4. Bain International growth: why and how?

1. IMPORTANT CONCEPTS BEHIND SUCCESSFUL COMPANY EXPANSION

3 Things to remember when going international

1. Focus on the core
2. Repeatability drives success
3. M&A and Organic are equally important

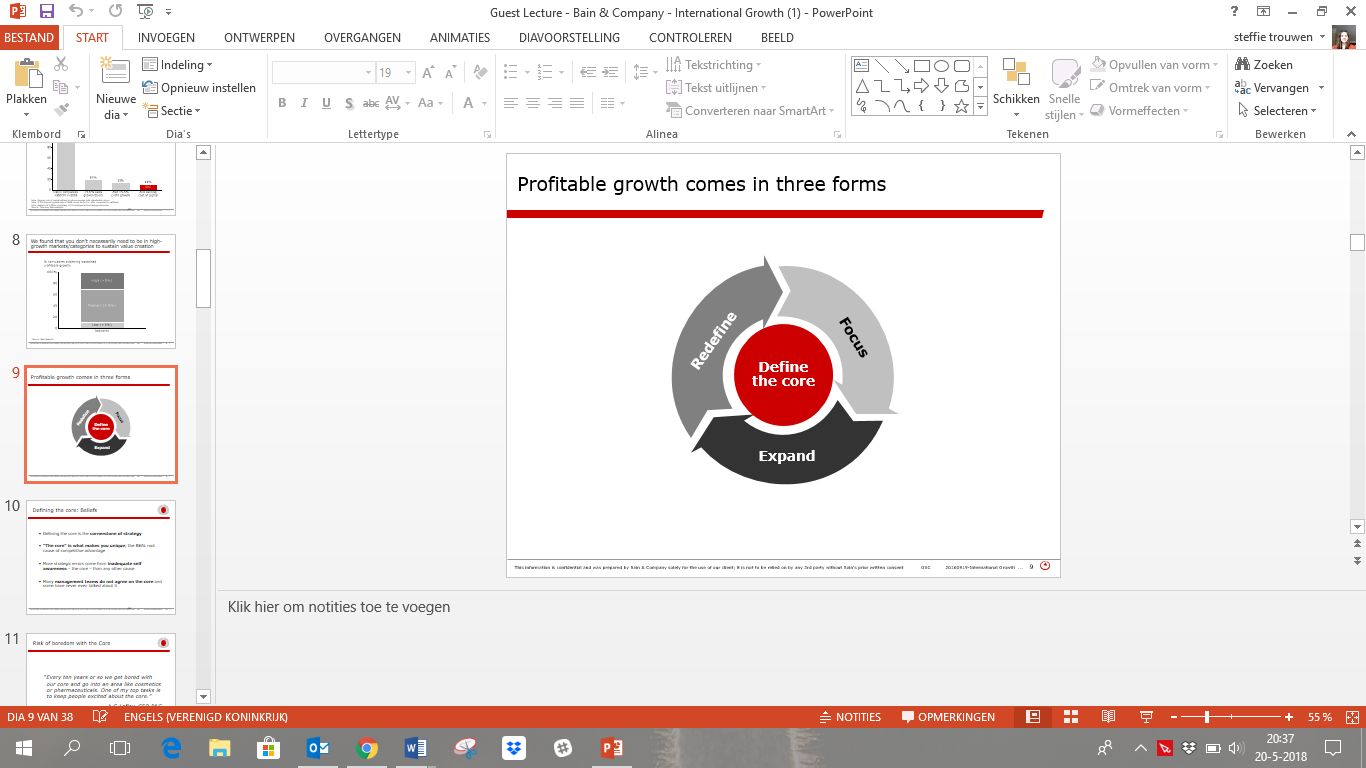
🡪 Most companies aspire to outgrow their market

* Revenue growth target  
  = 2x market
* Earnings growth target  
  = 4x market

BUT chances of success not very high!

🡪 Only 1/10 companies is Sustained Value Creator (SVC)

! Don’t necessarily need to be in high-growth markets/categories to sustain value creation!

**Profitable growth in 3 forms**

Defining the core: beliefs

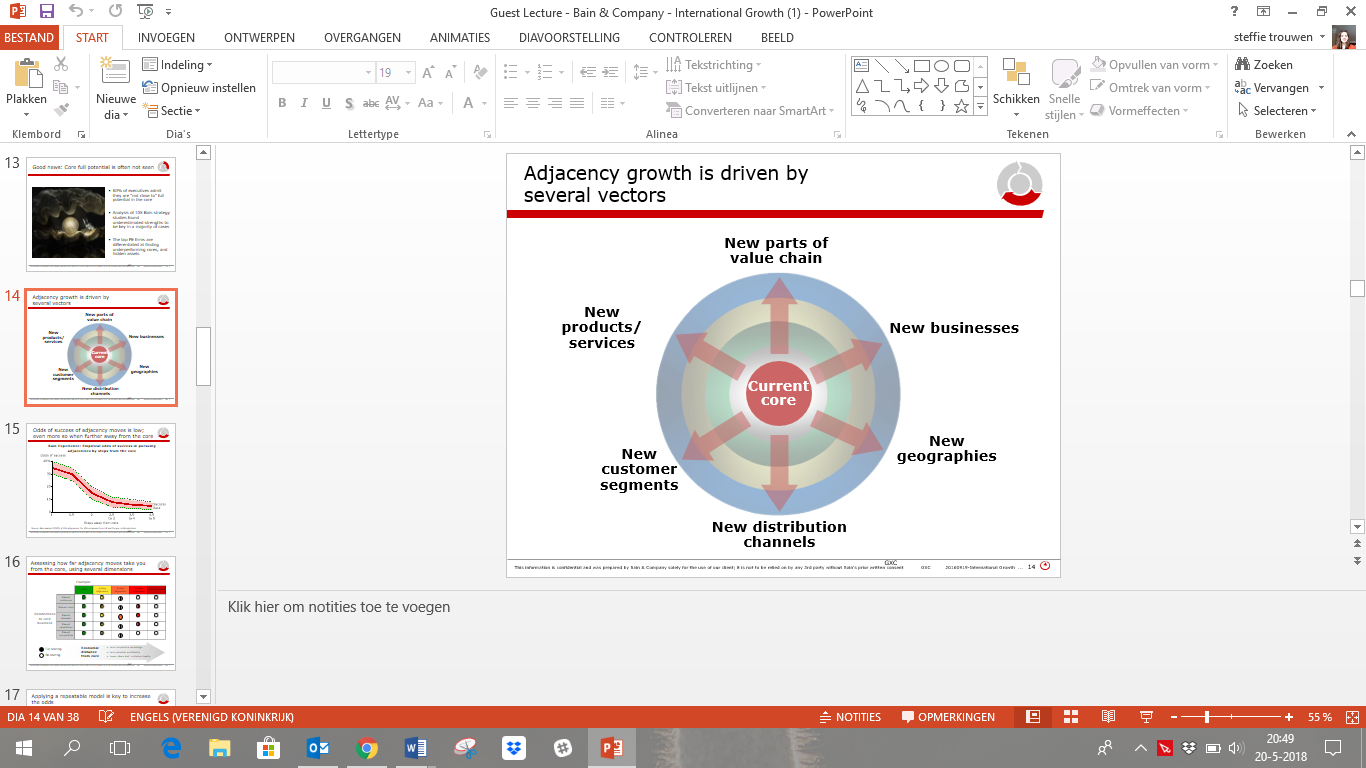
* Defining core   
  = cornerstone of strategy
* Core  
  = what makes you unique  
  = real root cause of competitive advantage
* Most strategic errors  
  = because inadequate self-awareness (core)
* Management teams don’t agree on core  
  = some have never even talked about it!!

1. Focus on your core

= Keep people excited about core & grow the base

* Full potential often not seen
* 60% of executives admit they are “not close to” full potential in core
* Underestimated strengths  
  = key in majority of cases
* Top PE firms are differentiated at finding underperforming cores & hidden assets

2. Expand your core



🡪 Odds of success of adjacency moves is low  
! even more when further away from core

**Successful adjacency when within 5y period**

1. Adjacency not divested/discontinued
2. Stock company outperformed sector index
3. Profitability company rose after integration of adjacency

🡪 Adjacency moves

* Don’t expand too far
* Larger the economic distance to the core = more risk   
  e.g. Gillette: razors, to women’s razors, to after shave, but now batteries, drugs etc.
* More repeatable model = less risk  
  e.g. Reebok (expansions into unrelated businesses) vs. Nike (repeatable model)

e.g. Ikea  
= repeatable & consistent

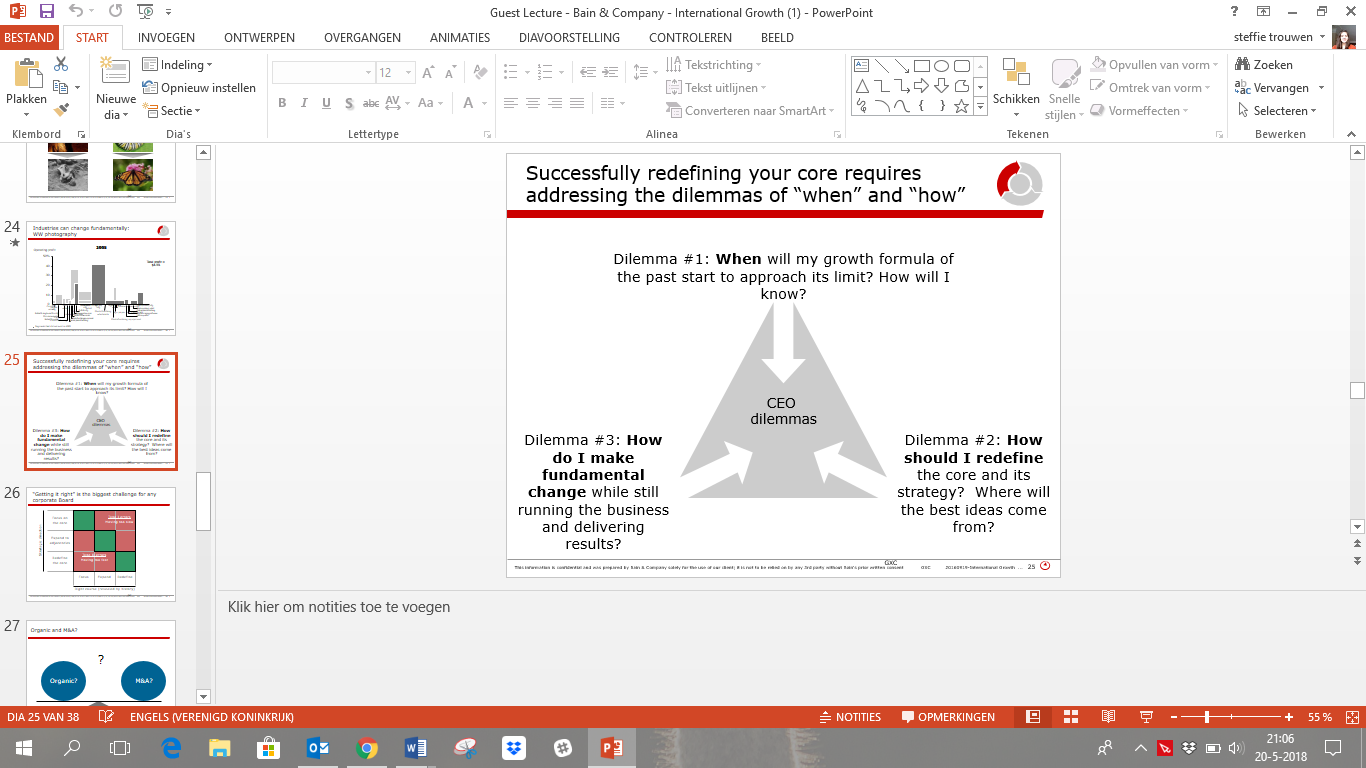
3. Redefine your core

= thoughest act

**Industries can ∆ fundamentally**

* Shape of profit pool ∆
  + Varying concentration of profit along value chain
  + Reflects competitive dynamics of business
    - Profit concentrations result from actions x interaction of companies x customers
    - Profit pools form in areas where barriers to competition exist
    - Profit pools exist in areas overlooked by competitors
* Profit pools not stagnant
  + As power shifts among players in industry (competitors, suppliers, customers), structure profit pool ∆
* Many different sources of profit in a bs

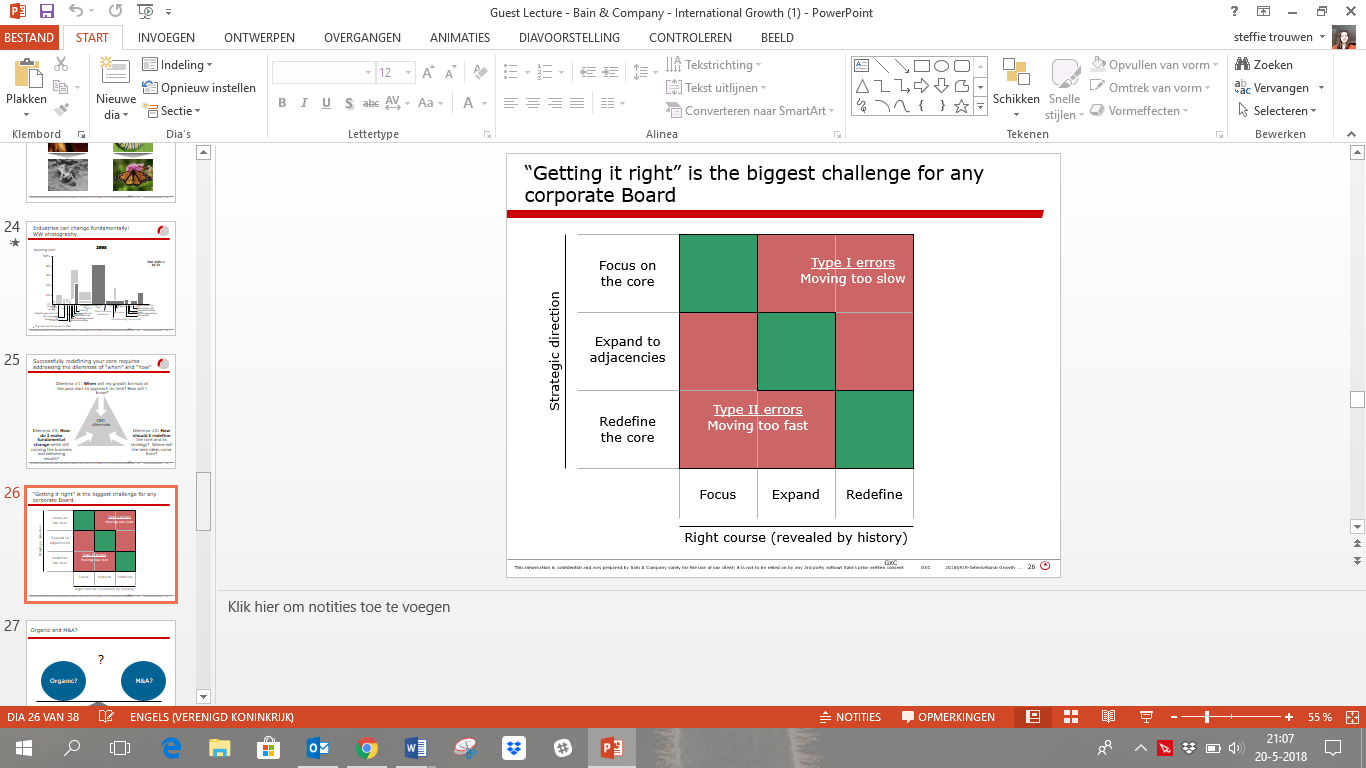
**Successfully redefining core requires addressing dilemmas of When & How**



**🡪** Getting it right = biggest challenge

**2 types of errors**

* Type 1 error  
  = moving too slow  
  = still focusing on core while they should’ve redefined it
* Type 2 error  
  =moving too fast  
  = should’ve focused more on core bs



Organic and M&A’s

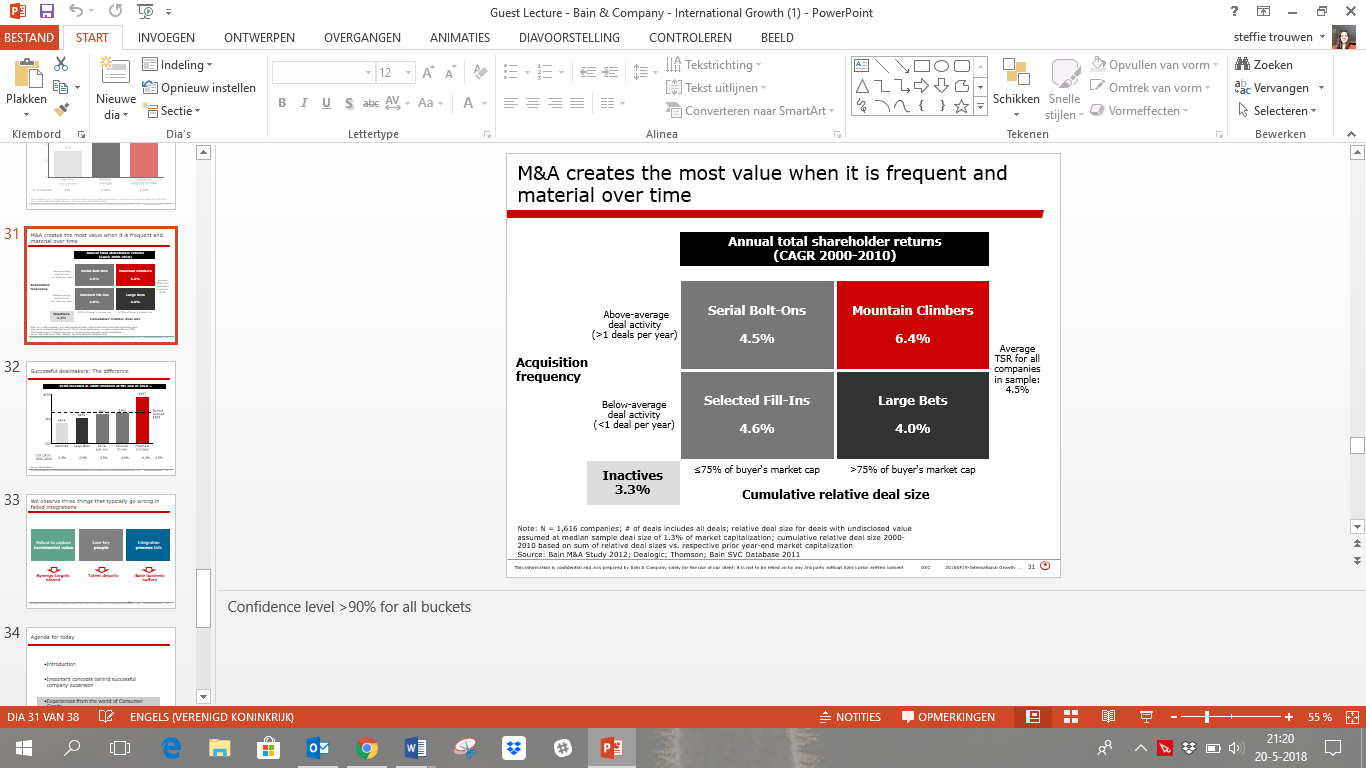
**Organic**

* Often perceived as more successful than buying  
  (less rigorous tracking)
* BUT frequent acquirers believe M&A same odds of success

**M&A’s**

= companies engaged in M&A outperformed bystanders

= creates most value when frequent & material over time



3 things that go wrong in failed integrations

1. Failure to capture incremental value  
   = synergy targets missed
2. Lose key people  
   = talent departs
3. Integration process fails  
   = base business suffers

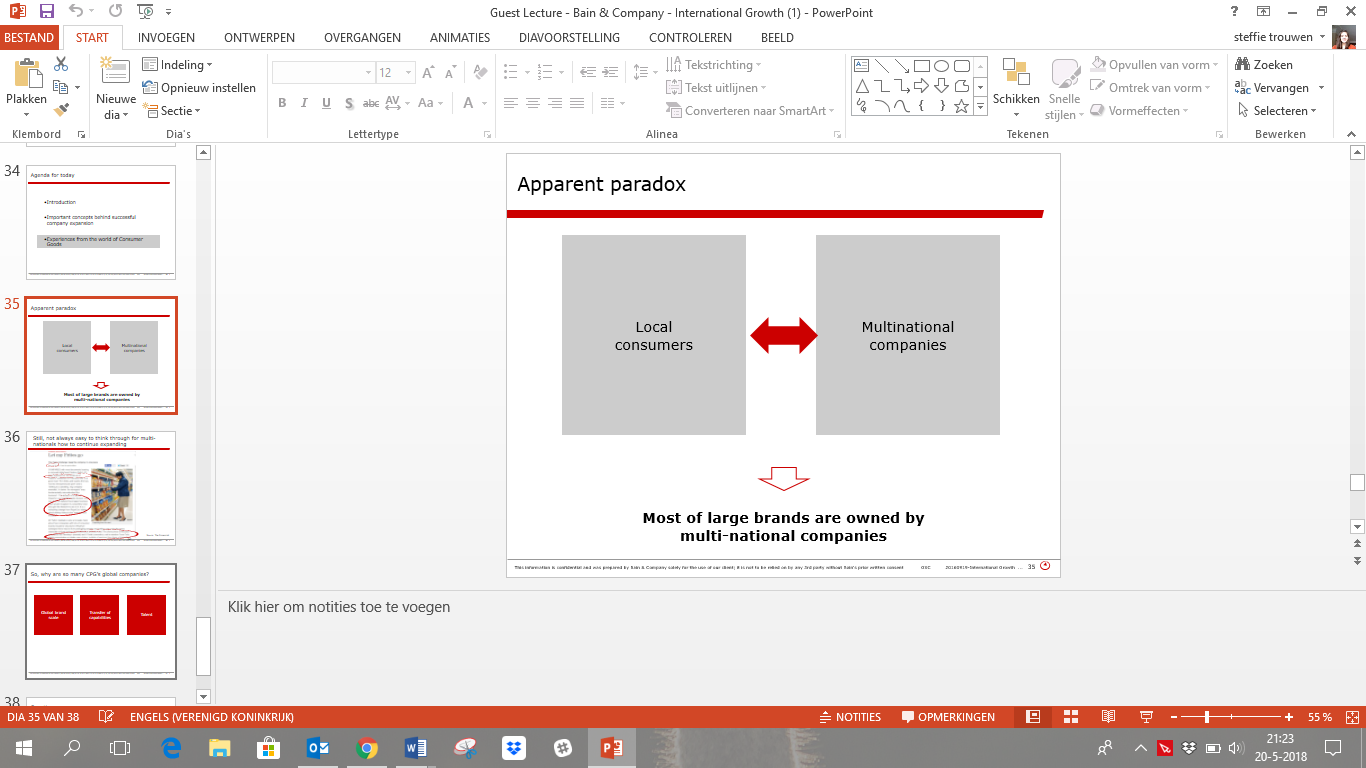
2. EXPERIENCES FORM WORLD OF CONSUMER GOODS

Apparent paradox

= Lot of companies go international

🡪 know that customers have ≠ preferences & still use same international brands!

🡪 Create global consumers (e.g. iPhone)



! Not always easy to think through for multinationals how to continue expanding

Why are so many CPG’s global companies?

1. Global brand scale
2. Transfer capabilities
3. Talent

**Advantages**

1. Scale benefits
2. Reaching global customers
3. Speed to market

**Disavantages**

1. Decision paralysis  
   = hard to turn back decision
2. Imbalance btw standardization & tailoring