INTERNATIONAL BUSINESS PLANNING CHECKLIST

For Development of
Overall International Business Plan

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Introduction: The following Checklist is designed to be used by a Company's senior management as the first step in planning its expansion into foreign markets. It sets forth strategic questions to be addressed by the Company in planning its international development, including whether the Company is at the right stage of its corporate development to enter overseas markets, optimum business model, country selection, sequence and timing, localization and other strategic issues. Once the Company's management has completed the Planning Checklist, the information collected can serve as the basis for the Company's International Business Plan and the roadmap for its international development strategy.

1.	Should Company Establish Business in Foreign Markets? – Is the Company at the right stage of its corporate development to enter international markets?		
	a.	Traditional Test – Has the Company saturated the domestic market in its home country? If yes, then this is an appropriate time to begin operations in foreign countries.	
	b.	Modern Test – Where are the best business opportunities for the Company in the world right now? If there are better opportunities in targeted foreign markets than in Company's home market, it is appropriate to skip over portions of the domestic market to pursue foreign opportunities. (However, Company must design the scope and details of its international development to match its capital, personnel and	

		management expertise.)	
	c.	Competition – Are the Company's competitors active in international markets? If so, should the Company be pursuing such markets to remain competitive?	
	d.	Growth Analysis – How will the Company meet its revenue growth projections over the next 5 years (especially public companies)? Is there sufficient potential for new business in the Company's home market to meet this requirement or will the Company need to look to foreign markets?	
	e.	Resources – Does the Company have sufficient resources to pursue business in international markets at the present time? (Resources include capital, personnel and management expertise.) If not, will the Company be able to acquire these in order to properly execute its international business plan?	
	f.	Have impediments that the Company previously identified in foreign markets been reduced in recent years? Examples include political risk, restrictions on currency repatriation, lack of infrastructure, unreliable legal system, etc. in targeted foreign countries.	
	g.	What type of international activities will be performed? • Sale of products • Performance of services for foreign customers • Establishment of Company-owned facility abroad for	

[2] Note – The focus of this Planning Checklist is on the Company selling its products overseas and setting up foreign operations; importing is beyond the scope of this outline.

		sales, logistics/distribution, manufacturing, research and development, other purposes • Sourcing of raw materials, components, merchandise from foreign suppliers[2] • "Offshoring" i.e., operating a company business process in a foreign location (eg., call center) • Outsourcing, subcontracting to foreign firm • Integrated global business operation	
	h.	Estimate size of the worldwide market for Company's products. How does this compare to the size of the market in Company's home country?	
2.	Business Model – What business model will the Company use in its international development?		
	No Direct Presence In Foreign Country (Export of Products and Services From Company's Home Country)		
	a.	Sales Through Independent Sales Representatives, Agents	
	b.	Sales Through Independent Distributors • Distributors • Channel Partners • Value Added Resellers (VAR's)	
	c.	Consumer to Consumer Direct Marketing (Tupperware, Amway, etc.)	
	d.	Sales Through Local Retail Store Chains	

	e.	Contractual Joint Venture: • Foreign partner has passive, minority interest • Foreign partner shares management responsibilities with U.S. Company • Foreign partner has primary management role	
	f.	Franchising, Licensing: • Franchising through Master Regional Developers • Franchising – direct to franchisees • Licensing	
	g.	Direct Sales From Outside the Country • Online Internet sales • Telephone sales • Direct mail • Other	
	h.	"Piggyback" sales through multinational companies – Walmart, etc.	
	i.	"Piggyback" sales through electronic gateways – Amazon, e-Bay, etc.	
	Direct Presence In Foreign Country (Establishing Office, Manufacturing or Other Facility In Foreign Country)		
	a.	Marketing facility – Company-owned retail stores, wholesale facility	
	b.	Distribution, logistics, warehouse facility	

	c.	Offices for the performance of services (technical, financial, professional services)	
	d.	Regional support facility to support independent marketing by agents, distributors, etc.	
	e.	Manufacturing facility	
	f.	Integrated facilities – manufacturing and sales operations	
	g.	"Entity" joint venture (formation of business entity, shares are issued both to the Company and a foreign partner)	
	h.	Real estate ownership and/or development	
	i.	Acquisition of operating company	
	j.	Private equity – investment in majority or minority interest in a private company	
	k.	Public equity – investment in the securities of a publically traded company	
	l.	<u>Planning Note</u> – Many companies change their business model in foreign countries in relatively short periods of time (e.g. within five years). The Company should set up its structure, contracts and business relationships to permit it to make changes to its business model within a medium (e.g. five year) time period without incurring significant legal	

		liabilities or expense.	
3.	<u>Which Countries</u> – Which foreign countries present the best opportunity for the Company?		
	a.	Identify the top ten foreign markets that present the greatest business opportunities for the Company within the next 5 years (refer to the market research materials, databases and country summaries identified in Appendix A). Consider: • Developed countries (N. America, W. Europe, Japan) • Top 5 emerging markets (China, India, Brazil, Russia, Mexico) • Other emerging markets (Asia, Latin America, Eastern Europe, MENA) • Affluent sub-markets in emerging countries (Shanghai, Dubai, Singapore, Mexico City, etc.)	
	b.	Are there any special restrictions on your product based on regulatory, legal or political factors in the target countries?	
	c.	Are there any special restrictions on your product due to cultural, religious or climate-related factors that will limit your business in the target countries?	
	d.	Do consumers in the target countries have sufficient per capita income to purchase your product? (Consider projected change in per capita income over the next 5 years.)	
	e.	Will there otherwise be sufficient market demand for your	

		product in the target countries?	
	f.	Conduct risk assessment for targeted foreign markets – see Risk Assessment Planning Matrix. If the Company is considering conducting business in emerging markets, is it prepared to deal with the specialized risks in these markets?	
	g.	It may be advisable to initially limit foreign operations to a small number of high opportunity foreign countries rather than attempt to establish operations in a large number of countries. Similarly, Company should also consider targeting only affluent sub-markets of emerging economies, or limit to just specific regions. These decisions will depend on the size, resources and sophistication of the Company.	
	h.	See Section 6 below regarding the timing and sequence in which the Company will enter each of the target countries.	
4.	<u>Product and Business Process Localization</u> – Each foreign country has its own legal, cultural, technical and business requirements. How will the Company's product and business process need to be changed (localized) in each foreign country to comply with these? The following are examples of issues which will need to be addressed in <u>each</u> foreign country in which the Company operates:		
	a.	Product modifications (product localization)	
	b.	Language	
	c.	Currency	

	d.	Local technical standards	
	e.	Packaging, labeling	
	f.	Legal compliance	
	g.	Website localization	
	h.	Marketing plan	
	i.	Payment processing (credit cards, check, cash)	
	j.	Customer support	
	k.	Logistics and warehousing	
	l.	Advertising	
	m.	Note - For a detailed checklist of factors to review in localizing the Company's product and business model to individual foreign countries, please see Country Localization Checklist.	
	n.	Local Partner – In localizing the Company's product and business model within a foreign country, it is advisable to have a person who is a native of that country (serving as consultant, employee, partner, director or advisor) advise the Company and participate in the decision-making process in planning the localization for that country.	

5.	<u>Core Company Standards</u> – Regardless of changes made in the localization process in each country, the Company should maintain core elements of its culture in every country in which it operates. What are the core elements of the Company's business and culture that it wants to maintain in every country?		
	a.	Highest level of quality? Reputation as a "premium" brand?	
	b.	Lowest price?	
	c.	Highest level of customer value?	
	d.	Highest level of profitability?	
	e.	Best company to work for?	
	f.	Other	
6.	<u>Sequence Of Entering Targeted Foreign Markets</u> – Options to consider:		
	a.	Traditional Methodology – Expand first to countries adjacent to Company's home country, and then gradually expand outward from there.	
	b.	New Methodology – Start first in the countries that present the greatest business opportunities for the Company, even if these are in other regions in the world. Continue to other	

		countries based on priority of business opportunity rather than proximity to home country.	
	c.	Do not start operations in all targeted foreign markets at same time; open in a phased sequence over time. Timing should be determined by the size, resources and sophistication of the Company. Use strategy described in (b) above for identifying country priorities.	
	d.	Identify which foreign countries the Company will operate in each year over the next 5 years, and estimated dated of commencement of operations in each.	
7.	<u>Tax And Entity Planning</u> – Structure the Company's business entities to protect the parent from legal liability, achieve tax efficiency, and streamline treasury function.		
	a.	Tax planning goals: (i) reduce tax liability in individual countries: (ii) avoid double taxation in multiple countries; and (iii) reduce Company's overall worldwide tax rate.	
	b.	Tax planning factors to consider: • Selection of entities in low-tax jurisdictions whenever possible • Maximize use of foreign tax credits • Use of tax treaties and regional holding companies to avoid double taxation • Capture of flow – through losses in start-up stages • Special strategies for IP development and licensing • Tax-efficient internal debt when parent Company is	

		providing capital to foreign subsidiary • Optimize E&P and E&P deficit utilization • Optimize NOL utilization/valuation • Facilitate basis planning • Transfer pricing strategies • VAT tax planning • Tax efficient acquisitions and dispositions	
	c.	Foreign Entity Selection - type of legal presence in foreign countries: (i) subsidiary; (ii) branch; and (iii) representative office.	
	d.	Commercial law goals in entity planning: (i) limit parent from legal liability in target country; (ii) project a "local company" image in target country; (iii) local entity may be required to comply with local regulatory, legal requirements.	
	e.	It is often desirable to operate through a subsidiary in each foreign country to protect parent Company from legal liability – use of a "branch" will not achieve this and will often expose other assets of parent Company. In selecting type of entity, be sure to select type that has limited liability of shareholders.	
	f.	In certain countries, local law requires that entities formed under local law have at least one shareholder that is a citizen of that country. This may be undesirable for many companies so care must be used in selecting the proper type and jurisdiction of entity.	

	g.	Local entities can often be characterized as "flow-through" or "blocker" entities for tax purposes. Select the type of entity that presents the optimum tax results for the Company.	
8.	Protection of Intellectual Property.		
	a.	Intellectual property: patents, trademarks, copyrights, trade secrets, trade dress, domain names, technology, proprietary processes.	
	b.	Does the Company have valuable intellectual property? Company should register or otherwise legally protect its intellectual property in every foreign country in which it operates.	
	c.	Trademarks – it is advisable to register trademarks and domain names as the first step in establishing operations in a foreign country – prior to communicating with parties or releasing public information that Company is establishing operations there (in order to avoid pirates registering Company's trademarks in their own name). Company should consider registering trademarks both in the local country language and the Company's home country language.	
	d.	It is recommended to develop strategies to protect the Company's intellectual property on a global basis at the outset of international development process. Specific strategy will depend on the resources of the Company. Major companies often will initially register key intellectual	

		property in all foreign countries in the world. Companies with limited resources often will register in top ten jurisdictions (US, EU, China, Japan, Brazil, etc.), and then register in remaining countries at a later date. In addition, Companies with limited resources will often only register the most important IP at the commencement of their international development, and then register remaining IP assets when they start actual operations in an individual country.	
	e.	Certain countries pose a particularly high risk of intellectual property infringement due to weak intellectual property laws or lax enforcement mechanisms. Company should adopt specialized protection strategy (beyond simply registering intellectual property) in these high risk countries.	
9.	<u>Tariff And Trade Laws</u>		
	a.	Determine if Company's products will be subject to tariffs, import duties or other import restrictions in targeted foreign countries. Factor these costs into business plan for these markets. Look for: • Tariffs • Import duties, fees • Import quotas or embargoes • Antidumping duties • Countervailing duties • Other import-based charges or restrictions	

	b.	Consider strategies to reduce or eliminate import duties: • Attempt to reclassify product to different harmonized tariff number with lower duty rate • Re-design product to different harmonized tariff number with lower duty rate • Consider assembly of product in third country to import product with lower duty rate • Use of free trade agreements or regional trade compacts (NAFTA, etc.) • Use of free trade zones and subzones • Duty drawback • Use of preferential duty programs such as Generalized System of Preferences ("GSP")	
	c.	Determine if product will be subject to other "unfair" import restrictions or protectionist measures (local discriminatory technical standards, inspection laws, etc.)	
	d.	Review other import-based laws that will impact on Company's product such as food safety, consumer protection, labeling laws, etc.	
10.	<u>Legal Compliance.</u>		
	a.	U.S. laws – There are certain U.S. laws that regulate international business transactions - Company should use care to comply with these:	

		• Export control laws • OFAC embargoes and sanctions programs • Prohibition on dealing with Specially Designated Nationals • Foreign Corrupt Practices Act • Anti-boycott laws • Patriot Act, anti-terrorist and anti-money laundering laws • Customs and import laws • Adoption of International Compliance Program	
	b.	Foreign laws – Company should comply with all laws in each foreign country in which it is operating.	
11.	<u>Advanced Globalization Strategies</u>		
	a.	Can the Company develop a "global" product that does not have to be localized in each foreign market?	
	b.	Can the Company develop unified media themes and advertising messaging that do not have to be localized in each foreign country?	
	c.	Can the Company take advantage of technologies such as automated translation tools, automated foreign exchange conversion web applications, website personalization tools to reduce localization efforts?	

	d.	Can the Company take advantage of worldwide media channels such as satellite television, Internet television/media programming to promote its product and/or for other parts of its business process (payments, electronic delivery of content, etc)?	
	e.	Can the Company take advantage of worldwide business resources such as payment systems (Visa), delivery (Fed Ex) to streamline its international operations?	
	f.	Can the Company design its product around globally accepted technical standards?	
	g.	Sales through other worldwide electronic platforms – Internet, wireless networks, digital satellite television, for marketing, translation processing/sales or content delivery?	

APPENDIX A

FOREIGN MARKET
RESEARCH MATERIALS

World Bank "Doing Business" Reports and Data Base – http://www.doingbusiness.org
Detailed analysis of business climate and business opportunities in each country in the world. Specific "Doing Business" Report for each country.

U.S. Commercial Service Market Research Library – http://www.buyusainfo.net
Detailed market research for U.S. exports for all foreign countries

International Trade Administration (U.S. Dept. of Commerce) Trade Data and Analysis – http://www.export.gov
Trade data and market research broken down by industry, country and other categories

Federation of International Trade Association (FITA) Research Database – http://www.fita.org/countries
Foreign country profiles and research resources for most foreign countries.

Nationmaster Data Base – http://www.nationmaster.com
Detailed business and market research database for most countries

World Bank Development Indicators On-Line – www.worldbank.org
Extensive research on economic indicators in every country.

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