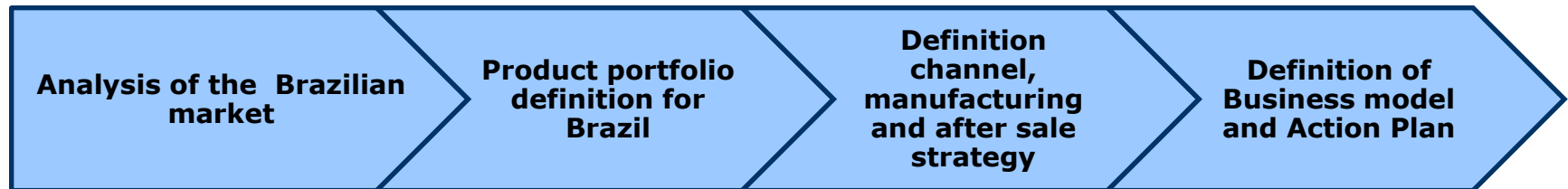


## **Case Study: market entry strategy**

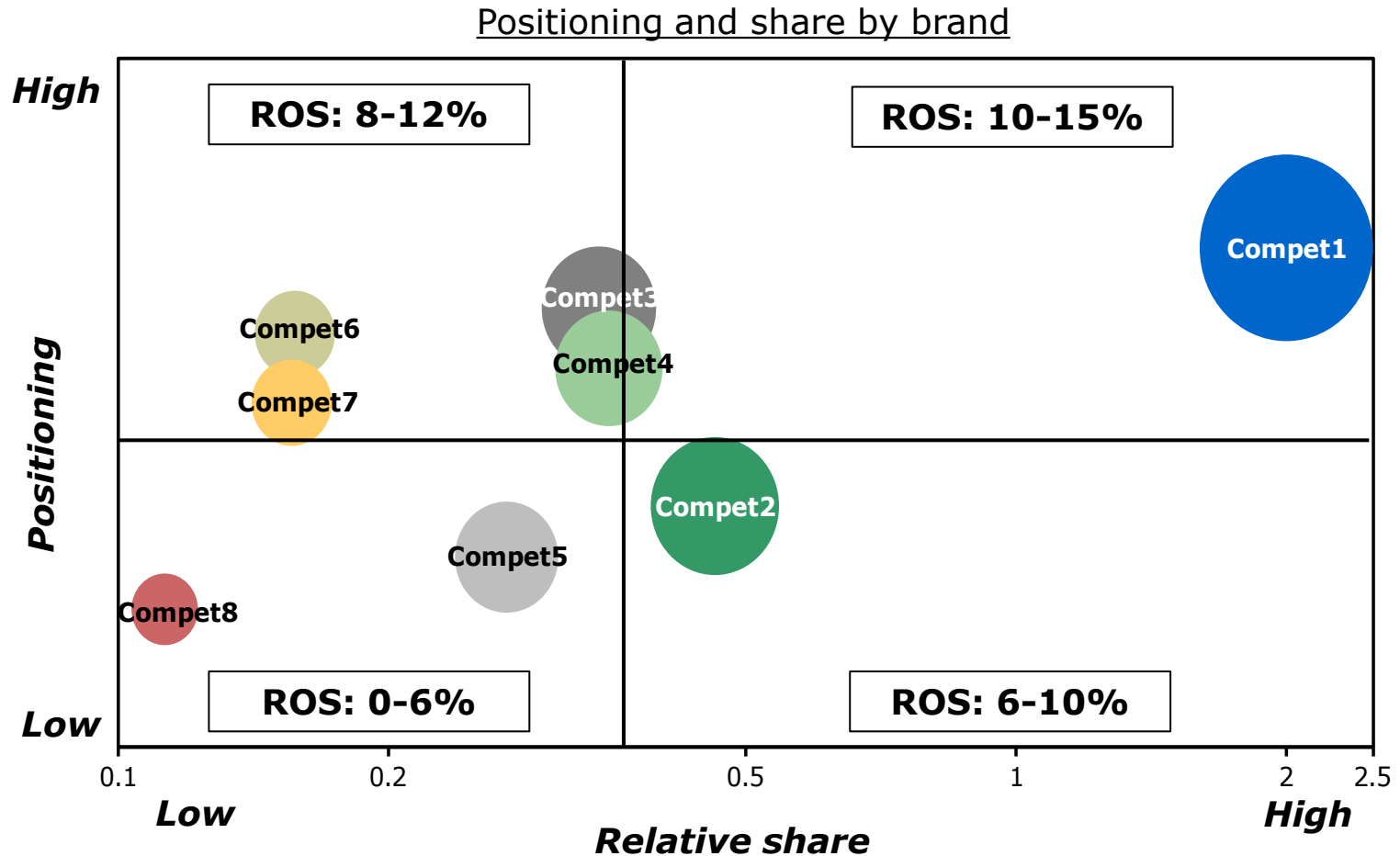
### **- Selection of slides**

- Situation: 'The Client', global HVAC manufacturer would like to evaluate the market potential for their products in Brazil.
- In this sense, the overall aim of the collaboration would be:
  1. To help 'The Client' identify and evaluate the main opportunities for its products in terms of positioning, revenue sources, geography and channels
  2. To help 'The Client' identify the best entry strategy
  3. Develop entry strategy and business case

*BMC proposes a five step methodology*



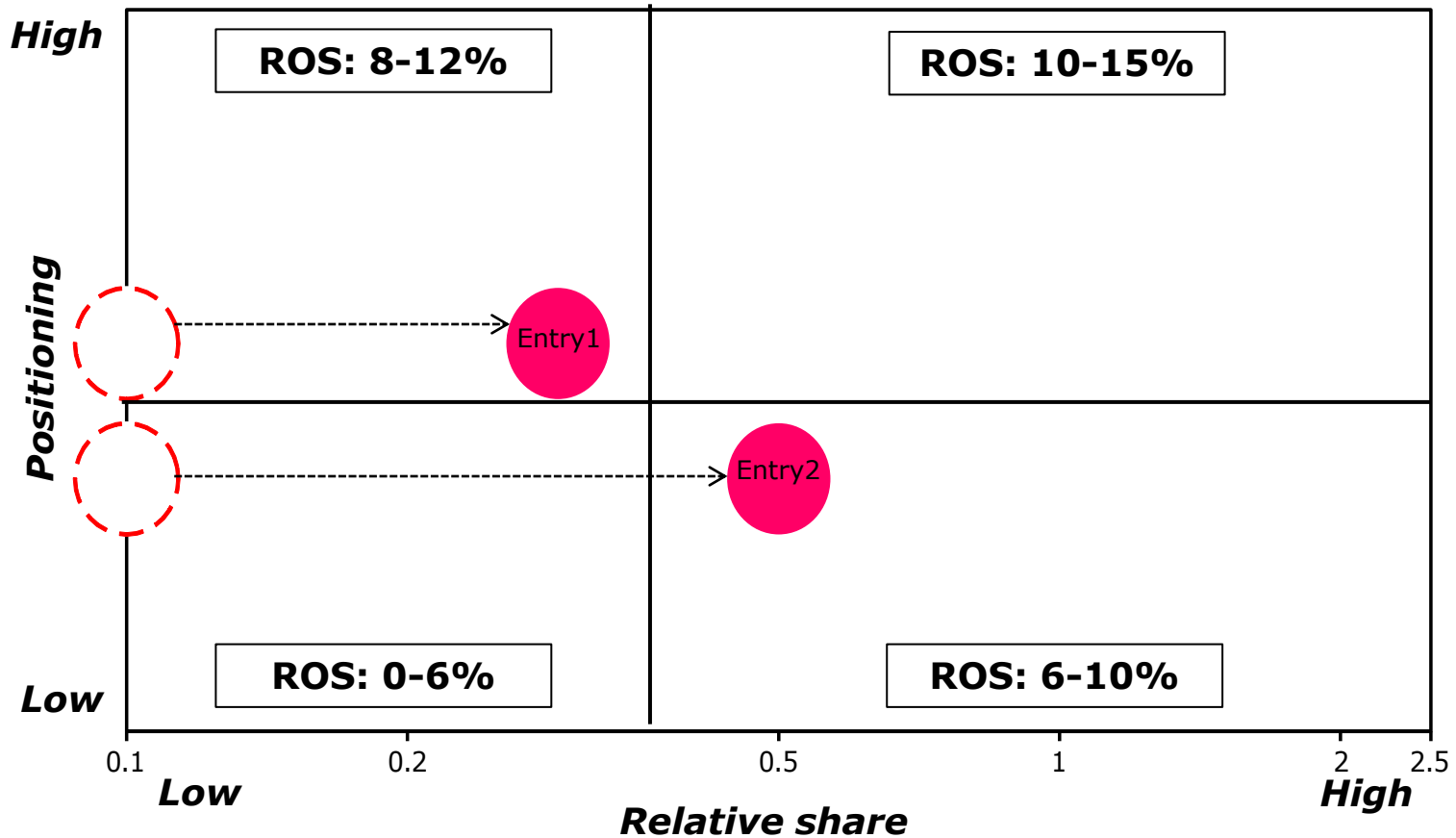
*Positioning, market share and strategy of each competitor is different in the Brazilian market*



Source: Emerging markets information services, BMC estimates. Note: ROS=EBIT/Sales

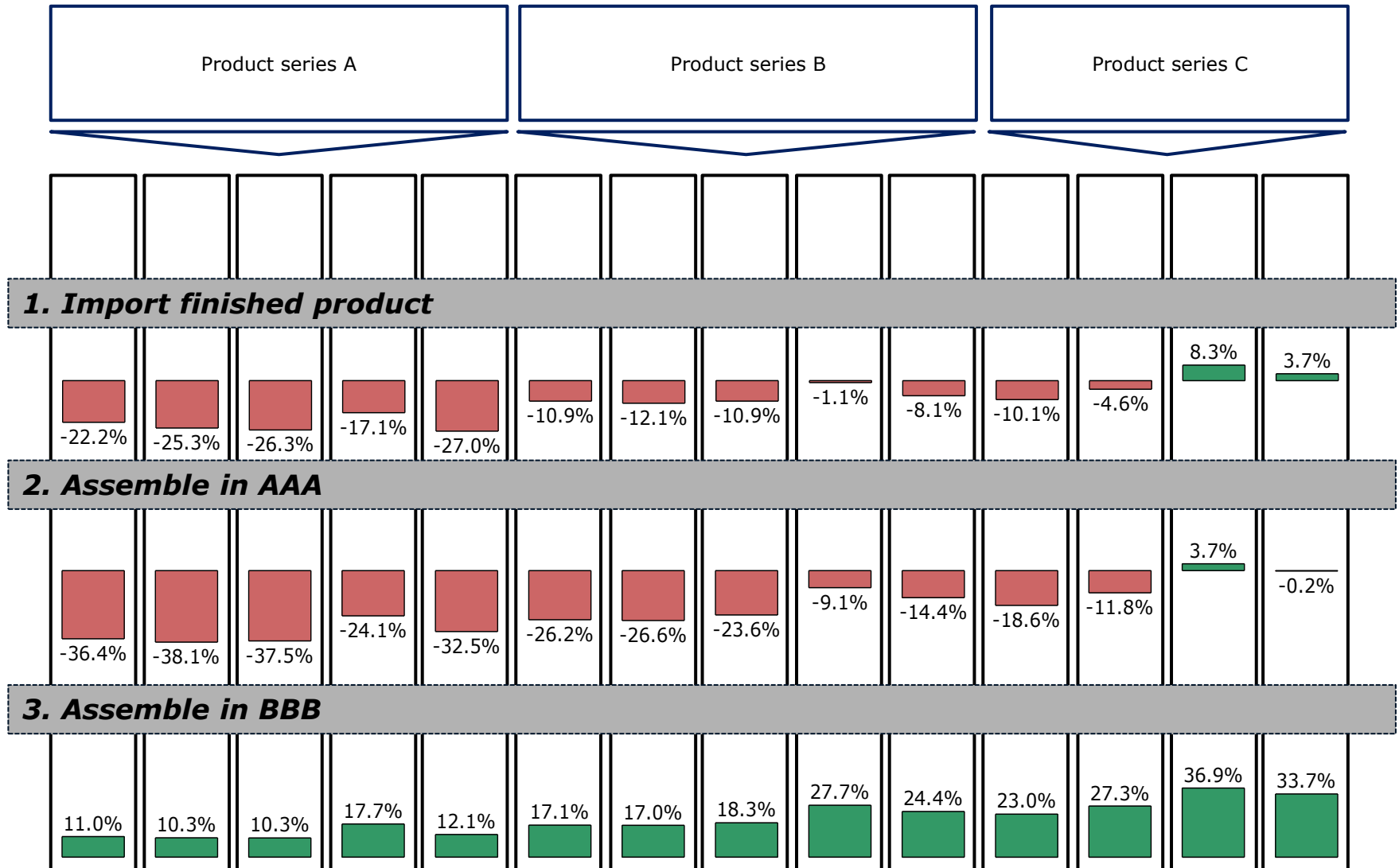
To achieve the desired long-term positioning, the Client has 2 entry options:

The Client entry strategy: Positioning

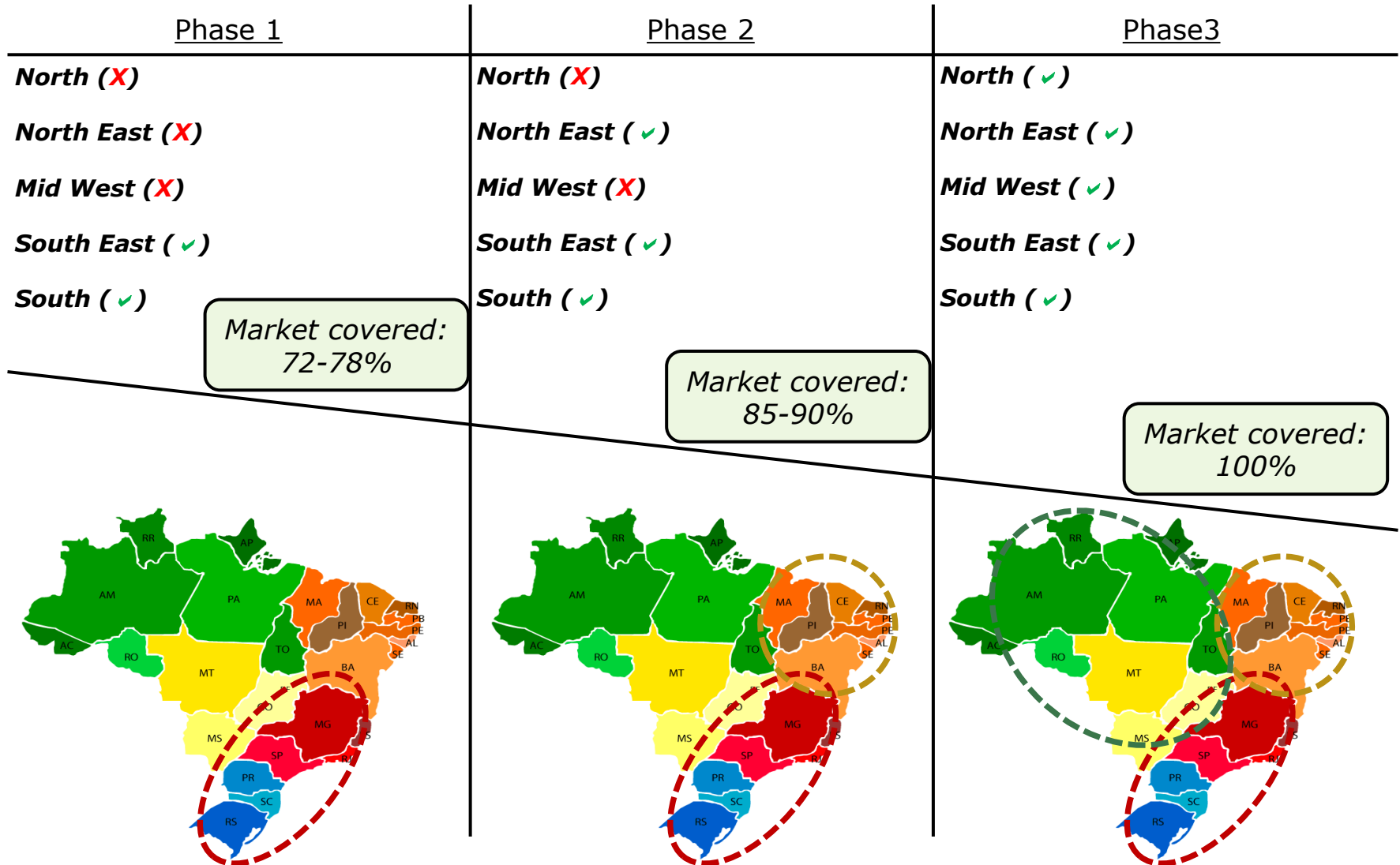


Source: BMC. Note: ROS=EBIT/Sales

Gross margin for manufacturing options 1 and 2, following entry strategy 2 are negative for almost the entire product range



When it comes to the geographical approach, a three phased entry strategy is recommended...



<b>P&amp;L (,000 USD)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
<b>Units Sold (,000 units)</b>						
<b>Sales</b>						
<b>Cost of Goods Sold</b>						
COGS Brazil						
<b>Gross Margin</b>						
<i>Gross Margin (%)</i>						
<b>SG&amp;A</b>						
Operations						
Selling expenses						
Administration and overhead						
<b>EBITDA</b>						
<i>EBITDA (%)</i>						
<b>Depreciation</b>						
<b>EBIT</b>						
<b>Corporate tax</b>						
<b>NOPAT</b>						



<i>BS (,000 USD)</i>	<i>2013</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
<b>Assets</b>						
<b>Fixed Assets</b>						
Facility & machinery						
Depreciation						
<b>Current Assets</b>						
<b>Inventory</b>						
Raw material						
Work in progress						
Finished products						
<b>Debtors</b>						
<b>Cash</b>						
<b>Liabilities and Equity</b>						
<b>Equity</b>						
Capital						
Retained earnings						
Current year earnings						
<b>Financial liabilities</b>						
Group Loans						
<b>Creditors</b>						
<b><i>Working Capital needs</i></b>						

*The outcome of the study included the following deliverables:*

- ✓ Detailed analysis of the Brazilian market for HVAC
- ✓ Analysis of the Client's main competitors, in terms of:
  - ✓ Product range, commercial network, services, pricing strategy...
- ✓ Definition of product portfolio and pricing strategy for different market entry positionings
- ✓ Evaluation of importing option compared to locally assembling or manufacturing options, in terms of:
  - ✓ Initial investment, tax regulation, profitability, timing
- ✓ Set up of potential scenario based target sales in 3-5 years
- ✓ Development of business plan, detailing resources needed, cash flow projections and ROI projections
- ✓ Recommendation of best approach to enter the Brazilian market
- ✓ Development of action plans necessary to achieve the targets

BMC helped The Client decide whether or not to proceed with the market entry operation in Brazil and the best approach for it:

- Proving The Client the operation would be bring value to their Corporation
- Presenting alternative brand positionings, with recommendations regarding commercial strategy and manufacturing strategy
- Building up a business case valuating several scenarios and concrete action plans for the targets set



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