

# Contract Manufacturing Foreign Market Entry Via Contract Manufacturing

In today's globalized economy, businesses are constantly seeking new opportunities to expand their reach and increase their profits. One of the popular strategies employed by companies is foreign market entry through contract manufacturing. This article will explore the concept of contract manufacturing, its benefits for foreign market entry, and how businesses can effectively leverage this strategy to achieve success.

## What is Contract Manufacturing?

Contract manufacturing refers to the outsourcing of certain production activities to third-party manufacturers. Instead of investing in their own manufacturing facilities and equipment, companies opt to partner with specialized contract manufacturers who have expertise in producing specific goods or components. This arrangement allows companies to focus on their core competencies, such as product development, marketing, and distribution, while leaving the manufacturing process to experts.

## The Benefits of Contract Manufacturing for Foreign Market Entry

When it comes to entering foreign markets, contract manufacturing offers several advantages:

### **Contract Manufacturing - Foreign Market Entry via Contract Manufacturing - Conceptualization and Implementation in Industrial Goods Markets**

by Dejan Kosutic ([Print Replica] Kindle Edition)

★★★★☆ 4.2 out of 5

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Print length : 103 pages  
Paperback : 114 pages  
Item Weight : 4.3 ounces  
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## 1. Cost Savings:

Contract manufacturing eliminates the need for businesses to invest heavily in establishing manufacturing facilities abroad. This significantly reduces capital expenditure and operating costs associated with production. Companies can leverage the economies of scale of contract manufacturers, resulting in lower production costs and increased profitability.

## 2. Local Expertise:

Partnering with a contract manufacturer in a foreign market enables businesses to tap into the local knowledge and expertise of the manufacturer. They have a better understanding of the local culture, regulations, and business practices, which can help streamline operations and accelerate market entry. Additionally, contract manufacturers often have established relationships with local suppliers and distributors, further facilitating market penetration.

## 3. Flexibility:

Contract manufacturing offers businesses the flexibility to adapt to changing market demands and fluctuations in production volumes. With contract manufacturers, companies can easily scale production up or down, depending on

the market requirements, without having to make significant changes to their own manufacturing facilities.

#### **4. Improved Time-to-Market:**

Entering foreign markets can be a time-consuming process, but contract manufacturing can help expedite it. By partnering with a contract manufacturer, businesses can avoid the lengthy set-up process typically associated with manufacturing facilities abroad. They can quickly access production capabilities and start delivering products to the new market, reducing time-to-market and gaining a competitive advantage.

### **Implementing a Successful Contract Manufacturing Strategy**

While contract manufacturing offers numerous benefits for foreign market entry, businesses need to ensure they approach it strategically for optimal results. Here are some key considerations:

#### **1. Choosing the Right Contract Manufacturer:**

Selecting a contract manufacturer with experience in the target foreign market is crucial. Look for manufacturers who have a proven track record of quality production, compliance with regulations, and efficient supply chain management. Conduct thorough due diligence and site visits to assess their capabilities and ensure alignment with your business goals.

#### **2. Clearly Define Expectations:**

Define your product specifications, quality standards, and other requirements clearly in the contract with the manufacturer. Establish open lines of communication to ensure a smooth collaboration throughout the production process. Regularly monitor and assess performance metrics to identify any areas for improvement and address them promptly.

### 3. Preserve Intellectual Property:

Protecting your intellectual property (IP) is crucial when engaging in contract manufacturing abroad. Clearly outline IP rights and confidentiality agreements in the contract with the manufacturer. Implement robust security measures to safeguard your proprietary technology and ensure it doesn't get leaked or compromised during the manufacturing process.

In , contract manufacturing can serve as an effective strategy for foreign market entry. Its cost savings, access to local expertise, flexibility, and accelerated time-to-market make it an attractive option for businesses looking to expand globally. By choosing the right contract manufacturer and implementing a well-defined strategy, companies can successfully penetrate foreign markets, increase their market share, and realize significant business growth.



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Diploma Thesis from the year 2000 in the subject Business economics - Offline Marketing and Online Marketing, grade: good (2,0), Ruhr-University of Bochum

(VWA Lippstadt), language: English, abstract: There is almost no day passing without any news about mergers, acquisitions or cooperations between two or more companies. In most cases, one of the major motivations is the recognition of cost reduction potentials to stabilize profits. Daimler-Benz and Chrysler, since early 1999 known as DaimlerChrysler, merged their R & D and sourcing activities to achieve economies of scale. But for what reason do they have to stabilize profits? Because they live in a world of decreasing margins and stagnating sales. It is evident that despite their high volumes the markets of the industrialized countries are almost satisfied and lack appreciable growth rates. Product life cycles (PLCs) become gradually shorter, reducing the profit periods of products. Moreover, these markets are mostly dominated by a destructive price competition so that often companies are forced to offer at almost dumping prices in order to survive. The big German mineral oil enterprises recently claimed that the of Dea's payback card to bind their customers via a one-pfennig (!) patronage refund per consumed liter had been, in their opinion, responsible for a follow-up ruinous price "battle". At the same time, they were all fighting together against the private brands. Shortly afterwards, it was the food trade battling, which had been instigated by Wal Mart's dumping-price policy with basic foodstuff. And this development will continue.

Therefore, companies more and more initiate activities to conquer foreign markets, with many of them evading to less developed countries. This apparent contradiction turns out to be a logical step of enlarging upon business activities because many of these countries are on the threshold of becoming industrialized and consequently, they reveal huge potentials of unsatisfied demands, which, up to that point, remained unattended. Hence, even small and medium-sized enterprises turn "international", seeking advantages in distribution and sourcing as well.



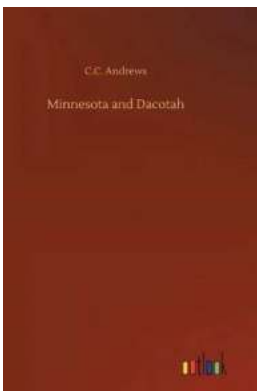
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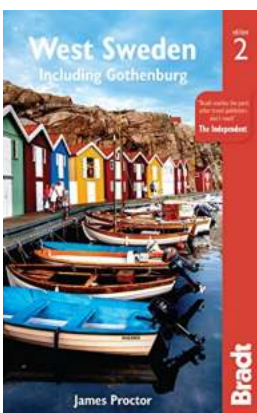
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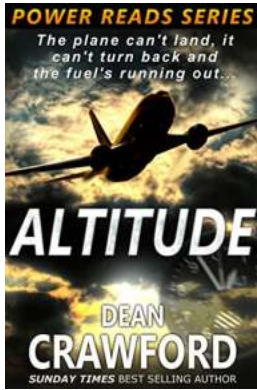
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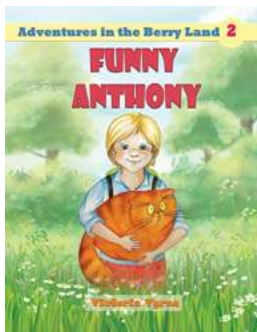
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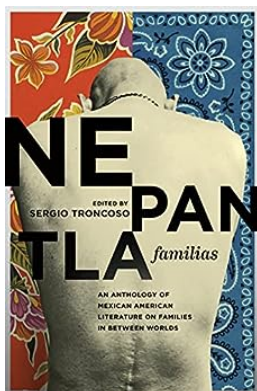
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