

Low-risk strategies for internationalization

When Spanish brands export abroad, most opt for France. But the United States looks more attractive for the future.



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For Spanish companies looking for international sales, France comes first, thanks to its size and proximity. The United Kingdom, the United States and Germany follow, albeit by a large margin.

Yet when Spanish companies are asked which markets are most attractive for the future, the

United States gets the most votes, followed by Germany and then China.

This is highlighted in a 2017 [report on Spanish brands and their firms' strategies for entering international markets](#) — prepared by IESE's [Julián Villanueva](#), [Juan Manuel de Toro](#) and Pilar Soldado. The report includes a survey of more than 500 executives and entrepreneurs.



According to those surveyed, Spanish companies generally look to the larger and geographically closer countries of Europe when internationalizing today. They also look to Latin America, likely due to its cultural proximity, and the world's major economies, e.g., the United States and China.

Looking ahead to the future, the U.S. and China are seen as two of the three most alluring (along with Germany). In Latin America, Mexico and Colombia hold considerable appeal. Conversely, the survey found diminishing interest in France, the United Kingdom, Portugal and Italy.

Internationalizing vs. merely exporting

Contrary to popular belief, the study finds weakening domestic demand is *not* the main impetus for moving into international markets. 81 percent of the companies report that their internationalization is a search for new sources of growth, while just 19 percent cite domestic declines as a reason to cross borders.

When choosing a new market abroad, the top two considerations are market size and expected growth, as chosen by 47 percent and 44 percent of respondents, respectively. And when entering a new market, sales and growth are the top two objectives, favored by 77 percent and 62 percent, respectively. Only 40 percent prioritize their brand image upon entry, which is surprising given that 90 percent of companies consider the role of their brand to be "important" or "very important."

It's also noteworthy that 40 percent say they have very differentiated products or services to offer in international markets. That is to say, 60 percent say they have only moderately or poorly differentiated products.

Low-risk strategies

Few Spanish companies are venturing to establish foreign subsidiaries. Nearly half of the

survey sample reports having no branches, offices nor factories outside of Spain. That percentage climbs to 63 percent when it comes to smaller companies (i.e., those with annual revenues under 12 million euros). Most opt to sell in foreign markets via distributors, agents or local partners.

In fact, even large companies prefer to enter a new country indirectly, shying away from making significant investments up front. And this, say the authors, suggests a widespread aversion to making more committed (and risky) decisions for international growth.

So, what differentiates success from failure? Human capital is considered a key factor in internationalization efforts, especially in the selection of local partners. Making bad choices in the selection of local partners and/or distributors is cited as the top reason for failure, followed by an unexpected crisis and tough competition.

Methodology, very briefly

The study had both qualitative and a quantitative phases. First, the authors interviewed seven senior executives from companies selected in consultation with the Leading Brands of Spain Forum (FMRE, for its initials in Spanish). Next, a quantitative questionnaire was designed and sent to selected executives and entrepreneurs found in the databases of IESE, FMRE, the Spanish Institute for Foreign Trade (ICEX), the accounting and consulting firm Auxadi, and various trade groups representing Spanish businesses. In all, 577 questionnaires were completed, describing various aspects of the internationalization process.

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