



LEADING THROUGH TRANSITIONS: EXPANDING TO INTERNATIONAL MARKETS

You and your board have decided to expand internationally. How do you make this a success?

You've experienced good market penetration domestically, and you and your board also see great potential overseas. But international expansion is expensive, time-consuming and risky—how do you pull it off successfully? The right leadership



can steer you away from potential pitfalls while making the most of your opportunity.

In this edition of *Executive Issues*

& *Insights*, we explore key insights drawn from the extensive C-suite and Board experiences of the NextLevel team on expanding to international markets.

NEXLEVEL CASE STUDY

Consumer appliance company increases sales, profits through European expansion

A consumer small kitchen appliance company successfully launched a new product in the U.S., with sales growing at retail stores and online. Market research indicated the product would likely also do well in northern Europe. Leadership wanted to expand business development and sales there.

The company president, now a NextLevel executive, recognized that he needed an experienced in-country leader with good practical market and regulatory knowledge. He ultimately picked a Scandinavian executive who had extensive business connections throughout Europe.

Together, the NextLevel executive and European director made practical decisions tailored to the region. For tax considerations, the company established the European business as a wholly owned subsidiary. They also negotiated with a *(more)*

NEXLEVEL INSIGHTS

Clarify why you want to expand to international markets

Is it to drive economies of scale? Test new technology in a new market? Or is it purely a revenue growth opportunity? Asking questions helps frame the vision and strategy for entering those markets, and the answers will help determine the size and structure you need in order to realize the opportunity. The cost to expand internationally will likely be higher than you initially think, so clarify your motivation up front.

Understand the new market and your competition

Do sufficient local research to determine the market preferences and trends in the target country or region. Know your end consumer! Trade shows can be a great resource for this. Know the existing competition and define a specific approach for how you can compete against them and win.

Address the legal, banking, and regulatory environment

Tax implications will contribute to determining the best legal structure for the new entity. The structure you choose needs to fit in with your overall tax strategy and ability to manage. Also understand that the banking, legal and market structure of the target country as well as its commercial codes will have broad implications for all aspects of your venture.

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contract company to establish European warehousing and fulfillment operations for sales and product distribution. The contractor would also handle customer service needs, coordinating with operations in the U.S.

The company first launched sales via e-commerce, to allow for immediate sales at high margins and an online marketing campaign to build brand recognition. It contracted with a European web development firm to convert the U.S. e-commerce system as well as manage for multiple languages and tax structures. The successful e-commerce launch allowed the company to reach out to brick-and-mortar retailers to establish retail sales.

Total company sales increased from \$2 million to more than \$11 million over a three-year period at excellent gross margins and profits, much of this due to the expansion in Europe. The company continued to expand, adding sales in Asia and a strategic partnership with the leading Australian small appliance company.

“EXPANDING INTERNATIONALLY IS LIKE SETTING UP A WHOLE NEW COMPANY AND EVERYTHING ABOUT IT IS FOREIGN.”

A well-planned market execution can avoid major losses and damage to your brand.

Identify key leaders who have local savvy and experience

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You need someone who knows the local market, can build a team and is open to having their ideas challenged as they investigate what’s needed. For each function, he or she should identify the key issues and in-country talent who can advise or handle those issues. Hiring local expertise may seem expensive, but may ultimately be the most practical and effective strategy.

Navigate the cultural issues

It is rare to transplant a product from one market directly to another and be successful. Though markets are becoming more global in some ways, technology also allows your products to become more tailored to local needs and tastes. Understand that your offering will likely need to be customized. You should be driven by and adapting to the culture of the new market, instead of seeing it as only a new place to sell.

Lay the groundwork for an effective launch

It’s critical to communicate to key potential customers and market allies why you’re coming into their market and the value you’re bringing. Your CEO, who can articulate the vision and market specific strategy, should drive the messages. Building brand image and momentum from day one will help you launch successfully.

KEYS TO SUCCESSFULLY EXPANDING INTO INTERNATIONAL MARKETS

- **Your motivation:** Are you clear on why you want to expand internationally?
- **Your market research:** Does it inform your marketing strategy in terms of local preferences and channels?
- **Your legal and organizational structure:** Is it appropriate for your tax strategy and ability to manage?
- **Your local leaders:** Have you identified in-country talent to cover key functions?
- **Your cultural understanding:** Have you customized your offering for local needs and tastes?
- **Your launch communication:** Have you reached out to potential customers and market allies in advance?

More Information

To learn more about how NextLevel can help you expand to international markets, call us at (800) 833-NEXT or email info@nlbev.com.

