CASE-12 · INTERNATIONAL EXPANSION

Entering foreign market «P» with a €70 million direct investment

Replicating abroad the model that wins at home, betting on the advantage of arriving first in a huge market.

THE JUDGMENT
direct → staged

CALIBRATED CONFIDENCE
37%

SECTOR
Expansion

71
Δ-CSI

EXECUTIVE VERDICT

The home-market edge **doesn't transfer**: the first mover often paves the way for the local rival.

THE CALL	CONFIDENCE
direct → staged	**37%**

IN ONE LINE

A **€70M** leap turned into calibrated bets, with far less capital at risk until the market confirms.

§ THE PROTAGONIST & THE CONTEXT

The CEO with responsibility for international growth, coming off three years of dominance in the domestic market, presenting the expansion plan to the board as a natural and urgent next step.

A consumer or B2C services company with a successful domestic product, a well-tested distribution model and a consolidated brand reputation. Market P is a large economy with 80 million consumers in the target segment and still-low category penetration. The window is framed as «now or never».

§ BACKGROUND

The track record of direct international expansions shows that the failure rate within the first three years exceeds 60% in markets with high cultural distance and distribution channels dominated by local operators. The «first-mover advantage» mechanism — the idea that arriving first secures defensible positions — is documented only in markets with high switching costs for consumers; in low-loyalty consumer markets, the first entrant spends to educate the market while the second entrant (local, faster and cheaper) reaps the reward. Regulatory and distribution barriers in market P have been systematically underestimated in prior analyses: the customer acquisition cost estimated in desk research has proved three to four times higher in comparable expansion cases.

§ COUNTER-INTUITIVE SCENARIO

What works at home often **doesn't transfer**: local needs, channels and competitors are different. «First to arrive» usually means spending to educate the market... and getting **overtaken by a local competitor** who copies and moves faster. The risk isn't the size of the market, but how much it costs you to learn and how high the distribution and bureaucratic barriers are.

IMPLICIT ASSUMPTIONS

- The success at home will repeat identically there.
- Sales channels and rules are similar to ours.
- The brand works in that culture too.

FALSIFICATION TESTS

- Before the €70 million, a light test (export, a partner, a pilot): does the product really appeal there?
- Map of local competitors and of regulatory and distribution barriers.
- Do the per-customer numbers on the ground (acquisition cost, accepted price, cost to serve) hold up?

QUESTIONS THAT RAISE THE BAR

- What do you really know about the local market that isn't just a projection of the home one?
- What's the plan if a local competitor copies you in 12 months?

CALIBRATED CONFIDENCE & PROVENANCE

that direct entry holds without first verifying that the product appeals

Provenance: local market research · competitor analysis · pilot/partner · red-team base.

Customer acquisition cost: desk estimate vs field reality

ILLUSTRATIVE DATA

Desk estimate (expansion plan) €18

Actual cost (comparable cases) €64

Average estimated cost to acquire a customer in market P per the internal pre-entry analysis versus actual cost observed in comparable direct-expansion cases (illustrative data).

3-year failure rate: direct expansions in high-distance markets

ILLUSTRATIVE DATA

62%
OF DIRECT EXPANSIONS FAIL TO REACH BREAKEVEN WITHIN 3 YEARS

Share of direct international expansions into markets with high cultural distance and locally dominant distribution channels that fail to reach breakeven within three years of entry (illustrative data).

OUTCOME

Staged entry (pilot → partner → growth), with a mandatory check that the product works before committing heavy capital.

VALUE

A **€70M** leap turned into calibrated bets, with far less capital at risk until the market confirms.

METHODOLOGICAL NOTE — READ FIRST

Composite cases, in the method of the Harvard Business Review: reconstructions based on real, recurring situations in each sector, merged and anonymized to protect confidentiality. The decision dynamics are authentic; names, figures and details are altered and not traceable to any single client or case. The «provenance» notes describe the type of evidence the engine cites with traceability in production. The Δ-CSI values illustrate the intensity of the pressure the contradiction put on the assumptions.