



Module 5 Reading

Chapter 5 (Module 5): Identifying and Analyzing Domestic and International Opportunities

Theme: Scaling wisely—choosing where to grow, how fast to grow, and what must change (or stay constant) as you expand.

5.1 Introduction: Scale and Strategic Growth

Growth is not simply “selling more.” It’s a strategic choice that changes the **risk profile, resource needs, and operating complexity** of a business. When a venture scales, small decisions become systems: hiring turns into talent pipelines, marketing turns into repeatable acquisition channels, and inventory turns into a supply chain.

Strategic growth means your expansion is deliberate and aligned with:

- **Customer value** (Who are we serving, and why do they choose us?)
- **Unit economics** (Does each sale or location become profitable at scale?)
- **Capability fit** (Can we execute consistently as complexity increases?)
- **Brand integrity** (Do we expand without diluting what makes us trusted?)

Before choosing *where* to grow (domestic vs international), you must understand *how* you grow.

5.2 Types of Growth

Businesses typically grow through combinations of these paths:

A. Market Penetration (same product, same market)

- Increase frequency, share of wallet, or customer retention.
- Often enabled by promotions, loyalty programs, or improved customer experience.

B. Market Development (same product, new markets)

- Expand into new cities/regions, new demographic segments, or new channels.
- This is the most common form of geographic scaling.

C. Product Development (new product, same market)

- Expand offerings to serve the same customer base more completely.
- Examples: add premium tiers, bundles, complementary products.

D. Diversification (new product, new market)

- Highest risk; often pursued by larger firms or firms with strong capital.
- Requires major new capabilities.

Domestic and international expansion are both forms of **market development**, but international growth adds several layers of uncertainty.

5.3 Domestic vs International Expansion

Both domestic and international expansion answer the question: **“Where should we grow next?”**

The difference is in what you must learn and adapt.

Domestic growth typically requires:

- Trade area and demand forecasting
- Competition mapping
- Channel and distribution decisions
- Operational capacity planning
- Brand consistency across regions

International growth typically requires *all of the above, plus*:

- Cultural and language adaptation
- Legal/regulatory requirements
- Currency/price dynamics
- Cross-border logistics and trade constraints
- Different competitive landscapes and consumer expectations

A key insight: **International expansion doesn't just add distance—it adds systems risk.**

5.4 Opportunity Identification: The “Where to Grow” Funnel

A disciplined growth decision usually follows a funnel:

Step 1: Define your “ideal market profile” (IMP)

Ask: In what conditions do we win?

- Target customer income/behavior
- Density or accessibility needs
- Competitive intensity you can tolerate
- Labor availability and cost structure
- Logistics feasibility (delivery, replenishment, service time)

Step 2: Screen markets quickly (macro filter)

Use broad indicators to rule out poor fits early:

- Demographics (income, age distribution)
- Category growth trends
- Real estate costs and availability
- Regulatory red flags
- Infrastructure readiness (distribution hubs, shipping reliability)

Step 3: Deep dive on finalists (micro analysis)

- Customer segmentation and purchase occasions
- Local competitors' strengths and weaknesses
- Cost model for operating there
- Channel performance expectations (online vs in-store)

Step 4: Test and validate (low-risk learning)

- Pop-ups, pilots, limited rollouts
- Digital tests (geo-targeted ads, waitlists)
- Partnerships or wholesale trials
- Small-batch logistics trials

The goal is to avoid the “big launch guess.” Good growth is staged and measurable.

5.5 Selecting the Right Foreign Market

International market selection is often where companies get overconfident. A strong brand at home can create the illusion that demand will travel automatically. Instead, treat foreign markets as *new* markets requiring proof.

Key selection criteria include:

1) Market attractiveness

- Size and growth of the category
- Customer purchasing power
- Competitive saturation
- Pricing expectations

2) Market accessibility

- Ease of doing business
- Tariffs and customs complexity
- Distribution infrastructure quality
- Local partnerships available

3) Fit with your capabilities

- Can your supply chain handle it?

- Can you localize without losing identity?
- Do you have management capacity for cross-border complexity?

4) Strategic rationale

- Is this a “flagship market” for brand prestige?
- A manufacturing/logistics hub?
- A defensible long-term growth region?

A smart international strategy selects markets where the business can **execute reliably**, not just markets where “demand seems large.”

5.6 Pros and Cons of Domestic vs International Growth

Domestic expansion: advantages

- Familiar customers and buying norms
- Easier legal compliance
- Shared brand meaning and language
- Shorter supply chain distances
- More predictable costs and unit economics

Domestic expansion: challenges

- Regional variation still matters (habits, price sensitivity, competition)
- Real estate cost differences can break the model
- Faster growth can strain staffing and quality
- Competitors can respond quickly

International expansion: advantages

- New revenue pools and long-term growth
- Risk diversification across markets
- First-mover opportunities in emerging categories
- Global brand leverage (if value proposition transfers)

International expansion: challenges

- Localization demands can be underestimated
- Supply chain and inventory accuracy becomes harder
- Compliance, taxes, labor rules, and labeling vary
- Currency and pricing complexity
- Cultural misfit can undermine demand even if the product is good

5.7 Distribution Choices for Both Paths

Growth succeeds or fails through distribution. Many expansions collapse not from lack of demand, but from **not being able to deliver the promise consistently.**

Domestic distribution options

- **Direct-to-consumer shipping** (central fulfillment → customers)
- **Regional distribution centers** (faster, scalable)
- **Retail partnerships** (faster reach, less control)
- **Franchising/licensing** (rapid growth, quality risk)
- **Company-owned expansion** (most control, most capital)

International distribution options

- **Exporting** (sell from home country into foreign markets)
- **Local warehousing** (faster service, higher fixed costs)
- **Local partners/distributors** (lower investment, less control)
- **Joint ventures** (shared investment, shared governance complexity)
- **Foreign direct investment (FDI)** (own stores/operations abroad; highest control and risk)

A critical growth question: **Which distribution method matches our capability level and risk tolerance?**

5.8 Culture and Different Laws: Why “Local Fit” Matters

In international growth, “local fit” is not a marketing detail—it’s a performance driver.

Cultural dimensions that affect demand

- **Taste and preference differences** (food, style, product features)
- **Trust signals** (reviews, certifications, brand heritage)
- **Service expectations** (speed, politeness norms, return policies)
- **Shopping occasions** (family vs individual, weekday vs weekend patterns)

Legal and regulatory differences

- Product labeling and safety rules
- Consumer protection laws and return requirements
- Employment laws (wages, scheduling, benefits, termination)
- Data privacy rules and marketing regulations
- Taxes (VAT/GST vs sales tax; import duties)

International success requires building compliance into operations—not treating it as paperwork after expansion.

5.9 Aspects of International Trade (Entrepreneur-Friendly View)

You don’t need to be a trade lawyer to think strategically about trade. But you do need to understand the forces that change cost, speed, and risk.

Key trade factors that influence opportunity analysis:

- **Tariffs/duties:** Can change your cost structure instantly.
- **Customs procedures:** Affect lead times and inventory planning.

- **Standards and certifications:** May require product modifications.
- **Currency risk:** Revenue in one currency, costs in another.
- **Geopolitical or regulatory changes:** Can disrupt supply chains.

A practical rule: **If your advantage depends on reliability (freshness, fast delivery, tight inventory control), trade complexity matters more.**

5.10 Case Study 1: sweetgreen's Domestic Expansion Beyond Core Urban Markets (U.S.)

Situation

sweetgreen built early momentum in dense, higher-income urban corridors—especially locations optimized for weekday lunch traffic. As work patterns shifted and new customer routines emerged, sweetgreen faced a growth decision: continue expanding the same model, or evolve the model to enter new neighborhoods and markets without weakening profitability.

Opportunity Hypothesis

“We can expand into a wider set of neighborhoods and markets if we adapt formats and keep digital demand strong.”

How They Analyzed the Opportunity (What to Highlight)

1) Market Selection & Segmentation

Instead of treating “a new city” as one market, sweetgreen looked for **micro-markets** where the concept could win:

- Neighborhoods with the right mix of income and lifestyle fit
- Retail corridors with enough traffic and complementary tenants
- Areas where demand patterns weren't only lunch-driven

Key lesson: Domestic expansion is still segmentation work. The best next market is not always the biggest—it's the most compatible.

2) Business Model / Format Fit

They recognized that the “urban lunch store” model may not translate everywhere. To match customer behavior and real estate realities, they expanded formats such as:

- Drive-thru options
- Pick-up focused approaches
- Layouts built for throughput and digital flow

Key lesson: Growth requires aligning the format with how customers actually buy in each location.

3) Channel Strategy (Digital as a Growth Engine)

They prioritized digital ordering and off-premise behavior as a demand stabilizer:

- Digital ordering reduces dependency on peak lunch traffic
- Improves predictability and throughput
- Supports new geographies with different routines

Key lesson: When you enter new markets, channels can carry the model—especially when customer habits vary.

Decision / Strategy

sweetgreen scaled with multiple store formats supported by a strong digital engine, rather than assuming one model fits all.

Teaching Takeaway

Domestic opportunity analysis isn't just "Is demand there?"

It's: **Which micro-markets? Which segments? Which operating model fits?**

Quick Discussion Questions

1. What 3 criteria would you require before entering a new city/suburban cluster?
2. How would you forecast lunch vs. dinner demand by trade area?
3. What's the risk of expanding format options too quickly?

5.11 Case Study 2: Target's Entry into Canada (International Opportunity That Failed)

Situation

Target expanded into Canada rapidly, opening a large footprint—and then exited within about two years.

What Happened (Key Facts)

Target announced it would discontinue Canadian operations and close all 133 stores in 2015 and expected **about \$5.4B in pre-tax losses** on discontinued operations.

Where Opportunity Analysis and Execution Broke Down (What to Highlight)

1) Customer Value Proposition Mismatch

Canadian shoppers expected the "Target experience"—assortment and value similar to what they associated with the brand. When the reality didn't match expectations, the brand advantage weakened quickly.

Key lesson: Brand recognition does not equal customer satisfaction. The "promise" must be delivered locally.

2) Operational Readiness (Critical)

Target scaled store count faster than core operational systems could reliably support:

- Inventory accuracy issues
- Replenishment and distribution problems
- Localization challenges (assortment and pricing fit)

Key lesson: International growth can collapse from operations even when demand exists.

Teaching Takeaway

International opportunities can look attractive on paper, but success often hinges on **local fit + supply chain + execution capability**—not brand strength alone.

Quick Discussion Questions

1. What pre-launch tests (pilot stores, phased rollout, supply-chain readiness gates) could have reduced risk?
2. What localization decisions (assortment, pricing, brands) matter most in Canada vs. the U.S.?
3. If you were the VP of International, what “kill metrics” would you set at 6 months?

5.12 Chapter Wrap-Up: A Practical Growth Mindset

When evaluating domestic or international opportunities, the core question is the same:

Where can we win repeatedly—and deliver consistently—without breaking the business?

A strong growth plan:

- Screens markets using clear criteria
- Validates demand with low-risk tests
- Chooses distribution aligned to capability
- Builds operational readiness before scaling
- Treats localization and compliance as core strategy