



Going Global

Derek Clements, Emmaline Twitchell,
Marian Alim Bangura



Taking your Business Global

Taking your company into an international market requires a detailed planning, and thorough preparation to ensure that a business can thrive in its new environment.

Things to Consider:

- Developed vs Emerging Markets
- Importing & Exporting
- Licensing vs Franchising
- Strategic Partnership vs Joint Venture
- Hiring Abroad



Developed vs Emerging Markets

Developed Markets

Countries with advanced economies and established levels of growth and development.

Examples: USA, UK, Japan, Australia, Germany

Market Traits

- Developed capital markets
- Well-established regulatory bodies
- Large market capitalization
- High level of income per capita
- High level of GDP per capita
- Human Development Index above 0.8
 - Literacy rates
 - Access to education
 - Access to healthcare

Benefits

- ***Open Market Opportunities***
- ***Higher Set Prices***
- ***Business Risk Diversification***

Drawbacks

- ***Tighter Immigration Rules***
- ***Higher Operating Costs***



Developed vs Emerging Markets

Emerging Markets

Countries in the process of rapid economic growth and development.

Market Traits

- Less mature capital markets
- Large growth potential
- High levels of volatility
- Below average level of income per capita
- Susceptible to currency and commodity swings
 - Lack of power to influence prices of oil, food, agriculture or value of USD

Examples: Brazil, China, India, Russia, Mexico

Benefits

- **Early Success**
- **Capital Opportunities**
- **Cost Effective Manufacturing**

Drawbacks

- **Cultural Divide**
- **Political Risk**
- **Economic Risk**



Importing & Exporting

Exporting- The sale of goods and services in foreign markets that are sourced and/or produced in a company's home country.

Importing- The purchase of goods and services in foreign markets that are brought into a company's home country. *"Global Sourcing"*

Exporting

- Low cost, low risk
- Easy entry and exit
- Use of an EMC to handle documentation and find buyers
- Trade barriers & tariffs
- No stake in consumer culture
- Country-specific product compliance & regulations

Importing

- Establish international partnerships
- Imported supplies can be lower cost and/or higher quality
- Imported services can be cost-effective & time efficient
- Goods and services taxes
- Lose profit on any unsold goods
- Contributes to trade deficit; can lead to inflation and currency devaluation



Licensing vs Franchising

Licensing - a written contract between two parties, in which a property owner permits another party to use that property under a specific set of parameters. (Investopedia, 2019)

Franchising - a type of license that a party (franchisee) acquires to allow them to have access to a business's (franchisor) proprietary knowledge, processes, and trademarks in order to allow the party to sell a product or provide a service under the business's name. (Investopedia, 2019)

Licensing

- Involves goods
- Intellectual property incorporated into an existing product
- Typically involves a contract between parties, but little regulation
- Gives small businesses an opportunity to add additional value to their product
- Licensor has little power over final product

Franchising

- Involves services
- Buying the right to operate the same business
- Subject to federal law and strict requirements
- Gives small business owners the ability to collaborate with an established company
- Usually a large upfront investment
- Franchisee is subject to franchise restrictions



Strategic Partnerships and Joint Ventures

Strategic Partnership - an arrangement between two companies to undertake a mutually beneficial project while each retains its independence. (Investopedia, 2019)

Joint Venture - A joint venture is a business arrangement in which two or more parties agree to pool their resources for the purpose of accomplishing a specific task. (Investopedia, 2020)

Strategic Partnership

- Attempts to maximize returns
- May or may not involve a contract
- No separate entities are created
- Entities remain independent

Joint Venture

- Attempts to mitigate risk
- Involves a contract between parties
- A separate legal entity is created
- Parties combine into a single entity



Hiring Abroad

Employment regulations are ambiguous in international countries and are usually structured to protect the employee and not the employer.

Hiring Classification

- Local workers
- Temporary workers
- International employees
- Contractors

Work Permits

If bringing in employees from other countries, work permits may be required for them to work legally.

Recommended Steps

- Consult with legal counsel
- Ensure that local recruiting complies
- Get comfortable running background checks
- Review wages and employment law
- Research desired market factors



Case Study: ABC Products

Jane Smith is the Director of Operations for a retail company based in the United States called ABC Products, a business that produces and sells quality food storage options for all types of climates. Their different containers are able to keep food items frozen or cold up to 72 hours without the help of a refrigerator or freezer. While sales in the United States have been consistent, the CEO of the company thinks going global with their product lines will produce more revenue. The CEO has tasked Jane with coming up with the best option for expanding internationally with the following guidelines:

- Find a climate that would increase demand for the product
- Identify a market where there is the potential to be a pioneer in this retail space
- Keep manufacturing costs low
- Identify a reputable local company to mainstream the selling of products
- Appeal to the consumer and establish a cultural & community presence

Case Study: Action Plan

Market Identified:

India (Emerging Market)

- Opportunity to become one of the only drivers in this industry & create brand loyalty
- Warm climate = increased demand
- Cost-effective manufacturing

Entry Mode:

Strategic Partnership

- Large chain retailer in India (Ex: Reliance Retail)
- Entities will remain independent - no additional costs to merge
- Both entities will maximize returns
- Start to create a cultural presence

Hiring Strategy:

Local & Permits

- Local workers to minimize cultural divide
- Calculate local wages & benefits
- Work with compliance for recruiting
- Jane will get a work permit to work overseas for the first year to oversee the startup of operations



Thank You!



Sources

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