

What **M**akes a **G**ood **M**arket for **O**verseas **E**xpansion?

The signs of living in multicultural societies are everywhere. Most countries across the planet sell significant amounts of Coca-Cola, McDonalds, and Nestle products. The car industry is a global giant with vehicles from countries like Japan and Germany popular all over the world. Many companies have found doing business abroad very lucrative, but there are risks involved also. The purpose of this short text is to argue that overseas expansion is more likely to be successful if the country targeted has strong indications of economic strength. There is an alternate argument that identifying growth markets is more likely to lead to long-long-term success, however, this is seen as a risky strategy.

The benefits of expanding overseas are firstly related to the size and quality of the market. A large country like China with a population of around 1.4 billion people (United Nations, 2019) certainly offers the possibility of exposure to many potential customers or clients. However, it is also important to consider their relative spending power. The measure of Gross Domestic Product (GDP) per capita is found by dividing the value of the entire economic output in a country by its population (Carter, 2008). This is widely seen as a good indicator of citizen's quality of living and potential spending power (Bérenger & Verdier-Chouchane, 2007). In China, the GDP per capita is only around 10,000 US\$. At the same time, Japan has a smaller population but the GDP per capita is more like 40,000 US\$ (World Bank, 2018). This suggests that Japanese customers may be willing to pay more, and buy more, of a given product. As such, it seems clear that the quality of the market is more important than its size.

Commented [AB1]: Conventionally, you need to capitalise every word in the title except for the articles, prepositions and conjunctions.

Commented [AB2]: This is a way too general statement even for a general statement. Can you think of a general sentence that would be better linked to the topic of the essay?

Commented [AB3R2]: This sentence should be logically linked with the one that follows. The link between the first and the second sentences is now broken.

Commented [AB4]: How many? Any proof? Examples? References?

Commented [AB5]: These two sentences also do not have a clear logical link. Can you think of a better transition?

Commented [AB6]: Any examples? Any proof? References?

Commented [AB7]: Essay?

Commented [AB8]: Wordy. This essay argues that....

Commented [AB9]: Should this sentence (it signals the counterargument) be in the introduction?

Commented [AB10R9]: Where is the essay outline?

Commented [AB11]: Overall, the introduction attempts to follow the required structure but the flow is an issue. Make sure that the ideas and logically interlinked and the key statements are supported with the examples and evidence. Do not forget to include the in-text references. Also, the outline/plan of the essay is missing.

Commented [AB12]: Not the most academic word. "Such as" is a better option.

Commented [AB13]: Make sure you abbreviate first to use the abbreviation in the text.

Commented [AB14]: There are better academic equivalents for the word "good".

Commented [AB15]: This symbol is used in APA, not Harvard. Make sure you follow the referencing requirements.

Commented [AB16]: I suggest to add a statement here that introduces the following contrasting examples.

Commented [AB17]: Double-check how the currency is written in the text. Use digits for exact amounts (e.g. \$24.28), but use digits and words for rounded and large amounts (e.g. 98 dollars; \$15 million).

Commented [AB18]: What do you think about the use of cautious language in this sentence?

Commented [AB19R18]: Is this conclusion obvious based on the two examples?

Commented [AB20]: Overall, the paragraph follows the required structure (the TS and CS are in place and the statements are supported with the evidence).

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However, there is an argument that the focus should be on the ~~potential of the market~~market's potential rather than current market conditions. Spotting the ~~potential for growth~~growth potential can provide what some economists describe as "early mover advantages" such as brand recognition, improved supply networks, and good working relationships (~~see, for example,~~ Bijwaard, *et al.*, 2008). As noted in Hill & Hult (2019), Korea was a relatively poor country in the 1970s, but since then it has grown its economy to be one of the strongest in Asia. International firms that established themselves in Korea earlier on gained market advantages ~~to help~~ed them profit from the increased spending power of its citizens. ~~This is one reason why~~ China has been the focus of heavy international investment and expansion for many years. While the Chinese economy still has obstacles to overcome before it achieves a high quality of living for all, it is a fast-growing market. If the GDP per capita in China continues to increase, the early mover advantages could be very significant. Add a CS.

Despite this, the argument for identifying growth markets may fail to take into consideration the increased costs of operating abroad. One reason for this is the potential for corruption. Lučić, *et al.* (2015) note that there is a clear relationship between this issue and GDP per capita. The general rule appears to be that the more successful the economy of a country, the more likely it is to have taken steps to reduce dishonest or fraudulent practices, such as bribery. Nevertheless, this may not always be the case. For example, Knight (2016) notes that the system in China has led to economic growth over the last 20-30 years, however, corruption is still a major issue, and the cost of doing business is therefore relatively high. The impacts of corruption are long-lasting, and the eventual costs of operating in a developing market may add up over time. As such, it is reasonable to argue that it is more

Commented [AB22]: This is a direct quote, which means that the in-text reference should include a page number.

Commented [AB23]: In Harvard referencing *et al* is italicised in the text.

Commented [AB24]: See above.

Commented [AB25]: Can you give the examples?

Commented [AB26]: This transition from one country to another is unclear. Can you add a sentence explaining it?

Commented [AB27]: As above, the structure is followed, the statements are supported with evidence. Do you think there should be a CS? The one here focused on Chinese market, but the essay is not looking at it as a case.

Commented [AB28]: Should this be referenced?

expensive for businesses to operate in countries that are still developing their economies ~~but have not yet tackled corruption. The impacts of corruption are long-lasting, and the eventual costs of operating in a developing market may add up over time. Knight (2016) notes that the system in China has led to economic growth 3 over the last 20-30 years, however, corruption is still a major issue, and the cost of doing business is therefore relatively high.~~ It is also true that the benefits of economic growth in China have led to wider social problems, such as increased inequality and economic insecurity, making this a market that is difficult to work in ~~due to additional costs. Add a CS.~~

In conclusion, ~~it is the contention of this essay this essay contends~~ that there are significant ~~early-early~~-mover advantages to choosing to do business in a developing market. However, this essay suggests that the risks of doing so may be too high for many companies. Corruption in developing markets could take years to clean up, and companies paying bribes to enter markets may find that there is reputational damage to consider as well as increased running costs. While it is a very basic indicator, a high GDP per capita suggests a potentially wealthy market for goods and services, and is likely to be a less risky proposition.

References

- Bérenger, V. & Verdier-Chouchane, A., 2007. Multidimensional Measures of Well-Being: Standard of Living and Quality of Life Across Countries. *World Development*, 35(7), pp. 1259-1276.
- Knight, J., 2016. The Societal Cost of China's Rapid Economic Growth. *Asian Economic Papers*, 15(2), pp. 138-159.

Commented [AB29]: How do you know? Any proof? References?

Commented [AB30]: Look back at the thesis. Is it the restatement?

Commented [AB31R30]: Add a restatement of the thesis before this sentence.

Commented [AB32]: Is this a new idea?

Commented [AB33]: Make sure that all MPs are summarised.

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<https://www.citethemrightonline.com/category-list?docid=CTRHarvard>

Bijwaard, G. E., Janssen, M. C. & Maasland, E., 2008. Early mover advantages: An empirical analysis of European mobile phone markets.

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