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WATERDROP'S INTERNATIONALIZATION TO THE APAC MARKET -
IDENTIFICATION OF EXPANSION OPPORTUNITIES:

WATERDROP'S ENTRY MODE STRATEGY TO JAPAN

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Abstract

The objective of this field lab is to identify expansion opportunities for the Austrian-based start-up Waterdrop in Asia. Since 2016, the company matured as an enterprise that found its niche in the non-alcoholic beverages market. So far, Waterdrop entered a total of 13 markets, including its latest expansion to Singapore. Following a thorough analysis of the company, the focus of this paper lies on the selection and in-depth analysis of the market that emerges as best suited for Waterdrop's further expansion. This decision funnel approach reveals Japan as the go-to market. Ultimately, this paper examines the most fitting entry strategy.

Keywords

International Business, International Marketing, Internationalization, Expansion, Strategy, Strategy and International Business, Market Selection, Entry Mode, Go-to-market Strategy, Action Plan, Competitive Strategy, Business Development, Marketing, Marketing Strategy, Brand Strategy, Asia, APAC, Japan, Business Growth, E-Commerce, EU, Germany, Austria, Non-Alcoholic Beverages Market, D2C

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Note: For the sake of simplicity all currencies within this paper were converted to EUR according to the following conversion rates: ¥1 (JPY) corresponds to €0.00697171; \$1 USD corresponds to €0.9483 | Reference date: 08/12/2022

Executive Summary

This report aims to provide the Austrian beverage start-up Waterdrop with an expansion strategy for the Asia-Pacific market. It includes a macroeconomic overview of the company, an analysis of its D2C business model, a quantitative country selection, and a strategic framework for its foreign market entry. The main objective is to choose the country that increases its global market share and achieves significant growth in profit margins, combined with building a strong brand internationally. The outcome of the multi-layered and funnel-structured market selection discloses both Japan and South Korea as promising go-to markets for Waterdrop. Based on the in-depth market comparison and country selection analysis, the focus of this report shifts towards Japan, and Waterdrop is recommended to expand there first. Finally, Waterdrop is advised to open up a subsidiary and adapt its product offering specifically catered to Japanese preferences. In terms of marketing, the start-up's positioning best focuses on the health advantages of hydration and the convenience of the company's consumption solutions. Ultimately, the findings are bundled into specific final recommendations.

1 Waterdrop – the Company

Despite the scientifically undisputed fact that the human body must have sufficient water to work effectively, many still consume insufficient levels. Thus, in 2016, Waterdrop Microdrink GmbH only referred to as Waterdrop from here, an upscaling Austrian start-up, introduced the first flavored 'microdrink' to the world (Waterdrop 2022f). The initial problem of lack of hydration among humans led the founders Martin Murray, Henry Murray, and Christoph Hermann to actively develop ecological solutions to promote responsible consumption of (tap) water. The Austrian start-up is determined to encourage water consumption by enriching water with flavors and vitamins while reducing the use of plastic. Its vision is to become the world's

leading hydration brand, empowering everyone to live healthier and more sustainable lives (Waterdrop 2022d).

1.1 Internal Situation Analysis

Waterdrop is headquartered in Vienna, Austria, and sells its products ranging from flavored cubes to drink-tech on a global scale. The product portfolio comprises microdrinks, microenergy, microtea, drinkware or accessories, and drink-tech gadgets. The best-selling product is microdrinks, technically cubes that have been flavor- and vitamin-enhanced, utilizing ingredients like Asian Ginseng, African Boabab, Moringa from India, or Acai from Brazil (Braemer 2017; Waterdrop 2022e). Once the cubes are dissolved in water, the finished beverage can be enjoyed. As consumers use decentralized-available water, the cubes are a significantly more convenient alternative to traditional bottled beverages, reducing plastic and emissions by 98% and being sustainable (Waterdrop 2022d). In 2021, Waterdrop acquired the start-up 'Purgaty' which originally invented 'Lucy' as an innovative smart cap, allowing it to enter the drink-tech market. Lucy cleans your water using UV-C light, tracks your daily consumption, and reminds you to drink via an app, which functions as your 'personal drinking assistant' (Heide and Peterson 2021). Waterdrop has been posting consistently rising sales figures by selling around 200 million cubes (Hüsing 2021) across 13 countries and just recently expanded to Singapore (Heide and Peterson 2021). Meanwhile, the venture has over 1.5 million online clients and 250 employees and is set to become a unicorn (Steinschaden and Murray 2021). According to Business insiders, global revenues in 2021 accounted for roughly €90m and are projected to grow by 70% in the fiscal year 2022 (Hüfner 2022). Based on the company's forecasts, the US market targeted in 2021 will likely surpass all others by 2022, indicating tremendous growth potential for Waterdrop in foreign markets. By offering microdrinks, drinkware, and drink tech, Waterdrop aims to build an entire ecosystem leveraging its growing customer base. As of 2021, drinkware, specifically glass and steel bottles, accounted for 20%

of its revenues. Hence, the start-up has entered multiple sectors stirring up the conventional beverage industry, which will be explored in detail in the next section (Lindenberger 2021).

The beverage industry is highly competitive (Heide and Peterson 2021). However, introducing a wide variety of sustainable microdrinks in the form of flavored water enhanced with vitamins while focusing on deviating distribution channels will allow Waterdrop to distinguish itself and serve a new category within the sector. According to Murray, Waterdrop's multiple distribution channels represent a significant factor in the company's uprise. It also supports omnichannel presence by allowing online-to-offline and offline-to-online transitions. Apart from being listed in more than 10,000 retail outlets and operating 29 flagship stores in Austria, Germany, France, the United Kingdom, Czech, Slovakia, Netherlands, USA, and Singapore (Case Centre 2022; Waterdrop 2022b), up to 90% of sales are generated through online direct-to-customer (D2C), namely 'Waterdrop.com' (Heide and Peterson 2021). Combining local physical presence with company-owned stores or flagship stores as the so-called 'brick and mortar' and broad online presence using marketing measures facilitates rapid yet robust growth. Waterdrop's Compound Annual Growth Rate (CAGR) rose by almost 300% from 2017 to 2020, making it the most rapidly expanding food and beverage group in the Financial Times' latest ranking of Europe's fastest-growing companies (Kelly 2022). Further, offering smart drink-tech gadgets will promote growth and allow new marketing methods, such as gamification, by exposing the customer to challenges aiming for sufficient hydration. This also increases overall traffic on Waterdrop's website and application. Waterdrop also offers customized solutions for selected companies serving the B2B market (Watson 2022).

Moreover, the company invests heavily in internal research and development to improve its products and services based on direct customer feedback. Hence, the venture follows the 'lean start-up' methodology, favoring experimentation and integrating customer feedback rather than upfront planning (Blank 2013). Furthermore, due to its D2C business model and a local

presence through flagship stores, Waterdrop gathers valuable customer data at the points of sales and consumption, providing a significant advantage over other industry players. Thus, in-house development employing 14 engineers, production facilities, and valuable customer data generated through the app build up internal resources and capabilities, allowing for rapid progress and a competitive edge. As Waterdrop considers itself a tech start-up, protecting intellectual property (IP) is essential. Hence, Waterdrop has issued several patents for its tech-invention ‘Lucy’ (Deutsches Patent- und Markenamt 2022) and preserves its know-how through in-house facilities, which safeguards significant revenue streams. Further, the start-up aims to protect its intellectual property with confidentiality agreements and utility models (Harroch 2017). However, patents also have their downside as it allows potential competitors to access valuable information, which might promote imitation hence fierce competition. Thus, having a well-known and established brand registered as a trademark while scaling a start-up is equally important, as the reputation delivers a competitive edge (Graf and Murray 2021).



Figure 1: Waterdrop's business overview and product portfolio

Waterdrop has seeded around €60m in its Series B funding, which will be invested in internal resources and capabilities, the infrastructure, the organization, and marketing to enhance its expansion (Modemann and Murray 2022) Apart from the leading Singaporean state fund Temasek (2022), numerous private investors, namely Bitburger Ventures, Founders Future, Alexandra Arnault, and Dagmar Wöhrl, have invested as well. The operating cash flow allows for running the business's core markets. In contrast, additional funding intends to improve the products and customer journey further while expanding to untapped and emerging markets. Waterdrop profits from an early mover advantage by building its ecosystem to promote cross-selling within its product portfolio and finally lock in customers as customer loyalty and trust were built. According to industry experts, the valuation of a start-up within the food industry is usually four to six times its net revenue, which in the case of Waterdrop sums up to approximately half a billion euros, making it one of the highest-valued start-ups in Austria (Hüfner 2022).

The start-up addresses several micro-trends, which will be explored in detail in the following industry analysis section. By serving an entirely new category of micro supplements and adopting a multi-channel distribution concept, Waterdrop is following the blue ocean strategy, which means that the company does not face direct competition (Chan Kim and Mauborgne 2005)

1.2 External Industry Analysis

Waterdrop's sterling success in its home market and the USA is undeniable (Lindenberger 2021). However, a company's success must always be measured relative to its industry. Getting a feel for the competition and the general condition in the industry is vital to understanding where Waterdrop stands, the opportunities and threats it faces, and getting better clarity on the future scenarios or trends that might play out. Thus, a holistic analysis of the industry gives us a clear and composite picture of Waterdrop's current position and will also help identify the

strategic decisions that it must take in order to set itself up for success in new, uncharted territory. The following section will analyze the various facets of the global beverage industry in which Waterdrop operates.

1.2.1 Industry Overview

By the virtue of trying to get people to consume less sugary beverages and water out of plastic bottles, Waterdrop’s relevant industries are the non-alcoholic beverage market and the bottled water industry. By definition and scope, this market includes bottled water, soft drinks, and juices, while soft drinks are further broken down into carbonated and non-carbonated soft drinks. Non-carbonated soft drinks can be of several types, including ready-to-drink teas, energy drinks, and even nectars. Since the trend in the industry has been shifting towards the consumption of healthier, non-alcoholic, and low on sugar beverages, there has been a steady rise in products like bottled water and more non-carbonated offerings like ready-to-drink teas and coffee. The functional water segment, that includes water fortified with nutrients or other ingredients that intend to provide added health and wellness, such as stress relief, skin, hair, and nail care, is prospering (Statista 2022o).



Figure 2: Advantages- and disadvantages of existing non-alcoholic beverage categories

In the context of the global non-alcoholic beverage industry and in keeping with the growing trends in the industry, Waterdrop carved a niche for itself, specifically in the nutritional beverage market. Since Waterdrop enhances water consumed with naturally occurring flavours

and vitamins to make it healthier, it also positions itself in the functional beverage space. Functional beverages have specific formulations of bioactive elements like vitamins, minerals, omega-3, probiotics, and other nutrients that boost health benefits. Their purpose targets weight loss, hydration, athletic performance, and added energy (Precedence Research 2021).

1.2.2 Global Non-Alcoholic Beverage Industry

As of 2022, the global non-alcoholic beverage industry stands at a revenue of €1.12 trillion. This trend appears to be gaining momentum, as the predicted CAGR for 2022-2026 is around 6.08%. In terms of volume, the industry is slated to amount to 931,373.8m litres by 2026. The expected volume growth is said to be 6.1% in 2023, while the average volume per person in this market is expected to reach 108.21 litres in 2022. (Statista 2022o) Within the non-alcoholic beverage space, soft drinks are the largest consumed segment, with a volume of €0.76 trillion in 2022. However, the subcategory of functional beverages also targeted by Waterdrop has gained the most momentum. It is proliferating, reflecting the currently shifting consumer preferences in consumption, which is reflected in this segment's sheer valuation numbers and growth rate (Statista 2022k). The segment was valued at around €122.75bn in 2021 and will experience a CAGR of 8.94%, to be valued at €265.23bn by 2030. (Precedence Research and Globe Newswire 2022).

In terms of revenue, the non-alcoholic beverage market globally is dominated by the Coca-Cola Corporation, PepsiCo, Nestlé Waters, Danone, and Red Bull. Smaller than these players, yet significant in share, are multi-national brand players with high local and regional prominence - companies like Suntory, BritVic, Kirin, and Asahi. The bottling partners like Coca-Cola European Partners (CCEP), FEMSA, and similar companies are also strong revenue share contenders (Statista 2022o). Geographically, most of the revenue for this industry comes from the United States, sitting at approximately €380.1bn (Statista 2022o). However, looking at volumes, the consumption of all packed beverages in Asia in 2020 was the highest in the world,

at 283.3bn litres, and is likely to keep the #1 spot in 2023, with consumption going up to 298.9bn litres. A report from Global Market Insights also pegged the growth of the non-alcoholic beverage market at 7% from 2019 to 2025 for Asia Pacific alone (Neo and Yu Lim 2020).

Structurally, this industry divides sales into retail for home consumption and on-premises or food service sales for out-of-home consumption. The at-home market, also referred to as the off-trade market, covers all retail sales in supermarkets, hypermarkets, convenience stores, or similar channels. The out-of-home market (on-trade market, away-from-home market, or HORECA) includes sales to hotels, restaurants, catering, cafés, bars, and similar hospitality establishments (Statista 2022o).

In the non-alcoholic beverage market, only 3.5% of total revenue will be generated through online sales by 2022. This shows that the industry is still heavily reliant on offline sales (Statista 2022o). Referring back to the motivation of the founders to start Waterdrop, the status quo in the beverage market for several years has been the dominance of a few multinational players like Coca-Cola and PepsiCo, but with solid rivalry. Traditionally, the dominant distribution channel has been offline - through supermarkets, hypermarkets, and convenience stores. The big players leverage their size to dominate supply chains, hold a significant amount of retail space and spend millions on marketing (Niessing 2016).

1.2.3 Five-Forces Porter Analysis

One of the most effective ways to get a feel for the industry's climate and pressures from other players is Porter's Five Force Analysis. This is a macro tool to analyse the success of a business in relation to other businesses across all levels of the value chain, using five specific factors (Porter 1979; 2008). The five factors are described in the following section, specifically regarding Waterdrop and the beverage industry they operate in.

Competitive rivalry: This dimension analyses how many other businesses currently exist as close competition and what their capabilities are (Marci 2022). Generally, as the number of businesses within a given market increases and customers have lower switching costs, the competitive rivalry rises. This is due to the higher intensity of competition, which creates difficulties in terms of coordination and de-escalation among the players in the market (G. Scott and Williams 2022). From a broader perspective, since Waterdrop competes in the non-alcoholic beverage space, any soft drink could be regarded as a competitor, from which Waterdrop could gain potential new customers. Especially regarding the industry's primary distribution channel being retail, players tend to compete on shelf space at the point of purchase. However, based on Waterdrop's disruptive D2C focus, this is only partially applicable. There are only some water enhancers from the beverage and water purification space that have a similar vision and compete on similar value drivers like the Austrian start-up. Waterdrop's closest competitors in their home markets would be Austria Juice, air up and ADD TO WATER (Air Up 2022; Austria Juice 2022; Add To Water 2022).

Austria juice produces juice concentrates, compounds and flavours and has customized products for water fortification. The company's annual turnover is roughly €250m, with processing plants in Poland, Hungary, China, and Germany (Agrana 2022). In addition, air up is another company based in Germany that works for the fortification or flavouring of regular drinking water. The product concept of air up is slightly different from that of Waterdrop, as it uses a system to convert water in a reusable water bottle into flavoured water only with scent, using pods. However, the aim of both companies is quite similar in that they enrich water and reduce plastic in the beverage industry. Air up has raised around €64.5m in funding over five rounds (Crunchbase 2022) and is estimated to have an annual revenue of €120m (Growjo 2022). ADD TO WATER is another water flavour enhancer that uses only natural fruit and plant extracts. Unlike Waterdrop, this version is liquid and needs '3-5 pumps' per glass of water.

The Austrian company has different flavours, and customers can pick their ‘flavour packages’ to purchase (Add To Water 2022). The company recently raised €500,000 in a seed round of funding in October 2022 (Crunchbase 2022).

In conclusion, there are no companies that offer exactly the same products or offer the same value drivers as Waterdrop. However, few competitors with close substitutes exist while the industry itself is growing. Due to the absence of switching costs and many players contesting for scarce shelf spaces, price rivalry is rising. However, since Waterdrop has carved a niche within the non-alcoholic beverage market due to its disruptive approach, it can be concluded that the competitive rivalry is medium.

Bargaining power of suppliers: This force estimates the number, availability, and negotiation power held by suppliers of a business. Suppliers’ bargaining power directly influences prices, which ultimately affects a business’s bottom line. Most often, it is favourable for a company to be able to choose between numerous different suppliers. This is because multiple suppliers would need to compete with one another, ultimately reducing prices for the recipient of goods. In this case, the bargaining power for the receiving company would be high. The opposite case is true if there is only one supplier that the receiving company depends on. The supplier finds itself in a monopolist situation, enabling it to enforce higher prices. In this event, bargaining power for the receiving company would be low, as no alternatives exist (Corporate Finance Institute 2022a; Master Class 2022a).

Instead of focusing on outsourcing, Waterdrop can hold significant control over its processes, costs, and supplier power by concentrating on in-house production. While the typical beverage and bottled water provider offers liquids in glasses, cans and plastics, Waterdrop minimizes its need for materials (Waterdrop 2022f). The raw materials are usually locally sourced, while the superfood extracts used (baobab, moringa, elderflower) are sourced and offered worldwide.

Most raw materials are common and naturally occurring ingredients like acai, blackcurrant, peach, ginger, and lime (Braemer 2017). However, since Waterdrop insists on locally sourced ingredients of excellent quality, it might limit the options of alternative suppliers, hence increasing supplier power. Another factor that may increase supplier power is Waterdrop's rigid specifications regarding packaging design and material. Waterdrop believes in having packaging that is sustainable, lightweight, biodegradable, and attractive. They currently use material from a Netherlands-based company, PaperFoam, which produces this packaging material from starch and fibre (Mohan 2022). These specifications can result in higher costs and dependencies, thus significantly increasing supplier power. Considering the entirety of factors, the bargaining power of suppliers for Waterdrop can be categorized as being on a low to medium level.

Bargaining power of customers: Another important force when analysing the competition is the bargaining power of customers, with its main driver being the relative dependence on customers. It measures the extent of impact customers have on the pricing and quality of a business's offerings. The lower the number of customers and the higher the relative share each customer contributes revenue-wise, the higher their influence (Corporate Finance Institute 2022b; Gamal 2021). Since Waterdrop follows multiple sales channels as part of its business model, evaluating this force needs a two-dimensional consideration, namely the D2C model and the conventional sales channels of beverage companies, including retail. Waterdrop has a customer base of roughly 2 million customers and a community of 100,000 customers considered highly loyal ambassadors. The average spending per customer only amounts to €35, while around half of all the first-time customers on the website tend to return (Heide and Peterson 2021). Hence, one customer is relatively insignificant in its entirety, which results in the low bargaining power of customers for the online business. In terms of retailing as the conventional sales channel, the most significant share of the industry is generated by only a

small number of retail players; hence the relative dependence on the conventional retailing sector is high. The same applies to relative bargaining power since bulk volumes lead to lower prices. However, as the preponderance of Waterdrop's revenue (90%) is generated through its online sales, which aim to achieve repeat purchases and attract new customers to boost net sales, the overall bargaining power of customers is still low to medium (Heide and Peterson 2021).

Threat of new entrants: This force addresses the entry barriers for potential new competitors in a market (Niessing 2016). The less time and resources it takes to enter a market and effectively compete with existing players, the higher the threat is for a running business to be weakened. Entry barriers are typically high if an existing player already profits from economies of scale, as a high production volume decreases overall fix costs and operational expenses (Yip 1982). Furthermore, a strong brand and loyal customer base of an existing market participant can impede the entry aspirations of third parties. Also, the higher the capital requirements to realize operations within a certain industry, the stronger the entry barriers. Finally, another important factor to consider are switching costs for consumers. The easier it is for the customer to switch to another company, the higher the attraction for additional players in the market (Corporate Finance Institute 2022c; Master Class 2022b).

Waterdrop finds itself in a disruptive position, offering unconventional products to the non-alcoholic beverages market. Its fast growth and expansion likely give momentum to the company, which continuously learns how to decrease production costs and reach operational excellence. However, more than economies of scale are likely needed for Waterdrop to protect itself from big market players, should it decide to follow suit. The beverage 'giants' have strong capital resources at their disposal, and most of them started exploring the healthy and environmentally conscious side of the business as well, though not yet competing with Waterdrop directly. The product complexity of Waterdrop's dissolving cubes is comparatively low. However, Waterdrop profits from strong brand identity and high customer retention. It

managed to create its own community, and its products are perceived as high in quality. Finally, switching costs for customers are low as they are not bound to Waterdrop as a provider of flavoured drinks and hydration-related tech gadgets. In conclusion, the threat of new entrants can be described as medium to high, especially due to low capital requirements and switching costs for customers.

Threat of substitute products: This force measures how easily customers can switch from one company's product offerings to another. The threat of substitutes is high when competitors, including companies operating outside the core market, offer products of higher quality or lower price. Customers are then given the opportunity to weigh out differences in performance. This applies especially if other products are characterized by similar benefits in exchange for a competitive price (Luenendonk 2019; Octopus 2020).

For Waterdrop, the threat of substitutes is medium. On the one hand, customers can easily switch to conventional non-alcoholic beverages. Furthermore, previously assessed competitors like Air Up and Austrian Juice can be considered as more direct alternatives for Waterdrop's offerings. On the other hand, Waterdrop serves a strong client base that consciously looks for alternatives to less healthy and environmentally friendly drinks. Therefore, one could argue that Waterdrop is more of a substitute to conventional drinks than the other way around. Consumer inclination to switch products seems more inadequate, as efforts have been made to strengthen loyalty. The result shows that Waterdrop's community members buy 3-4 times more often than regular customers (Heide and Peterson 2021).

In conclusion of the Porter's Five Forces analysis, it can be stated that there are only few close competitors within the wider scope of non-alcoholic drink providers. Nonetheless, overall competition is fierce, though Waterdrop operates in its self-created niche. Both customer and supplier bargaining power were rated low to medium, as Waterdrop does not rely exclusively

on a few, but on many individual suppliers and buyers. New entrants are a realistic threat to Waterdrop due to the comparatively low switching costs for customers and capital requirements to enter the market. Substitute products are all around, though Waterdrop's customers specifically fancy the healthy and environmentally conscious product characteristics.

1.3 Brand Strategy

In the beverage industry, tasteful water drinks were a fundamental part of the product portfolios of dominant brands, such as Danone, Nestlé, Coca-Cola, and PepsiCo. Hence, Waterdrop's ambition to become the leading global hydration brand requires a sophisticated brand strategy. In this regard, the Austrian start-up focuses on retail and online marketing to achieve profitability through scale while maintaining a sustainable and ecologically friendly product.

1.3.1 D2C Brand - Special Retail Strategy

Being a category first mover means that a brand foremost makes publicity for the category rather than its product (Yoon, Lochhead, and Cole 2019). For this reason, growing sales within retail by focusing on increasing market share, buying rates, household penetration, repeat purchases and new markets is crucial for developing a global brand (Brusselmans, Balsberg, and Root 2014; Fader and Schmittlein 1993). So far, Waterdrop's Marketing approach emphasizes a specific approach to retail and distribution based primarily on its D2C brand model.

The D2C marketing models sell directly to end customers without needing retailers, which eliminates costs and helps achieve control over sales, prices, and customer data (Leimstoll and Wölfle 2021). Online Marketing further allows brands to be in direct contact with their client base, identify differences in purchasing habits and recognize unmet demands of contemporary customers, which helps build stronger relationships (Kathi 2021). Waterdrop took a chance by disregarding the typical distribution technique that most non-alcoholic beverages employ, pre-

made in some container. Using the point-of-sale system of Shopify, they could sidestep the crowded shelves prevalent in most retail venues, where a few large firms control the industry (Lindenberger 2021; Maverick and James 2022). Furthermore, bypassing retail allows higher margins at a lower price and builds intense brand recognition (Gielens and Steenkamp 2019).

The Waterdrop online shop was launched in early 2017. To date, it is the most potent sales channel (Heide and Peterson 2021). In 2021, 90% of sales were targeted to be generated online, with a sales target of €76m to €95m. Online users were about 150,000 customers that spent an average monthly amount of €35 each. The trial packages are the best sellers. With ten aroma cubes, most customers would have two to three favorites they would buy repeatedly. According to Murray, around half of all buyers return. The other 10% of sales in Germany were generated via the 8,000 drugstores, deliveries to corporate customers and flagship stores (Heide 2021). According to e-mail correspondence with Julia Tröster from Waterdrop (see Appendix 4), in Singapore, the brand generally expects an accumulated revenue of 80% online and 20% in-store sales until 2024, aiming to generate around €2.8m. Furthermore, Waterdrop aims to expand from purely D2C direct sales into more conventional retail. Since July 2022, they have been a listed product on amazon and aim for €400m of sales by 2025 (Evans 2022).

Flagship stores help Waterdrop generate additional retail and brand awareness through in-store publicity. So far, Waterdrop employs 29 flagship stores in Europe, the United Kingdom, the United States and Singapore (Waterdrop 2022b). Because of this that dual channel model, events, product debuts, and other marketing activities can be held by Waterdrop in-store. Due to cheaper costs and the flexibility to test, change, and adapt, stores can provide a terrific alternative development strategy.

1.3.2 Positioning

Waterdrop's positioning in the Austrian market derives from the desire to disrupt the global beverage industry and is backed by a sophisticated brand approach that redefines how people think about water. Waterdrop presumed that the world's healthiest drink already exists, namely water. From a functional product attribute perspective, one part of the brand's mission is to promote responsible water consumption and being hydrated, which satisfies a basic human need. Hence, Waterdrop is a brand designed for the mass market. However, the other more abstract part of the unique value proposition is to actively develop ecological solutions and eliminate the use of plastic to reduce Co2 emissions. This includes a vision of the world, which is about causes, ideas, ideals and values, indicating Waterdrop's ambition to become a potential lifestyle brand and distinguishing it from other brands in the beverage market. Hence, the motivation for purchasing Waterdrop's flavor-infused cubes and design bottles is partly about meeting fundamental requirements, like improving one's well-being and enjoying the good taste, but acting sustainably or even making an impact on others. Furthermore, the products focus on user simplicity while being very attuned to design and are developed with cutting-edge technology and innovation. In addition, creating a lightweight, compact product would enable Waterdrop to utilize internet sales channels from the typically established industry and is also associated with more sustainability. This combination of beauty, health, environment and sustainability concerns appeals especially to young to mid-aged adults who are aware of their lifestyle and the impact their consumption has on the environment. According to Waterdrop, about 70% of the website purchases are made by women between 25-50 years old, making this not an exclusive but leading target consumer group (Watson 2022).

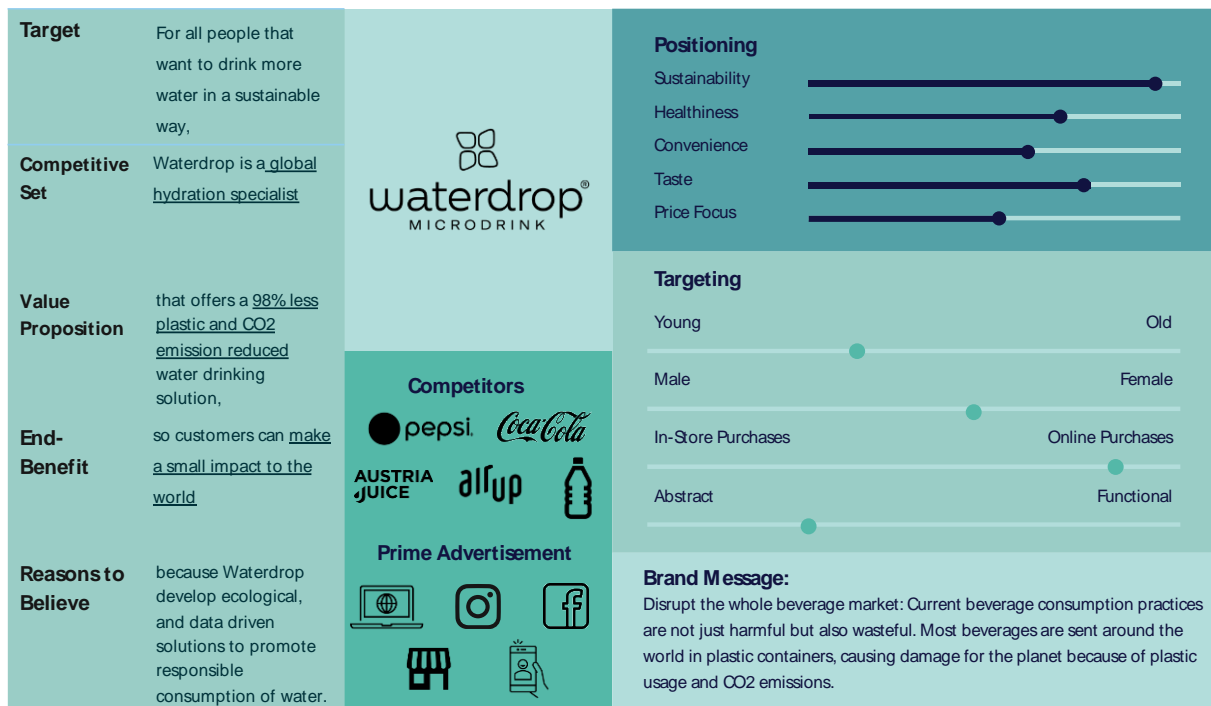


Figure 3: Waterdrop's current positioning statement & brand strategy

1.4 Country-related Success Factors in the Home Market

Before evaluating Waterdrop's maturity for market expansion and preliminary assessing regions of interest, it is vital to take a closer look at the company's home market and its conditions. Thereby, it is possible to gain an understanding of the country-specific factors contributing to Waterdrop's success as well as to derive determinants that should be considered for any potential new market entries.

Although Waterdrop is headquartered and was founded in Vienna, it is reasonable to refer to not only Austria but also Germany as the home market for the 6-year-old company. This is because, from the initial launch phase onwards, Waterdrop located its main production sites in Germany and formed strategic partnerships with drugstore chains and supermarkets from both countries in order to offer its products (Waterdrop 2022c; Chi 2018). Furthermore, despite being founded in Austria, the founders decided to pitch their company to potential investors in the German equivalent of the USA TV-show 'shark tank' in 2018, a series in which founders pitch their business idea and hope to secure funding. Thereby alone, Waterdrop was introduced to

2.95 million viewers according to audience share statistics (T-Online 2018). Among other investors, Waterdrop received early-stage financing from German star investor and ‘shark’ Dagmar Woehrl – namely €500,000 – who is known for her excellent relations with the retail industry and helped leverage Waterdrop’s revenue from €5m in 2018 to €40m in 2019, in the cause of only one year (Startup Valley 2019; Kriesl 2018).

Michael Porter argued that the economic environment of the home market is linked directly to a firm’s robustness and competitiveness (Porter 1980). In order to create and sustain a competitive advantage on an international level, it might be beneficial to assess possible country-specific advantages. In the book “Competitive Advantage of Nations”, Porter introduces his diamond model (1990). The framework consists of four mutually reinforcing conditions that, if favorable, promise stronger international competitiveness. In the following, Waterdrop’s home market conditions will be analyzed accordingly.

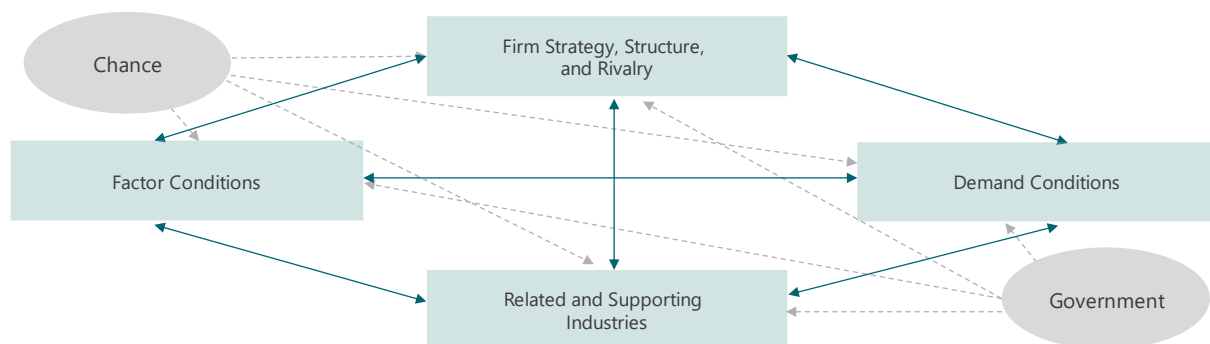


Figure 4: Porter’s Diamond Model (1990)

To describe factor conditions, Porter (1990) refers to basic economic theory’s determinants – land, labor, capital, natural resources, and infrastructure. Substantially, the term reflects a country’s ability to provide and develop these factors. Both Germany and Austria are regarded as highly developed industrialized countries whose economic systems can be characterized as social market economies (World Population Review 2022a). Combined, both country’s population size equals up to a total of 92 million people, of which roughly 11% live in urban agglomerations of more than one million (World Bank 2022a). Germany and Austria’s GDP

per capita equals €54,990 and €55,464, respectively, placing them among the world's top 20 nations in terms of productivity output per inhabitant (World Bank 2022a). According to both country's federal statistical offices, the median household income among the working-age population is €40,451 and €42,144 before taxes (German Federal Statistical Office 2020; Austrian Statistical Office 2020). These figures demonstrate that Waterdrop's home market consists of comparatively strong middle-class consumers that the company can address.

Another aspect of Waterdrop's home market factors is the presence of strong human capital and a qualified workforce due to high and accessible education standards. This is shown by the human development index (HDI), which measures a country's performance in health, education, and standard of living with a score ranging from 0-1. Germany and Austria are among the top 25 countries worldwide, scoring 0.942 and 0.916, respectively (UN Development Report 2022). Furthermore, according to Yale University (2022), assessing the environmental performance index (EPI) of 180 countries, both countries are among the top 13 nations most committed in terms of environmental measures and standards. Both the HDI and EPI are indicators of a population's ability to comprehend the need for environmentally friendly actions as well as the extent to which these actions are regarded as a priority by governmental bodies. Since Waterdrop's products are all characterized by sustainable attributes, these conditions are likely contributing to the company's home market success. Additionally, recruitment of qualified personnel, i.e. for developing new products, is eased.

Another factor favoring Waterdrop's business success is the functioning infrastructure in Germany and Austria, which is a core prerequisite for the whole value chain process - especially regarding sales and distribution. In general, the infrastructure is well-developed in all major facets, such as energy supply, housing, transportation, and communication, when compared with international standards (Germany Trade & Invest 2022). For Waterdrop, the interlocking network of roads, rails, airports, and harbors is essential for transporting goods to export to

other countries and delivering domestic customers' orders directly to their homes. The logistic performance index for Germany and Austria, which indicates the competence and quality of transportation services on a scale from 1 to 5, is 4.31 and 4.08, respectively, placing both countries among the top 6 nations worldwide (World Bank 2018). There is comprehensive web connectivity, as 89.81% of the German and 87.53% of the Austrian population is using the internet, according to the World Bank (World Bank 2020a), which also is essential for a company like Waterdrop, heavily relying on online sales. Furthermore, the population's access to clean water is a fundamental requirement for potential consumers to use Waterdrop's product line. 99.99% of the German and 98.90% of the Austrian population uses safely managed drinking water services (World Bank 2020b).

The term demand conditions alludes to the complexity and level of the home-market consumer demand (Porter 1990). To avoid overlapping content with previous chapters, the focus of the following analysis will lie on country-specific consumer characteristics. In general terms, Germany and Austria are considered mass consumer societies, where buyers have high expectations for quality while being extremely price sensitive (Santander 2022b; Standard Bank 2022a; Expansion Eco 2020). Consumers are keen to learn as much as possible about similar product offerings and substitutes, their features and origin. Competition for customers is fierce, as both countries' consumers belong to the most demanding in the world, some willing to pay significantly more for better quality (Santander 2022b; Standard Bank 2022a). For Germany, online shopping has even become the norm, and the country is Europe's biggest online market (Brougham 2022).

The revenue in the e-commerce market is projected to reach €147.94bn in Germany and Austria by the end of 2022, accounting for roughly 3% of e-commerce sales world-wide (Statista 2022a; 2021a). The average order value per capita for goods purchased online is €152.10 for Germans and €97.50 for Austrians, revealing a significant difference in consumer habits (Ager 2021).

While both markets show very similar characteristics overall, German consumers seem to be stronger not only in terms of quantity but also in their willingness to spend money per online acquisition. On the other hand, if looking at the annual e-commerce revenue per capita for Germany and Austria, spendings are about similar at €1,635 and €1,698, respectively (Statista 2022a; World Bank 2022a). This leads to the conclusion that Austrians purchase online more often, while Germans tend to make bigger orders. The CAGR for e-commerce revenue between 2022 and 2025 is 11.46% for Germany and 16.59% for Austria (Statista 2022a). In conclusion, Waterdrop's home market is characterized by a strong e-commerce sector that is expected to grow in overall online sales and yield only minor regional differences.

As stated before, German and Austrian citizens are characterized by high income and purchasing power resulting in a high standard of living. Germans spend around 52% of their income on essential goods like housing, energy, food, and hydration, which leaves a strong gap for spending on non-essential, rather self-fulfilling purchases (German Federal Statistical Office 2022). In Austria, spendings on essential goods are even lower at 30% (Balgaranov 2021). This again benefits Waterdrop as its products can be categorized as 'non-essential', since flavored drops and tech bottles are much more likely to satisfy an individual's quest for pleasant taste than they are to fulfill basic physiological needs. Furthermore, since Waterdrop offers innovative products, it seems to be beneficial for the company that the population of its home market is used to the development of new and improved goods. Evidence for this claim is provided by the Global Innovation Index (GII) of the World Intellectual Property Organization (WIPO), which ranks the world's economies according to their innovation capabilities. There are 80 different variables evaluated in the GII to capture the multi-dimensional facets of innovation. The result: out of a total of 132 economies that were assessed, Germany and Austria are among the top 18 countries (WIPO 2021).

The firm's strategy, structure, and rivalry are defined as the term by which country-specific characteristics shape a company's "creation, organization, and management" (Porter 1990). According to Porter (1990), this also applies to the presence of strong local rivalry, which favors the creation and durability of competitive advantage. As stated before, Waterdrop pursues a blue ocean strategy, indicating strong indirect competition, but fewer direct competitors in the field. As has been assessed in Porter's Five Analysis earlier, there are a few innovative local start-ups and scale-ups competing in the same industry and under similar ecological and health-related mission statements. Nonetheless, these companies offer products that differ from Waterdrop's merchandise in terms of type, functionality, and intended purpose. The company is eager to grow, especially by leveraging its online sales and further looking out for potential expansions to the product line if synergies are identified. While German and Austrian business culture is generally marked by hierarchical structures, careful planning, aspired perfectionism, punctuality, privacy and formal relations (Santander 2022a), Waterdrop partly falls off the grid due to its flat hierarchies and agile structures (Modemann and Murray 2022).

The fourth condition of the diamond model refers to the presence of related and supporting industries in the home market, such as suitable suppliers and retailers (Porter 1990). Waterdrop uses many local ingredients and materials for its products. Generally, the agricultural and manufacturing industry in Germany and Austria is large, widespread, and diverse regarding its output to meet the quality demands of people and businesses (Britannica 2022b; 2022a). In addition to online sales, Waterdrop also profits from a broadly accessible network of supermarkets and drug stores in its home market where the company offers its products. In fact, Austria and Germany count among the top four European nations regarding supermarket density per inhabitant (Karampour 2014). For the domestic shipping of its products, Waterdrop uses the local post offices, which reliably deliver the goods to the company's customers within three days (Waterdrop 2022a; Percelous 2022; Germany Mantra 2010).

Besides those mentioned above, two more factors contribute to the conditions given in the home market. Porter (1990) calls these factors ‘government’ and ‘chance’. More precisely, he refers to the strategy, policies, and regulations implemented by the government that impacts business activities, but also the chances and opportunities related to certain events, which yield an advantage and create a position of competitiveness (Mahmud 2019). Both Germany and Austria are functioning democracies under the principle of separation of powers, which leaves little room for arbitrariness and corruption (German Parliament 2022; Austrian Parliament 2022). Furthermore, both countries are members of the European Union, which allows registered businesses to benefit from one economic zone across all member states, including free movement of people and goods (European Commission 2022b). Therefore, indicators such as the ‘ease of doing business’ score from the World Bank (2019), place Austria and Germany in the top 15% of all 190 countries assessed. The fact that the country risk is comparatively low is also shown by other political risk ratings and economic freedom indexes, where Austria and Germany are among the upper quantile (Credendo 2022; Heritage Foundation 2022). However, both country’s taxes on corporate profits are comparatively high, as are regulatory standards. While in Germany and Austria, the statutory tax rate for firms is ~29.9% and ~25%, respectively, the global average, collected across 180 jurisdictions, is 23.54% (Bray 2021). Regulatory hurdles in the EU are high, especially for digital and tech-driven companies, which in adverse cases, stifles competition and innovation (Cennamo and Sokol 2021).

In conclusion, it can be noted that Waterdrop’s home market is characterized by high political stability, strong economic productivity, functioning infrastructure, and strong middle-class consumers. E-commerce is widely popular, and access to improved water resources is a matter of course. As success in other markets also depends on the comprehension of existing country-specific advantages (Porter 1990), the proximity and similarities to Austria and Germany will – among other aspects – be considered further in the market selection analysis.

1.5 Motives and Readiness for Internationalization

After the expansion to several European countries and the USA, Waterdrop eventually entered Asia Pacific (APAC) by opening its first subsidiary in Singapore. Friendly business regulations and a high proportion of English-speaking citizens make Singapore a strategic landing point, offering the opportunity of a solid testing ground for Waterdrop's products and paving the way for expansion into greater APAC. Singapore also opens gateways to strong channel partners relevant to business in other Asian countries (Dominguez 2022). Waterdrop's strategic decision to enter the Asian market requires further examination. There are several motives for internationalization that can be broadly classified as seen in the following table (Rao and Prasanthi 2019):

Market Seeking Motives	<ul style="list-style-type: none">▪ Access to new markets and opportunities▪ Following important customers▪ To compete with key rivals
Asset Seeking Motives	<ul style="list-style-type: none">▪ Access to raw materials▪ Gain access to knowledge or other assets▪ Technological or managerial know-how in a key market
Efficiency Seeking Motives	<ul style="list-style-type: none">▪ Reduce sourcing and production costs while producing closer to costumers▪ Government incentives in other markets▪ Avoid trade barriers

Figure 5: Motives for internationalization (Rao and Prasanthi 2019)

With these factors in mind, Waterdrop's motives would appear to be market-seeking, as seen in its previous expansions. Thus, the following section will examine Waterdrop's specific 'Push- and Pull- forces' related to internationalization efforts. 'Push factors' are unfavorable trends in a home market that force firms to look for opportunities internationally (J. Evans et al. 2008). Some important 'Push factors' for Waterdrop are as follows:

- The water enhancer market in Germany and Austria is highly competitive. As assessed before, the market has vital players competing for market share (Mordor Intelligence 2022a).

- Population growth and the slow economic development is considered as Waterdrop's biggest 'Push factor'. In 2021, the European Union's population decreased by 0.18% (Statista 2022x) and the economy is not expected to grow stronger than 2% (IMF 2022).
- There are similar figures for Waterdrop's founding market. Austria's population only rose by 0.2% from 2021 to 2022 and just 0.16% from 2020 to 2021, while the UN also predicts a negative population growth by 2035 (Macrotrends 2022).
- Waterdrop heavily relies on its online D2C sales. In 2022, only 3.5% of non-alcoholic beverage revenue is generated by online sales in Europe, which is almost half the number that can be observed for Asia, amounting to 7.1% (Statista 2022m).

Moreover, 'Pull factors' refer to favorable conditions in foreign markets that make it attractive for a company to internationalize (J. Evans et al. 2008). There are several 'Pull factors' identified for Waterdrop with regards to Asia:

- The population may be the biggest driving force pulling Waterdrop towards Asia. The region alone holds about 59.8% of the total world population (Worldometer 2022).
- The internet penetration rate in Asia is growing at a rapid pace. Asia's internet penetration was 67.4% in 2022, which is more than double the share observed in 2011 (Statista 2022g).
- Several Asian economies are also developing at a rapid pace, as a result of which urbanization and disposable income are increasing. For instance, countries like Singapore, Japan, and South Korea all have an urbanisation rate above 80% (Worldometer 2022), and are considered high-income economies, according to the World Bank (2022). On average, the Asian economy grows more than twice as fast when compared to western countries (IMF 2022).

However, there are big differences when comparing the individual countries and their economies in detail. Therefore, these disparities will be analyzed thoroughly in the next chapter.

2 Market Selection

The Asian market is home to a diverse set of countries, including some of the world's largest and fastest-growing economies. There are many opportunities for brands looking to address new audiences in growth markets (Dao 2021). Today, around 60% of the global population lives in Asia (EDB Singapore 2021). E-commerce is growing apace, while Asian consumers access the internet and social media primarily through smartphones, enabling brands to optimize their engagement with consumers through direct interactions on their respective social accounts (Dao 2021). If looking at the GDP growth, adjusted for inflation and presented by the International Monetary Fund (IMF 2022), one can discover that the emerging and developing APAC economies are expected to grow by 4%, which is despite any supply chain disruptions by the Covid-19 pandemic and current interstate conflicts. ASEAN-5 states are expected to enhance their productivity by 5.3% (IMF 2022). In comparison, advanced economies found in Europe and North America are only expected to grow by 1.9% and 1.8%, respectively.

Another attribute contributing to market opportunity in Asia is the region's middle class. In no other part of the world does the middle class grow as rapidly as in Asia and simultaneously have such a substantial size (Kharas 2017). The underlying study defines the middle class as having annual incomes of €3811 to \$34,650 per capita, taking into account purchasing power. In 2020, approximately 2bn Asians could be counted into the middle class, which is set to reach 3.5bn by 2030. Ultimately, 66% of the world's middle class will be Asian by 2030 (Buchholz 2020). Based on the parameters captured above and the entrepreneurial orientation of Waterdrop towards Asia, the following analysis will focus on expansion opportunities in the APAC region.

2.1 Quantitative Country Ranking

In order to determine the markets that yield the highest potential for Waterdrop’s further internationalization, a quantitative assessment of eligible countries was performed. In the first step, 25 different variables were identified that are directly related to the firm’s industry and customer segment. These variables were then divided into different categories: MARKET SIZE, MARKET GROWTH RATE, MARKET INTENSITY, MARKET RECEPTIVITY, COMMERCIAL INFRASTRUCTURE, STANDARD OF LIVING, and COUNTRY RISK. For the initial assessment, 56 markets in the APAC region were considered. While 53 of these markets are officially enlisted as Asian countries by the United Nations (2022b), the other three represent territories of unique dependencies. However, since these markets – namely Taiwan, Hong Kong, and Macau – can be regarded as autonomous economic zones, they were included in the analysis (Schwartz 2022; Blend 2016). To collect the input data for each variable, comprehensive databanks were consulted. Exemplary data was derived from the United Nations, World Bank, World Intellectual Property Organization, Yale University, World Population Review, Statista, Credendo, and Heritage Foundation.

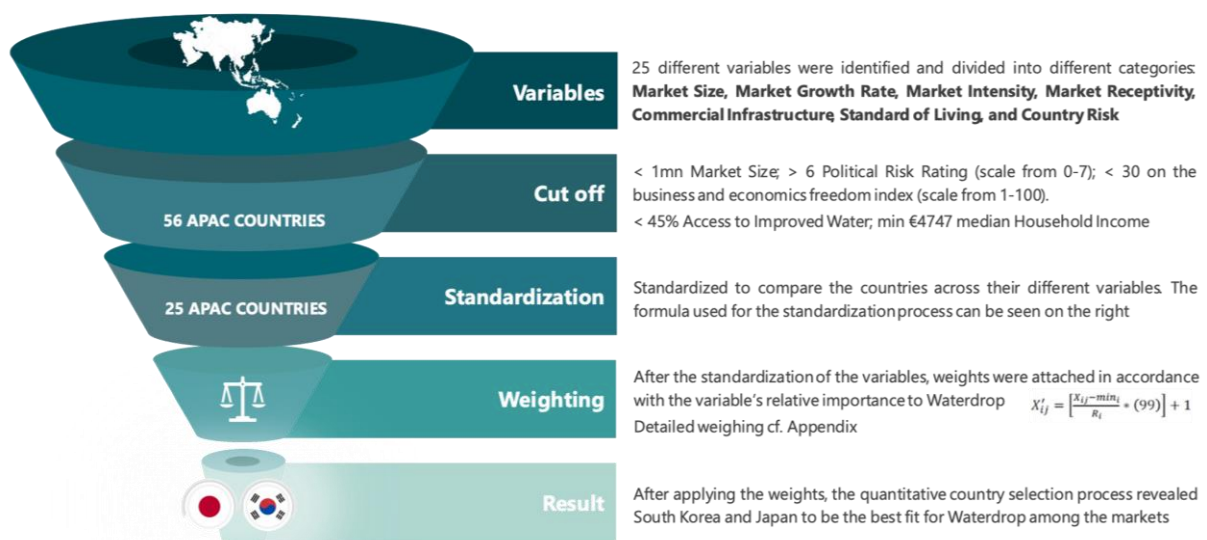


Figure 6: Market Selection Approach

Nonetheless, certain countries were disregarded from further analysis due to an incomplete data set or falling short of variable thresholds. Countries already entered by Waterdrop, such as Singapore, were also disregarded. The thresholds were applied as cut-off levels to exclude markets from analysis whose performance on certain variables is too poor to be seriously considered. In fact, countries with a population < 1 million were disregarded, as the addressable market size does not justify the opportunity costs associated with using limited and otherwise better-allocated resources.

Furthermore, all countries with a score higher than six on the political risk rating (scale from 0-7) were disregarded, and countries with a score below 30 on the business and economics freedom index (scale from 1-100). The political risk rating evaluates the mechanisms for the transfer and concentration of power, policymaking effectiveness, institutions' independence, social cohesion, and international relations (Credendo 2022). The business and economic freedom indexes measure the difficulties of starting, operating, and closing a business in a specific country. Additionally, fundamental economic rights of people are considered, such as the right of every human to control their labor and property. It is evaluated to what extent individuals are free to work, produce, consume, and invest and whether goods are allowed to move freely (Heritage Foundation 2022). By applying the abovementioned thresholds, countries characterized by solid arbitrariness and despotism are excluded to allow at least a minimum of reliable business relations and avoid exposure to poor ethical standards.

Another variable for which a cut-off level was applied is the proportion of people using safely managed drinking water services. In fact, water is regarded as safely managed when it can be extracted from an improved source that is accessible on-premises. "Improved water sources include [tap] water, boreholes or tube wells, protected dug wells, protected springs, and packaged or delivered water" (World Bank 2020b). It must be available whenever needed and free from faecal and chemical contamination (World Bank 2020b). Access to purified drinking

water is a prerequisite for Waterdrop's products, whether thinking of flavored cubes that need to dissolve in potable water or the tech gadgets, including bottle lid 'Lucy'. Although 'Lucy' cleans your water by deactivating germs using UV-C light, it is specifically developed to enhance drinkable water's durability and not treat contaminated water. Therefore, countries where less than 45% of the population has access to improved water resources were excluded from further evaluation.

Finally, a threshold was set for a minimum annual median household income of €4747. The median household income is the salary level that divides a population's households into two equal groups, with half having an income above that level and half having an income below that level (M. Scott 2022). This way, it appears to be more accurate when compared to the mean income, as the median income is not influenced by extreme values such as exceptionally high salaries for a comparatively small proportion of the population. The rationale behind establishing a threshold for people's income can best be explained by the attributes of Waterdrop's product offerings. In a nutshell, the reason to buy the company's flavored cubes and design bottles is not to fulfil basic needs but to enhance personal well-being, enjoy excellent taste, act environmentally conscious, or even make an impression in your social circle. For low-income households with low purchasing power, this is less relevant as it is of higher importance to afford 'the water itself' than to afford good taste; hence the less money available per household, the lower room for spending on non-essential goods.

After putting in the data for each variable and applying the abovementioned thresholds, the final number of countries left was 25. Namely, China, Hong Kong, India, Indonesia, Japan, South Korea, Qatar, Saudi Arabia, Taiwan, Thailand, United Arab Emirates, Vietnam, Bahrain, Bangladesh, Cyprus, Iraq, Jordan, Kazakhstan, Kuwait, Kyrgyz Republic, Malaysia, Myanmar, Oman, Philippines, and Timor-Leste. In the next step, the data set was standardized to compare the countries across different variables. The formula used for the standardization process is:

$$X'_{ij} = \left[\frac{X_{ij} - \min_i}{R_i} * (99) \right] + 1$$

where X'_{ij} corresponds to the standardized final value of country j on variable i .

X_{ij} corresponds to the original score of country j on variable i .

\min_i stands for the minimum value of variable i .

R_i corresponds to the range of variable i .

After the standardization of the variables, weights were attached in accordance with the variable's relative importance to Waterdrop. The variables 'e-commerce retail value', 'median household income', and 'access to purified drinking water' were identified to have the most significant impact on the future sales potential of Waterdrop, mainly due to their company-specific relevance. Therefore, a weight of 35% was assigned to these three variables (11.67% each), making them the most influential in the subsequent country ranking.

The 'e-commerce retail value' entails the sale of physical goods through digital channels, targeting private end consumers (B2C). The definition includes purchases by desktop computers as well as mobile devices. Waterdrop makes more than 90% of its profit via online sales and D2C shipping. The leading APAC market in this variable class is China, with annual revenue of €1,298bn, followed by Japan and South Korea with €178bn and €113bn, respectively (Statista 2022d).

The definition and rationale for allocating the variable 'median household income' among the highest weighted variables was explained earlier when the cut-off levels were introduced. The same applies to the variable 'access to purified drinking water'. Qatar is revealed as the highest performing country in terms of median income with €35,357, again followed by Japan and South Korea with €30,589 and €30,031, respectively (World Population Review 2022c; United Nations 2022a). Within our pool of investigated countries, there are seven markets where more

than 98% of the population has permanent access to potable water. This peak performance list of nations again includes Japan and South Korea (World Bank 2020b).

The second most influential group of variables in the subsequent country ranking consists of ‘e-commerce retail growth’, ‘individuals using the internet’ and the ‘ease of doing business’ indicator, represented by the assigned weight of 25% to these three variables (8.33% each). The growth figures for the e-commerce retail value can be seen as an indicator of Waterdrop’s future sales environment, as it provides information about an economy’s pace in scaling up the absolute amount of online sales. The leading country in this variable class is Indonesia, with a CAGR of 44%, followed by Thailand, with 38%. Nonetheless, it is worth mentioning that all countries investigated are united by the fact that their growth rate exceeds 6%, with an average growth rate of 20.5% (Statista 2022t).

The variable ‘individuals using the internet’ exposes the proportion of people connected to and regularly using the internet. In more detail, internet users are defined as individuals who have surfed the internet at least once within the last three months via devices such as a “computer, mobile phone, personal digital assistant, games machine, digital TV” (World Bank 2020a), and others. As previously stated, Waterdrop makes the majority of its revenue from online sales, which conversely means that wherever there is no internet, there also is no sale. Of all 25 countries under investigation, 11 nations exceed an internet penetration rate of 90%, again including Japan and South Korea (World Bank 2020a).

The ‘ease of doing business’ indicator is driven by the belief that any economic activity requires accessible, efficient, and simple regulation. In order to receive a descriptive score, data was aggregated on a subnational and regional level, including information on domestic SMEs and their product life cycles. Generally, the higher the regulatory impediments in a market, the

harder it is for a business to set foot. According to this indicator, the best-performing country is Hong Kong, followed by South Korea, while Japan ranks seventh (World Bank 2019).

The third most important group of variables for the subsequent country ranking consists of 9 variables assigned an overall weight of 20%. The variables ‘population size’ and ‘population size female, ages 25-50’ were assigned 2% each. The population size functions as an additional indicator for the potential market size, as does the specific size for female citizens. Although women currently make over 70% of Waterdrop’s sales, there is high uncertainty about whether this would also be the case in a different market characterized by divergent cultures and consumer habits. Therefore, it was decided to keep in mind that Waterdrop generally targets all genders, which is why both variables are considered equally. China and India are the countries reaching by far the highest numbers in these variable classes, with over 1 billion inhabitants (World Bank 2022a; 2021h).

Another variable for which a weight of 4% was applied is the ‘e-commerce retail value per capita’, which indicates the nationwide affinity and intensity of the population to order goods online. This variable class is led by South Korea and Japan, with annual per capita spending of \$ 2,309 and \$ 1,496, respectively (Statista 2022d; World Bank 2021h).

The ‘global innovation index’ (GII) captures the performance of the innovation ecosystem and tracks the most recent global innovation trends based on a total of 81 sub-indicators. In summary, the GII records the extent and frequency by which innovative products are introduced to the market and the population’s open-mindedness regarding adopting new market products. As Waterdrop offers a disruptive set of products and aims to stir up the conventional beverages industry, a high score on the GII likely portrays a favorable condition. According to the observed figures, the innovation-friendly environment is highest in South Korea, followed by China, Japan, and Hong Kong (WIPO 2021).

Further included in the analysis are the variables ‘human development index’ (HDI) and ‘environmental performance index’ (EPI). Both were allocated a weight of 2% each. The HDI is a summary measure of average scores on core aspects of human development, such as life expectancy, health care, knowledge, and standard of living. The EPI is also a summary measure of average scores on critical sustainability matters, such as climate change performance and ecosystem vitality. HDI and EPI rankings indicate which countries best address humanitarian and environmental challenges. By implication, both indexes can be seen as indicators of a population’s awareness for and prioritization of the general need for environmentally friendly actions. A high dedication to sustainable habits would favor Waterdrop because the company and its products are driven by the will to make a sustainable contribution. South Korea and Japan are among the highest-performing countries in the HDI and EPI (UN Development Report 2022; Yale University 2022).

The last sub-group within the third-priority variable group consists of all three variables from the country risk category, namely ‘political risk rating’, ‘business freedom’, and ‘economic freedom index’. They were assigned a total of 4% (1.33% each). The definition and rationale for the variables were explained earlier when the cut-off levels were introduced. As an additional note, the comparatively low weighting is perceived as justified because the applied thresholds already excluded the worst-performing countries in this category.

The fourth most important group for the subsequent country ranking consists of 7 variables assigned an overall weight of 15%. The ‘GDP per capita’ and the ‘GDP per capita growth’ have been allocated 2.5% each since a robust national economy generally leads to increasing wealth, which subsequently leaves more money to spend on Waterdrop’s products by consumers (World Bank 2021b; 2021c). Furthermore, the variables ‘population density’ and ‘population in cities > 1 million’ were assigned 2.5% (1.25% each). Both variables are linked to logistic complexity needs for Waterdrop’s shipping of goods as it is easier to reach consumers if

population density is high (World Bank 2020c; 2021g). The duplicate accounts for the ‘logistics performance index’ (2.5%), which assesses the competence and quality of logistic services within a country (World Bank 2018). The variable ‘cost to import, border compliance’ was also recognized with a total of 2.5% since a target market’s attractiveness decreases with high import costs (World Bank 2019a).

Lastly, the variable ‘water consumption vs. availability’ was assigned 2.5%. It shows the level of domestic water stress in the form of freshwater withdrawal as a proportion of available freshwater resources (World Bank 2019c). The better a country performs in this ratio, the less it needs to fear water shortages at some point in the future. For Waterdrop, this could be important to ensure a sustained business environment.

Finally, the fifth most important group for the subsequent country ranking consists of 3 variables assigned an overall weight of 5% (1.67% each). The ‘population growth’ rate indicates market potential development (World Bank 2021f). Moreover, the ‘consumer price index’ reveals economic stability, especially regarding a country’s currency exchange rates (World Bank 2021a). At last, the ‘Gini coefficient’ illustrates the spread between the rich and the poor within a society. The higher the inequality within the population, the less easy it is for Waterdrop to address the low-income classes (World Population Review 2022b).

The country ranking that could be derived from the data following these weights is shown in the table below. Calculation-wise, each standardized value was multiplied with the applicable weight. The individual country’s ‘weighted-standardized scores’ for each variable were then added to a final score. For full access to the conducted calculations, please consult Appendix 1.

The quantitative country selection process revealed South Korea and Japan to be the best fit for Waterdrop among the markets under analysis. When comparing the factors of these two nations to the previously evaluated factors for Austria and Germany, one can observe numerous

similarities to Waterdrop's home market. South Korea and Japan are characterized by a strong e-commerce market and internet penetration rate, high median disposable income and GDP, well-developed infrastructural conditions, and enhanced focus on environmentally friendly actions.

2.2 Comparing Japan and South Korea as Go-To Markets

Several factors affect the success of any business entering a new market. Apart from adjustable internal factors, there are several external factors for businesses (Ravelomanana et al. 2015). In order to evaluate whether Japan or South Korea, referred to as Korea from here, is more suitable for Waterdrop's expansion to Asia-Pacific, the following section will investigate all the aspects, contrasts, similarities, and opportunities of both countries specifically tailored to Waterdrop's business. Thus, examining not only bilateral relations but also market properties, as well as political, societal, and economic aspects, helps to acquire an accurate portrait and hence measure the countries' attractiveness (Choi and Mogyoro 2011).

2.2.1 Relation to the Home Market of Waterdrop

Both the countries, Japan and South Korea, have strong cultural, economic, and political ties to Germany, Austria, and the EU. Germany, for example, reported €23.5bn in imports from Japan in 2021 and €18.4bn in exports. Germany also happens to be South Korea's largest European trading partner, with an exchange of €31.4bn between the two countries in 2021 (Federal Foreign Office 2022a; 2022b). Austria has similar relations with the two countries. Japan is one of Austria's critical international trade partners and the second most important within Asia (Federal Ministry Republic of Austria - European and International Affairs n.d.). In the last 25 years, the exports between Germany and Japan have increased at an annual rate of 1.6% (Observatory of Economic Complexity n.d.), while during the same period, Germany's exports to South Korea have increased at an annual rate of 4.95%. There is a similar trend in Austria,

where exports to Japan have been smaller (2.75%) than those to Korea (4.78%) (Observatory of Economic Complexity n.d.; n.d.). The European Union has also established Free Trade Agreements with Japan and Korea, which fostered better relations between Germany and the two countries (European Commission n.d.; Federal Ministry for Economic Affairs and Climate Action n.d.).

2.2.2 Market Properties

One of the main differences between both markets is their size. Japan represents the 11th highest population worldwide, accounting for 125.7 million people, with roughly two-thirds living in cities with more than 1 million inhabitants (World Bank 2021g; 2022b). Further, with 37.3 million inhabitants, Tokyo embodies the largest metropolitan area on the globe (World Population Review 2022d). In contrast, South Korea's population is only less than half the size, accounting for 51.7 million inhabitants (World Bank 2021d). In other words, entering Japan means that Waterdrop could target almost two and a half more people than in South Korea. Having a closer look at the population distribution, South Korea has six major centers with its topography of more than 70% mountains, making it the third most dense country in the world. However, due to the mountains, the distribution might pose a real challenge for Waterdrop (International Trade Administration 2022). Generally, both countries are relatively isolated from the rest of the Asian Pacific markets but can reach each other easily (Dominguez 2022).

2.2.3 Politics

Political factors can impact the entry and success of any business in each market by changing the market environment. There may be direct and indirect effects of political changes affecting the sociocultural environment, such as economic policies, political stability, and foreign trade regulations, to name a few (Ginter and Jack Duncan 1990). As a parliamentary monarchy, Japan, with a political stability rank (percentile) of 87 and a corruption index of 27, is

considered stable and is constantly making efforts to increase international relations and welcomes foreign investors with pragmatism (World Data 2022; Kaufmann and Kraai 2022). Further, Japan aims to retain strong solidarity and close collaboration with Western democracies by maintaining and developing the free trade and market economy system (Ministry of Foreign Affairs Japan 1987). Like Japan, the presential Republic of Korea has a political stability rank (percentile) of 83 and a slightly worse level of corruption (corruption index: 38, moderate) (World Data 2022; Kaufmann and Kraai 2022). Both democratization and market-based economic development have been attained; however, the power of conglomerates (in Jap. 'Chaebol') such as Samsung and LG caused a lack of transparency and almost monopolistic domestic structures (Snyder et al. 2018). In 2019, Samsung accounted for a fifth of South Korea's exports (Katz 2022). In respect of political aspects, both countries obtain favorable conditions for Waterdrop. While South Korea and Japan are committed to 18 and 21 free trade agreements or economic partnerships, respectively, the ease of doing business index of 92.5 promotes South Korea to being ranked 36th, slightly over Japan (Score: 85.9; ranked 56th) (Ministry of Foreign Affairs of Korea 2022; Ministry of Foreign Affairs of Japan 2022).

2.2.4 Society

Another important aspect, which is very decisive in the comparison, is the societal aspect, especially concerning the culture and its people. This is because Waterdrop wants to become a lifestyle brand adopted by many people in the country. The culture is an essential indicator for potential product-market fit adjustments that must be considered when expanding internationally. While Japan's culture is closer to the West, focusing on external collectivism, South Korea's culture is closer to China, with its central focus on internal collectivism, such as family (Sun and Bitter 2012) According to the Hofstede scale, Japan is associated with a masculine culture and habits, while South Korea's culture can be characterized as feminine. 'Masculinity' as a social structure composes competition, success, and achievements as the

driving forces based on the winner's definition of success. In contrast, the two prevailing ideals of 'Feminism' are quality of life and compassion for others, whereas living well is an indicator of success (Hofstede 2022). Both cultural orientations could be aligned with Waterdrop's directionality as they will be a key focus area to be considered when planning the marketing and brand approach.

When analyzing the society of a country, emphasizing consumer profiles is inevitable. Only 30% of Japanese consumers have switched brands or shops in the last three months, which indicates high brand loyalty. In contrast, South Korean customers typically exhibit lower levels of brand loyalty than people from Japan, at 55% (Das, Kalia, Koike, et al. 2022; Das, Kalia, Kang, et al. 2022). Although Waterdrop is not directly competing with other players in the industry, due to recurring sales of microdrinks, brand loyalty makes it less likely that customers will migrate from the company.

2.2.5 Economy

Japan is one of the world's most developed economies and represents a total GDP of €4.6tn a remarkable 3.7% of the world economy, making the island state the third largest economy globally. However, Japan experienced a slowdown in GDP growth in the fiscal year 2022 (Hogg 2022). After Russia's invasion of Ukraine and COVID-19 lockout measures at Chinese facilities this year, Japan's export-oriented industries have been severely impacted by a persistent rise in commodity costs (Kajimoto 2022). The slowdown partly shows the hard impact on Japan of the yen's decline to 32-year lows (November 4th 2022) versus the dollar, which has further increased the price of everything from petrol to food and beverage goods. This development bears the risk that Japan slides into a recession, exacerbating the 'cost of living' constraints for the society and hypothetically lowering consumer spending, which can threaten Waterdrop's expansion intention.

South Korea is facing some similar headwinds in terms of economic dimensions. Asia's fourth-largest economy, with a total GDP of €1.61 (Worldbank 2022a) is decelerating due to the weakened 'Won', rising rates, and slowing exports. The currency is also close to a 13-year low, and export to its brother country China fell by over 15% (Pollard 2022). However, according to a recent prediction by a Tokyo-based research institute, South Korea's gross domestic product per capita will outperform Japan in 2027 for the first time due to long-term poor productivity brought on by the third-largest economy in the world's sluggish progress toward digitization, by €44.16 to €43,295 (Kajimoto 2022). A higher GDP per Capita indicates a higher standard of living, but foremost, a higher purchasing power from households towards consumer goods like Waterdrop's microdrinks, which might be crucial in times of economic turmoil.

2.2.6 Internet Economy

Comparing the two economies in terms of e-commerce development and capacities, which will be a high priority for the D2C approach of Waterdrop, it is evident that both countries are already outperforming Austria and Germany, securing a higher place in the global rank. South Korea is the market with the fastest wireless internet connection (Freedman 2022). It is commonly revered as an online-native country because of the openness of Korean consumers towards the internet. The e-commerce outlook is projected to generate a revenue of €117.90bn by the end of 2022 (Statista 2022c), making South Korea the fifth most significant market for online retail globally (Freedman 2022). According to a Bank of Korea Survey, it is predicted that the South Korean e-commerce sector will further expand during the projection period of 2022-2027 with a CAGR of 25%. (2022- 2027) (Mordor Intelligence 2022b). As e-commerce expands quickly, traditional retail stores are suffering. Although Korean consumers prefer to window shop in physical places, they use retail websites to make final decisions and get the best deals, which suits Waterdrop's flagship store strategy in urban hubs while generating the lion's share of sales online. Furthermore, it is predicted that the revenue of the water and soft

drink, as well as the turnover of the bottled water market, will grow by 4.54% and 3.78% (CAGR 2022-2026) (Statista 2022s) in South Korea. On the other hand, Japan is anticipated to generate a total turnover of €204.2bn in the e-commerce industry by the end of 2022 (Statista 2022b) and hence accounts for the fourth biggest e-commerce market worldwide (Freedman 2022), ranked one place above South Korea. However, Japan's e-commerce growths projection (CAGR 2022-2025) of 14.70% (Statista 2022c) is less remarkable than in South Korea, while the revenue projection of the soft drink (CAGR 8.48%) and the revenue of the bottled water market (CAGR 6.08%) (Statista 2022s) is significantly higher for the same time horizon.

Japan is less digitally advanced than South Korea. According to a business agility ranking of 2022, Japan was ranked 53rd among the 64 analyzed APAC countries (Katz 2022). In contrast, South Korea achieved fifth place due to investing in information and communications technology, which has increased the effectiveness of its potential (Katz 2022). Further, Japan has 68 million more internet users than South Korea as of 2022 (Kemp 2022). Moreover, South Korean people are more used to buying online, with 64.9% of online purchases compared to 48.2% from Japanese consumers. Furthermore, nearly two-thirds of Japanese consumers inquire through social media before buying a particular product (Santander 2022d). However, influencers in both markets impact consumer decisions heavily, and both consumer profiles expect high quality and service. While tech-savvy Korean consumers that desire new products and innovations are more conscious about the image, the Japanese emphasize visible brand details (Santander 2022d; 2022e).

South Korea houses 11 unicorns, over 30,000 start-ups, and has an annual R&D spending of 4.8% of GDP (the highest in the world). South Korea's IoT (Internet of Things) sector brings much potential for start-ups entering their market. Smart Manufacturing is also a crucial growth sector for the country, and they plan to build about 30,000 'smart factories' by 2022 (German

Accelerator 2021). These aspects give South Korea a slight edge for a company like Waterdrop to expand and get a strong foothold in the market.

2.2.7 Market Potential

The market potential for the two markets was determined using a technique known as the chain method. Based on several factors, the entire market breaks down to the final addressable market for the start-up (Waheeduzzaman 2008). Although this approach is assumed to be the most accurate estimate for this case, it still relies on uncertainty due to Waterdrop's disruptive innovation, uniqueness, and further limitations. By not only competing indirectly with existing market players but also opening up new additional uncontested market space, as already demonstrated earlier, Waterdrop's market potential must be taken with caution. To calculate the 'ANNUAL MARKET SALES POTENTIAL' specifically of Waterdrop, the following metrics were used: POPULATION IN CITIES WITH MORE THAN 1M, POPULATION AGED BETWEEN 15 AND 65, and AVERAGE ANNUAL REVENUE PER CAPITA FOR NON-ALCOHOLIC BEVERAGES.

	Japan	South Korea
Total Population size	125,681,593	51,744,876
A: Population in cities > 1m	81,545,211	26,108,444
B: % of Population between 15 & 65 [= B / A] (World Bank 2021e)	59% = 74,155,916 / 125,681,593	71% = 36,824,236 / 51,744,876
C: Total addressable Population [= A * B]	48,111,674.5	18,587,768.8
D: Average Revenue per Capita for non-alcoholic beverages (2022)	€545.10 (Statista 2022m)	€396.23 (Statista 2022n)
Annual market sales potential* [= C * D]	€26.2bn	€7.4bn
CAGR 2022-2026 Non-alcoholic beverages market	6.11% (Statista 2022m)	3.88% (Statista 2022n)

Table 1: Market Potential in Japan & South Korea (Waheeduzzaman 2008)

Based on the variables and the methodology used, the annual market sales potential is expected to be €26.2bn and €7.4bn for Japan and South Korea, respectively. This potential and the projected CAGR for both markets emphasize the previous examination and support Japan's case. However, apart from non-alcoholic beverages, Waterdrop's product portfolio also comprises drink accessories and drink-tech gadgets; these still need to be reflected in the market potential. Thus, the precision of the metrics and their limitations must be considered when interpreting.

2.2.8 Sustainability

As discussed previously, the fundamental motivation for purchasing Waterdrop's flavor-infused cubes and design bottles is not about meeting fundamental requirements but improving one's well-being, enjoying excellent taste, acting sustainably, or even impacting others. For this reason, consumer's affinity towards sustainability needs to be considered. According to the Sustainability EPI Index, Japan is more sustainable, with better drinking water conditions. However, South Korean consumers excel in Waste Management, including efforts to reduce plastic (Environmental Performance Index 2022). Following the Global Agricultural Information Network research, Korean consumers increasingly choose products based on environmental constraints. Plastic garbage is seen to be the most critical environmental problem by consumers. A dominant majority of 98% of people that answered the survey of the Anti-Corruption and Civil Rights Commission stated that environmental harm caused by plastic waste must be seriously considered. In addition, for environmentally friendly goods, Korean consumers are willing to pay extra. A KB Finance research conducted in June 2021 found that 54% of respondents over 20 would consider paying 10% more for environmentally friendly items, while 17% of responders said they would pay 15% to 20% more. In particular, Gen Z and Millennials are mainly concerned with green consumerism (Oh 2022). In contrast, Japan is criticized for its disproportionately high usage of plastics, and only 44% of consumers would

pay a premium (Kersey 2022a). However, it has one of the top rankings among all nations on the Hofstede Uncertainty Avoidance Index, scoring 92/100 (Hofstede 2022). Accordingly, buyers in Japan are known for being exceedingly cautious considering a variety of criteria before making a purchase. Hence, in addition to sustainable efforts, businesses need to focus on additional customer expectations such as cost, dependability, comfort, design, and others (Hofstede 2022).

2.3 Target Market Selection

Considering these multi-dimensional insights, Waterdrop's existing business model fits well in both markets but requires slight adaptations due to cultural and consumer richness and different business etiquette. Japan is the more mature market with a 2.4 times more significant population and the largest metropolitan area in the World, namely Tokyo, accounting for €37.3 million inhabitants. Further, even though Korea has a higher density, its topography of 70% mountains poses a real risk for distribution as a key activity of Waterdrop's business model. In terms of politics, both markets are favorable for the Austrian start-up. Japan has slightly better conditions because of its political stability and lower corruption. Due to monopolistic structures and other factors, the power of Korea's conglomerates may cause a significant risk to foreign start-ups.

Further, while Korea's culture is closer to China, Japan is much more 'westernized', making the Western brand easier to embrace/adopt and more accessible to the people. Japanese Tech-savvy consumers are conscious about their image, easily influenced by social media marketing, and generally open to international brands. However, Koreans are not only Tech- but also brand-savvy, appreciate the omnichannel presence of brands, and rely even more on social media, making it more attractive for Waterdrop as a well-established international brand with a critical focus on influencer marketing. Health trends and environmentally conscious purchase decisions are also becoming more present in both markets. Interpretation hence effects of brand

loyalty on Waterdrop remains unclear as it is contrary for both countries and might pose chances as well as risks for both sides.

Additionally, both countries will face similar economic challenges shortly because of geopolitical and economic circumstances. Therefore, Waterdrop needs to consider other variables to choose the future-oriented market. Digital affinity and openness of smart sustainability solutions, for example, will be a crucial success factor for Waterdrop. Japan finds itself still transitioning towards digitalization and sustainable acceptance, however, with a great growth outlook. At the same time, South Korea emerged and accelerated in progress toward online purchasing and conscious purchasing behavior.

In the end, the benefits of expanding to Japan still outweigh South Korea as an alternative. Japan as an economy is an innovation powerhouse, and its business culture prioritizes building a powerful long-term relationship, which is in the interest of Waterdrop. Further, Japan has the 3rd-largest economy globally and urban hubs like Tokyo with many people to target. Hence Waterdrop has a tremendous growth prospect of becoming a global hydration specialist. If Waterdrop achieves to understand the Japanese market with its rich culture and demanding consumers, the venture will succeed.

3 Entry Mode Strategy

Companies seeking expansion to a foreign market can enter them through different entry modes, such as direct exports, licensing, strategic alliances, joint ventures and foreign direct investments (FDI). The latter involves, for instance, wholly owned subsidiaries or full acquisitions. In order to manage activities connected to internationalization effectively, firms need to establish an appropriate organizational structure (Anderson and Gatignon 1986).

For internationalizing corporations, the choice of how to enter a foreign market is of core strategic importance. Eventually, it determines the degree to which a company has to commit

its resources to a target country, the risks a company faces in the foreign market, and the level of control a company obtains in its overseas operations (Sanchez-Peinado, Pla-Barber, and Hébert 2007; Hill, Hwang, and Kim 1990; Hill and Kim 1988; Anderson and Gatignon 1986). While it is often costly and time-consuming for corporates to reconfigure their entry mode halfway along execution, finding a suitable concept right away likely leverages a company's strategic performance (Nakos and Brouthers 2002; León-Darder, Villar-García, and Pla-Barber 2011; Lu and Beamish 2001).

3.1 Identification and Definition of Different Entry Modes

What range of options does a company have when entering a new market? How can companies like Waterdrop identify the best option for entering their target country? The decision process of choosing an appropriate market entry mode is regularly addressed in international business research (Pla-Barber, León-Darder, and Villar 2011; Werner 2002). Predominantly, the literature on market entry mode options reflects on multinational enterprises (MNEs). Though small and medium sized enterprises (SMEs) like Waterdrop have got distinctive characteristics which likely shape entry mode decisions in terms of the scope of resource commitment, risk exposure and operational control (Lin and Ho 2019). Therefore, after identifying and distinguishing the individual entry modes, special attention is paid to Waterdrop's specific situation in line with its strategy pursued up until the present day.

3.1.1 Exporting

The first entry mode under investigation is 'exporting', for which a distinction can be made between direct and indirect exports. In general, exporting is described as the process of sending domestically produced goods and services to another country. It often is the first step towards internationalization for companies as no FDI is required (de Kluyver 2010). Indirect exporting means to outsource all activities related to transportation and sales that are to happen outside

the company's home market. In this case, the company willing to sell its products abroad signs a contractual agreement with an intermediary, like an export management or trading company. This intermediary then receives the goods to be exported and takes care of all export activities starting directly from the domestic market (Choudhary 2022). In contrast, direct exporting means to keep control over the transportation of goods to another country. It also involves a contractual agreement with an intermediary, although at a later stage of the distribution chain (Taylor, Zou, and Osland 2000). Once the goods arrive at the target market, distributors or agents that are familiar with the local market conditions carry out all subsequent value chain operations (Thuri 2022).

Relative to other entry modes, exporting is characterized by a low risk level due to a high degree of flexibility and comparatively lower levels of committed resources. However, exporting includes significant transportation charges and limited control over the marketing and sales of products in the target country. Furthermore, the intermediaries must be paid for a variety of services. Another downside for exporters is the lack of knowledge about the market in which their products are sold. There is little to no influence in securing or even enhancing the company's competitive position. Also, there are obstacles in case a company is willing to customize its products and services in order to align them with the local consumer's tastes and preferences (Choudhary 2022; Thuri 2022).

As seen for other market entries, such as Waterdrop's recent expansion to Singapore, the company does not usually pursue a sole exporting strategy. Waterdrop is eager to gain market specific knowledge and constantly adjust its offerings to local customer's peculiarities. In fact, it takes ownership of its marketing activities in every country that is newly addressed. However, Waterdrop has its production facilities located in Germany. Before demand in the APAC region justifies the set-up of new production sites, Waterdrop would likely ship its goods to Japan first. For the transportation of goods, it is advisable to rely on an external logistics company as to

make use of its expertise. In this case, the clear advantage for Waterdrop is the size of its products that are small and light weighted. One standard pack of its microdrinks, including a total of 12 flavored cubes, weighs around 60g and has the approximate dimensions of 0.000043m^3 (Braemer 2017; Amazon 2022). A 40-foot container has the dimensions of 67.7m^3 , which means it can fit over 1.574 million microdrink packages (Holloway 2021). The total price for shipping one container to Japan, including possible custom duties, container inspection fees, delivery charges and insurance, varies between €3,775 and €6,606 (Townsend 2021; Twill 2022; Searates 2022). This increases the cost per unit by just €0.0024 - €0.0042, which is an insignificant surcharge to the premium prices that Waterdrop demands (Waterdrop 2022c).

3.1.2 Licensing and Contract Manufacturing

The second entry mode in the spotlight is ‘licensing’. Concisely, licensing is the contractual authorization of a company operating in the target country to use proprietary knowledge of the licensor. Typically, licenses are issued for intangible assets like corporate brands, patents and manufacturing technology. In exchange for the usage right of the licensors property which in some cases also includes technical support, the licensee is charged a royalty (de Kluyver 2010). The scope of the license itself is subject to negotiations and might entail the exclusive right to produce a certain product (also ‘contract manufacturing’), to sell it in a certain market or both (Oakter 2022).

Since the licensor only has to undertake a small investment, licensing offers the chance to realise a high return on investment. However, the question remains whether or not profitability could be higher if manufacturing and marketing activities were to be kept inhouse. Depending on the scope of the license, yet again there is the disadvantage of not gaining sufficient experience and knowledge in the new market in which the products are to be sold. Licensing is characterized by a comparatively low resource commitment (de Kluyver 2010). There is moderate flexibility as changing licensee’s terms and conditions or switching to another entails

set-up costs and time constraints. Control over operations is inhibited and the licensor needs to carefully weigh up whether it is wise to give away insights on intellectual property for the sake of a time-limited agreement (Master Class 2022c). To some extent, the licensor is exposed to the risk of product imitation and copying of best practices as well as success formulas (Gaille 2018). Nonetheless, by following a licensing strategy, internationalizing corporations are often able to increase their speed of expansion significantly. In terms of capital employed, it is certainly advantageous that the main costs are borne by the licensee (Miller 2022). Additionally, an often-cited reason for entering new countries by licensing agreements is when the target market is not accessible by export from existing facilities due to capacity reasons (Nakra 2006). Another common reason is to enter markets that are otherwise protected by trade restrictions (Shopify 2022).

In 2019, the European Union and Japan signed a comprehensive Economic Partnership Agreement by which trade barriers, including more than 97% of all tariffs, were removed (European Commission 2022a). The elimination of duties widely covers prepared foodstuffs and flavored beverages, according to the European Commission's list of custom-free goods (European Commission 2022c; 2019). Therefore, it does not seem necessary for Waterdrop to enter into a licensing agreement for the sole purpose of circumventing trade restrictions.

Moreover, Waterdrop is unlikely to face production-related capacity issues in the first years of market entry. Although the company does not publicly disclose its current maximum production capabilities, several factors indicate that its capacity in the domestic market is sufficient. For instance, as mentioned in the last chapter, the production of Waterdrop remained in Germany, even with the other expansions to the US and Singapore. Furthermore, unlike many other companies, Waterdrop is able to produce cost-effectively in stock, which gives the company greater room for manoeuvre. Its best-selling microcubes are not only small, which makes expenses for storage space bearable, but also have a shelf life of about one year (Deutscher

Fachverlag GmbH 2021). Accordingly, production does not have to adjust to demand on a day-to-day basis. Altogether, Waterdrop does not seem to be dependent on contract manufacturing for capacity reasons.

Though it seems tempting to accelerate expansion while keeping own resource commitment to a minimum, Waterdrop would not be able to gain knowledge about the Japanese market and its consumers if it was to out-license any of its operational activities. As the centrepiece of its distribution efforts, the company pursues a D2C sales strategy via its own website. Therefore, it seems the better deal to selectively enter local partnerships with established retailers when compared to handing out extensive and exclusive licenses. Not considering licensing as an option for market entry also protects Waterdrop's intellectual property, such as its product formulas and tech-inventions.

3.1.3 Strategic Alliances and Joint Ventures

The third and fourth entry modes in focus of analysis are joint ventures and strategic alliances, which have increased in popularity over the past decade (de Kluyver 2010). With regards to collaboration, the two instruments can take on quite different forms and degrees of intensity. The key difference between joint ventures and strategic alliances is the scope of commitment. In a joint venture, the collaborating companies form a new legal entity of which each company owns a share. Most common reasons for joint ventures are to make use of cost advantages as well as to create synergies by combining resources and expertise. Such collaborations frequently end in M&A transactions, if the venture bears fruit. That is not the case for an alliance in which the partners keep their independence while collaborating. Most common reasons for alliances are to co-specialize in a certain field by combining individual capabilities, to make use of learning opportunities and to form coalitions in order to achieve a mutually beneficial objective (Srivastav and Vaidya 2022; Patel 2022).

In general, companies that successfully negotiate their liaison are enabled to share both risks and resources needed to set foot in a market. Furthermore, it creates learning opportunities and might accelerate specific capabilities needed to gain competitive advantage. Although investment returns have to be split up in certain stipulations, alliances and joint ventures promise a moderate level of flexibility to a company when compared to a standalone FDI. On the downside, a company faces reduced control over its decision making. Moreover, incentives are not always aligned with the partner corporation which leaves room for moral hazard and opportunistic behaviour. As seen for the licensing agreements, there is again the thread of potential loss of proprietary knowledge. Additionally, performance ambiguity and cultural clashes might cause difficulties in the relationship between the involved parties (de Kluyver 2010; van Ballegooijen 2010; Bridgehead 2021).

Alliances and joint ventures tend to be successful when the collaborating companies' strategic objectives are aligned, but their competitive objectives are detached from one another. Studies also find that it is favourable when the companions' size and market share are insignificant compared to market leaders. Furthermore, it is beneficial if the partners can learn from each other but also limit access to their own proprietary knowledge (Lin and Ho 2019). The most important bilateral metrics to agree on in an equity-based alliance are the distribution of ownership, governance and control as well as the duration of the contract, pricing, sharing of technology and sum of resources deployed. External factors to consider are dependencies on local third parties like other companies or governmental authorities (de Kluyver 2010).

Since Waterdrop follows a blue ocean strategy by serving an entirely new category in the non-alcoholic beverages industry, the focus for cooperations lies on partnerships for product distribution, marketing and sales. Among the typical Japanese FMCG retailing channels like supermarkets, providers of vending machines and online D2C marketplaces (Statista 2022c; Research and Markets 2021), this would also include a closer look at potential partnerships with

unrelated businesses. These unrelated businesses should offer an opportunity for marketing the product in a brand-leveraging environment. As an example, one could think of an alliance with a luxurious Japanese hotel chain, in which Waterdrop's microdrinks are offered for each guest as a welcoming gift by default. Such alliances often yield high potential for marketing the product. However, to avoid exceeding the scope of this analysis, such unrelated partnerships will not be assessed in detail.

Japan accommodates only few competitors offering similar product attributes and benefits when compared to Waterdrop's. As assessed before, these products are sub-brands from big industry players like Kraft Foods, Nestlé and Dyla LLC and their product types (liquid enhancers and powder sticks) differ from Waterdrop's solid cubes (Modemann and Murray 2022; Dyla LLC 2022; Mordor Intelligence 2021b). However, even beyond the differences in terms of product type, there are several reasons that oppose the idea of partnering up with one of the before mentioned players. When compared to Waterdrop, the sheer size and therefore the volume of retrievable resources differs significantly. The large corporations do not depend on Waterdrop's financial involvement, neither do they strive for sharing operational control. Additionally, it is not in the interest of Waterdrop to threaten its intellectual property. Furthermore, all R&D driven alliances, if any, are more likely to take place in the company's home market where Waterdrop has located its production plants and engineers team (Modemann and Murray 2022).

3.1.4 Foreign Direct Investments

Lastly, the entry modes ensuring the most control over foreign operations, but also requiring the highest resource commitment are FDIs including acquisitions and wholly owned subsidiaries (de Kluyver 2010). FDIs involve direct ownership of properties in the new market, which in consequence leads to the transfer of capital, technology and employees (Lin and Ho 2019). One of the central advantages of FDIs is the proximity to consumers and competition,

enabling the expanding company to gain specific knowledge and fully focus on local business habits, consumer preferences and market opportunities. As for all equity-intensive investments and due to the required strong level of commitment, the risk level for this entry mode is high (Research FDI 2021). Although acquisitions promise a faster market entry due to pre-existing market knowledge and administrative contacts, wholly-owned subsidiaries are often considered the prioritized option. Especially in the case when no suitable candidate can be identified for purchase or if options for the market entry are limited due to scarcity of resources (de Kluyver 2010; Research FDI 2021).

Waterdrop produces and offers innovative products that are new to the conventional beverages market, which means there is a lack of suitable candidates. Moreover, it currently follows a rapid expansion strategy and did not acquire any companies when entering new markets like the USA or Singapore in the past. Although the six years old company is funded for further expansion with €60m in its Series B funding (Waterdrop 2022f; Modemann and Murray 2022), an acquisition is regarded as too costly and resource intensive. For those reasons, the focus of the following analysis will lie on investigating benefits and downsides of FDIs in the form of wholly owned subsidiaries rather than M&A.

3.2 Entry Mode and Strategic Approach

There is always a trade-off in deciding at what pace a firm is to enter a target country. If a corporation decides to follow a conservative strategy and goes in slowly in order to minimize risk and reduce resource commitment, it might get outpaced by its competitors (Harvard Business Review 2021). This is true even for products that are new to the market like Waterdrop's flavoured micro-cubes if thinking of rapid product adaptations and imitations. On the other hand, a company could choose to enter a target country more aggressively and quickly to gain market share and maximize investment returns right from the beginning. However, the resource commitment in this case is high, as is the risk of failure due to a lack of experience-

based knowledge. In other words, it can be costly if pre-conceptualized assumptions about the market turn out to be misled and if there is no time to adjust misconceptions. It requires careful analysis and planning to identify the right strategy and to reduce opportunity costs to a minimum (Sang and Ulrich 2021; E. Scott and Stern 2018).

3.2.1 Internal and External Factors

There are internal and external factors that influence a company's choice of entry mode. Important internal factors to investigate are company size, international experience, product complexity and competitive strategy. As for external factors, important metrics are socio-cultural distance, demand uncertainty, trade barriers and intensity of competition (Ravelomanana et al. 2015; Hollensen 2001).

A company's size is often a direct reflection of its competitive advantage. This is given the fact that the bigger the size of a solvent company, the more resources it has available. Financial capital, human capital, properties and technological capabilities are just a few examples of such resources that can be identified as 'enablers' for strategic objectives (Wernerfelt 1984). The same applies to the scope and methodology of international market entries, as a large company size indicates a company's ability to cope with high expenses and risks (Ekeledo and Sivakumar 1998). Waterdrop expects its revenues to reach €153m in 2022, which is why the company can be categorized as a medium sized enterprise (Gartner 2022; Hüfner 2022). It accommodates around 250 employees. As shown in the company situation analysis, its operating cash flow allows running Waterdrop's core markets. Furthermore, Waterdrop can be classified as tech-driven due to its D2C online sales channel and focus on business analytics.

The degree to which a company already owns international experience has been found to also influence entry mode decisions. An intuitive rule applies: the less international experience a company has, the more difficulties occur in managing activities abroad (Agarwal and

Ramaswami 1992). Experienced companies gained knowledge in planning and executing their expansion projects according to self-set standards. This way, it is easier to choose a strategy by which to enter and to use methods that yield high potential for profit maximization. Today, Waterdrop operates in 13 countries and opened up flagship stores in nine countries, of which seven are European and the other two are located in the USA and Singapore. Besides its headquarters in Vienna, it set up offices in the USA, Paris, London, Brno and Singapore (Tech Funding News 2022). All signs and strategic aspirations are for growth. The company is already well experienced in expansion projects and so far chose similar approaches to enter new markets, which will be analysed in the next chapter.

Product complexity often is of core importance, especially to corporations that are dependent on specialised suppliers or locally limited raw materials. Waterdrop's ingredients and materials are harvested both locally and around the globe, though not limited or rare. Due to the products' size, weight and durability, shipping to the consumer is carried out by the domestic post office in Waterdrop's home market (Ravelomanana et al. 2015; Hollensen 2001).

The competitive strategy of a company plays a key role in deciding upon an entry mode. According to Roxas (2008), SMEs should keep focus on product development and react to consumer preferences that were identified. Continued innovation is described as an important success factor for sustaining economic growth in SMEs (Howell 2005). Waterdrop does well in following the recommendation that can be derived from the beforementioned studies. The CEO announced to dedicate most recent fundings to both R&D to further improve and innovate products as well as to the company's expansion to untapped markets. With its omnichannel retailing approach, the company enables seamless transitions between the 'brick and mortar' flagship stores and its online presence (Modemann and Murray 2022).

The socio-cultural relationship between Japan and Waterdrop's home market is characterized by close economic, political, and intercultural ties. Nevertheless, the Japanese consumer differs significantly from a typical German or Austrian customer. As assessed before, Japanese consumers tend to be more emotionally connected to their preferred brands (Coopmann 2020). Companies like Coca-Cola primarily succeed due to marketing tactics that address Japanese preferences (Kersey 2022b; Verghese 2022). Also, trade barriers are widely removed due to the recently enacted trade agreement between Japan and the EU (European Commission 2019). There is intense competition in the non-alcoholic beverages market, though more direct competitors consist of sub-brands from large industry players (Mordor Intelligence 2021b). There is high demand uncertainty for Waterdrop. Though the market is expected to grow by 6.11% CAGR between 2022-2026, the company must evaluate iteratively and constantly adapt to how the Japanese consumer responds to its offerings (Statista 2022b; 2022c).

3.2.2 Desired Mode Characteristics and Entry Strategy

From Waterdrop's previous expansions, it can be observed that the company aims at high control of its foreign operations, while also keeping an eye on expenses and resource commitment. The company targets a rapid expansion to multiple markets, at the same time following entry strategies that allow for a slow but steady increase in number of customers. For its entry mode strategy, Waterdrop should make use of the expertise it gained from previous expansions. Taking into account all factors of the conducted analysis, it appears evident that a mix of entry modes is best suited for the company (Bryce and Dyer 2007).

In order to set foot in the Japanese market, Waterdrop should import its products from Germany, where its production sites are located. This way, the company can better adapt to customer's demand in its own pace. The additional unit costs of €0.0024 - €0.0042 for the shipping of goods are moderate and to disregard the set-up of manufacturing sites in Japan also yields the advantage of less capital being employed.

By opening up its own legal entity in Japan, Waterdrop could take over full control of local operations, establish relevant business relations and gain significant market knowledge as well as insights on customers (HLS Japan 2022). This wholly owned solution enables Waterdrop to open up an office and employ a country manager with pre-existing expertise for the Japanese market. Furthermore, the company is able to launch its own domestic D2C sales channel by setting up a dedicated website. In parallel, a central warehouse needs to be set-up from where Waterdrop's products are shipped in cooperation with the local post office.

Waterdrop should also consider negotiating terms with local retailers. Apart from supermarkets that have the highest share in non-alcoholic beverages sales, vending machines and convenience stores come in second and third respectively. The popularity of vending machines in Japan is exceptional and yields the highest per capita penetration worldwide (Martin 2022).

As not only seen for the latest expansion to Singapore, Waterdrop's other foreign subsidiaries promoted the company's offerings by opening up flagship stores in busy city centres. Although comparatively small in size, these stores are equipped with high quality interior. This is despite the fact that the majority of turnover is typically generated through D2C online sales. The idea behind flagship stores in selected locations like large shopping malls is to gain even more insights on consumer preferences as well as to evaluate the acceptance level of new products. This is especially valuable to Waterdrop because its offerings are new and unconventional to the market, meaning the company's products require higher marketing efforts in order to educate and engage with consumers.

4 Key Takeaways

Over the past six years, the Austrian start-up Waterdrop matured as an enterprise that found its niche in the non-alcoholic beverages industry. By now, the company entered a total of 13 markets, including its latest expansions to the US and Singapore. The latter serves as a strategic

landing point for the greater APAC region, which provides a variety of fast-growing markets, rising middle class consumers, but also well-advanced economies.

4.1 Main Findings

In order to identify the most promising market in Asia, a total of 56 countries were assessed by comparing and evaluating several key indicators that are crucial to the success of Waterdrop's business model. Japan and South Korea emerged as the most promising markets for Waterdrop, as these two countries are characterized by a strong e-commerce sector, high middle income and excellent infrastructural conditions, among other factors. All these facets are favorable for Waterdrop as its main distribution channel is D2C online retail and the company's products are sold at a premium price. The subsequent in-depth country analysis revealed Japan as the best suited option for expansion, driven by its 2.4 times greater population size, the country's larger metropolitan areas and an estimated market sales potential of €26.2bn, outperforming the assumption for South Korea by factor 3.5.

The Japanese non-alcoholic beverage market represents prosperous growth projections in the upcoming years, underlined through several aspects, including the consistent upward trend in average annual household expenditures for non-alcoholic beverages, especially soft drinks. However, the Japanese market entry has numerous challenges for Waterdrop. In line with the global competition same accounts for the local segment; a few major players, including Coca-Cola and Suntory, dominate the market. Apart from supermarkets with the most significant sales shares, vending machines and online shopping are worth considerable channels when selling beverages locally. Hence the choice of the right distribution channels, as well as advertising measures, are crucial factors, especially in Japan due to its unique market structure that completely differs from the Western norm. Since most players introduce localized products specifically catered to Japanese preferences, Waterdrop must equally differentiate its existing business formula by adjusting to local peculiarities in taste, channels, advertising, and Co.

The customer segmentation analysis illustrates that due to Japan's increasingly aging population, Waterdrop needs to target a wider range of customers when compared to its current focus in other markets. However, Japanese consumers tend to have a similar set of values, including high standards for quality, a relative price sensitivity, a strong desire for convenience, and an increased demand for health-enhancing solutions. Furthermore, Japanese consumers are less concerned about sustainability factors compared to its European peers. For this reason, Waterdrop's positioning needs to focus on certain brand pillars that address the persuasive boundaries of the Japanese customer segments; namely, the health advantages of hydration and the convenience of the company's consumption and tech solutions. Waterdrop can achieve this by following an omnichannel approach. The company should follow marketing strategies that align aesthetics, preferences, salience, and brand recognition with cultural views. Thus, it is crucial to place the products as straightforward goods that offer high value and emphasize on health benefits while creating engaging local content to attract the key target segments.

From Waterdrop's previous expansions, it can be observed that the company aims at high control of its foreign operations, while also keeping an eye on expenses and resource commitment. As could be derived from the analysis, a tailored mix of entry modes seems best suited for Waterdrop. The company should make use of its existing go-to market practices and tactics that it applied for its other foreign market activities. The production should remain in Germany as the exporting of goods to Japan yields only marginal additional unit costs. Subsequent to this, it is advisable to establish a new subsidiary in Japan in order to take ownership of local operations. The Japanese office can be led by a country manager that is pre-experienced in the market. Waterdrop can offer D2C sales through its own domestic website and open up a flagship store to market its products and gain knowledge about the Japanese consumer.

4.2 Limitations

Since mentioning and referring to previous research studies is the core of a literature review, these prior studies serve as the theoretical basis for any analysis (Webster and Watson 2002). However, due to the nature of this report exploring an international expansion plan for a young start-up, there is a lack of previous studies on Waterdrop as a company specifically. Even though the team managed to establish direct contact to Waterdrop via e-mail correspondence, the insights hoped for were missing important details because of the company's disclosure guidelines. This refers especially to precise financial and cost related data, which was foremost taken from sources that are publicly available. For this reason, it was partly necessary to rely on plausible assumptions. Furthermore, there is a lack of own focused market research in the form of primary research. Hence, numbers, figures and data might be slightly outdated, though the most recent available sources were taken. Furthermore, the research mainly focused on Waterdrop's micro supplement offerings as to account for the company's core product and also to avoid exceeding the scope of this analysis.

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Appendix

1. Quantitative country selection: Screenshot of excel sheet

Access entire excel sheet [here](#).

Title	Market size		Market intensity		Market Resiliency		Commercial Infrastructure		Sustainability		Country risk	
	Population	GDP	Market Growth Rate	Market Intensity	Market Resiliency	Commercial Infrastructure	Sustainability	Country risk	Market Resiliency	Commercial Infrastructure	Sustainability	Country risk
Year	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022
China	1,412,610,000	1,458,240,000	5.2%	100	100	100	100	100	100	100	100	100
United States	331,940,000	334,920,000	0.9%	95	95	95	95	95	95	95	95	95
Germany	83,200,000	83,200,000	0.0%	85	85	85	85	85	85	85	85	85
France	67,400,000	67,400,000	0.0%	80	80	80	80	80	80	80	80	80
India	1,380,000,000	1,420,000,000	2.9%	75	75	75	75	75	75	75	75	75
Japan	125,800,000	125,800,000	-0.3%	70	70	70	70	70	70	70	70	70
South Korea	51,700,000	51,700,000	0.1%	65	65	65	65	65	65	65	65	65
UK	67,000,000	67,000,000	0.0%	60	60	60	60	60	60	60	60	60
Canada	38,000,000	38,000,000	0.0%	55	55	55	55	55	55	55	55	55
Italy	60,000,000	60,000,000	-0.1%	50	50	50	50	50	50	50	50	50
Spain	46,000,000	46,000,000	-0.1%	45	45	45	45	45	45	45	45	45
Brazil	215,000,000	215,000,000	1.0%	40	40	40	40	40	40	40	40	40
Mexico	130,000,000	130,000,000	0.5%	35	35	35	35	35	35	35	35	35
Indonesia	275,000,000	275,000,000	1.2%	30	30	30	30	30	30	30	30	30
Russia	146,000,000	146,000,000	0.0%	25	25	25	25	25	25	25	25	25
South Africa	60,000,000	60,000,000	0.0%	20	20	20	20	20	20	20	20	20
India (continued)	1,420,000,000	1,450,000,000	2.9%	75	75	75	75	75	75	75	75	75
China (continued)	1,450,000,000	1,480,000,000	2.1%	100	100	100	100	100	100	100	100	100
USA (continued)	335,000,000	338,000,000	0.9%	95	95	95	95	95	95	95	95	95
Germany (continued)	83,200,000	83,200,000	0.0%	85	85	85	85	85	85	85	85	85
France (continued)	67,400,000	67,400,000	0.0%	80	80	80	80	80	80	80	80	80
India (continued)	1,420,000,000	1,450,000,000	2.9%	75	75	75	75	75	75	75	75	75
Japan (continued)	125,800,000	125,800,000	-0.3%	70	70	70	70	70	70	70	70	70
South Korea (continued)	51,700,000	51,700,000	0.1%	65	65	65	65	65	65	65	65	65
UK (continued)	67,000,000	67,000,000	0.0%	60	60	60	60	60	60	60	60	60
Canada (continued)	38,000,000	38,000,000	0.0%	55	55	55	55	55	55	55	55	55
Italy (continued)	60,000,000	60,000,000	-0.1%	50	50	50	50	50	50	50	50	50
Spain (continued)	46,000,000	46,000,000	-0.1%	45	45	45	45	45	45	45	45	45
Brazil (continued)	215,000,000	215,000,000	1.0%	40	40	40	40	40	40	40	40	40
Mexico (continued)	130,000,000	130,000,000	0.5%	35	35	35	35	35	35	35	35	35
Indonesia (continued)	275,000,000	275,000,000	1.2%	30	30	30	30	30	30	30	30	30
Russia (continued)	146,000,000	146,000,000	0.0%	25	25	25	25	25	25	25	25	25
South Africa (continued)	60,000,000	60,000,000	0.0%	20	20	20	20	20	20	20	20	20

2. Quantitative country selection: Variables' weighting

NR	CATEGORY	VARIABLES	RELATIVE WEIGHT COUNTRY RANKING
1	Market Size	Population Size total Population Size female, ages 25-50 E-commerce Retail Value	2.00 % 2.00 % 11.67 %
2	Market Growth Rate	Population Growth E-commerce Growth GDP per Capita Growth	1.67 % 8.33 % 2.50 %
3	Market Intensity	Median Household Income E-commerce Retail Value per Capita GDP per Capita Population Density Population in Cities > 1 million Gini coefficient	11.67 % 4.00 % 2.50 % 1.25 % 1.25 % 1.67 %
4	Market Receptivity	Ease of Doing Business Cost to Import, border compliance Global Innovation Index	8.33 % 2.50 % 4.00 %
5	Commercial Infrastructure	Individuals using the Internet Logistic Performance Index Water consumption vs availability Access to purified drinking water	8.33 % 2.50 % 2.50 % 11.67 %
6	Standard of Living	Consumer Price Index Human Development Index Environmental Performance Index	1.67 % 2.00 % 2.00 %
7	Country Risk	Political Risk Rating Business Freedom Economic Freedom Index	1.33 % 1.33 % 1.33 %

3. Quantitative country selection: Final ranking

COUNTRY RANKING	
1.	South Korea
2.	Japan
3.	UAE
4.	Hong Kong
5.	China

4. Mail correspondence with Waterdrop

Hi Finn,

ich habe gestern folgenden Input von unserem CEO erhalten:

Wir rechnen für Singapur mit nächstem Jahr mit Umsätzen von 1.5 Mio Singapur Dollar und im Jahr 2024 mit 4 Mio Singapur Dollar. 80% der Umsätze werden voraussichtlich aus online Sales und 20% aus den eigenen Stores generiert.

Ich hoffe diese Infos helfen euch entsprechend weiter und wünsche euch viel Erfolg weiterhin bei eurer Arbeit!

Schickt uns dann gerne die finale Version :-)

Liebe Grüße
Julia



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English translation:

'Hi Finn,

I received the following input from our CEO yesterday:

We expect Singapore sales of 1.5 million Singapore dollars next year and 4 million Singapore dollars in 2024. 80% of the sales are expected to be generated from online sales and 20% from our own stores.

I hope this information helps you and I wish you continued success in your work!

Feel free to send us the final version :-)

Kind regards
Julia'