a car brand. For example, the Dutch government actively encouraged environmentally friendly cars, like electric vehicles, with the use of subsidies and discouraged environmentally unfriendly cars, such as V12 gas guzzlers, with taxes. As a result, hybrid and electric vehicles became extremely popular and the corresponding sales rose dramatically. However, when the government stopped with granting subsidies on electric and hybrid cars, the sales dropped significantly. Hence, the consumer could be strongly influenced by the government's car regulations. In other words, the successfulness of a car brand’s market entry into, for example, the Dutch automotive market will be strongly dependent on the compatibility of its product range with the government’s car regulations.

Oosterveld endorses the statement of Heideman by stating: ‘Mitsubishi inspects the government automotive regulations and incentives of the host country thoroughly before entering the market.’

Heideman also adds the key factor ‘status’, which is closely related to marketing. He states: ‘The brand that is most capable of defining itself as the best brand, which in the future will also be the most environmentally friendly brand, will obtain the greatest successes. In order to achieve a well-defined brand positioning, the role of marketing will become more and more important.’

However, Oosterveld contradicts the importance of marketing for having a successful market entry into a new foreign market. He says: ‘The role of marketing in the decision-process is very limited. The potential profitability of the host country remains the most important determinative factor for Mitsubishi when entering a new foreign market. Moreover, we from Mitsubishi believe that the product speaks for itself, for instance, with the simple use of press photo coming from the Mitsubishi plant in Japan and a brochure, the brand’s marketing mix has already been described.’ He adds: ‘Marketing is a useful tool to analyze the potential market and achieve certain objectives in the host country, especially when it is consistent and salient, but it is not determinative.’

Boedhoe adds that reliability will be a significant determinant in the positioning of a car brand and its corresponding success. He states: 'Brand reliability and brand status are indissolubly linked.'

Furthermore, Van Werven and Heideman both agree that the factor 'adaptiveness' should be taken into account. The ability of a company to adapt quickly to changes in the market and to offer products that are specifically targeted at the wishes of the customers will be a significant factor in determining the successfulness of the car brand.

The ANWB builds on the importance of adaptiveness in order to be able to meet the needs of the consumers adequately and quickly. They add: 'It is vital for car manufacturers to timely have a portfolio that effectively meets the needs of the consumer. Moreover, the product-range has to be made as efficiently as possible, since there is a strong competition in terms of price. Consumer preferences change rapidly and are sensitive to trends. It is essential for a car manufacturer to adapt effectively and quickly. We expect that innovation (indeed that what enabled Tesla to enter the automotive market) will become an increasingly important key factor.'

Mercedes-Benz's product management department of the Mercedes-Benz Beijing Sales Service Cooperation supports the statements of Van Werven, Heideman and the ANWB by highlighting the importance of understanding the market, which include the customer, the partners and the host country regulations, and adapting accordingly to it.

The Mercedes-Benz market management department MBC mentions sales volume potential as a missing key factor, which should definitely be taken into account by car brands. They state: 'The missing factor from our point of view is the market potential in terms of sales volume potential. This potential has to be evaluated in both quantitative figures (absolute volume) as well as qualitative dimensions, such as available segments. This is especially true for Premium-OEMs such as Mercedes-Benz, as the penetration and growth potential of the Luxury Premium Segment are crucial for our own growth potentials in a new market.'

They add that the combination of a correctly chosen market entry mode and an accurate first-to-market timing could significantly increase the successfulness of a market entry. They state: 'Looking at the international markets that Mercedes-Benz is operating in, it shows that we are especially successful in those, where we made a move first, before the competition and where we chose an entry mode suitable for the market specifics and oriented towards a long-term growth strategy.'

4.7 Future developments in the automotive industry

All interviewees had a specific vision about how the future development of the automotive industry would look like.

Van Werven emphasizes the threat that the European and American car brand could expect from the Chinese car manufacturers. He notes: 'The focal point of the automotive industry will shift from the European and American market to upcoming markets like China and India. These markets will experience the largest growth and the local car manufacturers will develop products that will compete with the products of the established car brands.' He adds that the future of the automotive industry will also be focused on the development of alternative fuels, in particular the development of hydrogen fuel cells as an alternative to fossil fuels. He states: 'The contribution to sustainability will become increasingly important, whereby an emphasis will be put on the recycling of materials and the use of alternative fuels.' Van Werven declares: 'The development of alternative fuels will be significantly more important than the development of autonomous driving, which is currently receiving exorbitant attention, and will not impact the future as much as the developments in the field of sustainability. In other words, sustainability will become the key factors in defining the successfulness of a car brand.'

Heideman endorsed the trends that Van Werven mentioned. He describes that the Chinese and Indian car manufacturers will become much more powerful. In addition, he stresses the importance of sustainability for the automotive industry and he expects that the industry will have to make very difficult choices about which direction it wants to go.

Verschuur illustrates the statement of Heideman by mentioning the direction that Toyota is going, he declares: 'Toyota is fully focused on sustainability, whereby the objective of having a full zero-emission product-portfolio by 2050 is a key factor for its future strategy. Besides, Toyota is trying to come up with other methods of mobility to make transport more convenient and accessible. Lastly, the brand attaches great value to safety and is therefore conducting much research on finding new ways of making the use of car transportation safer and easier.'

Kuch expects that brand strategy and production decisions will become increasingly important for car brands. She describes that being in touch with the local market and having a globalized network will become essential conditions for having success.

Oosterveld states that the future of the automotive industry will become much more complex, since the nature of the industry is changing. He says: 'The nature of the automotive industry is changing from being ownership-based to being usage-based. This trend is especially visible in the more developed markets. The choice for a car will become much more dependent on added value and the reduction of usage costs, instead of being dependent on brand preference. Take, for example, the influences of the Dutch "Bijtelling" (additional tax liability) and environmental subsidies on the fleet management of leasing companies, it is outright remarkable.

They change their fleet according to the government's fiscal policies on the automotive market and subsequently define the product range out of which its customers may choose. Accordingly, the customer chooses the car that is economically the most advantageous instead of choosing the car based on his or her brand preferences. In other words, car purchasing behavior is completely changing, which also indicates that the future of the automotive will undergo many changes.

He adds: 'The automotive industry cannot be compared to any other industry, but its advancement is frequently measured by comparing it with the advancement of large brands such as Google, Uber, Booking, Red Bull etc., even though these brands cover completely different markets. Nowadays, the ability of a car brand to incorporate the services and features that are known from the high-tech world (e.g. Google applications) is becoming increasingly determinative in defining the value and technological advancement of the car.'

The ANWB identified two major trends that are defining the future of the automotive industry. The first one is sustainability, whereby several crucial steps have been taken and it is increasingly being developed, and the second one is ADAS (advanced driver assistance systems), which is aimed at the development of a self-driving car or autonomous mobility. Yet, the ANWB predominantly emphasizes the role of sustainability in the future of the automotive industry. They describe: 'There is a second generation of EVs (middle class cars) with an action radius of approximately 400 kms. We expect that this satisfies the needs of the consumers better and will ensure the breakthrough of the electric car. Besides, the spectacular decrease in battery costs will make the 'long-range electric car' more affordable at a fast pace. The price decrease is expected to make a full electric car (with 400 km action radius) cheaper than a similar petrol or diesel variant by approximately 2023 – 2025, without any government support.

Furthermore, we identify a clear trend in the electrification of combustion engines. Nowadays, we see that 'normal' combustion engines are being equipped with 'MHEV' techniques, i.e. mild hybrid in combination with a 48V vehicle electrical system. Besides, we see that plug-in hybrids (PHEVs) are making a revival on a European level, even though sales have collapsed in the Netherlands. For middle class cars like the VW Golf and the Ford Focus a PHEV-model will be introduced. We expect that this kind of PHEVs will be increasingly chosen by frequent drivers instead of the fuel-efficient diesels.'

The ANWB further elaborates on the importance of safety and sustainability in the automotive industry. They state: 'Cars should be safe (for the passengers as well as the other road users), clean (zero-emission) and sustainable (long-lasting, recyclable and reliable). Besides, the car will, in all likelihood, become a part of a sustainable energy system.

This means, an electric car that will be capable of storing and releasing energy as a buffer or as an energy source for the built environment. In short, the electric car will increasingly integrate in society and the built environment. It cannot be ruled out that electric bikes will go through the same development.'

In conclusion, even though the expectations about the future of the automotive industry differ significantly between the interviewees, all have one aspect in common. The automotive industry will face crucial decisions which will impact their future more than ever before and currently its future is truly unsecure.

Chapter 5: Conclusions and recommendations

5.1 Introduction to the results

The fundament of this study was built on an extensive review of the extant literature in the field of international market entries. By virtue of the outcomes that were found in the extant literature, it became possible to compare the literature findings with the research outcomes. The research consisted of a quantitative and qualitative analysis of several key factors that were relevant for a market entry into a new foreign market. It was found that the successfulness of a market entry is dependent on several internal and external key factors that should be taken into account by a car brand.

By analyzing 202 market entries that were performed in the period from 1984 until 2017 and conducting nine interviews with experts in the field of automotive, an investigation of the significance of four internal and five external key factors on the successfulness of a new foreign market entry could be performed. Consequently, a new international market entry strategy could be proposed to the automotive industry, which could increase the odds of having a successful market entry into a new foreign market.

5.2 The assessment of possibilities

The motivation of a firm to enter a market depends on the possibilities that it sees in this new market. Yet, there is a clear knowledge gap in the extant literature when it comes to the motivation of a car brand when it wants to enter new foreign market. In other words, the assessment of possibilities has not been tested on the automotive market. Therefore, the first research question is described as: 'What is the motivation for a car brand to enter a new market?'

The extant literature on market entries provides several frameworks that try to explain the motivation of a firm to enter a new market. The most common explanation comes from Madhok (1997), who states that a firm only enters a new particular market when there is a possibility to exploit an advantage that a firm possesses, to strengthen an existing one or to develop a new one.

Helfat and Lieberman (2002) add to this statement by describing a consistent theme throughout all market entries. The greater the similarity between the firm's resources and the required resources in the market, the greater the likelihood that the firm will enter the market. In other words, firms will enter a new market when there is enough potential and the potential can be met by the firm.

However, there is no consensus in the extant literature about the exact motivation of a firm to enter a new market and therefore a combination of theories has been made.

Based on the findings of literature study, it can be concluded that the decision to enter a new market depends on various internal and external factors, which influence a firm's entry mode and require a firm to adapt accordingly to the circumstances. Following this assessment of factors, the firm decides for itself to enter or to not enter a certain market.

The expert interviews were aimed at revealing the motivation of a car brand to enter a new market. Van Werven states that it is fundamental for the growth of a car brand to enter a new market with large amounts of potential customers. Heideman supports the statement of Van Werven by saying that the motivation of a firm to enter a new market depends on the growth potential that can be obtained in the new market, whereby increasing the sales is vital for a brand to grow. Boedhoe adds that a car brand is particularly interested in markets with a large sales potential, since a larger market size can result in more sales, which subsequently leads to a stronger growth. The Mercedes-Benz market management department MBC states that the penetration of new markets with large growth potentials is crucial for the growth potential of the own brand.

Hence, the research outcomes that were based on the expert interviews differ from the findings in the extant literature. In the extant literature, no consensus about the motivation for a firm to enter a new market could be found, however, all expert interviewees declare that in the automotive industry the motivation mainly depends on the urge to grow. When a car brand does not enter new markets its growth potential will be limited, which weakens its position in comparison with its competitors.

5.3 Screening potential markets

Before a firm can start to expand globally, it has to make a careful selection of the countries it wants to enter. In the extant literature, various explanations of the process of country selection have been made. Despite the different approaches, there is a knowledge gap in the extant literature when it comes to explaining the process of country selection for a car brand. Consequently, the second research question was defined, which is: What does the process of country selection look like for a car brand when entering a new foreign market?

In the extant literature, Papadopoulos and Denis (1988), Andersen and Buvik (2002), Kumar et al. (1994), Russow and Okoroafo (1996), and Sakarya et al. (2007) have offered several methods in order to screen a potential market. The combination of these approaches was presented by Kotabe and Helsen (2014) by simplifying the process of country selection to a four-step procedure.

The procedure was based on four simple steps, in which the focus was directed to the country indicators of the market that a firm wants to enter: 1. Select the relevant indicators and collect data. 2. Determine the importance of country indicators. 3. Rate the countries in the pool on each indicator. 4. Compute the overall score for each country. In other words, according to the extant literature, the process of country selection is focused on the circumstances impacting the business of the firm in the host country.

The qualitative research found that in the automotive industry potential markets are screened by their potential sales. Van Werven states that the European and Japanese car brands have chosen to enter the Chinese and Indian markets, because of the large number of potential customers and the corresponding potential sales. He illustrates this result with an example of Porsche. Porsche entered many new markets specifically based on the potential sales growth that could be obtained and as a result the are currently selling more cars than ever before.

Boedhoe declares that Suzuki entered the Indian market because of the potential sales that could be obtained in the market and eventually India became the most important and profitable market for Suzuki. Heideman supports the statements of Van Werven and Boedhoe by saying that car brands select markets based on their sales potential and the corresponding future growth prospective. The Mercedes-Benz market management department MBC confirms the aforementioned statements by emphasizing the importance of market potential in terms of sales in the decision process of entering a new foreign market.

Altogether, the extant literature emphasizes the importance of country indicators in the screening of potential markets. Yet, the expert interviews in particular stress the importance of potential sales, whereby the potential market size is determinative for a car brand's choice to enter a market.

5.4 Market entry caveats

Entering a new market involves a careful consideration of the relevant internal and external key factors. However, there are several caveats that should be taken into account when entering a new market in order to prevent failure. In the extant literature, the common pitfalls, which play a significant role when entering a market, have been extensively reviewed. Nevertheless, there is a knowledge gap regarding the risks that should be taken into account when developing a market entry strategy for a car brand. Accordingly, the third research question has been formulated as: 'What are the common pitfalls of a car brand's market entry into a new foreign market?

In the extant literature, three major pitfalls have been identified that could have a significant influence on the successfulness of a market entry.

Firstly, Gielens et al. (2012) pointed out that estimating a correct scale of entry is vital for the successfulness of a brand's globalization strategy. Audretsch and Mahmood (1994) endorsed this finding by stating that performing a market entry with a well-considered scale of entry may have several advantages like economies of scale, effective coverage, high awareness and an increased post-entry performance.

Secondly, Lilien and Yoon (1990) addressed the importance of choosing the right timing of entry. They said that an inadequate timed entry may significantly harm the likelihood of entry success.

Thirdly, Kotabe and Helsen (2014) stressed the value of a correctly chosen marketing mix. This means constructing an international marketing strategy that covers all important aspects of a market entry. A coherent strategy whereby all market entry decisions are well-coordinated with each other will increase the chances of having a successful market entry.

This research partly supports the findings of the extant literature, in particular with regard to the importance of choosing the right marketing mix. Heideman states that the brand that is most capable of defining itself as the best choice will obtain the greatest successes. In order to achieve a well-defined brand positioning, the role of marketing will become more and more important. Oosterveld, on the other hand, relativizes the role of marketing by stating that it is a useful tool to analyze the potential market and achieve certain objectives in the host country, but that it is not determinative of successfulness. Oosterveld attaches more value to the analysis of the host country distribution networks, which are commonly overlooked by car brands, because they think that a standard level of infrastructure is available in each country.

The Mercedes-Benz market management department MBC endorses the importance of an adequate timing of entry. They partly base their success on their adequate first-to-market timing. MBC explains that Mercedes-Benz became successful in those markets, where they made the first move, before the competition and where they chose an entry mode suitable for the market specifics and oriented towards a long-term growth strategy.

In addition, this research describes other factors that could be seen as pitfalls and therefore should be taken into account. Van Werven stresses the importance of technological advancement of the firm and the host country as a key factor in determining the successfulness of a market entry.

Heideman emphasizes the roles of analyzing the host country government regulations regarding the automotive market and the development of a strong brand identity.

Boedhoe endorses the importance of developing a strong brand identity, whereby brand reliability is indissolubly linked to it.

Van Werven, Heideman, the ANWB and the Mercedes Benz's product management department of the Mercedes-Benz Beijing Sales Service Cooperation, all agree that the factor 'adaptiveness' is a very important key factor, which should definitely be taken into account by car brands. The ability of a company to adapt quickly to changes in the market and to offer products that are specifically targeted at the wishes of the customers will be a significant factor in determining the successfulness of the car brand.

The ANWB adds that innovation will be closely linked to the factor adaptiveness. As a result, the innovation rate of a car manufacturer will also become a very important key factor that should not be overlooked by automotive industry.

The Mercedes-Benz market management department MBC mentions sales volume potential as a missing key factor, which should definitely be taken into account by car brands. An insufficient quantitative and qualitative analysis of the sales volume potential of the new foreign market could be a crucial pitfall in the market entry strategy of a car brand.

In sum, the research partly supports the findings from the literature review, yet, several additional factors that should be taken into account by car brands were brought forward, which include technological advancement, infrastructure, firm adaptiveness, innovation rate and sales volume potential.

5.5 Evaluation of success

The definition of success has been widely discussed in the extant literature in order to provide a standard for measuring success. However, there is a clear knowledge gap when it comes to measuring the degree of success of market entries on the automotive market. Therefore, the fourth research question is: 'How can the successfulness of a market entry on the automotive market be defined?'

In the extant literature there is a wide range of definitions of success and associated performance measures. McDougall et al. (1994) define the success of international market entries as the ability to leverage the knowledge gained from foreign operations, in which the importance of profitability and revenue growth are seen as key performance indicators. Zahra et al. (2000) identified two main performance measures in order to determine success: sales growth and return on equity. Finally, Helfat and Lieberman (2002) used a range of performance measures to identify market entry success, which included: accounting return, sales volume, market share and firm longevity.

Based on a complete consideration of the various performance measures that were proposed in the extant literature, the evaluation of success carried out by Johnson and Tellis (2008) was preferred, which comprises a multifactored outline, whereby several financial and non-financial performance measures are taken into account

In this research, the measurement of success that was proposed by Jonson and Tellis (2008) was adapted to the automotive market to make it suitable for the purpose of the research, which resulted in the following measurement outline (table 5 from section 3.6 data analysis methodology).

Table 5: Framework for defining market entry success

Evaluation Market Entry	
Successful Entry: 5	•Sales growth leader •Above-average industry leadership in market share growth •Top three in profit growth •Top three in sales growth •Top three return on investment growth •Firm impressed by market entry success •Substantial publicity about market entry success
Good Entry: 4	•Above-average sales growth •Rapidly gaining market share •Increasing investments •Rising profits •Above-average return on investment •Firm enthusiastic about market entry
Acceptable Entry : 3	•Average sales growth •Steadily increasing market share •Constant investment rate •Break-even revenue •Continuing operations •Average return on investment growth •Firm moderately positive about market entry
Poor Entry: 2	•Below-average sales growth •Fail in obtaining market share •Decreasing investment rate •Making a significant loss •Below-average return on investment •Firm is being outperformed by competitors •Firm is frustrated about the market entry
Failed Entry : 1	•Quit or withdrawal from market •Break up with partners •Large losses due to failed market entry •Firm announces failure of the market entry

5.6 A range of entry modes

A broad range of entry modes have been investigated and analyzed by extensively reviewing their corresponding pros and cons. However, the evaluation of entry modes was based on their merits in varying business environments. None of the entry modes were analyzed with regard to their successfulness in the automotive industry, which indicated the existence of a knowledge gap. Thus, the fifth research question was formulated as: What types of entry modes increase the successfulness of a car brand's market entry into a new foreign market?

Kotabe and Helsen (2014) have identified the most common and frequently used modes of entry by businesses in the field of international marketing, which include: exporting, licensing, franchising, joint ventures and alliances, acquisitions and mergers, and Greenfield operations. However, based on a quantitative analysis of 202 market entries in the past, four entry modes were identified as being frequently used by car brands to enter a new foreign market. These included exports, franchising, joint ventures/strategic alliances and wholly owned subsidiaries.

In the extant literature, several entry modes have been found to have a significant effect on the successfulness of a market entry. Nevertheless, there was no consensus about which entry mode could be seen as the most or least effective one.

The quantitative analysis of the research found that there were no statistically significant differences between joint ventures/strategic alliances, franchising and wholly owned subsidiaries in increasing the successfulness of the market entry. Nonetheless, a highly significant difference was found between the effect of exports as an entry mode on the successfulness of a market entry and the effect of a wholly owned subsidiary. In essence, this difference indicated that the odds of having a successful market entry are lowered by 74.6% when the market is entered through exports in comparison with entering the market with a wholly owned subsidiary. Thereby, it implied that exports lead to a significant decrease in the odds of having a successful market entry in comparison with entering the market through a franchise, a joint venture/strategic alliance or a wholly owned subsidiary.

The outcomes were strongly supported by the expert interviewees. Heideman and Van Werven emphasized the benefits of being close to the market and entering the market with a wholly owned subsidiary instead of exports. The representatives of Daimler, Susanne Kuch, and Suzuki, Ashwin Boedhoe, endorsed the aforementioned statements and they expressed their brands' objectives of increasing the amount of future market entries with the use of wholly owned subsidiaries.

In addition, the Mercedes-Benz market management department MBC identified entry mode as the most important key factor in determining the successfulness of a market entry.

5.7 The internal and external key drivers of success

Due to the importance of identifying the key factors that could possibly affect the successfulness of a market entry, much research has been conducted on relevant factors in the field of international market entries. In spite of the comprehensive literature in this field, there is a clear knowledge gap when it comes to analyzing the significance of the key factors in an automotive setting. Therefore, the sixth and last research question is: 'What factors have a significant effect on the successfulness of a car brand's market entry?'

In the extant literature the following factors were identified, based on their amount of academic citations, as being significant in determining the successfulness of a market entry: internal – entry mode, firm size, financial resources and experience, and external – economic distance, cultural distance, market size, country risk and country openness.

The research found that not all of the variables that were identified in the extant literature had a significant effect on the successfulness of a market entry. Based on the quantitative analysis, five out of nine evaluated key factors were found to be significant. With regard to the internal key factors, only two out of the four analyzed factors turned out to be significant, among which firm size and entry mode. Financial resources and experience were found to be insignificant. Likewise, three out of the five analyzed external factors resulted to be significant, among which cultural distance, market size and market safety. Economic distance and country openness turned out to be insignificant.

The research outcomes were fully explained and supported by the expert interviewees, which increased the validity of the research and subsequently made it more consistent with the real-life practices in the automotive industry.

5.8 Conclusion of the research

By virtue of the theoretical and empirical sub-questions, it becomes possible to answer the central research question of the study, which is:

'What are the key factors that increase the successfulness of a car brand's market entry into a new foreign market?'

The research has identified several internal (firm-based) and external (country-based) factors that could have an effect on the successfulness of a market entry into a new foreign market.

Notably, the quantitative analysis has demonstrated that not all of the factors that were mentioned in the extant literature have a significant effect on the successfulness of a market entry when applied to the automotive market. Hence, a crucial finding was obtained in this study, which could have a great impact on the field of international market entries, namely, the relevance of certain internal and external key factors differed for the automotive market in comparison with other markets that were already analyzed in the extant literature. In other words, there is a variation in significance based on the market that is being analyzed.

Hence, the analysis of international market entries on the automotive market resulted in dissimilar outcomes than the ones that were found in other academic studies with a focus on different markets. This means that the results that were found in alternative markets do not necessarily apply to the automotive market. This confirms that the extension of the field of international market entries with the analysis of the automotive market has led to new findings that could contribute to the extant literature. Thereby, it opens the way for future studies in the area of international market entries on the automotive market.

Furthermore, the quantitative analysis identified the factors that actually had a significant effect on the successfulness of a market entry on the automotive market. In addition, the results were supported by the interviews that were conducted with experts in the field of automotive.

As a result, the first major research outcome could be formulated:

Research outcome 1: Firm size and entry mode constitute the internal factors and cultural distance, market size and market safety constitute the external factors that have a significant effect on the successfulness of a car brand's market entry.

Nevertheless, the significant internal and external key factors had different effects on the successfulness of a market entry with regard to their sign. In other words, some of the key factors increased the successfulness, whereas other key factors decreased the successfulness. This led to the second research outcome:

Research outcomes 2: Firm size, cultural distance and exports as an entry mode have a significant negative effect on the successfulness of a market entry, whereas the market size of the host country and the country safety significantly increase the successfulness of a market entry.

The effect of entry mode on the successfulness of the market entry was dependent on which mode of entry was chosen. The analysis showed that there were no significant differences between entering the market with a wholly owned subsidiary, a franchise or a joint venture/strategic alliance.

However, there was a significant difference in the successfulness of a market entry through exports or with a wholly owned subsidiary. This resulted in the third research outcome:

Research outcome 3: Entering the market with exports as an entry mode significantly decreases the successfulness of the entry into the new foreign market in comparison with entering the market with a wholly owned subsidiary.

The expert interviews pointed out that the key factors that were found in the extant literature and that were subsequently analyzed in the quantitative part of the study, could not be regarded as comprehensive in determining the successfulness of a market entry into a new foreign market. The expert interviewees proposed additional key factors that should be taken into account by the automotive industry, which led to the fourth research outcome of the study:

Research outcome 4: In order to improve the successfulness of a market entry strategy, the following additional factors should be taken into account: the distribution facilities in the host country, the technological advancement of the firm and the host country, government regulations concerning the automotive market, brand positioning, adaptiveness to the local market, innovation rate, brand reliability and the sales volume potential of the new foreign market.

Even though, this study has tried to compose a comprehensive guide to market entries, based on the key factors that were found to be relevant in the quantitative and qualitative analysis, there are also several additional key factors that could become significant in the future.

All expert interviewees agree that the automotive industry is changing fast and that crucial choices will be made in the future which will change the nature and properties of automotive as it is known today. Therefore, based on their predictions about the future of the automotive industry, multiple key factors were put forward that could have a significant effect in the future on the successfulness of a car brand's market entry into a new foreign market.

Consequently, this led to the fifth research outcome of the study:

Research outcome 5: The automotive industry will change its focal point to key factors such as the development of alternative fuels, smart mobility, maximizing safety, usage instead of ownership, global networks and above all sustainability.

In conclusion, based on the five research outcomes that were mentioned above, the final research outcome of the study can be presented:

Research outcome 6: The most effective market entry strategy for a car brand to increase the successfulness of its entry into a new market is aimed at preventing the firm size to grow excessively, reducing the cultural distance between the home and host country through adaptation and choosing a country with a large potential market and a high degree of safety, whereby an entrance through exports is strongly dissuaded. In addition, key factors such as distribution facilities, technological advancement, government regulations, brand positioning, adaptiveness, innovation rate, brand reliability and sales volume potential, should be taken carefully into account.

However, in order to be sustainable for the long-term, the strategy should always have a critical consideration of the current and future developments on the automotive market.

5.9 Recommendations to the automotive industry

The study has identified the most important key factors that increase the odds of having a successful entry into a new foreign market, which have led to the development of the most effective market entry strategy. Therefore, based on this study, the following recommendations to the automotive industry can be made:

1. Car brands should focus their market entry strategy on the internal and external factors that increase the likelihood of having a successful market entry into a new foreign market instead of developing a market entry strategy that takes all factors equally into account. Based on this study, the automotive industry is recommended to place their focus on the size of the firm, the possible entry modes, the cultural distance between the home and host country, the market potential of the country of interest and its corresponding level of safety.

2. One of the most important decisions for a car brand when it wants to enter a new market is the mode of entry. This study has demonstrated that there is a significant difference in the effect of exports on the successfulness of a market entry compared to the other entry modes, which include franchising, joint ventures/strategic alliances and wholly owned subsidiaries. Entering the market through exports significantly lowers the odds of having a successful market entry. Consequently, car brands are recommended to analyze the possibilities of entering the market with a franchise, a joint venture/strategic alliance or a wholly owned subsidiary, based on their preferences and available resources, but they are dissuaded to enter new foreign markets through exports.

3. Car brands should carefully take the additional factors into account that can further increase the successfulness of a market entry. The study demonstrates that there should be a greater emphasis on analyzing internal factors, such as the brand's positioning, technological advancement, adaptiveness, innovation rate and image, in particular its reputation with regard to reliability, and external factors, such as the host country's infrastructure, government regulations, sales volume potential and its level of technological development.

4. The automotive industry is predicted to undergo major changes in the future, whereby the focal point of the industry is expected to change significantly. All interviewees agree that the future of the automotive industry will be especially focused on sustainability. The automotive market will get more developed in all parts of the world, in which upcoming and developing markets will also make a transition to more sustainable industries. Car brands are therefore strongly recommended to incorporate sustainability as a key factor in their market entry strategy, whereby the firm's ability to produce sophisticated sustainable products and the host market's potential demand for sustainable products are thoroughly analyzed. In this way, car brands could gain a competitive edge over other competitors and subsequently increase the successfulness of their market entry.

5.10 Recommendations for future research

Future research could build on the findings of this study in order to analyze and find new key factors that could have a significant effect on the successfulness of a market entry. Due to the scope of this research, several choices regarding which internal and external factors would be analyzed had to be made. The choices were based on the outcomes of the extant literature, whereby the most frequently cited factors were chosen. However, various other relevant variables that were less frequently mentioned in the extant literature could be further investigated. For example, the effects of entry timing, scale of entry and marketing expenditures could be further analyzed. In this way, new key factors could be identified, which might help to enhance the successfulness of market entries and subsequently contribute to the development of more effective market entry strategies.

Furthermore, future research could focus on one specific car brand over a longer period of time, in which all market entries of the same brand are investigated. By doing this, the successfulness of individual models can be analyzed, and company-specific recommendation can be made. Besides, changes of strategy within the same company can be investigated and several brand strategies can be compared in order to identify certain relationships between the brand's market strategy changes and their corresponding effects on the successfulness of the market entry.

Moreover, future studies could examine the development of market entry strategies over the course of years. This could be done by looking at the market entry strategies that are used by upcoming car brands like Tesla and BYD and comparing them to the market entries that were used in the past by long established car brands such as Renault and Volkswagen. In this way, trends can be identified and a possible prediction about future developments can be made.

Lastly, the structure and outcomes of this study could be used as a starting point to further analyze the effect of several internal and external key factors on the successfulness of a market entry in a specific branch of the automotive market. This study was aimed at analyzing the effects on a global level, whereby all types of car brands were taken into account. Future research could focus on specific segments of the market and look at possible differences between the segments. In this way, a diversification of market entry strategies could be made for each car segment separately.

5.11 Limitations of the study

The research consisted of a multilayered research, which combined quantitative and qualitative analyses in order to identify the key factors that could increase the successfulness of a new foreign market entry.

The quantitative part was performed by analyzing 202 market entries falling the period from 1984 until 2017, whereas the qualitative part was executed by conducting nine interviews with experts in the field of automotive. Despite the multidimensional character of the study, it also has several research limitations that should be taken into account.

First of all, particularly due to the limited availability of data regarding the market entries of several car brands in the period before 1984, it was not possible to analyze market entries for a longer period of time. As a consequence, the emphasis of the research lied on relatively recent market entries, which predominantly happened in upcoming markets, since a large part of all car brands were already established in the developed markets, like Germany, France and Italy, before 1984. Hence, the scope of the research was limited to relatively more recent market entries, whereby relatively older market entries were not incorporated.

Secondly, due to limited time and low response rates of the international departments of the car brands that were approached, the total amount of interviews with experts that were affiliated with a car brand could not be extended. There was a high response rate from experts in the field of automotive that were not affiliated to the international departments of the car brands, since they were not bound by rules or hurdles coming from the headquarters that impeded them to ventilate their opinion.

However, the response rate coming from the global departments of car brands was not as a high as desired. The aim of the qualitative research part was to obtain a response from all car brands that were approached with a mix of Dutch and International representatives. However, the global public relations departments of several car brands predominantly expressed that they could not deliver an interview within the time-span of the research, or the responsible department did not have time to respond adequately to the questions, or the interview had to be checked by the external communications departments which could not be done within reasonable time. The only car brand that was willing to give an interview on behalf on the international operations department of the brand was Mercedes-Benz (Daimler AG). As a consequence, the largest part of the interviews was conducted with Dutch representatives of the car brands and experts in the field of automotive that were not affiliated with a car brand.

Future studies could therefore extend the time-span of the research and make use of additional interviews with international representatives of car brands in order to expand the qualitative part of this study.

Thirdly, the market entries that were analyzed came from several car brands covering different segments of the automotive market. Since no difference was made between the different car segments, it was not possible to make segment-specific conclusions and recommendations.

Hence, the conclusions and recommendations of the research are aimed at the automotive industry as a whole instead of being aimed at specific car segments or individual car brands.

5.12 Final reflection

Concluding the research, a final reflection on the research process can be made. There were several factors which have complicated and enlightened the research process of this study.

In the first place, a great compliment has to be made to the interviewees that have participated in the research. They were surprisingly willing to answer the questions and to provide the research with additional information. Moreover, the interviewees expressed a great interest and enthusiasm for the research topic, which notably ameliorated the ambiance when doing the interviews and the quality of the given answers.

Furthermore, the openness of the data that the car brands and organizations provided, like the World Bank and the OECD, was a pleasant surprise when collecting the data for the research. All information could be found online through the car brands' and organizations' official websites. Besides, several car brands and the World Bank Data Team were willing to provide additional information for the sake of the research.

An evident challenge of the research was the vast amount of data that had to be collected, computed, converted and analyzed. In total 202 market entries were analyzed, whereby the data for all market entries had to be found and adapted for each variable independently. In essence, all data that has been used for the research had to be processed individually in order to obtain a coherent database that was suitable for quantitative analysis. Fortunately, the IBM Knowledge Center and the University of California Institute for Digital Research and Education provided much support for the statistical analysis of the data.

In conclusion, the study has been conducted in order to contribute to the existing literature in the field of international market entries by extending the scope of research to the automotive industry.

Besides, the study has tried to find the most important internal and external key factors that have a significant effect on the successfulness of a market entry into a new foreign market to provide the automotive industry with valuable recommendations.

Lastly, the study has provided the author with a deeper and better understanding of the process regarding international market entries on the automotive market.

Voorhout, 1st of August 2018

Aad van Heusden

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Appendix A: Official Car Brand Websites

Car brands	Website
Alfa Romeo	www.alfaromeo.com
Aston Martin	https://global.astonmartin.com/en-gb
Audi	https://www.audi.com/en.html
Bentley	https://www.bentleymotors.com/en.html
BMW	https://www.bmw.com/en/index.html
Chevrolet	https://www.chevrolet.com/
Citroën	http://www.citroen.com/en/
FCA Group	https://www.fcagroup.com/en-US/Pages/home .aspx
Ferrari	http://www.citroen.com/en/
Fiat	https://www.fiat.com/
Ford	https://www.ford.com/
Hyundai	https://www.hyundai.com/worldwide/en/global-hyundai/hyundai-world-wide
Infiniti	https://www.infiniti.com/
Jaguar	https://www.jaguar.com/index.html
Kia	http://www.kia.com/worldwide/main.do
Lamborghini	https://www.lamborghini.com/en-en/
Lexus	https://www.lexus.com/
Maserati	https://www.maserati.com/maserati/international/en
Mazda	http://www.mazda.com/
Mercedes-Benz	https://www.mercedes-benz.com/en/
Mitsubishi	https://www.mitsubishi-motors.com/en/
Nissan	https://www.nissan-global.com/EN/index.html
Opel	https://www.opel.com/
Peugeot	http://www.peugeot.com/en
Porsche	https://www.porsche.com/international/
Renault	https://group.renault.com/
Seat	http://www.seat.com/
Skoda	http://www.skoda-auto.com/
Suzuki	http://www.globalsuzuki.com/automobile/
Tesla	https://www.tesla.com/nl_NL/?redirect=no

Toyota	https://www.toyota.com/
Volvo	https://www.volvocars.com/
Volkswagen	https://www.volkswagenag.com/en.html

Appendix B: Transcripts of Interviews

Transcript of interview with Willem Jan Oosterveld - General Manager and Marketing Mitsubishi Motor Sales

1. In 2010 the Boston Consulting Group stated: 'For the next decade, the future of the automotive industry lies in the BRIC countries (Brazil, Russia, India and China).' They predicted a significant change in the global market strategies of car brands. How do you evaluate this statement, and does it relate to Mitsubishi's vision about the future automotive industry?

Answer: The term 'future' is ambiguous. It is clearly visible that the BRIC markets are still growing, whereas the US, Europe and Japan could be seen as 'aftermarkets', which means that we cannot expect significant changes in sales volumes in these markets. The aftermarkets require much more complicated (and more expensive) products in the field of technology, safety and emissions, than the emerging markets. This means, more competition, higher investments and more risk in the pure aftermarkets, while having a lower growth potential. On the contrary, new markets with a large potential do have the power to increase global sales significantly. Hence, the focus of a car brand should be balanced between existing markets with a significant market size and upcoming markets with large potential. In this way, the growth of the company can be guaranteed, and the successfulness of the brand can be increased. Fortunately, Mitsubishi is well presented in the emerging markets (Russia, India and China) and expects to achieve much more growth in these markets.

2. Mitsubishi has a great international network and it is active in many markets. What factors does Mitsubishi value as important when they are planning to enter a new foreign market? And how important is the role of marketing in that process?

Answer: Mitsubishi Motors is indeed active in many markets and there are not a lot of markets left that are attractive to enter. When Mitsubishi Motors is planning to enter a new market, it especially looks at the distribution facilities in the host country, i.e. infrastructure and networks.

Mitsubishi inspects the government automotive regulations and incentives of the host country thoroughly before entering the market. The role of marketing in the decision-process is very limited. The potential profitability of the host country remains the most important determinative factor for Mitsubishi when entering a new foreign market. Marketing is a useful tool to analyze the potential market and achieve certain objectives in the host country, especially when it is consistent and salient, but it is not determinative.

3. Does Mitsubishi value cultural distance as a significant external key factor in its market entry strategy when it is planning to enter a new foreign market?

Answer: Cultural differences are substantial and very relevant. The Japanese heritage gives a clear signal to the new market. Thanks to the positive perception of Japanese culture, which radiates craftmanship, precision and reliability, Mitsubishi is able to achieve great successes. Yet, this is not a guarantee that potential customers are willing to pay a premium price for the products. Therefore, the analysis of cultural distance between the home and host market plays a crucial factor in the marketing mix of Mitsubishi's market entry strategy.

4. Mitsubishi is operating in a very competitive international environment and therefore it has to differentiate itself. Looking at Mitsubishi's international market entry strategy, what do you value as one of its strong points and how does it differentiate itself from the competitors?

Answer: It may sound strange, especially since it is coming from the 'pen' of a marketeer, but Mitsubishi currently (actually for a longer time) has considerable difficulties in differentiating itself and regards this question as a challenge. The fact is, most of the Japanese car brands do not have a strong capability of differentiating themselves in the field of marketing. Notwithstanding, other car brands are not performing any better, except some premium and European car brands. Fortunately, since we have become part of the strategic alliance Renault-Nissan-Mitsubishi, we see some positive changes. Moreover, we from Mitsubishi like to see ourselves as engineers and we believe that the product speaks for itself. For instance, the simple use of press photo coming from the Mitsubishi plant in Japan and a brochure actually describe the entire brand's marketing mix in short. Subsequently, all countries give their own interpretation to the marketing activities that have to be performed on the local market. For example, in the Netherlands 90% of the marketing activities, like television commercials, are locally developed and targeted to the market, which is quite unique in the world of automotive.

This creates a diffuse brand image across the world and that is disastrous when you want to build a strong brand identity. Consistency and salience are key factors in marketing when you want to build your brand identity. So, it is allowed to say that there is still much room for improvement.

5. How would you evaluate the position of automotive within the field of international market entries and how do you think that the automotive industry will change in the future?

Answer: One should consider the automotive industry as a separate area of study within the field of international market entries. There are truly different rules that apply to the automotive industry in comparison with brands that offer other types of consumer goods. The automotive industry is a highly traditional industry with a genuinely manufacturers' focus, which means long throughput times and life-cycles, complicated regulations, high risks and remarkably low margins. Besides, the distribution of the product is costly and complex with a substantial risk of harming the brand's identity. For example, think about the many different distributors and dealers that all give their own interpretation to the brand values and in some cases combine different brands under one corporate name, which gives the impression that the brands are inter-related, even though there is a 'separation' of the brands within the dealership (a simple separation wall). The automotive industry cannot be compared to any other industry, but its advancement is frequently measured by comparing it with the advancement of large brands such as Google, Uber, Booking, Red Bull etc., even though these brands cover completely different markets. Nowadays, the ability of a car brand to incorporate the services and features that are known from the high-tech world (e.g. Google applications) is becoming increasingly determinative in defining the value and technological advancement of the car'.

Furthermore, the nature of the automotive industry is changing from being ownership-based to being usage-based. The choice for a car will become much more dependent on added value and the reduction of usage costs, instead of being dependent on brand preference. This trend is especially visible in the more developed markets. Take, for example, the influences of the Dutch 'Bijtelling' (additional tax liability) and environmental subsidies on the fleet management of leasing companies, it is outright remarkable. They change their fleet according to the government's fiscal policies on the automotive market and subsequently define the product range out of which its customers may choose. Accordingly, the customer chooses the car that is economically the most advantageous instead of choosing the car based on his or her brand preferences.

In other words, car purchasing behavior is completely changing, which also indicates that the future of the automotive will undergo many changes. In conclusion, automotive marketing is complex, but that makes it even more interesting.

Transcript of interview with Susanne Kuch – External Affairs Daimler AG

1. This research is specifically focused on four entry modes, exports, franchising, joint ventures/strategic alliances and wholly owned subsidiaries. What entry mode does Daimler prefer when entering a new foreign market.

Answer: Wholly owned subsidiaries. It is vital for a modern car brand to be close to the market, to be able to bring the product faster to the market and enhance the processing of feedback coming from the market. Therefore, Daimler tries to enter as much markets as possible through wholly owned subsidiary, whereby we aim to open multiple factories in the markets with the largest sales potential in order to produce locally and be in control of the distribution. The benefits of entering the market through wholly owned subsidiaries are becoming clearly visible.

2. Could you give an example of Daimler's success with one if its wholly owned subsidiaries?

Answer: Daimler China. Thanks to the cooperation, currently one third of the Daimler cars that are sold in China are produced locally. The sales are continuously rising, and Mercedes-Benz is becoming the number one luxury brand in the country. Mercedes-Benz padded its lead in the luxury-segment on the Chinese car market last month by defeating its main rivals Audi and BMW in terms of sales. Our sales increased by 16% in the first half of 2018 reaching a total of 340.000 sales, while Audi sold 306.590 cars and BMW sold 299.801 cars.

3. What do you expect to become the most important factors that will determine the successfulness of a car brand's market entry in the future?

Answer: Brand strategy and production decisions will become increasingly important for car brands. Being in touch with the local market and having a globalized network will become essential conditions for having success. Daimler puts a large emphasis on having strong networks in all the markets it is active in, to be able to deliver products that are specifically tailored to the local market.

Transcript of the interview with Bas van Werven - Dutch presenter, journalist and automotive expert

1. In 2010 the Boston Consulting Group stated: 'For the next decade, the future of the automotive industry lies in the BRIC countries (Brazil, Russia, India and China).' They predicted a significant change in the global market strategies of car brands. How do you evaluate this statement, and do you agree?

Answer: Partly. There is a trend in China, which constitutes a great example, whereby large European car manufacturers are learning the 'trick' of making cars to Chinese car manufacturers. Large brand such as BMW and Volkswagen have their factories in China and at the same time, by law, the Chinese manufacturers are building their own factories next to those of the European car brands. Some upcoming Chinese brands like BYD (Build Your Dreams), Great Wall and Geely, who has bought Volvo, are learning from the mistakes and successes of European car brands and incorporate that into their own product development.

It is not a firm's experience and financial power anymore which are determinative for success. The current automotive market is much more focused on strategy, whereby car brands closely track the steps of their competitors and accordingly adapt their strategy. The greatest strategist will have the greatest success instead of the brand with the largest assets or experience. Take, for example, the Chinese car manufacturers, they are masters in copying the technology from major European car brands in the local markets. They learn from the existing car brands within an extremely short period of time.

European car brands needed 50 years to develop cars as we know them today, Japanese car brands came up with competitive cars within a period of 25 years, the Korean brands did the same within a period of 10 to 15 years and the Chinese car brands are nowadays developing competitive cars within a period of five years. They are faster and smarter in obtaining state-of-the-art technology and converting it into cars that can compete with the established car brands. In essence, they accumulate the knowledge from the European car brands and subsequently improve their products, whereby they can offer consumers a Chinese product for a lower price and with the same technology and features as, for example, a Volvo. In this way, they can conquer the car market without the need of having large financial resources or building years of experience over a long period of time.

In India, it is possible to identify an equivalent trend. The Indians have bought several existing British companies, based on their colonial past, which allowed them to enter European markets successfully. For example, almost nobody knows it, because it is strictly confidential, but Tata Motors (Indian car manufacturer) has been the main manufacturer of Ferrari's undercarriages for almost 30 years, thanks to their great networks and knowledge. Ferrari buys technological knowledge from Tata and subsequently incorporates it in its own cars.

Tata wanted to expand to the European market in order to increase its international operations and to strengthen its position. For that reason, the Indians wanted to acquire the Jaguar Land Rover Holding Company, which owned the British car brands Jaguar and Land Rover. Thanks to the small cultural distance between India and Great Britain with regard to mentality, attitude, education and above all language, the acquisition resulted in a prosperous cooperation between the two car manufacturers. They joined forces and a revival of the Jaguar and Land Rover brand arose, whereby Tata Motors further strengthened its position on the global automotive market.

In Brazil, the aforementioned trend is less visible, and Russia is significantly behind on these developments. Especially China and India are making great improvements, whereby they are educating and preparing their population (more than 1 billion people) for future developments and they are building a strong infrastructure in order to be able to facilitate the growth of car sales in the country. The Chinese want more cars, simply because the citizens are gaining more money and the country is thriving. Besides, a car that has been built in the home country is much more appreciated. These countries are growing at an incredibly fast pace and there will come a time that Chinese and Indian car manufacturers will launch products that will strongly compete with products coming from European and American car manufacturers. However, for the time being the established European and American car brands will profit from their activities in these upcoming markets.

2. Following the previous question, do you think that the focus of the automotive industry, for example that of Audi, BMW and Mercedes-Benz, will change towards upcoming markets instead of the developed markets?

Answer: The change in focus is already visible. Car brands, such as Volkswagen, Audi and Mercedes-Benz, are adapting to the upcoming markets by developing market-specific models.

For example, the rich Chinese customers prefer big and long cars and these preferences are quickly satisfied by the European car brands. The brands adapt themselves to the local market in order to be successful.

3. In order to adapt more effectively to the local markets, several car brands have entered new foreign market with the use of a wholly owned subsidiary, whereby a local factory is set up in the host country with the goal of producing a large part of the vehicles that are sold in the local market. For example, nine of the ten cars that are sold by Audi on the Chinese market are produced locally by a Chinese wholly owned subsidiary. Especially the European car brands enter the new foreign markets with wholly owned subsidiaries, whereas the majority of Japanese car brands still try to maintain production and assembling in their own country by entering the market through exports. What entry mode do you think leads to more successful market entries?

Answer: The Japanese preference for exporting can be explained by their focus on the American and European markets instead of upcoming markets, such as China, which are regarded as not sufficiently prosperous. The Japanese car brands are focused on the markets where they are already active such as their home country, European countries and the United States. They are quite conservative in expanding their business to new markets through wholly owned subsidiaries and therefore I think they will not conquer the upcoming markets, among which China.

In practice it is much more beneficial for car brands with large sales volumes to produce locally instead of exporting the products. They prevent several complications with the shipping and they can profit from the advantageous circumstances in the local market. In countries like China and India the size of the skilled labor force is enormous. For example, every year there graduate more PhD students in China and India than in the whole of Europe together. Thus, it can be incredibly beneficial for a car brand to set up a wholly owned subsidiary in the local market.

4. Based on the difference in choice of entry mode, do you think that the European car brands will dominate the Chinese market instead of the Japanese markets?

Answer: Yes, certainly. Until the moment comes that the European car brands will be overhauled by the Chinese car brands which are growing way faster. I even think that in a period of 10 to 15 years, Chinese car brands will be strongly active on the European automotive market.

This means, the European consumers will buy significantly more Chinese cars, which for example will be driven by hydrogen fuel cells. These are upcoming fields within the automotive industry, which the Chinese car manufacturers can use to their advantage by creating a competitive edge over its competitors. The Chinese are currently extremely fast in copying valuable information, but in the long-term they can outperform the established car brands based on their rapid processing and further development of obtained information.

5. As can be deducted from your answers, the European, Japanese and in particular the Chinese car manufacturers have obtained great successes and there are still many to come. However, American car brands, such as Dodge, Chevrolet and Chrysler, are experiencing a strong downfall. Could you give an explanation for these developments?

Answer: The American car manufacturers held on too tight to their own mentality and vision, which resulted in the downfall of several car brands like Chevrolet, Chrysler and Dodge. The Americans were focused on building cars that satisfied the wishes of its domestic consumers instead of looking at the wishes of the consumers outside the US. For example, the pick-up truck is specifically a product that is being designed and produced for the American market, but it is far from being successful in other markets, such as the European market. Besides, the American consumer desires a yearly update of the car model, which has led American car brands to focus on continuous changes in design and structure in order to present a new model each year. As a result, the American car brands did not build products that were meant to last a longer period of time, they did not make crucial improvements in terms of sustainability and they did not have a long-term vision. Furthermore, the American consumer is totally different from consumers in other markets of the world. They desire different products and different features, whereby there is an emphasis on simplicity, convenience and low-maintenance. Subsequently, the American car industry has built cars that particularly complied with the demand of the American consumer, however, by doing this they did not take the dissimilar demand into account that was coming from other markets (emphasis on sustainability).

Consequently, the American automotive industry was and is falling behind the Chinese, European and Japanese car brands. Yet, there are some brands that try to adapt to the global development in the automotive market.

Chevrolet has tried to electrify a part of its product range, with the Chevrolet Volt, and Tesla has attempted to become successful by offering a completely different product range whereby all cars were fully electric. However, the US government is not supporting these brands with its regulations and protectionist measures. The US government should actually be backing up companies like Tesla in order to encourage the development of sustainable cars, but in practice it is the other way around. Hence, the American car industry is clearly developing in the wrong direction and its car brands are falling short on a global level. Except Ford, they have a different mentality and they are actually prospering, since they do actually look at the developments on the global car market and adequately adapt their product range to it.

6. As a result, do you think that the American automotive industry will recuperate, or do you think that it will further deteriorate?

Answer: I am certainly not positive about the future of the American automotive industry. Firstly, the American car brands are not adapting to the current and upcoming developments in the automotive market. Secondly, the protectionist measures that are currently taken by the American government will greatly harm its industry. European, Japanese and Chinese cars will become much more expensive and will therefore be less successful on the American market. As a result, these brands will focus on other attractive markets in the world, whereby the American market will become more and more neglected.

Noteworthy, Toyota has developed a smart market strategy, whereby they have opened several factories in the US in order to produce cars specifically aimed at the US domestic market, such as the Toyota Tundra. The cars that are sold on other markets in the world are produced elsewhere. Consequently, they are able to satisfy the needs of the American consumer and of consumers in other markets in the world.

7. This question concerns the significance of market size as a factor in the market entry strategy of a car brand and its effect on the corresponding successfulness. A lot of car brands, among which BMW and Mercedes-Benz, are currently focused on entering many new foreign markets, especially with large market sizes, with the goal of expanding their international operations. What do you think is the reason for this aggressive global expansion strategy?

Answer: The focal point of the automotive industry is shifting from the European and American markets to upcoming markets like China and India. It is fundamental for the growth of a car brand to enter new markets with large amounts of potential customers.

A good example is Porsche, they have entered multiple markets within a short period of time and they are planning to enter another 15 markets by 2020. The result of this aggressive expansion strategy is evident, namely Porsche is currently selling more cars than ever before. In short, it can be concluded that the motivation of a firm to enter a new market depends on the growth potential that can be obtained in the new market, whereby increasing the sales is vital for a brand to grow.

A fun fact that demonstrates how brands are changing their focus towards the upcoming markets like China and India, is the revival of the brand name Porsche. Porsche had established a really strong brand identity on the European and American car markets. As a result, they decided that they could take away the name Porsche of their cars and only put on the logo, since everybody could recognize a Porsche by the model and it would display the strength of the brand identity. However, recently Porsche started again to put their brand name Porsche on their cars, because they found that Chinese and Indian customers were extremely interested in buying a Porsche, based on the name it had built in Europe and the US, but they could not identify one. Especially, the people in the streets of the large metropolitan areas, who possessed large amounts of money, could recall the brand name Porsche and its status, but could not identify the model in real-life. Porsche realized that these upcoming markets had the highest sales potential and subsequently they decided to put the name Porsche clearly visible on their cars in order to increase brand salience.

8. Do you think that the change in focus of the car brands from the developed markets to the upcoming markets, like China and India, will make other key factors more important in their market entry strategy?

Answer: Absolutely. The era that car brands made a homogeneous product range with the same prices for all the markets they were active in, which made them dependent on the purchasing power of the host country consumers, is over. Nowadays, car manufacturers make products that are specifically developed for the local economic, political and financial circumstances. Car brands adapt their product range to the local environment to prevent a failed positioning of their products and to increase the successfulness of their entry into the market. The key factor adaptiveness to the market will become increasingly more important.

9. What do you think the future of the automotive industry will look like?

Answer: The automotive industry will undergo many major changes, but the most interesting part is that none of the car brands are fully sure or confident about which direction it will go. The automotive industry is currently at a comparable situation as when the industry began to develop in the 1900s and 1910s. Fundamental choices are made about which fuel should be used to drive the engine of the car, nowadays, it is the choice between electricity and hydrogen, but 100 years ago manufacturers had to choose between electricity and fossil fuels. Eventually, they chose for fossil fuels, since it was easier to carry around and it was more masculine to drive a petrol-based car than an electric car. In the end, petrol-based cars became more and more popular and developed themselves as the standard. Now, we have to make the choice again and at the moment it is uncertain about which direction the automotive industry will go. It is very interesting to monitor what decision the car brands will make, because these choices will define their successfulness in the future.

Toyota, for example, has chosen to focus on hydrogen and they are adapting their product range accordingly. Recently, I have read that hydrogen could be very successful in the future, since the gas network can be transformed into a hydrogen network. This means, every house has its own 'gas station', which would make the use of hydrogen cars very convenient and attractive.

10. What do you expect to become increasingly significant in determining the successfulness of car brand?

Answer: The contribution to sustainability will become increasingly important, whereby an emphasis will be put on the recycling of materials and the use of alternative fuels. The development of alternative fuels will be significantly more important than the development of autonomous driving, which is currently receiving exorbitant attention, and will not impact the future as much as the developments in the field of sustainability. In other words, sustainability will become the key factors in defining the successfulness of a car brand. Besides, a car brand's the degree of technological knowledge will become its most valuable asset and the ability to transform the technology into desired products will define its success. Besides, the technological advancement of the host country will be crucial, for example, the market entry of a car brand that sells electric vehicles, like Tesla, cannot be successful if the infrastructure of the host country has not been developed sufficiently for electric vehicles.

Technological advancement is therefore a very important internal and external key factor. Car brands are shifting their focus from having a labor-intensive production to a more capital-intensive production. The role of technology has become considerably more important and especially the technologies that are focused on the fuels of the future, like hydrogen, will be determinative for the success of a car brand.

In addition, the car brand that will be most capable of giving the consumer what it wants will achieve the greatest success. The consumer will be strongly influenced by government regulations that are aimed at increasing the sustainability of the automotive industry, so it will prefer a car that is low-cost, comfortable, efficient and sustainable.

Lastly, the focal point of the automotive industry will shift from the European and American markets to upcoming markets like China and India. These markets will experience the largest growth and the local car manufacturers will develop products that will compete with the products of the established car brands. Examples of this development are Geely's Volvo and Roewe's Rover (which is part of the Shanghai Automotive Industry Cooperation). Rover is currently produced by Roewe, which is able to produce very low-cost cars (€15.000) with European technology and executive luxury, such as leather seats and walnut wooden interiors. They are not state-of-the art, but the technology works, it is reliable, and you can drive it for 5 years without issues. After that period, you will have to 'throw away' the car, but in those 5 years they will have further developed their brand identity, technological knowledge, distribution networks and they are able to give their loyal and potential customers outstanding products that can compete with the products of European car brands.

Lastly, another remarkable example, the buses that are driving in London are made by BYD, a Chinese car manufacturer. This indicates how strong the influence of the Chinese manufacturers is becoming and how technologically advanced they already are. In other words, major changes in the automotive industry are taking place and there is much more to come.

Transcript of interview with Bas Heideman - Chief Editor of Top Gear Magazine

1. In 2010 the Boston Consulting Group stated: 'For the next decade, the future of the automotive industry lies in the BRIC countries (Brazil, Russia, India and China).' They predicted a significant change in the global market strategies of car brands. How do you evaluate this statement?

Answer: The change has already been taking place. It is clearly visible that car brands are predominantly focusing on the markets with the largest number of potential customers, for the simple reason that they can achieve the highest amount of sales in those countries. Sales are crucial to grow as a company. Even though, the number of customers is much larger in the developed markets, these markets are getting saturated. Besides, in the developed markets, like the Netherlands, car ownership and overall sales are discouraged by various government regulations, whereas in the BRIC countries it is encouraged. Moreover, in upcoming markets, among which the BRIC countries, there is a much larger sales potential, whereby the growth prospects are significantly more positive, since the citizens of these countries want to attain the same degree of welfare as we have in the developed countries. This means, more and more people are getting richer in these upcoming markets and logically they want to buy luxury goods such as cars. These are large groups of potential customers and the upcoming markets are by far still not saturated. So, these markets are very attractive to car brands and therefore they receive more and more attention.

2. Do you think that the focus of the automotive industry will change towards upcoming markets instead of the developed markets?

Answer: The focus is already shifting towards these markets. For example, the Chinese car market has already been identified by car brands as an area of interest for a period of more than 20 years. For example, Citroën and Volkswagen are already active on the Chinese market for many years and they have achieved great successes. Both brands adjusted their market entry strategies to the Chinese government regulations, and as a result, the brands successfully entered the market.

3. In order to adapt more effectively to the local markets, several car brands have entered new foreign markets with the use of a wholly owned subsidiary, whereby a local factory is set up in the host country with the goal of producing a large part of the vehicles that are sold in the local market. For example, nine of the ten cars that are sold by Audi on the Chinese market are produced locally by a Chinese wholly owned subsidiary.

Could you give an explanation why car brands prefer to enter a new market with a wholly owned subsidiary and subsequently want to establish a local factory?

Answer: With a wholly owned subsidiary a brand can more easily adapt to the rules and regulations of the local market. In particular, China has strong regulations which stimulate the setup of new factories in the country and the cooperation with local companies. Besides, being close to the local market enables a brand to respond quickly to the wishes of the local consumer and change their production processes adequately. Holding on too tight to production in your own country can have fatal consequences. An example of these fatal consequences is the market entry of Renault into China. When Renault entered the Chinese market, the management did not want to transfer production to China, because they wanted to preserve employment in France and hold tight onto a French production and assembling of cars. It resulted in a very opposing Chinese government who did not facilitate the entry of Renault into China and created several barriers for the sake of diminishing Renault's exports. Moreover, the French products were not adapted to the local markets and the products were not successfully welcomed. Long story short, the entry completely failed.

In contrast to Renault, there were also car brands that, such as Citroën and Volkswagen, that adapted their strategy to the host country regulations and, as a result, had a successful market entry. The entry into a new foreign market can be complicated by the host country, however, nowadays there are more car brands that adapt their strategies to the local market laws and regulations. This enables them to adjust themselves to the openness of the country instead of being dependent on it. I personally have experienced their success on the Chinese market, when I went to Peking in 2007. Broadly speaking, two out of the three cars that I saw driving in Peking were Citroën, in particular the ZX sedan, or Volkswagen, the Santana. These cars were specifically made for the Chinese market and were extremely popular. Hence, the better a car brand is able to adapt themselves to the host country's circumstance, the higher the chances that it will be successful in the new market.

4. Do you expect that these upcoming markets will be predominantly used as production locations or sales outlets by European and American car brands or do you think that these markets will develop car brands that will be able to compete against the well-known car brands?

Answer: The upcoming markets will most definitely develop their own car brands, in fact, there are currently more car manufacturers in China than in the rest of the world. So, yes, these markets are developing themselves really fast and several car brands are thriving. There are at least 60 Chinese car brands that are doing really well in their domestic and adjacent markets, which at this moment are not posing a threat to the European and American manufacturers, but in the future certainly could if they keep improving at this pace.

Besides, the Chinese make smart use of the technology that has entered their market with the arrival of the European car brands. Geely is a good example of how the Chinese make use of the technology that has been developed by a European car brand. Geely bought the Swedish brand Volvo in 2010 and they made it a wholly owned subsidiary of the Zhejiang Geely Holding Group. As a result, they had access to all technology that was developed by Volvo and they learned to make similar cars. Within a period of six years, Geely founded a wholly owned subsidiary called Lynk & Co, which was fully based on the technology acquired from Volvo but was slightly different positioned in the market to target another group of consumers. The brand has become really strong in the domestic market and could be the first brand that will pose a serious threat to the well-known car brands on the European market. This demonstrates how important the strategic acquisition and use of knowledge has become. The period of dominating the market solely based on firm size, financial resources and experience is definitely over. The Chinese are masters in accumulating valuable knowledge and transforming it into a competitive advantage.

A noteworthy example of China's influence on the Dutch market can be seen on Schiphol airport. The buses that are used on the airport are built by the Chinese company BYD instead of being built by a famous European or American manufacturer. The story about BYD is incredible. They started as a small car manufacturer which could be recognized from its logo that resembled a blue and white propeller, but most importantly it was almost identical to the BMW logo. They were sued for this, but they received vast amounts of publicity and they have been growing ever since. BYD is a specialist in copying European technologies and incorporating them into their own products. Currently, they possess an extensive amount of technological knowledge, especially in the field of electric mobility, which is giving them a competitive advantage in the global automotive industry. Most notably, they are not the only brand that is thriving in the Chinese market. There are also other brands like Great Wall and Geely, which are currently not well-known or dangerous, but can become very powerful in the future.

5. The European, Japanese and in particular the Chinese car manufacturers have obtained great successes and there are still many to come, like you explained in your previous answer. Remarkably, American car brands, such as Dodge, Chevrolet and Chrysler, are experiencing a strong downfall. Could you give an explanation for these developments?

Answer: It is a quality and mentality problem or, in other words, a cultural issue. Cultural difference drives a wedge between the objectives of the car brand and the actual performance in the host country. In the case of the American automotive industry, the problem lies in the deviant demand of the American consumer in comparison with consumers of other markets in the world, like the European or Japanese markets. The American consumer does not care about size, sustainability or consumption. For example, I have recently returned an American Ford Mustang to the importer that was tough, strong and had a V8 engine, which made it the most interesting and entertaining car to drive in. However, a five-liter V8 engine consumes massive amounts of gasoline, which is not appreciated by the European consumer. Yet, the car is extremely popular in the US, since the American consumer does not care about consumption in comparison with driving experience and engine power.

Nevertheless, the government regulations on the European market, in particular the fiscal policies, make the car extremely unattractive for European consumers. For example, in the US a consumer would pay 40.000 dollar for a Ford Mustang, while a Dutch consumer has to pay 120.000 euro, due to the existing fiscal policies. Nobody wants to pay such as price for a car that has a value of 40.000 dollar, especially since there are better alternatives for the same price, such as a Mercedes-Benz C-class. In other words, the American automotive industry has not taken cultural, political (fiscal) and economical differences into account and has failed to adapt to the different needs of the various markets.

6. This questions concerns the international expansion strategies of car brands. Why do you think that car brands are focusing more and more on entering new foreign markets, in particular the emerging markets? To illustrate, Porsche has stated that they aim to have entered 15 new foreign markets by 2020. Could you give an explanation?

Answer: Sales. Car brands are focused on increasing sales and in order to achieve higher sales it is vital to enter new foreign markets.

Thereby, car brands will predominantly focus on the markets with the largest number of potential customers, for the simple reason that they can achieve the largest amount of sales in those countries. Sales are crucial to grow as a company. Especially the countries that have a high degree of safety and where the local convenience of doing business is substantial are seen as very attractive potential markets by car brands.

Porsche, for example, has greatly benefited from their international expansion strategy. They are selling impressive amounts of cars, whereby their SUV product-range is exceptionally popular, which has strongly helped to boost the amount of sales. As long as the company is able to increase its sales by entering new foreign markets, it will do so, for the simple fact that it is essential for its future growth.

7. What key factors do you expect to become increasingly significant in determining the successfulness of car brand's market entry strategy?

Answer: It is clearly visible that the quality differences between car brands are diminishing. In the past there was a fine relationship between the price of the car and the expected quality. Nowadays, the quality of cars could be seen as relatively equal, which takes the significance of quality as a key factor away. I think that brand identity and status will become determinative in the process of stimulating sales and achieving success as a car brand. The brand that is most capable of defining itself as the best brand, which in the future will also be the most environmentally friendly brand, will obtain the greatest successes. In order to achieve a well-defined brand positioning, the role of marketing will become more and more important.

Furthermore, sustainability will become a very influential key factor in the successfulness of a car brand. The electrification of the automotive industry will be strengthened, since an increasing amount of car brands are trying to change their product-range according to the developments that are made in the field of electric driving. Besides, the development of hybrid or hydrogen cars could become very important. In other words, innovation with regard to sustainability will be of great value for the automotive industry.

8. Do you think that in the future of the automotive industry, sustainability will develop itself as a determinant of successfulness in the market entry strategies of car brands?

Answer: It will be dependent on the point-of-view of the consumer, which is dependent on the type of market, due to differences in government regulations. For example, an American consumer will attach significantly less value to sustainability in comparison with a European consumer. The European consumer is especially influenced by the country's car regulations and fiscal policies, since these factors influence the financial attractiveness of the car. The car regulations that a government makes can significantly define the successfulness of a car brand.

For example, the Dutch government actively encouraged environmentally friendly cars, like electric vehicles, with the use of subsidies and discouraged environmentally unfriendly cars, such as V12 gas guzzlers, with taxes. As a result, hybrid and electric vehicles became extremely popular and the corresponding sales rose dramatically. However, when the government stopped with granting subsidies on electric and hybrid cars, the sales dropped significantly. The consumer could be strongly influenced by the government's car regulations. In other words, the successfulness of a car brand's market entry into, for example, the Dutch automotive market will be strongly dependent on the compatibility of its product range with the government's car regulations.

9. Do you expect that the automotive industry will undergo major changes or that it will remain relatively stable?

Answer: It will definitely undergo major changes. The automotive industry will have to make very difficult choices about which direction it wants to go. Yet, the rise of the electric vehicle is undeniable. Car brands will have to shift their focus towards sustainability, because that development is unstoppable.

All in all, it is difficult to predict how fast these developments will go and when the turning point in the automotive industry will take place. Besides, within the field of electric driving there are many choices to make, which can further alter the future direction of the automotive industry. In fact, almost all car brands are struggling with their predictions about the future of the automotive industry and how they will adapt their market strategy accordingly. So, it can be concluded that the automotive world is facing exciting times, which will be interesting to follow.

Transcript of interview with Ashwin Boedhoe - Public Relations Suzuki Motors NL

1. In a 2010 report by the Boston Consulting Group concerning the future of the automotive industry, there was a statement that claimed: 'For the next decade, the future of the automotive industry lies in the BRIC countries (Brazil, Russia, India and China).' What is Suzuki's opinion about this statement and on which market(s) is the brand focused?

Answer: Suzuki has a global network with activities in various markets. Currently, Suzuki has factories in India, Japan, Hungary and Thailand. Suzuki's expansion strategy is particularly focused on upcoming markets with significant market sizes. Therefore, the brand takes the importance of the BRIC countries strongly into account, however, the main focus of Suzuki is the Indian market. At the moment, India forms the biggest and most important market for Suzuki in terms of sales.

2. Does cultural distance, in particular the distance between the Japanese culture in which the brand has its origins and the European and American cultures where the products are predominantly sold, play a significant role in Suzuki's market entry strategy? How does Suzuki value the importance of cultural distance?

Answer: Cultural difference is only important when one wants to make modifications in the internal procedures of the company in the different territories where it is active in. When the brand creates a strategy that is specifically designed for the local market, it is possible to overcome cultural differences in every market. The ability to adapt is vital, when you don't take the right steps to reduce the cultural difference between the home and host country, it could negatively affect the successfulness of the market entry. Besides, we find it very important to radiate our brand image Suzuki in every market we are active in and therefore we adapt to every market separately to do that in the best possible way.

3. Suzuki is active in a very competitive market environment and it will have to differentiate itself in order to remain successful. How does Suzuki try to differentiate itself from the other brands?

Answer: Brand reliability. That is one of the most important factors that customers mention when they are going to buy a Suzuki. There are rarely any breakdowns, the car is reliable, and Suzuki gives its customers value for money.

Especially when compared to the French car brands, Suzuki is building a strong brand image of being reliable, which attracts customers. Brand reliability and brand status are indissolubly linked.

Transcript of Interview with Willem Verschuur - General Manager Marketing at Louwman and Parqui B.V.

1. Toyota is part of the three largest car manufacturers in the world with no less than 51 factories worldwide. Do you think that the firm size of Toyota has a positive or negative effect on its successfulness when entering a new market?

Answer: When a firm becomes too large, it becomes more difficult to align processes, make fast decisions and be consistent. The reason for this is the vast amount of choices that have to be made for the many different departments that all need their own guidelines and objectives. However, there is also a 'balancing-effect' of having a large firm size. Due to the massive size of Toyota, it is possible to cover many markets and subsequently to increase activity in those markets, since there are more employees to deploy. In comparison to the PSA group (Peugeot, Citroën, Opel, Vauxhall and DS automobiles), Toyota has much more success outside of the main markets of Europe and the US, thanks to its greater scale of international activities, which is attainable due to its large networks and firm size. Thus, a balance has to be made, whereby a large firm size can be beneficial for the scale of international activities, but an oversized organization will lead to efficiency and decisiveness problems. A firm should therefore manage its growth effectively by preventing excessive growth and encouraging gradual expansion.

2. Toyota has entered more than 170 markets, which include countries that differ in their openness with regard to the arrival of foreign firms and in some cases have a large economic differences with the home country Japan. How does Toyota handle these differences when it enters a new market?

Answer: The economy of the market is not decisive anymore, because car brands nowadays make thorough market attractiveness analyses, which are based on various country indicators that shape the market entry strategy of the car brand. Toyota, for example, looks at the local conditions of the market and adapts its market entry strategy accordingly to overcome differences in vital country indicators, such as economy, infrastructure and market maturity.

In this way, it is possible for Toyota to enter markets that normally would not be attractive solely based on factors such as economic disparity and openness. As a result, Toyota could increase its global activities and achieve the objective of being active in more than 170 countries.

3. What factors does Toyota consider becoming increasingly important in the future of the automotive industry and how is Toyota planning to adapt to those developments?

Answer: Toyota expects that the future of the automotive industry will be focused on subjects like sustainability, mobility and safety. Therefore, Toyota is fully focused on sustainability, whereby the objective of having a full zero-emission product-portfolio by 2050 is a key factor for its future strategy. Besides, Toyota is trying to come up with other methods of mobility to make transport more convenient and accessible. Lastly, the brand attaches great value to safety and is therefore conducting much research on finding new ways of making the use of car transportation safer and easier.

Transcript of interview with Mercedes-Benz' Market Management Department MBC - Mercedes-Benz International Operations Department

1. In 2010 the Boston Consulting Group stated: 'For the next decade, the future of the automotive industry lies in the BRIC countries (Brazil, Russia, India and China).' They predicted a significant change in the global market strategies of car brands. How does Mercedes-Benz evaluate this statement, and does it relate to its vision about the future automotive industry?

Answer: As the decade (2010-2020) that this prediction was made for has reached its final quarter by now, it has become obvious that the prediction turned out to be very true for China, which rose to be one of the largest and fastest growing automobile markets in the world.

On the other hand, for the other three BRIC markets it has been a very challenging past 8 years, as they were severely hit by all different kinds of economic struggles, such as inflation, currency exchange rate turmoil and commodity price hiccups as well as political instability and policy flip-flops in the case of India and Brazil. Therefore, the growth coming out of these three markets is still impressive in relative numbers, but below the earlier expectation and significantly outperformed by China.

With regards to the global market strategies in the automobile industry it has become obvious that in the face of a slowdown in growth in USA and Europe a shift in focus towards the BRIC Markets and especially China has taken place to exploit the growth potentials.

2. Based on a thorough quantitative analysis of hundreds of market entries in the past, I have found the following factors to be relevant when entering a new market, internal (company-based): entry mode, financial resources, firm size, firm experience, and, external (country-based): economic distance between the home country and the country the car brand wants to enter, cultural differences, country openness (convenience to do business in the host country) and country riskiness (political, financial and economic risk in the host country). What factors would you value as most important when entering a new foreign market and why?

Answer: Out of the listed internal factors we would value the choice of entry mode (select the right models (portfolio), import vs. local production, distribution strategy (own retail vs. general distributor) as the most important one, as making an error here is usually fatal to the business endeavor, while lacks in resources, size and experience can be (partly) offset by choosing the right entry mode.

Out of the external factors we would value country openness and riskiness to be the two decisive factors to define whether a market entry is viable or not. A supportive business environment with a manageable risk scenario is a must have to even start considering a market entry.

3. In addition to question 2, what other (missing) factors do you think should also be taken into account?

Answer: The missing factor from our point of view is the market potential in terms of sales volume potential. This potential has to be evaluated in both quantitative figures (absolute volume) as well as qualitative dimensions, such as available segments.

This is especially true for Premium-OEMs such as Mercedes-Benz, as the penetration and growth potential of the Luxury Premium Segment are crucial for our own growth potentials in a new market.

4. Lastly, Mercedes-Benz is operating in a very competitive international environment and therefore it has to differentiate itself. Looking at Mercedes-Benz's international market entry strategy, what do you value as one of its strong points? Maybe you could mention one that could be used as a valuable learning in field of international market entries?

Answer: Strong point: Choice of entry mode and first-to-market timing.

Looking at the international markets that Mercedes-Benz is operating in, it shows that we are especially successful in those, where we made a move first, before the competition and where we chose an entry mode suitable for the market specifics and oriented towards a long-term growth strategy.

Transcript of interview with Mercedes Benz's Product Management Department - Mercedes-Benz Beijing Sales Service Co., Ltd.

1. McKinsey and Company predicted that China's luxury car segment will grow with 12% by 2020 and will therefore be a great opportunity for luxury car brands. In particular, Audi and BMW have focused their strategies on the Chinese market in order to become market leader. Does Mercedes-Benz also aim to become market leader in the luxury car segment of the Chinese automotive market?

Answer: Yes, as of June this year we're already #1 premium OEM (Original Equipment Manufacturer in China.

2. What are some of Mercedes-Benz objectives in the Chinese market?

Answer:

1. China fit products
2. Increase local production footprint
3. Increase local R&D footprint
4. Financial Services business
5. Improve network – both in quantity and quality

3. How would you summarize the Mercedes-Benz market entry strategy in China?

Answer: In a nutshell: we need to understand Chinese market best – customers, partners, and regulations.

Transcript of interview with the Corporate Communications Department - Royal Dutch Touring Club ANWB

1. What do you think will be the future focus of the automotive industry?

Answer: The two greatest trends that we have identified are sustainability (electrification) and ADAS (advanced driver assistance systems), which is aimed at the development of a self-driving car or autonomous mobility. Moreover, all cars will be connected in the future. The ANWB wants to play an important role by providing services to the users (mobility as a service). These vehicles will be predominantly electronically-powered, whereby hydrogen will be playing a much more important role. With regard to sustainability, several crucial steps have been made since 2010. The first generation EVs (electronic vehicles) only had an action radius of 100 to 150 kms. According to car manufacturers and forerunners this would be sufficient for 75% of all trips.

Based on the modest amount of car sales (despite of the strong fiscal stimulation), it is allowed to conclude that consumers attach great value to those extra 25% of trips. The Tesla model S (with a large action radius and great sales numbers) seems to be the exception that confirms this rule.

Fortunately, there is a second generation of EVs (middle class cars) with an action radius of approximately 400 kms. We expect that this satisfies the needs of the consumers better and will ensure the breakthrough of the electric car. Besides, the spectacular decrease in battery costs will make the 'long-range electric car' more affordable at a fast pace. The price decrease is expected to make a full electric car (with 400 km action radius) cheaper than a similar petrol or diesel variant by approximately 2023 – 2025, without any government support.

Furthermore, we identify a clear trend in the electrification of combustion engines. Nowadays, we see that 'normal' combustion engines are being equipped with 'MHEV' techniques, i.e. mild hybrid in combination with a 48V vehicle electrical system. Besides, we see that plug-in hybrids (PHEVs) are making a revival on a European level, even though sales have collapsed in the Netherlands. For middle class cars like the VW Golf and the Ford Focus a PHEV-model will be introduced. We expect that this kind of PHEVs will be increasingly chosen by frequent drivers instead of the fuel-efficient diesels. Since it has become public that the pollutant emissions of diesel engines (in particular the NOx emissions) are much higher in practice than it was expected based on laboratory tests, several major changes have to be made in order to provide diesel cars with a future. Here too, electrification can provide a solution.

A couple of car manufacturers have announced a new generation of PHEV-diesels, which is efficient and clean, and enables pure electric driving in urban areas. This kind of steps will be necessary to save the reputation of diesel.

With regard to the other major trend, from ADAS to autonomous driving, there is also much to say. Systems that are able to make emergency stops (and are able to identify pedestrians and bikers, besides solely detecting cars) will make traffic much safer. This also applies to 'lane departure warning' and 'keeping systems', which warn or intervene directly when a car seems to deviate from the lane it is driving in. As an organization with much road patrols on the way, which often have to do their work on the emergency lane, we feel that this is a very important safety device that cannot become common practice fast enough (also for vans and trucks).

2. Many car brands are currently focusing on the phenomenon 'shared mobility' in order to find a solution for the mobility problems in the larger cities and the negative impact of cars on the environment. Do you see potential in this mobility solution or would you propose an alternative?

Answer: Shared mobility and other types of smart mobility are concepts that have drawn our attention. Sometimes we support initiatives, but often we are directly involved. In this case, our attention goes beyond just the car. In larger cities, more attention will (must) be paid for a combination of walking, biking, public transport and the car, whereby the role of the car will become less important and present. This asks for major changes in the infrastructure of the cities and in the behavior of people.

3. In the past there were several large car manufacturers that dominated the market. However, nowadays there is coming more and more competition from the younger car brands, such as Tesla, who are conquering significant parts of the market. Do you think that in the future other key factors will be determinative to be successful on the automotive market?

Answer: Increasingly often we see that large car companies are getting into trouble. Saab is bankrupt, and Opel had to be acquisitioned by PSA to survive. It is vital for car manufacturers to timely have a portfolio that effectively meets the needs of the consumer. Moreover, the product-range has to be made as efficiently as possible, since there is a strong competition in terms of price. Consumer preferences change rapidly and are sensitive to trends. It is essential for a car manufacturer to adapt effectively and quickly.

We expect that innovation rate of a car brand (indeed that what enabled Tesla to enter the automotive market) will become an increasingly important key factor.

In the case that the fully electric car will become the standard, the industry and parties that already have developed a car based on a battery will be ahead of the traditional parties who did not participate. In combination with the new (marketing) concepts, it is conceivable that new parties will come to the market which, like Tesla, could develop into serious competitors of the traditional car brands. Currently, it is already noticeable that the traditional parties even perceive Google and Apple as threats.

4. What should, according to the ANWB, be the direction in which the automotive industry will have to develop in order to be successful and sustainable?

Answer: Cars should be safe (for the passengers as well as the other road users), clean (zero-emission) and sustainable (long-lasting, recyclable and reliable). Besides, the car will, in all likelihood, become a part of a sustainable energy system. This means, an electric car that will be capable of storing and releasing energy as a buffer or as an energy source for the built environment. In short, the electric car will increasingly integrate in society and the built environment. It cannot be ruled out that electric bikes will go through the same development.