

A Work Project, presented as part of the requirements for the Award of a Master Degree in Management from the NOVA – School of Business and Economics.

ANALYSIS AND EVALUATION OF GROWTH POSSIBILITIES FOR THE COMPANY
POP SOLUTIONS GROUP

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January 6th, 2017

Abstract

POP Solutions Group is a Belgian medium-sized point-of-sales display producer, which offers its customers an all-in-one solution for marketing, designing, producing of POS activities and analyzing consumer behavior. Due to the relatively saturated market and customers in Belgium, the company considers two possibilities to grow: customer diversification or internationalization. A detailed analysis of the possibilities has been conducted and concluded in a recommendation of internationalization within the European Union. A scoring model, based on carefully selected criteria concluded that Germany would be the fitting market for an internationalization, keeping in mind POP's business model, most attractive industries, and potential risks.

Key Words: internationalization, customer diversification, MNEs, SMEs

Acknowledgments: I would like to express my gratitude to my professor Luís Rodriguez for his support and understanding throughout the process of writing this work project. Furthermore, I would like to thank POP Solutions Group for trusting me with their visions and the outcome of this thesis. Special thanks to my friends here in Lisbon, my dearest LXModels, who made this time an unforgettable experience. Last but not least, my deepest appreciation for my family, who always supported me and guided me on my way.

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I. Introduction

Seventy percent of a customer's purchasing decision is made in front of a shelf. Therefore, the importance of point-of-sales displays is inevitable. These displays help to guide the customer and can also deliver valuable information about the client's behavior to the producer of the goods (Nielsen, 2015). POP Solutions Group (POP) is a Belgian designer and manufacturer of point-of-sales displays. POP is highly successful in its home market, however, due to a saturated market with the company's existing customer base (mainly MNEs), POP would like to explore its growth possibilities for the future. The company determined two options from the beginning: customer diversification in Belgium or internationalization in the EU. Therefore, the purpose of this work project is to analyze both possibilities according to their business fit for POP and provide a recommendation. After presenting the reader with an overview of the company, the existing literature, and the most attractive industries for POP, the two visions will be analyzed. First, the potential of the Belgian market for customer diversification is assessed and second, a country selection for potential internationalization will be conducted. The conclusion will present the recommendation and propose first steps for undertaking the suggested growth possibility. Due to the limited scope of the work project, financial indicators and financial constraints of the company for possible growth opportunities have not been taken into consideration.

II. Methodology

Primary and secondary research has been conducted to obtain data for this work project. The secondary research of this paper is based on the existing literature regarding the internationalization process of companies, small- and medium-sized enterprises and the point-of-sales market. Moreover, various data banks, for example, Worldbank, IMF, etc. have been consulted to guarantee a profound analysis. The primary research, which consists of in-depth interviews with the CEO of POP Solutions, Mr. John Morent, and other personnel of POP

Solutions, is being analyzed and brought into the context of the possible expansion strategies for POP Solutions Group.

III. About POP Solutions Group

3.1. Company and Product Overview

POP Solutions Group (short POP) is a marketing company based in Nivelles, Belgium, which is specialized in point-of-sales (POS) promotional materials. The company is divided into POP Solutions and POP Factory, while the latter consists of POP Permanent (metal and plastic) and POP Promotional (cardboard and printing). POP Solutions Group is the only company known in Europe, which offers all marketing solutions under one roof: designing and the production of POS advertisement with different materials. The company was founded in 2007, when John Morent bought the factory and additionally, founded the marketing agency POP Solutions to guarantee the customer a point-of-sales communication from design to production. The company has been growing organically and through acquisitions to better serve its customers' needs.

The company's client base is located in the Belgian, Dutch and French market. 95% of POP Solutions Group's customers are multinational enterprises (MNE), which are operating in the Benelux market. The company serves clients in various industries, such as automotive, fast moving consumer goods and pharmaceutical products. Examples of POP Solutions Group's customers include Beiersdorf, Nestle, Johnson & Johnson and Skoda (POP Solutions Group Marketing Presentation, 2015).

	Pop Solutions	Pop Design	Pop Communications	Pop Media Instore	Pop Gifts	Pop Merchandising	Pop Factory	Pop Permanent	Pop Metal	Overall
Sales	3.968.180	490.549	226.066	357.670	1.646.725	16.814	9.287.312	2.297.462	1.199.900	19.490.678
Cost of Sales	2.617.246	170.495	131.541	270.981	1.243.741	10.407	4.916.760	1.783.477	349.052	11.493.700
EBITDA	133.985	42.807	78.459	-23.271	41.349	5.139	1.414.329	169.817	115.911	1.978.524
% of EBITDA	6,8%	2,2%	4,0%	-1,2%	2,1%	0,3%	71,5%	8,6%	5,9%	100,0%

*Figure 1: EBITDA distribution
(POP Solutions Group Synthèse, 2015)*

POP exhibits a sales growth of 6%-10% per year, which is also reflected in its growing EBITDA, which was €1,978,524 in 2015. As it can be seen in the detailed distribution of the

EBITDA of POP in Figure 1, 71.5% of the company’s revenue derives from POP Factory, followed by POP Solutions with 6.8% (POP Solutions Group Synthèse, 2015).

The company produces a variety of products for point-of-sales activities and additionally, offers services such as merchandising, gifts, design and the planning of marketing activities. POP Solutions Group combines the shopper and retail approach in a single point-of-sale strategy, which aims to deliver the best results for the client. Figure 2 illustrates an overview of POP’s products and services. For further information and examples of the services and products POP Solutions Group, please see Appendix 1-7.

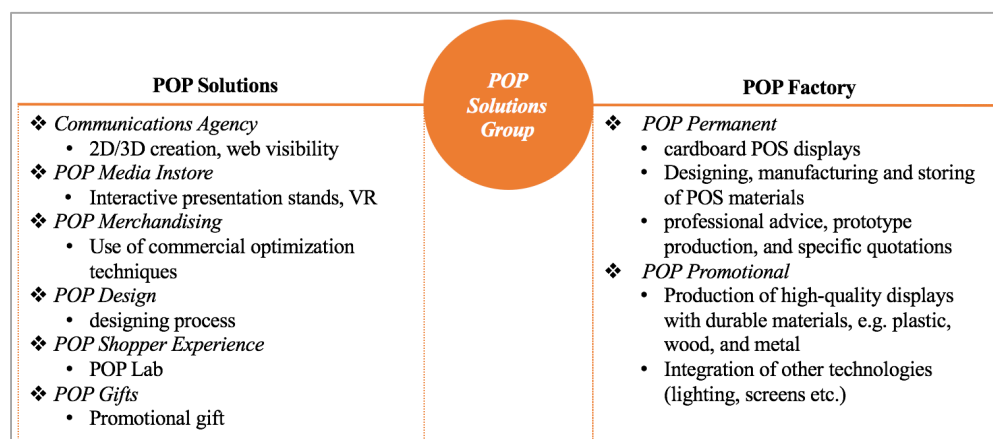


Figure 2: POP Solutions Group services and products (POP Solutions Group Website, 2016 [accessed November 20th], own elaboration)

POP Solutions Group is the only company in Europe, which offers the all-in-one-solution of designing and producing POS displays and furthermore, consumer behavior analyses, gifts and shopper experiences. Therefore, it can be said, that the company is situated in a so-called “Blue Ocean” (please see Appendix 8 for further explanation on Blue Ocean theory).

3.2. SWOT Analysis

The SWOT analysis of POP Solutions Group is illustrated in Figure 3 and was composed through interviews with POP Solutions Group employees and further research. The company exhibits a variety of strengths, however, also some significant weaknesses.

POP Solutions Group has a strong and loyal customer base in its home market Belgium. As mentioned above in “3.1. Company and Product Overview”, various multinational enterprises

use the services and production facilities of the enterprise and have long-time contracts with POP Solutions Group. The range of solutions (marketing agency, metal, plastic, etc.) can also be stated as a strength of the company since it is the only company which provides this kind of service and production.

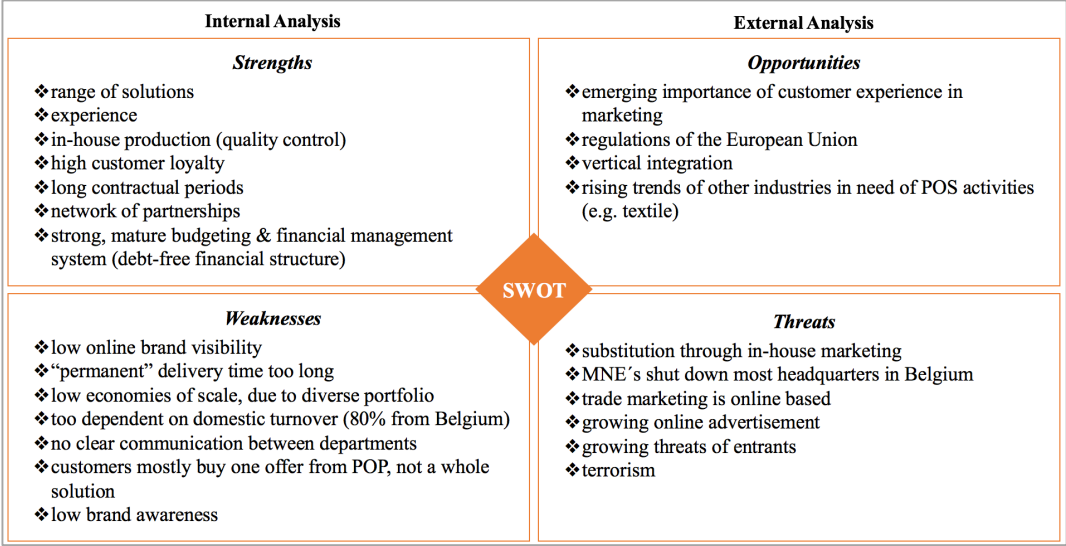


Figure 3: SWOT Analysis

(Interview J. Morent, 2016, own elaboration and analysis of the market)

Additionally, POP Solutions Group exhibits a strong and mature budgeting and financial management system. The growth rate of the company, which lays between 6%-10% per year and its debt-free financial structure allows the company to grow and expand into further markets or to focus on new customer bases. With its experience and its customer loyalty, the company has been able to form a strong network of partnerships in its location Brussels and the whole of Belgium.

The internal analysis showed that POP Solutions Group is demonstrating various weaknesses. They include a low online brand visibility and a low brand awareness in general, a long delivery time for the permanents and a high dependency on the domestic market since 80% of the company’s turnover is coming from Belgium. Furthermore, there is a lack of clear communication between the departments, which leads to the problem that customers are mostly buying one offer from POP Solutions Group and do not utilize every service the

company provides. Especially, the missing communication between the departments could lead to internal constraints for internationalization and expansion.

While conducting the external part of the SWOT analysis, various possibilities for POP Solutions Group to use its strengths became apparent. First, point-of-sales activities are a rising trend in not only the consumer goods industry but are also increasing in e.g. textile and service sectors. Furthermore, the importance of customer experience in marketing is getting more important, and POP would be able to support companies in that matter. Additionally, the regulations of the European Union not only allow companies to do business all across Europe but also support cross-border relationships. Therefore, POP Solutions Group could evade the threat of closings of MNE headquarters in Belgium, and thus losing its customer by opening a subsidiary. Moreover, by expanding the business into additional countries, POP could become more independent from the Belgian market and also position the company with its all-in-one solution with potential new clients. By opening a subsidiary in another European country, POP could counteract the threats of growing competition in the market.

One might think that the “traditional” retail shopping might go “out-of-style” due to an increasing online presence and online retail of brands and supermarkets and should, therefore, be accounted as a threat. However, in the interview with Mr. John Morent and further analysis of trends in the retail business, this is very unlikely to happen. Big retail chains, such as Carrefour, have a high bargaining power and too many jobs are dependent on the retail business. Furthermore, as mentioned in *I. Introduction*, 70% of a customer’s buying decisions are made in front of a shelf. Therefore, the importance of offline retail businesses will not decrease in the future.

3.3. Assessment of POP Solutions Group organizational readiness for internationalization

With the assistance of the CORETM tool, the management of POP Solutions Group analyzed the company’s readiness for internationalization. The CORETM is a self-assessment tool and

consists of a set of questions on the dimensions competitive capabilities in the domestic market, commitment of the employees, motivation for going international, product readiness for a foreign market, skills, knowledge and resources within the company. The CORE™ is an important strategic tool, which helps a company to identify possible weaknesses and strengths in regards to internationalization. It was integrated into this work project to give the first estimation if the company and its products/services are ready for internationalization.

Dimension	Score	Rating
Competitive Capabilities in Domestic Market	77	Moderate
Motivation for Going International	75	Moderate
Commitment of Owners and Top Management	75-87	High
Product Readiness for Foreign Markets	56	Moderate
Skill, Knowledge, and Resources	79	Moderate
Experience and Training	54	Moderate
CORE	70-73	Moderate

The table above illustrates the result for POP Solutions Group and it estimates a moderate readiness for internationalization. Thus, the company scored “moderate” on most of the dimensions, expect for “high” in the dimension “Commitment of Owners and Top Management” (please see Appendix 9 for the detailed analysis). Therefore, POP Solutions Groups may engage in internationalization. Nonetheless, the company has to consider strengthening its position in certain areas, such as sales and distribution activity. Overall, the company illustrated various strengths, e.g. financial control systems, product lifecycle, risk reduction, long-term expansion, strategic emphasis, time and managerial commitment, access to external funds and stained resource commitment. Due to geographical proximity, the management of POP Solutions Group considers Europe as a starting point for the potential internationalization. A detailed analysis of this possibility will be conducted in Chapter VI.

IV. Literature Review

In the following chapter, existing literature about growth possibilities for companies will be analyzed, focusing on internationalization of companies, specifically of small- and medium-

sized enterprises (SMEs), and on customer diversification. Additionally, this chapter states a definition of point-of-sale (POS).

4.1. Growth Opportunities for Businesses

The following chapter reviews the literature on different growth opportunities for companies. Since POP Solutions Group would like to evaluate the possibilities of internationalization or customer diversification, the literature review will focus on these two options.

4.1.1. Internationalization

Internationalization can be explained by *the geographical expansion of economic activities over a national country's border*. Due to fast-changing conditions in the marketplace and in the economies of countries, not only multinational enterprises (MNEs) are forced to grow their businesses, but also SMEs are compelled to expand into further markets (Wilson, 2006). International business activities have been growing over the last years and concur with the broader phenomenon of the globalization of markets. The globalization of markets relates to the growing interdependency and economic integration of all countries worldwide. “While internationalization of the firm refers to the tendency of companies to systematically increase the international dimension of their business activities, globalization refers to a macro trend of intense economic interconnectedness between countries”. Both phenomena are associated with each other and globalization is the starting point of the internationalization of companies, products, technology, services and goods (Cavusgil et. al, 2012, p.4).

Companies can have different motives for internationalization, e.g. *intrinsic motives* derive from the yielding a company can gain when going international. Another reason would be *mixed motives*. This derives from competitiveness and positioning in the company's specific sector. The last kind of motive would be *extrinsic motives*. These refer to considerations regarding the home and the host country (van Tulder, 2015).

While considering internationalization companies have to keep the four main risks of internationalization in mind: cross-cultural risk, commercial risk, country risk and financial/currency risk. Please see Appendix 10 for a detailed explanation of each risk.

Internationalization can have different forms, e.g. franchising, export or a foreign direct investment. However, if POP Solutions Group should decide on internationalization, the company only considers a Foreign Direct Investment (FDI), more specifically a Greenfield Investment by opening a new subsidiary in a foreign country. Therefore, this thesis will not take other forms of internationalization into consideration. An FDI represents the ultimate stage of an internationalization and hence represents the broadest scope of a company's involvement in international business. It is a strategy in which a company establishes a physical presence abroad either through an acquisition of existing infrastructure (company, plants, etc.) or by opening a subsidiary (Cavusgil et. al, 2012, p.16/17).

Reasons for FDIs are mostly intrinsic motives and can, therefore, be divided in four different motives: (1) *resource-seeking motives* (access of particular resources at a lower cost, e.g. raw materials, technological or managerial know-how), (2) *market-seeking motives* (access to new markets, competing with key rivals in home market, following key customers/competitors), (3) *efficiency-seeking motives* (e.g. cost reduction, government incentives or trade barriers) or (4) *strategic-asset-seeking motives* (acquiring, e.g. new technologies) (Franco et. al, 2010).

An FDI is mostly associated with MNEs, due to the risks involved. These include high financial and resource commitment, substantial risk and uncertainty and, additionally, companies have to deal more intensively with cultural variables in the host country. However, there are also significant advantages in an FDI. Due to the local presence and operation, a company has a better position and more power over its businesses. Furthermore, in opening a subsidiary, a company has analyzed the target market thoroughly and concluded that this

market holds a specific competitive advantage for the company and its business. Therefore, the probability of success has been rated as highly likely.

While discussing Foreign Direct Investment, the nature of an FDI ownership has to be evaluated. There are three types of ownership: (1) *equity participation* (partial ownership of an existing firm), (2) *wholly owned direct investment* (investor fully owns the foreign assets) and (3) *equity joint venture* (a firm is created through the investment or pooling of assets by two or more firms that gain joint ownership of the new company) (Mani et. al, 2006).

When analyzing FDIs, vertical and horizontal integration also have to be taken into consideration. Vertical integration is an *arrangement whereby the firm owns, or seeks to own, multiple stages of a value chain for producing, selling, and delivering a product or service*, while a horizontal integration represents an *arrangement whereby the firm owns, or seeks to own, the activities performed in a single stage of its value chain* (Cavusgil et. al, 2012, p.409/411).

Due to the size of POP Solutions Group, this literature review includes the internationalization of SMEs and its implications for companies. In the European Union, the definition of a small- or medium-sized enterprise (SME) is a company with 250 or fewer employees. To operate outside of a company's home market and to go international requires commitment, resources, time, and specialized knowledge, which is why primarily large multinational companies tend to grow their businesses this way. However, even though it might seem like SMEs mainly face disadvantages compared to MNEs when it comes to international business, SMEs have the possibilities to succeed in internationalization. Smaller companies usually lack the substantial resources which allow them to minimize overhead or fixed investments. Further, SMEs tend to be more *innovative* and have a *shorter evaluation time* when it comes to implementing new technologies and ideas, and they adapt quicker to changing customer needs. Additionally, SMEs often succeed on private knowledge which

they produce and possess. Moreover, smaller companies can serve *niche markets*, which normally hold little to no interest for multinational companies (Lu et. al, 2001).

4.1.2. Customer Diversification

Another opportunity for a business to grow is by focusing its operations on a different customer base. Customer diversification means that a company offers the same or a similar product/service to a different client base.

Businesses that are less successful in their market should consider conducting a new customer segmentation. Successful companies could take their previous performed segmentation and refine it. This means, analyzing which products/services worked for which industry and then transfer it onto new possible customers.

Companies, which have to conduct a new client segmentation have to define new segmentation criteria to achieve the best results. These criteria could be, for example, company size, company revenue, buying behavior, etc. For each criterion, possible key features should be developed, e.g. the segmentation buying behavior could indicate a price-based or image-based buying behavior. Afterward, each criterion should be assessed for the fit of the company and accordingly prioritized. The criteria can then be summarized in segments. For new and refined customer segmentations, a particular set of key performance indicators (KPIs) for each segment has to be described to guarantee a measuring of business activities. Based on the collected data, the attractiveness of the segment has to be evaluated by its market (e.g. market with growth potential) and business fit (e.g. company with favorable position). After assessing the attractiveness for the company, the segments should be prioritized according to their potential. For the selected segments, the company has to develop customer development plans to use the potential of each segment entirely and to allocate the company's resources efficiently (Greiner & Lipps, 2015).

4.2. Point-of-Sale (POS)

“A point of sale (POS) is the place where sales are made.”

The point-of-sales for products and services is an important factor for marketers since consumers tend to make buying decisions on high-margin products or services on-site. For example, stores can have POS-activities for an individual customer or product groups, such as electronics, skincare, etc. Additionally, the format of POS can affect consumers in their purchasing behavior through flexible options and targeted advertisement (Investopedia, 2016).

V. Industry Analysis

Since POP Solutions Group is offering a unique service regarding its factory and communications agency, there is no unified industry analysis possible. Therefore, this work project focuses its research on the advertising and retail industry of Europe.

The definition of the advertising industry comprises agencies providing advertising, including display advertising and services. The European advertising industry has experienced a weak overall growth in recent years (2011-2015). A strong correlation between the GDP of a country and its advertising spending can be found since any potential economic downturn usually causes companies to cut back on marketing expenditure.

Total expenditures 2015	\$91 billion	Expected total expenditures 2020	\$107 billion
CAGR 2011-2015	1.6%	Expected Growth from 2015-2020	12.6%

Figure 4: Overview Advertising Expenditures in Europe 2015 (Statista, 2016 / own elaboration)

In 2015, the advertising industry in Europe had total expenditures of around \$91 billion (bn) and exhibited a compound annual growth rate (CAGR) of 1.6% between 2011 and 2015.

The United Kingdom, Germany, and France are accounting for the highest expenditures in the European advertising industry, with 24%, 19%, and 12% respectively (Statista, 2016). Please see Appendix 11 for detailed advertising spending of the Western European countries.

The advertising industry is predicted to experience a moderate growth rate for the forecasted period. The industry expenditures are expected to be \$107bn by the end of 2020, which indicates an increase of 12.6% since 2015. (Statista, 2016).

<i>Advertising expenditure per industry</i>		
1.	Food, Beverage & Personal/Healthcare	23.6%
2.	Retailer	14.5%
3.	Media & Communication	14%
4.	Automotive	11.1%
5.	Financial Services	8.8%
6.	Others	28%

Figure 5: Overview Advertising Expenditure 2015 (MarketLine 2016a / own elaboration)

The most lucrative market in advertising in 2015 has been the food, beverage, and personal/healthcare segment, followed by the retail segment (MarketLine, 2016a / Statista, 2016). For further details, please see Appendix 12.

Due to the scope of this work project, the further analysis will focus on these two industries, which are predicted to be the most profitable for POP's operations and are most likely to guarantee success for POP Solutions Group due to the expected high expenditures. Since the food, beverage and personal/healthcare segment and the retail segment make up nearly 40% of all advertising expenditures in Europe, these two will be the focus.

(I) The food and grocery retail market

Total expenditures 2015	\$1,900 billion	Expected total expenditures 2020	\$2,200 billion
CAGR 2011-2015	2.6%	Expected Growth from 2015-2020	15.7%

Figure 6: Overview Food&Grocery Retail Industry in Europe 2015 (Statista, 2016 / own elaboration)

The food and grocery retail market includes the retail sales of all food products, both packaged and unpackaged, as well as beverages, tobacco, and household products.

This industry has been growing at a steady rate in the past years, nonetheless, in some European countries the industry has been struggling to grow in recent years. However, some acceleration is expected in the growth forecast period.

In 2015, the European food and grocery retail industry had a total revenue of around \$1,900bn and represented a CAGR of 2.6% between 2011-2015. In comparison, the CAGRs

of the industries in the UK and Germany accounted for 2.1% and 2% respectively, reaching respective values of \$212bn and \$228bn in 2015.

The forecast anticipates an acceleration of the industry’s performance, with an estimated CAGR for the period 2015-2020 of 3%, which would indicate an industry value of \$2,200bn by the end of 2020. In the same period, the CAGR of the UK and Germany is expected to stand at 2.9% and 2.2% respectively, reaching respective values of \$245bn and \$254bn by 2020. Leading companies in this industry are Carrefour S.A., Lidl Dienstleistung GmbH & Co. KG, Metro AG and Tesco PLC (Marketline, 2016c). Please see Appendix 13 through 15 for further information on the market data, forecast, and market segmentation in the European food and grocery retail market.

France, Germany, and Italy account for the highest market values in the European food and grocery retail industry, with 15%, 12%, and 11% respectively.

(II) The personal product retail market

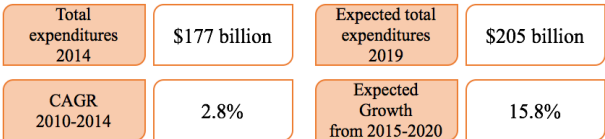


Figure 7: Overview Personal Product Retail Industry in Europe 2014 (MarketLine 2015 / own elaboration)

The personal product retail market consists of retail sales of hair- and skincare, make-up, personal and oral hygiene products, baby personal care, male toiletries, feminine care, etc. Between 2010 and 2014,

the personal product market in Europe grew moderately due to stagnant customer incomes and market saturation. However, until 2019, the market is expected to improve slightly.

In 2014, the market had total revenues of \$177bn and represented a CAGR of 2.8% in the period between 2010-2014. Comparatively, the UK market reached a value of \$21bn and grew with a CAGR of 2.6%, while the German market attained a value of \$29bn and grew with a CAGR of 1.4%. The CAGR for the forecast performance for the EU is anticipated to be 3% for the period 2014-2019, which indicates a market value of \$205bn by the end of

2019 and marks an increase of 15.9% since 2014. In comparison, the UK and German markets are expected to grow with CAGRs of 2.7% and 1.6% respectively and reach respective values of \$24bn and \$31bn by the end of 2019.

Germany, France, and the United Kingdom account for the industry's highest values with 16.2%, 13.1%, and 11.9% respectively. Including Italy and Spain, these five Western European countries make up 58% of the market value in Europe.

Leading companies in the personal products market are The Procter & Gamble Group (market share 12.3%), L'Oreal S.A. (9.8%), Unilever (4.7%) and Johnson&Johnson (4.5%) (Marketline, 2015a). Please see Appendix 16 through 18 for further information on the market data, forecast, and market segmentation in the European personal products retail market.

VI. Growth Opportunities for POP Solutions Group

The following chapter analyzes the two possible options for the expansion of POP Solutions Group. The company's business operations are very successful. However, it is operating in a rather saturated market regarding its operations with multinational enterprises as clients and would, therefore, like to expand into other business opportunities either abroad or other customer segments in the home market. The two visions were predefined by Mr. John Morent, CEO of POP Solutions Group, and the company. Since the company is not looking for further expansion into overseas markets, this thesis is focusing on possibilities in the European region.

6.1. Vision 1: Focus on domestic small- and medium-sized enterprises

As mentioned above, the market for POP Solutions Group regarding MNEs in Belgium is mostly saturated. Therefore, the company would like to assess the possibilities of offering its products and services to another customer group. For this vision, POP would like to analyze the small-and-medium-sized companies in Belgium and if there would be possibilities to penetrate this market with its current product portfolio. These kinds of businesses often do not

have the financial possibilities to hire different companies for their marketing activities. Additionally, SMEs tend not to have specific marketing departments, which plan and initiate marketing campaigns. This would leave two options for POP to capture this market: first, the company could only market individual parts of the business, e.g. only cardboard production or only the marketing agency, as it mostly does now with its existing customers. The second solution could be to supply special all-in-one solution offers for SMEs. These offers might have to be less expensive, which is something that has to be taken into consideration when choosing this vision.

To assess this vision, this work project will include an analysis of the SME market in Belgium, a market analysis of the relevant industries for POP and give a first recommendation on potential customers. Lastly, to estimate the difficulties, a risk analysis will be conducted.

6.1.1 Small and medium-sized enterprises in Belgium

As it can be seen in Figure 8, in 2013, small and medium-sized enterprises made up 99.85% of the Belgian economy. 94.3% were micro companies, which are characterized by 1-9 employees, followed by small businesses (10-49 employees) with 4.9% and lastly, medium-sized companies (50-249) with 0.7%. Multinational enterprises only made up 0.1% of the Belgian companies (OECD, p.131, 2016). However, due to very small sizes of micro-companies, this work project will only focus on small- and medium-sized companies.

By firm size		
Firm size (employees)	Number	%
All firms	560 659	100
SMEs (1-249)	559 842	99.85
Micro (1-9)	528 524	94.27
Small (10-49)	27 294	4.87
Medium (50-249)	4 024	0.72
Large (250+)	817	0.14

Note: Data includes financial enterprises with the exception of holding companies (ISIC Rev.4 sector 642).

Figure 8: Distribution of companies in Belgium 2013 (OECD, 2016)

The Federation of the Belgian Chamber of Commerce supports potential business opportunities between Belgian enterprises. It lists defending interests, service provision, and networking as its three key activities. Since POP has mainly business contacts with MNEs,

the chamber could help the company to network with potential SMEs, which would normally not be on the company’s radar (Belgian Chamber of Commerce, 2016).

6.1.2. Industry Analysis Belgium

(I) The advertising industry in Belgium

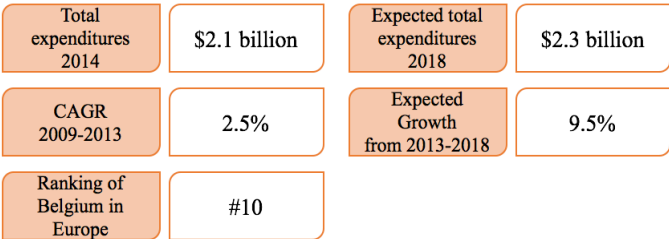


Figure 9: Overview advertising industry Belgium 2014 (MarketLine 2015 / own elaboration)

The advertising industry in Belgium exhibited a relatively low growth during 2009-2013, seeing a marginal decline in 2013. The forecast expects fluctuations in growth while the annual growth rate remains below 2.5%. In

2014, the advertising expenses in Belgium shrunk by 0.4% and generated total values of \$2.1 billion. Belgium accounts for 2.3% of the spending in the advertising industry and is ranked number 10 in Europe. The forecast of the advertising expenditures is anticipated to decelerate between 2013-18, leaving the industry value at \$2.3bn by the end of 2018 (Statista, 2016).

The food, beverage & personal/healthcare segment is the most lucrative segment in Belgium, as same as it is in whole Europe stated in *V. Industry Analysis*. This industry segment has a share in the expenses of 21.2% equivalent to an overall revenue of \$445 million (m). The second most lucrative is again the retail sector with overall revenues of \$370m and 17.6% of the aggregated industry value (MarketLine, 2014 / Statista, 2016).

(II) The food and grocery retail industry in Belgium

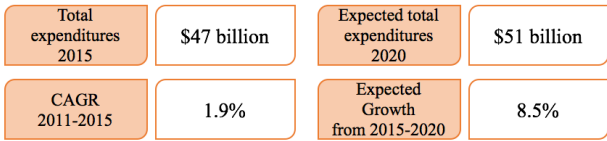


Figure 10: Overview food and grocery retail industry Belgium 2015 (MarketLine 2016d / own elaboration)

The food and grocery retail market in Belgium has been growing slowly over the last years, followed by moderate growth in 2014. The industry had total revenues of \$47bn in 2015 and a CAGR of 2.4%

between 2011-2015. For the period of 2015-2020, the anticipated CAGR is 1.9%, and it is expected to drive the industry’s value to \$51bn by the end of 2020 (MarketLine, 2016d).

(III) The personal care retail industry in Belgium

Total expenditures 2015	\$2.1 billion	Expected total expenditures 2019	\$2.3 billion
CAGR 2011-2015	9.9%	Expected Growth from 2015-2020	9.5%

Figure 11: Overview personal product retail industry Belgium 2015 (Euromonitor International, 2016a / own elaboration)

In 2015, the personal care industry generated \$2,1bn in revenues in the Belgian market, which indicates a growth of the industry with a CAGR of 9.9% from 2011-2015. The forecasted sales until the end of

2020 are expected to be \$2.3bn, which result from a CAGR of 10.5% between 2015-2020 (Euromonitor International, 2016a).

Following the analysis of the Belgian industries of advertising, food and grocery retail and personal product retail, it can be stated that the market is still attractive and favorable for POP Solutions Group’s business operations. Thus, the possibility to grow through customer diversification has potential and should not be neglected.

6.1.3. Porter’s 5 Forces Analysis for POP Solutions Group in Belgium

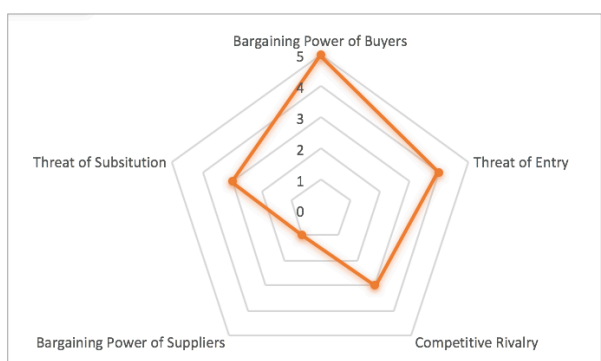


Figure 12 illustrates Porter’s 5 Forces Analysis for POP in the Belgian market. The table details the analysis.

Figure 12: Porter’s 5 Forces Analysis POP Solutions Group in Belgium (own elaboration)

Bargaining Power of Buyers <i>(high)</i>	<ul style="list-style-type: none"> ◆ buyers are well-informed about substitutes ◆ buyers have high negotiating power regarding contracts and conditions due to various companies and agencies ◆ the high amount of independent web developers
Threat of Entry <i>(moderately high)</i>	<ul style="list-style-type: none"> ◆ unregulated market ◆ initial capital investment relatively small (mainly skills and hardware needed) ◆ competitive environment due to long-term contractual periods

Competitive Rivalry (medium)	<ul style="list-style-type: none"> ◆ high competition due to many international players in the market ◆ increased competitive pricing ◆ POP is competing on various segments with other companies (e.g. cardboard production, gifts, etc.)
Bargaining Power of Supplier (low)	<ul style="list-style-type: none"> ◆ many suppliers for POS materials, not much differentiation ◆ production factory belongs to POP
Threat of Substitution (medium)	<ul style="list-style-type: none"> ◆ the threat of vertical integration of marketing in companies ◆ the threat of cheaper products ◆ business model duplication is easy ◆ the shift to online marketing

6.1.4. Potential customers

As mentioned in 4.1.2. *Customer Diversification*, companies which are successful in their business only have to rethink their customer segmentation and do not have to redo their whole segmentation analysis. If POP decides on diversifying its customer base, the company could cluster its clients in the segments *use of products* (e.g. only permanent), *buying behavior* (e.g. price-based) and *regions* (e.g. Flemish region). Afterward, each segment needs to be thoroughly analyzed, identifying the fit of the existing sales organization, market attractiveness and business fit for each segment. Lastly, POP should develop strategic guidelines for each segment it decides to target and develop customer plans for precise customer interaction. Please see Appendix 19 for a potential customer segmentation for POP.

6.1.5. Risk Analysis

The possibility to grow with the help of customer diversification can only be successful if the company takes certain risks into consideration and tries to minimize them.

Country Risk	<ul style="list-style-type: none"> ◆ terrorism and terrorist attacks have a big role in the Belgian society and influence business decisions and opportunities ◆ the Belgian economy is performing worse than its peers in the EU
Managerial Risk	<ul style="list-style-type: none"> ◆ due to the existing business of POP in Belgium, the employees and management may underestimate the risks of the possibility of staying in Belgium ◆ enough time has to be devoted to targeting new customers
Competitive Risk	<ul style="list-style-type: none"> ◆ to stay competitive, POP has to further develop its products ◆ POP should try to increase entry barriers for other POS providers
Market Risk	<ul style="list-style-type: none"> ◆ the exit of advertising and retail companies from Belgium ◆ no more potential in the future

(Euromonitor International, 2016b; own elaboration)

6.2. Vision 2: Going International (Europe) with a focus on Multinational Enterprises

As mentioned in 3.1. *About POP Solutions Group*, POP's customers in the home market mostly consist of multinational enterprises. Throughout the years, the team of POP built up a reputation within MNEs present in Belgium. However, since POP has this reputation, the market of MNE customers is mostly saturated and the company has to look into other options to grow the company and its revenues. Additionally, to the mentioned saturated market, some MNEs are shutting down their headquarters in Belgium, making Belgium a less attractive market for POP than, for example, Germany, due to population and economic reasons. Therefore, an option would be to apply the gained knowledge of MNEs in the home market onto other markets in the European Union. To stay within the EU would facilitate the internationalization plan for POP since the markets are similar to Belgium and the market access would be easier due to the EU fundamental principles (The European Union, 2016). Furthermore, since the company is rather small and does not have the resources and capabilities to operate in a country located further away, it would be advisable to stay within the EU (Interview with J. Morent, 2016).

To assess this vision, this work project will cover the term MNEs and execute a country analysis and ranking to identify the best target country for a potential internationalization of POP Solutions Group. Lastly, to estimate the difficulties, a risk analysis will be performed.

6.2.1. Multinational enterprises in the European Union

A multinational enterprise (MNE) is a company with substantial resources that conducts business in various fields and is located in multiple countries. MNEs are mostly concentrated in advanced economies. Cavusgil, Knight, and Riesenberger (2012) executed a worldwide analysis of the location of the world's top 500 MNEs. The study showed that the United States of America hosts 140 MNEs, Japan has 68 MNEs, followed by France with 40

companies and Germany with 39. However, altogether the countries in the European Union exceed the United States in the number of top 500 companies (Cavusgil et. al, 2012, p.12).

6.2.2. Country Selection

The criteria used for the country selection were carefully chosen based on the interviews with the company’s personnel and further research about the advertising industry. A preselection of countries has been conducted, and various countries have been excluded based on criteria such as size, location and other standards defined by POP Solutions Group. For example, France and the Netherlands can be processed from the home market Belgium. The chosen criteria are macroeconomic factors (GDP per capita, GDP growth rate, Economic Freedom Index), government subsidies, the number of companies with a revenue higher than \$300 million (relative and absolute numbers), average spending on advertisement, growth in advertising spending and existing competition. Each criterion has been assigned a different weighting according to its importance. For a detailed explanation of the criteria and sources, please see Appendix 20.

	Austria	Denmark	Finland	Germany	Italy	Norway	Portugal	Spain	Sweden	Switzerland	United Kingdom
Macro-economic factors											
Government subsidies											
Number of companies revenue >300mn											
Advertising spending											
Growth in advertising spending											
Competition											
OVERALL RANKING											

*Figure 13: Country selection for internationalization
(own elaboration)*

The countries have been ranked and compared to the European and Belgian values of each criterion to have a validated analysis, illustrated in Figure 13. The filling of the Harvey Balls indicates the performance of each country in the particular criterion. For example, for the

measure *number of companies with a revenue higher than \$300 million*, Denmark ranked worse compared to Belgium and Europe (companies compared relatively to the country's population). In comparison, Finland has more companies than Belgium, but less than the European Union (relative numbers). For the detailed analysis of the country ranking and selection, please see Appendix 21 and 22.

After thoroughly analyzing the selected countries, the two countries ranked best were *the United Kingdom* (1) and *Germany* (2). However, due to BREXIT (exit of the UK from the EU), the UK bears potential risks for investment, due to the still unknown implications for foreign investors into the country (Dhingra et. al, 2016). Therefore, for the feasibility of a possible internationalization plan of POP, this work project will concentrate on Germany as the most attractive market for a potential FDI, also due to the following reasons:

- ❖ the number of companies with a revenue larger than \$300 million
- ❖ the country's high advertising spending
- ❖ its growth in advertising spending
- ❖ stable economic and macroeconomic factors

6.2.3. Market Analysis Germany

The German economy is the largest economy in the EU and the fourth biggest in the world and it is expected to grow by 1.6% in 2016. The economy itself is highly diversified, and the country has a strong manufacturing base, which could be an advantage for POP (e.g. existing skilled labor). Germany is an attractive market for FDIs, however, due to negative effects of the debt crisis in the Eurozone and large repayments of intra-company debt, the FDI intensity dropped between 2010-2014. Nevertheless, the attractiveness for FDIs is increasing again due to an educated workforce, a large manufacturing base and better infrastructure offerings (Euromonitor International, 2016c). Germany has an appealing business environment due to various efficient state regulations. In 2016, the country was ranked 15 (out of 189) in the Ease

of Doing Business Ranking, and it exhibits nearly no corruption, offers effective regulations and legal systems, which are beneficial for business growth (Euromonitor International, 2016b). For a detailed analysis regarding the political, economical, socio-cultural, technological, environmental and legal situation in Germany, please see Appendix 23.

As analyzed in 6.2.1. *Country Selection*, Germany has high advertising spending and exhibits a stable growth for this industry. The food and grocery retail market in Germany reached a value of \$228bn by the end of 2015 and is forecast to grow by 11.6% until 2020 to reach an expected value of \$255bn. The country accounts for 12% of this industry and is the second largest market in Europe after France (14.7%) (MarketLine, 2016e). The personal products market in Germany reached a value of \$28.7bn by the end of 2014 and is expected to grow by 8.4% until the end of 2019, reaching a value of \$31.1bn. Germany is the biggest market for personal products in the EU, accounting for 16.2% (MarketLine, 2015b).

Furthermore, not only the industries are favorable for an internationalization to Germany, but also the proximity to the home country Belgium and its accruing advantages have to be taken into consideration.

6.2.4. Risk Analysis

The possibility to grow with the help of internationalization can only be successful if the company takes certain risks into consideration and tries to minimize them.

Country Risk	<ul style="list-style-type: none"> ◆ low political risk, however, terrorism, Brexit and the future development of the EU have to be taken into consideration ◆ additionally, the development of the refugee crisis may have an impact on the German economy (positive and negative)
Market Risk	<ul style="list-style-type: none"> ◆ risk specifically to the advertising and POS industry ◆ the advertising industry is expected to grow, however, development of alternative marketing instruments should be monitored (e.g. online)
Managerial Risk	<ul style="list-style-type: none"> ◆ the method of internationalization is important; an FDI indicates a lot of resources commitment (financially and personnel) ◆ trusted personnel have to take over in a target country
Business Risk	<ul style="list-style-type: none"> ◆ business in Belgium has to be kept in mind
Competitive Risk	<ul style="list-style-type: none"> ◆ with market entry, potential imitators of business model may occur

(Euromonitor International, 2016c, d; own elaboration)

VII. Conclusion and final recommendations

After thoroughly analyzing the two potential opportunities for POP Solutions Group to grow, the recommendation would be to grow through internationalization, due to the following reasons.

First, the macroeconomic factors are more favorable in Germany than in other European countries. Germany is more successful in the analyzed factors, e.g. *number of companies with more than \$300 mn in revenue* (absolute: ~3200), *ease of doing business index* (#15), *Index of Economic Freedom* (#17), proximity to the home market and potential similar markets (e.g. Austria). Second, the industries analyzed (advertising, food and grocery retail and personal products retail) indicate a bigger spending and higher growth. The expenses in advertising are growing at a higher rate (1.7%) than in, e.g. Belgium (1.1%) and Germany is ranked as the second biggest market in food and grocery retail and as the biggest market in the personal product retail industry. Therefore, these industries have a potentially higher success rate for POP Solutions Group's business operations. Third, due to the successful business and success stories in the analyzed industries in Belgium (e.g. Beiersdorf Belgium for personal products retail), it is potentially easier for the company to gain access to MNEs in Germany than to SMEs in Belgium. During the interview, Mr. Morent stated that through the existing network in Belgium, he could get contact easily to foreign MNEs.

To guarantee a successful internationalization process, the company should undertake two important next steps:

1. The assumption of this work project has been that the financial situation of POP is sufficient for the expansion plan, however, since the scope of this project did not include a cost analysis of internationalization, a detailed financial analysis should be conducted.
2. To find the fitting location for the subsidiary (e.g. low-cost labor in East Germany vs. skilled labor in Southern parts), a detailed analysis of the country should be conducted.

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