**Activity sheet 3: How does a company decide which countries to target?**

Identifying a country’s attractiveness as a market

In pairs, look at the list of factors, your teacher should have given you a copy. Make sure that you understand the importance of each of the factors before continuing with the activity.

You will be allocated one of the scenarios from the second list. You need to produce posters outlining all the factors that you think are relevant in influencing a company’s decision to enter that market. This could be done on a carousel basis, so that you can think about a number of scenarios.

Factors that may influence a company’s decision to expand into new markets

If the company is aiming to provide goods to consumers within a new country, then you may wish to consider:

• whether GDP per head is rising

• whether there is economic growth

• the degree of urbanisation

• the transport infrastructure to get their products into shops

• whether the product needs to be manufactured in the country of sale and, if so, whether raw materials are available

• cultural similarities

• existence of competitors

• age distribution

• sophistication of advertising media

• exchange rates

• barriers to trade such as tariffs or quotas.

If the company wishes to manufacture goods in a different country, and then sell them elsewhere, you may wish to consider:

• availability of low-cost labour

• level of education

• accessibility of ports/other transport modes

• telecommunications infrastructure

• exchange rates

• banking/financial infrastructure

• availability of natural resources such as oil and timber

• degree of technological sophistication and knowledge

• reliability of the legal system

• local laws, regulations and customs

• level of corporation tax

• language

• the country’s political system/degree of government involvement in business activities

• barriers to trade such as tariffs or quotas

• protection of intellectual property, for example will trademarks and patents be protected?

Potential markets — scenarios

• Jack Daniel’s (US whiskey company) wanting to sell its products in Ireland.

• Starbucks wanting to set up coffee shops in China.

• Motorola wanting to make and sell mobile phones in Nigeria.

• A UK-based accountancy firm wanting to set up and provide accountancy services in New York, USA.

• Microsoft outsourcing its software development to India.

• Cadbury outsourcing its chocolate manufacturing to Brazil.

• British Gas outsourcing its call centre (dealing with payments, changes of details, subscriptions and gas leaks) to India.

• Manchester United setting up football schools in Italy.

• General Motors setting up a production plant for cars in Poland.

• A UK-based sportswear manufacturer setting up a swimwear manufacture and distribution centre in India.

This list can be added to as contemporary examples develop.