

International Retail Expansion Assessment

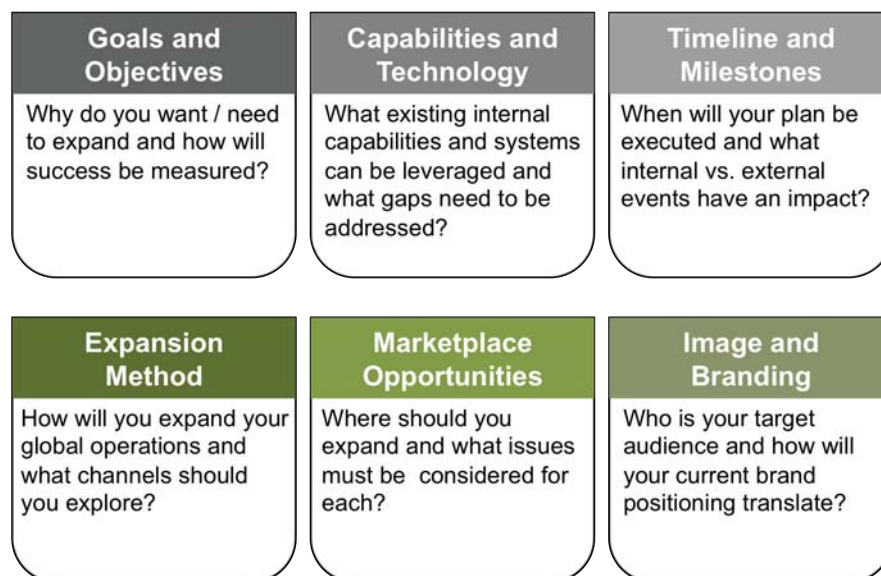


Creating a Framework for an International Retail Expansion Assessment

Even with current economic uncertainties, expanding into new global markets has become an increasingly high priority for retailers. Benefits include not only sales and revenue growth but also gathering better competitive and consumer intelligence, decreasing market & supplier dependencies and fluctuations, and capitalizing on existing resources and talent.

For any retailer considering international expansion plans, an unbiased critical evaluation should be conducted to address and investigate key expansion factors. The framework below provides six major assessment areas and underlying questions to answer. For the purposes of this discussion, we will go through the framework in a linear fashion, though in reality each assessment area is not reviewed in a vacuum, since each area ebbs and flows into the other.

Figure 1: International Expansion Framework



“Why do you want / need to expand and how will success be measured?”

Goals and Objective

This step serves as the foundation of any analysis. Establishing expansion goals and objectives upfront will provide clarity and will aid in making beneficial decisions. Many times, opportunities may appear as being highly attractive; however, do not assist in moving closer to established goals or could actually work against future targets. Without guidelines to compare an opportunity to, a retailer may realize that the wrong path was taken too late.

When establishing expansion objectives, company initiatives and mission/vision statements should be considered along with current market positioning and any past expansion planning. Each goal should have a target that can be quantitatively measured, (e.g., return-on-investment, market share, etc.) which allows for the acknowledgment of short- and long-term wins and/or losses.

Capabilities and Technology

“What existing internal capabilities and systems can be leveraged and what gaps need to be addressed?”

Once goals and targets are established, retailers should continue to look inward at existing processes and tools that will and can be used as part of an expansion. Retailers should look across all areas and aspects of their business – merchandising, product development, design, planning, information technology, pricing, finance, legal, marketing, sales, customer service, logistics, sourcing, warehouse management, store operations, real estate, vendor management, human resources, training – to uncover any obvious, and sometimes not so obvious, strengths and weaknesses.

Key considerations include:

- Is there already a global presence established?
- Who are the people that will lead and support the expansion initiative?
- What relationships have already been developed overseas that can be utilized?
- Does a change management plan and training program exist?
- What product lines are viable and/or should be expanded?
- Can planning and ordering systems support new interfaces?
- Do systems and software support multiple currencies, languages, user groups and channels?
- How is pricing created and maintained? Will a base currency be used?
- Can localized planning and pricing be supported?
- Is there enough manufacturing capacity? Vendor selection and agreements?
- Can the supply chain support increased distribution and product?

Timeline and Milestones

“When will your plan be executed and what internal vs. external events have an impact?”

The purpose of this assessment area is to create a time and action calendar to document important dates/events and to measure the overall feasibility of expansion plans. As opportunities arise, decision milestones should be documented to build a realistic roadmap of expansion options.

This process will reveal any requirements or obstacles that need to be worked through and resolved before an expansion is formally initiated. This timeline, along with previously established objectives and goal, works as the primary driver in the decision-making and planning process.

Expansion Method

There is not a 'one-size-fits-all' plan, as there are many options available for retailers to take into account. Likewise, the same method does not have to be used for every expansion initiative taken up by a retailer. For example, the first phase of the expansion could consist of e-commerce only, with the intention of using sales data to determine which countries warrant a physical presence. Highlighted below are international expansion methods for retailers to consider.

“How will you expand your global operations and what channels should you explore?”

Figure 2: Expansion Methods

Sole	Joint	M&A	Franchise	License	E-Commerce
Offers greatest control over brand but also the greatest risk.	Spreads risk and takes advantage of experience of those familiar with the business environment.	Benefits from an established brand and utilizes existing resources; however, must integrate with existing hierarchies, systems, and processes.	Retains control over brand, by thoroughly vetting franchisees and consistently monitoring practices.	Presents same circumstances as franchise option with possibly less visibility and quality control.	Provides an alternative to establishing physical operations and ability to expand to multiple counties at a lower cost. Can use as a gauge for other options.

Marketplace Opportunities

“Where should you expand and what issues must be considered for each?”

The next step in the assessment is to generate the list of location candidates. Retailers may first want to consider English-speaking countries to help ease the overall transition. Market types, i.e., developed vs. emerging, should also be determined. When considering markets, specific issues should be examined, including:

- Economic Growth and Risk
- Government and Political Stability
- Regulations (e.g., trade agreements, commercial & tax laws, trademark & intellectual property protection, etc.)
- Infrastructure
- Real Estate
- Demographics
- Social and Cultural Environment
- Labor and Suppliers

Although it is difficult to present a complete list of emerging markets, they can be defined as countries with "business activity in the process of rapid economic growth and industrialization." These markets can be seen as high-risk but also present a worthwhile opportunity for retailers in terms of first mover advantages and high returns.

Figure 3: 25 Emerging markets

Brazil	Russia	India	China	Turkey
South Africa	Mexico	South Korea	Columbia	Indonesia
Egypt	Nigeria	Vietnam	Philippines	Poland
UAE	Chile	Bangladesh	Taiwan	Czech Republic
Hungary	Malaysia	Thailand	Peru	Morocco

Image and Branding

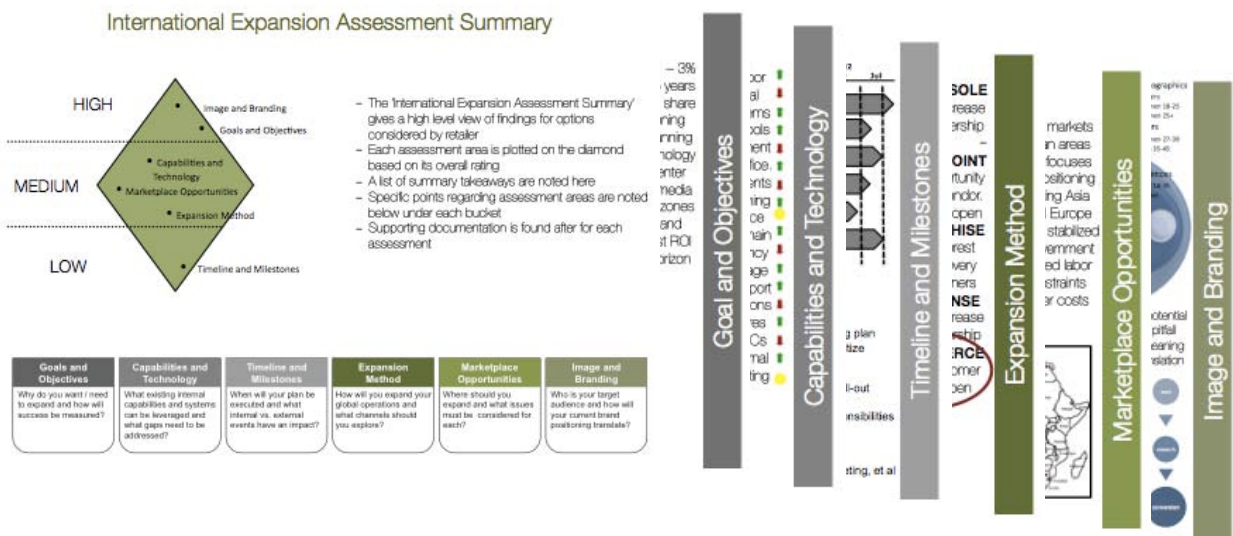
“Who is your target audience and how will your current brand positioning translate?”

Finally, one of the areas that is sometimes approached last, but can be highly detrimental if not extensively concentrated on is branding. Products and campaigns do not always have the same translation in other countries. Retailers need to take precautions by taking a serious look at prospective cultures and making sure that product names, for example, do not have a dual meaning. Additionally, marketing campaigns may need to be revised or restructured to align with the demographics of the country and safeguard against local and international competitors. Retailers may even have the opportunity to turn a declining brand into a successful value brand in a different market.

Final Word

International retail expansions can be successful with practical thought. It is important for retailers to make the effort of creating a strategy that focuses on company objectives and goals, tackles unique scenarios and provides a clear roadmap. The opportunity to enter new markets is attractive, but should not be rushed into lightly and not without careful planning.

Figure 4: International Expansion Assessment Summary (Illustrative)



The Parker Avery Group

The Parker Avery Group is a boutique strategy and management consulting firm that is a trusted advisor to leading retail brands. We combine practical industry experience with proven consulting methodology to deliver measurable results. We specialize in merchandising, supply chain and the omnichannel business model, integrating customer insights and the digital retail experience with strategy and operational improvements. Parker Avery helps clients develop enhanced business strategies, design improved processes and execute global business models.

Learn more about us at:

www.ParkerAvery.com

for more details
contact:

Mike Matacunas

CEO | mike.matacunas@parkeravery.com

Jack Harbaugh

Partner | jack.harbaugh@parkeravery.com

Courtney Albert

Management Consultant | courtney.albert@parkeravery.com

770.882.2205