# INTERNATIONAL EXPANSION PLAYBOOK

**EURAZEO**

OCTOBER 2023

**Eurazeo has led an “internationalization playbook” of research amongst several of its portfolio companies & external experts.**

The goal was to gather feedback & key learnings regarding their international expansion.

# METHODOLOGY

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We interviewed 10+ portfolio companies & experts, from scale ups selected based on several criteria.

**The companies we have selected:**

- Are focused on SMBs, Enterprises or B2C
- Have their primary office in Europe
- Count more than 300 employees
- Have expanded to at least 3 markets
- Have expanded organically and / or through M&A

BackMarket
YOUNITED
malt
VISMA
PayFit
bunq
Qonto
Doctolib
ManoMano
Brigad
Revolut
atscale
soldo

# WE ASKED THE EXPERTS THE FOLLOWING QUESTIONS

*Experts who answered are CRO / VP Strategy / C-levels from interviewed companies.*

- How did you **prioritize international markets** in your expansion strategy? (questions asked, criteria, decision makers, resources used)
- What was your **expansion strategy in each market?** (launch date, grouping of several markets, M&A vs organic, creation of a local team)
- What were your main **successes & your key challenges?**
- How has your **international roadmap launch evolved** over time?
- How involved were the different **teams in the launch of new markets?** Were there changes in the way different teams interacted?
- What **advice would you give to companies** looking to expand to your different markets?

KEY TAKEAWAYS REGARDING INTERNATIONALIZATION

# STRATEGIZING

# 1 MARKET PRIORITIZATION

First, a deep market analysis is required. Companies either performed this exercise alone or with the help of a partner (see partner section for more information). Markets are ranked and then prioritized according to two main categories of criteria:

I. **Market attractiveness:** market size and growth, market economics, dynamics & distribution channels

II. **Market accessibility:**
   i. Competitive dynamics (incumbents in the country, competition from startups, bank digital offerings),
   ii. Consumer habits & culture, for FinTechs more specifically: banking habits, use of cash vs cards
   iii. Efforts needed to localize the current product offering
   iv. Selling point,
   v. Regulation (often underestimated). FinTechs interviewed mention: e-money license validity, banking regulation, flexibility of the legislation (some countries seem much easier to negotiate with than others), team requirements on the ground (some countries require a minimum number of employees to open a local office),
   vi. Currency (one not to neglect) as operating in euro countries is a lot easier, and thus

*Joana Coelho*
*Former Director of Strategy@ Soldo*

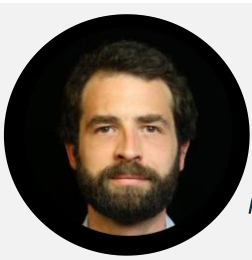
*"Constantly reprioritize your international focus based on country performance and on the product market fit you observe. Don't rely 100% on your initial model, but rather on your ability to sell and be flexible to finetune your analysis."*

Then different companies follow different approaches to prioritize markets. B2B expansion requires more effort while in B2C cases international markets can be launched from home markets. It indeed requires less product localization (only website localization and maybe payment methods), while benefiting from strong synergies of merchant base for marketplaces / logistic providers that can already be present in different markets

I. **B2C companies** tend to follow a test & learn approach in each market
II. **B2B companies** wait to have an in-depth analysis the resources required to have a successful market launch, otherwise there are very few chances of success, namely

| | |
|---|---|
| DOs | **Start with the "low hanging fruit markets".** Mitigant: don't spend too much time on markets which are an easy launch, yet without high potential.<br><br>**Be very clear and precise on long term objectives**, go after big opportunities that can have a large impact.<br><br>**Early international expansion fosters a lasting international culture** within the team |
| DON'Ts | **Don't do the market analysis superficially** as its essential to have a complete view of the market. Companies interviewed often said they had not pushed enough one of the aspects of their market analysis (such as legal, competition, market depth).<br><br>**Don't underestimate the resources needed to expand to a new market.** Even what is considered "small edits" to the product can be complex to setup. For instance, changing a website language is difficult and can take time. Companies say: « launching a new market is like launching a new startup ».<br><br>**The further away the market from a company's home country, the more difficult to launch the market.** Thus, the more in-depth work required to adapt the product offering, company organization, branding, marketing strategy to the local country. |

*Cyprien Andres*
*Director Country & Category @ Back Market*



*"Expanding outside your home market is challenging both time consuming and resource intensive but can be highly rewarding ! At Back Market, we chose to focus first on the countries with the strongest ROI, the largest addressable market with the lowest challenges from an operational and regulatory perspective, before expanding further away in more challenging markets, leveraging our recent learnings."*

# 2 TIMING

There are different approaches to launching new markets

I. **Launching in bulk** can be useful to mutualize efforts such as translation, customer support setup, regulatory research. Mitigant: the first expansion market is difficult to launch in bulk and this strategy can result in lack of focus in each market. Bulk launch is mostly recommended for B2C vs B2B companies
   I. For a B2C company, a new market launch requires website customization, language change, new shipping & payment methods, and potentially a local customer support team. Most of these functions can be done from your home market
   II. B2B requires more customization. Product localization includes all B2C prerequisites, as well as further analysis on regulation, market standards, product integrations (eg Datev in Germany), and go to market strategy (namely with outbound sales)

II. Launching market by market, mainly for companies for which launching a new market requires in depth analysis & many resources. This approach is recommended for the largest markets such as the UK and Germany, because it is key for companies to succeed in these markets. For smaller markets, focus should be put on efficiency. Failure in smaller markets will not harm the Equity Story as much as on bigger markets.

III. **Grouping together markets with similar characteristics** where the same language is spoken. Companies often came up with this strategy to optimize timing & group efforts–(e.g. one GM for two markets, one tech team for both, etc). Grouping markets remains highly opportunistic (e.g. a GM with 2 nationalities). For instance, one part of Belgium can be grouped with France and the other with the Netherlands. Italy and Spain are also markets with similar characteristics in terms of digitization.

Olivier Vaury
CFO
@ ManoMano

*"When deciding for or against international expansion, it is critical to do the cost / benefits balance seriously. Already mastering the key assets to do it can reduce the cost and risks associated (for instance, having a catalog of products ready to be shipped cross-border for an e-commerce players). Even with the greatest product, if you don't have the relevant assets, your timing will not be right."*

There is a steep learning curve from launching each market. A market launch is a learning process. As such, the launch period decreases as the number of foreign markets opened increases. On average, companies spend more than 12 months launching their first market (between first person recruited & first € of revenue generated). The time to launch can go down to 3 – 6 months as companies open additional markets.

## DOs

**Remain opportunistic on timing.** Though the market may have been planned to be launched in 1-2 years, if there is a specific opportunity (e.g. failure of a competitor, M&A potential), remaining flexible on the launch timing is important.

**Always start by testing the product market fit in new markets by spending on marketing from your home market,** via surveys, land pages, paid advertising etc, to get a first answer of how the market reacts to your offer.

**Making sure to adapt your product, pricing and go to market** to the country's specificities to optimize product market fit and distribution strategy. Often its useful to have a first customer in a country to test product market fit as early as possible

**Set clear KPIs prior to market launch** so that you can challenge the market attractivity on a regular basis

## DON'Ts

**Don't launch a market too early for the wrong reason**. Experts don't recommend to open a new market before having a ~50 people team in the core geography. Launching because of increasing competitive presence in the market can lead to burning resources in a non-efficient way.

**Don't launch too fast.** Launching a new market requires resources and can be at the expense core market business. Prepare a market launch as much as you can to maximize your chances to win?

**Don't launch too many markets at the same time.**

**Don't wait until your product is perfect**, go to the market with an MVP, and then optimize your product. Treat it like it's a new product from scratch.

*Stéphane Azamar-Krier*
*CEO*
*@ AtScale*

*"It is highly risky to open a foreign market when you haven't nailed your domestic market first. As such, we recommend to launch new markets when you already reached sales stability with 80+% of your sales team above target in your domestic market."*

# 3 CONSTRUCTION OF A LOCAL TEAM

The local team is unanimously stated as the key success factor to a successful market launch. Opening a new country is above all an HR play. It can be as difficult as launching a new business and requires a team of entrepreneurs.

Having at least 1 to 2 very senior and experienced people per market is highly recommended. Two roles are mentioned as key:

**I. General manager**. Hiring a GM in the new market is essential at some point of the development of the country. The seniority & strength of this GM is one (if not the) factor of success in the country. Whether this role should be recruited at launch or slightly later depends on companies' strategies.

1. Some argue that this hire is expensive and not necessary at the launch, while having more junior people to begin with is enough (such as local account executives).
2. Others argue that hiring a local GM at start is maximizing chances to recruit the right people in the team.
3. A potential solution is to have one general manager for several markets which are close from an operational & cultural point of view.

**I. VP Sales and / or VP marketing.** This role is key to adapt marketing, communication strategy and acquisition channels to make them more localized. Hiring strong & strategic people for the sales & marketing role is key to grow your business internationally. These roles should be recruited at launch of the market and need to be local people.

*Mélanie Gilles*
*VP Strategy @ Malt*

*"Launching a new market is like launching a new company, you need a team of local entrepreneurs. The first criteria to succeed in a new market is to recruit the right people. Yet, it's also one of the most challenging !"*

Training the local team in the country's HQ is a practice often observed to convey business culture & best practices to the newly launched country. Companies often started with country managers spending a few months / years in the local markets.

Having someone in charge of local expansion at company level helps to i) not defocus from the company's core business and ii) reuse best practices across markets. Most companies say they appointed a Head of Strategy, corporate development, international operations too late in their expansion.

Yet, founders underestimate the importance of being the face of the newly launched market to highlight the new market's strategic importance to the company. Doing some founder led sales at launch, being present during initial local conversations is key to vehicle the right message and to get a sense of the market as well.

## DOs

**Focus on recruitment as it can be a big challenge in some markets**, and one for which companies decided not to launch a market as they could not find the appropriate person to lead it.

**Give local teams flexibility**, this is a key driver of motivation.

**Have at least 2-3 local people opening the market.** Don't rely on one single person, otherwise you can't know if the problem is the market or the team.

**Make sure each country manager spends at least one week per month** in the HQ office, and that at least one founder of your company spends time in the new market as well.

## DON'Ts

**Don't hire nonlocal people to launch the market**, as this is also a viral process, and local talent attracts local talent.

**Don't hire the GM too late in the country's development.** Companies interviewed which hired their country manager too late underlined that they had underestimated how a GM can accelerate the country's development.

*Albertine Lecointe*
*VP Strategy @ Qonto*

*"Qonto in France started with a network of entrepreneurs, who were key to help us build our product in line with their needs. This approach was hard to replicate in new markets, where we felt further away. I recommend teams to stay as close as possible to new markets at launch. They will gather precious feedback to accelerate growth."*

# 4 M&A VS ORGANIC

**Screening all potential M&A targets is a continuous process,** though it is not the most challenging part.

M&A should be done for specific reasons such as product expansion or international expansion, but several companies mention the fact that M&A was mentioned as a must have, when it shouldn't be.

**There is no ideal timing to do M&A. Some will argue you should wait until you have a certain size while others say "the sooner the better". Overall view is to do M&A when possible** as this highly accelerates market launch, yet this varies according to company culture.

Most companies who did not consider M&A say it was either because i) no targets existed on the market or ii) there was no product complementarity with potential targets.

80% of acquisitions don't work out, so M&A is not straight forward.

*Agnès Bazin*
*Chief Development Officer*
*@Doctolib*

*"There is no ideal timing & candidate for an M&A., hence the importance of remaining opportunistic. This means building trustworthy relationships with several players in target markets. By nurturing the relationship, you make sure that they think of you as a partner of choice, which enables you to do the right deal at the right moment'.*

## DOs

**Remain opportunistic on M&A,** even if the country was not a priority on the roadmap, an M&A opportunity can provide a new growth opportunity.

**Keep your competitors close.** Companies which managed successful M&A transactions often had trustworthy relationships & frequent interactions with the target company.

**Keep in mind that M&A is not the only means to accelerating growth.** Another way to accelerate expansion is via local partnerships. Win-win partnerships with local actors is a good way of testing product market fit while reducing CAC and increasing value proposition to customers.

Start your merger with the acquired company by organizing an offsite to motivate the teams and align on near- and long-term terms objectives.

## DON'Ts

**Don't condition a market launch on M&A as this remains opportunistic and unpredictable**

**Don't look for the ideal M&A target, contrary to common belief**, it doesn't exist

**Don't underestimate the workload of integrating the whole new company**

**Once you acquired a company, be careful not to stay "friends" with the acquiree's management team.** Be clear about the process being an acquisition and not a merger. Communicating is key.

**Don't wait to announce what you plan to do with the company.** Give the company immediate visibility so that those who do not identify can jump to their conclusions quickly, vs having demotivated teams.

*Victoire Pailleret*
*CSO*
*@ Payfit*

*"M&A is not the only option to accelerate growth in new markets. Entering a country organically and building strong partnerships with local actors is a great way to test product market fit while reducing CAC and immediately showing value to customers"*

# 5 USE OF PARTNERS

**Companies interviewed don't recommend using external resources** to assess the accessibility and characteristics of their target markets. No company interviewed was fully satisfied with the work performed by an external expert, and all suggest to do this exercise internally.

**Pros & Cons of using experts**

(+) Some companies had received free access to market research experts thanks to their investors

(+) Clear & professional materials which are easily accessible throughout the organization

(-) Work is « superficial » and was in most cases reperformed internally

(-) Very costly. More expensive than hiring several dedicated freelancers

Interviewed experts recommend to:

- **Do the market research internally, with a dedicated business development team** (full time or freelance) who leads the market assessment leveraging available databases such as Eurostat
- **Speak to local experts** to understand market dynamics and competitive landscape
- **Complement this research with an onsite visit** to meet potential customers, partners, competitors., and gain as much local insights as possible

On the other hand, several companies recommended using recruitment partners to i) recruit talent and ii) decide on whether to open local offices, to do HR benchmarked regarding talent attraction, education, salaries, competitive companies.

Tommaso Gamaleri
*Head of Europe @ Younited Credit*

*"I would combine a deep market assessment with an onsite visit. In 2019 we went to Romania to complement our internal market assessment. In 3 days met local consultants, the local bureau, the association of competitors, potential partners, etc. We got a lot of practical insights and much more information than we expected as this kind of people love to talk !."*

# 6 FURTHER EXPERT GUIDANCE

- Avoid rushing the launch of new markets:. Define clear targets demonstrating good product-market fit before expanding into new markets.

- Avoid distraction by focusing on markets that are not too small or distant from your home country to avoid distraction and maintain a strong business foundation.

- Keep your entrepreneurial mindset. Launching a new market is like building a new company, so use the same approach as the one you had at the beginning: stay close to the market, talk to people, iterate.

- Approach internationalization pragmatically rather than theoretically : avoid overanalyzing each market and allocate a budget for testing and learning.

- Build a dedicated team responsible for bridging local and central functions and coordinating activities across different countries.

- Take nuanced feedback from the market, including input from employees and salespeople, but validate the feedback.

- Do a postmortem analysis, which consists in having an iterative process to challenge your past decisions and learn from them.

- Document all processes and information, especially in the early stages when a small team holds most of the valuable knowledge. If they leave, and everything lies in their heads, this valuable knowledge is lost and cannot serve future market launches.

*Joséphine Nordin d'Arc*
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*Anne-Charlotte Philbert*
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