**Genicon: Expansion Into International Markets**

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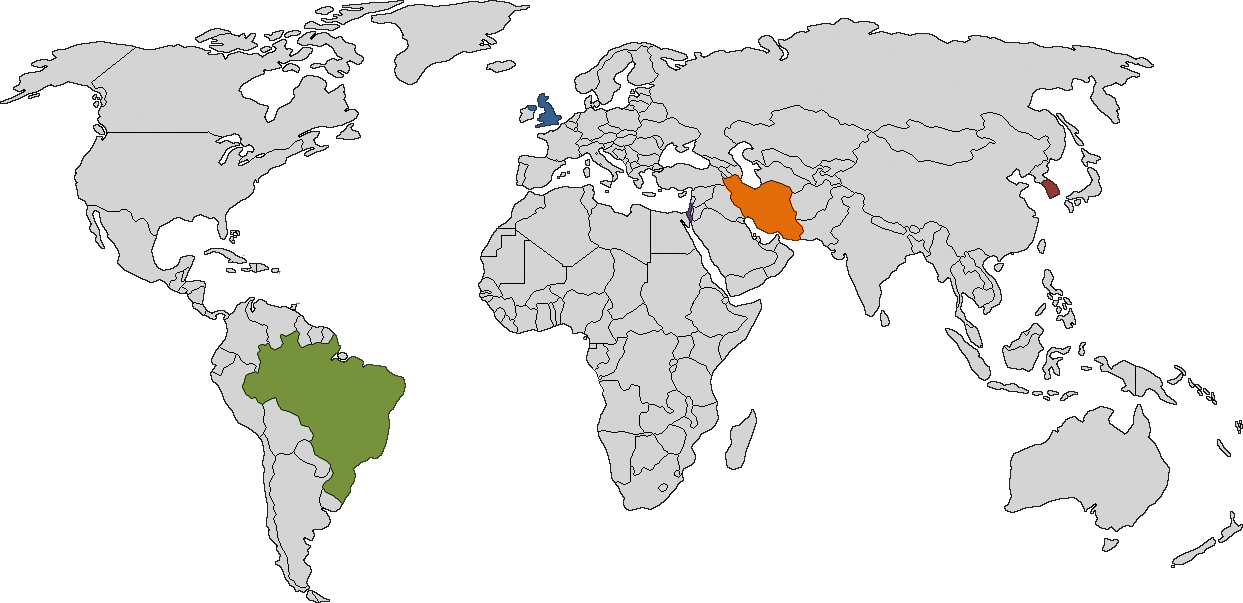
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| Potential Expansion Options (Legend)  Brazil  Israel  United Kingdom  Switzerland  South Korea  Iran |

**Potential Market Expansion Choices**

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**Executive Summary**

We examined six different countries to help determine which would be the best international investment for Genicon, an internationally recognized manufacturer of high quality laparoscopic surgery equipment. In order to make an educated assessment of Genicon’s potential expansion, we conducted extensive research to formulate a Situational Analysis including a SWOT, Porter’s Five Forces Analysis and a Competitor Analysis of Genicon’s greatest rivalries.

Porter’s five forces examined that the threat of new entrants would be low due to the long amount of time it takes for contracts to be enforced, as well as the possible capital costs associated with certification. The threat of substitutes was considered to be rated medium due to emerging popularity of complementary and alternative medicines combined with the inelasticity of surgical need. Bargaining power of suppliers was classified to be low, which was accredited to the examination and comparison of major company acquisitions and takeovers in recent years. Bargaining power of customers was considered low because all countries have both private and public hospitals meaning that Genicon’s potential for distribution is higher due to a varied market. The intensity of the competitive rivalry took into consideration the potential revenue to be made in the medical device industry, which we assessed as extremely high due to exponential growth because of high technology turnovers.

As part of our research we analyzed five competitors of Genicon in the international medical device market. The five biggest competitors that we analyzed were Johnson & Johnson, Intuitive Surgical, Medtronic, Covidien, and Stryker Corporation. The main reason that we chose to look at these companies is because they produced the same medical equipment and were in the selected countries, which in turn makes them direct competitors. Johnson & Johnson alters their pricing and marketing strategies which allows them to be very effective and efficient in international markets. Intuitive Surgical focuses on a prestige pricing model with high-tech medical equipment. Medtronic is the fourth largest manufacture of the world, and is extremely reputable within the medical industry. Covidien's market strategy directly targets hospitals and medical professionals, selling their products directly to them and not available to the public. Finally Stryker is known for their unique product line and specialization with orthopaedic products.

Next, we examined aspects of political, economic, legal, cultural, ethical and geographic considerations that are key in understanding the potential market for business and its characteristics. Our top considerations, based on this criteria, included Switzerland, Israel and United Kingdom. Initially thinking that Iran would be a good market due to Genicon’s infiltration of the Middle East countries including Bahrain, Pakistan and Iraq (Haberland, G. and Kupetz, A. H., 2013), we eliminated Iran mainly due to the high levels of political instability. Brazil was eliminated due to its volatile political environment and unstable cultural differences.

We have looked at various methods of entry and determined that a joint-venture would be best because it is the most profitable and strategic move. This joint-venture could be accomplished by setting up connections with a company such as Covidien, because they market directly to medical professionals and would provide better access to European markets. We had also looked at the potential of setting up a subsidiary within Switzerland, however, the benefits of a joint-venture outweigh the benefits that are provided through a subsidiary.

Of the countries analyzed, we concluded that the two most attractive candidates were Switzerland and Israel, as they are continuously looking for technological expansion and experience steady growth in the fields of medical software and equipment. Both countries are encouraging increased research and development (R&D), and their economic situations place heavy emphasis on international trade. The United Kingdom is also a valid contender due to its friendly business environment, but is held back due to its slow economic growth and slow adoption of new technologies (Emergo Group, 2014iii).

We concluded that Genicon may have the greatest success expanding into Switzerland’s market for the reasons outlined throughout our analysis. Using the information we have gathered, we can offer Genicon knowledge of the competitors and market conditions which will hopefully present Genicon the opportunity to expand into the European market from Switzerland. The hope is, that this will in turn broaden their international operations which would increase Genicon’s overall market share and potential.

**Situational Analysis**

This section of the report is aimed at analyzing the internal and external business environments of Genicon. It compares some of Genicon’s major competitors that have also infiltrated the countries we have analyzed, as well as Porter’s Five Forces which take into consideration the competitive atmosphere of the medical industry. This reveals the ease of expanding into these countries by understanding where Genicon stands in relation to competitors on a perceptual map (not pictured).

**Competitive Analysis**

**SWOT Analysis (Appendix A, Tables I – VII)**

Genicon has made a name for itself by having high quality laparoscopic devices. These qualities have allowed Genicon to achieve the highest level of third party medical equality system registration through a European notified body, as well as being recognized around the world (Medica, 2014). Because their instruments are FDA approved (Medica, 2014), as well as a percentage of shareholders being surgeons themselves (Genicon, 2014), Genicon is able to enter into varying markets with more advantages than most. The most attractive market to enter is Switzerland, with Israel a close second. Switzerland is consistently looking for newer technologies to reduce hospital stays (Emergo Group, 2014ii).

Israel is considered the second largest supplier worldwide (New Medical Ideas, 2014) and the IDF (Israeli Defense Force) invests heavily into high-tech R&D (Market Realist, 2014). One of the disadvantages is the constant pressure by governments to create better devices at a lower cost raises the competition between companies (Meidata, 2014, p. 17). There is also a high risk profile for unattractive investors in Israel, which can create future issues for Genicon (Meidata, 2014, p. 17). However, Israel has a priority for health care as well as proper infrastructure to support it, which allows for Israel's entrepreneurial clinics and physicians to be quick adapters of new technologies (New Medical Ideas, 2014).

Because Genicon is currently operating in South Korea we are using it as relative tool, to compare with our countries that we had chosen to look at. The South Korean government is always looking to encourage innovative ideas relating to R&D (Hollmer, 2014). South Korea is also the third largest market in Asia with the highest health care (Market Research.com, 2014).

The United Kingdom is the third best choice to enter due to it being a mixed market economy with extensive welfare services, which results in a higher standard of living for its residents (The Heritage Foundation, 2014d). Although the UK is the third largest market in Europe (Emergo Group, 2014iii) and has a minimal language barrier (Emergo Group, 2014iii), the biggest concern is that hospitals are very slow in adapting new and innovative technologies (Emergo Group, 2014iii). Additionally, the UK currently has roughly 2000 different manufactures operating there (Emergo Group, 2014iii), each having hospitals as their biggest consumer. This makes it extremely difficult for smaller companies to enter the market and acquire the correct requirements and pricing policy (Emergo Group, 2014iii).

The final country to be analyzed is Iran. The Iranian government invests heavily into the health care industry (Frost & Sullivan, 2014), and imports cover about 90% of the market (Market Realist, 2014). These figures show promise for Genicon’s future investment; however, the United States of America sanctions that are currently held against Iran (Namazi, 2014) are a massive issue facing foreign investment. These sanctions make it difficult to export products to Iran, and foreign companies can only do so by acquiring the proper licences (Klein, 2014). These sanctions are causing a slow decline for Iran’s medical industry. Additionally, in order to export goods to Iran, it is recommended that there be a local agent working there at all times while exporting (Market Realist, 2014). Combined, these factors make Iran a poor choice for Genicon’s investment. If all political factors were out of the picture, Iran would have been considered as a potential candidate. However, because of all the political containments, Iran is a tough market to work with.

**Porter’s Five Forces Analysis (Appendix A, Tables VIII – XII)**

Threat of New Entrants

We decided to look at the Threat of New Entrants under two categories: **Barriers to Entry** and the **Registration/Certification Required** for a company to be able to commercialize their medical device on the market in our six chosen countries. Overall, we would classify the threat of new entrants to be **low** due to the extensive certification required and the time it takes for contracts to be enforced (Appendix A, Table VIII). In South Korea, it is even a possibility that contracts be drawn up in Korean (Appendix A, Table VIII). Due to the time consumption of these processes, whether it be for FDA approval or CE mark certification (Appendix A, Table VIII), businesses existing in the market already will have time to either exit the market or gain enough of a reputation that new entrants would not pose a major problem.

Threat of Substitutes

We decided to look at this category under two sub-categories: **Number of Substitutes on Market** and **Buyer Propensity to Substitute.** In recent years, trends of homeopathic and traditional medicines have emerged (also called Complementary and Alternative Medicine or CAM). Since its popularity in the West, most of the countries chosen have pursued a better understanding of these remedies (Appendix A, Table IX) and we would classify the threat of substitutes to be **medium.** Iran would probably have a **high threat** due to the amount of attention that they give to emphasis on research of traditional methods (Appendix A, Table IX).

Bargaining Power of Suppliers

To evaluate this component, we chose to look at the **Major “Players”** in the medical device market in our chosen countries. With most of our choices having major company acquisitions/takeovers in recent years (Appendix A, Table X), we would classify the bargaining power of suppliers to be **low.** The only country where suppliers could have higher bargaining power is in Iran (Appendix A, Table X), but even so, there is a threat of major companies monopolizing the industry by acquiring small to medium sized companies.

Bargaining Power of Customers

The bargaining power of customers was evaluated by looking at the **Size of the Market.** With all of our countries chosen having both public and private sectors of health (Appendix A, Table XI), the bargaining power of customers is **low.** For this section, we are also assuming that all customers in our chosen countries have low loyalty due to the rate of change that technology advances at. With this in mind, we conclude that overall the bargaining power of customers can be rated **medium** because the number of hospitals in each region allows Genicon to pursue many different hospitals but the rate of change of technological advancement gives them a small window to do so.

Intensity of Competitive Rivalry

This section was evaluated based on **Growth Rate** and **Potential Revenues.** Given exponential growth rates from year to year and revenues being in the billions for Brazil, Switzerland, United Kingdom and South Korea (Appendix A, Table XII) we would rate the competitive environment **extremely high.**

Overall Assessment

Although substitutes do exists in these countries (Appendix A, Table IX), when it comes down to having surgery, the only other option is using the existing norm of open surgery and laparoscopic surgery is much safer. Although barriers to entry are high and the amount of certification required could take an extensive amount of time for companies to acquire (Appendix A, Table VIII), this might not necessarily be a deterrent for companies wishing to enter these markets due to high potential profit and possibility of exponential growth (Appendix A, Table XII). With many different hospitals to choose from, both public and private (Appendix A, Table XI), buyers do not necessarily have bargaining means because suppliers could just choose to take their product elsewhere in the country. That being said, with major companies acquiring many different small/medium sized businesses (Appendix A, Table X), suppliers may also not have bargaining power for very long with the threat of monopolies emerging.

**Overall risk rating: Medium**

**Competitor Analysis (Appendix A, Tables XIII – XXI)**

As Genicon expands internationally, they must be aware of the competition they will face in potential countries of operation. This can be achieved through a competitor analysis, which examines and analyzes competitors to identify their profitability, capabilities, strengths and weaknesses, and strategies. For this report, we have selected five competitors that Genicon will face in the international market: Johnson & Johnson, Intuitive Surgical, Medtronic, Covidien, and Stryker Corporation. All of these organizations produce equipment for laparoscopic surgery as well as other medical equipment, making them direct competitors to Genicon. An understanding of their competitors will allow Genicon to analyze and alter their business practices and strategies in order to compete within new international markets**.**

# Johnson & Johnson

# Johnson & Johnson has a strong foothold in the medical and biotech market. They are situated around the world, including five of the countries that are being analyzed in this report. Johnson & Johnson alter their pricing and marketing strategies based on the countries that they are in, making them very effective in international markets. Coupled with their reduced prices and easily recognized brand image, Johnson & Johnson is formidable competition for Genicon in five of the analyzed countries (UK, South Korea, Brazil, Israel, and Switzerland). However, they currently have no market presence within Iran.

# Intuitive Surgical

Because of their focus on robotic and high-tech surgical solutions, Intuitive Surgical caters to a very specific portion of the market. Only medical professionals and institutions with enough capital to spare can afford Intuitive’s solutions. Additionally, those who are interested in a highly technological alternative to surgery may pursue these products. For these reasons, Intuitive may not do well in countries with poor economies, but flourish in affluent areas that focus on technological innovation. For these reasons, Genicon should find moderate to high competition from Intuitive in five of the countries (UK, South Korea, Brazil, Israel, and Switzerland), as all of their economies are considered moderately or highly developed with a focus on technological innovation. Conversely, they have no market presence within Iran.

# Medtronic

Medtronic’s reputable brand and status are well deserved, as they are situated fourth in the world amongst medical technology manufacturers. Their presence is worldwide, allowing them to operate and manufacture within a diverse set of markets. Additionally, their diverse product line allows them to serve a varying set of medical needs. For these reasons, Genicon should expect high competition from Medtronic in five of the countries (UK, South Korea, Brazil, Israel, and Switzerland), and none within Iran.

# Covidien

Covidien’s products see widespread use in hospitals and medical centers, making them formidable competition for those who operate in the same area. The frequent use of Covidien’s products within medical facilities also harbors brand recognition, potentially leading to brand loyalty within medical institutions. Because Covidien is based in Europe, Genicon should be wary of them when operating in Switzerland and the UK. Conversely, Covidien is less recognized internationally, making the competition lighter outside of Europe. Because of their recent entrance into the market, their foothold in Brazil is weak. However, Genicon’s entrance into Brazil at this time would place these two in direct competition for share of the newly acquired market. For these reasons, Genicon should expect high competition within Switzerland, the UK, and Brazil, lighter competition within Israel and South Korea, and no competition within Iran.

# Stryker

Stryker has less market permeation than other competitors, but they will still prove to be formidable competition in the countries they do inhabit. Their unique product line and specialization in orthopaedic technologies opens an opportunity to dominate a specific segment of the market, and their diverse product line allows them to compete with normal suppliers. For these reasons, Genicon should be wary of Stryker’s presence in South Korea, Brazil, and Switzerland. However, they will not offer any competition in the UK, Israel, and Iran as they do not have any market presence in those locations.

**Risk Analysis (See Appendix B)**

**Political Considerations (Appendix B, Tables I – VI)**

Top options: Israel, Switzerland

Switzerland has been politically stable and conflict free for centuries. While Israel does have some international conflict with some Israeli-occupied land with Palestinians, its political environment is fairly stable with a risk of A3. Israel and Switzerland also had the highest public expenditure per capita in 2011 in comparison with the other countries, which means the political environment is better suited for the health industry.

**Economic Considerations (Appendix B, Tables I – VI)**

Top options: Switzerland, United Kingdom

Switzerland has a fairly steady increasing economic growth, although it is heavily influenced by international business cycles. It has a trade freedom score of 90, and its economic freedom is ranked fourth in the world. Switzerland’s heavy reliance on international trade is attractive for Genicon because Switzerland depends on goods that can be manufactured elsewhere. The United Kingdom is still recovering from the recession, hence its slow growth rate, but its trade and economic freedom are competitive. Both have modern market systems that realize the importance of successful international trade.

**Legal Considerations (Appendix B, Tables I – VI)**

Top options: Switzerland, United Kingdom

Both countries score a 90.0 for property rights, a very important aspect of risk assessment. Switzerland has always been attractive for foreign direct investment (FDI) due to its low corporate tax rate of just eight percent in some regions. It is very common for multinational and global companies to set up headquarters in Switzerland for precisely this reason. The UK, with a business freedom index of 92.0, is due to the ease of setting up a business. However, the government controls virtually all prices for health care services. This can have a positive or negative effect; it illustrates the importance of the health sector to the government, but can also potentially be victim to corruption or lack of monitoring.

**Cultural Considerations (Appendix B, Tables VII – XII)**

Top options: United Kingdom, Switzerland

The UK with its individualistic mindset, focus towards better equality, comfort with change, and general aim towards higher achievement makes it an ideal society for a business to grow in. The Swiss are similar in their independence, focus towards equality and high uncertainty avoidance. This does not mean the Swiss do not take risks, it simply means they do not take risks without feasible potential return. They are also success oriented and use perseverance as a strategy for accomplishment, meaning they tend to be a hard-working culture.

**Ethical Considerations (Appendix B, Tables VII – XII)**

Top options: Switzerland, UK

Switzerland and the United Kingdom are both good contenders in this analysis because they have a fairly good corruption perceptions index, and they have labor laws that are generally fair and equitable. Better labor laws equate to higher employee satisfaction and thus better productivity and employee loyalty. Genicon could benefit from this fact, as many companies are looking towards better human resources management to increase profit for the company.

**Geographical Considerations (Appendix B, Tables VII – XII)**

Top options: Iran, Brazil

Iran and Brazil have the highest populations of the countries we analyzed, which make it an automatic advantage in terms of market potential. Iran and Brazil also border quite a few countries which could also be a logistical advantage in terms of channeling.

**Consumer Trends Considerations (Appendix B, Table XIII)**

Top options: Brazil, Switzerland

Brazil, like South Korea, is experiencing strong growth in the health and wellness sector due to an increasing middle class population, increased education and better access to health. The general trend of price sensitivity needs to be addressed, as even in Switzerland, private brand labels are becoming increasing popular as a wallet-friendly alternative. Genicon should keep this in consideration when formulating its pricing strategy for the country of entry.

Switzerland’s consumers have a high emphasis on quality and have a strong trust in Swiss production for this reliability. These consumers are more willing to pay for premium products if they feel they are getting their money’s worth. Genicon could make better profit margins in Switzerland if they meet the standards of ‘Swissness’.

**Solution: Decision and Recommendation (Appendix C, Tables I & II)**

In consideration to our situational analysis and risk analysis, we chose Switzerland as a top choice for Genicon’s expansion.

Switzerland has a relatively uncomplicated procedure to have a commercial license as all that is needed is a CE Mark certification and that makes their market highly appealing. Switzerland also places a high emphasis on quality products and health care that are cost efficient and effective. It is one of the most innovative countries in the world with an understanding of the importance of technological advancement and while open to CAM, Western medicinal methods are still the norm. Switzerland has the highest public spending per capita of the countries analyzed, giving Genicon a high potential for revenue. Though the Swiss are also price-sensitive, they do not mind paying more for higher quality.

Switzerland’s politically stable and conflict free environment has resulted in a modern, consistently growing economy that emphasizes the importance and reliance of international trade. Switzerland’s high economic freedom and low corporate tax rates have made it appealing for many international companies to set up headquarters in Switzerland. Not only is Switzerland a gateway to the rest of the European market, but also a tax haven for companies that are looking for high returns. Switzerland’s cultural tendencies towards hard work and innovation would be beneficial for Genicon as it is this type of mindset that offers unique alternatives and new ideas for future threats. Switzerland sets an example for the rest of the world in all aspects, and although it is at a geographical disadvantage being landlocked, it has an infrastructure that is more sophisticated than that of most other countries.

Our decision to enter into the Swiss market is supplemented by our entry mode, which we chose to be joint venture. Significant advantages of a joint venture in Switzerland include overall high satisfaction rates in current partnerships, and the allowance of participants to utilize and share partner resources, including networks. With a joint venture, Genicon has an economical advantage, as it could simply join with a partner and share future revenue with added benefit. Decisions are made by a qualified majority, so actions that are taken are for the collective good of the business which establishes a sense of belonging and accomplishment on more than just an individual level within the organization. Joint ventures can be risky due to transactional costs and goal conflicts, and it can be difficult to pinpoint an appropriate partner that is suitable for expansion. However, if a business is successful in a joint venture after the first five years, failure rate goes down significantly.

**Appendix: A – Situational Analysis**

**SWOT Table –s Genicon**Table I

|  |  |  |  |
| --- | --- | --- | --- |
| Strengths | Weaknesses | Opportunities | Threats |
| Smallest company ever to receive regulatory authority that allows it to sell products throughout the European Union.  (Haberland and Kupetz, 2013, pg.2)  Genicon has achieved the highest level of third party medical quality system registration through a European Notified Body, BSI, and recognized globally.  (Medica, 2014)  Four award winning versions of trocars and cannulae in various styles, all made in America and FDA approved.  (Medica, 2014)  Some shareholders are surgeons who utilize Genicon products; This backing can give customers trust in using the products themselves.  (Genicon, 2014) | Unable to obtain contracts from group purchasing organizations (GPO’s) which causes an inability to sell significant amount of product in countries like the U.S.A. that favor purchasing through GPO’s.  (Haberland and Kupetz, 2013, pg.2)  Limited human and capital resources, resulting in limited ability and potential to enter select countries due to scale constraints.  (Haberland and Kupetz, 2013, pg.1) | Growing and aging global populations which can cause the requirement of laparoscopic devices for more uses.  (Haberland and Kupetz, 2013)  Medical care and related necessities (including medical devices) are not typically affected in market ups and downs nearly as highly as other industries of consumption during recessionary periods.  (Haberland and Kupetz, 2013, pg.2)  More countries such as South Korea are demanding imported medical equipment for their aging populations.  (U.S. Commercial Service, 2014, p. 51) | Inability to obtain proper regulatory approval due to associated fees hinders opportunities.  (Haberland and Kupetz, 2013, pg.2)  Taxes, tariffs, government regulations, exchange rates and corruption affected the ability and profitability of doing business in many markets.  (Haberland and Kupetz, 2013, pg.3)  U.S. Foreign Corrupt Practices Act (FCPA) prohibits Genicon from entering many markets that have convoluted registration processes.  (Haberland and Kupetz, 2013, pg.4) |

**SWOT Tables – Countries**

Brazil – Table II

|  |  |  |  |
| --- | --- | --- | --- |
| Strengths | Weaknesses | Opportunities | Threats |
| Holds the largest economy and medical device market of all Latin America nations.  (Espicom, 2014)  The Brazilian public health system created in 1988 provides services to around 75% of the population and 25% to the private sector.  (Espicom, 2014)  Brazilian government continues to invest in the expansion of the public health care system (SUS) which is set to run until 2014 and focuses on developing the primary care network for Brazilian citizens.  (Espicom, 2014) | Exports are small in comparison with total production of the economy.  (Espicom, 2014)  Brazil consistently has a negative balance of trade in medical supplies as well as equipment.  (Espicom, 2014)  Fixed payments for Brazil’s healthcare program puts a risk for hospitals, so having financial constraints around the procedures will reduce demand because of global averages.  (Market Realist, 2014) | There are only a few high-quality device manufacturers which allows for more import opportunities in the near future.  (Market Realist, 2014)  By being one of the largest economies in South America Brazil is looking to become a leading healthcare consumer.  (Market Realist, 2014) | Corruption and inequalities in the environment can give rise to difficulties for companies (Central Intelligence Agency, 2013e).  Heavy government intervention within the economy limits organizational mobility which may create a sense of injustice and slow growth rates (Michigan State University, 2014e).  On average there is a requirement of over 100 days to incorporate a company and obtaining required permits takes over a year (Michigan State University, 2014e). |

Israel – Table III

|  |  |  |  |
| --- | --- | --- | --- |
| Strengths | Weaknesses | Opportunities | Threats |
| Considered to be the second largest supplier of medical device solutions globally.  (New Medical Ideas, 2014)  Currently over 1,100 life science companies located in Israel, 65% of those are medical device firms.  (New Medical Ideas, 2014)  Israel’s 16 Technology Transfer Organizations (TTOs) allows for efficient cohesion and cooperation between universities, hospitals, businesses and the military for solutions that are quick and cost effective.  (New Medical Ideas, 2014)  Has one of the highest per capita in the world (24% of its population) to have scientist and engineers with academic degrees.  (New Medical Ideas, 2014)  Healthcare is a priority and there is an extensive infrastructure to support it.  (New Medical Ideas, 2014)  Israel’s entrepreneurial character causes Israeli clinics and physicians to be early adopters of new technologies.  (New Medical Ideas, 2014) | Most medical companies are struggling on the Tele- Aviv Stock Exchange (TASE)  (Meidata, 2014, p. 17)  There is a high risk profile for unattractive investors in Israel.  (Meidata, 2014, p. 17)  Many Israeli physicians are developers of their own original technologies; This could limit the need and desire of medical equipment imports.  (New Medical Ideas, 2014) | Israeli defence forces each year invest heavily into the high-tech R&D.  (Market Realist, 2014)  Espicom Business Intelligence has forecast that the medical industry in Israel will grow to be valued at an estimate of $1.1 billion by 2016, an increase of 20%.  (Market Realist, 2014)  By investment increasing upwards, developing companies will get the opportunity to supply a larger amount of services, equipment and supplies to meet future demands.  (Market Realist, 2014) | It is harder to raise money for companies that are in their early stages, making it harder to establish new companies without primarily internal funding.  (Meidata, 2014, p. 17)  There is a constant pressure by governments on companies to create better devices at a lower cost which raises the competition upon companies.  (Meidata, 2014, p. 17)  Constant hurdles, and an even more stringent FDA marketing permissions process is expected in the near future  (Meidata, 2014, p. 17) |

United Kingdom – Table IV

|  |  |  |  |
| --- | --- | --- | --- |
| Strengths | Weaknesses | Opportunities | Threats |
| Third largest market in Europe behind Germany and France; Valued at 9.9 billion dollars.  (Emergo Group, 2014iii)  Medical device trade is led by imports more than it is by exports and the market is very open and transparent.  (Emergo Group, 2014iii)  Dominance of the English language makes it easier to approach then other European countries.  (Emergo Group, 2014iii) | Hospitals are very slow in adapting and procuring new and innovative medical technologies.  (Emergo Group, 2014iii)  Hospitals are reimbursed for their patients on a base of the case system which is referred to "Payment by Results", which is a fixed price that is paid for each individual case treated.  (Emergo Group, 2014iii) | Low elasticity of domestic suppliers to respond to changing demand.  (Emergo Group, 2014iii)  The United Kingdom has a mixed market economy with extensive welfare services that provides most residents with a higher standard of living (Michigan State University, 2014d). | In 2005 there were approximately 2,000 different medical manufactures doing business in the UK.  (Emergo Group, 2014iii)  Hospitals are the biggest consumer of medical devices which places barriers that may make it difficult for small companies to gain access to the procurement rules, large scale requirements, and the pricing policies. (Emergo Group, 2014iii) |

Switzerland –Table V

|  |  |  |  |
| --- | --- | --- | --- |
| Strengths | Weaknesses | Opportunities | Threats |
| The industry and market is highly sophisticated and was valued at 3.3 billion dollars in 2006 and has grown since.  (Emergo Group, 2014ii)  The international trade is export led and exports about 5.6 billion dollars, with imports being about 1.9 billion, local production was estimated to be 7.8 billion in 2007.  (Emergo Group, 2014ii)  The industry is highly engaged in R&D and academy networking.  (Infomedix, 2014, p. 39) | As regulatory requirements are increasing in the exporting markets, the costs are getting higher due to the lack of knowledge on how to comply with the new technologies.  (Infomedix, 2014, p. 40)  Due to the global economic issues as well as the government cutting back on spending, companies are pressured to put strategic actions towards strengthening R&D and innovation, increasing the pressure for competition.  (Infomedix, 2014, p. 41) | Highly advanced technology and devices that contribute to the reduction of hospital stays are highly sought after.  (Emergo Group, 2014ii)  The best potential for medical devices include medical software, monitoring and intensive care equipment, as well as surgical consumables.  (Emergo Group, 2014ii) | Due to the global economic crisis, the medical device sector is currently facing cut backs in public spending from the government.  (Deloitte, 2014) |

South Korea – Table VI

|  |  |  |  |
| --- | --- | --- | --- |
| Strengths | Weaknesses | Opportunities | Threats |
| The public expenditure on health was 4.1 of South Korea’s GDP in 2012 (The Heritage Foundation, 2014).  Starting a company only requires five procedures and no minimum capital is required (Michigan State University, 2014).  The market in South Korea is growing at about 13.5%, with a value of 3.9 billion, placing it as the 3rd largest Asian medical device market.  Has the highest health care expenditure of all the "Asian Tigers" with about an estimated 60% funded by the public sector.  (Market Research.com, 2014) | Companies without a physical location established must appoint a Third party licence Holder to coordinate the registration of their medical device with the Ministry of Food and Drug Safety (MFDS).  (Emergo Group, 2014i)  Non-Korean manufacturers have to deal with a Third party License Holder, which then the distributor controls the medical device registration with the MFDS, which becomes a problem if the manufacturer wishes to change distributors.  (Emergo Group, 2014i)  Korean license holders have a considerable amount of responsibilities given to them which includes submitting insurance reimbursement applications, coordinating incident reporting within Korea, acting as a primary liaison with the MFDS, and more.  (Emergo Group, 2014i) | South Korea government is considering a number of ideas that include R&D investments, as well as ways to support locally made products to increase the net exporting from 2.31 billion to 12.5 billion, hiring 130,000 people as opposed to 37,000 people that are currently to be working by 2020.  (Hollmer, 2014)  To cope with the business environmental changes the Korean government is helping with the improvement of business support infrastructure to secure competitiveness.  (Na, 2014) | There are currently about 2,000 medical device manufacturing companies in South Korea, resulting in a strongly competitive arena.  (Na, 2014) |

Iran –Table VII

|  |  |  |  |
| --- | --- | --- | --- |
| Strengths | Weaknesses | Opportunities | Threats |
| Iran's GDP is expected to grow by 2.4% over the next 10 years.  (Frost & Sullivan, 2014)  Government has been putting in large amounts of money into the health care industry.  (Frost & Sullivan, 2014)  Iran's government provides up to 90% of its population health insurance.  (Frost & Sullivan, 2014)  Iran is focusing on being the central hub for the Muslim, world as well as serving Gulf nations.  (Frost & Sullivan, 2014) | The privatization of the hospitals are approximately 10%, thus only the wealthier citizens get access to better quality.  (Klein, 2014)  US companies can ship to Iran but only after acquiring a license to do so under the US Trade Sanctions Reform and Export Enhancement Act.  (Klein, 2014) | Imports account for 90% of the market, creating the potential for Genicon to capture a potentially large chunk of this medical device market.  (Market Realist, 2014) | Iran's GDP in 2013 declined by 2.3%.  (Market Realist, 2014)  The general department for medical equipment is charged with market vigilance, essentially forcing firms to appoint a constant local agent.  (Market Realist, 2014)  294 domestic medical device producers. (Market Realist, 2014)  Active US sanctions on Iran creates obstacles for Iran to import medical equipment as well as medicine.  (Namazi, 2014) |

**Porter’s Five Forces**

Force 1: Threat of New Entrants  
Table VIII

|  |  |  |  |
| --- | --- | --- | --- |
| Country | Barriers to Entry | | Registration/Certification Required for Entry |
| Brazil | | Brazilian law grants agents right to receive commission on sales in the enforcement of contracts (FosterSwift, 2011).  Termination costs of Brazilian agents quite high (FosterSwift, 2011).  731 days required for contract enforcement (The World Bank Group, 2014a).  17 days required to import and carries a cost of $2275 USD\* (The World Bank Group, 2014a).  Tariff-free trade with USA (FosterSwift, 2011). | Certificate of Free Sale required (CFS) (Emergo Group, 2014g).  AgênciaNacional de VigilânciaSanitária (ANVISA) required (Emergo Group, 2014a)  Certification from The National Institute of Metrology, Standardization and Industrial Quality (INMETRO) required for particular devices (Emergo Group, 2014b).  Certain devices require Brazil Good Manufacturing Practice (GMP) certification  Class I ANVISA approval takes on average 4 to 6 months (Emergo Group, 2014a).  ANVISA approval for Class I-IV devices requiring GMP certification takes on average 8 to 12 months (Emergo Group, 2014a).  Registration certificates to be renewed every 5 years (Emergo Group, 2014a).  ANVISA registration required for each company; not universal industry contract and non-transferable (Emergo Group, 2014a). |
| Israel | | 890 days required for contract enforcement (The World Bank Group, 2014c).  10 days required to import and carries a cost of $545 USD\* (The World Bank, 2014c). | Ministry of Health recognizes Food and Drug Administration and the European Union CE Mark and approves products carrying such certifications without further requirements (Prom Expert, 2014).  Products that do not have FDA or EU CE Mark certification are required to register with Israel’s Ministry of Health’s Department of Medical Devices (Prom Expert, 2014).  Certificate of Free Sale (CFS) required or Certificate of Foreign Government (CFG) (Emergo Group, 2014f).  Electro-medical devices require Israel Standard Institute (ISI) validation and certification (Emergo Group, 2014f).  Device listed on Israel’s four major Sick Funds (health insurance entities) also necessary or else Israeli hospitals and health care providers cannot order product (Emergo Group, 2014f).. |
| United Kingdom | | 437 days required for contract enforcement (The World Bank Group, 2014f).  6 days required to import and carries a cost of $1050 USD\* (The World Bank Group, 2014f). | CE Mark certification required to commercialize (Emergo Group, 2014g).  Manufacturers must obtain certification and affix the CE mark on their product (Emergo Group, 2014c).  CE verifies device meets all requirements of Medical Devices Directive (Emergo Group, 2014d).  In order to obtain CE marking, company must appoint European Authorized Representative if no physical manufacturing location in the EU (Emergo Group, 2014g). |
| Switzerland | | 390 days required for contract enforcement (The World Bank Group, 2014e).  8 days required to import and carries a cost of $1440 USD \* (The World Bank Group, 2014e). | Swiss Agency for Therapeutic Products (“Swissmedic”) is regulatory competent authority that monitors and approves all products (Medtech Switzerland, 2012).  Although Switzerland is not part of the EU, it has adopted the Medical Devices Directives into their national law (Emergo Group, 2014e).  CE Mark certification required (Emergo Group, 2014g).  Depending on risk class, up to 10,000 pages of documentation may be required (Medtech Switzerland, 2014, p. 22).  Employees must be trained to deal with tough regulatory market (Medtech Switzerland, 2014, p. 22). |
| South Korea | | 230 days required for contract enforcement (The World Bank Group, 2014d).  7 days required to import and carries a cost of $695 USD\* (The World Bank Group, 2014d).  Government may require language of contract to be Korean, government by the civil laws of Korea and disputes heard before the Korean court (Global Arbitration Review, 2013).  Contract terms implied are mandatory (Global Arbitration Review, 2013).  General principle of operating on good faith exists but very fact-intensive (Global Arbitration Review, 2013)  Terminations of contracts are not allowed unless a clear right is expressed at drawing of contract (Global Arbitration Review, 2013). | Certificate of Free Sale (CFS) required (Emergo Group, 2014g).  South Korean Ministry of Food and Drug Safety (KFDS) certification required (Emergo Group, 2014h).  Must appoint third party license holder in Korea before beginning device registration (Emergo Group, 2014h).  Technical File of product(s) must be submitted and only in Korean (Emergo Group, 2014h).  Company must be in compliance with Korea Good Manufacturing Practice (KGMP) requirements (Emergo Group, 2014h). |
| Iran | | 505 required for contract enforcement (The World Bank Group, 2014b).  10 days required to import and carries a cost of $2100 USD\* (The World Bank Group, 2014b). | CE Mark certification required (Emergo Group, 2014g).  USA FDA clearance/approval required (European Medical Device Technology, 2013a).  These are requirements made by Iran’s Ministry of Health and Medical Education (MOHME) (European Medical Device Technology, 2013a). |

Force 2: Threat of Substitute Products and Services  
Table IX

|  |  |  |  |
| --- | --- | --- | --- |
| Country | Number of Substitute Products Available on the Market | | Buyer Propensity to Substitute/Attitudes Towards Substitutes |
| Brazil | | Previous norm; open surgery  Homeopathy with LaboratorioCanonne leading market with 18% share (Euromonitor International, 2013i). | Great acceptance towards homeopathic alternatives (Farah, A. G. V., 2013)  15,000 homeopathic physicians, specialized pharmacists and pharmacies, laboratories (Farah, A. G. V., 2013).  16th most used practice of 61 medical specialties (Farah, A. G. V., 2013).  Government spend 3 million BRL on homeopathic medicine per year (Farah, A. G. V., 2013).  Population still has high distrust towards alternative medicine (Farah, A. G. V., 2013)  Market figures towards homeopathic alternatives haven’t changed much in 10 years (Farah, A. G. V., 2013).  Consumers and doctors more focused on shifting away from aggressive treatments (Farah, A. G. V., 2013) |
| Israel | | Previous norm; open surgery  Complementary and Alternative Medicine | Israeli Health Maintenance Organizations (HMO’s) do not encourage integrative approach of Complementary and Alternative Medicine (CAM) (eg: homeopathy), but instead urge physicians to employ methods that maintain hegemony of biomedical system and prevent CAM methods (Haaretz, 2014).  Israel not very educated in CAM methods (Haaretz, 2014).  Rising popularity levels of CAM medicine in West (i.e. North America) results in rising popularity of CAM in Israel, despite opposition of regulatory systems (Haaretz, 2014). |
| United Kingdom | | Previous norm; Open surgery  Herbal/traditional products with mainly small/medium sized businesses operating in this category (Euromonitor International, 2013iv). | Increasingly educated consumer base boosts sales of herbal/traditional products (Euromonitor International, 2013iv).  Herbal/traditional products and homeopathy viewed as safer and cheaper (Braga, A., 2013). |
| Switzerland | | Pervious norm; Open surgery  Herbal/traditional products with Ricola leading market with 10% share (Euromonitor International, 2013iii).  Complementary and alternative medicine. | Homeopathic patients tend to be younger (Ullman, D., 2012).  Complementary and alternative medicine patients tend be to be older (Ullman, D., 2012).  Both homeopathy and CAM tend to be more cost effective to practitioners (Ullman, D., 2012)  20 of 22 systematic reviews of double-blind study detected a trend in favor of homeopathy (Ullman, D., 2012) |
| South Korea | | Previous norm; open surgery  Herbal/traditional products with Korea Ginseng Corp. leading this substitute with a 34% market share (Euromonitor International 2013ii). | 11% market increase of herbal/traditional products (Euromonitor International, 2013ii). |
| Iran | | Previous norm; open surgery  Traditional and homeopathic alternatives  Herbal alternatives | Shaheed Beheshti University of Medical Sciences has done a lot of research on medicinal plants (Essential Medicines and Health Products Information Portal, 2014).  International congress on traditional medicine (Essential Medicines and Health Products Information Portal, (2014).  Traditional medical practitioners neither supported nor banned by government, provided patients are not harmed (Essential Medicines and Health Products Information Portal, 2014).  However, government very interested in traditional medicine (Essential Medicines and Health Products Information Portal, 2014).  Food and Drug Control Agency has been working in the field of herbal medicines since 1991 (Essential Medicines and Health Products Information Portal, 2014). |

Force 3: Bargaining Power of Suppliers  
Table X

|  |  |  |
| --- | --- | --- |
| Country | Major “Players”/Suppliers | |
| Brazil | | GrupoBiotoscana SL signed agreement to acquire United Medical with the aim to produce licensed innovative medical products (Business Wire, 2014). |
| Israel | | Medtronic purchased Ventnor Technologies in 2009 (Yahoo! Finance, 2013).  Covidien engaged in a series of buyouts (Yahoo! Finance, 2013).  Stryker purchased company (Yahoo! Finance, 2013).  GE set up shop in Research and Development in Jerusalem (Yahoo! Finance, 2013). |
| United Kingdom | | No found research on major medical device buyouts or acquisitions. |
| Switzerland | | Swiss authorities not willing to overpay for expensive health products (European Medical Device Technology, 2013b).  Swiss government seeks to protect domestic industries (European Medical Device Technology, 2013b).  Health insurance forms decide if product has significant clinical benefit (European Medical Device Technology, 2013b). |
| South Korea | | Samsung Electronics acquired Medison in 2010 (Ramstad, E., 2010). |
| Iran | | 294 domestic manufacturers of medical devices in 2012; proven with first Iranian medical device exhibition in 2013 (Market Research, 2014). |

Force 4: Bargaining Power of Customers  
Table XI

|  |  |
| --- | --- |
| Country | Number of Potential Buyers/Size of Market |
| Brazil | Market consists of government health services, non-profit health organizations and the private medical sector (Angloinfo, 2014a).  Increasing medical tourism destination due to low costs (Angloinfo, 2014c)  1459 hospitals (Hospital Scout, 2012). |
| Israel | Market consist of public and private sectors (Internations, 2014a).  116 hospitals (Hospitals Worldwide, 2014a).  Four major public healthcare plans: Clalit, Leumit, Maccabi and Meheudet (Internations, 2014a). |
| United Kingdom | Public and private sectors make up the market (Chang, J., Peysakhovich, F., Wang, W., Zhu, J., n.d.).  Healthcare coverage free at point of need (Chang, J., Peysakhovich, F., Wang, W., Zhu, J., n.d.).  National Health Service regulates healthcare (Chang, J., Peysakhovich, F., Wang, W., Zhu, J., n.d.).  UK ranks first in efficiency based on The Commonwealth Fund Report (Chang, J., Peysakhovich, F., Wang, W., Zhu, J., n.d.).  1131 listed hospitals for the UK (Hospitals Worldwide, 2014c). |
| Switzerland | Public and private sector make up market (Internations, 2014b).  No government run insurance (Roy, A., 2011).  Swiss citizens buy own insurance and it is transparent to beneficiary (Roy, A., 2011).  99.5% of citizens have insurance (Roy, A., 2011).  Quality of healthcare extremely high (Internations, 2014b).  913 hospitals listed for Switzerland (Hospitals Worldwie, 2014b). |

|  |  |
| --- | --- |
| South Korea | Market consists of general hospitals, oriental hospitals (use traditional eastern medical practices), public health centers and private hospitals (Angloinfo, 2014b).  High quality healthcare (Angolinfo, 2014b).  Compulsory National Health Insurance (Angoinfo, 2014b).  Foreigners living in South Korea who are registered with National Health Insurance Corporation receive same benefits (Angloinfor, 2014b).  Over 300 hospitals (Hospital Scout, 2014). |
| Iran | Public and private sector (World Health Organization, n.d.).  Healthcare system structured into three levels: specialty and super-specialty delivered at upper level and primary healthcare services delivered to the poor (World Health Organization, n.d.). |

Force 5: Intensity of Competitive Rivalry  
Table XII

|  |  |  |  |
| --- | --- | --- | --- |
| Country | Growth Rate of Industry | | Potential Revenues to be Made |
| Brazil | | Sao Paulo is one of 47 world centers for technological innovation and has world class hospitals and clinics (Angloinfo, 2014c).  Largest medical equipment market in South America (Business Monitor Store, 2014a).  Annual growth rate of 15% to 19% until 2011 (Business Monitor Store, 2014a).  Forced to rely on imports due to few and high quality manufacturers producing advanced medical equipment (Business Monitor Store, 2014a). | Market valued at 5.9Billion USD in 2013 (Business Monitor Store, 2014a).  Market value expected to rise to 11.0Billion USD by 2018 (Business Monitor Store, 2014a).  Medical device imports make up just over half of the market and tend to be high-tech medical equipment not produced locally. (Business Monitor Store, 2014a). |
| Israel | | Readily available intellectual talent and capital made Israel ideal boom for medical device industry (Yahoo! Finance, 2013).  Home to 700 medical device companies (Yahoo! Finance, 2013). | Market valued at 1,099.4Million USD in 2013 (Business Monitor, 2014c).  Market expected to rise to 1,570.9Million USD by 2018 (Business Monitor, 2014c).  Medical device imports supply 83% of market (Business Monitor Store, 2014c).  Domestic medical device production valued at 2Billion USD in 2012 (Business Monitor, 2014c). |
| United Kingdom | | Projected annual compound growth rate of 4.8% (PR Web, 2014). | Medical device market size was 12Billion USD in 2012 and expected to reach 17.5Billion USD by 2020 (PR Web, 2014).  Predominantly import (74%) led since domestic manufacturers are unable to rapidly adjust to changes in demand (Business Monitor, 2014f). |
| Switzerland | | Considerable proportion reinvested back into research and development (European Medical Device Technology, 2013b).  Swiss market provides high quality products and has a reputation for innovation (Business Monitor, 2014e). | Medical device sales generated estimated revenue of 6 billion CHF (European Medical Device Technology, 2013b).  88% of market supplied by imports (Business Monitor, 2014e). |
| South Korea | | Currently aiming for global no. 7 in medical equipment market (Xinhau News, 2014).  Planning to achieve through joint research and development between hospitals and companies (Xinhau News, 2014).  Local hospitals tend to depend on imported devices due to reasons such as lack of credibility and failure to meet needs of doctors (Xinhau News, 2014). | Medical device market valued at 5.1Billion USD (Business Monitor, 2014d).  3rd largest medical device market in the Asia Pacific region (Business Monitor, 2014d).  Medical device market expected to be valued at 9.3billion USD by 2018 (Business Monitor, 2014d).  Imports valued at 60% of medical device market (Business Monitor, 2014d). |
| Iran | | Projected annual compound growth rate of 1.3% (Market Research, 2014)  Ranks fifth in medical device industry in Middle East and Asia (Business Monitor, 2014b).  Market has growth potential but with recent sanctions by USA and EU, market appeal has diminished. (Business Monitor, 2014b). | Medical device market size 766.5Million USD in 2013 (Market Research, 2014).  Medical device market expected to be valued at 819.4Million USD by 2018 (Market Research, 2014)  Import’s account for 90% of market (Market Research, 2014) |

**Competitor Analysis Tables**

Market Share   
Table XIII

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Johnson & Johnson | Intuitive Surgical | Medtronic | Covidien | Stryker Corp. |
| Currently, shares are trading for $95.93 USD  (Equities: Johnson & Johnson, 2014)  24.01 million shares traded overall  (Equities: Johnson & Johnson, 2014)  Increase of 20.30% over the last year  (Equities: Johnson & Johnson, 2014)  Revenue of $71.31bn USD over the last year  (Equities: Johnson & Johnson, 2014)  Net income of $13.83bn USD over the last year, allowing them to dominate the market for medical equipment  (Equities: Johnson & Johnson, 2014) | Currently, shares are trading for $428.89 USD  (Yahoo!, 2014)  642,583 shares traded overall  (Yahoo!, 2014)  Decrease of 15% over the last year  (Yahoo!, 2014)  Revenue of $1.3bn USD over the last year  (Yahoo!, 2014)  Net income of $495,100 USD over the last year, only giving them a small portion of the market for medical equipment  (Yahoo!, 2014) | Currently, shares are trading for $58.83 USD  (Yahoo!, 2014)  7.15 million shares traded overall  (Yahoo!, 2014)  Increase of 24% over the last year  (Yahoo!, 2014)  Revenue of $11.8bn USD over the last year  (Yahoo!, 2014)  Net income of $3.1bn USD over the last year, giving them an established position in the market for medical equipment  (Yahoo!, 2014) | Currently, shares are trading for $70.44 USD  (Yahoo!, 2014)  3.65 million shares traded overall  (Yahoo!, 2014)  Decrease of 1.2% over the last year  (Yahoo!, 2014)  Revenue of $5.8bn USD over the last year  (Yahoo!, 2014)  Net income of $1.86bn USD over the last year, giving them an established position in the market for medical equipment  (Yahoo!, 2014) | Currently, shares are trading for $80.86 USD  (Yahoo!, 2014)  2.76 million shares traded overall  (Yahoo!, 2014)  Decrease of 1.4% over the last year  (Yahoo!, 2014)  Revenue of $5.5bn USD over the last year  (Yahoo!, 2014)  Net income of $1.3bn USD over the last year, giving them a smaller but established position in the market for medical equipment (Yahoo!, 2014) |

Marketing Mix  
Table XIV

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Johnson & Johnson | Intuitive Surgical | Medtronic | Covidien | Stryker Corp. |
| Product: Pharmaceuticals, medical equipment, surgical equipment, miscellaneous health care products.  (Johnson & Johnson)  Price: Provides lower priced products and services through deals with supplier channels. Tiered pricing strategies in certain locations based on economic conditions.  (Our Strategic Framework)  Promotion: Primary source of promotion is through public relations and word of mouth due to large market presence.  Place: Being one of the largest medical and biotechnology companies in the world, Johnson & Johnson holds distribution and supplier channels worldwide. Located in 5 of the countries being examined in this report (UK, South Korea, Brazil, Israel, and Switzerland). No presence in Iran. | Product: Surgical systems. Primary product is the da Vinci surgical system. (Intuitive Surgical)  Price: Products are placed at a high price due to advanced technologies and systems.  (Intuitive Surgical)  Promotion: Public advertising is minimal, as Intuitive is aimed primarily at medical professionals.  Place: Intuitive has many international locations. Located in 5 of the countries being examined in this report (UK, South Korea, Brazil, Israel, and Switzerland). They have no presence within Iran. | Product: Medical technologies, health systems, medicine.  (Medtronic Inc.)  Price: Products are priced slightly lower than competitors but remains relatively close to market medians.  (Medtronic Inc.)  Promotion: Minimal public advertising; Medtronic’s products are marketed towards medical professionals through specialized channels.  Place: Medtronic has many international locations, found almost worldwide. Located in 5 of the countries being examined in this report (UK, South Korea, Brazil, Israel, and Switzerland). No presence in Iran. | Product: Healthcare products, surgical equipment, medical and logistics systems.  (Covidien)  Price: Pricing strategy similar to competitors and follows market averages.  (Covidien)  Promotion: Minimal public advertising; focus on promotion directly to doctors and medical professionals.  Place:Covidien is found throughout many countries, and are located in 5 of the countries being examined in this report (UK, South Korea, Brazil, Israel, and Switzerland). However, they just acquired a location in Brazil, making it a new market for them. No presence within Iran. | Product: Medical devices, orthopaedics, surgical instruments.  (Stryker)  Price: Pricing strategy comparable to competitors and remains relatively close to market averages.  (Stryker)  Promotion: Primary advertising is aimed at medical professionals.  Place: Stryker is located worldwide, but is only found in 3 of the countries being examined in this report (South Korea, Brazil, and Switzerland). They have no presence in Iran, the UK, and Israel. |

Reputation  
Table XV

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Johnson & Johnson | Intuitive Surgical | Medtronic | Covidien | Stryker Corp. |
| One of the most widely recognized companies in the world  (Marketline, 2012)  Brand recognition is extremely high  (Marketline, 2012)  Widespread market penetration throughout countries of operation  Well known amongst competitors and customers | High tech medical systems manufacturer  (Intuitive Surgical)  Innovator in their field, introducing state of the art robotic surgery systems  (Intuitive Surgical)  Extremely expensive products, aimed at state of the art medical facilities | Well recognized; listed as a Fortune 500 company  Reputation as a great place to be employed; listed among the best places to work in Canada  (Medtronic)  Reputation as world’s 4th largest medical device company  (Marketline, 2014)  Some product recalls have hampered their reputation  (Marketline, 2014) | Well recognized by medical professionals  Utilized in almost every area of hospitals  More recognizable in Europe, as main headquarters is stationed in Ireland (Covidien) | Recognized mainly in the United States, as headquarters is located in Kalamazoo, Michigan  Products marketed directly to medical professionals; doesn’t hold as much brand recognition to the public |

Plans  
Table XVI

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Johnson & Johnson | Intuitive Surgical | Medtronic | Covidien | Stryker Corp. |
| Continued expansion  Upkeep of strong public image  Increase revenue through improved product accessibility | Continued push of da Vinci surgical system among medical professionals  Increased permeation in markets | Further reputation as a fantastic employer  Maintain position as a top competitor in medical devices | Develop and build up newly acquired location in Brazil  Continue normal operations in other locations  Continue to expand and build market share | Maintenance of current international locations  Further potential expansion to permeate other markets |

Strengths  
Table XVII

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Johnson & Johnson | Intuitive Surgical | Medtronic | Covidien | Stryker Corp. |
| Diverse set of business avenues and revenue streams through a wide range of products  (Marketline, 2012)  Strong financial situation allows for additional expansion and operational flexibility  (Marketline, 2012) | Premiere appeal to state of the art medical facilities  Extremely high tech equipment  Strong  management and leadership | Wide array of medical technologies  (Marketline, 2014)  Solutions to many medical issues  (Marketline, 2014)  Growing international presence  (Marketline, 2014) | Increased focus on R&D; enhancing product portfolio  (Marketline, 2013)  Steady income stream  (Marketline, 2013)  Increasing financial flexibility  (Marketline, 2013) | Unique products  Increasing focus on product development  Diverse product line  Holds a large portion of the orthopaedic implant market |

Weaknesses  
Table XVIII

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Johnson & Johnson | Intuitive Surgical | Medtronic | Covidien | Stryker Corp. |
| Overly dependent on pharmaceutical sales  (Marketline, 2012)  Quality issues with certain products  (Marketline, 2012)  Lacks product specialization  (Marketline, 2012) | Some have criticised the use of robotic technology with surgery; potential hamper on public image  High prices drive away standard medical facilities | Various product recalls are negatively affecting their public image  (Marketline, 2014) | Similarly to Medtronic, Covidien is experiencing various product recalls which are hampering their public image  (Marketline, 2014) | Reduced focus on R&D  Reduced geographical presence when compared to competitors |

Product Strategy  
Table XIX

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Johnson & Johnson | Intuitive Surgical | Medtronic | Covidien | Stryker Corp. |
| Widespread diversification of products  Accessibility of products for target audience  (Our Strategic Framework)  Equitable pricing of products  (Our Strategic Framework)  Accessibility of products to underprivileged patients | Introduction of innovative high tech surgery solutions to attract high-end medical centers  (Intuitive Surgical)  Market towards premiere consumers | Wide array of products and solutions for consumers  (Medtronic Inc.)  Appeal products to a wide audience  (Medtronic Inc.) | Specialized array of products aimed at a specific audience  (Covidien)  Target products towards hospitals and public Medicare facilities | Wide range of medical devices, specializing in orthopaedics  (Stryker)  Target products towards doctors and hospitals |

Target Market  
Table XX

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Johnson & Johnson | Intuitive Surgical | Medtronic | Covidien | Stryker Corp. |
| Advertising and product lines lend themselves to families/children  Lower pricing strategies attracts middle class individuals  For surgical and medical equipment, target audience shifts to medical professionals | High prices and state of the art technology attracts wealthy medical professionals and institutions looking for innovative methods of performing surgery | Products are aimed directly at medical professionals  Products are not marketed towards the public consumer | Products are targeted and sold directly to medical professionals and institutions  Public consumers are not part of Covidien’s target audience | The majority of Stryker’s product line is directly targeted and sold to medical institutions and doctors  A small segment of Stryker’s products are marketed commercially |

Competitive Advantage  
Table XXI

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Johnson & Johnson | Intuitive Surgical | Medtronic | Covidien | Stryker Corp. |
| Widespread organizational knowledge allows advertising to spread through PR rather than paid advertising streams  Lower prices allow for undercutting of competition  Widespread presence allows Johnson & Johnson to establish themselves across a wide array of markets | Premiere appeal for wealthy doctors and medical institutions  Robotic surgical technologies may emerge as a market norm, making Intuitive an early adopter  Robotic surgical equipment is more precise than human input, potentially allowing for more delicate procedures | Medtronic has a reputable brand name in both domestic and international markets  Diverse selection of products  Medtronic is located worldwide, offering a geographically diverse selection of markets to participate in | Because of its focus on R&D, Covidien has an ever-expanding product line  Specialized audience allows for potential dominance over that segment of the market  Widespread use in hospitals and medical facilities offers increasing brand awareness | Unique product line offers potential to cater to niche markets  Increased knowledge of orthopaedic technologies  Increased focus on product development offers potential to increase income |

**Appendix: B – Risk Analysis**

**Political, Economic, &Legal Consideration Tables  
Table I**

|  |  |  |
| --- | --- | --- |
| Risk[[1]](#footnote-1) | Brazil | Assessment/Remarks |
| Political |  |  |
| Political System | Federal Republic9 | President and vice president elected for single four-year term.9 |
| Health Care System | Universal Health Care12 | Public expenditure on health per capita was $1,043 (PPP) in 2011.24 |
| Political Risk Rating[[2]](#footnote-2) | A310 | Corruption and inequalities result in a somewhat unstable environment, and can give rise to difficulties for companies.10 |
| Agreements/Organizations | WTO, IMF, OECD, WHO, UN, (Among many others) 9 | Has not submitted an ICJ jurisdiction declaration; accepts ICCT jurisdiction.9 |
| Economic[[3]](#footnote-3) |  |  |
| Economic System | Mixed Economy9 | Has characteristics of market and centrally-planned economies. 9 |
| Growth (%) | 0.9%11 | Heavy government intervention in the economy continues to cause the misallocation of capital, limit mobility, and fuel a sense of injustice which slows the growth rate.11 |
| Trade Freedom | 69.311 | Brazil’s average tariff rate is 7.9 percent. There are specific restrictions on imports.11 |
| Economic Freedom Index | 114th10 | Brazil is ranked 20th out of 29 countries in the South and Central America/Caribbean region, its overall score is below the world average.11 |
| Legal |  |  |
| Legal System[[4]](#footnote-4) | Civil Law9 | A new civil law code was enacted in 2002 replacing the 1916 code.9 |
| Property Rights | 50.011 | Corruption undermines economic freedom and sparked massive nationwide protests in 2013 over low levels of political and institutional effectiveness.11 |
| Corporate Tax Rate (%) | Up to 34%11 | The top effective corporate tax rate is 34 percent, which includes a 15 percent corporate tax, a corporate surtax, and a 9 percent social contributions tax on net profits.11 |
| Business Freedom | 53.811 | On average, it requires over 100 days to incorporate a company, and obtaining necessary permits takes 400 days.11 |

**Table II**

|  |  |  |
| --- | --- | --- |
| Risk | Israel | Assessment/Remarks |
| Political |  |  |
| Political System | Parliamentary Democracy5 | Includes executive, legislative and judicial branches.5 |
| Health Care System | Universal Health Care8 | Public expenditure on health per capita was $2,172 (PPP) in 2011.24 |
| Political Risk Rating | A36 | A somewhat volatile political and economic environment can affect corporate payment behavior. Corporate default probability is quite acceptable on average. |
| Agreements/Organizations | WTO, IMF, OECD, WHO, UN, (Among many others) 5 | Israel has not submitted an ICJ jurisdiction declaration.5 |
| Economic |  |  |
| Economic System | Market Economy5 | Israel has a technologically advanced market economy.5 |
| Growth (%) | 3.1%7 | Israel entered the global economic crisis in relatively good shape.6 |
| Trade Freedom | 82.97 | Israel has a 3.5 percent average tariff rate, and there are some additional barriers to agricultural imports.7 |
| Economic Freedom Index | 44th6 | Israel is ranked 5th out of 15 countries in the Middle East/North Africa region.7 |
| Legal |  |  |
| Legal System[[5]](#footnote-5) | Mixed Legal System5 | Including common law, British Mandate Regulations, and theocratic laws (Jewish, Christian, Muslim)5 |
| Property Rights | 75.07 | Israel’s modern and independent legal system is based on British common law. Protection of intellectual property has improved.7 |
| Corporate Tax Rate (%)[[6]](#footnote-6)[[7]](#footnote-7)[[8]](#footnote-8)[[9]](#footnote-9) | 25%7 | Israel’s top individual income tax rate is 48 percent, and its top corporate tax rate remains at 25 percent.7 |
| Business Freedom | 73.27 | Launching a business takes five procedures on average, and no minimum capital is required, but obtaining necessary permits involves about 20 procedures and takes over 200 days.7 |

Table III

|  |  |  |
| --- | --- | --- |
| Risk | United Kingdom | Assessment/Remarks |
| Political |  |  |
| Political System[[10]](#footnote-10) | Constitutional monarchy17 | Does not have a written constitution. The equivalent body of law is based on statute, common law, and "traditional rights.18 |
| Health Care System | Universal Health Care20 | Public expenditure on health per capita was $3,322 (PPP) in 2011.24 |
| Political Risk Rating | A318 | A very high level of public debt and deficit and an economy heavily dependent on financial services.18 |
| Agreements/Organizations | WTO, IMF, OECD, WHO, UN, (Among many others)17 | Accepts compulsory ICJ jurisdiction with reservations; accepts ICCT jurisdiction.17 |
| Economic[[11]](#footnote-11) |  |  |
| Economic System | Market economy18 | A highly developed, diversified, market-based economy with extensive social welfare services provides most residents with a high standard of living.18 |
| Growth GDP % (PPP)[[12]](#footnote-12) | 0.2%19 | The United Kingdom’s economy continues to recover from turmoil in the financial markets.18 |
| Trade Freedom | 87.819 | EU members have a low 1.1 percent average tariff rate and, in general, few non-tariff barriers to trade.19 |
| Economic Freedom Index | 14th18 | Britain’s economy has been consistently rated one of the world’s 20 freest, but since 2006 has been declining in Economic Freedom.19 |
| Legal |  |  |
| Legal System[[13]](#footnote-13) | Common law system17 | Has nonbinding judicial review of Acts of Parliament under the Human Rights Act of 1998.17 |
| Property Rights | 90.019 | Private property rights and contracts are very secure, and the court system is efficient. Protection of intellectual property rights is effective.19 |
| Corporate Tax Rate (%) | Up to 24%19 | Other taxes include a value-added tax (VAT) and an environment tax.19 |
| Business Freedom | 92.019 | It takes six procedures and 12 days to incorporate a business, and no minimum capital is required. However, completing licensing requirements takes almost three months.19 |

Table IV

|  |  |  |
| --- | --- | --- |
| Risk | Switzerland | Assessment/Remarks |
| Political |  |  |
| Political System | Confederation[[14]](#footnote-14) | Similar in structure to a federal republic.1 |
| Health Care System | Universal Health Care2 | Public expenditure on health per capita was $5,564 (PPP) in 2011.24 |
| Political Risk Rating | A12 | Average corporate default is very low.2 |
| Agreements/Organizations | WTO, IMF, World Bank, OECD (Among many others. ) 1 | Accepts compulsory ICJ (International Court of Justice) jurisdiction with reservations.1 |
| Economic |  |  |
| Economic System | Market Economy1 | Extremely heavy reliance on trade.1 |
| Growth (%) | 1.0%2 | Growth rate is easily influenced by neighboring countries due to heavy dependency on trade.2 |
| Trade Freedom | 90.03 | Switzerland has a 0 percent average tariff rate.3 |
| Economic Freedom Index | 4th[[15]](#footnote-15) | Switzerland is ranked 1st out of 43 countries in the Europe region.3 |
| Legal |  |  |
| Legal System | Civil Law System1 | Judicial review of legislative acts, except for federal decrees of a general obligatory character.1 |
| Property Rights | 90.03 | Intellectual property rights are respected, and enforcement is consistent with world standards.[[16]](#footnote-16) |
| Corporate Tax Rate (%) | Up to 24%3 | The federal corporate tax rate is 8.5 percent, which, combined with cantonal taxes, can reach 24 percent. 3 |
| Business Freedom | 75.43 | The sound regulatory environment encourages entrepreneurial activity and innovation.3 |

Table V

|  |  |  |
| --- | --- | --- |
| Risk[[17]](#footnote-17) | South Korea | Assessment/Remarks |
| Political |  |  |
| Political System | Republic13 | Powers nominally shared among the executive, the legislature, and the judiciary, but traditionally dominated by the president.14 |
| Health Care System | Universal Health Care16 | Public expenditure on health per capita was $2,181 (PPP) in 2011.24 |
| Political Risk Rating | A214 | Political and economic condition is good, but there is a risk of heightened tension with North Korea.14 |
| Agreements/Organizations | WTO, IMF, OECD, WHO, UN, (Among many others)13 | Has not submitted an ICJ jurisdiction declaration; accepts ICCt jurisdiction.13 |
| Economic[[18]](#footnote-18) |  |  |
| Economic System | Market Economy14 | In recent years, Korea's economy moved away from the centrally planned, government-directed investment model toward a more market-oriented one.14 |
| Growth (%)[[19]](#footnote-19) | 2.0%15 | There has been stable growth, but below potential due to the global recession.14 |
| Trade Freedom | 72.615 | South Korea’s average tariff rate is 8.7 percent.15 |
| Economic Freedom Index | 30th14 | South Korea’s economy, rated “moderately free” through most of the history of the Index, has advanced to “mostly free” in the past two years.15 |
| Legal |  |  |
| Legal System[[20]](#footnote-20) | Mixed legal system13 | Combining European civil law, Anglo-American law, and Chinese classical thought.13 |
| Property Rights | 70.015 | A well-functioning modern legal framework ensures strong protection of private property rights. The rule of law is effective, and the judicial system is efficient.15 |
| Corporate Tax Rate (%) | Up to 22%15 | A 10 percent surtax on individual and corporate rates and a value-added tax (VAT) bring the overall tax burden to 25.9 percent of GDP.15 |
| Business Freedom | 92.815 | Launching a company takes five procedures, and no minimum capital is required. Bankruptcy proceedings are relatively easy.15 |

**Table VI**

|  |  |  |
| --- | --- | --- |
| Risk | Iran | Assessment/Remarks |
| Political |  |  |
| Political System[[21]](#footnote-21) | Theocratic Republic21 | The December 1979 Iranian constitution defines the political, economic, and social order of the Islamic Republic.22 |
| Health Care System | Partially universal Health Care24 | Public expenditure on health per capita was $929 (PPP) in 2011.24 |
| Political Risk Rating | D22 | A high risk political and economic state combined with a very difficult business environment leads to high corporate default.22 |
| Agreements/Organizations | WTO, IMF, WHO, UN, (not part of OECD)21 | Has not submitted an ICJ jurisdiction declaration; non-party state to the ICCT.21 |
| Economic[[22]](#footnote-22) |  |  |
| Economic System | Mixed economy21 | Centrally planned price controls, subsidies, and other distortions weigh down the economy, undermining the potential for private-sector-led growth.21 |
| Growth GDP % (PPP)[[23]](#footnote-23) | -1.9%23 | Economic growth turned negative in 2012 and 2013, for the first time in two decades. Iran continues to suffer from double-digit unemployment and underemployment.21 |
| Trade Freedom | 41.423 | Iran’s average tariff rate is a relatively high 21.8 percent. Foreign investment is screened by the government, and there are restrictions on investment in several sectors of the economy.23 |
| Economic Freedom Index | 173th22 | Iran is ranked last out of 15 countries in the Middle East/North Africa region, and its overall score is well below the world and regional averages.23 |
| Legal |  |  |
| Legal System[[24]](#footnote-24) | Secular Law21 | Religious legal system based on secular and Islamic law.21 |
| Property Rights | 10.023 | The government has confiscated property belonging to religious minorities and corruption is pervasive.23 |
| Corporate Tax Rate (%) | Up to 25%23 | A standard tax applies to all property transfers. Other taxes include a value-added tax (VAT).23 |
| Business Freedom | 62.323 | Obtaining operating permits takes more than 300 days and costs over twice the level of annual average income.23 |

**Cultural, Ethical, & Geographical Considerations Tables  
Table VII**

|  |  |  |
| --- | --- | --- |
| Risk | Brazil | Assessment/Remarks |
| Cultural |  |  |
| Individualism vs. Collectivism | 38[[25]](#footnote-25) | In Brazil, people from birth onwards are integrated into strong, cohesive groups. In business it is important to build up trustworthy and long lasting relationships. Communication style is context-rich, so people will often speak profusely and write in an elaborate fashion.33 |
| Power Distance | 6933 | Brazil reflects a society that believes hierarchy should be respected and inequalities amongst people are acceptable. In Brazil it is important to show respect to the elderly. In companies there is one boss who takes complete responsibility. Status symbols of power are very important.33 |
| Uncertainty Avoidance | 7633 | Brazil, as well as most Latin American countries, scores high on this index. Brazilians need to have good and relaxing moments in their everyday life.33 |
| Achievement vs. Nurturing | 4933 | Brazil is intermediate in this index, meaning it has components of both: driven by competition, achievement and success with dominant values in society such as caring for others and quality of life. 33 |
| Pragmatism | 4433 | Brazil is also intermediate in pragmatism, a mix of a strong desire to explain as much as possible and but to also living a virtuous life.33 |
| Ethical |  |  |
| Corruption Perceptions Index | 37.9[[26]](#footnote-26) | Brazil ranks 72nd/175 economies.[[27]](#footnote-27) Corruption undermines economic freedom and sparked massive nationwide protests in 2013 over poor public services and the low level of political and institutional effectiveness. |
| Labour Freedom | 49.834 | Overall, the labor market lacks flexibility and hinders job growth. This can be attributed by large cultural differences and internal disputes.34 |
| Carbon Footprint | 475.4 million Mt[[28]](#footnote-28) | This amount of carbon dioxide emission places Brazil 13th highest in the world. Pollution is a large issue in Brazil, although they are part of several environmental international agreements, such as Kyoto-Protocol and Ozone Layer Protection, but enforcement is limited.36 |
| Geographical |  |  |
| Location | South America36 | Brazil shares borders with Argentina, Bolivia, Colombia, French Guiana, Guyana, Paraguay, Peru, Suriname, Uruguay, Venezuela. It has a coastline of 7,491 km.36 |
| Size | 8,514,877 km2 36 | Brazil is the 5th largest country in the world. |
| Population | 202,656,78836 | Ethnic groups: white 47.7%, mulatto (mixed white and black) 43.1%, black 7.6%, Asian 1.1%, indigenous 0.4% (2010 est.)36 |
| Topography | Mostly flat36 | Brazil is mostly flat and also has rolling lowlands in north; some plains, hills, mountains, and narrow coastal belt.36 |

**Table VIII**

|  |  |  |
| --- | --- | --- |
| Risk | Israel | Assessment/Remarks |
| Cultural |  |  |
| Individualism vs. Collectivism | 54[[29]](#footnote-29) | There is a strong belief in the ideal of self-actualization. Loyalty is based on personal preferences for people as well as a sense of duty and responsibility. Communication is direct and expressive29. |
| Power Distance | 1329 | With an egalitarian mindset the Israelis believe in independency, equal rights, accessible superiors and that management facilitates and empowers. Workplaces have an informal atmosphere with direct and involving communication and on a first name basis. Employees expect to be consulted29. |
| Uncertainty Avoidance | 8129 | In Israel, time is money, people have an inner urge to be busy and work hard, precision and punctuality are the norm, and security is an important element in individual motivation29. |
| Achievement vs. Nurturing | 4729 | Israel is neither a clear masculine nor feminine society. Some elements point at more masculine features. Performance is highly valued. Managers are expected to be decisive and assertive. Status is often shown, especially by cars, watches and technical devices29. |
| Pragmatism | 3829 | Israeli culture has a preference for normative thought. People in such societies have a strong concern with establishing the absolute Truth. They exhibit great respect for traditions, a relatively small propensity to save for the future, and a focus on achieving quick results29. |
| Ethical |  |  |
| Corruption Perceptions Index | 59.3[[30]](#footnote-30) | Israel is 36th/175 economies[[31]](#footnote-31). Bribery and other forms of corruption are illegal, and relatively effective anti-corruption measures help to strengthen the foundations of economic freedom30. |
| Labour Freedom | 63.030 | The labor market needs more flexibility to accommodate rapid economic transformation30. |
| Carbon Footprint | 72.1 million Mt[[32]](#footnote-32) | Israel is 48th in the world in terms of carbon dioxide emissions. They are part of several environmental international agreements such as Kyoto-Protocol and Ozone Layer Protection32. |
| Geographical |  |  |
| Location | Middle East32 | Israel shares borders with six countries: Egypt, Gaza Strip, Jordan, Lebanon, Syria, West Bank. It has a coastline of 273 km32. |
| Size | 20,770 km2 32 | Israel is 154th in comparison to the world in terms of size32. |
| Population | 7,821,85032 | Ethnic Groups: Jewish 75.1% (of which Israel-born 73.6%, Europe/America/Oceania-born 17.9%, Africa-born 5.2%, Asia-born 3.2%), non-Jewish 24.9% (mostly Arab)32 |
| Topography | Desert32 | Israel has a mix of the Negev desert in the south, low coastal plain, central mountains, and Jordan Rift Valley32. |

**Table IX**

|  |  |  |
| --- | --- | --- |
| Risk | United Kingdom | Assessment/Remarks |
| Cultural |  |  |
| Individualism vs. Collectivism | 89[[33]](#footnote-33) | UK is amongst the highest of the individualistic scores. People are to think for themselves and to find out what their unique purpose in life is and how they uniquely can contribute to society. The route to happiness is through personal fulfillment.41 |
| Power Distance | 3541 | The UK is a society that believes that inequalities amongst people should be minimized. Interestingly, the index is lower amongst the higher class in Britain than amongst the working classes, which shows one of the inherent tensions in the British culture.41 |
| Uncertainty Avoidance | 3541 | British are comfortable in ambiguous situations - the term ‘muddling through’ is a very British way of expressing this. This emerges throughout the society in both its humor, heavy consumerism for new and innovative products and the fast highly creative industries it thrives in- change is good.41 |
| Achievement vs. Nurturing | 6641 | Britain is an achievement society – highly success oriented and driven. A key point of confusion lies in the apparent contradiction between the British culture of modesty and understatement which is at odds with the underlying success driven value system in the culture.41 |
| Pragmatism | 5141 | With an intermediate score, it is difficult to pinpoint a dominant preference in British culture, but they have a mixture of normative and pragmatic orientation.41 |
| Ethical |  |  |
| Corruption Perceptions Index | 76.4[[34]](#footnote-34) | UK ranks 14th/175 economies.[[35]](#footnote-35) Corruption is not pervasive, but high-profile scandals have damaged political reputations in both major parties. The Bribery Act came into force in 2011.42 |
| Labour Freedom | 73.142 | The non-salary cost of employing a worker is moderate, and severance payments are not overly burdensome.42 |
| Carbon Footprint | 496.8 million Mt[[36]](#footnote-36) | UK ranks 12th in the world for carbon dioxide emissions from energy consumption. It is also part of the Kyoto-Protocol and Ozone Layer Protection. 44 |
| Geographical |  |  |
| Location | Western Europe44 | Islands - between the North Atlantic Ocean and the North Sea; northwest of France.It only shares a border with Ireland and has a coastline of 12,429km. 44 |
| Size | 243,610 km2 44 | The UK is the 80th country in the world in size comparison. |
| Population | 63,742,97744 | Ethnic Groups: white 87.2%, black/African/Caribbean/black British 3%, Asian/Asian British: Indian 2.3%, Asian/Asian British: Pakistani 1.9%, mixed 2%, other 3.7% (2011 est.)44 |
| Topography | Hills/ Low mountains44 | UK’s terrain is mostly rugged hills and low mountains; level to rolling plains in east and southeast.44 |

**Table X**

|  |  |  |
| --- | --- | --- |
| Risk | Switzerland | Assessment/Remarks |
| Cultural |  |  |
| Individualism vs. Collectivism | 68[[37]](#footnote-37) | With this score, Switzerland is considered more of an individualistic culture- which means the employer/employee relationship is a contract based on mutual advantage, hiring and promotion decisions are supposed to be based on merit only and management is the management of individuals25. |
| Power Distance | 3425 | Switzerland promotes inequality and characteristics include: being independent, hierarchy for convenience only, equal rights, superiors accessible, coaching leader, management facilitates and empowers. It is important to note that there is a vast difference from French Switzerland, which places higher in PDI due to a higher hierarchical culture25. |
| Uncertainty Avoidance | 5825 | French speaking Switzerland has a strong preference for avoiding uncertainty while German speaking Switzerland scores lower25. |
| Achievement vs. Nurturing | 7025 | Both rankings for German Switzerland and French Switzerland indicate a masculine society- this means highly success oriented and driven, albeit that in the German speaking part the impact is much more noticeable25. |
| Pragmatism | 7425 | Swiss people believe that truth depends very much on situation, context and time. They show an ability to adapt traditions easily to modern conditions, a have strong propensity to save and invest with a thriftiness and perseverance in achieving results25. |
| Ethical |  |  |
| Corruption Perceptions Index[[38]](#footnote-38) | 88.127 | Switzerland is 7th/175 economies26. In 2013, the government broadened anti-corruption laws to make bribery almost always a criminal offense[[39]](#footnote-39). |
| Labour Freedom | 87.427 | Overall labor regulations are relatively flexible and similar to Canada, and the non-salary cost of hiring a worker is moderate27. |
| Carbon Footprint | 43.36 million Mt[[40]](#footnote-40) | Switzerland is 69th in comparison to the rest of the world in terms of carbon dioxide emissions28. It has recently enforced strict laws regarding the imports of carbon emissive products, such as cars. |
| Geographical |  |  |
| Location | Europe | Switzerland is bordered by five countries, France, Italy, Austria, Germany, and Lichtenstein28. It is landlocked28. |
| Size | 41,277 km2 28 | Switzerland is 136th in the world in terms of size. |
| Population | 8,061,51628 | Ethnic Groups: German (official) 64.9%, French (official) 22.6%, Italian (official) 8.3%, Serbo-Croatian 2.5%, Albanian 2.6%, Portuguese 3.4%, Spanish 2.2%, English 4.6%, Romansch (official) 0.5%, other 5.1%28 |
| Topography | Mountainous28 | Switzerland is mostly mountains (Alps in south, Jura in northwest) with a central plateau of rolling hills, plains, and large lakes28. |

**Table XI**

|  |  |  |
| --- | --- | --- |
| Risk | South Korea | Assessment/Remarks |
| Cultural |  |  |
| Individualism vs. Collectivism | 18[[41]](#footnote-41) | With this score, Korea is considered a collectivistic society. The society fosters strong relationships where everyone takes responsibility for fellow members of their group. In collectivist societies offence leads to shame and loss of face.37 |
| Power Distance | 6037 | South Korea is a slightly hierarchical society. This means that people accept a hierarchical order in which everybody has a place and which needs no further justification.37 |
| Uncertainty Avoidance | 8537 | South Korea is one of the most uncertainty avoiding countries in the world. Countries exhibiting high uncertainty avoidance maintain rigid codes of belief and behaviour and are intolerant of unorthodox behaviour and ideas.37 |
| Achievement vs. Nurturing | 3937 | South Korea focuses on “working in order to live”, managers strive for consensus, people value equality, solidarity and quality in their working lives, making it a more nurturing society.37 |
| Pragmatism | 10037 | South Korea scores as one of the most pragmatic, long-term oriented societies. People live their lives guided by virtues and practical good examples, and business practices are conducted in long-term consideration of generations to come. |
| Ethical |  |  |
| Corruption Perceptions Index | 54[[42]](#footnote-42) | South Korea is 46th/175 economies.[[43]](#footnote-43) Despite the political system’s overall health, bribery, influence peddling, and extortion remain present in politics, business, and everyday life.38 |
| Labour Freedom | 47.838 | The labor market remains dynamic, but there are lingering regulatory rigidities, and powerful trade unions add to the cost of conducting business.38 |
| Carbon Footprint | 611 million Mt[[44]](#footnote-44) | This amount of carbon dioxide emission places South Korea 9th in the world. South Korea deals with huge amounts of air and water pollution. They are also member of Kyoto-Protocol and Ozone Layer Protection.40 |
| Geographical |  |  |
| Location | Eastern Asia40 | South Korea is on the southern half of the Korean Peninsula bordering the Sea of Japan and the Yellow Sea. It only shares a border with North Korea, and has a coastline of 2,413 km.40 |
| Size | 99,720 km2 | South Korea is 109th in comparison to the rest of the world.40 |
| Population | 49,039,98640 | Ethnic Groups: homogeneous (except for about 20,000 Chinese)40 |
| Topography | Hills/  Mountains40 | South Korea’s terrain is mostly hills and mountains, with wide coastal plains in the west and south.40 |
|  |  |  |

**Table XII**

|  |  |  |
| --- | --- | --- |
| Risk | Iran | Assessment/Remarks |
| Cultural |  |  |
| Individualism vs. Collectivism | 41[[45]](#footnote-45) | Iran is considered a collectivistic society, this is manifest in a close long-term commitment to the member 'group', be that a family, extended family, or extended relationships. |
| Power Distance | 5845 | Iran is a hierarchical society. This means that people accept a hierarchical order in which everybody has a place and which needs no further justification.45 |
| Uncertainty Avoidance | 5945 | Iran has a high preference for avoiding uncertainty- countries exhibiting high uncertainty avoidance maintain rigid codes of belief and behavior and are intolerant of unorthodox behavior and ideas. This is evident in Iran’s legal system, theocratic law. |
| Achievement vs. Nurturing | 4345 | In Iran, conflicts are usually resolved by compromise and negotiation. Incentives such as free time and flexibility are favoured.45 |
| Pragmatism | 1445 | Iran has a strongly normative cultural orientation. People in such societies have a strong concern with establishing the absolute Truth; they are normative in their thinking. They exhibit great respect for traditions, a relatively small propensity to save for the future, and a focus on achieving quick results.45 |
| Ethical |  |  |
| Corruption Perceptions Index | 23.4[[46]](#footnote-46) | Iran is 144th/175 economies.[[47]](#footnote-47) Corruption is pervasive. The hard-line clerical establishment has gained great wealth through control of tax-exempt foundations that dominate many economic sectors. The government long ago abolished independent financial watchdogs.46 |
| Labour Freedom | 41.746 | Labor market rigidity, exacerbated by state interference, continues to discourage dynamic job growth.46 |
| Carbon Footprint | 624.9 million Mt[[48]](#footnote-48) | Iran ranks 8th in the world for carbon dioxide emission for energy consumption. Iran deals with significant pollution, especially in urban areas. It is also party to Kyoto-Protocol and Ozone Layer Protection.48 |
| Geographical |  |  |
| Location | Middle East48 | Bordering the Gulf of Oman, the Persian Gulf, and the Caspian Sea, Iran shares borders with Afghanistan, Armenia, Azerbaijan-proper, Azerbaijan-Naxcivan exclave, Iraq, Pakistan, Turkey, and Turkmenistan and has a coastline of 2,440km.48 |
| Size | 1,648,195 km48 | Iran is the 18th largest country in the world. |
| Population | 80,840,71348 | Ethnic Groups: Persian 61%, Azeri 16%, Kurd 10%, Lur 6%, Baloch 2%, Arab 2%, Turkmen and Turkic tribes 2%, other 1% |
| Topography | Rugged/ Mountainous48 | Iran has a central basin with deserts, mountains, and small, discontinuous plains along both coasts.48 |

**Table XIII**

**Consumer Trends Consideration Table**

|  |  |
| --- | --- |
| Country | Consumer Trends |
| Brazil | Health and wellness registered strong growth in 2012 due to the growing middle class consumers (Euromonitor International, 2013b).  These consumers, along with higher incomes, are now also receiving better education and confronting more health problems, such as obesity (Euromonitor International, 2013b).  Private labels are also becoming popular in Brazil due to consumer price sensitivity and most people cannot afford premium priced products and services (Euromonitor International, 2013b). |
| Israel | Despite some internal issues regarding high costs of living and unequal wage distribution, consumers continue to purchase ‘wants’, in addition to ‘needs’ (Euromonitor International, 2012b).  Though increasing, consumer confidence in Israel remains fairly low at -26.48 in February 2014 (Trading Economics, 2014).  Continued decline in the share of public funding of the health system further impairs the public system’s ability to address the needs of a fast-aging population. As a result, consumers are looking at possible supplemental insurance arrangements that would make health care more accessible (Chernichovsky & Regev, 2013). |
| United Kingdom | Consumers are becoming more price sensitive as a result of the economic downturn, and health and wellness products are growing at a slower rate as they are disadvantaged with higher prices (Euromonitor International, 2013e).  Health and wellness is forecasted to grind to a halt in the next five years, due mainly to the damage that the recession has done to the economy (Euromonitor International, 2013e).  Private labels gain from this prices sensitivity as consumers look to save money where possible (Euromonitor International, 2013e). |
| Switzerland | Consumer confidence in Switzerland remains moderate, regardless of the decrease in growth rate since the international recession. As a result, health and wellness also record positive growth (Euromonitor International, 2013).  The focus on ‘Swissness’ is the dependability of Swiss-manufactured goods, and it is becoming increasingly important for Swiss and non-Swiss consumers (Euromonitor International, 2013).  While the ‘Swissness’ is important, major retailers are also privatizing labels in order to benefit from the increased price sensitivity of Swiss consumers (Euromonitor International, 2013). |

|  |  |
| --- | --- |
| South Korea | Health and wellness sales continued to show strong performances in 2012 and are projected to continue doing so (Euromonitor International, 2013d).  A new consumer group called ‘new adult’ looks for multifunctional benefits in products, along with beauty becoming a key word in the industry (Euromonitor International, 2013d).  A healing trend (improvement of mind and body) has been attributed to long-term economic downturn, and is used as a tool to introduce premium health and wellness products (Euromonitor International, 2013d). |
| Iran | Recent economic sanctions and downturns have significantly reduced the levels of disposable income and spending amongst consumers (Euromonitor International, 2013f). As a result- because demand for health and wellness products still exists- many consumers have turned to informal markets to fulfill their needs (Euromonitor International, 2013f).  Consumer awareness of health products is increasing, and domestic suppliers have had to improve the quality of products to stay competitive (Euromonitor International, 2013g).  The distribution of the majority of consumer health products in Iran is generally limited to chemists/pharmacies (more than 8000 outlets) due to strict regulations (Euromonitor International, 2013g). |

**Appendix: C – Solution Analysis**

**Entry Mode Analysis Tables**

## Joint Venture

Table I

|  |  |
| --- | --- |
| Advantages | Disadvantages |
| Despite costs, studies find that overall satisfaction with joint ventures is high. (Gattai & Natale, 2013) | Can take a long period of time to locate a suitable business partner. A sample study concluded that 43% of participants took over one year to find an acceptable partner. (Gattai & Natale, 2013) |
| Allows participants to take advantage of each other’s partner network, market knowledge, suppliers, and local support. (Gattai & Natale, 2013) | Transaction costs are considerably high when dealing with local firms. A sample study concluded that this is due to the lengthy and difficult process of negotiation. (Gattai & Natale, 2013) |
| Allows organizations that lack capital and expertise to enter otherwise unreachable markets. (Gattai & Natale, 2013) | Conflicts are likely if participating organizations have varying goal congruence and organizational visions. (Ekanayake, 2013) |
| Decisions are made via the qualified majority and voting procedures, allowing the combined venture to take actions that are beneficial to the collective. (Gattai & Natale, 2013) | International joint ventures can be risky. Research shows they have a failure rate of 61% within the first 5 years and 70% within the first 2 years. (Ekanayake, 2013) |

## Subsidiaries

Table II

|  |  |
| --- | --- |
| Advantages | Disadvantages |
| Acquire previously developed network of business partnerships of purchased company. | Disassociation with parent company; consumers may identify with original owners. |
| Managers have complete control over day-today operations in the target market (Wild, Wild, & Valladares Montemayor, 2013). | Expensive undertakings; they must be financed internally or funds must be raised in financial markets (Wild, Wild, & Valladares Montemayor, 2013). |
| Managers have access to technologies, processes, and other intangible properties within the subsidiary (Wild, Wild, & Valladares Montemayor, 2013). | High risk exposure due to the requirement of substantial company resources (Wild, Wild, & Valladares Montemayor, 2013). |
| Subsidiaries may prove to be a good entry point for the owner company, as they can expand further in acquired areas (Wild, Wild, & Valladares Montemayor, 2013). | Physical and personnel assets in potential jeopardy due to potential instability in target market (Wild, Wild, & Valladares Montemayor, 2013). |

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