



Growth Beyond Borders

Your client is a fast fashion retail chain called My Brands. They have a considerable market share in the US economy but are now facing market saturation. They want to expand to new geographies but aren't sure where to expand. Your task is to first list down the different factors to evaluate a potential geography to which they can extend their operations and state what strategies you would use to enter that particular country or geography.

CASE TYPE
Market Entry

COMPANY NAME
LEK Capability Network

DIFFICULTY LEVEL
★ ★ ★

Growth Beyond Borders

Overcoming the national boundaries

Case Type

Market Entry Case

Company Name

LEK Capability Network

Round

Partner

Difficulty Level



Problem Statement

Your client is a fast fashion retail chain called My Brands. They have a considerable market share in the US economy but are now facing market saturation. They want to expand to new geographies but aren't sure where to expand. Your task is to first list down the different factors to evaluate a potential geography to which they can extend their operations and state what strategies you would use to enter that particular country or geography.

Understood sir. May I ask some clarifying questions?

Sure, go ahead.

What is the company's main concern?

The company is simply ideating their expansion plan. They want to create a template through which they can evaluate different economies and how to enter them.

How did they operate in the USA?

They only had brick-and-mortar stores in the USA and they were primarily involved in the fast fashion retail for all types of customers except babies. The Client's manufacturing was outsourced.

Does the client have any specific idea to enter in a particular segment, let's say they just want to enter in male clothing or female clothing or do they just want to run the operations in the same manner as they do in the USA?

They wish to continue in the same manner.

That brings me to the end of my preliminary questions. To evaluate the different geographies, I will look at 7 possible factors.

These are: consumer-related factors, political factors, legal factors, competitive landscape, economic factors, technological factors, and the feasibility of the distribution channels.

Alright, that's fair, what next.

Within consumer related factors, I would include factors like the cost of acquiring customers, average revenue per user and taste and preferences of consumers. Societal acceptance is also a big part of this because consumers are concerned about fast fashion retail.

For the political factors, I will consider factors like particular policies which may affect us, business-friendly policies, and the government's lobbying capacity, whether the particular venture would be easily aided by the government or not.

Yes okay, this sounds good. Please continue.

For the legal part, I would consider the laws and taxes being charged by the country and research regarding the Special Economic Zones for that particular industry. Additionally, the recent import and export policies should also be taken into consideration since we were based out of the USA.

For the competitive landscape, I would include factors like market share, barriers to entry and exit, type of customers, and then the operating costs because we were concerned with the fashion retail space so COGS is an important part. Also, the inventories should be included because generally, fashion retailers have high inventory turnovers.

Alright that seems fair up till now, how will you evaluate the Economic Factors?

For the economic problems I will include three factors only. First will be researching about what is the average spend on a particular fashion product, then the inflationary conditions in the economy and purchasing power parity because we were based out of the USA.

How will you calculate the average spend?

We could use the country's disposable income data and pass an easy judgment about how customers spend on a particular product.

That's fair, go ahead.

For technological factors since the client was just involved in brick-and-mortar space, factors like advancement in online retail or the omni-channel would be looked in because different countries have different scenarios, if you look at European countries generally people follow omni-channels whereas in India brick and mortar channels are more prominent.

For the distribution channel, I would include things like producers, suppliers, manufacturers and import houses because since the client is outsourcing, the products would either be imported to a particular geography from the USA or we could set up another establishment. These are the factors I would consider while evaluating the market.

Good that was very detailed, let's say the client has identified X Geography, What should be the Client's strategy to enter X geography?

We can look for two different expansion strategies. Organic expansions and inorganic expansions. For inorganic expansion, we could look at joint ventures, partnerships, mergers and acquisitions, and government contracts. For organic expansion, the client could either have the same product or they could sell a different product.

If they choose the same product, they could have the same channel or a different channel. If they choose a different product, they could sell it to a different customer segment or they could offer one particular product or we could have an ancillary product to our fashion clothing. If they have to go into the same channel, they could use basket selling or upselling techniques.

Alright, we can end the case here.

Sure, thanks!

Growth Beyond Borders

Overcoming the national boundaries

CASE FLOW

CASE FACTS

- Client is a fast fashion retail chain looking to expand to new market geographies.

