

# **International Expansion**

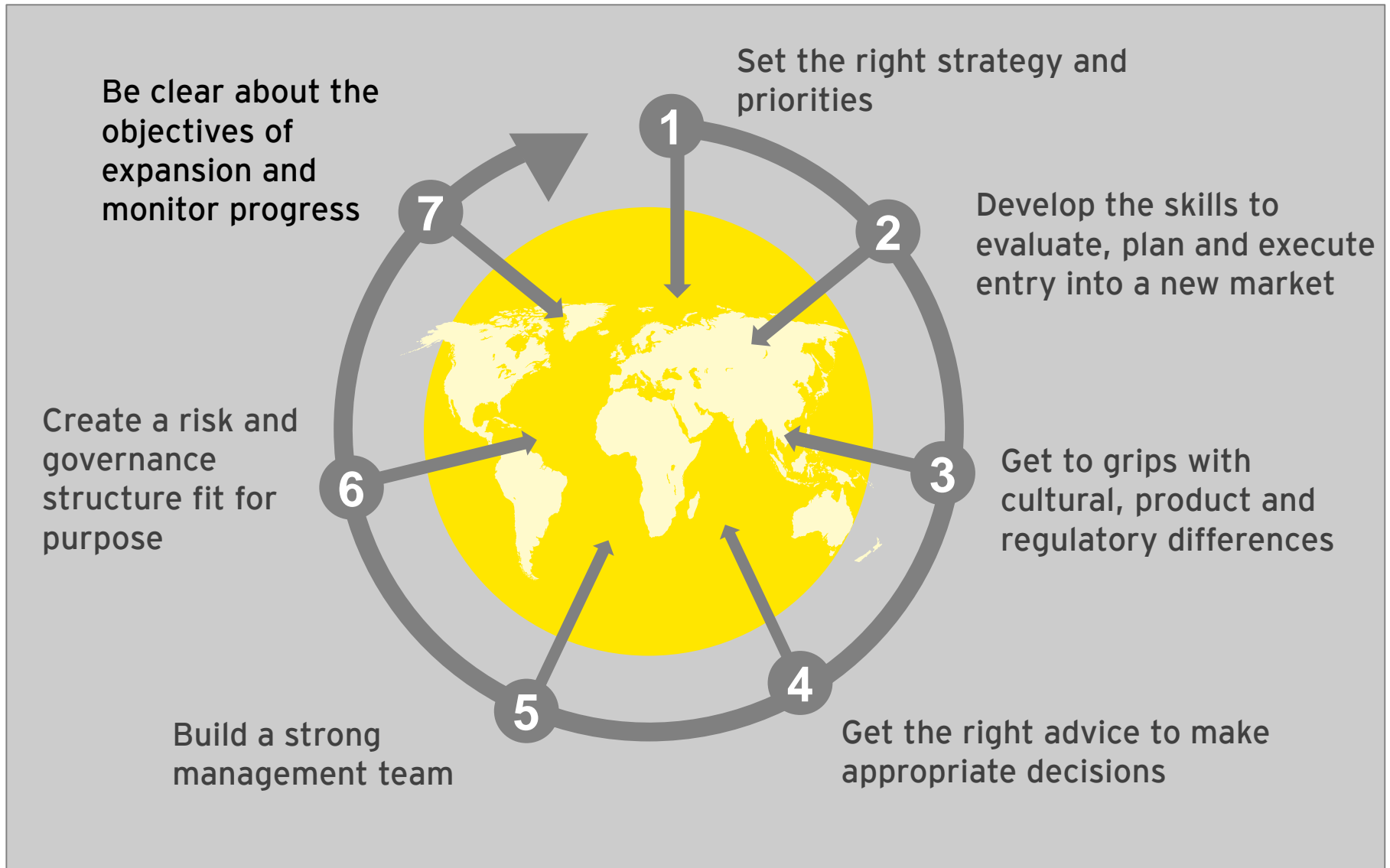
**A roadmap to successful  
growth for entrepreneurs**

October 2017

Today even very young companies are often international – many entrepreneurial ventures are “born global” in terms of their supply chain or customer base. However, there comes a time when an entrepreneur will decide to make the push into an overseas market in a more formal way, working to establish a presence in that jurisdiction. In doing so, these businesses are part of a global movement toward internationalization.



# Seven key actions for successful expansion





# Choice of Market

- Country demographics
- GDP and growth
- Consumer spend
- Competition
- Customers
- Channels
- Distribution
- Market drivers
- Industry specific criteria
- Ease of doing business
- Trade flows
- Regulations
- Free trade agreement
- Infrastructure
- Political stability
- Business ethics
- Technology



## *Where to go for assistance?*

- Your country's trade promotion agency
- Consultants and advisors including EY
- Banks and legal firms
- Industry associations
- Bilateral business networks
- EY's Growing Beyond Borders™ tool



# Products and services

Consider whether products or services will need to be adapted to suit local conditions:

- Size
- Packaging
- Local tastes
- Language
- Pricing
- Service model
- Sourcing
- Cultural considerations

Decide if expansion is worth it, weighing the costs of adaptation against the attractiveness and growth potential of the market.

## Top Tip:

***Don't be product or market myopic*** - its dangerous to assume that products and services that are successful in domestic markets will be equally successful elsewhere.

*One of the world's most successful hamburger chains suffered a rare failure when it tried to move into Barbados. It failed to appreciate that locally people prefer chicken or fish burgers to beef.*

# Finance

Well thought out financing structure is essential to fund expansion

- Fund the expansion from home country or in the new market?
- Cost of finance
- Tax considerations and structuring
- The local legal system
- Incentives available from local government
- Which financial institutions can help you expand internationally
  - consider a bank with international presence that can offer local expertise and support with cross market banking requirements
- Guidance on the right mix of self-funding, debt and equity:
  - Debt finance doesn't dilute ownership
  - Equity funding can give entrepreneurs more time and flexibility to grow their business

Factors to consider when developing an international expansion budget:

- People
- IP protection
- Due diligence and business advice
- Marketing and promotion
- Regular travel
- Business model
- Tax, duties and other indirect costs
- Legal costs
- Ongoing capital and operating costs - return on investment may be longer than in your domestic market

## Top Tip:

***Don't bet the farm*** - have a clear Plan B if your expansion plans fail to launch, and ensure you have limited the financial and reputational risk to your overall business

# Market Entry

## Operating Models

- Export and trading
- Build
- Buy
- Partner

## Factors to consider

- Supply chain analysis
- Economies of scale
- Outsourcing and rightsourcing
- Market regulations
- Country risk
- Resources
- Cultural nuances

### Top Tip:

***Don't be distracted by non-strategic factors - develop strategy on the basis of what works best for the business, rather than geographical convenience or personal connections.***



# Tax and regulation

## Taxes:

- company tax, property tax, employment
- import restrictions and tariffs
- company structuring
- double taxation agreements
- Withholding taxes
- GST

## Regulation:

- legal framework
- liability laws
- foreign investment restrictions
- dispute resolution
- contracts
- IP Protection
- labour laws

## Top Tip:

Get professional advice to understand unique country rules in areas such as reporting, accounting and tax requirements.

Also consider the implications of your international activities for tax treatment back home.



# Sales and marketing



## Top Tip:

***Don't underestimate cultural nuances*** - take counsel from advisors with expertise in the market's cultural norms and nuances

# People and structure

Local versus expatriate talent

- local will know the market
- expat corporate knowledge and direction

Factors to consider:

- Recruitment strategy
- Cross fertilization encourages communication and success
- Consider availability of skills, language and networks locally
- Understand labour law
- Ensure adequate integration, training and development
- Consider broader organisational structure and reporting structures



# Understand and manage risks

- Country risk
- Currency risk and foreign exchange
- Governance structure
- Clear decision making processes and oversight
- Importance of due diligence and professional advice



EY | Assurance | Tax | Transactions | Advisory

### **About EY**

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organisation, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. For more information about our organisation, please visit [ey.com](https://www.ey.com).

© 2017 Ernst & Young, Australia.  
All Rights Reserved.

**[ey.com](https://www.ey.com)**