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# **BLOCK 4**

## **BOOM OR BUST**

# **EXPANDING AND RESTRUCTURING YOUR BUSINESS**

# EXPANDING YOUR BUSINESS: STRATEGIES

## 1.- Opening

- SUBSIDIARIES
- BRANCHES

## 2.- Designing and setting up distribution channels:

- AGENTS
- FRANCHISES
- DISTRIBUTORS

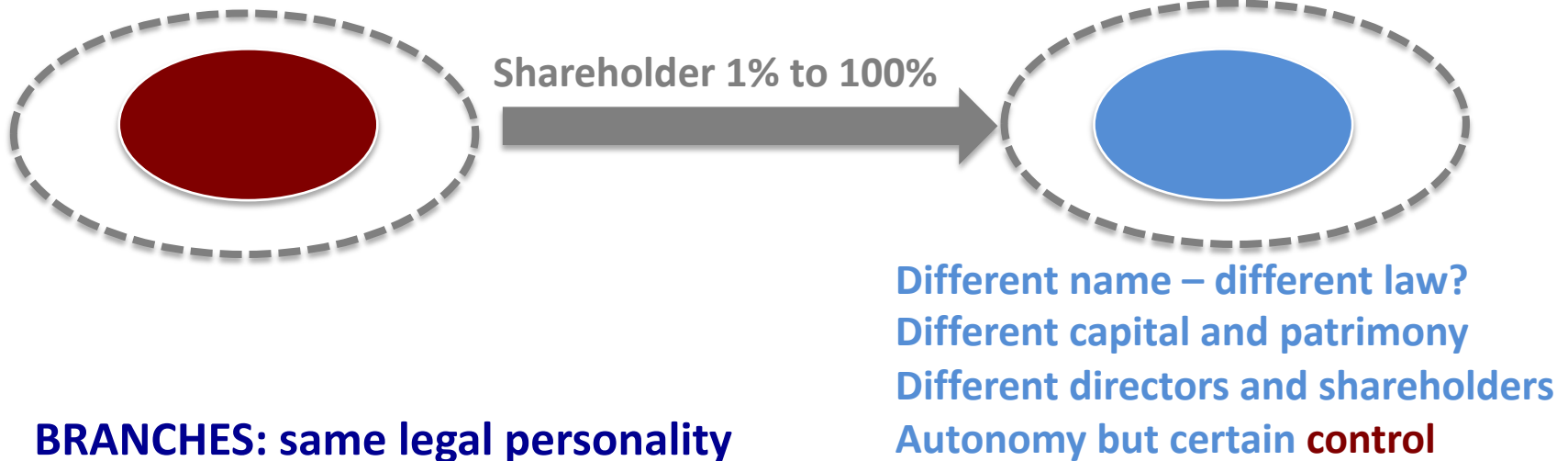
## 3.- Investing abroad and concluding cooperation agreements:

- JOINT VENTURES
- STRATEGIC ALLIANCES

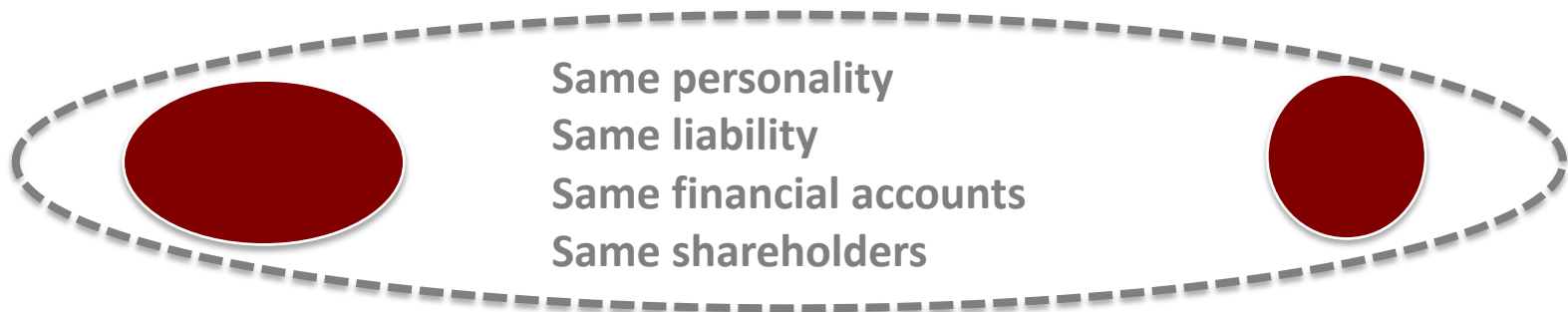
# EXPANDING YOUR BUSINESS: STRATEGIES

## 1.- Opening

### SUBSIDIARIES: distinct and separate legal personality



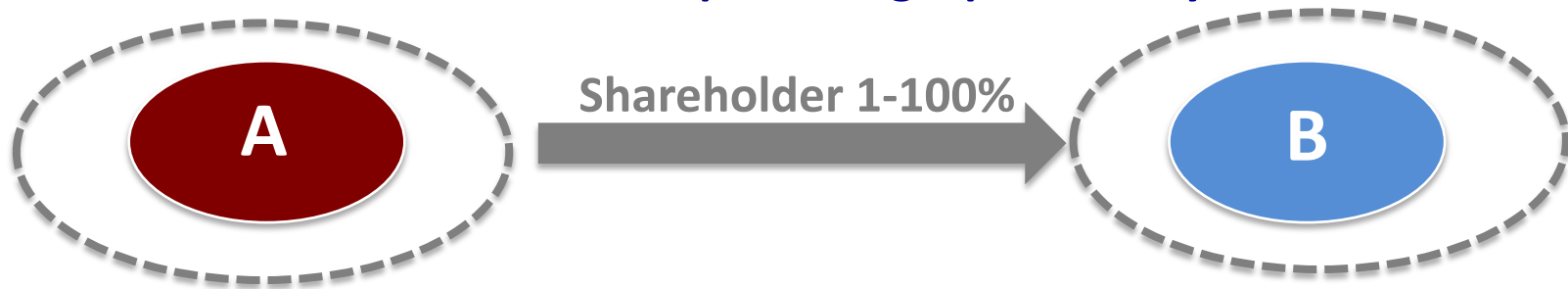
### BRANCHES: same legal personality



# EXPANDING YOUR BUSINESS: STRATEGIES

## 1.- Opening

**SUBSIDIARIES: distinct and separate legal personality**



Company A is shareholder of company B. Usually major or sole shareholder.  
If A has several subsidiaries, A can build a corporate group as a holding

B is an independent company from a legal point of view **but, from an economic point of view, A influences on B decision-making**

A is incorporated according to country A's corporate law whereas B is **incorporated according to country B's corporate law**

# EXPANDING YOUR BUSINESS: STRATEGIES

## 1.- Opening SUBSIDIARIES in digital businesses

**A). Is a website on a territorial domain name (amazon.es) a subsidiary?**

**B). Is a website on a territorial domain name a subsidiary subject to local legislation? Amazon.es to Spanish Law?**

**C). Is a website hosted in a server to be subject to local legislation of the host country?**

**D). Which factors have to be considered to assess which legislation the business run through a website should be subject to?**

# EXPANDING YOUR BUSINESS: STRATEGIES

## 1.- Opening SUBSIDIARIES in digital businesses

**A). Is a website on a territorial domain name (amazon.es) a subsidiary?**

No, unless the creation of the website entails the incorporation of a company (subsidiary) in the host country

**B). Is a website on a territorial domain name a subsidiary subject to local legislation? Amazon.es to Spanish Law?**

In general, it is not. Other factors should be considered, sole domain name is not enough to subject a business to the target legislation

**C). Is a website hosted in a server to be subject to local legislation of the host country?**

No, it is not. Merely hosting a website in a server located in a specific country does not mean that the business will be subject to its legislation

# EXPANDING YOUR BUSINESS: STRATEGIES

## 1.- Opening SUBSIDIARIES in digital businesses

D). Which factors have to be considered to assess which legislation the business run through a website should be subject to?

- **Language**
- **Accepted currency for transactions**
- **Contact information and customer services location**
- **Domain name**
- **Direct marketing strategies**
- **Stream of commerce**
- **Delivery policy and logistics**
- **Express exclusions or limitations based on territorial factors**
- **Technical measures: avoiding certain address or ZIP codes**

# EXPANDING YOUR BUSINESS: STRATEGIES

## 2.- Establishing distribution channels:

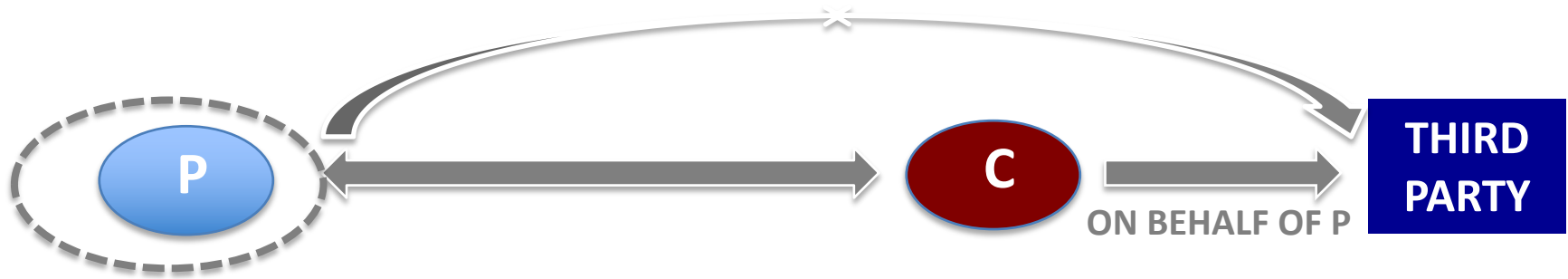
TYPES	REGULATION	IN THE NAME OF...	DURATION	RETRIBUTION
COMMISSION AGENT / REPRESENTATIVE	REGULATED BY COMMERCIAL CODE	NAME - Own name - Principal's name ALWAYS ON BEHALF OF PRINCIPAL	FOR A SPECIFIC TRANSACTION	COMMISSION (TRANSACTION FEE)
(SELF-EMPLOYED) COMMERCIAL AGENT	REGULATED BY AGENCY LAW	NAME AND BEHALF OF PRINCIPAL	STABLE / MULTIPLE TRANSACTIONS	MIXED / FIXED / TRANSACTION FEE
DISTRIBUTOR	NO LAW / BY CONTRACT	OWN NAME AND BEHALF	STABLE	NO FEE / RESALE MARGIN
FRANCHISING	NO LAW / BY CONTRACT	OWN NAME AND BEHALF	STABLE	ROYALTIES (entry fee+monthly fee+advertising fee)



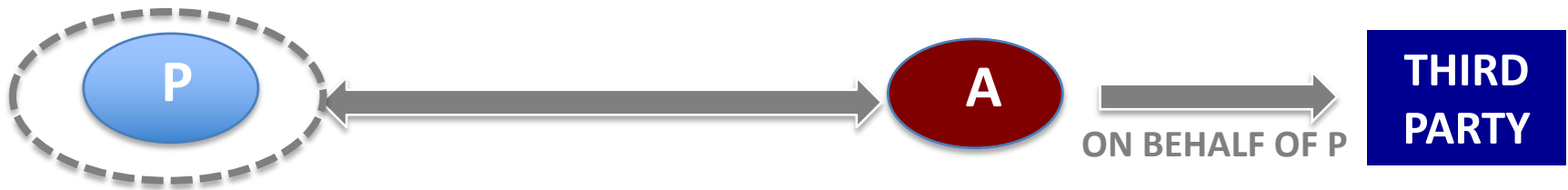
# EXPANDING YOUR BUSINESS: STRATEGIES

## 2.- Establishing distribution channels: CONTRACT STRUCTURE

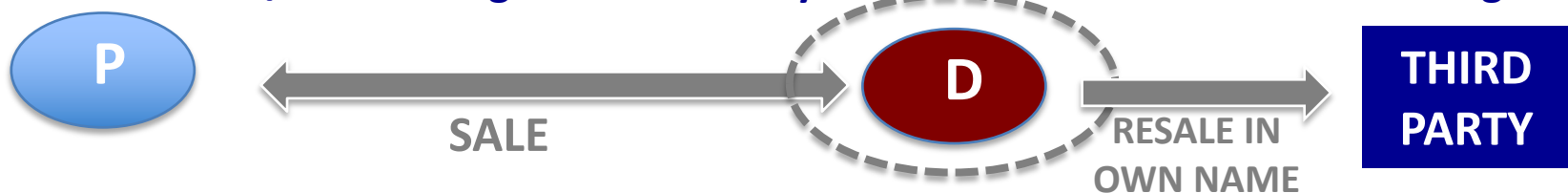
### 2.1. Commission agent: contract is effective between principal and third party



### 2.2. Commercial agent concludes the contract in the name and on behalf of the principal



### 2.3. Distribution / Franchising: distributor buys and resales in own name assuming risks

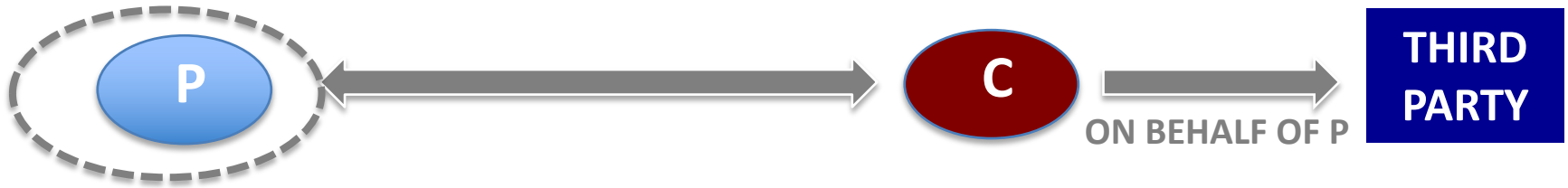


# EXPANDING YOUR BUSINESS: STRATEGIES

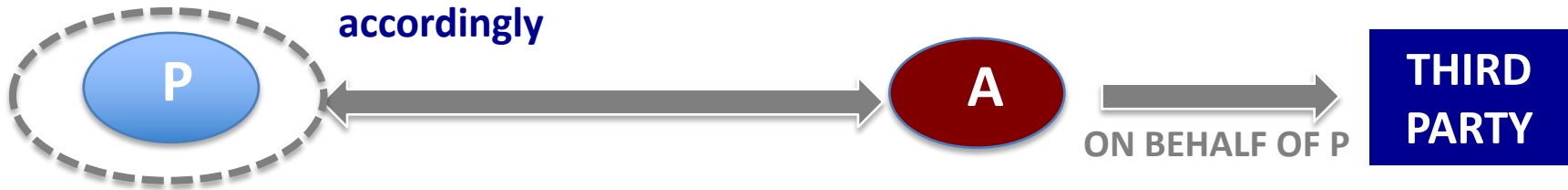
## 2.- Establishing distribution channels:

### ALLOCATION OF RISKS

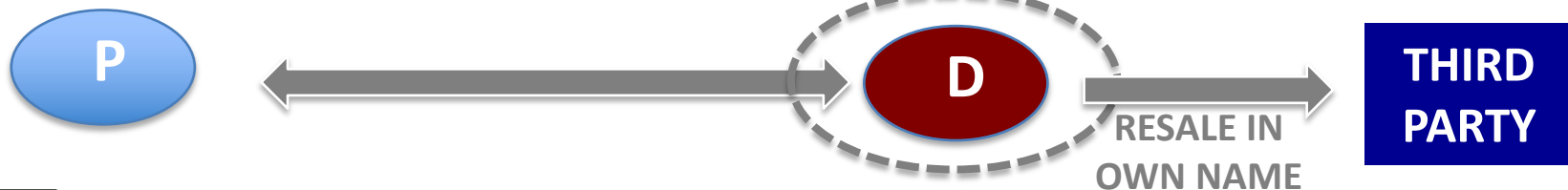
2.1. Commission agent: principal assumes risks of business unless the representative would act beyond his/her power and no subsequent ratification by the principal



2.2. Commercial agent: principal assumes risks unless otherwise agreed and paid accordingly



2.3. Distribution / Franchising: distributor buys and resales in own name assuming risks

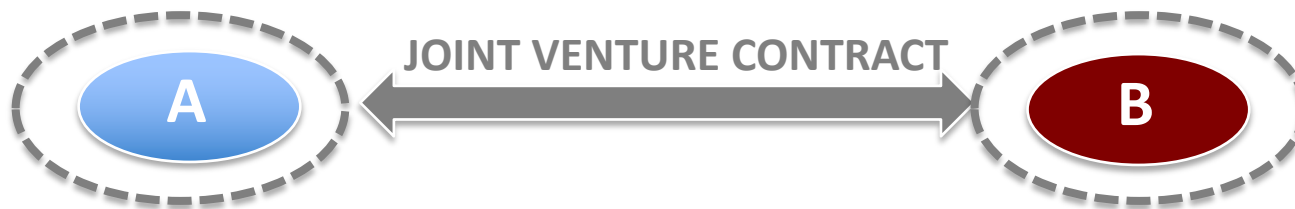


# EXPANDING YOUR BUSINESS: STRATEGIES

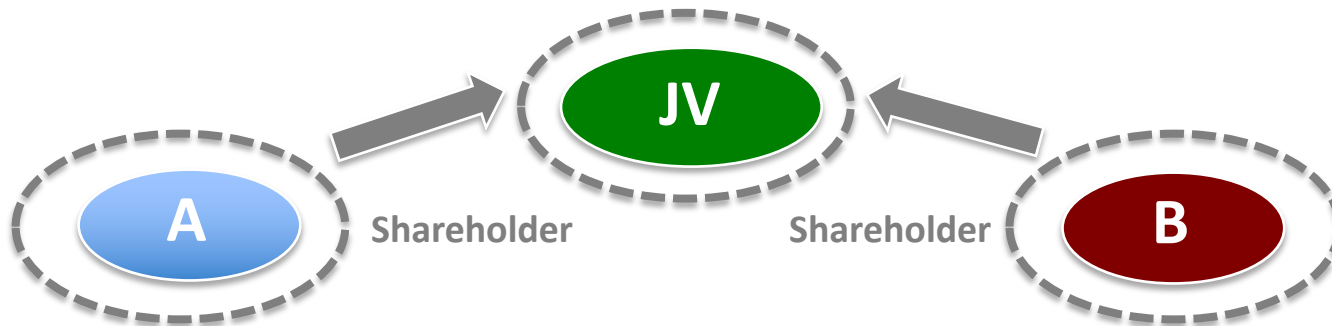
## 3.- Investing abroad and concluding cooperation agreements:

### JOINT VENTURES: two kinds of joint ventures

- *Unincorporated Joint Venture: Contract-based / No new company*



- *Corporate Joint Venture: New joint company arises*



### STRATEGIC ALLIANCES: contracts / no new company arises

# CASE 1: BIMBA & LOLA

The Spanish Company Bimba & Lola has adopted an expansion plan for 2013 in Europe. New stores will be opened in Milano, London and Paris.

**Bimba & Lola main competitive advantages are:**

- Reputed trademark
- Design
- Stores' decoration (know-how)
- Convenient locations in trendy commercial areas

**Which expansion strategy would you recommend?**

## CASE 2: TALGO

The Spanish Company TALGO has manufactured an innovative wagon for high speed trains. TALGO has received an expression of interest from the Chinese Government to build two new high-speed train lines in the south of the country. According to the Chinese policy, the engineering project has to be designed and developed by a China-based company. But the Chinese government is firmly interested in buying 100 wagons from TALGO. Expertise, technical knowledge and sophisticated training will be also required from TALGO

**Which cooperation strategy would you recommend?**



## CASE 3: HUERTAS DE ALBALÁ WINERY

The Spanish Vineyard Huertas de Albalá (HA), a small vineyard located in Cádiz, is planning to export their wine varieties to India responding to the increasing demand from this country and the growing popularity of Spanish wines in Indian largest cities. HA has not previous experience in the Indian market. Local knowledge and contacts will be necessary. India is an emerging market but HA is uncertain about its real prospective. HA offer is reduced to 5 varieties, its production is reduced and all its wines are relatively expensive

Which commercial / expansion strategy would you recommend?

