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Global Business Today

Where To Do Business In 2012 and Why



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Agenda - Eclectic*

- **EGS**
- **Are US businesses still attractive to buyers from other countries?**
- **How to choose countries for business in 2012**
- **Business culture**
- **A few global trends that will impact business**
- **Keys to Going Global successfully**



* from a broad and diverse range of sources

**Many US companies try to take their company global,
companies EGS takes global actually make money**

**Bill Edwards has 39 years of international experience
living in 7 countries and working on projects in 66
countries**

**EGS 5 senior executives collectively have 100+ years of
international business experience**

And our GlobalTeam™ members are based in 25 countries



Presidential Export Award – May 2011

EGS is the first franchise service company to win this 50 year old award

Gary Locke, Secretary of Commerce, presented the award in Washington, DC



Why US businesses Are Still Attractive To Buyers In Other Countries

- **Brands**
- **Systems and Processes**
- **Training**
- **Support**
- **Marketing**
- **Technology**
- **Planning**

“Designed In California, Made in China”

29 of the 50 Top Global Brands are US



Factors For Choosing Countries For Business In 2012

Rule of Law

Country Stability

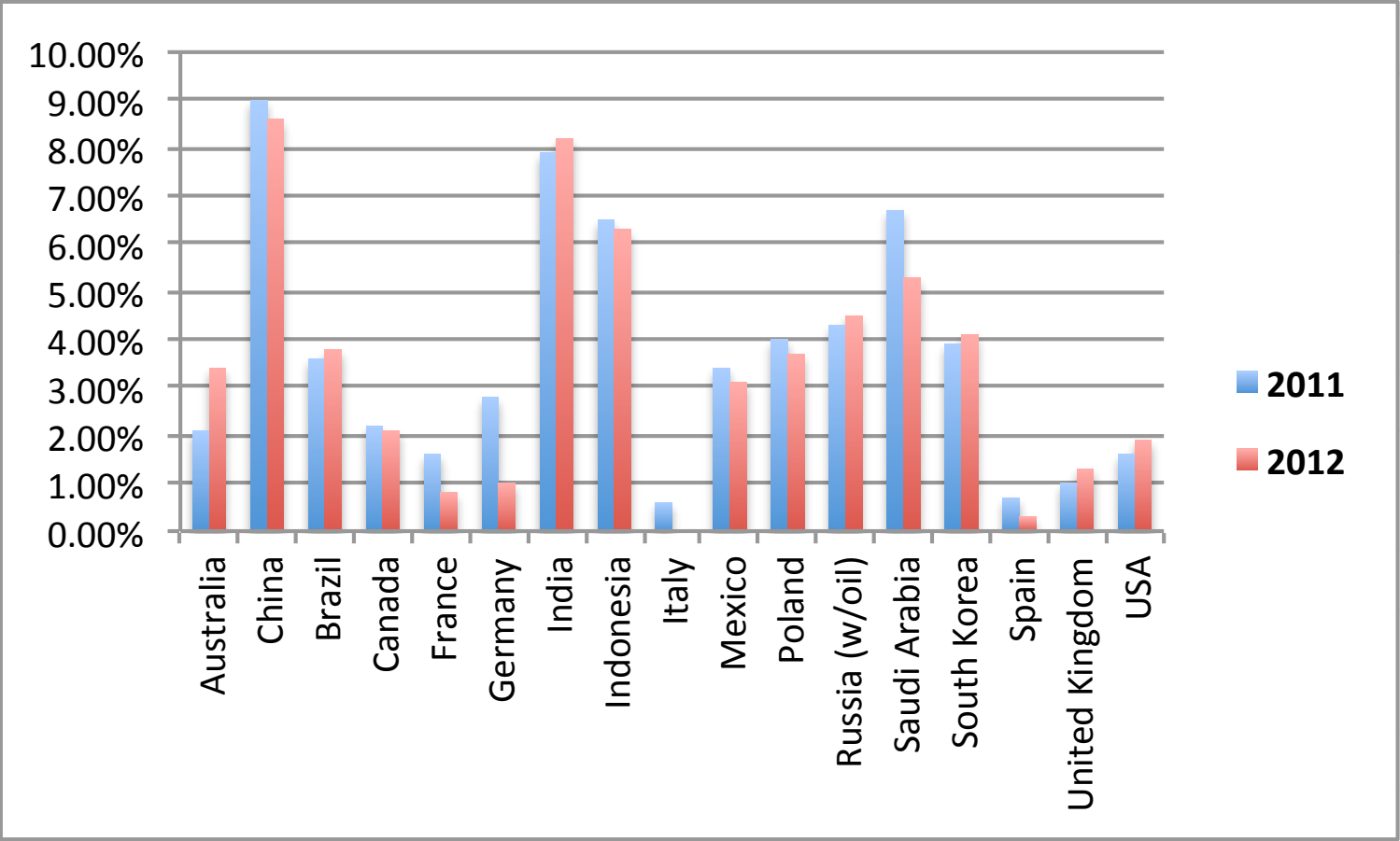
Intellectual Property Protection

Inflation/Currency Value

Investors and customers ready to buy



Strong GDP % Growth = Buyers And Investors

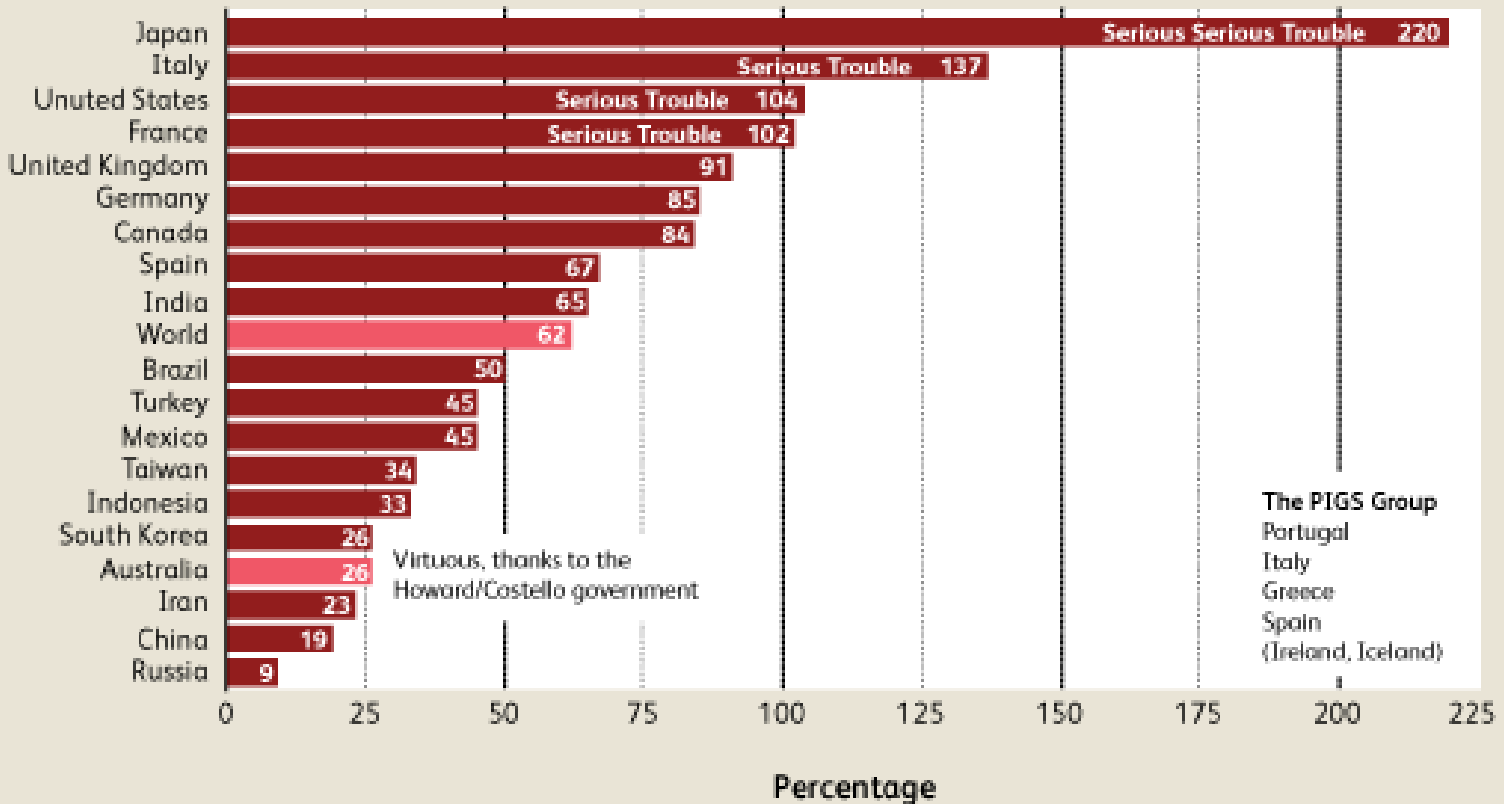


The 'Economist', October 8, 2011

Compare Debt To GDP Growth

Public Debt 2011 (F)

20 largest economies (% of GDP basis)



SOURCE: IBISWORLD 16/05/11



GlobalVue™ - Comparing Countries For Growth In 2012

Country	Expected 2011 GDP Growth	Expected 2012 GDP Growth	Inflation	Political Risk (Stability)
Brazil	1	1	3	1
Chile	1	1	1	1
Hong Kong	1	1	1	1
India	1	1	3	2
Indonesia	1	1	2	2
Saudi Arabia	1	1	2	1
Singapore	1	1	1	1
South Korea	2	1	1	2
Urban China	1	1	3	2
Viet Nam	1	1	3	3
Australia	2	2	1	1
Egypt	3	2	3	3
Mexico	2	2	2	3
Russia	2	2	3	3
Turkey	1	2	2	2
Canada	3	3	1	1
Germany	3	3	1	1
Japan	3	3	1	1
United Kingdom	3	3	1	1
USA	3	3	1	1
Ireland	4	4	1	1
Italy	4	4	1	1
Spain	4	4	1	1
Country Ranking: 1 is good, 2.5 is fair, 4 is worst				
Sources: 'The Economist', EIU, Heritage Foundation, World Bank, Fraser Institute, IMF, World Economic Forum, EGS GlobalTeam™ in 25 countries				

Big Mac Index - 7/2011

The Big Mac index compares the price of a Big Mac meal package on a specific day around the world

In Switzerland you pay US\$8 for a Big Mac meal. In Shanghai you pay just over US\$2 for the same meal

Labor and rent costs usually make the difference between countries



Caution: High inflation in Brazil

Brazil – High Growth Emerging Market



190 million people

~60 million in 4 major metro areas

Very rapidly growing middle class with discretionary income

Inflation and the exchange rate against the dollar are becoming problems

High tariffs for imports



Europe

Scandinavia

The New
Europe

Turkey

France

Ireland

Spain



The New Europe - East of Old Europe

The Czech Republic, Hungary, Poland and Slovakia have lower costs, higher productivity than Old Europe

And a rapidly growing, entrepreneurial middle class

Slovakia says “NO” to Greece bailout #3



Turkey

- Rapidly growing middle class desiring the name, quality and convenience of Western brands
- World's only secular, Islamic democracy
- NOT Middle Eastern
- Major US brands are present



A Bridge between Europe And Asia

China: Land of Opportunity and.....

40+ million Chinese households have the purchasing-power parity of a middle class US family (McKinsey)

Higher income urbanites seek foreign brands with more convenience and higher quality than local brands

There are almost 300 million of these consumers in China



There are 3,700+ KFC and Pizza Hut locations in China



What Is Really Going On In China?

International news sources say:

The country's economy is about to crash

The real estate bubble is about to burst

The real challenge is consumer consumption as a % of GDP

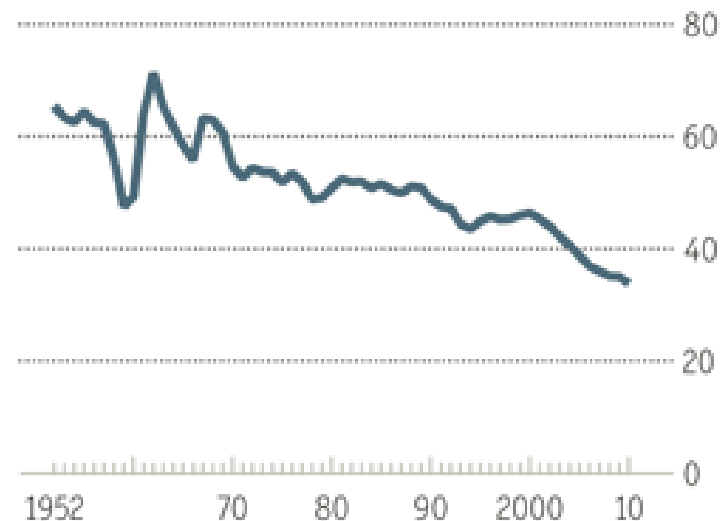


>60% in USA

Great fall of China

1

Chinese household consumption as % of GDP



Source: CEIC

China: Land of Highly Varying Incomes

'Economist' – 8/2011

Chinese wages are increasing at about 20%/year

This increases personal consumption

And is a major opportunity for US companies to sell more goods and services into China

Manufacturing is beginning to move to other countries, such as Vietnam



50,000 Yuan = US\$7,400



India



**200 million English speaking
Middle Class**

6%+ GDP growth in 2011

**Very large regional cities with
high middle/upper class
population**

**Infrastructure is 10 years
behind China**

**Laws and regulations are not
transparent**

**But.... A strong desire for US
retail and food brands and
business systems**



Indonesia

- 237 million population
- Fast growing middle class consumer base
- Strong GDP growth, fairly good inflation level
- US brand focus



Vietnam

GDP growth rate = 6%

Extremely pro-American

Rapidly growing, aspirational middle class consumer

Lower wages than China



The Middle East



The Emirates, Saudi Arabia, Lebanon and Egypt are seeing new business development despite the Arab Spring/Summer

US brands still preferred



“The World Is Flat” - Thomas Friedman

- The theme of this widely read book is the "flattening" of the world through the process of globalization of technology
- The author analyzes how accelerated change is made possible by intersecting technological advances and social protocols, e.g., cell phones, the Internet, open source software, etc.
- Friedman's book is based on much personal research, travel, conversation, and reflection
- It is *NOT* based on living and actually working in countries



Something critical to your global success is missing

Cultures

- A system of socially acquired values, beliefs, and rules of conduct which define accepted behaviors in **each** society
- Cultural differences distinguish societies from one another
- Within societies ... demographics, organizations and individuals can vary



Types of Business Cultures

- **Linear** – Aggressive, time is money, task focused, individualistic, the “John Wayne” approach - **North America, Australia and Northern Europe**
- **Multi-Active** - Relationship FIRST and BEFORE business, top heavy hierarchy, only meet with decision-makers - **Mediterranean, Latin America, Middle East and India**
- **Reactive** - relationships first, quiet nodding, listeners, group decisions - **Asia (except India)**



Cultural No No's

- **White flowers as a gift in Japan**
- **Showing the bottom of your shoes in the Middle East**
- **Making the sign for 'okay' in Brazil**
- **Referring to Taiwan as a country in China**
- **Talking politics in most countries**
- **Folding business cards**



Business Culture in Brazil

- **Lack of punctuality is a fact of life; be flexible about your counterpart's (lack of) punctuality**
- **Establishing strong, long term relationships are key to business success**
- **Negotiation – be very patient and expect a series of discussions and/or trips to conclude an agreement**
- **Negotiation becomes highly personal; direct, aggressive negotiation is viewed as a major negative**
- **More analytical than Latin neighbors, however subjective feelings can still trump facts in making decisions**



Business Culture In China

- **Punctuality for all appointments is important**
- **Business cards in Chinese and English are appreciated**
- **Americans are typically viewed as impatient – be prepared for negotiations to take longer**
- **Chinese will use timeline pressures and/or drag out negotiations just to gain an advantage**
- **Everything is negotiable; sometimes even at the 11th hour**
- **Then once the deal is signed, they start negotiating again**



Business Culture In India

- **“Indians appreciate punctuality, but do not always practice it themselves!”**
- **Networking, personal meetings and relationships are key for business success**
- **Get to the top of the company for business decisions**
- **Business is highly personal and negotiations are less hurried than in the U.S.**
- **Negotiations and bargaining are inherent to Indian culture**



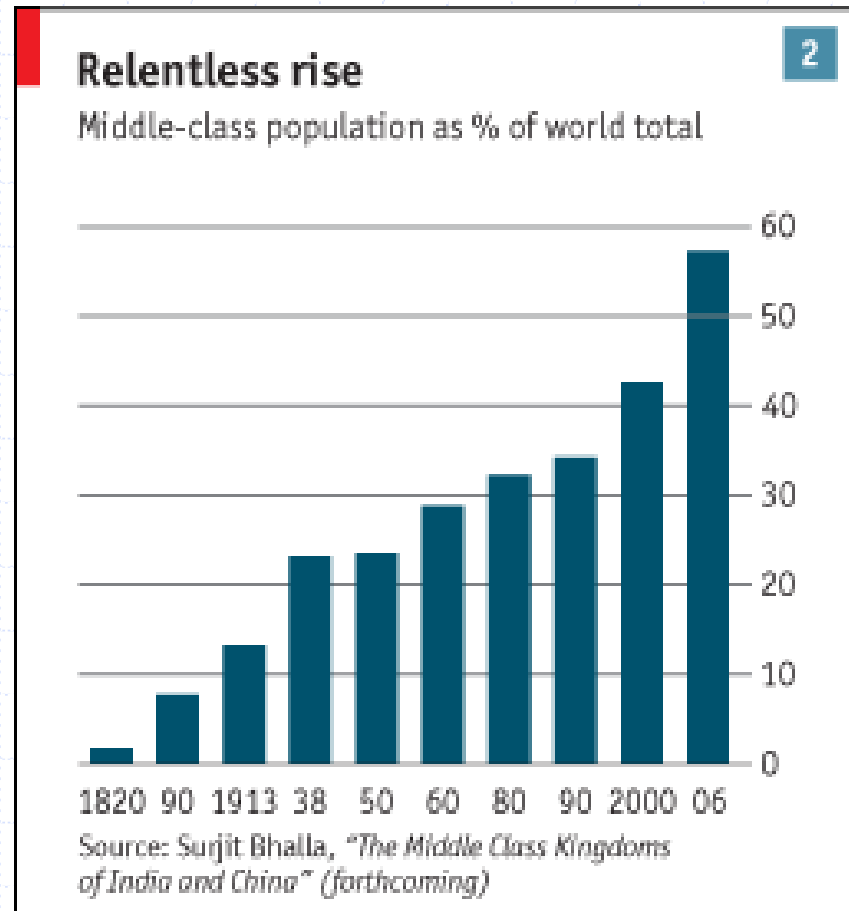
Middle Class Consumers – Your Target

The 'middle class' consists of people with about a third of their income left for discretionary spending after providing basic food and shelter

As people emerge into the middle class, they think and behave differently.

They are more likely to invest in new products, new technologies and new businesses than the rich, who tend to defend their existing assets

This emerging market Middle Class likes to show they have 'made it' by shopping at Western branded businesses



'The Economist' – 2/14/09

Passing the buck? Not Yet

- Despite all the rhetoric, the US\$ is still the world's safe haven
- “How is that Euro thing working out for you?”
- A ‘global’ Yuan?

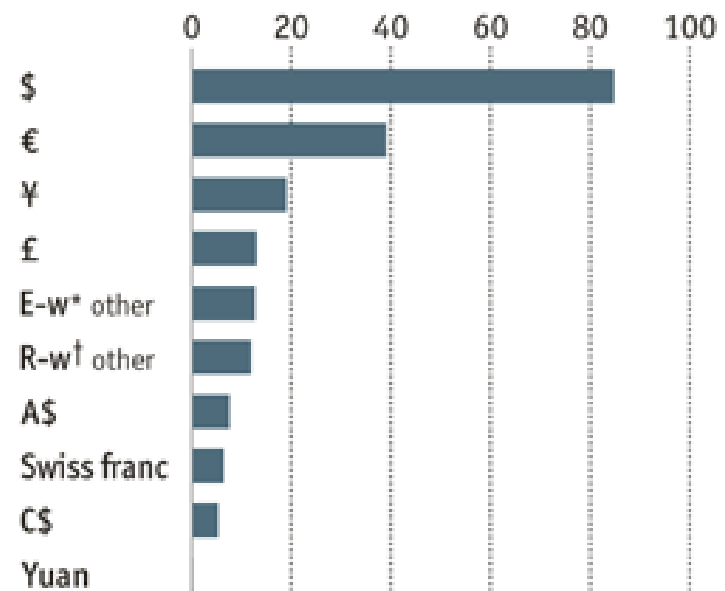


(The chart shows that the US\$ is one side of 85% of all currency trades)

Passing the buck

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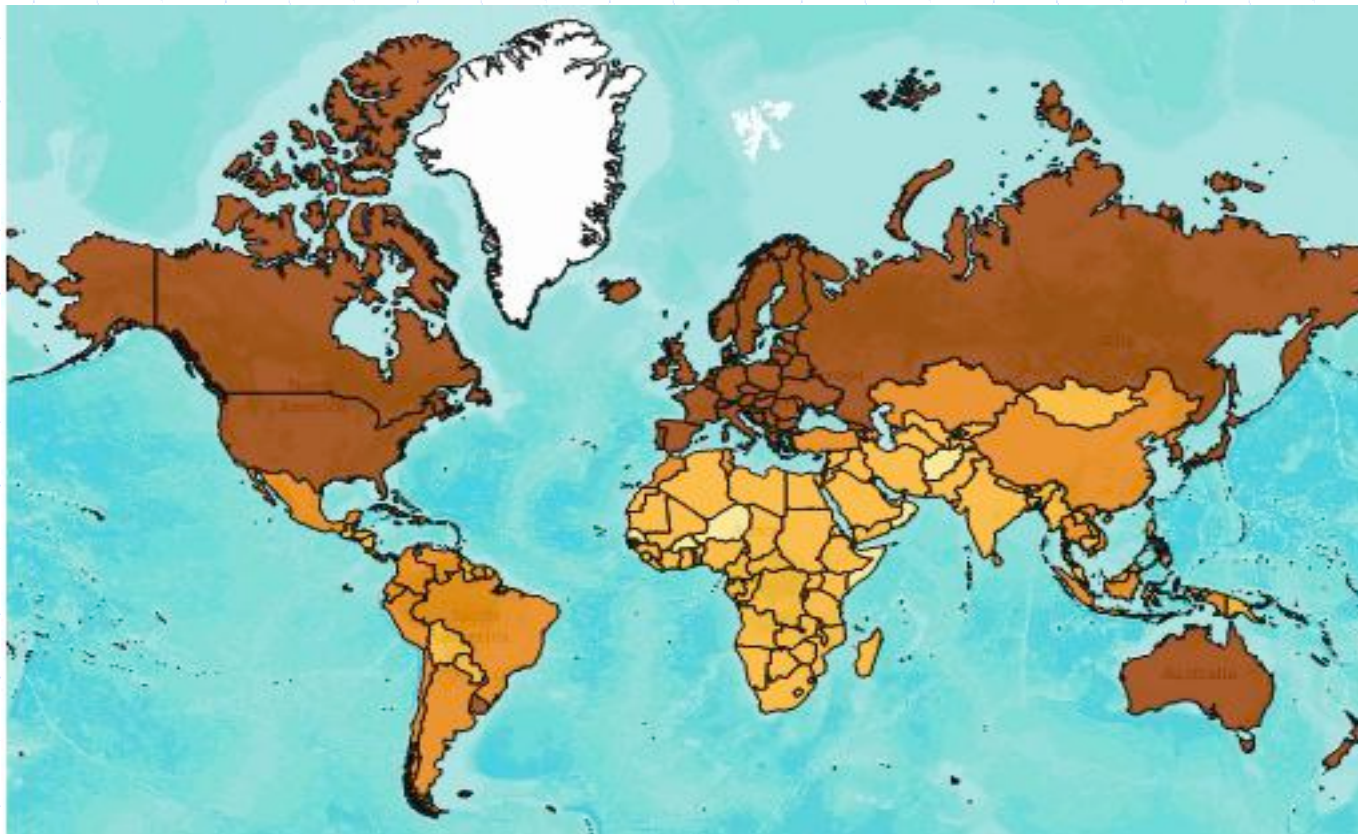
Currency share of average daily foreign-exchange turnover
April 2011, %



Source: Bank for International Settlements
*Emerging-world
†Rich-world

‘Economist’, 9/24/11

2011 Population 65+



1% - <3% (13) 3% - <6% (86) 6% - <11% (52) 11% - 24% (57)



Population Reference Bureau (www.prb.org)

Energy Source & User Shifts

- How is that global nuclear power plan working out?
- Iraq holds 20% of the world's remaining undrilled reserves
- US shale gas **may** replace most coal-fired electrical generation for 20-30 years
- Brazil may be the largest oil exporter by 2020
- China will shortly have the highest energy import needs in the world
- Regulations will keep the US dependent on not so nice countries for energy
- While Canada, Russia and Europe are starting to drill inside the Arctic Circle, US arctic development has been on hold for 3 decades



Energy will increasingly impact the cost of doing business globally

Keys To Doing International Business Successfully

- Focus on countries that have the highest projected ROI for your business
- Get your trademark up front or lose it
- Budget conservatively for revenues (low) and expenses (high) for international business development
- Find, carefully evaluate and sign the right partners, distributors or licensees to build a long term revenue source for your company

