

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

# Internationalization Strategy of a Start-up to the Latin-American market

Jhovana Stefani Basto Morales

# 2381

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A Project carried out Easy Easy Apps sales Department, under the supervision of:

Miguel Duarte, Professor at Nova School of Business & Economics

Susana Correia, Vice President of sales at Easy Easy Apps

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## **Abstract**

The purpose of this study is to investigate and describe the internationalization process of the Easy Easy Apps Start-up choosing strategic alliances as entry mode.

To understand the internationalization of start-ups is important to know how they do business in international markets. Furthermore, a strategic alliance perspective gives a critical insight of firms' strategy to challenge in global competition.

This project reflects the need to internationalize the Easy Easy Apps Company, in order to continue fulfilling its goals to become the number one App builder company in Latin America, increase its sales and have further risk diversification. The purpose is to find the best way for the company to internationalize and get a bigger market share.

Key words: **Easy Easy Apps, Start-up, Alliances**

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## **1. Introduction**

Globalization has brought a number of changes on how the traditional corporations perform. In order to be successful in foreign locations such as Brazil, Russia, China, India, etc. (United Nations , 2007), companies had to adapt their local structures to become global players, choosing the best way to enter to the different countries in order to create opportunities for expansion and seek competitive success, Easy Easy Apps (from now on. EEA) had only sell apps to the Brazilian market since 2014 and currently wants to expand its operations into the Latin American Spanish speaking market following the Upsala model<sup>1</sup>

EEA is a website that works with the “Do it yourself model” which allows anyone to create apps for Android, IOS or Web without any previous knowledge of programming. It’s focused on small and medium size businesses which are seeking to make business based on app solutions. Nowadays EEA holds a growth of 20% a month with more than 50k apps built through the website. (Easy Easy Apps, 2015) It currently offers 3 services, The Do it yourself service, the Professional service and the Reseller service. (See Annex 1: EEA Services), for the purpose of this paper I will focus on the internationalization process through the Reseller service.

The Latin American Spanish speaking market represents a great opportunity for EEA for several reasons. We can start highlighting the growth on smartphones use, due to improvements in infrastructures, increased smartphone penetration and the rise of cheap mobile data, by 2014 20% of the continent population owned a smartphone and its projected that by the end of 2015 this number will rise to 25% (App lift,2015). Furthermore e-commerce sales driven by a rising middle class in the region will reach nearly \$50 billion by

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<sup>1</sup> Firms start their foreign operations from culturally and/or geographically close countries and move gradually to culturally and geographically more distant countries

the end of 2015 (Emarketer, 2015), which represent an increase of 23.9% (See Annex 2: Retail Ecommerce). Moreover, these countries speak the same language and are culturally similar, facilitating business development and relations. Nevertheless, selling mobile apps for Latin America brings along challenges as well such as difficulties on payment methods, for example by 2014 just 22% of the population owned a credit card and they are used in moderation for specific purchases (All PAGO,2015), this means that payments are made usually in cash or other low-tech means, which represents a challenge for the company considering that the payments have to be made by credit card through the website.

For the international market selection a systematic approach was applied, where different aspects influencing the internationalization through strategic alliances of the company were considered. This approach consists of a structured process where countries are competed away to find that market better adapted with the situation and objectives of EEA. Therefore, this paper qualitatively analyzes 10 countries of the region in order to select the best Latin American market to start forming strategic alliances.

In order to do this the research will focus on the implementation of a new internationalization strategy based on strategic alliances along important players in 10 countries in the Spanish speaking countries in Latin America (Mexico, Peru, Colombia, Panama, Ecuador, Chile, Argentina, Bolivia ,Dominican Republic and Uruguay)

The Mexican market will be analyzed in depth and often compared with the Other Latin American markets , as EEA has been already offering its services there. The paper will focus on the sales, market characteristics, competitors and financial aspects of both countries. As a result of this analysis, the paper will show which strategy adapts better to the Latin American Market using the Mexican example.

## **1.2 The need for a research project**

Internationalization is a way for start-ups to develop. Moreover strategic alliances broaden the companies knowledge and create a competitive advantage in nowadays competitive world. Therefore internationalization of small companies brings an important framework that managers can take advantage of to create more powerful strategies.

This working project aims to provide an answer on the following general problem statement: “How can Start ups internationalize to the Latin American market?”. As such, the research questions were: “How could EEA start doing business in Latin America?” and “What is the best country in Latin America to start the internationalization process?” . This was done in collaboration with EEA, a Portuguese App developer company, so it aims to identify opportunities for companies going through the internationalization process as well as for EEA in specific.

This working project seeks to contribute to both theoretical and managerial knowledge. First the research starts with a literature review on companies who want to internationalize, the problems they face and the alliances they make in order to overcome this. Followed by an analysis of the company and the market. Finally I will present the results based on the research which will be discussed below in the methodology section as well as the recommendations.

## **2. Literature review**

Developed country enterprises face difficulties when they internationalize into less developed countries despite being the dominant investors in the world (UNCTAD, 2013).

Considering the point of view that firms are bundles of resources, I will analyze the sources of their difficulties in internationalizing from developed countries into less developed countries.

For further analysis the authors will focus on three main theories: “*The resource based theory*”, “*Difficulties of firms when internationalizing*” and “*strategic alliances*”

## **2.1 Resourced-Based Theory and Firms’ Internationalization**

Firms are bundles of resources (Penrose,1959), which are the tangible and intangible assets tied semi permanently to the firms (Wernerfelt,1984). Moreover, these resources provide services used in the production process (Penrose,1959). I will focus on the Prasad and Ghauri (2004) theory which analyses broader conceptualization of resources as firm-specific assets, and discuss how the advantage provided varies according to the country in which they are used.

They separate the resources of a firm into three types according to the advantages that they provide: (1) advantageous, or strategic resources (Amit and Schoemaker, 1993), such as patented technology, which provide the firm with a competitive advantage if they have certain characteristics (Barney 1991; Peteraf; 1993; (2) disadvantageous resources, which provide a competitive disadvantage (Leonard-barton, 1992), such as negative image among clients; and finally (3) neutral resources, which are necessary for the operation of the firm, but not sufficient to provide an advantage, such as access to external finance, which is necessary for operations, but is easily imitable and therefore not a source of sustainable advantage (Montgomery, 1995).

The internationalization of the firm is based on its resource set and the search for increasing returns on investments. According to Hymer (Hymer ,1976) firms have some kind of advantage in the home country that motivates them to enter foreign markets. However, the firm might also internationalize to create value by developing new resources, expanding abroad to obtain resources that are in better condition than those in the home country, such as natural resources, efficiency, or strategic assets or capabilities (Dunning, 2000).

Moreover, a firm might internationalize to defend value created by protecting existing resources, following competitors' (Knickercocker, 1973) or clients' international moves in order to avoid losing existing investments in resources in other locations.

Regardless of the motive, in all cases the firm uses existing resources and transfers some of them to other locations. To translate the principles of strategy into actions, the company must guide the future of diversification through an assessment. Some examples of this can be to create alliances in foreign countries in order to leverage the companies own strengths. I will elaborate further on this topic on the analysis part when talking about EEA strengths and weaknesses regarding the internationalization process.

## **2.2 Types and Sources of Difficulties in Firms' Internationalization**

Difficulties in internationalization can be explained by postulating that firms develop resources and knowledge depending on the conditions of their competitive and institutional environments. The competitive environment induces firms to develop resources to compete against other firms present in the industry (Porter, M., & Kramer, M, 2011), while the institutional environment induces firms to develop resources to operate within a set of institutions in the country (Oliver, 1997).

As a firm internationalizes, it transfers resources from existing operations to the new operation. Additionally, the new environment requires additional complementary resources to operate and compete there, resources that the firm does not have yet.

Prasad and Ghauri (2004) separate the sources of difficulties in internationalization into three different types based on their relationship to the advantage provided by the resources.

First, difficulties may arise because the resources transferred do not provide an advantage in the host country: shortcomings. Second, difficulties may arise because the resources transferred generate a disadvantage in the host country: disadvantages. Third,

difficulties may arise because the firm lacks neutral complementary resources in the host country: liabilities.

The challenges that companies faced when operating in less developed countries are more related to managing their intangible resources, particularly knowledge. Prasad and Ghauri (2004) characterize less developed countries as countries with lower average individual wealth, and institutions that are less developed and more instable than in developed countries. These characterizations will play a role in the specific difficulties that companies are more likely to face when expanding into developing countries. (See Annex 3: Difficulties in Internationalization) summarizes the sources and types of difficulties in firm's internationalization and some target solutions to solve these sources of difficulties. We will further elaborate on this when talking about the resellers profile and

### **2.3 Strategic Alliances**

Strategic Alliances are a logical and timely response to intense and rapid changes in economic activity, technology and globalization" (Doz and Hamel,1998). According to Rothkegel, Alliances play an important role when a company is entering to a new market because it gives them access to technology, capital and international markets (Rothkegel, Erakovic and Shepherd, 2006). Entering into alliances is one way for firms to access critical resources and increase their market power over competitors Therefore small companies enter into partnerships to take advantage of complementary assets. (Barringer and Harrison, 2000).

Moreover according to the author firms generally create some sort of alliances because of two main reasons:

- To seek for knowledge and connections (Obtained resources) (See annex 4:Strengths in strategic Alliances) and

- Lack of know how to develop their own resources, reason why they seek for a partner to leverage the ones they don't have

I will further elaborate on the first main reason to seek for an alliance this when talking about the resellers profile on the analysis part.

### **3. Methodology**

#### **3.1 Data Collection – Primary sources**

The methodology used to collect information for this project came mainly from three sources: first the company, where I am currently working as a Sales representative in charge of managing the internationalization process to Latin America, reason why I closely worked with the company managers and had access to all information regarding the company's strategy. Second, the clients managers which work alongside with me to develop the Brazilian market and the Latin American Market as well and finally thorough bibliographic research.

#### **3.2 Data Collection – Secondary sources**

Moreover, the research was complemented by secondary data collections such as bibliographic sources, journals, as well as Internet sources. Because the research involves cross-country data collections, Internet sources were very critical. Regarding Mexico which is the country that was selected to compare with the other Latin countries , data collection from potential small and medium size resellers was easy to get because they directly asked to be contacted by the company, several of them were contacted in order to have a better knowledge of prices they manage, quantity of clients as well as the type of clients they have. Even more the project aims to get contacts from more than one single enterprise to minimize the risk of failure, an important point to consider is that the right selection of the resellers.

One of the limitations was that the companies from the competition don't have a very developed reseller program reason why it was difficult to collect information regarding them especially in the Latin American countries.

On the other hand in order to process the data this worked used the Global Online Marketing Management System software (GMMSO)<sup>2</sup> focusing on Industry Analysis, Target Market Profile, Product Profile, Swot Analysis and Global readiness which was specially usefully to identify and consider countries with market potential related to the company's strengths and weaknesses as well as the analysis of the competition.

### **3.3 Interviews with potential resellers**

In order to get a better understanding on resellers a survey was performed asking questions such as: size of the company, how many people work there, sales force, medium revenue per year, kind of company they have among others. (See Annex 5: Survey potential resellers). They were phone interviews that lasted about 45 minutes each one, besides answering specific questions they could also comment freely and give additional comments at the end of it to give us a better understanding on their needs.

## **4. Results**

### **4.1 International Involvement**

#### ***Company***

Currently 100% of the company sales are made to Latin America, 70% of them to Brazil and 30% of them to the Latin American countries mentioned above. EEA is divided into 5 departments: Product, Sales, Marketing, Finance and Support, all the work related to the mentioned areas is carried from the company's office in Lisbon.

#### ***Competitors***

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<sup>2</sup> Tool used for research management and strategic planning <http://www.gmmso3.com/>

EEA main competitors by region in the Latin American Market are:

Table 1: EEA main competitors

<b>Competitors</b>	<b>Regions they operate in</b>
Fabrica de Aplicativos	In 120 Countries around the world
Goodbarber	12 countries : EU. Europe and South America
Como	In 120 Countries around the world
Groupmwt	6 countries: EU, Chile, Colombia, España, México, Peru

EEA main competitors by reseller program

Table 2: EEA main competitors by reseller Program

<b>Company</b>	<b>Country of origin</b>	<b>Price Reseller Program(Year)</b>
Fabrica de Aplicativos	Brazil	1272 USD (25 apps)
Goodbarber	France	4440 USD (unlimited apps)

***Industry Analysis: Porter Five forces***

An analysis of porter 5 forces was made in order to have a deeper understanding on the level of competition on the industry

Table 3: Porter 5 forces

<b>Analysis</b>	<b>Relevance</b>	<b>Description</b>
<b>Threat of new entrants</b>		
Economies of scope	Low	There is not a training program focus on the development of the workers technical skills
Known Brands	Low	There are not many well position brands in the Latin American market

Economies of scale	High	Templates in order to create the mobile apps in a faster way
<b>Threat of substitutes</b>		
Availability of close substitutes	High	Tailored made apps
Price elasticity of the demand	Low	Prices between tailor made apps and apps made with app builders are very different. Tailor made apps are usually more expensive
Complementary products	High	Websites are generally apps complementary product
<b>Determinants of competitive rivalry</b>		
Demand	High	The demand for mobile apps is growing in Latin America
Price comparability	Low	Prices are easy to compare in this industry
Size of competitors	Medium	EEA is still small and shares similar product features with its competitors
Production Capacity	Low	EEA is creating Apps over its full capacity , therefore this can put in danger the quality of the service provided
<b>Determinants of power buyer</b>		
Concentration of buyers	Medium	The company has grown through a large base of individual costumers and some resellers
Cost of change	High	Cost of changing implies losing the data base of clients and remake the whole app
<b>Determinants of supplier power</b>		
Price discrimination	Low	Suppliers don't provide a discount on the purchase of software
suppliers Software	High	EEA is very dependent on software suppliers such as Adobe, Zoho, Mailchimp, Jira, Base Camp Jenkins (See Annex 6: Software suppliers EEA). If there is a failure on their systems the whole

		system can't operate
Substitutability of software	Low	The company is highly dependent on software suppliers which are unique and difficult to replace

**Threat of new entrants:** Barriers to entry in the technology sector are high due to the high investment on Software and human knowledge.

**Threat of substitutes:** Availability of several substitutes in the global market can affect EEA position and market share

**Determinants of competitive rivalry:** The increasing competition might drives down the EEA prices and reduces its profits.

**Determinants of power buyer:** The pressure that buyers exercise over the company might push them to lower their prices and improve its service.

**Determinants of supplier power:** For EEA suppliers play an important role because they have the property of the software which is critical to ensure the quality of the final product.

### ***Industry Growth***

The global app economy was worth \$ 53Bn in 2012, and expected to rise to \$ 143 Billion in 2016. It is growing at a 28% between 2012 and 2016 (Visionmobile, 2013) (See Annex 7: Global Apps economy by region.)

EEA sales increased significantly since 2014, growing at 20% every month since January and expecting to sell 200 mobile applications by the end of 2015. The app sells through resellers is still low compared to the sales made through professional services for the Spanish speaking Latin American Market, representing just 17% of EEA sales.

## **4.2 Target Market Profile**

### ***End user of the product***

Defining market segments for EEA was done following different criteria. According to the “reason of purchase” criteria, small and medium size business, which look to be closer to their clients through technology. Second the socio-cultural segmentation criteria for this product are targeted for the medium class sector. Therefore, the target populations are young people and adults of both sexes, who have an entrepreneur spirit (between 25 to 50 years). The product aimed to people with an active lifestyle and who are sociable and early technology adapters.

### ***Intermediate user of the product - Resellers***

According to the “reason of purchase” big and medium size technology business such as website developer companies, which look for a complementary product for its already existent ones. Moreover generally the decision makers are between 35 and 50 years. They are looking to expand its portfolio products and new solutions for its customer’s needs based on alliances.

## **4.3 Product Profile**

### ***Reseller Program***

EEA nowadays has two reseller programs (See: Annex 1: EEA Services). The first one is called Reseller Platinum which allows the owner to have 5 apps published for a price of 1800 USD (150 USD a month) a year and the Reseller Gold that allows the owner to have 20 apps published for the price of 4788 USD a year (399 USD a month).

### ***Global Readiness***

To analyse the overall readiness of EEA, different criteria were used granting them a score of 1-5, where 1 is the least favourable and 5 most favourable. Based on this evaluation, the company's obtain a score of 87 out of 110 (79%). A company with this score places into the "Foreign Sales Branch" or "Marketing subsidiary" category according to the GMMSO software, which suggests that EEA should establish a partnership with foreign a company that can market the products they already have, in this case the reseller which already have and stablished position and can break the trust issue due to the physical distance. (See Annex 8: Global readiness report)

**Swot Analysis**

In the following table the paper wills show EEA main Strengths, Weaknesses, Opportunities and Threats.

Table 4: SWOT Analysis

<p><b><u>Strengths</u></b></p> <ul style="list-style-type: none"> <li>• Investors helps (Funds and Funding)- Portugal Ventures</li> <li>• Friendly platform for crating apps</li> <li>• Economies of scale</li> <li>• Adaptability</li> <li>• Live Chat- being closer to the client</li> <li>• Personalize attention in 3 languages (Spanish, Portuguese and English)</li> <li>• Programming on the alphanumeric alphabet</li> </ul>	<p><b><u>Weaknesses:</u></b></p> <ul style="list-style-type: none"> <li>• Lack of advertising</li> <li>• Lack of market segmentation</li> <li>• No physical presence on the Latin American countries</li> <li>• Lack of market knowledge</li> <li>• Lack of cultural understanding</li> <li>• Low market share</li> <li>• Programming just for iOS and Android</li> <li>• Lack of a post sales department</li> </ul>
<p><b><u>Opportunities</u></b></p> <ul style="list-style-type: none"> <li>• Increase of purchasing</li> </ul>	<p><b><u>Threats</u></b></p>

<p>power from the Latin American Region</p> <ul style="list-style-type: none"> <li>• Increase on technology interest from small and medium size businesses</li> <li>• Migration from tailor made apps to app builders solutions</li> <li>• Strategic alliances between companies</li> </ul>	<ul style="list-style-type: none"> <li>• Substitutes: Lower cost platforms</li> <li>• Fluctuation of currency in Latin America</li> <li>• Little technology awareness</li> <li>• Low credit card use</li> </ul>
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#### **4.4 Market selection**

##### ***Country Selection***

The Spanish speaking Latin American market is of great interest to the company, mainly due its stability and economic growth, by the end of 2015 its expects to be 1.5%, Besides this, the region looks better than 10 years ago in terms of reserves, social conditions and public debt .Regarding technology this sector is driven by widespread adoption of smartphones which was 32% regarding mobile connections in 2014 and its expects to be 68% by the end of 2018. (Deloitte, 2015).

In order to choose the best country to for the company to start its internationalization process through the reseller program, I considered the ones where the company is already operating (Mexico, Peru, Colombia, Panama, Ecuador, Chile, Argentina, Dominican Republic, Bolivia and Uruguay), it's important to mentioned that even though all this countries speak Spanish, they differ in terms of size, population, access to internet, use of smartphones, level of income, among others.

##### ***GDP***

According Sepal (Cepal, 2015) the countries that lead the economic growth in Latin America are Panama, Dominican Republic and Peru, growing at around 6%, followed by the second growing group México, Chile and Uruguay with around 3%-4%

### ***Technology knowledge***

According to the World economic forum (WEF, 2015), 5 countries in Latin America will be prepared to use in an efficient way technology in its three dimensions (Business, normative and infrastructure) . From these 5, 3 are considered on EEA target market Chile, because of its good use of information technology but expensive internet access, Uruguay because of the way companies do businesses through technology but lacks on general population access to technology equipment such as computers or laptops and finally Mexico due to the way companies do businesses through technology and its access to information technology, but on the other hand is still lacking on government support through the technology sector

### ***Access to internet***

The country with higher internet access in the region according to Cepal (Cepal, 2015) will be Chile, where 73% of the internet access will be through smartphones, followed Mexico with 51%(CNN.2015) and Argentina with 44% (La Nación,2015)

### ***Smartphone use***

According to an study made by Emarketer (Emarketer,2015). The Latin American countries that use smartphones the most will be Mexico where 23% of the population uses one, followed by Argentina with 17% .

### ***Use of credit card on internet purchases***

As mentioned in the introduction the credit card use in Latin America is still low, nevertheless according to World Pay (World Pay,2015) the countries in Latin America that purchase the most on Internet are Argentina(21%) and Mexico (21%). Moreover their most use ways of payment will be credit card 76%, Paypal 54% and debit card 50%.

### ***Results***

Out of the 10 countries examined on the with the criteria mentioned above (income level, technology usage, smartphone use, internet access and credit card use) the countries were ranked from 1 to 10 with 10 being the most favourable and 1 less favourable. The ranking was used to determine which country will be the best for EEA to internationalize based on the reseller program. (See annex 9: Countries performance indicators)

According to Annex 10: Country performance, Mexico and Chile rank first reason why and in conjunction with the company, it was decided to the selected the respective markets to indicate the internationalization process through the reseller program .

### ***Competitors***

To analyse EEA competitors in the Mexican Market I will focus on its pricing strategy, the product attributes and benefits, the promotion strategy, the sales services and the target market profile.

EEA has two main competitors on the Mexican Market, Fabrica de Aplicativos and Goodbarber.

### ***Pricing strategy***

Fabrica de aplicativos has a reseller program for 25 apps which costs 1271 USD per year which is 73% lower than the EEA current price for the 20 app reseller program, on the other hand Goodbarber has a reseller program that costs 4440 USD per year for unlimited

apps year which makes EEA the most expensive app builder compared to its competitors I Mexico

### **Promotion Strategy**

Fabrica de aplicativos and Goodbarber have regular seasonal promotions, while EEA hasn't implemented one yet. Moreover EEA invest just on promotion through Google Ads, while its competitors besides advertising on Google are very active on social networks such as Twitter, Facebook and Instagram informing the clients about upcoming events they are participating on promotions, discounts, showing its most successful adds, its team, among others.

Additionally Goodbarber and Fabrica de aplicativos usually appear in Latin American locals newspapers (Publimetro, 2015) while EEA does not invest in that kind of publicity.

Another way to be closer to the clients is through the blog they all three have, the way they make it available for its clients it's through a newsletter that is send directly to their mails. Additionally to this, Goodbarber has an app for its blog that allows the user to receive push notifications every time there is a new entry on it.

### **Product and service attributes**

Even though none of the three is from a Spanish speaking country, they all offer attention on Spanish.

Regarding the Product functionalities Easy Easy Apps has a more completed offer regarding product as we can see on Annex 11. (See annex 11: Product functionalities), having a live costumer support and the Apps integration with Apple is one of its strongest attributes. Nevertheless on the other hand its number of Layouts it's still very limited compared with Goodbarber which has 5 times more making its apps more customizable

## **Target Market Profile**

The three of them share the same Target Market Profile, small and medium size bus on small and medium size businesses which are seeking to make business based on app solutions

### ***Reseller's needs***

According to the survey resellers in the Mexico face three main challenges (See Annex 12: Reseller challenges). The first one is little knowledge of the product, because even though 6 out of the 8 Mexican resellers have experience with technology because they are work for websites companies, 100% of them never worked with mobile Apps. The second need is the lack of supporting materials to create apps on the page. This comes as a big problem for EEA because they started operations to sell into the Latin American Market in August 2015 reason why they just had by then supporting materials and tutorials to create apps in Portuguese.

## **5. Discussion**

This working project aimed to provide an answer to the following general problem statement: “How can a Start-up internationalize to the Latin American market? .As such, the research questions were: “How could EEA start doing business in Latin America?” and “What is the best country in Latin America to start the internationalization process?”

### **5.1 Creating Strategic alliances**

#### **5.1.1 Findings**

Based on the resource based theory every company has resources considered advantageous that gives them leverage over the competition when internationalizing. The EEA advantageous resources will be its technology, the platform itself and the unique features that allows them to create different kinds of apps based on templates (App builder) that

contain all the basic functionalities. There is no such a local company in the Mexican Market which makes them unique and very valuable.

Furthermore and regarding EEA has Financing from Portugal Ventures which allows them to have enough capital to continue experiencing and operating until march 2016 as long as the fulfil the objectives of growing at minimum 20% a month.

According to the GMMSO software, which suggests that EEA should establish a partnership with foreign a company that can market the products they already have, in this case the reseller which already have and stablished position and can break the trust issue due to the physical distance. Moreover and following the Rothkegel theory a partner or agents to create a sales network with market knowledge capable of carrying all the weight of the introduction and marketing of the product, thereby taking advantage of their knowledge of contacts and customers.

Nevertheless having a partner can also bring challenges such as Implementation challenges related to delivering as a collaborative venture with additional management requirements, negative reputation impact related to the local partner ability to deliver following the EEA quality standards (damage to the reputation or track record of individual partners by association) (TPI, 2015) . All this issues need to be taken in consideration when creating a partnership.

Another finding that came out of the interviews was that one of the product features that resellers appreciated the most was the White label brand, which means that their final client won't know that EEA provided the technology to create its apps, so they eliminate the risk that its final client will hire the EEA services directly. On the other hand it also takes the managing costs away from EEA as they won't have to negotiate directly with each individual client.

### **5.1.2 Recommendations for EEA**

For this topic the paper has two recommendations

Division of the clients, Nowadays the EEA sales department doesn't make any distinctions for three different kinds of profiles they manage the paper recommendation will be to have a different sales approach to the resellers making them "Key clients", as they manage more clients than a regular single client, they should get extra benefits as well, such as company visits, sales training, special discounts based on the number of clients they acquire, among others. KAM is a commitment to work differently with certain priority customers (HBR,2015)

Ignoring the promise of after-sales services is imprudent (HBR,2006) .The paper recommends that in order to build more trust and a more solid relationship with the resellers it's necessary to create a Post- Sales department to manage them. Resellers have different needs and profiles than DIY clients and Professional Service clients. Nowadays Sales and Post- Sales are mixed into the same department because of the limited resources of the company. With the current sales rhythm and because the company is growing at 20% monthly it becomes more difficult for the sales department to take over the post-sales clients as well.

The separation of functions and the creation of this department will give the resellers are better service, strengthen the alliances and allowing them to continue working alongside. Build trust, regular source of income, presence in the country, post-sales department implantation.

## **5.2 Getting to know the client**

### **5.2.1 Findings**

Apps are a complementary product to websites, as we can on the survey, 6 out of 8 resellers in the Mexican market highlighted which work with websites felt the need to

incorporate apps into their portfolio because clients specifically asked for it. Moreover when asked if they had tried the editor 100% of them had tried it and 50% of them said it was easy to use and the other half said it was indifferent.

Regarding the resellers plan to incorporate apps into their portfolio they commented they wanted to offer them as a part of a combo with the websites they sale, the average year ticket by client according to the survey was between 1500 and 2000 dollars a year, if compared with the price of selling an app through the EEA apps reseller program for 5 apps for example, the cost for the reseller will be 30 dollars a month for one app (360 dollars a year) which will be affordable for the clients.

On the other hand resellers where familiar with internet payment methods such as Credit card, PayPal and Debit card. This will represent a great opportunity for EEA because one of their main weaknesses is that out of clients that contact them directly about 50% of them don't own a credit card or a PayPal account while resellers as being part of larger corporations could work as an intermediary and use their own payment methods beforehand eliminating the problem.

Finally the results shown that 30% of the reseller's clients were on the first place from the Restaurant industry, followed by 20% from the Hotel industry and 13% from small retail shops (See Annex 13: Reseller's main clients by industry), the EEA templates already include these three industries which will be helpful for the resellers when building apps for their clients.

### **5.2.2 Recommendations for EEA**

In order to overcome its main challenges such as Lack of advertising Lack of market segmentation, no physical presence in the country (which sometimes generates mistrust from the potential clients), I would recommend to EEA to strengthen the bond with its resellers

based on 3 main actions they must take: The first one is to provide them with supporting materials such as catalogues so the resellers can show to the clients the products they could get if buying an app for their business, moreover invest into translating the tutorials that already exist from Portuguese to Spanish so the reseller can be more auto-sufficient and require less help from the company side which would be translated into spending less time and money. Just to set an example EEA takes about 30 days to close a single sale for an app, while it takes about 40 days to close a reseller sale that represent 5 apps, moreover after the sales process the company still need to help the client to publish their app or make some final changes which takes around 30 more days, while on the other hand with the reseller program you eliminate this time and can allocate your resources for other purposes because they resellers have to deal with the client directly (See Annex 14: Sales Process time).

The second recommendation regarding this point is to make a more extensive market research on the Latin American market needs, one of EEA weaknesses is the lack of segmentation and knowledge of the client, this as mentioned before can be overcome through alliances with resellers because they have already found clients with the profile EEA needs, one of the challenges the company is facing is trying to replicate the strategy used on the Brazilian market for the Latin American countries without further investigation. Therefore working alongside with resellers and sharing information will help EEA to attract more suitable clients that goes according to the products the company is offering.

Even though the paper mentions that EEA already has templates for the most required reseller's type of clients, I would recommend them to go deeper into the specific functionalities they need, so they can make the template as complete as possible and do not spend resources on helping the resellers to build the apps when needed, this will help EEA with one of its main weaknesses which is that they are working at overcapacity and can barely cope with the actual demand they have specially on the programming and support department.

## **5.3 The need to focus in just one Market**

### **5.3.1 Findings**

As mentioned before EEA is present in 10 countries in Latin America, even though they all share things in common, they are also different at the same time. EEA has been focusing on different countries sharing the same marketing, pricing and sales strategy, reason why the sales results haven't been what they expected so far for the region. According to EEA sales forecast the Latin American Sales should be similar to the ones they have for Brazil, when in reality they are 1/4. This can be also confirmed by the number of sign-ups on the webpage. For Brazil for example they can reach 1000 a month while for the 10 countries in Latin America they get to 250.

### **5.3.2 Recommendations for EEA**

The paper recommends EEA to focus on just one country at the time. As seen on the study the countries that show more interest on the reseller program are Mexico, Chile and Peru (See Annex 15: Resellers by country)

After the research the company will design individual strategies for each the Mexican and the Chilean Market, on the first place in order to adapt and choose the best marketing option.

Besides this EEA must complement this project with a marketing plan working alongside on campaigns with the Marketing department, a pricing strategy and promotion and further analyse the economic benefits behind it. In addition to the previous recommendation, the company should take a more active role in technology fairs overseas to gain local presence and networking especially in those fairs where Latin American entrepreneurs are involved.

## **6. Limitations**

This study is not without limitations. First, the study only focuses on the resellers which had interest on being contacted by the company and they were only 30 which is a small

sample. Moreover just 8 of them were from Mexico and on its majority they all were from the technology industry.

Another limitation is that the bibliography regarding start-up companies which want to internationalize to the Latin American Market is very limited and the data in its majority was collected from bibliographic sources from the internet

## **7. Conclusion**

In conclusion this working project provides an insight on the technological start-up world, it highlights the strengths and weaknesses that a company has at the beginning of its life. It's important for the companies that have limited resources working from a further location to seek for a local partner that has knowledge about it and a portfolio of clients as well. Moreover this helps to overcome the trust barrier that working from a further locations creates. Even tough overseas alliances represent challenges as the ones we spoke about along the report they are necessary when a company is looking for efficiency.

It's also important to acknowledge that every country is a different world and the strategy that work with one wont necessary work in the other, reason why EEA should stop trying to replicate the strategy they use with Brazil for Latin America.

A final conclusion will be that even though the Latin American region is growing very fast, in technology issue they are still below other regions, therefore the need has to be created and communicated by all the means available.

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## 9. Appendix

### Annex 1: EEA Services

Services	Details	Price (Year)
Do it yourself (DIY)	Simple apps that can be created through the website	540 USD
Professional Service (PS)	Complex apps that can't be created through the editor	Between 1000 USD and

	and that need more programming	3000 USD
Reseller	Both DIY and PS	Reseller Platinum (5 apps): 1800 USD Reseller Gold (20 apps): 4788 USD

## Annex 2: Retail E-commerce

<b>Retail Ecommerce Sales in Latin America, by Country, 2014-2019</b>						
	2014	2015	2016	2017	2018	2019
<b>Retail ecommerce sales (billions)</b>						
Brazil	\$16.87	\$19.79	\$22.46	\$25.04	\$27.55	\$30.11
Mexico	\$4.38	\$5.70	\$7.24	\$9.04	\$11.03	\$13.27
Argentina	\$3.55	\$4.96	\$6.85	\$8.84	\$10.60	\$12.38
Other	\$13.45	\$16.92	\$20.47	\$23.66	\$26.14	\$28.99
<b>Latin America</b>	<b>\$38.24</b>	<b>\$47.37</b>	<b>\$57.02</b>	<b>\$66.59</b>	<b>\$75.32</b>	<b>\$84.75</b>
<b>Retail ecommerce sales growth (% change)</b>						
Argentina	64.2%	40.0%	38.0%	29.0%	20.0%	16.8%
Mexico	32.0%	30.0%	27.0%	25.0%	22.0%	20.3%
Brazil	24.0%	17.3%	13.5%	11.5%	10.0%	9.3%
Other	29.6%	25.8%	21.0%	15.6%	10.5%	10.9%
<b>Latin America</b>	<b>29.8%</b>	<b>23.9%</b>	<b>20.4%</b>	<b>16.8%</b>	<b>13.1%</b>	<b>12.5%</b>
<b>Retail ecommerce % of total retail sales</b>						
Brazil	2.6%	2.8%	3.0%	3.2%	3.3%	3.5%
Argentina	1.6%	1.9%	2.3%	2.7%	2.9%	3.2%
Mexico	1.2%	1.5%	1.8%	2.1%	2.5%	2.9%
Other	2.0%	2.3%	2.5%	2.8%	3.0%	3.3%
<b>Latin America</b>	<b>2.0%</b>	<b>2.3%</b>	<b>2.5%</b>	<b>2.8%</b>	<b>3.0%</b>	<b>3.2%</b>

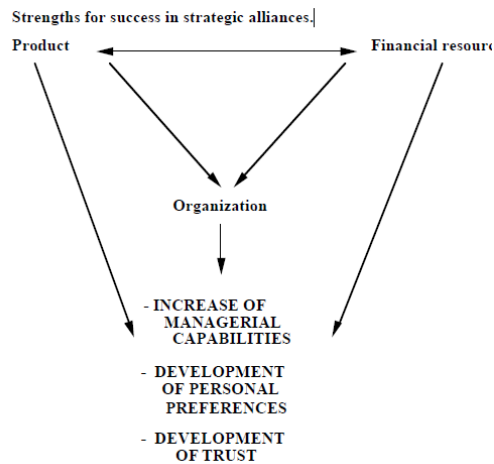
*Note: includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment; excludes travel and event tickets*  
Source: eMarketer, July 2015

Source: E-Marketer

## Annex 3: Difficulties in Internationalization

Source	Types	Specific sources in the case of DCMNEs in LDCs	Firm is less likely to suffer it if:	Solutions targeted at solving the particular sources of difficulties
Lack of advantageous resources abroad	Shortcoming of transfer	Products created with resources of the firm do not cover needs of clients in LDCs	Products generated with advantageous resources are in the latter stages of the product life	Focus on a different target market than the one at home but using the same advantageous resources
	Shortcoming of clients	Clients in LDCs need complementary resources to realize value of products created with firm resources	Products generated with advantageous resources are stand alone	Provide consumers with the complementary resources such as knowledge on how to use the product
Existence of disadvantageous resources abroad	Disadvantage of transfer	Firm transfers resources (capabilities) that reduce value created	Firm internationalizes through trade rather than foreign direct investment	Selective transfer of resources (capabilities) to LDC
	Disadvantage of foreignness	People in LDC dislike the country of origin	Country of origin and host country have good political relationships; Countries have stable political systems	Hide the country or origin in marketing; Use the region of origin rather than the country of origin; Use a local company/ brand to denote a local country of origin
Lack of neutral complementary resources	Liability of expansion	DCMNE does not have necessary knowledge to be able to manage different types of knowledge	Firm has experience of operating in several countries and has developed information technology (IT) and management systems to cope with additional knowledge; Managers in HQ are polycentric in their attitudes	Invest in IT to process different information; Develop HQ managers with a polycentric mentality, who have been exposed to different cultures or rotated in foreign assignments
	Liability of newness	DCMNE does not have necessary knowledge to be able to manage in a new competitive environment where potential clients are less wealthy or educated	Industry is global in nature; Clients have been exposed to company offerings outside their country	Obtain (explicit) knowledge of competitive conditions by purchase from consultants; Obtain (explicit and tacit) knowledge of competitive conditions by purchase or alliance with a domestic firm
	Liability of alienness	DCMNE does not have necessary knowledge to manage in a new institutional environment, especially when there is less protection of property rights, more regulations, or corruption	Company is from former colonial power of host country or from country with historical ties to host country	Use local managers exposed to developed MNEs or train expatriates in LDCs; Incremental internationalization to develop knowledge and attitudes to cope with different assumptions

## Annex 4: Strengths in strategic Alliances



## Annex 5: Survey Potential Resellers

### Personal Information

- Name:
- Age:
- Email:
- Company:
- Position:
- Geography:

### Company Information

- Services/Products :Website, Programming, Digital Marketing, Online Marketing, Consultancy, Others
- Turn over 2014:
- Have you experienced the editor? Yes/No
- If yes: Do you think is easy to use: Yes, Indifferent, No
- Payment methods: credit card, debit card, PayPal
- Number of clients:
- Number of employees:
- Has sold apps before? Yes/No:

- Reason to start selling apps: Complementary Product, Want to innovate, Client specific requirement, Others
- Average ticket per client:
- Company main challenges:

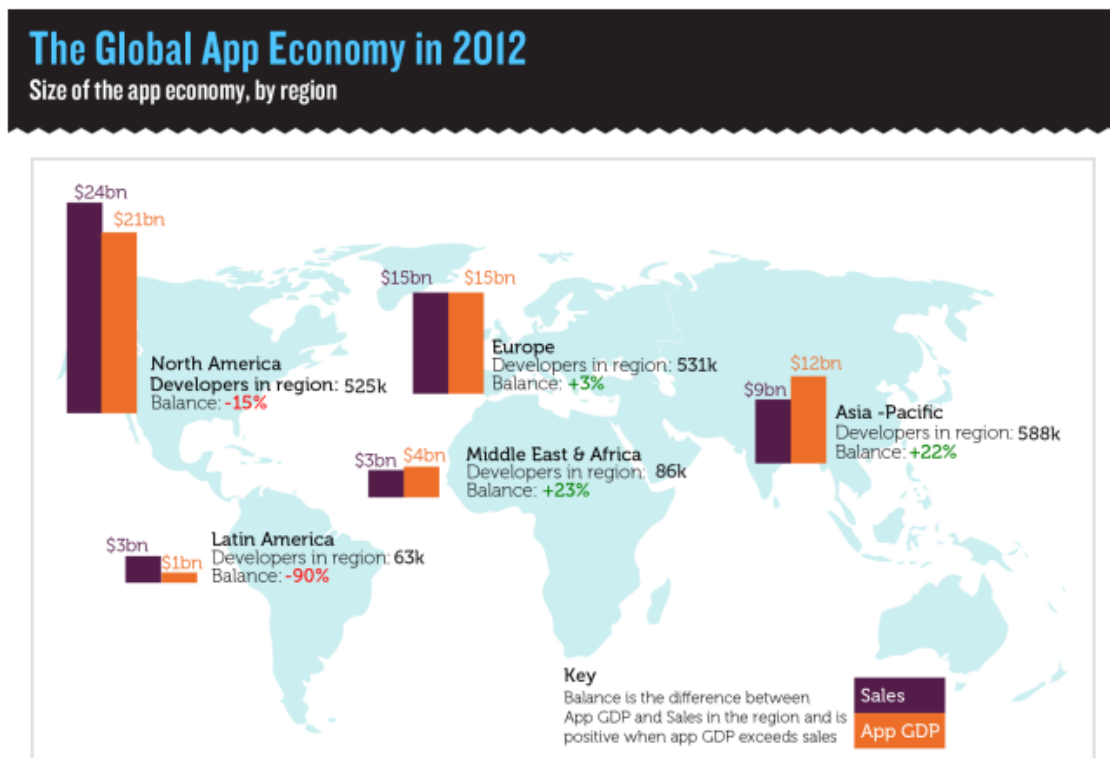
Clients Information

- Segment Information: Restaurants, Clinics, Hotels, Church, Spas, Political candidate, Others

Technical Expertise

- Tools: CMS, Programming, E-commerce, Designer Tools

**Annex 6: Global Apps Economy by region**

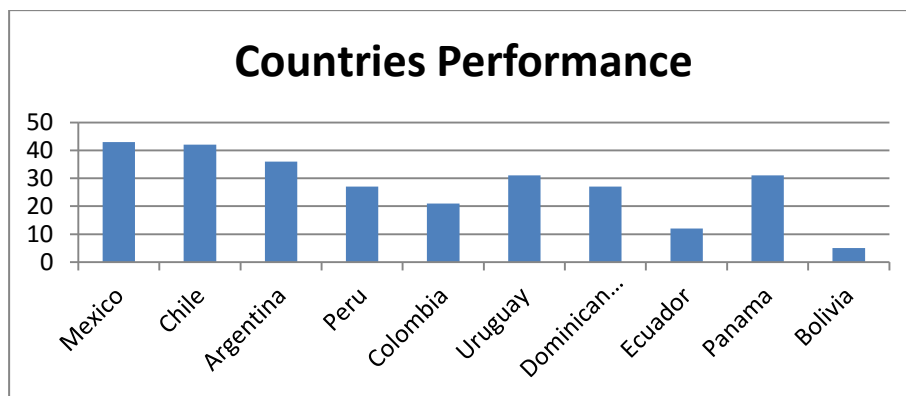


**Annex 7: Global Readiness Report**

Criteria	Rank	Criteria	Rank
Is the foreign market similar to	4	Would export orders hurt	2

the domestic market?		domestic sales?	
Is the product unique?	3	Does the company have the financial resources necessary for export?	2
Is the product successful in the domestic market?	5	Does the company have in-house personnel with export related knowledge/experience?	3
Is the end user of the product in the foreign market the same as in the domestic market?	3	Is international/global participation part of the mission statement of your company?	1
Does the product perform the same function in the foreign market as it does in the domestic market?	5	Is international expansion a part of the strategic business plan of the company?	5
Are the product use conditions the same in the foreign market as they are in the domestic market?	5	Would the company be willing to investigate export market opportunities?	5
Does the product need modifications to meet the needs of the customers in the foreign market?	4	Would the company be willing to attend and/or participate in trade shows abroad?	4
Is the company in a position to provide after sales-service to its customers in the foreign market?	3	Is the company willing to translate company literature into one or more foreign languages?	5
What is the stage of the product's life cycle in the international market?	4	Are the company's top competitors involved internationally?	3
Does the product require after-sales service?	4	Is the industry highly regulated?	4
What is the stage of the product's life cycle in the home market?	4	Is the company certified-ISO 9000	3

## **Annex 8: Country performance**



### Annex 9: Software suppliers Easy Easy Apps

Software	Description
<b>Adobe</b>	It makes the framework that Easy Easy Apps creates available for the mobile applications created for IOs and Android.
<b>Zoho</b>	Zoho is a suite of online services that the company signs up for and access from its Website. At Easy Easy Apps is mainly used organize the date from its site.
<b>Mailchimp</b>	Tool used to organized the emails EEA receives from potential clients
<b>Jira</b>	Internal tool used to organized the different stages of the clients projects
<b>BaseCamp</b>	Tool used to interact between the development team and the clients in order to help them to create their projects
<b>Jenkins</b>	It provides an infrastructure that allows the company to generate mobile applications.

### Annex 10: Countries performance indicators

Countries/ Indicators	G D P	Technolo gy usage	Access to internet	Use of smartphon es	Use of credit card	To tal
Mexico	7	8	9	10	9	43
Chile	6	10	10	8	8	42
Argentina	2	7	8	9	10	36

Peru	8	6	4	4	5	27
Colombia	4	5	3	3	6	21
Uruguay	5	9	5	5	7	31
Dominican Republic	9	4	6	6	2	27
Ecuador	3	2	2	2	3	12
Panama	10	3	7	7	4	31
Bolivia	1	1	1	1	1	5

### **Annex 11: Product functionalities**

Functionalities	Fabrica de aplicativos	Easy Easy Apps	Goodbarber
Number of tabs	50	unlimited	20
HTML5	yes	yes	yes
Web page functionalities	yes	yes	yes
White brand	yes	yes	yes
Banner in the app	no	yes	no
Integration with Android	yes	yes	yes
Integration with Apple	no	yes	yes
push notifications Android	yes	yes	yes
push notifications Apple	no	yes	no
Support to publish the app	no	yes	no
# of Layouts	10	10	50
Chat	no	yes	no
Customer support	no	yes	yes

### **Annex 12: Main challenges**

Main Challenges	#	%
Little knowledge of the Product	4	50%
Lack of supporting materials	3	75%
Payment Methods	1	100%

### **Annex 13: Resellers main clients by industry**

Main Industries	#	%
Restaurants	9	30%
Hotels	6	20%

Retail shops	4	13%
Cruises	2	7%
Church	2	7%
Taxis	2	7%
Clinics	2	7%
Politicians	1	3%
Others	2	7%
<b>Total</b>	<b>30</b>	<b>100%</b>

#### **Annex 14: Sale Process time**

	Reseller Program	Profesional Services
Invested time before closing a sale	around 40 days	around 30 days
Price per month	150 USD	54 USD
Deal with the clients after the sale	No	Yes
Time to deal with the client after the sale	Around 30 days	Around 30 days

#### **Annex 15 : Resellers by country**

<b>Countries</b>	<b># of resellers</b>
Mexico	8
Chile	6
Argentina	2
Peru	4
Colombia	3
Uruguay	2
Dominican Republic	2
Ecuador	2
Panama	1
Bolivia	0
<b>Total</b>	<b>30</b>

