

Toastercorp's Expansion to Europe: Austrian Analysis

Austria Team

Samuel Blatt srblatt@umail.iu.edu

Caroline Braun caebraun@umail.iu.edu

Kole Carter kwcarter@umail.iu.edu

Michael Dorfzaun mdorfzau@umail.iu.edu

Thomas Runnells trunnell@umail.iu.edu

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Professor Daniel Clark

A. Executive summary

Report Objectives

- Highlight the attributes of European society that prove expansion to Austria will help Toastercorp drive profits
- Outline a strategy based on how and where to penetrate the European Market

Leveraging Past Success to Ensure Future Growth

Toastercorp has had a very successful launch in the United States, beginning with its first product, an energy-saving toaster, and continuing with its expansion into other energy-efficient small appliances.

Toastercorp has found success in differentiating itself in the market with its sleek design and energy efficient products. The products may be more expensive than the traditional product, but they are producing a product that consumers should be willing to pay a premium for.

By expanding to Europe, starting in Austria, Toastercorp has the opportunity to enter a new market, and one that doesn't mind paying for the premium product.

Why Austria?

- Austria has one of the highest GDPs in the world
- It is home to a large, well trained workforce
- Austrians are known for being very energy-aware
- Austria is the distribution center of Europe

Austria provides an amazing opportunity for Toastercorp to expand internationally. Its social, political, and economic trends make it the perfect hub for a company looking to move into the European market.

B. Introduction

Austria is a thriving country in Europe. As a major player in everyday activity, one can say that Austria has potential to be a great power. In a place that is ranked in the top 20 for the Human Development Index, and having one of the highest capita GDP at \$43,724, Austria still has a huge roof to fill. Austria joined the European Union in 1995 after countless attempts to join and incorporated the Euro as its currency. Austria maintains its government as a parliamentary representative democracy system with two councils: the Federal Council, which is the upper hand, and the National Council, which is considered the lower hand. According to the United States Department of State, Austria is characterized as “a small and highly internationalized economy” and “continues to remain favorable” to foreign investors (USDOS). Austria has a lot to offer to foreign investors such as “political stability, motivation and skill of labor, high productivity and international competitiveness, rule of law, quality of life and personal security” (USDOS). About 340 companies from the United States have done business and kept part of it in Austria, with many expanding their companies to Europe via Austria.

As Toastercorp decides to take its business and expand to Europe, the company is troubled with the background of economy in Europe. Toastercorp recognized an excellent opportunity and has decided to try and influence its success in the reliable small appliance sector of Europe. The CEO of Toastercorp realized that the current business plan of outsourcing to Asia is one that is cost-effective, yet traditional outsourcing creates an environment which knockoffs are easily made through patent loopholes. The CEO turned to cellular outsourcing, a business plan where many firms produce many parts of its product, the toaster. None of the parts are interdependent. This whole process is much more expensive, but it protects the legitimacy of the toaster. The product can be assembled anywhere in the world making shipping costs minimal. Looking through mid-sized European markets, Austria is one that stands out. Given that it is one of the richest countries in the world. Many multinational corporations choose to use Austria as a way to grow in Europe, just as Toastercorp should.

C. Country Analysis

Government

Austria's government has been in the spotlight because of the recent election, and it has had major implications for companies like Toastercorp. Austria has had a history of having negative feelings about being in the EU. With the fallout of the Brexit vote, many speculated that Austria would be the next country to leave (Foster).

The election in 2016 could have led to a vote to leave. The election was between Alexander Van der Bellen of the Green Party and Norbert Hofer of the Austrian Freedom Party. The Austrian Freedom Party is a far-right party that has anti-globalization stances that are comparable to Donald Trump's. One of these anti-globalization stances was anti-EU (Foster).

Austria has a two-round voting system. In the first round, all candidates that register are on the ballot. Contrary to the US having two main parties in the government, Austria has six. Candidates from these parties and independents run in the first round. If a candidate gets 50% of the vote, the election is over and that candidate wins. Norbert Hofer won the first round, but with only 35.1% of the vote ("Bundespräsidentenwahl...").

For the second round of voting, only the top two candidates from the first round go on the ballot. In this case, it was Norbert Hofer and Alexander Van der Bellen, who received 21.3% of the vote ("Bundespräsidentenwahl..."). With the margin of about 14%, Hofer was expected to win in the second round, but was defeated by .3% by Alexander Van der Bellen. The results were close and were contested by the Freedom Party because of the presence of ineligible voters able to vote. The Constitutional Court annulled the results of the second round. A re vote occurred and Van der Bellen won by about 3%, unexpectedly increasing his margin of victory for the final vote in the election (Dewan).

These results show that the Austrian people are still in favor of globalization, even after seeing that they could change their path like the UK did with Brexit. This is a great sign for Toastercorp if you want to move assembly to Austria and sell your products in Austria and other countries within the EU. If the results of the election were different, the recommendations in this report could have been very different.

Economic and Financial Situation

Austria uses managed capitalism, which is different from the US's mixed capitalism model. Countries with managed capitalism rely on the government to regulate economy more so than in a mixed economy. The idea of the "welfare state" is typically associated with systems of managed capitalism. Germany is a nearby country that also uses a form of managed capitalism.

By using managed capitalism, Austria is likely seeking to mitigate the competitive pressures on it as a smaller country. Allowing the government to intervene can make smaller countries more competitive in the global market. However, this system could also pose a threat to entrepreneurship. Government intervention makes it more difficult to start a business in

Austria due to legal and political rules that must be complied with. Because Toastercorp is not attempting to start a business in Austria, just assemble products and export them, Austria's system of managed capitalism will not pose a threat to sales.

Financially, Austria would be an ideal first market for Toastercorp's products in Europe. Austria has a high GDP, which was recorded at \$43,724 per capita in 2015 (Eurostat). This makes Austria the 12th richest country in the world, which is essential for Toastercorp. Toastercorp's target consumer will be willing to pay a price premium for a higher-quality, more environmentally-friendly, energy-saving product, and this perfectly describes most Austrians. Although the 2008-2009 global financial crisis as well as the 2012-2013 Eurozone crisis harmed Austria's economy, the country has bounced back. Today, Austria welcomes any Foreign Direct Investment that will help its economy, create jobs, or promote capital-intensive industries like assembly. Austria's stable economic systems and established market will make it a low-risk, high-revenue market for Toastercorp's products.

Cultural Differences and Similarities

Austrian culture is unique; it has many differences from US or the rest of Europe, yet it is not so dissimilar that Toastercorp executives will not be able to meet with success. Although many people believe Austrian culture is similar to German culture, due to their shared history, in many ways this is simply not true. Austrians are typically more laid-back than German as Austrians try to differentiate themselves from the neighboring country, as evidenced by their smoking and drinking age, which is 16. In fact, most Austrians consider German people to be arrogant and ill-humored ("Germany"). Despite the economic similarities between the two countries, culturally they are frequently very different.

In comparison to the United States, Austrians tend to have more conservative dress and less personal space. However, placing your hands in your pockets or touching others are both considered inappropriate in a business environment due to their high power distance ("Austria vs."). We recommend that Toastercorp management attend training sessions to understand how they can adapt their leadership styles to be effective in a country with a high power distance. For example, management should give orders and expect lower-tier employees to complete it without roundtable discussions or an ongoing dialogue with management. Ignorance regarding subtle cultural differences like these could prevent a business from being successful in Austria, so Toastercorp will need to mitigate this risk by educating its employees.

Austria's culture is also dissimilar from the US because of differing political, economic, geographic, and social pressures. Austria has nine provinces, or Bundeslander, each of which is slightly different culturally from the others ("Germany"). Toastercorp will have to consider this fact when deciding where to locate its Austrian offices. Overall, Austrians are less likely to be unemployed, more likely to make less money, and more likely to have fewer children than American citizens ("Austria." *Compare*). These politically-motivated cultural differences, which Austria shares with many European countries, are likely due to governmental policies and resulting societal pressures. A public healthcare system has also brought down the birth rates and infant mortality rates in this developed country after World War II, even more so than in the United States ("Austria." *Compare*). A firm moving into Austria should be aware of the slowing population growth and aging population. Any European country will have some cultural norms that are different from the United States, and Austria is no exception. However, Toastercorp will

be able to take advantage of these cultural differences by conducting research and demonstrating respect for local customs.

To thrive in this environment of cultural differences, Toastercorp should seek to focus on productivity while trying to prevent offending Austrian natives. For example, employees in Austria should wear conservative dress and avoid putting their hands in their pockets during conversations because ignoring either of these simple recommendations could be offensive. However, if Toastercorp employees are prepared and willing to respect local culture, Austria is a great market to expand into.

Technology and Infrastructure

Technological innovation and infrastructure are two huge strengths of Austria as an exporting country and reasons why Toastercorp should consider Austria as the optimal country to launch its business in Europe. Being geographically located in the center of Europe, Austria has established itself as a hub of trade, as the country has highly developed road, rail and air systems to transport goods. According to the European Commission's mobility and transport rankings, Austria's overall country rank is 3rd out of the EU, their quality of railroad infrastructure is 6th, quality of roads is 3rd, and the nation's timeliness of shipments is 5th ("Austria - Investments").

Also, according to investinaustria.at, aside from optimal traffic connections, Austria has also "developed its activities on the international data highway." Companies like Toastercorp in Austria can take advantage of these modern and well developed networks and systems to run their businesses ("Infrastructure").

With the physical and digital networks available in Austria, Toastercorp can not only succeed in Austria but use the nation as its hub of European business as it expands into other markets. For example, Germany, located directly north of Austria, is not only the largest economic power in Europe, but holds many similarities to the Austrian culture and economy. Both country's official languages are German, and both nation's run a managed capitalism economy. As Guay mentioned in chapter 5 of the textbook, the economies of the middle-sized managed capitalism countries "tend to be very open with respect to trade and investment" (112). With Austria's capable infrastructure and an economy driven around trade, it makes sense that Austria's export ratio from 1995 (pre European integration) to 2014 has jumped from 34.8% to 57.4%, which translates to "6 out of 10 euros of [Austrian] wealth is generated abroad," (WKO) which can be seen in **Figure 1**.

Another market companies that locate in Austria can take advantage of is the Eastern member states that were added to the EU in both 2004 and 2007. As referenced by the Austrian Economic Chamber, the expanded integration of the EU has made Austria "more attractive for international companies. Many of them established branch offices in Austria in order to start activities in Eastern and Central Europe" (WKO). As investinaustria.at displays in **Figure 2**, Vienna, Austria has the most flight destinations in Central and Eastern Europe, which validates that the country, and more particularly Vienna are clearly as or more important to EU trade

between Western and Eastern member states than any other nation. Consequently, Toastercorp, with its products matching the wants of consumers in Austria very well, can establish a viable business in Austria before branching out to Germany and Eastern European countries through its highly developed infrastructure.

Opportunities and Threats

Austria is a reliable market for exports, which presents a huge opportunity for Toastercorp's growing business. The country has a foreign trade quota of 70% for electronic household appliances (Austria-Export.biz). Austrian manufacturers also are known for their innovative strength, a skill that could transfer to the assembly plants that will be putting together the parts of Toastercorp's products. Innovation is a huge opportunity that Toastercorp should consider carefully before deciding which European country to enter.

Another opportunity is based on the fact that consumer expenditure has recently remained steady in Austria due to the country's good financial situation. Austria is considered to be in better financial shape than European counterparts (Euromonitor).

Austria has a highly trained workforce, which could present both a threat and an opportunity for Toastercorp ("Austria"). Because the workforce is well-trained, labor costs will be higher. However, many these workers will be experts in innovation and will be more productive than less-skilled workers. In the end, we believe that the additional labor costs will be worthwhile for Toastercorp because of the money saved by extra productivity and the goodwill built by hiring local workers in this new market. Additionally, because Austrians place such a high importance on education, they would be very receptive to an internship program or job-shadow opportunity provided by Toastercorp. Potential programs like these could present an opportunity for Toastercorp to build goodwill in the community while attracting loyal future employees at the same time.

Another potential threat or opportunity is Austrians' focus on healthcare. Austria has a publicly-funded two-tier healthcare system that is often supplemented with an additional private plan, giving Austrians a longer life expectancy and shorter hospital stays (Euromonitor). Because Austrians spend less time in the hospital and are able to retire at a later age due to their good health, Toastercorp can expect its Austrian employees to miss less work days and stay with the company for more years than employees in other countries would. However, health care costs may be higher for Toastercorp in Austria because it will need to fund part of employees' health care coverage. If Toastercorp considers the value Austrians place on healthcare, the company will be able to leverage this as an opportunity while avoiding the inherent threat.

Because these potential risks have been mitigated, we recommend that Toastercorp choose Austria as its entry point into the European market. The company should continue manufacturing parts of its product in different Asian countries, but then should assemble its products to be sold in Europe in Austria. Once assembled, these products should be sold first in Austria. If product sales in Austria are as high as expected, Toastercorp can then begin exporting its products to Germany and then other EU countries. This strategy will help to mitigate risk by using Austria as a test market without changing Toastercorp's business model by consolidating manufacturing. It will also give the company time to evaluate success before investing more capital in a new European region that may or may not have demand for these products.

D. European Analysis

Sociological and Cultural Analysis

Cultural differences between countries can both broaden viewpoints and close businesses, if they are not carefully researched before the firm enters the new market. Ethical and social differences between different cultures can create challenges and risks, which are particularly complex in European countries due to their lengthy histories, dozens of languages, and multiple economic and political systems. Cultural differences can be as simple as an unknown gesture or misinterpreted body language, or as complicated as different ethical viewpoints or moral perceptions. Toastercorp will have to carefully consider Austrian and European culture in comparison to the US before it considers entering this region.

Austria's cultural differences from the US can provide opportunities for Toastercorp. With a 99% literacy rate and high rates of specialized vocational training after graduation, Austria has a huge focus on its students' education (Heinze). These rates are higher than in the US, so the firm will need to adjust its mindset when moving to Austria. It could take advantage of this increased focus on education by providing internship opportunities for Austrian students or by sponsoring a school program. These types of programs would build goodwill in the country as well as providing the company with well-trained employees.

Another example of a potential cultural opportunity or threat could be Austrians' focus on healthcare. Although increased healthcare costs could present a problem for Toastercorp, they could also provide an opportunity. Life expectancies are higher and hospital stays are less frequent; therefore, managers can depend on their workforce to be in the office more than they would be able to in the United States (Heinze). Austrians truly value their health, and if a company demonstrates that it feels the same way, it will gain a better reputation in the country. These cultural differences, if handled in the appropriate way, can help Toastercorp further its business goals in this new market.

Toastercorp will be successful in Austria by respecting the customs and understanding the opportunities and dangers that they represent. The firm should take advantage of workers' focus on formality by creating a professional and structured workplace where they can prosper, increasing productivity and therefore lowering the cost of its toasters, blenders, and other products. Like many other European countries, Austrians have a higher power distance than the United States, and will feel uncomfortable around a boss who wants to chat about personal problems in the office ("Austria"). Because of this cultural norm, Toastercorp managers and supervisors should always act professionally, maintain 1-2 feet of personal space, and expect punctuality. Additionally, Toastercorp management should understand that any hint of unethical behavior, if noticed by Austrians, will likely destroy the company's chances of any future business negotiations (Heinze). Following these accepted norms for business protocol will be crucial to the firm's success overseas, especially in Austria.

Conducting business in Austria presents a unique set of challenges and opportunities. Differing values, definitions of professionalism, and workplace norms can be confusing to management. However, understanding and accommodating the culture of Austria will help to mitigate risks before Toastercorp enters the new market. With the willingness to reject ethnocentrism in favor of respecting local culture, Toastercorp will certainly be able to thrive in this new business environment.

European Institutions

Knowing about the European Institutions is essential for Toastercorp to enter Austria. The main EU Institutions are the parts of a divided central authority, much like the US federal government with the European countries acting as states (Clark). The European Parliament and the Members of the European Council make up the main decision-making body of the EU ("European Parliament"). All EU policy is approved by these two institutions, but legislation can only be introduced within the European Commission ("European Commission"). It is important to know the differences between the institutions because if Toastercorp wants to try and lobby for change, it will have to know which institution actually has the power to fulfill Toastercorp's needs.

These institutions provide opportunities and threats for Toastercorp. The main opportunity is to be able to lobby for policy that benefits Toastercorp. Whether it be tax laws, trade laws, or something else, all EU legislation is passed within the institutions and Austria would have to adhere to it, if passed.

The EU institutions also pose a threat to Toastercorp. While Toastercorp can lobby for legislation to be passed to benefit them, other companies can lobby for new policies that will hurt Toastercorp's business. The same kind of laws with taxes and quotas could be implemented to protect the businesses already in Europe. Another threat of the EU institutions is if they place sanctions on Austria that could hurt Toastercorp if the assembly takes place there.

Austria has had conflicts in the past with the EU institutions. It is the first member country to get sanctions placed on it in 2000 after the election for allowing a party with "no regional interests" to gain power (Schwarz). Austria also has had recent conflict over the refugee crisis. They introduced a daily cap to the number of migrants that could enter the country while the EU policy is to have the free movement of people (Macdonald).

For Toastercorp to succeed in the EU, the EU institutions cannot be ignored. Toastercorp will have to always keep an eye about what legislation is being proposed and being passed. If not, there could be a big piece of legislation that could introduce a quota on parts imported from Asia, for example. If the law is caught being passed in time, Toastercorp could lobby policymakers to not pass it, and save the company money.

Toastercorp will also have to keep an eye out for how Austria is making laws. If Austria does something similar to the response of the migrant crisis, they could receive possible sanctions again that could hurt the company. Austria could also elect members of the Austrian Freedom Party again, which have anti-globalization stances. This could also have drastic effects, and is explained in the government section of this report. All in all, Toastercorp needs to keep a watchful eye on the government and not just react and adapt to new laws, but to be proactive.

Single Market and the Euro

Toastercorp is searching for a mid-size European market to use as a launching pad to export and expand their product into the rest of Europe. Austria would be a terrific country to launch their European expansion plan because the creation of the Single European Market and the Euro has arguably benefitted Austria's economy more than any other EU member state. The Harrison report referenced in Johnson & Turner's *European Business* "estimated that the biggest winners were the smaller member states with high EU trade intensity" (90). Austria falls under this category; as more than 70 percent of Austria's foreign trade volume stems from business with other EU member states." According to the Austrian Economic Chamber (WKO), the "most direct impact" for the Austrian economy came from the removal of physical, technical, and fiscal barriers, which reduced trade costs and increased efficiency. Consequently, being a member of the single market saves the Austrian economy between €1.7 to 4.3 billion annually, as estimated by the Cecchini Report (WKO). Also, the Austrian Embassy has estimated that Austria has been able to triple its exports and 13,000 jobs have been created annually in its last 20 years in the EU. Toastercorp can benefit from the EU's single market by conducting business in a country that is export heavy and is geographically advantageous for expanding business into new markets, like Austria.

With deeper economic ties to other Central and Eastern European countries added to the bloc in 2004 and 2007 than the majority of the EU, Austria has arguably capitalized on foreign direct investment (FDI) better than any other EU member state. With the geographical expansion eastward, Austria now sits in the middle of the EU, making it an enticing area for foreign companies to invest. Many companies have used Austria as a base to start activities in the newly expanded member states, and as **Figure 3** indicates, Austria's foreign direct investment jumped from €47 billion in 2003 to €70 billion by 2005. This €23 billion increase is directly related to the EU expansion eastward, and Austria's foreign direct investment stands at €149, as of 2014 (WKO).

Additionally, Austria, with its vast options of quality methods to physically move goods and services across Europe, has the advantage over other middle-sized European nations in digital communications. According to investinaustria.at, "Austria has invested heavily in expanding its telecommunications infrastructure compared to other EU member states." Toastercorp's transition into the European market through Austria will be simpler than other EU member states, as the company will have the traffic connections necessary to continue the company's policy of cellular outsourcing and being able to assemble Toastercorp products anywhere.

Toastercorp's European expansion plan would be entering a strong market for electronics and consumer goods if it were to open operations in Austria. With a country that has an affinity for environmental friendliness and having electrical efficiency in households, the Austrian consumer is a fantastic target to begin operations. Austria has a strong location to take advantage of the benefits the single market and the Euro bring to the table. The nation's geographic location is optimal for future expansion, the infrastructure, both physically and digitally, has all of the capabilities necessary to conduct business, and other foreign companies have invested heavily in

Austria over the last decade and have reaped the benefits. The greatest positive the single market has given EU member states is the interconnectivity to trade with other member states. It happens to be the case that Austria is strongly suited to thrive in inter-EU trade relative to other middle-sized EU member states, which will be ideal for Toastercorp's international expansion.

Models of Capitalism

The mode of capitalism within a country can be a huge determining factor for firms' success within that country. To begin, market capitalism one of these economic systems in which major key decisions are based on the market. Prices, goods, and services are all part of a free price system as well, which means that any price can be placed on any product, no matter how absurd it may seem. A driving force in the significance of market capitalism is that basically everything is determined through negotiations in the market that are regulated but not very strict. This model has the least government involvement out of the three models of capitalism. In a market capitalistic country, the firms in the country are typically individualistic, competitive, and contractual. Second, managed capitalism serves as the government regulating and acting as the manager for the economy. The industry is much closer together, and investments are noted under a long-term view. The government doesn't always interfere, but a larger presence is felt than a market capitalist country. It is important to note that in a managed capitalistic country, wage bargaining is coordinated and in labor regulations, the government is typically co-equal. Finally, state capitalism is the strictest, most over-watched form of capitalism. Many freedoms are limited in this form of capitalism. All business relations and inter-firm relations are state organized. There is always a major power who can intervene at any given moment, including wage bargaining and labor regulation laws. In Austria, a system of managed capitalism has made the country a leader of finance in Europe. Austria has been a major player in Europe since it became a member of the European Union in 1995. The membership has since allocated benefits and challenges to the country. Its location in Europe has also been a factor in its success, located near Germany, France, and Italy. Additionally, Austria is considered to be a leader in technology innovation and is one of the 31 capitalist countries in Europe.

Austria has the fourth highest GDP in Europe which has opened doors to foreign direct investments in Austria. According to Wikipedia, in 2015 Austria showed support of 297 foreign companies that have set up in the country. The movement created over 1,500 jobs and brought in almost 600 million euros in investments. There are 340 multinational headquarters in the country and is top ranked for factors such as quality of life, legal certainty, health care infrastructure and a clean environment (Wikipedia). Compared to Poland, Slovakia, Czech Republic and Hungary, there are 256 more multinational headquarters in Austria. Many may argue that it is also hard to adjust from capitalist country to capitalist country, but adjusting in Austria is fairly convenient given the possible freedom in the market.

With little government interference, Toastercorp can heavily benefit from penetrating the Austrian market due to success of foreign trade in the electronic household appliance sector.

Nearly 70% of this segment is foreign products (Austrian-biz). The Toastercorp toaster is revolutionary, because it uses $\frac{1}{4}$ of the energy a standard toaster would use. Austria is a major player in regards to environmental protection. In 2014, Austria scored 8th in the world in the Environmental Performance Index (EPI). The people of Austria are very energy-conscious, and incorporating an energy-saving product that can be used every day will catch their attention.

Brexit and the EuroZone Crisis

In 2009, Greece realized that they could default on their debts from the European Central Bank, setting off a chain of events that would lead to the crippling of European economic powerhouses like Germany and France. As more countries began to default on their debt, the European economy collapsed in what is known as the Eurozone debt crisis. The crisis hurt Europe for years, until in 2016, the United Kingdom voted in a historic referendum to leave the European Union. For Britain, the benefits of being a member of the group were no longer enough to outweigh the slack caused by the weaker companies. Britain may have been the only country to leave the European Union so far, but as conditions fail to get back pre-crisis highs, and tensions between countries individual sovereignty and the group's benefit continue to rise, they may have just been setting a precedent for the rest of Europe to follow.

Brexit creates a very interesting situation for companies consider expanding to Europe. The European Union makes it much simpler to expand overseas, as it creates a common currency and removes barriers of trade between more than 20 countries (Foster). If the strength of the European Union is in question, then countries may think twice before making the jump. Now that the United Kingdom is no longer a member of the EU, they will no longer have the same privileges that active members have. For businesses located there, this means that they will no longer be able to buy and sell goods with the rest of Europe as they did before; however, taxes and other barriers will now begin to increase the price of importing and exporting goods. Some companies may look and see that only one country is left and that all is good, but the strength of the EU is at an all time low, and after Brexit, countries have been offered a way out. If Toastercorp were to expand to Austria, and they were to leave, it would put the company in a position similar to that of being stuck on an island.

As mentioned in the government section, many people believe that if another country were to leave the European Union, Austria would be the next to go. The Austrian Economy is strong, ranking 12th globally in GDP; however, it's also experiencing one of the lowest GDP growth rates across the EU (Schwarz). This is an indicator that businesses are doing well in Austria, but the rest of the group's struggles is making growth difficult. For Toastercorp, this could become a problem, as they are expanding into Austria as the 1st point of entry into Europe. If Austria is no longer part of the EU, then expanding past the initial move may be impossible.

If Toastercorp was to move into Austria, and Austria did leave the EU, not all would be lost. It is very clear that Austria's economy is stronger than the typical EU country, and that the drag created by the weak companies is hurting their own. Leaving the EU gives Austria and the businesses located within it a chance to work free of group control and let it be the decider of its own destiny. Austria has a high GDP, the most well trained workforce in the world, and is geographically always going to be a distribution center for the continent. Breaking free from the group could allow companies to shine without having to fear the consequences of the struggling companies.

E. Overall Analysis and Recommendations

Our overall analysis shows that Austria would be a fantastic point to enter Europe and to have assembly take place within the country. The recent elections show that globalization is still welcome in Austria, and the government encourages FDI, especially with a company like Toastercorp, because of its energy efficiency.

The Austrian people are willing to pay a premium for products that are energy efficient. With the cost savings and the way it benefits the environment, the Austrian people will pay extra for the products (EPI). With one of the highest GDPs per capita in the world, the Austrian people will be able to afford the premium products of Toastercorp.

The Austrian people are also very well educated, so having assembly in the factory may have higher employment costs, but the training costs will go down because of the improved employee turnover rates. With the improved turnover rate, quality can also be insured because the employees will be experienced at their jobs.

Austria's infrastructure and geographic position make it the perfect place for Toastercorp to expand. It is geographically in the heart of Europe, so having a base there could be key to expanding to both eastern and western Europe. With over 100,000 miles in roads, the infrastructure is already there to move goods ("Austria"). Vienna is also becoming a hub for European air travel, providing evidence of a strong infrastructure and growth rate for air travel in Austria (Figure 2).

Our recommendation would be to base the assembly of Toastercorp's European products in Austria and also begin selling the products there. We have evidence to support that the core consumer for Toastercorp is in Austria, so beginning the assembly and sales of products in Austria should be profitable. Toastercorp should then assess whether or not the venture has been profitable so that it can adapt its approach before continuing international expansion. After getting comfortable selling in Austria, we would recommend for Toastercorp to expand further into Europe.

The ideal next place for expansion is Germany, which has a similar target consumer and people that speak the same German language. Germany is the largest market in the EU, and it borders Austria, making it the perfect next option. If Toastercorp chooses to use Austria as a test market, it will be well prepared to begin selling its products in Germany and, someday, the rest of Europe.

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Figure 1: Austrian Worldwide Exports, 2014

Figure 2: Number of Flight Destinations in Central and Eastern Europe

Figure 3: Foreign Direct Investment in Austria 1995-2014

Figure 1: Austrian Worldwide Exports, 2014

Austrian worldwide exports
[in %, 2014]

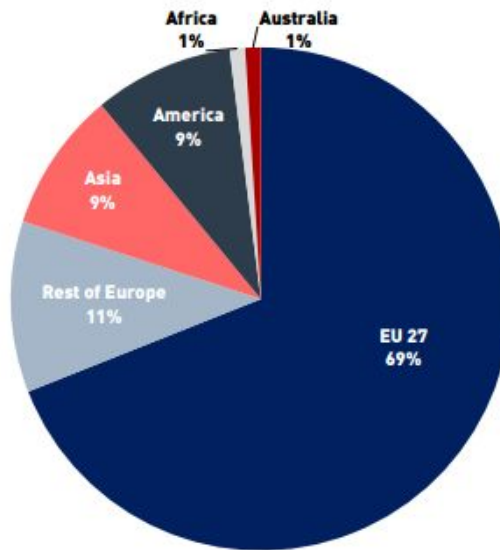
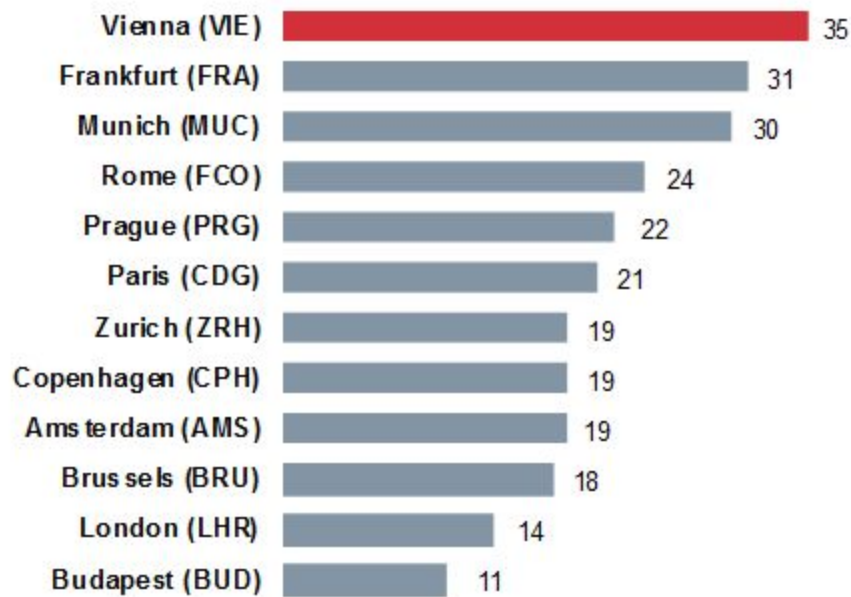


Figure 2: Number of Flight Destinations in Central and Eastern Europe

Austria serves as a distribution center and logistics interface between East and West.

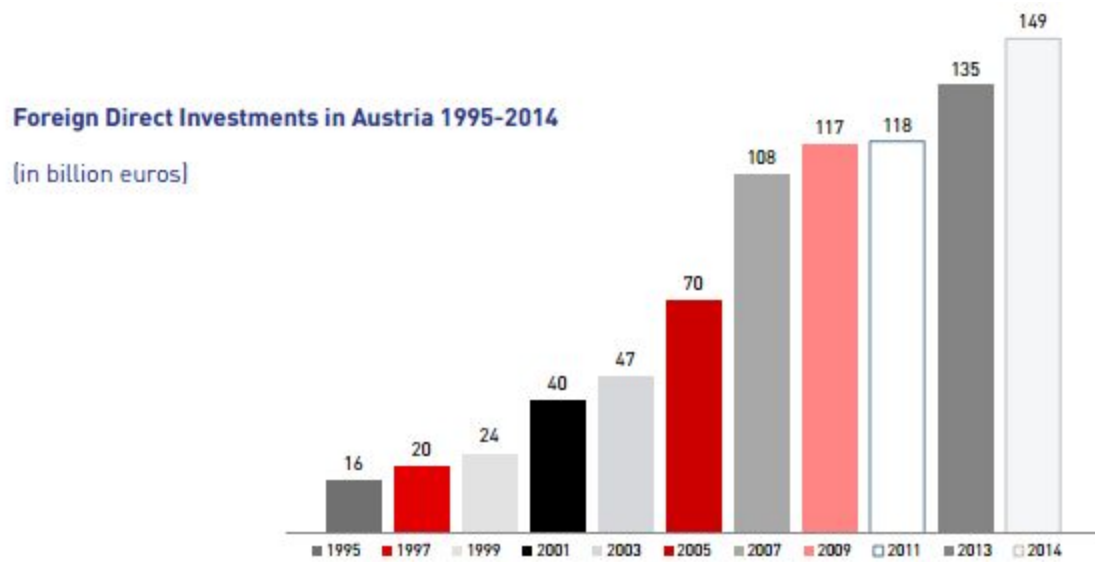
Vienna takes off

Number of destinations in Central and Eastern Europe



Source: Vienna International Airport, 06/2016

Figure 3: Foreign Direct Investments in Austria 1995-2014



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