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INTERNATIONAL MARKET ANALYSIS FOR COMPANY EXPANSION: “RED CRAB” CASE

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DEDICATION

To my mom, Ximena, for always being by my side and supporting me in absolutely everything. You are the pillar of my life.

To my dad, Alfredo, for teaching me about the important things in life and to never give up.

To my aunt, Rina, for giving me all the love in the world and giving me the words of encouragement I always need to hear.

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INTERNATIONAL MARKET ANALYSIS FOR COMPANY EXPANSION: “RED CRAB” CASE

ABSTRACT:

The globalization in which the world currently finds itself has led to an increase in international competition and companies are looking to expand globally. In this context, it is essential to know the different international markets and determine which is the ideal market for a company. Due to this, this research conducted an analysis of the international markets for the entry of the restaurant Red Crab as a franchise using a descriptive methodology with a qualitative approach using secondary databases of official pages to know the different international markets through cultural, economic, and social factors. This analysis showed that the ideal country is the United States, and a franchise contract model is included for the Red Crab restaurant to be successful in that country.

Keywords: Franchise, Internationalization, Markets, Countries, Factors

ANÁLISIS DE MERCADOS INTERNACIONALES PARA EXPANSIÓN DE EMPRESAS: CASO “RED CRAB”

RESUMEN:

La globalización en la que el mundo se encuentra actualmente ha provocado un aumento en la competencia internacional por lo que las empresas buscan expandirse globalmente. En este contexto es esencial conocer los diferentes mercados internacionales y determinar cuál es el mercado ideal para una empresa. Debido a esto, la presente investigación realizó un análisis de los mercados internacionales para la entrada del restaurant “Red Crab” como franquicia utilizando una metodología de carácter descriptivo con un enfoque cualitativo utilizando bases de datos secundarias de páginas oficiales para poder conocer los distintos mercados internacionales mediante factores culturales, económicos y sociales. Al realizar este análisis se obtuvo que el país ideal es Estados Unidos y se incluye un modelo de contrato de franquicia para que el restaurant “Red Crab” tenga éxito en ese país.

Palabras clave: Franquicia, Internacionalización, Mercados, Países, Factores

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INTERNATIONAL MARKET ANALYSIS FOR COMPANIES EXPANSION: “RED CRAB” CASE

Introduction

In the present research, different international markets that have been previously selected were analyzed, which are: Singapore, Denmark, Cape Verde and the United States. The reason for the analysis of these different markets is to find an optimal market for the restaurant "Red Crab", a seafood restaurant located in the city of Guayaquil, to operate outside the national territory through a franchise in the chosen international market.

The reason why companies, and in this case restaurants, must be in constant evolution and growth and have a view to operate in international markets is due to the increasing globalization of markets that has caused an increase in international competition for companies. This forces companies involved in this sector to pay more attention to the development that occurs to determine if they have the opportunity to expand abroad and consolidate their brand and position it in various global markets (Santo-Cori, 2017).

There are several factors to take into account in order to choose an optimal market in which the "Red Crab" restaurant can operate. All these factors demonstrate the current situation and reality of the countries that can determine the long-term stability of the company that intends to reach, its position in terms of competition, the feasibility of success of the company, etc. All this could be measured through economic, cultural, social and political factors. So, this research was qualitative with a descriptive approach, with the factors taken into account that helped with this research described in the *International Marketing* book by Olegario Llamazares García-Lomas, as well as the Hofstede factors that could be obtained through Hofstede Insights. Economic and political aspects were also analyzed using tools such as Doing Business and the World Bank.

The research carried out in this project showed that the current situation of the Red Crab restaurant allows it to expand internationally, due to its internal and external organization as a company. Similarly, through the various factors mentioned above that were analyzed, it was found that the ideal country for the arrival of the Red Crab

restaurant as a franchise is the United States and it is important to consider the aspect of franchising in the United States so that the Red Crab restaurant can better take advantage of the benefits of this type of business.

CHAPTER 1

CONCEPTUAL FRAMEWORK

1.1 Internationalization

In today's world, globalization is a predominant actor in every aspect: social, cultural, economic, technological, etc. Because of this, several companies have made the decision to internationalize their reach, operation, products, etc. Knight (2007) affirms internationalization can mean different things depending on the point of view and context which is why it can be used in different ways. Nevertheless, in the corporate context, internationalization is the process in which companies expand outside of the markets where they usually operate locally.

Expanding globally and reaching international markets brings many advantages, even though the internationalization process is not easy to achieve. Kafouros et al. (2022) mention that it is a complex process that does not always progress and advance, but still arouses interest. Despite its complexity, there are several factors why companies would consider expanding their commercial activity in a different country through internationalization. These include economies of scale, *know-how* improvement, emergence of new attractive markets, the globalization phenomenon, etc. (De Castro & Cataluña, 2004)

Over the years, thanks to the phenomenon of globalization, strategies have been created so that the internationalization process can be carried out in the best way and generate positive results. According to Larrinaga (2007), there are different strategies to successfully implement which are divided into 4 main parts: conduct an international strategic analysis, determine the system of objectives for international activities, form an international strategy and finally implement the international strategy.

1.2 Franchise

Internationalization allows companies to constantly grow and innovate to stand out against their competition. One way to internationalize and expand their market outside of national territory is through a franchise, because franchises

businesses that are already established in the market and are always in constant growth. (Miranda, 2022)

Franchises are type of businesses in which a company called a franchisor allows another company deemed a franchisee to use their business through the payment of royalties (Duarte, 2003). Also, a franchise is a commercial strategy, form of operation and distribution of goods and services designed to satisfy a need. It is a strategic association between two different companies: the franchisor and the franchisee. Franchising is therefore a way to make a company known in international markets and to be able to make a profit for the same (Bennett & Babcock, 2008)

According to Gacía-Lomas (2022) the profit that a franchisor usually obtains is divided by three:

- **Entry fee:** This refers to the initial amount that the franchisee must pay when they first join the network. The amount to be paid is proportional to the commercial value of the company and can range from \$10,811 USD to \$540,570 USD.
- **Operating fee:** This generally represents the most revenue for the franchisor; however, it also represents the greatest challenges for its management. It is equivalent to a percentage of the franchisee's sales. It usually ranges between 5% and 10%.
- **Advertising fee:** It is used to finance joint publicity and advertising efforts on the part of the franchisees. Normally, a monthly fee is agreed upon.

According to (Santo-Cori, 2017) just as there are alternatives for the franchisor to earn revenue through franchising, it is also important to identify the type of franchise that will be offered. There are several types of franchises, including the following:

- **Production franchises:** the franchisee is allowed to manufacture and sell or distribute products in accordance with the manufacturer's instructions.

- **Service franchises:** the franchisee provides services under the franchisor's brand, name and/or trademark and the franchisor provides the necessary administrative and technical support.
- **Distribution franchises:** the franchisee acquires and distributes the franchisor's products, establishes relationships with specific customers and provides technical support to the customer.
- **Industrial franchises:** this type of franchise differs from other types of franchises where the underlying element is a patent or an industrial secret, however both must be under the company's trademark to still be considered a franchise and not be confused with another type of business.
- **Commercial franchise:** in this type of franchise, the franchisor transfers all the necessary elements to enable the sale of the product or service to the customers, to the franchisee. These are franchises acquired to operate points of sale and markets and are the most developed franchises because the standardization of operations provides many benefits such as internationalizing your business or maintaining a proven brand.

The commercial franchise is one of the most common and most negotiated types of franchises nowadays. According to Izuzquiza (2008), this type of franchise is also known as *franchising* and is a method of cooperation between different independent companies since joint action by both parties is required for a successful business development of both companies. Its goal is to distribute a type of product with a brand, signature or fabrication process that characterizes that product. He also mentions that there are certain main characteristics that the commercial franchise contract has. Among these characteristics are the following:

- a) The parties have legal and economic autonomy, as well as a distinct legal personality.
- b) The franchise is authorized to use trade names, insignias, trademarks, logos, and other distinctive signs owned by the franchisor, subject to the agreed terms.

- c) The parties are required to have a high degree of cooperation between the parties, since the franchisee must adapt to the franchisor's practices, who must provide the know-how.
- d) The contract requires a certain duration for stability and validity.
- e) Franchisees are prohibited from operating outside of their assigned areas of responsibility,
- f) The franchisor acquires full authority to manage the franchisee's business development in accordance with the commercial franchise agreement.
- g) A payment system must be established from the franchisee to the franchisor.
- h) Contracts must be confidential.

With the different types of franchises that exist, there are many growth opportunities for companies and their different business models. However, franchises bring advantages and disadvantages. Regarding its advantages, a franchise is an external growth approach that allows different companies to take advantage of network benefits and economies of scale. Also, a franchise is a powerful combination of growth and commercial success (Pérez Llanes, 2017). Another advantage of the franchises is the reputation it has in the market, as this is an established licensing system that results in lower operating costs for distributors because the franchisor provides better inventory and other cost-saving opportunities to franchisees. The profits and earnings for the franchisor are of an appropriate margin and the business would be run efficiently through a chain (Rodríguez, 2023).

Despite this, there are also some disadvantages, such as fees charged by the franchisor for the use of the trade name, shipping fees and other costs that can be very high in certain locations. Also, since franchisees lack independence and creative freedom, they must follow the patterns established by the franchisor. A disadvantage for the franchisor is that they have less control over the franchisee than if they were to establish its own manufacturing facility. Another disadvantage is that the franchisee may at some point in the future become a competitor because

they may grow exponentially and upon termination of the franchise contract, the franchisor may find itself with a strong competitor (Lauletta, 2020).

Therefore, the franchise represents an optimal way to expand companies and reach international markets.

1.3 Market Research

To open a franchise and position it in an international market it is important to conduct an updated market research that demonstrates the needs and consumption trends of the target market. The market study or research is a tool used to obtain information about the preferences, likes, routines and traditions of a particular consumer group, whether it's about a specific product or service. This study provides a deep understanding of the niche to which companies intend to sell (Universidad Anáhuac Querétaro, 2022).

Market research was created to give solutions to the information needs of business decision making. It begins with a structured set of processes that companies need to get precise, concise, and relevant information. Then, market research helps companies to obtain real and current information about the market trends taking into account factors like clients, competitors, offer, demand, and the current market situation (Rodríguez et al., 2021).

As market research is a deep and extensive search for information, it must have a process and the market research process is a series of five consecutive steps that describe the tasks that need to be completed to properly conduct a market research study. (Thompson, 2006)

The five steps are as follows:

1. Definition of the problem and the objectives of market research: this is the first step and the most crucial one because it determines the rest of the investigation. The purpose of the study must be considered, the context of relevant information, the required information and its use in decision making. There are 3 types of objectives for market research:

• **Exploratory research:** the goal is to obtain introductory information to help define the problem and propose hypotheses.

• **Descriptive research:** Its purpose is to better explain the marketing problem, situation, and market, including the market potential of the product and the demographic parameters and attitudes of the consumers who buy the product.

• **Causal research:** the purpose of this objective is to prove hypotheses on causal relations.

2. Market research plan design: it is important to decide what information is needed, when, where, and how to obtain it. To do this, a written research plan must be created which details the specific research approach, contact methods, sampling plan, and equipment to be used by the researcher to obtain and process the data. In addition, deadlines should be established for the start and completion of the research work. Generally, this step includes elements such as the level of accuracy of the findings, time and cost of the market research, and conditions applicable to research studies.

3. Data collection: in this step the main data obtained are divided into 2: primary data and secondary data.

• **Primary data:** refers to information specific to a survey that is collected for the first time and compiled using one or more of the following elements: questionnaires, observation, fieldwork.

• **Secondary data:** refers to existing information that can be obtained internally, such as from companies and offices; and externally by having data from outside the company, from government and public entities.

4. Data preparation and analysis: in this step, once the data has been collected, it is processed and analyzed to isolate important information and knowledge. The survey data must be checked for accuracy and completeness and coded for analysis. The results are then tabulated,

average values are calculated, and further statistical measurements are taken.

5. Interpretation, preparation, and presentation of the report with the results: this is the final step in which the market researcher must interpret all the results obtained in the research, draw the respective conclusions, and report to management what was concluded.

1.4 Market selection process

In a globalized world, expanding to international markets and being able to have operations in other countries has become an essential element in both competitive and strategic level for companies.

According to Miečinskienė et al. (2014) the market selection process is an important tool so that companies choose the best international market among a variety of potential countries where they wish to start or expand international operations. In turn, the selection of international markets is essential for companies wishing to expand their operations since companies need to adapt to harsh environmental and global market conditions, the selection of international markets facilitates the internationalization process that improves the competitiveness of companies (Olevsky, 2016).

When a company decides to operate internationally, it must make three decisions based on international marketing: choose an international market, choose an entry way and design a marketing mix strategy. The first one being the most important to know the optimal entry market (Sánchez, 2020). Once the international marketing plan has been planned, the company must decide the number of countries it plans to expand to and have an idea of which ones they are going to be. The reason behind this is because with over 80 countries with an important market potential, companies can only choose a small number of countries for their international expansion, which is why this international marketing decision is very important.

It is important that companies take into account the following three aspects to make the right decisions (García-Lomas, 2022):

- a. **Number of countries:** within this factor there are two possibilities that can occur:

- 1. Concentration:** with this strategy, the company focuses its resources on a few markets to achieve continuous growth in sales volume. The main benefits are bigger visibility on the selected markets, lower logistics and administrative costs, and more available resources for publicity and promotion in each market.
 - 2. Diversification:** this strategy is based on selling in more markets, even at the cost of gaining a large market share in these markets. Its advantages include comparative information on different markets of the world, less dependence on a small number of markets and avoid direct confrontation with major competitors.
- b. Most favorable geographical areas:** it is based on focusing on a specific geographic area that includes similar countries in terms of criteria for selecting the most favorable countries. The main three factors are as follows:
- 1. Geographical/cultural proximity:** the closer the region is to the country in which a company is located, the easier it will be to compete, since logistical costs, trade barriers and cultural differences are likely to be lower.
 - 2. Level of development:** Every company must discern its ability to compete based on the level of advancement of the target nation. In this way, for example, exceptionally imaginative companies with high quality articles will be able to compete in large countries such as Canada, United States and China in which only the leading bids can be admitted; on the other hand, the smaller companies, with no imagination and innovation, will be inclined to compete in less advanced areas such as Central America or Africa.
 - 3. Economic growth:** An important factor in deciding to enter a new country is the economic situation of the country. As a country grows, it becomes easier for companies to approach and make offers to potential customers seeking new business due to favorable economic prospects.

c. **Selection of target countries:** once the most favorable geographic area has been selected, the next step is to analyze which countries inside that area are more likely to be selected as their target market. This standard is generally based on economic and cultural factors, and it is important for companies to comply with the following five reporting requirements:

1. **Relevant information:** must be directly related to the objective being pursued, which is simply the selection of the most advantageous foreign market.
2. **Accessible information:** is easy for companies to find without having to rely on external sources that incur additional costs.
3. **Objective information:** These are data, statistics, numbers, characteristics, etc., that can be quantified in such a way that comparisons between countries yield easily interpretable results.
4. **Homogeneous information:** This is equally applicable to all countries studied, which allows comparisons to be made.
5. **Updated information:** it refers to the near future, which can be two to three years, or the recent past, two or three years ago, and through which projections can be made.

Once an understanding has been gained of all the factors, it is also important to know the phases in the selection of new international markets. Based on what Sakarya et al. (2007) mention there are three stages that must be considered for the selection of international markets:

1. **Preliminary assessment:** potential markets are identified as candidates for further analysis. In this stage, macro-level indicators are used to eliminate markets that do not meet the company's objectives.
2. **Identification:** As a result of the previous stage, the industry's attractiveness is assessed, and costs and revenues are estimated for a small number of countries.

3. **Final decision:** at this stage, the market that best suits the company's requirements and available resources is found.

1.5 Cultural Dimension

In a globalized world, culture can be shared and have similar traits. However, each country is unique and will have different customs, languages, ways of doing business, etc. Cultural dimension must exist for a successful development of a community. This is why taking into account the different cultural dimensions inside a country are very important to be able to analyze an international market and, subsequently, choose the right market considering their culture (Martínez Rodríguez, 2018).

Common culture and organizational culture are the main characteristics of each company and society. In this context, one of the most common ways to measure the culture of each country is through the six dimensions proposed by the Dutch psychologist Geert Hofstede (Demmler et al., 2018).

As mentioned by Leonavičienė & Burinskienė (2022), the advantage of Hofstede's model over elective models is based on quantifiable, understandable, and available cross-border comparisons, a repeatable social scientific categorization worthy of reinforcing universal commercial research. Hofstede's social measures are part of the vital components for internationalization.

As previously mentioned, Hofstede's dimensions include the following (Hofstede, 2001):

a. **Power distance:** this dimension is also known as hierarchical distance. It is about how society responds to inequality. It is important to explain that the term power in this sense refers to the ability of one person to determine or direct the actions of another. This dimension does not necessarily measure the power distribution in a society, but rather the attitude of the public towards the society, that is, the degree to which it is expected and accepted that power is distributed unequally.

b. Individualism vs. Collectivism: It measures the degree to which members of a society identify themselves as individuals and not as members of a group. Individualism is a characteristic of societies in which the links between individuals are very distant. This means that everyone is expected, first and foremost, to take care of themselves and their immediate family. Collectivism on the other hand, is a characteristic of the societies in which people are integrated from birth into cohesive, integrated groups that protect individuals throughout their lives in exchange for unconditional loyalty.

c. Masculinity vs. Femininity: gender differences between men and women are now recognized as social and cultural constructs. Therefore, societies approach this distinction in different ways. Hofstede (2001) highlights that masculinity represents a society with very different social gender roles. It is believed that men are assertive, tough, and focused on material success, while women are thought to be more modest, gentle, and concerned with quality of life. Femininity represents a society in which social gender roles overlap; that is, both men and women are humble, kind, and concerned about the quality of life. This not to be confused with feminism and that a society is feminist by being deemed a feminine society. Vilmundardóttir (2019) mentions that the fact that society tends to identify with masculine or feminine characteristics affects not only family life, but also the world of work, school, politics, religion, social and personal behavior.

d. Uncertainty avoidance: it is about how society deals with future uncertainty. This dimension revolves around the extent to which society seeks to influence or control the future, or the extent to which it allows it to. This uncertainty is related to a fundamental fact of human life that all societies seek to cope with and at the same time protect themselves from potential risks. The main ways to control the future are through technology, laws, and rituals. While technology helps people avoid the uncertainties that nature creates, laws, regulations, and unwritten laws seek to keep people's behavior stable now and in the future. Rituals, such as those found in religions, help people cope with insecurities they cannot protect themselves from in the future.

e. Long term vs. short term orientation: long term orientation means promoting virtues orientated to the future, especially patience and moderation. At

the other end of the spectrum, short-term orientation represents the promotion of past and present virtues, especially respect for tradition, the preservation of appearances, and the fulfillment of social duties and rights. In societies that view time as long-term, non-immediate reward is one of its most defining characteristics. For this reason, patience, perseverance, savings, and investments are important. The lower the scale value, the higher the short-term orientation. Short-term societies expect immediate results and place less emphasis on saving for future rewards.

f. **Indulgence:** people's efforts to regulate their desires and impulses are covered by this dimension which recognizes that enjoyment is a moderately weak control. Pleasure refers to the tendency to satisfy with relative freedom the basic and natural human needs related to pleasure and the enjoyment of life. Its opposite, temperance, or moderation reflects the belief that this satisfaction should be limited and regulated by strict social norms.

Therefore, cultural dimensions are important when doing business and choosing a target market, because they allow companies to consider the way countries do business, their hierarchical distance, the language barrier, among others that will provide a clearer idea of which country best suits the business model the company has.

1.6 Economic factors and standards to evaluate the possibility of entering a new market

Just as cultural dimensions are mentioned to be taken into account when considering countries to expand companies and business, it is also crucial to consider different economic factors that are important to value the potential of the market which might be the target market. Economic factors are among the many reasons that impede financial peace for all and are something that companies should consider before expanding into new markets (Wiese Gutierrez, 2019). It is important to give consideration to both the economy and its different factors, since the state and evolution of general economic factors and forces are crucial for any business to prosper (Yáñez & Pazmiño, 2015).

Garcia-Lomas (2022) advises taking into consideration the following economic factors when choosing the ideal target market for expansion:

- **Economic growth of a country:** the first important data to analyze is the expected GDP growth rate over the next few years for each country analyzed. Growth and persistence of the demand, which typically amounts to 5% of the GDP, facilitates market access and makes business investments more profitable. On the other hand, if GDP is stuck, usually at 1%, or if the country is in recession, it will be very difficult to enter it. Commodities, such as food and housing, are usually in stable demand and are less affected by economic conditions.
- **Per capita purchasing power:** the level of income in each country, measured using per capita purchasing power parity, is also important information. The concept not only covers a nation's prosperity, but also the exchange rate of its currency and the change in its value against the U.S dollar, making it an ideal indicator of the purchasing power of those residing within the country. Even within the same economy or region, per capita purchasing power can vary widely.
- **Commercial risks:** another relevant criterion when selecting target countries based on economic factors is the economic risk that a company must assume in its international activities. If a company wants to establish itself in this country through an entry type such as franchising, it must analyze the risks of its investments. These include risks such as nationalization, expropriation, profit-sharing regulations, and the existence of investment protection agreements.
- **Ease of doing business:** current economic trends mean that countries with regulations and laws that encourage the establishment and development of businesses, and offer competitive costs for their implementation, are increasingly valued as target markets. This ease of doing business criterion evaluates aspects such as time and costs of setting up a business, the ease of obtaining credit, local taxes, labor and logistic costs, and compliance with contracts and invoicing procedures.

• **Transparency and corruption:** the country's accessibility standards also include consideration of ethical elements of business life, including aspects such as transparency of information, competition and bidding regulations, government and corporate contracting practices, corruption, and bribery.

There are also other criteria that are important to consider to be able to choose a target market among which vary both in terms of the physical criteria of the market to be analyzed and the situation of the country. These include the following:

• **Geographical distance:** geographical distances include physical distance, lack of common borders, lack of access to seas and rivers, size of countries, weaknesses in transportation and communication systems, and climatic differences (Cuervo-Cazurra, 2007). It is essential to keep in mind this criterion because, generally the farther away one country is from another, the more difficult it is to do business. Geographical distance negatively affects investment and trade. Therefore, it is important to take this criterion into account in order to make the right choice of target market (Urco et al., 2019).

• **Political stability:** while economic factors determine the success of a business in another country, the prospect of political stability is a significant factor, because a country may in any time face both internal and external conflicts that would considerably change the landscape for doing business (Fanjul, 2019). Also, for political stability, it is important to consider both democratic progress and liberalization, as well as sectoral competition, which require companies to increase their revenues and profit margins in order to operate successfully in the chosen market. (Blázquez, 2002).

• **Legal security:** taking into account the legal certainty that a country's system of laws offers its citizens is also very important to be able to operate as a business in that country. Legal security exposes everything that we consider an essential part of our life project, and therefore

decisively influences not only our existence, but also the existence of everyone and everything around us. In this context, if a country becomes dangerous and its jurisprudence and legal framework are not stable and reliable, it is difficult for a business to prosper in that country (Jaramillo, 2014).

• **Local competition:** another criterion to consider when expanding into another market is that of local competition, both direct and indirect. It is important to see what the competition is and what loyalty and level and acceptance they have, as this can inform the possible failure or success of a company's expansion into a given market.

CHAPTER 2

SITUATION ANALYSIS OF THE RED CRAB COMPANY

2.1 Company history and current status

Red Crab is a seafood restaurant from Guayaquil that offers the best gastronomic experience to its customers and has over 26 years of trajectory. Red Crab opened its doors for the first time on April 24, 1997, in the Urdesa neighborhood, which is one of the most emblematic and commercial neighborhoods in the city of Guayaquil. Red Crab was born under the idea and concept of the economist Efrén Coronel, who wanted to offer a new approach to the way of eating seafood in Ecuador. With an innovative menu that elevated traditional dishes to high-level cuisine, Red Crab did not take long to position itself among the outstanding culinary experiences in the city of Guayaquil.

With the passing of time, due to the impact and the high demand that the restaurant Red Crab had with its first restaurant located in Urdesa, they decided to expand within the city and opened a second restaurant in October 2000 in Samborondón, a modern restaurant located in Entre Ríos. Afterward, the restaurant had many visitors from the Ecuadorian Sierra, so Efrén Coronel decided to grow within the country and opened 2 new restaurants in Cuenca and Quito respectively.

They opened a new location in Cuenca in November 2003. Later it also arrived in the city of Quito in 2005. The popularity of Red Crab grew more and more and that is why the location in Entre Ríos was not big enough to supply all its distinguished clientele. That is when Coronel, on October 24, 2008, opened the doors of the biggest Red Crab so far, located in Samborondón in shopping center Plaza Nova. With the passage of time, innovation and experience were remarkable for the restaurant Red Crab and its growth was increasingly demanded by its customers, this is how on November 22, 2019 Red Crab opened its third location in the city of Guayaquil, located in the building Ágora XXI, diagonal to Mall del Sol.

After 15 years of providing the best service to service, the restaurants in Cuenca and Quito closed their branches. This was due to the fact that the partners moved out of

the country and Coronel decided to sell the restaurants that are still in operation, but not under the Red Crab brand.

Throughout its history, Red Crab has been the meeting point for several renowned clients, both nationally and internationally. Singers, actors, politicians, sportsmen, ambassadors, etc., have visited the restaurant since its opening, which has always offered first class service and quality dishes, being the reason for its distinguished clientele.\

The year 2020 was a pretty tragic year because of the pandemic caused by COVID-19. Among those economically affected are restaurants. The national emergency the country was facing that year forced many restaurants to close permanently, and some were forced to close their branches, resulting in large-scale layoffs. Other service companies had to reinvent themselves to achieve a slow and painful economic recovery, creating the potential for gradual revitalization (Yacelga & Patrel, 2021). The latter was the case of Red Crab that decided, in addition to being able to make home deliveries, sell its frozen products in vacuum packs so that its customers could consume their favorite seafood in the easiest and quickest way. Currently, Red Crab is a successful restaurant on the rise every year with an annual growth rate of 8%, excluding the pandemic years of 2020 and 2021.

At present, Red Crab is considered by its customers as one of the best restaurants in the country. Its responsibility to provide the best quality of dishes, service and experience has caused the restaurant to always be in constant innovation. The 3 restaurants located in the city of Guayaquil have full bars offering classic and signature cocktails. At the same time, they offer home delivery services, catering events, and their best products vacuum-packed so that the final consumer can easily taste the products. They also offer wine pairing options to accompany their delicious dishes, imported wines of the best quality.

For all the above mentioned the restaurant Red Crab has been awarded several prizes, among which, is the best seafood restaurant. It has also received awards from the mayor's office of Samborondón and the Municipality of Guayaquil for being a leader in tourism and economic development. Nevertheless, their most prestigious award was obtained in 2023 by the *European Foundation for Quality Management*, a foundation that awards this recognition to the best restaurants with the highest organizational excellence

in South America. The restaurant is also planning to export 3 of its vacuum-packed frozen products: crab claws, crab shells stuffed with crab meat and crab meat to the United States.

Red Crab has its respective mission, vision and company values which are as follows:

MISSION

“The mission of our company is to satisfy our customers by providing high quality products with excellent service in an exclusive and welcoming environment, thereby contributing to the tourism and economic development of our country.”

VISION

“Our vision, to be the most prestigious national seafood restaurant chain with international projection.”

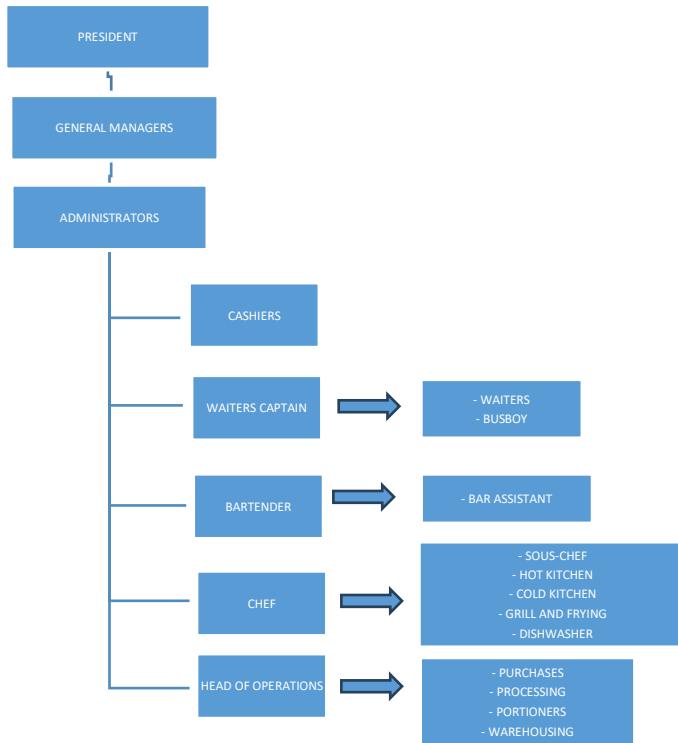
COMPANY VALUES

- Sharing traditions
- Offering the best service
- Responsibility to provide the best high quality products
- Kindness and comprehension with customers
- Effort and dedication
- Professionalism and experience

Once the purpose and what Red Crab wants to become is known, it is important to know how the company is constituted through an organization chart. An organization chart, in the words of Pérez (2016), is a diagrammatic model of the structure, hierarchy or formality of the company. This allows us to recognize both the organizational structures and the connections between them. So, an organizational chart makes it easier to know how a company is constituted and to be able to take into account the different departments within it.

Figure 1 shows the organizational chart for Red Crab

Figure 1
Red Crab organizational chart



Note. Adapted from “*Function Manuals. Red Crab Organization Chart*”, by Efrén Coronel, 2024.

2.2 SWOT Analysis

The SWOT analysis is a procedure that aims to examine the strengths and weaknesses that determine the state of an organization, in addition to an external evaluation, which are the opportunities and threats (Sarli et al., 2015). So, a SWOT analysis is used to determine the strengths, weaknesses, opportunities, and threats of a company. For a company to grow and to be able to know its operation viability outside its country of origin, SWOT is an essential tool (Torres Arriaga, 2019).

It can be said that the SWOT analysis is divided into two groups: the analysis of the environment that corresponds to the external factors of the company, for example, the opportunities and threats that may arise; and the organizational analysis that are the internal factors of the company where the strengths and weaknesses that exist are identified.

Organizational Analysis

An organizational analysis will demonstrate what Red Crab is doing well, meaning the strengths that it has, so that we can intensify them. It also helps us to identify the shortcomings within the organization, its weaknesses, in order to improve and eliminate them so that the restaurant can continue to grow and offer the best service.

Strengths

- Three locations in the city of Guayaquil situated in strategic points.
- High quality in their products.
- First class service to all its customers.
- Wide variety of dishes and cocktails.
- Several recognitions and awards.
- Massive publicity in all their social media.
- Modern infrastructure and personalized to the restaurant.

Weaknesses

- High menu prices, but they are directly related to the quality of the shellfish and the service provided.
- Lack of a loyalty program to its clients.
- High operation costs.

For the organizational analysis, a matrix was created in order to have a clearer idea of the strengths and weaknesses. A weighting was used for each factor, which will be divided as follows:

0.01 Not important

1.00 Very important

The ranking for each factor was divided as follows:

Minor Weakness	1
Major Weakness	2
Minor Strength	3
Major Strength	4

If the total weighted value is higher than 2.5 then the company has a strong internal organization, on the other hand if the total weighted value is lower than 2.5 then the company has a weak internal organization and needs to improve. Table 1 shows the internal factors total weighting.

Table 1
Internal Factors Evaluation Matrix: Strengths and Weaknesses of Red Crab

Factors	Weighting	Classification	Weighted value
Branches	0.10	3	0.30
High quality products	0.20	4	0.80
Service	0.10	4	0.40
Menu variety	0.10	4	0.40
Awards	0.08	4	0.32
Publicity	0.10	3	0.30
Infrastructure	0.10	3	0.30
Prices	0.20	1	0.20
Loyalty programs	0.05	2	0.10
Operation costs	0.07	2	0.14
Total	1.00		3.26

After conducting the organizational analysis in which strengths and weaknesses were determined, “Red Crab” obtained a total weighting of 3.26, which indicates that the company has a great internal management.

Environmental analysis

An environmental analysis identifies the opportunities offered by the market, as well as the threats it presents in order to take both into consideration, and to benefit from the opportunities that may arise in order to avoid the threats. The analysis of the environment takes into account the factors external to a company.

Opportunities

- Opening of new branches.
- Expansion to international territories.
- Appearance of new customers.
- Ease of adapting to new technologies due to constant training.
- Creation of new experiences for their customers.

Threats

- Entry of new competitors
- Changes in customer consumption.
- Cost increases due to tax increases.
- Competition has lower prices.

For the environmental analysis, a weighting similar to that used for the organizational analysis were used, these are the following:

0.01 Not Important

1.00 Very Important

The ranking for each factor in the environmental analysis was divided as follows below:

Minor Threat	1
Major Threat	2
Minor Opportunity	3
Major Opportunity	4

If the total weighted value is less than 2.5, it means that the company's strategies are neither taking advantage of the opportunities that arise nor avoiding external threats. If it is greater than 2.5, it means that the company is responding in an extraordinary way to the opportunities and threats that arise in its industry. Table 2 shows the external factors total weighting.

Table 2
External Factor Evaluation Matrix: Opportunities and Threats for Red Crab

Factors	Weighting	Classification	Weighted value
New branches	0.12	4	0.48
International expansion	0.15	4	0.60
New clients	0.10	4	0.40
Adaptation to new technologies	0.05	3	0.15
New experiences	0.10	3	0.30
New competitors	0.15	2	0.30
Consumption changes	0.05	1	0.05
Cost increases	0.08	1	0.08
Competition prices	0.20	2	0.40
Total	1.00		2.76

After having calculated the weighted values of Red Crab as part of an environmental analysis where the opportunities and threats are taken into account, it can be observed that it has a value of 2.76, which shows that the restaurant has a great response to the opportunities and threats that arise in its environment.

CHAPTER 3

METHODOLOGY AND MARKET SELECTION

3.1 Methodology

The methodology used for this research was a descriptive research methodology with a qualitative approach using secondary databases to collect the necessary information. The objective of the descriptive approach is to determine the characteristics, properties and profiles of processes, objects or any other phenomenon being evaluated (Hernández-Sampieri & Mendoza, 2020). In this case, the markets were analyzed, so this approach determined all the characteristics and factors necessary to determine the ideal market for the expansion of the company Red Crab to an international market.

With descriptive research as there are no variables to consider, the data collection tool is everything that is available. As for the qualitative approach, in this method only the characteristics of the element being studied are measured, one country selected for each continent in this research (Alban et al., 2020).

The information gathered for this research was based on secondary sources, including research articles on market selection. The book International Marketing by Olegario Llamazares García-Lomas is the main source for the factors to be taken into account for the selection of markets; this book examines factors that influence the choice of a market for the opening of new businesses in international markets. The information on these factors for each country chosen was obtained from official websites such as the World Bank, Hofstede Insights, Transparency, Datos Macro, etc. In order to compare the different countries and international markets, the information provided by the above sources was compiled and processed through the Atlas TI software to compile the data and make a weighting table for each criterion for the four chosen countries and thus be able to find the final country that will be selected for the expansion of Red Crab to that country.

3.2 Market selection

In order to select the main countries to be analyzed, a table was developed to show an ideal country for each continent. Factors such as proximity, population size, GDP and

GDP growth of the countries, political stability, transparency, ease of doing business, etc. were taken into account. Three countries per continent were chosen and the most repeated for each factor was chosen as the country to be analyzed for that continent. See Table 3 for a list of the selected countries per continent.

Table 3
Selection of target markets for expansion of Red Crab

Criteria	Three most important in Asia	Three most important in Europe	Three most important in Africa	Three most important in America
Geographical distance	Indonesia Maldives Taiwan	Spain Portugal France	São Tomé and Príncipe Gabon Republic of the Congo	Peru Colombia Brazil
Market size	China India Indonesia	Germany France United Kingdom	Nigeria Democratic Republic of the Congo Ethiopia	United States Brazil Mexico
GDP per capita	Singapore Brunei Japan	Luxembourg Ireland Denmark	Mauritius South Africa Cape Verde	United States Canada Uruguay
GDP growth	Vietnam Philippines Malaysia	Monaco Ireland San Marino	Cape Verde Niger Seychelles	Guyana Panama Colombia
Transparency index	Singapore Hong Kong Japan	Denmark Finland Norway	Seychelles Cape Verde Botswana	Canada Uruguay United States
Political stability	Singapore Japan Republic of Korea	Netherlands Ireland Norway	Botswana Namibia Senegal	Canada United States Uruguay
Legal security	Brunei Cambodia Mongolia	Denmark Hungary Cyprus	Kenya Malawi Rwanda	United States Colombia Mexico
Ease of doing business	Singapore Hong Kong Republic of Korea	Denmark United Kingdom Norway	Morocco Mauritius Côte d'Ivoire	Canada United States Chile
Final selection	Singapore	Denmark	Cape Verde	United States

Note. Adapted from World Bank, n.d., <https://www.bancomundial.org/es/home> and Transparency International, 2023, <https://www.transparency.org/en/>

Once the selection of markets was made, each one was analyzed by means of the social, political, economic and cultural factors mentioned above. For each country selected, graphs were included in the social, political and economic factors to observe the evolution of this in recent years.

Asia

Singapore

Geographical distance

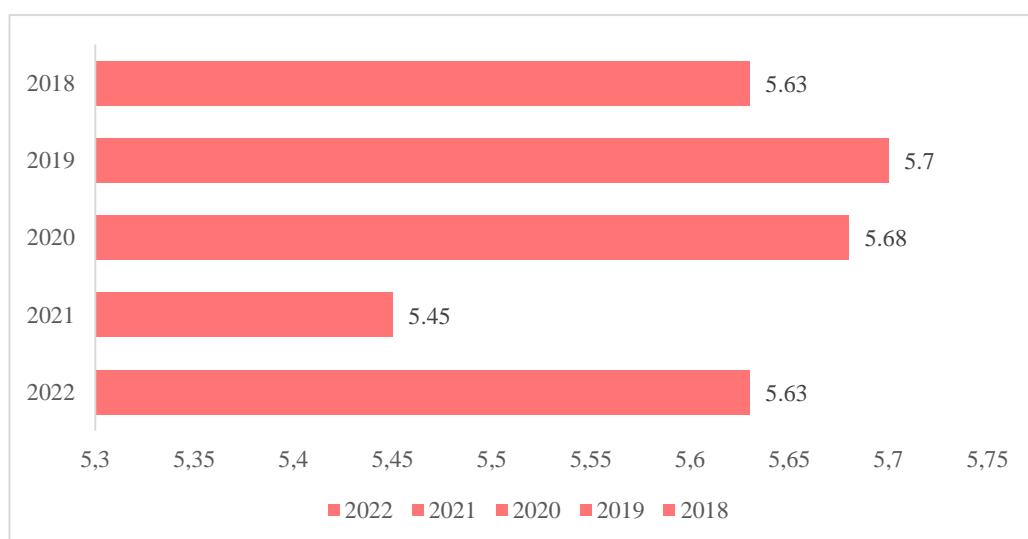
It is important to consider the geographical distance between one country and another because proximity or remoteness can be a critical factor when doing business. In the case of Singapore this country has a distance of 19,608 km considering the point from Guayaquil to Singapore (Geodatos, 2024d).

Market size (population)

Another important factor is population, because a country with many inhabitants would mean a percentage of potential new customers. In the case of Singapore, it has a population of 5.6 million inhabitants (Banco Mundial, 2022p).

Figure 2 shows that Singapore's population has always ranged between five million inhabitants, with 2019 being the year with the highest recorded population with 5.7 million inhabitants and the year with the lowest population being 2021 with 5.45 million inhabitants, a figure that could be attributed to the COVID-19 pandemic and the losses it caused.

Figure 2
Population of Singapore in millions



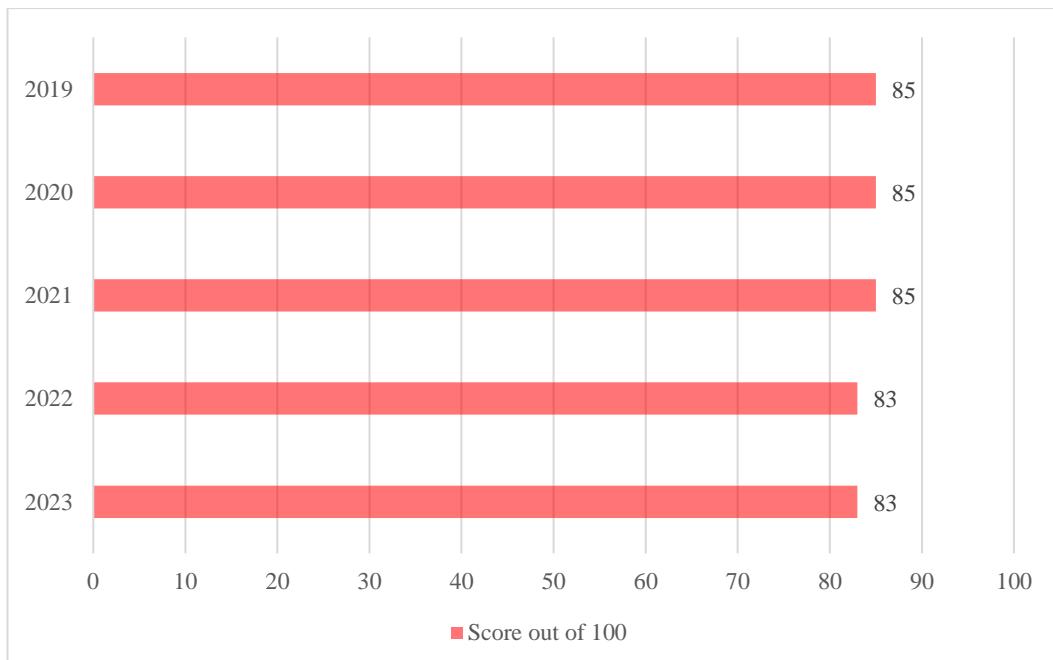
Note. Adapted from *Population, total – Singapore*, from World Bank, 2022, <https://datos.bancomundial.org/indicador/SP.POP.TOTL?locations=SG>.

Transparency Index

When negotiating with another country, and mainly wanting to move operations to that country, taking into account the form of government and that there is no corruption is very important, in order to carry out transactions and business in the only way it should be done: legally. Singapore ranks number five of the 180 countries on this list, with a score of 83/100 which means that in Singapore corruption, diversion of public funds, bribery, nepotism, etc., are almost nonexistent within Singapore. Zero represents a score of total corruption and 100 represents a score of zero corruption (Transparency International, 2023a).

In Figure 3 it can be seen that in terms of transparency in Singapore this is among the top positions and from 2019 to 2021 it obtained a score of 85, however for 2022 and 2023 it dropped two points obtaining a score of 83. Despite this it is still within the Top 10 of the countries with the highest transparency.

Figure 3
Transparency score in Singapore



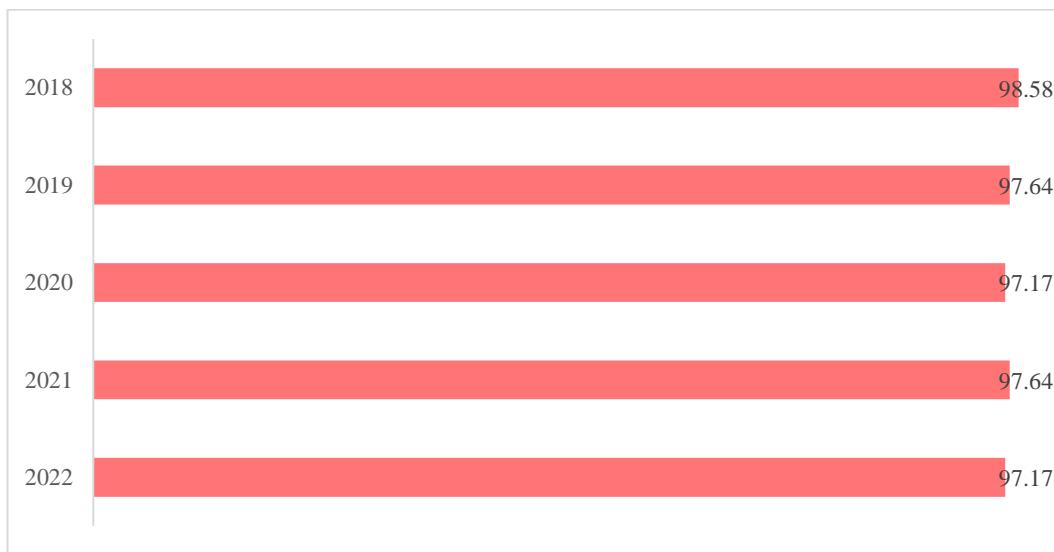
Note. Adapted from *Corruption Perceptions Index – Singapore*, from Transparency International, 2023, <https://www.transparency.org/en/cpi/2023/index/sgp>

Political stability

The political stability of a country shows whether it can be a good market because a country with an effective and stable government would not affect the entry of the company or its future in that country. The World Bank allows us to observe the score of these factors through the World Governance Indicator. In the case of Singapore, it has a score of 97.17/100 which means that Singapore is a very politically stable country (Banco Mundial, 2022g).

Figure 4 shows that in 2018 Singapore had the highest political stability score with almost 99/100. From the year 2019 to 2022 it remained in the range of 97 which is still very good. In the years 2019 and 2021 it had the highest score in that range, scoring 97.64 respectively. All in all, Singapore has good political stability.

Figure 4
Political stability score in Singapore



Note. Adapted from *Worldwide Governance Indicators*, from World Bank, 2022, <https://www.worldbank.org/en/publication/worldwide-governance-indicators/interactive-data-access>

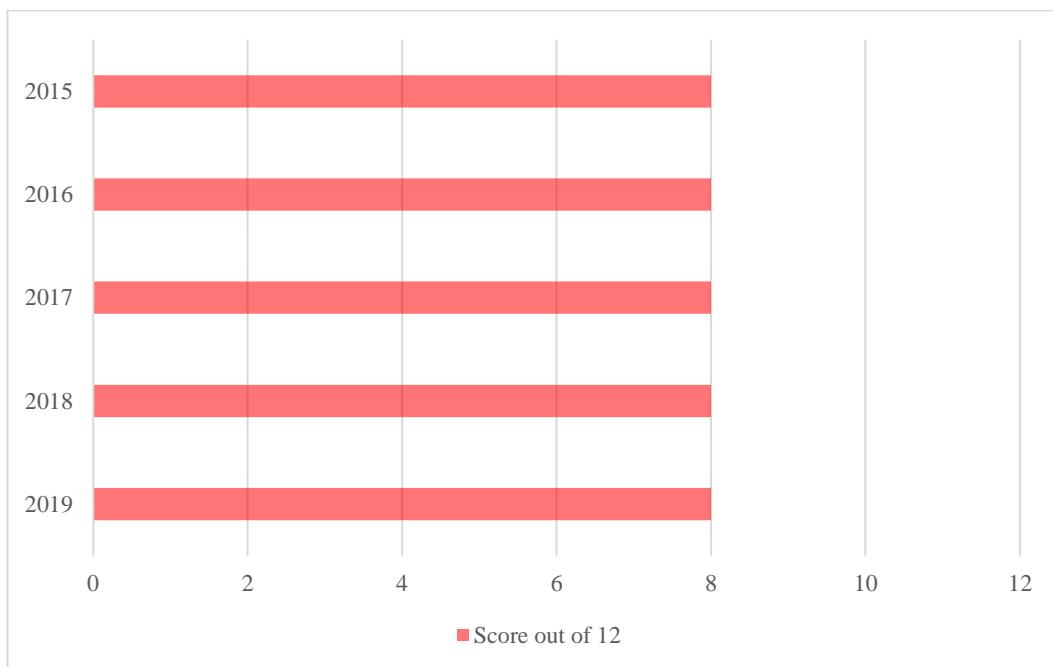
Legal security

This index allows us to observe the countries with the highest compliance and strength of legal rights in terms of lending. This index is measured on a range of 0 to 12, where 0 equals weak and 12 equals strong. Higher scores indicate that laws are better designed to expand access to credit. In the case of Singapore, it has remained at an eight from 2013 to 2019, meaning that while it does not have strong compliance as would be

12, it is above the middle and does accommodate compliance with the legal rights of lenders and borrowers (Banco Mundial, 2019a).

Figure 5 demonstrates that from 2015 to 2019 which is what the World Bank counts on this factor, Singapore has maintained a score of eight out of 12 for its legal certainty. This means that it leans more towards the strong side of legal rights enforcement.

Figure 5
Legal security score in Singapore



Note. Adapted from *strength of legal rights index (0 = weak to 12 = strong) – Singapore*, from World Bank, 2019, <https://datos.bancomundial.org/indicador/IC.LGL.CRED.XQ?locations=SG>

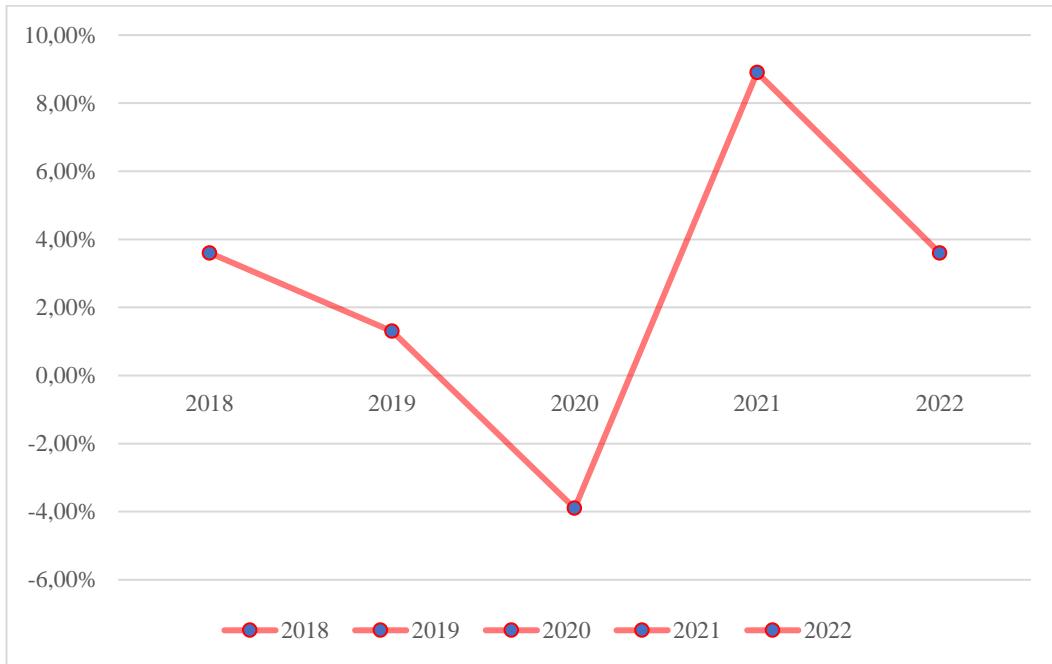
Economic growth of the country

This index is important to take into account because if a country is economically stagnant, it is going to be much more difficult for the business to prosper in that place. If it has a percentage of GDP growth, it is more likely that there is a chance of success in that country. Singapore has a growth of 3.6% until 2022, which means that the country does have a percentage of growth that can yield at the time of establishing a business in that country (Banco Mundial, 2022c).

Figure 6 shows the points of growth and decrease that Singapore has had. In the year 2020 it presented a decrease of -3.90%, this may be due to the COVID-19 pandemic.

Likewise, for the following year, in 2021, it had a growth of 8.90%, which may be due to the comparison with the previous year, which was clearly a bad year.

Figure 6
Annual economic growth percentage in Singapore



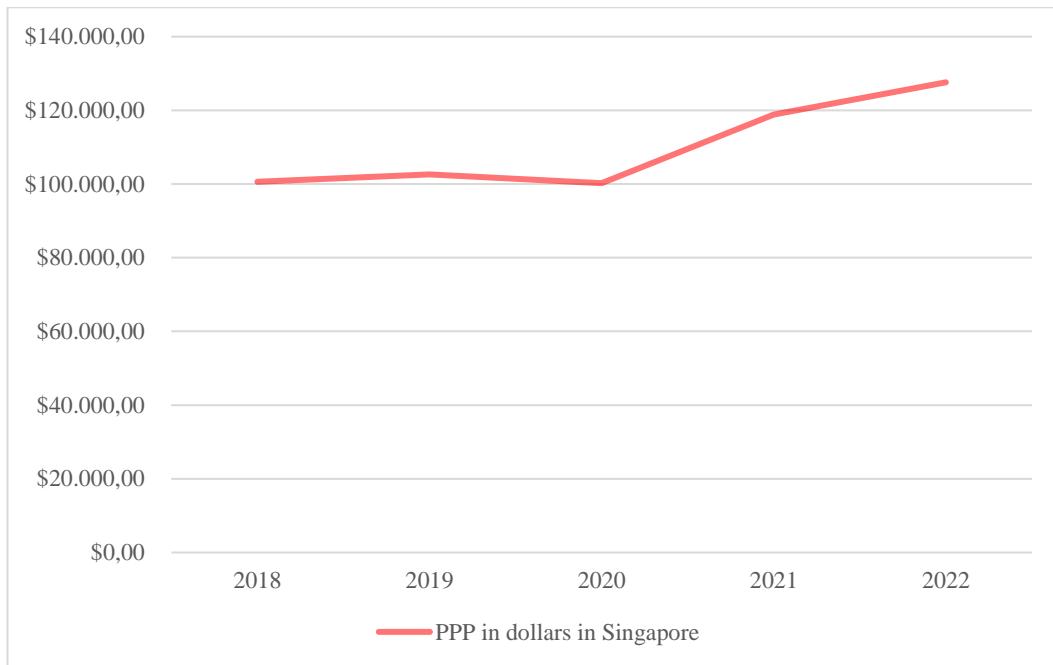
Note. Adapted from *GDP growth (annual %) – Singapore*, from World Bank, 2022, <https://datos.bancomundial.org/indicador/NY.GDP.MKTP.KD.ZG?locations=SG>

Purchasing Power per capita

The purchasing power per capita by GDP of each country allows to know the amount of goods and services that an average person can acquire in that country through the GDP per capita. The World Bank has a tool to determine this for each country for each country using the value of the international dollar at current value. In the case of Singapore, its purchasing power grows every year. In 2022 it had a PPP of \$127,606.8 compared to, 2021, where it had \$118,887.8. This is a good index as the country has a high PPP which shows the prosperity of the country (Banco Mundial, 2022m).

Figure 7 shows that the purchasing power in Singapore is very high, reaching \$127,606.80 in 2022. It can also be seen that it has always been growing, however in 2020 it presents a decrease compared to its two previous years, possibly due to the pandemic.

Figure 7
Purchasing Power Parity in Singapore



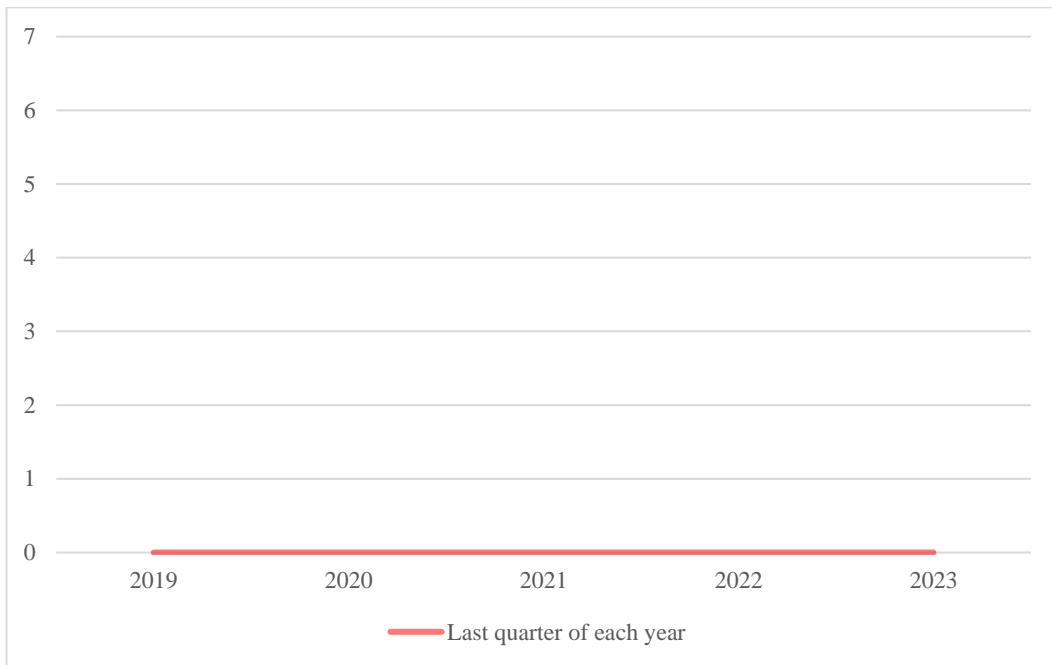
Note. Adapted from *GDP per capita, PPP (\$ at current international prices) – Singapore*, from World Bank, 2022, <https://datos.bancomundial.org/indicador/NY.GDP.PCAP.PP.CD?locations=SG>

Business risks

If a country presents many risks when doing business with them, it is better to avoid a commercial contract with that country. This factor relates to a nation's country risk. Singapore has a low trade risk, with a score of one being one being the lowest risk and seven being the highest risk. This means that Singapore does not present any danger at the time of establishing commercial relations with the country (Cesce, n.d.). Also, according to the Organization for Economic Cooperation and Development, Singapore has a zero country risk score of zero (OECD, 2024).

Singapore, as a high-income country and open to business, does not present any risk as can be seen in Figure 8. From 2019 to 2023 it has maintained a score of zero out of seven, meaning that it is not at all risky to do business with Singapore.

Figure 8
Business risk score in Singapore



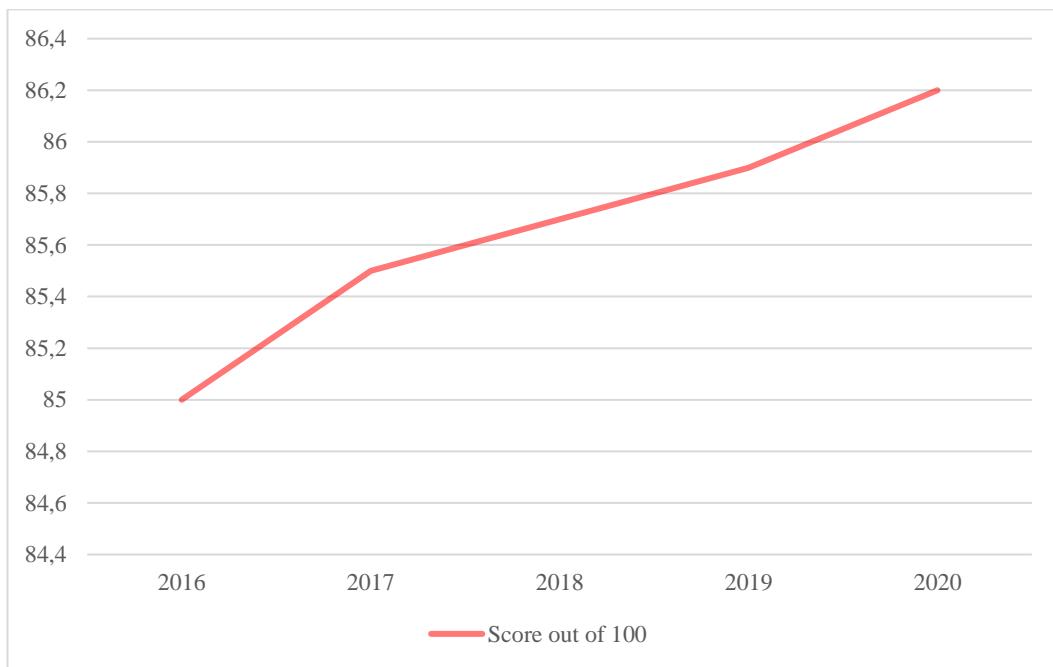
Note. Adapted from *Country Risk Classifications of the Participants to the Arrangement on Officially Supported Export Credits*, from OECD, 2024, <https://www.oecd.org/trade/topics/export-credits/documents/cre-crc-historical-internet-english.pdf>

Ease of doing business

This World Bank index shows how countries are doing in terms of openness to business. It is divided into a ranking from one to 190, the closer countries are to one means that the regulations in the field of business in that economy facilitate the opening of local companies and their activities. Various criteria are used to give a weighted score. Among these criteria are opening a business, handling construction permits, obtaining credit in that country, paying taxes, etc. So, Singapore is among the best positions, that is to say in the Top 10 of the ranking, being placed in the number two position, with a score of 86.2. What this indicates is that if a business wishes to expand, Singapore is definitely one of the best options (Banco Mundial, 2020a).

Figure 9 shows the development and growth of Singapore as a country for doing business. The year 2020 is the year with the best score, obtaining a score of 86.2/100. It is also possible to observe that every year its score has improved.

Figure 9
Doing Business score in Singapore



Note. Adapted from *Historical Data of Doing Business*, from World Bank, 2020, <https://archive.doingbusiness.org/en/data>

Hofstede's six cultural dimensions

Power distance

This aspect deals with the fact that not all members of society are equal. It reflects the culture's perspective on inequalities in society. In the case of Singapore, it scores high with 74 points out of 100. This means that Singapore has a hierarchical system that is inherited from the Confucian style from China. That is, in Singapore power is centralized and only the bosses can give orders and the rest have to follow them. Employees wait to be told what to do. The attitude towards superiors is completely formal and there is indirect communication, and the flow of information is completely selective (The Culture Factor Group, 2024a).

Individualism vs. Collectivism

This dimension determines whether in a society the use of "I" or "we" is more predominant, whether they have to depend on other people to carry out an activity or whether they prefer to do it individually. Singapore has a low level of individualism with a score of 43/100. This means that it is a collectivist society, people tend to be members

of internal groups (families, clans or organizations) that look out for each other in exchange for loyalty, which is why the "we" is important (The Culture Factor Group, 2024a).

Masculinity vs. Femininity

This refers to whether a society is more biased towards success or towards quality of life. The basic question here is what people want, whether to be the best (masculinity) or to stay doing what they like (femininity). Singapore scores 48/100 which may fall in the "middle" of the score, however, it points more towards the feminine side. This means that the softer aspects of the culture are valued and encouraged, such as equality with others, agreement and compassion for the less fortunate. Being humble and modest is highly valued (The Culture Factor Group, 2024a).

Uncertainty avoidance

This aspect refers to how society deals with the fact that the future can never be known. Should we try to control the future or just let it happen? This ambiguity creates fear, and different cultures have different ways of coping. Singapore has a very low score of eight, i.e. they do not avoid uncertainty and tend to accept ambiguity, so entering that country with new ideas, cultures, etc., would not be a major problem (The Culture Factor Group, 2024a).

Long term orientation vs. Short term orientation

Singapore's score is 67/100 on this dimension. This score reflects that Singapore has the following cultural attributes that support long-term investment: persistence, continuous effort, slow results, and frugality. It allows Singapore to use resources sparingly, order relationships according to status, and have a sense of shame. Singapore also emerged as one of the top five global economic success stories (The Culture Factor Group, 2024a).

Indulgence

This dimension is defined as the degree to which people try to control their desires and impulses based on the way they were raised. Relatively weak control is called "enjoyment" and relatively strong control is called "restraint." Thus, culture can be

described as either indulgent or restrictive. In the case of Singapore, this country has a score of 48/100 which means that it is almost in the middle, however, it is more towards the restrictive side, where by the laws of the country there is relatively strong control (The Culture Factor Group, 2024a).

For greater ease of understanding, it is necessary to analyze these cultural dimensions by means of a table, where the analyzed dimensions of Singapore and their scores will be placed. The score will be divided into two, as detailed below:

Low 1-50

High 51-100

Table 4 shows the different cultural dimensions and scores for Singapore.

Table 4
Hofstede's cultural dimensions: Singapore

Number	Score		Cultural dimension
1	High	High power distance	74 Low power distance
2	Low	Individualism	Collectivism 43
3	Low	Masculinity	Femininity 48
4	Low	Resistance to uncertainty	Acceptance to uncertainty 8
5	High	Long term orientation	Short term orientation
6	Low	Indulgence	Restriction 48

Note. Adapted from *Country Comparison Tool - Singapore*, de The Culture Factor Group, 2024, <https://www.hofstede-insights.com/country-comparison-tool?countries=singapore>

Europe

Denmark

Geographical distance

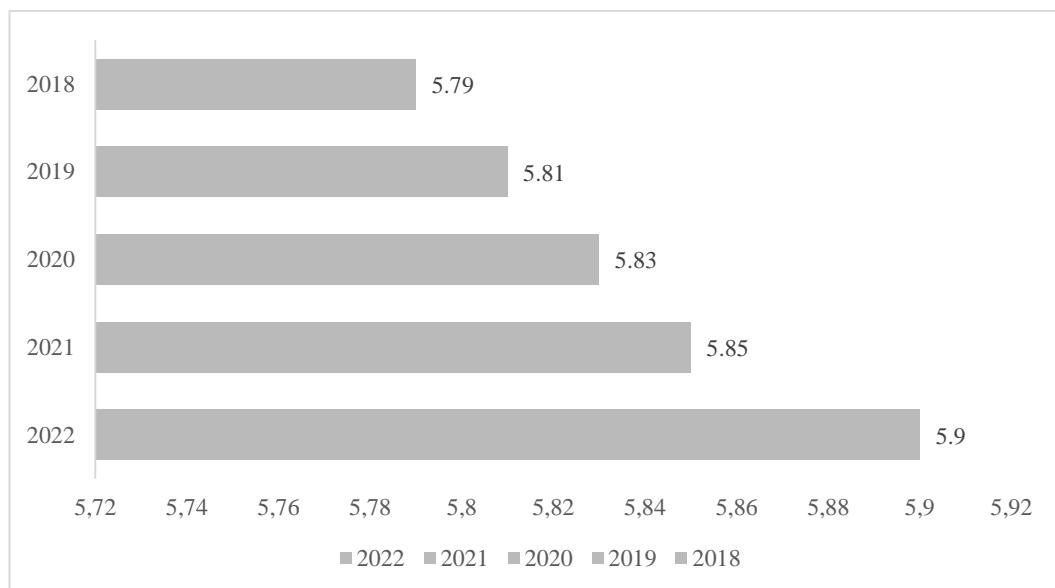
Compared to the previous continent, Europe is a continent that is closer than Asia, so the distances will be shorter between Ecuador and the countries of the European continent. In this scenario the country chosen by the European continent was Denmark, and this country has a distance of 10,362 kilometers from Guayaquil to Copenhagen, the capital of Denmark (Geodatos, 2024b).

Market size (population)

Denmark like Singapore is a sparsely populated country and they have roughly similar populations. Denmark is just above Germany and has a population of 5.9 million (Banco Mundial, 2022e).

As can be seen in Figure 10, Denmark has had a growing population during the years 2018 to 2022 growing by approximately 20 thousand people between 2018 to 2021 and 50 thousand people between 2021 and 2022.

Figure 10
Population of Denmark in millions



Note. Adapted from *Population, total – Denmark*, from World Bank, 2022, <https://datos.bancomundial.org/indicador/SP.POP.TOTL?locations=DK>

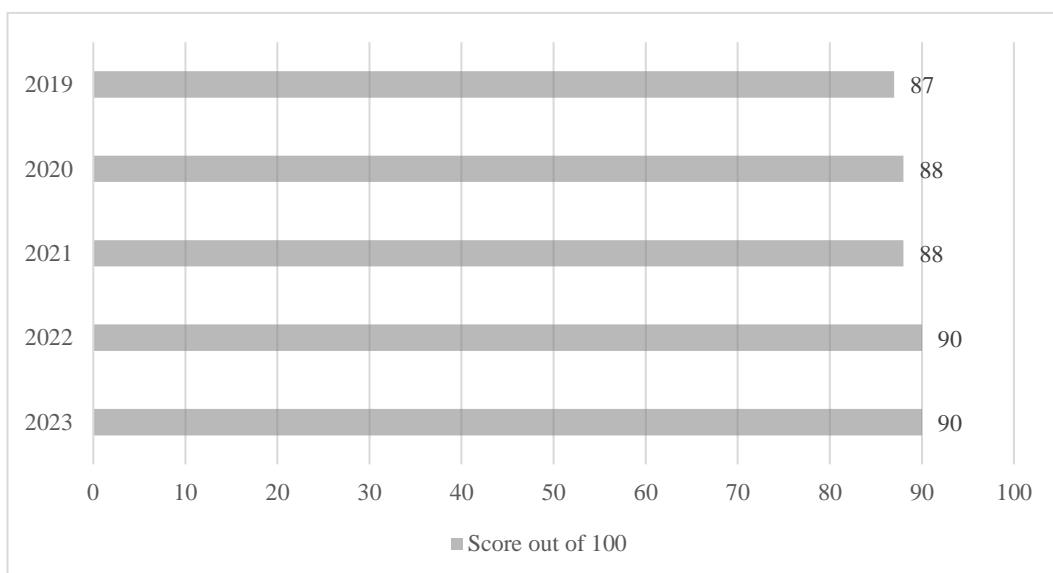
Transparency index

As Denmark is a country that is part of the European Union, it must have a high level of transparency because one of the key values of the EU is transparency. The EU is obliged to publish information on political decisions and expenditures and to respect the principle of freedom of information. These principles are part of the EU Treaties (Unión Europea, n.d.).

So, having this information about transparency in the European Union it is very likely that Denmark is high in the ranking. Denmark has a score of 90/100 and is at the top of the ranking, a position it has held for the last two years. Because of this it is very feasible to do business with Denmark, because it is a country that always shares its information and is not likely to be involved in corruption cases (Transparency International, 2023b).

As mentioned, one of the pillars of the European Union is the transparency of its members and this is reflected in Figure 11. The transparency score in Denmark has grown, with the years 2022 and 2023 being its years with the best level of transparency, scoring 90/100 in both years.

Figure 11
Transparency score in Denmark



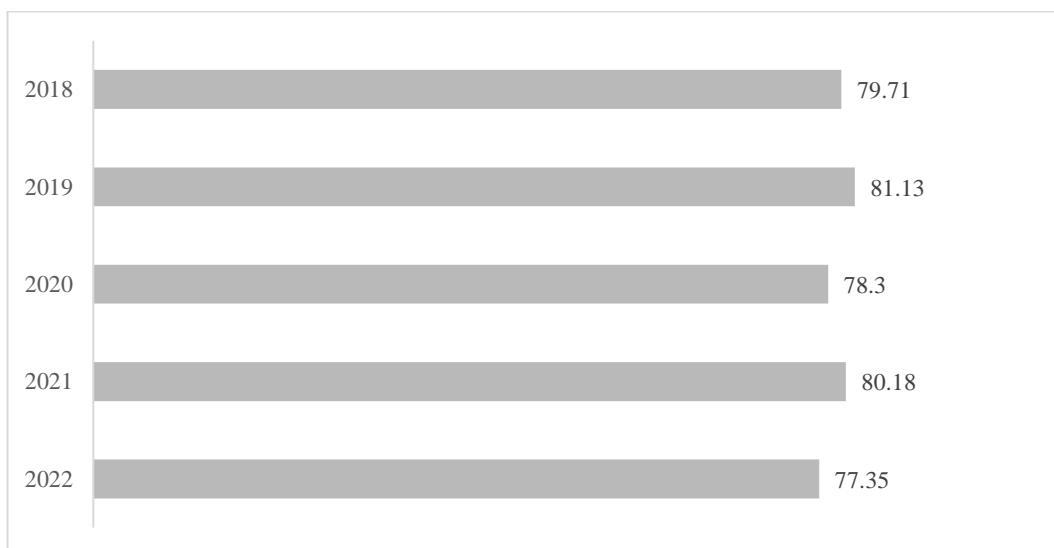
Note. Adapted from *Corruption Perceptions Index – Denmark*, from Transparency International, 2023, <https://www.transparency.org/en/cpi/2023/index/dnk>

Political stability

Denmark scores 77.36 on this indicator, suggesting that the country is significantly stable relative to other countries and time periods. Citizens tend to exhibit a positive outlook on life due to political and social stability. This indicates that most people can lead a reasonably secure and predictable life (Banco Mundial, 2022h).

As can be seen in Figure 12, political stability in Denmark is good but not the best. Its score is between 77 and 81 points respectively which represents that there is stability compared to the scores of other countries, but it can improve. The best politically stable year was 2019 with 81.13 points.

Figure 12
Political stability score in Denmark



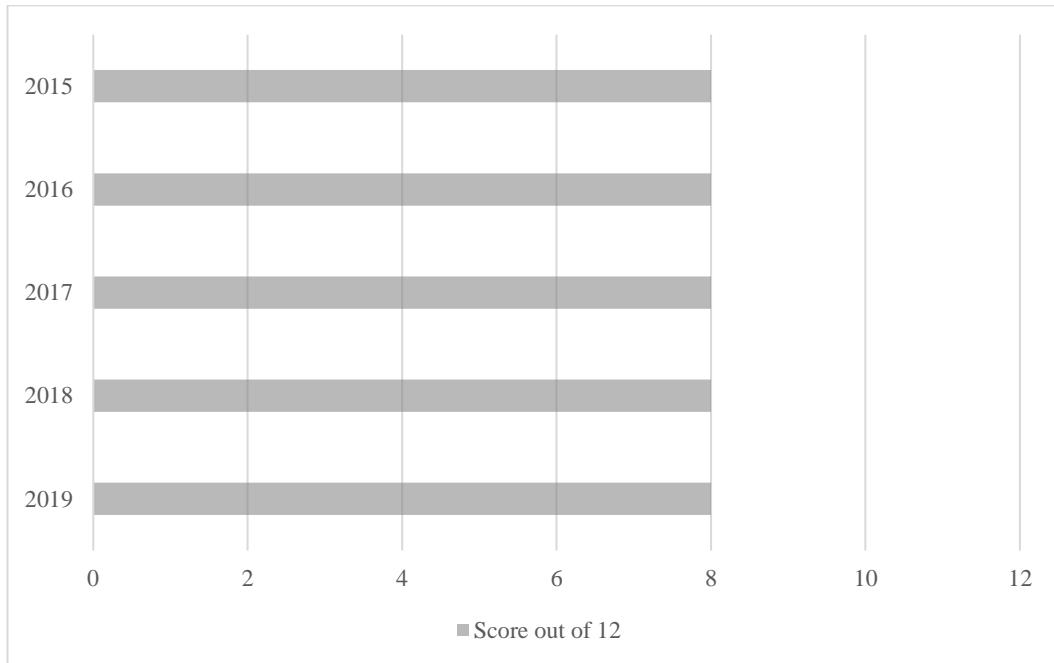
Note. Adapted from *Worldwide Governance Indicators*, from World Bank, 2022, <https://www.worldbank.org/en/publication/worldwide-governance-indicators/interactive-data-access>

Legal security

In the case of Denmark, it is above the EU average of six on this indicator. Denmark in 2019 scores an eight out of 12, as does Singapore which means that while it is not as stringent as 12, it is above the middle of six and focuses on meeting legal obligations for lenders and borrowers (Banco Mundial, 2019c).

Figure 13 shows that like Singapore, Denmark scores an eight out of twelve on this factor of legal certainty over the years 2015-2019 which are the years that the World Bank counts. It is above the midpoint of six which is a good indicator.

Figure 13
Legal security score in Denmark



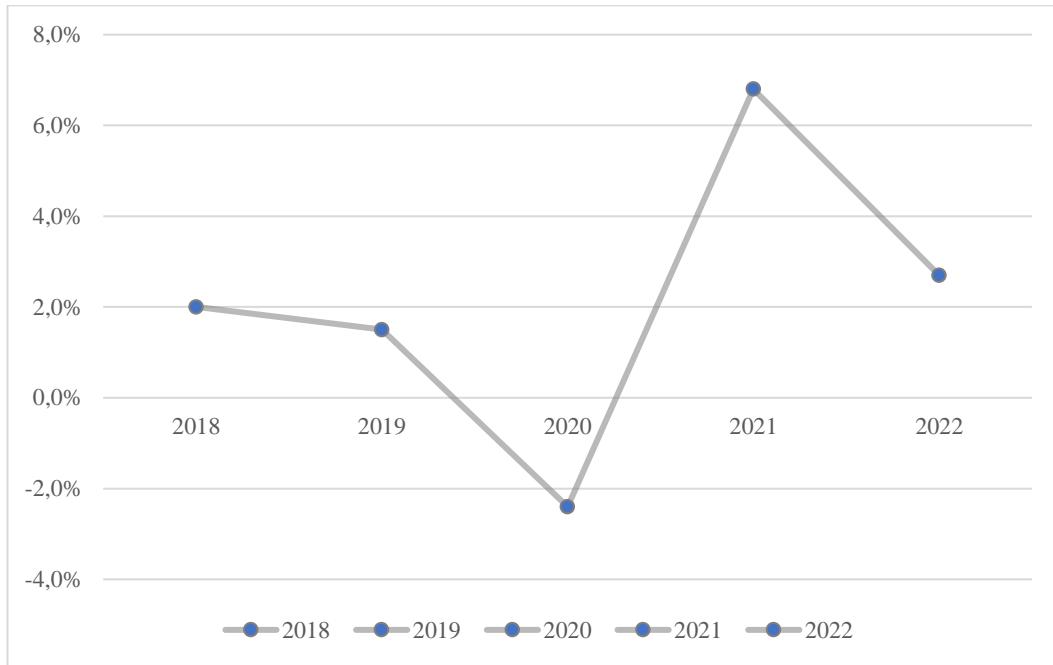
Note. Adapted from *strength of legal rights index (0 = weak to 12 = strong) – Denmark*, from World Bank, 2019, <https://datos.bancomundial.org/indicador/IC.LGL.CRED.XQ?locations=DK>

Economic growth of the country

The economic growth of European countries is usually high due to the fact that they are part of an economic union, the European Union. In the case of Denmark, this has a growth percentage of 2.7% in 2022 which is a positive return for the country's GDP growth and is in turn a positive result to be able to operate a business in that country (Banco Mundial, 2022b).

It can be seen in Figure 14 that in the case of Denmark its economic growth has been varied. In 2018 it has a growth of 2% but decreased by 0.5% in 2019 which counts with a growth of 1.5%. Like Singapore, and like the vast majority of countries it presents a decrease in the year 2020 mainly due to the pandemic. It has its growth peak in 2021 with 6.80% and stabilized at a growth of 2.70% in 2022.

Figure 14
Annual economic growth percentage in Denmark



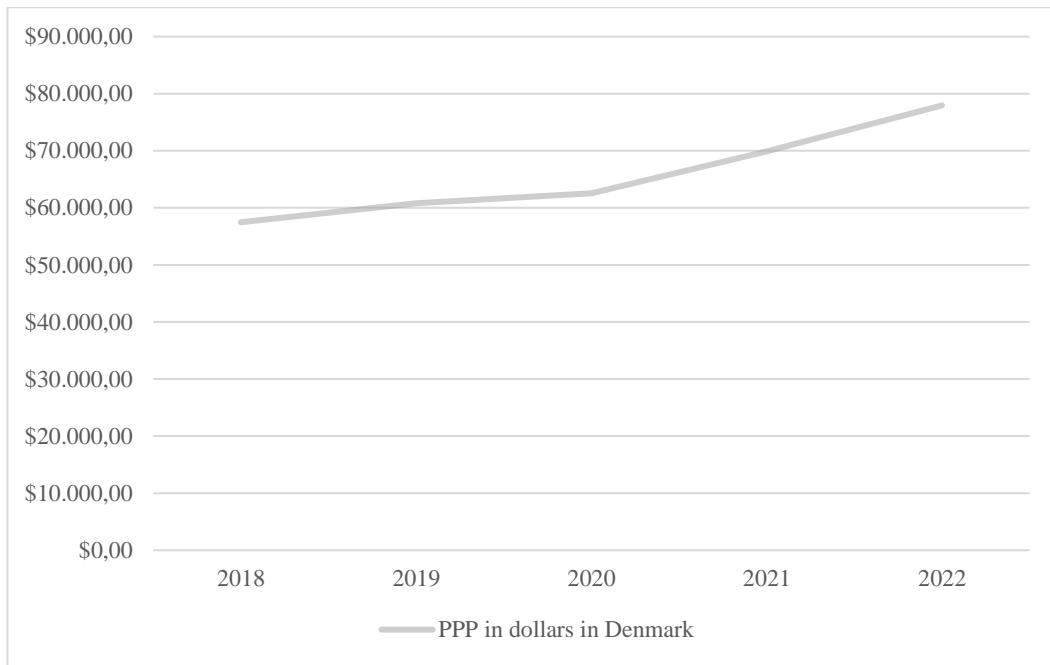
Note. Adapted from *GDP growth (annual %) – Denmark*, from World Bank, 2022, <https://datos.bancomundial.org/indicador/NY.GDP.MKTP.KD.ZG?locations=DK>

Purchasing Power per capita

Like Singapore, Denmark has a per capita purchasing power that is increasing every year. In the year 2022 it had a PPP of \$77,9523.7 which shows that people in Denmark have a high possibility of acquiring the goods and services they require (Banco Mundial, 2022).

As can be seen in Figure 15, Denmark has a fairly high per capita purchasing power, which means that its population can afford different goods and services. Denmark has presented an increase in its PPP per capita every year, with the difference between 2021 and 2022 being almost 8 thousand dollars. The year with the highest PPP per capita is 2022 with \$77,953.70.

Figure 15
Purchasing Power Parity per capita in Denmark



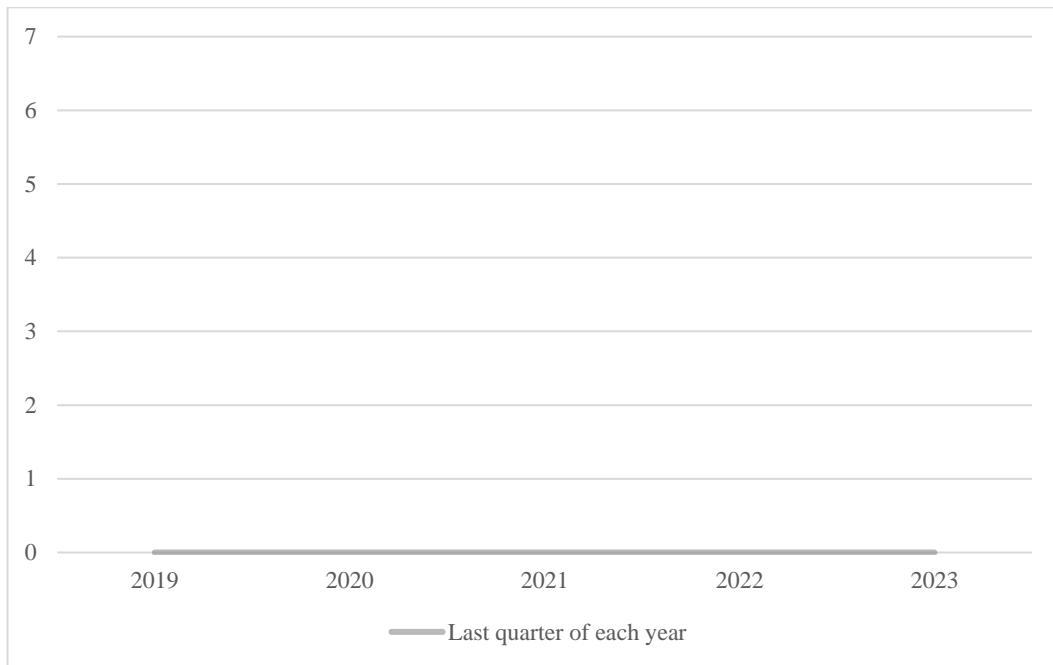
Note. Adapted from *GDP per capita, PPP (\$ at current international prices) – Denmark*, from World Bank, 2022, <https://datos.bancomundial.org/indicador/NY.GDP.PCAP.PP.CD?locations=DK>

Business risks

In terms of the commercial risks that Denmark presents, it is a very stable and prosperous country. Because of this it has a very low trade risk and is not counted as a trade risk due to its high income. It has a score of zero (OECD, 2024).

Figure 16 demonstrates that like Singapore, Denmark is a country with high profitability and no trade risks, due to this all quarters from 2019 to 2023 have had a score of zero out of seven which measures country risk, making Denmark a country with zero trade risk.

Figure 16
Business risk score in Denmark



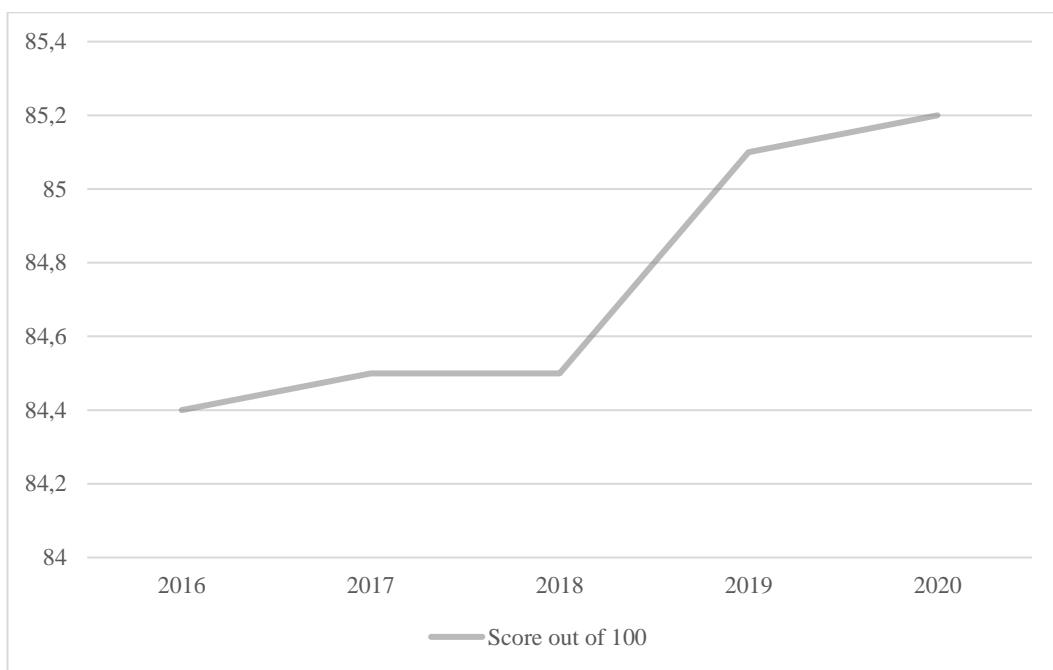
Note. Adapted from *Country Risk Classifications of the Participants to the Arrangement on Officially Supported Export Credits*, from OECD, 2024, <https://www.oecd.org/trade/topics/export-credits/documents/cre-crc-historical-internet-english.pdf>

Ease of doing business

As mentioned above, the World Bank takes into account some criteria to give the score to the different countries. Like Singapore, Denmark is in the Top 10 of the ranking, ranking fourth with a score of 85.3 in 2020 (Banco Mundial, 2020c).

In Figure 17 it can be seen that Denmark between the years 2016 to 2020 has shown a high score in the ease of doing business. In the years 2017 and 2018 it maintained the score of 84.5 and after that it went up in the following years, with 2020 being the year with the best score obtaining 85.2 placing it in fourth place worldwide.

Figure 17
Doing Business score in Denmark



Note. Adapted from *Historical Data of Doing Business*, from World Bank, 2020, <https://archive.doingbusiness.org/en/data>

Hofstede's six cultural dimensions

Power distance

In the case of Denmark, it has a score of 18 on this factor. So, Denmark is at the lowest level in this respect compared to other countries. This is fully in line with what many foreigners living in Denmark express. The Danes do not exercise control, but they train their employees and demand autonomy. In fact, Denmark ranks first among EU countries in terms of employee autonomy. Very egalitarian in spirit, the Danes believe in independence, equal rights, accessible supervisors, and management that facilitates and empowers. Power is distributed and managers rely on the expertise of their team members. The workplace has a very friendly atmosphere and communication is direct and dedicated (The Culture Factor Group, 2024b).

Individualism vs. Collectivism

Denmark can be considered a fairly individualistic country with a high score of 89. This means that there is a strong preference for relaxed social environments where individuals are expected to look after only themselves and their immediate family. Also

because of this doing business with Danes is relatively easy. Small talk is kept to a minimum and there is no need to strike up a relationship first. The Danes are also known for being very direct in their communication (The Culture Factor Group, 2024b).

Masculinity vs. Femininity

Within this dimension Denmark scores a very low level of masculinity, because of this it is on the femininity side with a score of 16. So, like Singapore, in Denmark it is important to maintain work-life balance and keep everyone involved. Effective managers support employees and decisions are made through participation. Managers seek consensus and people value equality, unity, and quality in their work. Disputes are resolved through compromise and negotiation, and Danes are known for debating for long periods of time until agreement is reached. Incentives such as time off and flexibility of working hours and workspaces are also encouraged (The Culture Factor Group, 2024b).

Uncertainty avoidance

Denmark scores 23 in this dimension, which means that it does not shy away from uncertainty. The result is that Danes need a less rigid and chaotic work culture. Danes are able to accept changes in plans and new things happening overnight. Curiosity comes naturally and is cultivated from an early age. This combination of very unique and curious countries is also the driving force behind Denmark's reputation for innovation and design. This manifests itself in a sense of humor, a great appetite for consuming new and innovative products, and the highly creative and rapidly evolving industries in which society as a whole flourishes, such as advertising, marketing, and financial technology (The Culture Factor Group, 2024b).

Long term orientation vs. Short term orientation

A score of 59 indicates that Danish culture is relatively pragmatic and more long-term oriented. In a pragmatic society, people believe that truth is highly dependent on situation, context, and time. They show an ability to easily adapt traditions to changing circumstances, a strong tendency to save and invest, frugality, and tenacity to achieve results (The Culture Factor Group, 2024b).

Indulgence

Denmark has a high score of 70 on this dimension, meaning that Denmark is an indulgent country. Residents of societies with high levels of indulgence are often willing to indulge their impulses and desires in order to enjoy and enjoy life. They have a positive attitude and tend to be optimistic. They also value their free time, do what they want and spend money as they wish (The Culture Factor Group, 2024b).

Table 5 shows the different cultural dimensions and scores for Denmark.

Table 5
Hofstede's cultural dimensions: Denmark

Number	Score	Cultural dimension		
		High power distance	Low power distance	
1	Low			18
2	High	Individualism	89	Collectivism
3	Low	Masculinity		Femininity
4	Low	Resistance to uncertainty		Acceptance to uncertainty
5	High	Long term orientation	59	Short term orientation
6	High	Indulgence	70	Restriction

Note. Adapted from *Country Comparison Tool - Denmark*, from The Culture Factor Group, 2024, <https://www.hofstede-insights.com/country-comparison-tool?countries=denmark>

Africa

Cape Verde

Geographical distance

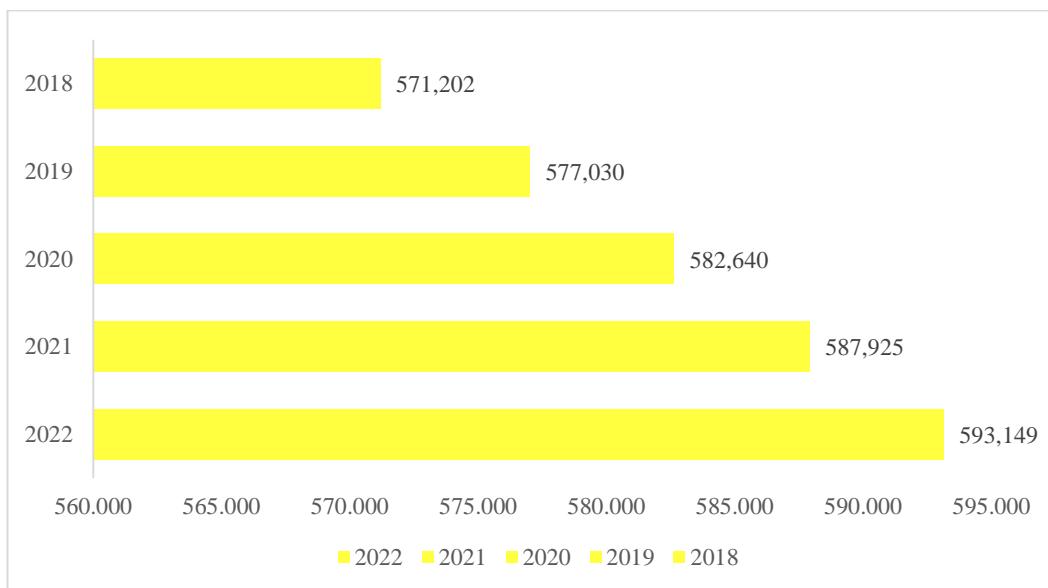
Cape Verde is an island in Africa that is a little closer to Latin America than the other countries of the African continent. The distance between Ecuador and Cape Verde is 6,273 kilometers from the center of each country (Geodatos, 2024a).

Market size (population)

Cape Verde, being an island of the African continent, does not have a very large population, but it is positioned among the best GDP growth of the continent. Cape Verde will have a population of 593,149 inhabitants in 2022 (Banco Mundial, 2022o).

Figure 18 shows that unlike the other countries with larger populations, Cape Verde is a smaller country in terms of number of inhabitants and is growing every year, with approximately five thousand people per year.

Figure 18
Population of Cape Verde in thousands



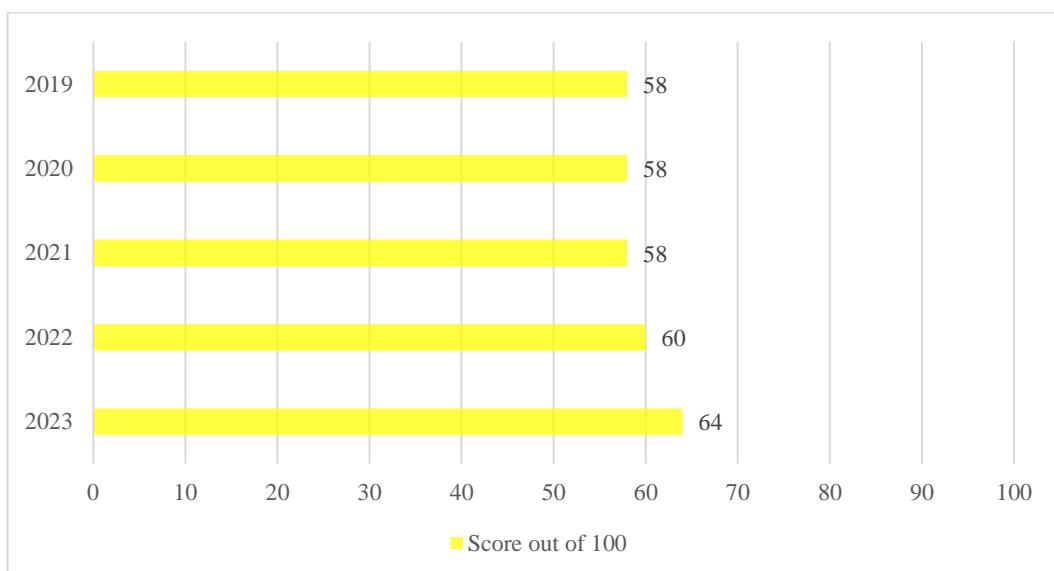
Note. Adapted from *Population, total – Cape Verde*, from World Bank, 2022, <https://datos.bancomundial.org/indicador/SP.POP.TOTL?locations=CV>

Transparency index

In the case of Cape Verde, in its transparency index it has a score of 64/100 in 2023, which although not a very high score, it is the second-best scoring country in Africa behind only the Seychelles. Cape Verde is ranked 30th out of the 180 countries analyzed in this index (Transparency International, 2023c).

As can be seen in Figure 19, transparency in Cape Verde has not been the best, with the highest score being 64/100 in 2023. Despite this, it is important to emphasize that although the scores are not high, there has been an evolution in its score, with an increase of two points from 2021 and 2022, and four points from 2022 to 2023.

Figure 19
Transparency score in Cape Verde



Note. Adapted from *Corruption Perceptions Index – Cabo Verde*, from Transparency International, 2023, <https://www.transparency.org/en/cpi/2023/index/cpv>

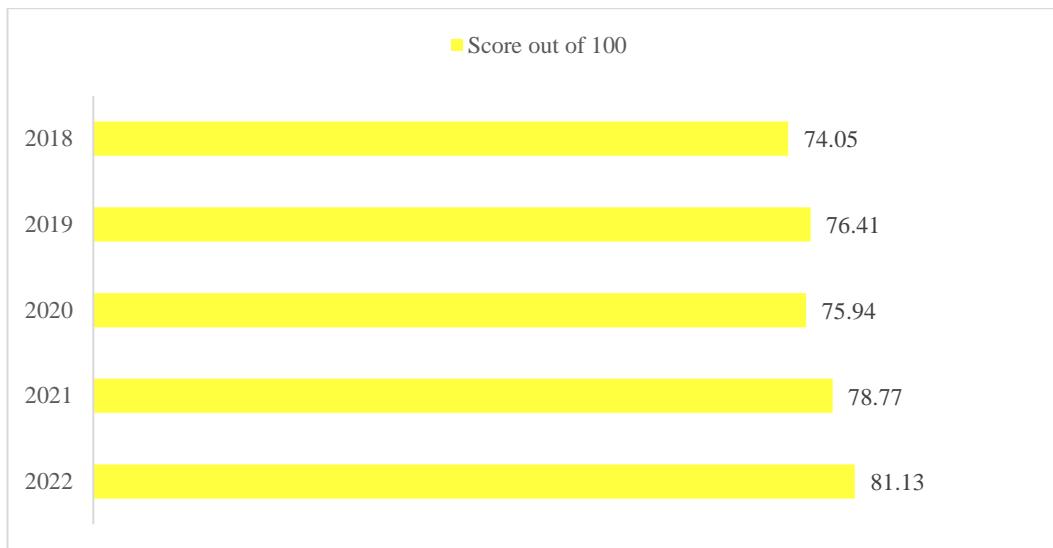
Political stability

Africa is a continent that has many problems, but among its main problems is political instability. Lack of political will and political instability cause the continent to stagnate and fail to integrate (Badi, 2001).

Once this is known, it is clear that the political stability within Cape Verde is not going to be the best, but just as its transparency may be better than other African countries. Cape Verde scores 81.13/100 on this index in 2022 which is not a bad score considering Africa's political instability (Banco Mundial, 2022i).

Figure 20 shows the political stability scores in Cape Verde from 2018 to 2022. It can be seen how it has evolved and improved, however from the year 2019 to 2020 it went down with very little in its score. From 2020 onwards it has improved its next years, rising approximately three points each year.

Figure 20
Political stability score in Cape Verde



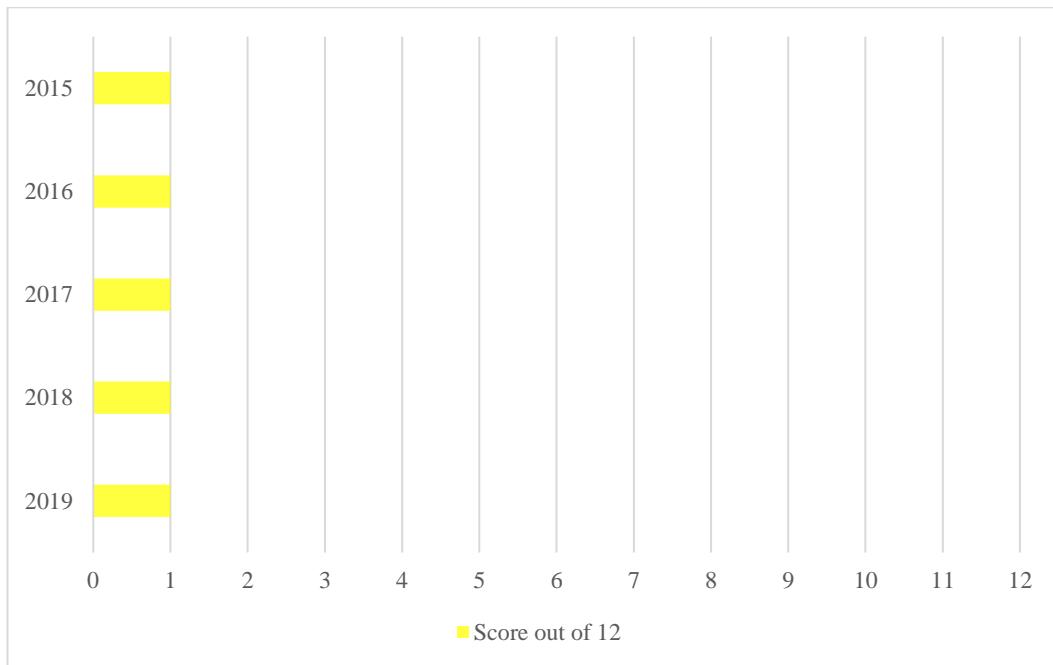
Note. Adapted from *Worldwide Governance Indicators*, from World Bank, 2022, <https://www.worldbank.org/en/publication/worldwide-governance-indicators/interactive-data-access>

Legal security

The strength of legal rights is an important factor to consider. In the case of Cape Verde it scores 1/12 on this index, which is a very bad score because it is close to zero which is the lowest score and means that the country is quite weak in terms of its legal security (Banco Mundial, 2019b).

In Figure 21 it can be seen that legal security in Cape Verde has remained in the low score of 1 from the years 2015 to 2019, this means that the strength of legal rights in Cape Verde has not changed and is weak.

Figure 21
Legal security score in Cape Verde



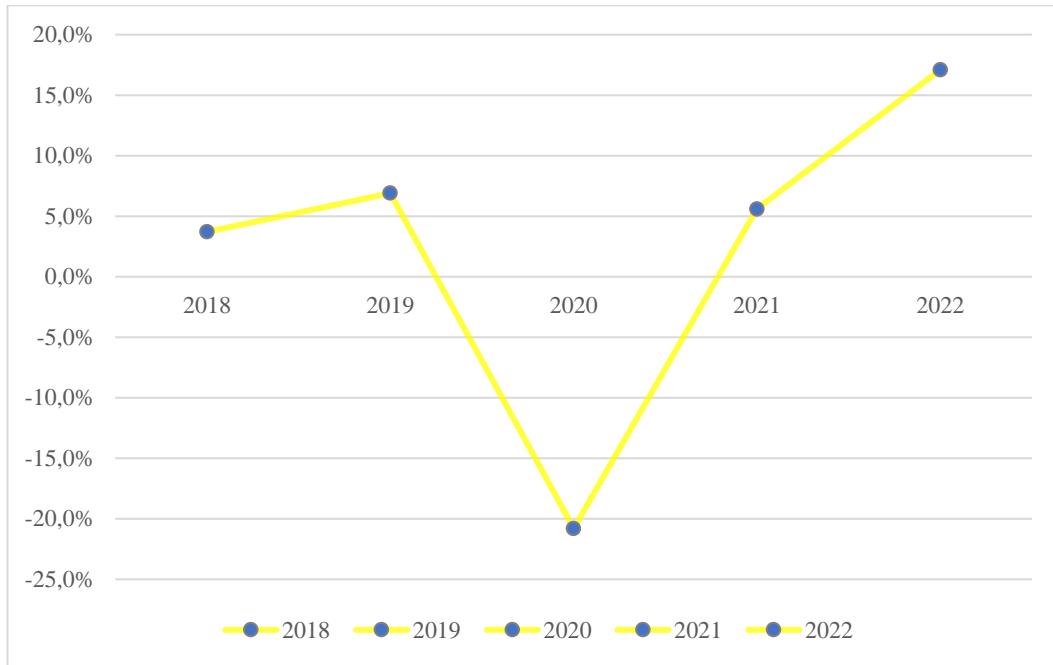
Note. Adapted from *strength of legal rights index (0 = weak to 12 = strong) – Cabo Verde*, from World Bank, 2019, <https://datos.bancomundial.org/indicador/IC.LGL.CRED.XQ?locations=CV>

Economic growth of the country

Cape Verde's economic growth as a country is impressive. It is the country in the entire African continent with the highest percentage growth in the last year measured, 2022. Cape Verde had a growth of 17.1 in 2022, which is higher than several large countries such as Canada, the United States and China (Banco Mundial, 2022a).

As can be seen in Figure 22, Cape Verde's economic growth is very positive, between the pre-pandemic years it grew by 3.70% in 2018 and went up 3 more points for 2019 reaching 6.90% growth. By 2020 the economy decreases enormously with -20.80% due to the pandemic, possibly because one of the major livelihoods of the country is tourism and in the pandemic, it was not possible to travel. Despite this, for 2021 and 2022 economic growth returns to positive numbers, with 5.60% in 2021 and an impressive 17.10% in 2022.

Figure 22
Annual economic growth percentage in Cape Verde



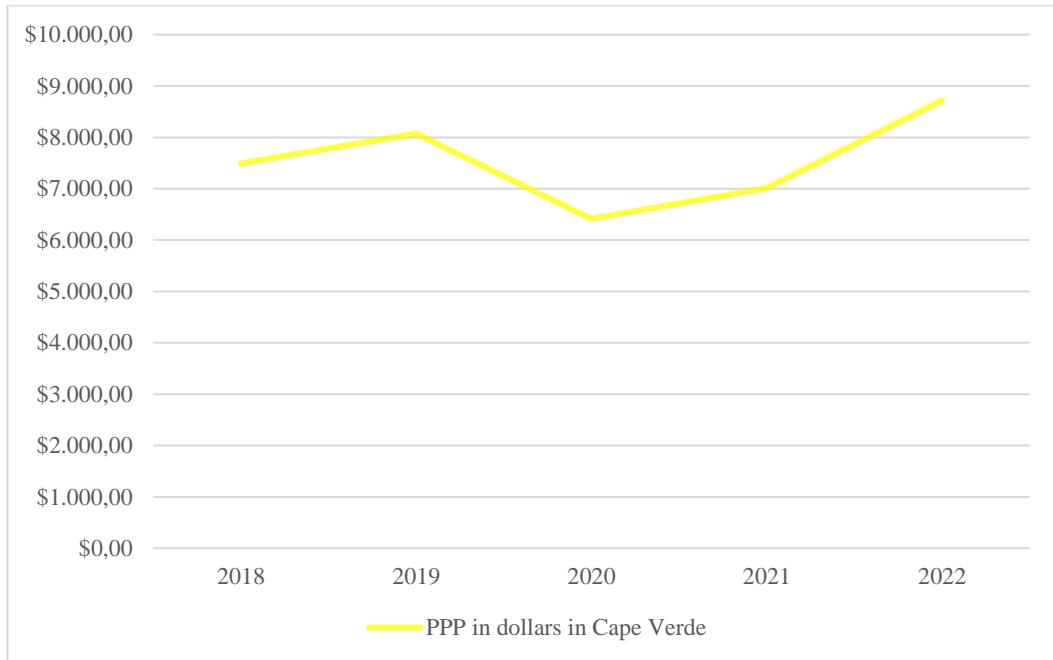
Note. Adapted from *GDP growth (annual %) – Cabo Verde*, from World Bank, 2022, <https://datos.bancomundial.org/indicador/NY.GDP.MKTP.KD.ZG?locations=CV>

Purchasing Power per capita

The purchasing power per capita in Cape Verde is not very high, but this is understandable due to the small population of the country. The most recent year measured was 2022, where Cape Verde had a PPP per capita of \$8716, which is quite low compared to Singapore and Denmark (Banco Mundial, 2022k).

PPP in Cape Verde is not very high as can be seen in Figure 23, its highest point was in 2022 where it reached \$8,716 of purchasing power per capita, followed by 2019 which had \$8,071.90. These data are not bad considering the small population of Cape Verde.

Figure 23
Purchasing Power Parity per capita in Cape Verde



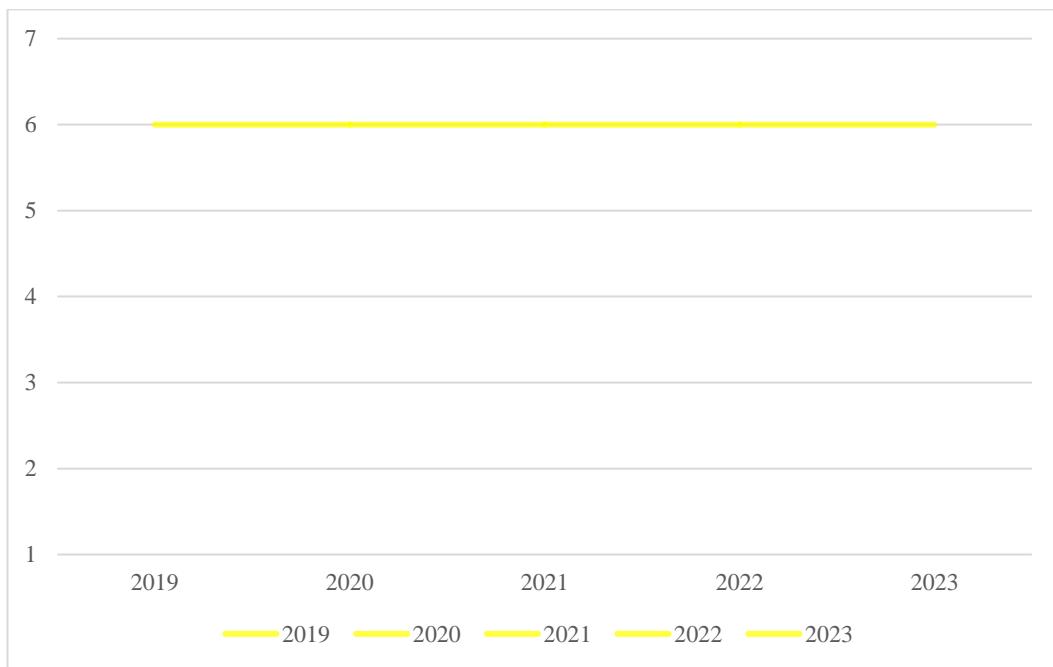
Note. Adapted from *GDP per capita, PPP (\$ at current international prices) – Cabo Verde*, from World Bank, 2022, <https://datos.bancomundial.org/indicador/NY.GDP.PCAP.PP.CD?locations=CV>

Business risks

The risk presented by most African countries can be high, especially because of their political instability, an index that we saw earlier. In this index, Cape Verde scores six, which represents a fairly high risk because the maximum is seven. The internal economy of Cape Verde is not very favorable, but its evolution is stable, it scores a six due to the transparency of the country which inspires distrust (OECD, 2024).

As can be seen in Figure 24, Cape Verde's trade risk has remained at six from 2019 to 2023, i.e. it has not improved its trade opportunity in that country at all and it is very risky to establish trade relations with that country.

Figure 24
Business risk score in Cape Verde



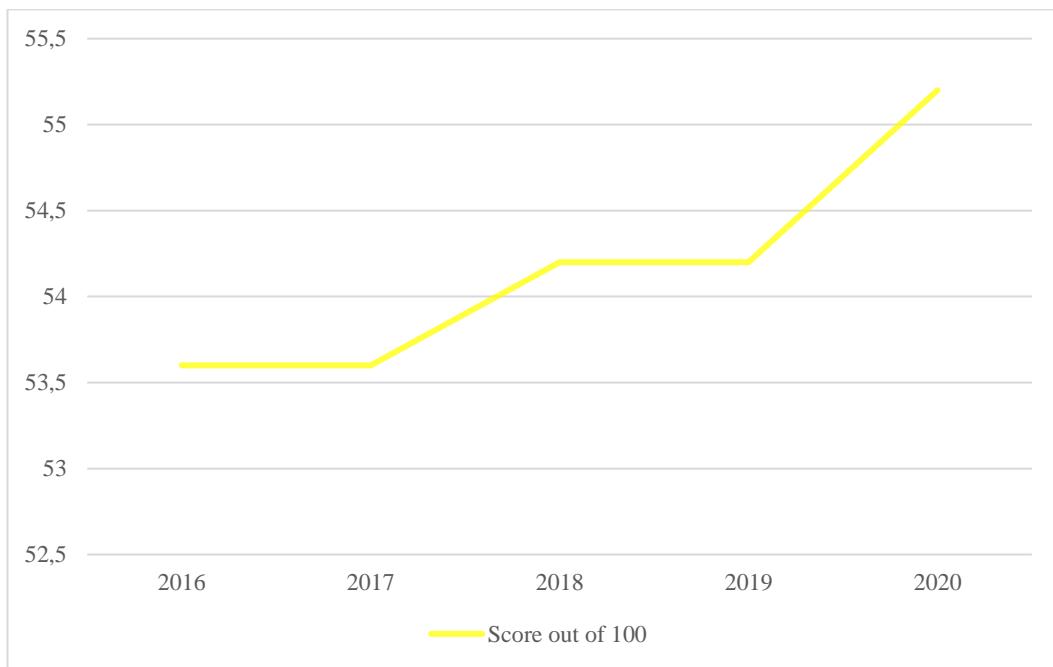
Note. Adapted from *Country Risk Classifications of the Participants to the Arrangement on Officially Supported Export Credits*, from OECD, 2024, <https://www.oecd.org/trade/topics/export-credits/documents/cre-crc-historical-internet-english.pdf>

Ease of doing business

The African continent is not very good at doing business, most of the countries that make up the African continent are at the bottom of the Doing Business ranking. In the case of Cape Verde, it is ranked 137 out of 190, although it is in a better position than other countries, it is still a rather low position. Cape Verde had a score of 55.2 in 2020 on this indicator (Banco Mundial, 2020b).

Figure 25 shows that Cape Verde's score in the Doing Business index is not very high; it has remained between 53 and 55.5 between 2016 and 2020. Despite this, if there has been an improvement and there has been an evolution in terms of its score, growing by approximately 0.6 points between 2017 and 2018 and one point between 2019 and 2020, the latter being the year with the best score with 55.2/100.

Figure 25
Doing Business score in Cape Verde



Note. Adapted from *Historical Data of Doing Business*, from World Bank, 2020, <https://archive.doingbusiness.org/en/data>

Hofstede's six cultural dimensions

Power distance

Cape Verde like Singapore scores high on this dimension, and also scores high like most countries on the African continent such as Ghana, Ethiopia, Morocco, etc. Cape Verde scores 75 on this dimension, which makes it a hierarchical society. This means that people accept a hierarchical order in which everyone has his or her own position and does not require further justification. Hierarchies within organizations reflect inherent inequalities, centralization is common, subordinates expect to be told what to do, and the ideal boss is a despot (The Culture Factor Group, 2024c).

Individualism vs. Collectivism

The collectivist nature of Cape Verde is evident in its low score of 20. This is a close, long-term bond in a person's own group, whether within his or her immediate family or in broader social connections. Loyalty is paramount in collectivist cultures and takes precedence over most other social rules and regulations. The society fosters strong relationships in which everyone is responsible for the members of his or her group. In

collectivist societies, insults are a source of shame and loss of trust, employer-employee relationships are morally recognized (such as family ties) and hiring and promotion decisions are based on the group to which the employee belongs (The Culture Factor Group, 2024c).

Masculinity vs. Femininity

Like Singapore and Denmark, Cape Verde is on the femininity side with a score of 15. So, with that score, Cape Verde is considered a relatively consensus-oriented society. In countries with low achievement and success motivation scores, the emphasis is on "working for a living," managers seek consensus, and people value equality, solidarity, and quality of life. Disputes are resolved through compromise and negotiation. Incentives such as time off and flexibility are preferred. And finally, the focus is on happiness and status is neither shown nor emphasized (The Culture Factor Group, 2024c).

Uncertainty avoidance

With a score of only 40 on this point, Cape Verde is a fairly pragmatic culture when it comes to avoiding uncertainty. The focus is on the plan, with the ability to change and improvise on the fly. In addition, emotions are rarely expressed in these societies, people are very relaxed and not afraid to take risks. This consequently increases the acceptance of new ideas, innovative products, and the willingness to try something new and different, be it technology, business practices or food (The Culture Factor Group, 2024c).

Long term orientation vs. Short term orientation

Cape Verde has one of the lowest scores on this dimension compared to other countries, with only 12 points, so it is a normative culture. The inhabitants of this type of society are very interested in establishing absolute truth and their thinking is normative. They have a great respect for tradition, a relatively low tendency to save for the future, and are more focused on immediate results. In other words, Cape Verde has a short-term orientation (The Culture Factor Group, 2024c).

Indulgence

Cape Verde, like Denmark, is a country with a high level of indulgence. In this case, Cape Verde has a score of 83 on this dimension and shows that it is an indulgent country.

People in societies with high materialistic values tend to be willing to satisfy their impulses and desires, especially when it comes to enjoying and having fun in life. Therefore, they have a positive attitude and tend to be optimistic. They also value their free time, do what they want, and spend money as they wish (The Culture Factor Group, 2024c).

Table 6 shows the different cultural dimensions and scores for Cape Verde.

Table 6
Hofstede's cultural dimensions: Cape Verde

Number	Score	Cultural dimension		
1	High	High power distance	75	Low power distance
2	Low	Individualism		Collectivism 20
3	Low	Masculinity		Femininity 15
4	Low	Resistance to uncertainty		Acceptance to uncertainty 40
5	Low	Long term orientation		Short term orientation 12
6	High	Indulgence	83	Restriction

Note. Adapted from *Country Comparison Tool – Cape Verde*, from The Culture Factor Group, 2024, <https://www.hofstede-insights.com/country-comparison-tool?countries=cape+verde>

America

United States

Geographical distance

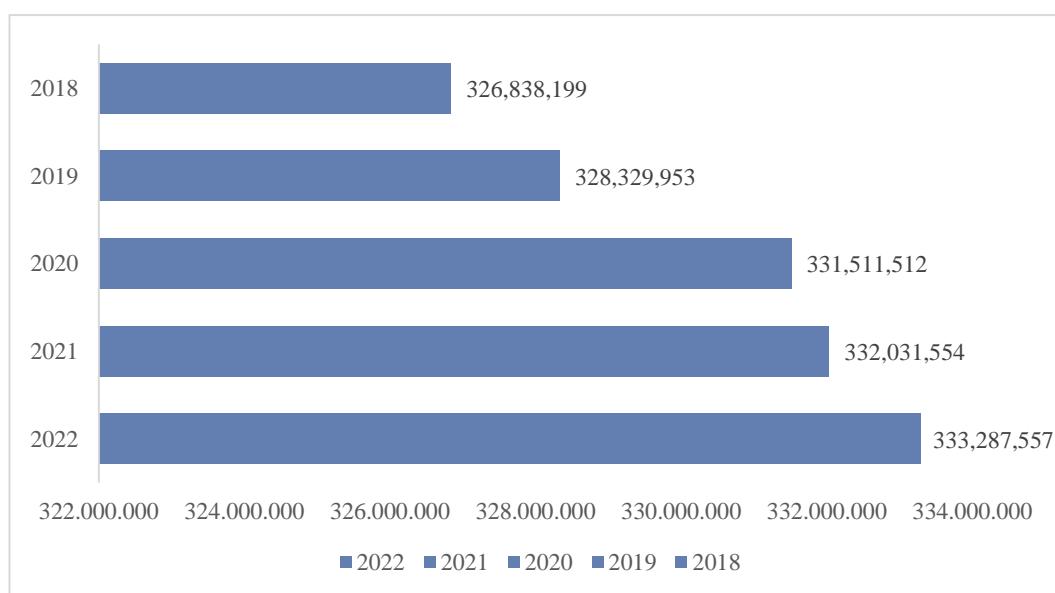
The United States, being located in America, specifically in North America, is the closest country to Ecuador. Taking into account the capitals of both countries, the distance between Quito and Washington D.C. is 4,335 kilometers (Geodatos, 2024c).

Market size (population)

The United States is a fairly large country that is divided into 50 states, making the population considerably larger than that of the other countries analyzed. The United States during the last years analyzed has always had a population of more than 300 million inhabitants. By the year 2022 it had a population of 333,287,557 inhabitants, having 60 times the population of Singapore and Denmark 500 times the population of Cape Verde (Banco Mundial, 2022q).

Figure 26 shows that the U.S. population has always been growing, surpassing 330 million in 2020 and growing by approximately 1.3 million each year, with the exception of 2020 - 2021 where there was only a growth of 0.52 million people.

Figure 26
Population of the United States in millions



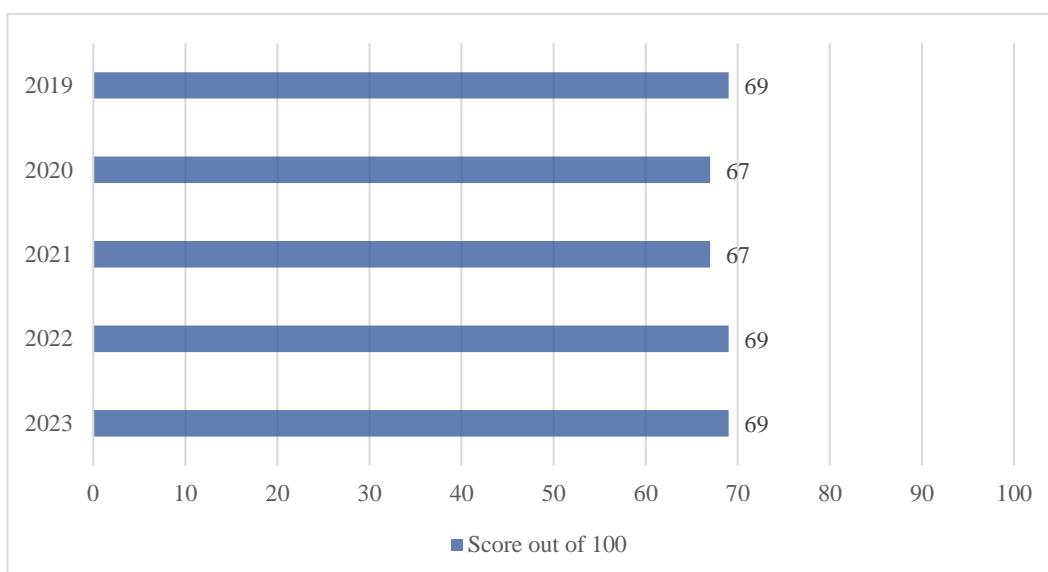
Note. Adapted from *Population, total – United States*, from World Bank, 2022, <https://datos.bancomundial.org/indicador/SP.POP.TOTL?locations=US>

Transparency index

The level of corruption in the public sectors in the United States is not a high level, but it is not at the level of Singapore or Denmark. In this factor, the United States has a score of 69/100, placing it 24th out of 180 countries analyzed in the Transparency Index (Transparency International, 2023d).

Figure 27 shows that in most of the last years analyzed, the United States has had a score of 69 out of 100 for transparency. In the years 2020 and 2021 however it dropped two points in this factor having a score of 67, but subsequently returned to its score of 69 in the following years.

Figure 27
Transparency score in the United States



Note. Adapted from de *Corruption Perceptions Index – United States*, from Transparency International, 2023, <https://www.transparency.org/en/cpi/2023/index/usa>

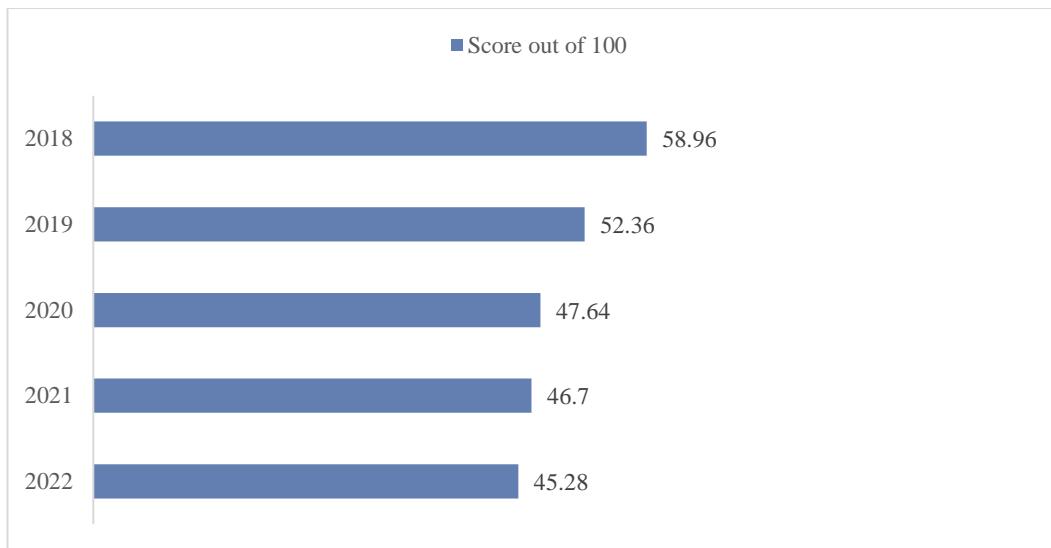
Political stability

Political stability in the United States has been on decline, which may be caused by factors such as marches, uprisings against the government and the perception of democracy in the country. In the United States, satisfaction with democracy has changed dramatically, with three-quarters of Americans expressing dissatisfaction with democracy and government performance (Foa et al., 2020).

In the last year analyzed by the World Bank, 2022, the United States had a score of 45.28 in this index, which is even lower than that of Cape Verde and not even half the score of Cape Verde (Banco Mundial, 2022j).

As seen in Figure 28, political stability in the United States has been going down every year since 2018, where it also got its best score with 58.96/100. For the following years it has been on the decline and even dropped below the average score which would be 50 in 2020 with 47.64 points. It can be said then that the political stability in the United States is not the best and that it presents problems in its government.

Figure 28
Political stability score in the United States



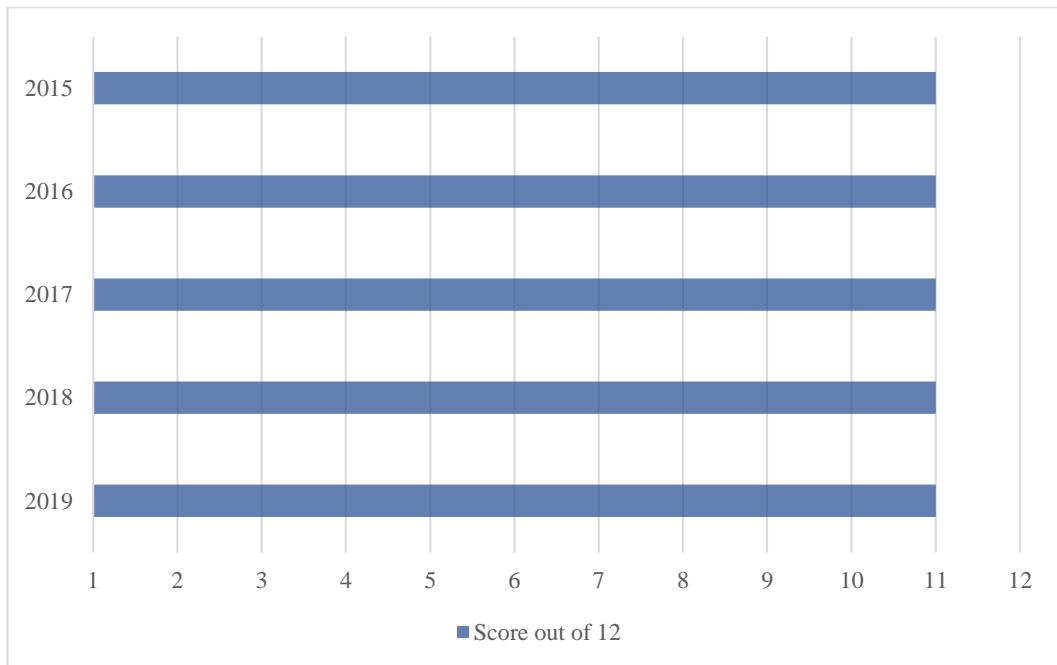
Note. Adapted from *Worldwide Governance Indicators*, from World Bank, 2022, <https://www.worldbank.org/en/publication/worldwide-governance-indicators/interactive-data-access>

Legal security

Despite not having the best political stability, legal rights in the United States are quite strong. The U.S. scores 11 out of 12 on this index, giving it a near perfect score (Banco Mundial, 2019d).

Figure 29 shows that legal security in the United States has had a score of 11 during the years 2015 to 2019, which means that it is a country where legal rights take quite a lot of strength and are respected.

Figure 29
Legal security score in the United States



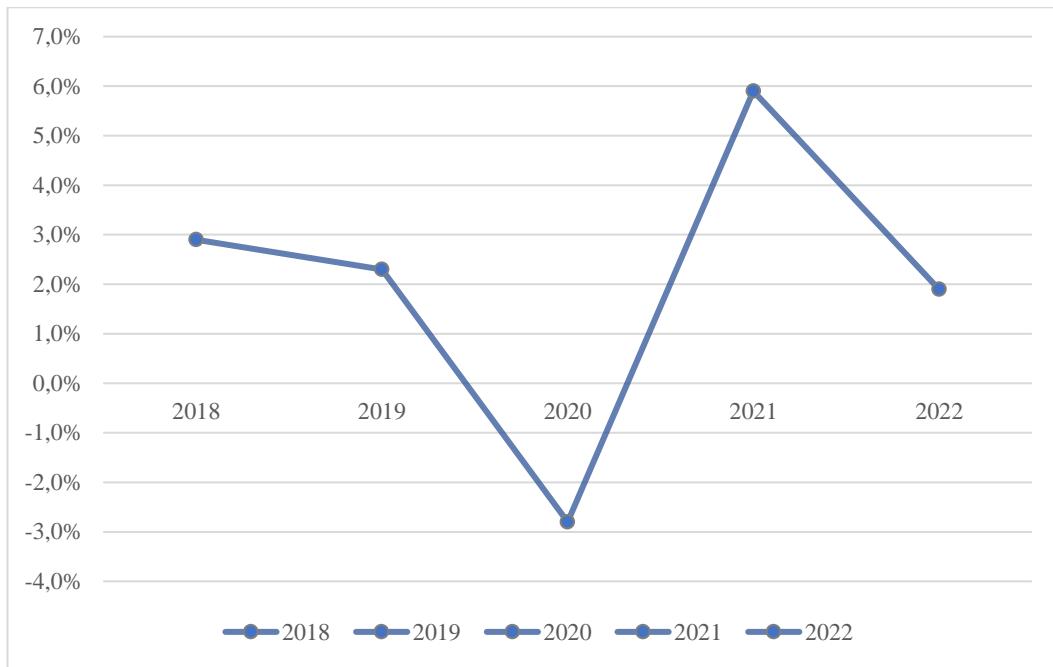
Note. Adapted from *strength of legal rights index (0 = weak to 12 = strong) – United States*, from World Bank, 2019, <https://datos.bancomundial.org/indicador/IC.LGL.CRED.XQ?locations=US>

Economic growth of the country

The United States is one of the world's major powers, so its economy is favorable for the vast majority of its inhabitants. In the case of its economic growth, in the year 2022 it had a positive growth of 1.9%, which is good considering its stable performance in this factor (Banco Mundial, 2022d).

In Figure 30 it can be seen that between 2018 to 2022 the United States has presented growth percentages between 1.90% to 5.90%, with the exception of the year 2020 where it had a decrease of -2.80% this because of the pandemic. In spite of that, compared to other countries, the United States did not have a slump in its economic growth that year like other countries.

Figure 30
Annual economic growth percentage in the United States



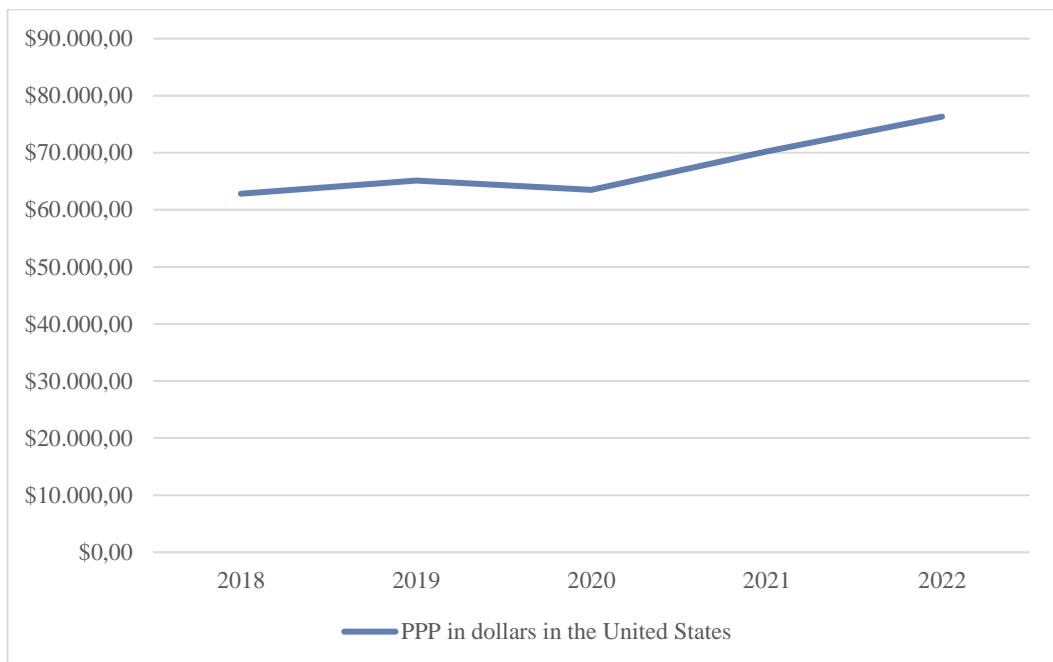
Note. Adapted from *GDP growth (annual %) – United States*, from World Bank, 2022, <https://datos.bancomundial.org/indicador/NY.GDP.MKTP.KD.ZG?locations=US>

Purchasing Power per capita

As mentioned above, the United States is a country with a fairly high level of population, so its purchasing power per capita is going to be high, since it is also a country with the richest people in the world. The United States had a GDP per capita of \$76,329.60 in the year 2022 and every year it has been growing. This implies that the U.S. population has a high level of purchasing power and can satisfy the needs they have (Banco Mundial, 2022n).

Figure 31 shows that the United States has had a GDP per capita of over \$60,000 which is a pretty good indicator of the U.S. economy. The lowest point was in 2020 when it reached \$63,528.60, which despite having gone through the pandemic is still a very good figure. The highest point corresponds to 2022 where it reached \$76,329.60 and as can be seen in Figure 31 every year GDP per capita grows without counting 2020 which was the year of the pandemic.

Figure 31
Purchasing Power Parity per capita in the United States



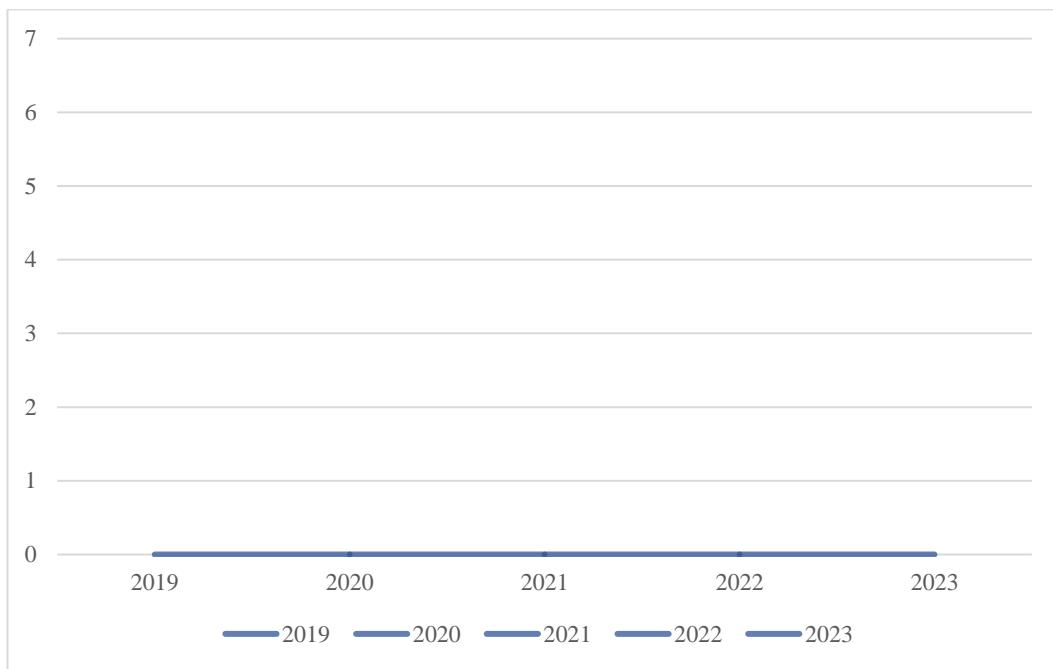
Note. Adapted from *GDP per capita, PPP (\$ at current international prices) – United States*, from World Bank, 2022, <https://datos.bancomundial.org/indicador/NY.GDP.PCAP.PP.CD?locations=US>

Business risks

The United States is a high-income country, so its commercial risks are very low or even zero. Its domestic economy is favorable and its evolution is stable, making the United States a good country to establish commercial relations (OECD, 2024).

As shown in Figure 32, the United States during the last quarters of the last five years has scored a commercial risk of zero out of seven as a high-income country.

Figure 32
Business risk score in the United States



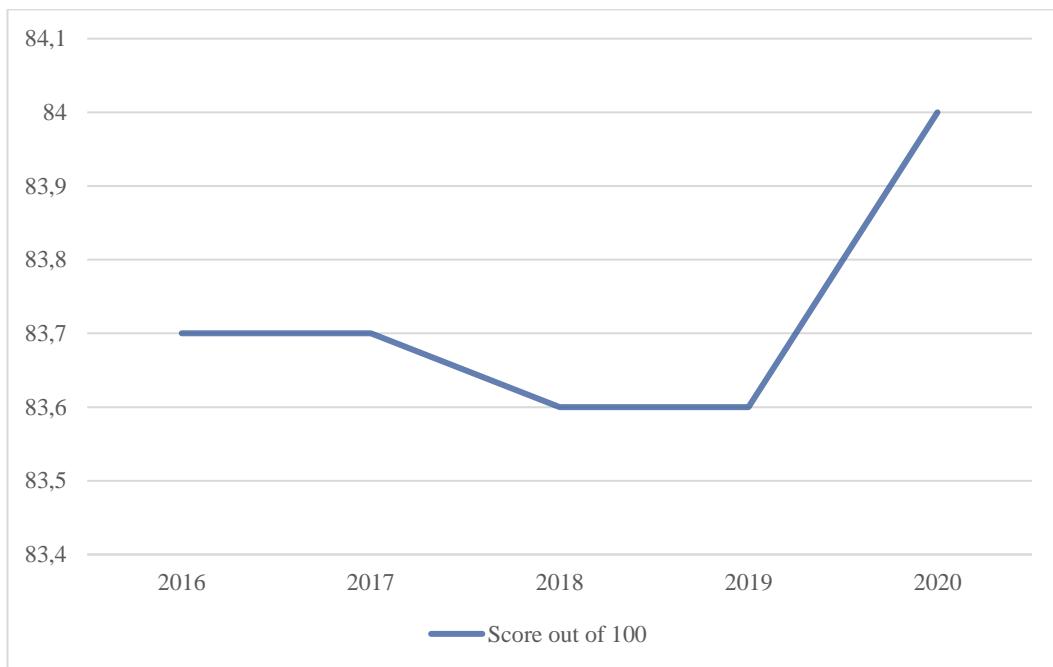
Note. Adapted from *Country Risk Classifications of the Participants to the Arrangement on Officially Supported Export Credits*, from OECD, 2024, <https://www.oecd.org/trade/topics/export-credits/documents/cre-crc-historical-internet-english.pdf>

Ease of doing business

As mentioned above, the United States is one of the greatest powers in the world. Because of this, doing business with the United States is attractive for businesses, companies, investors, etc., so its score should be high. In 2020 the United States scored 84 in the Doing Business ranking and is ranked number six in the world, being in the top 10 (Banco Mundial, 2022f).

Figure 33 shows that the United States has always scored above 83 on this factor which is a good indicator because it shows that the United States is a viable country to be able to operate with a business within that country. In 2016 and 2017 it scored 83.7, a score that for 2018 and 2019 dropped to 83.6. In spite of this, after those two years the score went up again and obtained an 84 in 2020, making it the best score.

Figure 33
Doing Business score in the United States



Note. Adapted from *Historical Data of Doing Business*, from World Bank, 2020, <https://archive.doingbusiness.org/en/data>

Hofstede's six cultural dimensions

Power distance

The United States scores 40 on this indicator, which is a low score and highlights one of the principles of Americans which is liberty and justice for all. This is evidenced by the focus on equality in all areas of American society and government. In American organizations, hierarchies are established for convenience, supervisors are always available, and managers rely on individual employees and teams based on their expertise. Both managers and employees expect to be consulted frequently and to share information, while communication is informal, direct and participatory (The Culture Factor Group, 2024d).

Individualism vs. Collectivism

The United States scores 60 on this dimension, indicating an individualistic culture. The society is very cohesive and people are expected to care only about themselves and their immediate family and not be so dependent on authorities. Geographic mobility is also high in the U.S. and Americans are the most socially mobile people in the world, yet

forming deep friendships is often difficult. Americans are accustomed to doing business and interacting with people they do not know well and as a result, Americans are not afraid to approach potential colleagues to obtain or gain information. In the business world, employees are expected to be confident and take initiative. Furthermore, in a labor world based on the stock market, we find that hiring, promotion and decision making are based on merit and evidence of what someone has done and is capable of doing.

It is also worth noting that the United States being a melting pot of different cultures, not all of them fall into the individualistic aspect. White people score higher on individualism than other ethnic groups (The Culture Factor Group, 2024d).

Masculinity vs. Femininity

The United States has a score of 62, so it is a society that points towards masculinity, and this is seen in the common behavioral patterns of Americans. This can be explained by combining it with individualism and this combination of Americans is reflected in: that behavior in school, work and play people should strive to be the best they can be and that winners take all the best. As a result, Americans tend to freely show and talk about their successes and achievements in life. Success itself is not a great motivator in American society, but the ability to demonstrate it is.

Many American appraisal systems are based on setting precise goals that American employees can use to indicate how well they have done their job. There is a "can do" mentality that creates a lot of dynamism in society because it assumes that there is always an opportunity to improve things.

Americans generally live to work, so they can earn monetary rewards and, as a result, can achieve higher status depending on their performance (The Culture Factor Group, 2024d).

Uncertainty avoidance

The United States scored below average on this dimension, with a score of 46. As a result, the perceived context in which Americans find themselves has a greater influence on their behavior than whether they score high or low on culture.

Thus, this cultural pattern is reflected in that there is a good level of acceptance of new ideas, innovative products, and willingness to try something new and different, including technology, business practices, and food. Americans tend to be more tolerant of other people's ideas and opinions and allow free expression. At the same time, Americans do not have high standards and are less expressive of emotions than cultures with higher values (The Culture Factor Group, 2024d).

Long term orientation vs. Short term orientation

The United States scores 50 points on this aspect, indicating that there are no overriding priorities. On the one hand, Americans tend to analyze new information to determine if it is true and see what to do going forward. On the other hand, U.S. companies measure their short-term performance by releasing quarterly earnings statements, leading people to expect quick results in the workplace (The Culture Factor Group, 2024d).

Indulgence

The United States is an indulgent society because its score on this dimension is 68. This is the combination of its normative score and the actions and actions taken by Americans, who are indoctrinated under the thinking work hard and have lots of fun (The Culture Factor Group, 2024d).

Table 7 shows the different cultural dimensions and scores for the United States.

Table 7
Hofstede's cultural dimensions: United States

Number	Score	Cultural dimension		
1	Low	High power distance	Low power distance	48
2	High	Individualism	60	Collectivism
3	High	Masculinity	62	Femininity
4	Low	Resistance to uncertainty	Acceptance to uncertainty	46
5	Low	Long term orientation	Short term orientation	50
6	High	Indulgence	68	Restriction

Note. Adapted from *Country Comparison Tool – United States*, from The Culture Factor Group, 2024, <https://www.hofstede-insights.com/country-comparison-tool?countries=united+states>

3.3 Market final selection

In the previous point, each of the four markets selected by continent were analyzed, which are Singapore, Denmark, Cape Verde, and the United States: Singapore, Denmark, Cape Verde and the United States. As can be seen, each one of them represents a potential market within its continent and each one has better scores in certain factors, which makes each one have its commercial attractiveness.

Because of this, it was essential to make a weighted matrix to know which is the ideal market, the one that best fits the business model of Red Crab and the one that has the best score to be chosen as the final market for the expansion of the Red Crab restaurant to that market.

The country selection matrix uses a weighting factor and a rating scale for each criterion taken into account above. The purpose of the weighting factors is to relativize the importance of the criteria, taking into account the characteristics of the company and the country under analysis (García Lomas, 2022).

Then, four weighting coefficients were taken into account in the matrix, which are as follows:

Coefficient 1	The criterion is not important
Coefficient 2	The criterion is less important
Coefficient 3	The criterion is important
Coefficient 4	The criterion is very important

Once the coefficients for each criterion had been determined, the next step was to evaluate the coefficients based on the information received. To do this, it was necessary to establish a point system for comparing countries. The point system was divided as follows:

1. Very unfavorable conditions
2. Unfavorable conditions

3. Neutral conditions

4. Favorable conditions

5. Very favorable conditions

The total score was obtained by multiplying the score for each criterion by a weighting factor and adding the scores obtained for each criterion. This indicates which of the countries analyzed within the selected geographical area is the target market because it offers greater possibilities and accessibility than the others.

Table 8 shows the cumulative score for each country and the selected country.

Table 8
Final Market Selection Matrix

Coefficient	Criterion	Singapore		Denmark		Cape Verde		United States	
2	Geographical distance	2	4	3	6	4	8	5	10
2	Market size	3	6	3	6	2	4	5	10
3	Transparency	5	1	5	15	3	9	4	12
3	Political stability	5	1	4	12	4	12	3	9
3	Legal security	4	1	4	12	1	3	5	15
4	Economic growth	4	1	4	16	5	20	4	16
3	Purchasing power per capita	5	1	4	12	2	6	4	12
4	Business risks	5	2	5	20	1	4	5	20
4	Doing Business	5	2	5	20	2	8	5	20
3	Cultural factors	3	9	4	12	3	9	4	12
TOTAL		132		131		83		136	

As can be seen in the weighted matrix, the final market selected is the United States, which obtained a score of 136 considering all the criteria used to analyze each country. Then, the competition, the culture within the country, the contents of the franchise contract, the design of the restaurant and the management of advertising within the United States must be seen.

CHAPTER 4

RESULTS

The United States is the country selected as it scores higher than the other countries in the different factors analyzed above. There are different ways to expand into an international market, and in the case of Red Crab, franchising is the method that best suits its business model.

Franchises in the United States began to operate around 1920, among which were mainly service and sales establishments, and as time went by, their laws were reformed until they became what franchising is today.

The U.S. Federal Trade Commission has drafted the Disclosure Requirements and Prohibitions Concerning Franchising and Business Opportunity Ventures, which is known as the Full Disclosure Rule. It came into force on October 21, 1979, and is considered not only to be the first work of fundamental importance in the world, but also for its impact on comparative law.

U.S. law defines two types of business relationships: product and service franchises and similar agreements. In this case it is a franchise of products and services. This type of franchise in the United States is distinguished by the following characteristics: distribution of products or services under the brand name of a franchisee, significant control and support by the franchisor over the procedures to be followed by the franchisee, obligations of the franchisee to pay the franchisor.

The franchisor is required by this law to provide the prospective franchisee with a document that includes information about the franchisor, its business, the terms of the franchise agreement and a copy of the proposed agreement. Additional information about the franchisee's current and future profits may be requested (Ochoa, 2014).

Franchises represent the majority of commercial locations in the United States. On average, the entry fee is \$250,000 and the most common industries for this type of business are fast food, automotive, services, construction, lodging and restaurants.

Due to the above mentioned, it is important to know both the rights and obligations that Red Crab would have as a franchisor and who would become its franchisee so that it can be applied at the time it decides to expand as a franchise in the United States. These rights and obligations may vary depending on the contract and are regulated according to market conditions (Vallejo, 2009).

Franchisor Rights:

- 1.** The franchisor has the right to require the franchisee to pay a participation fee or entry fee in order to be part of the network of facilities integrated into the business and to use the franchisor's brand name or distinctive features. This fee depends on the prestige of the trade name and the positioning of the brand in the market. This participation fee will be paid only once, when the franchise operation is agreed upon, unless otherwise specified.
- 2.** The franchisor has the right to require the franchisee to pay a certain amount, the so-called periodic rent, in exchange for the services and support received from the franchisor during an agreed period. These periodic rents are based on a monthly, quarterly or semi-annual percentage of gross sales and are paid for the duration of the franchise agreement.
- 3.** Another prerogative of the franchisor is to determine the financial, administrative, commercial and administrative policies to be followed by the franchisees. The franchisor will be the executive and governing body and will be empowered to create and enforce as many policies as it deems necessary to achieve the success of the company's economic objectives.
- 4.** The franchisor has the financial authority to determine the amount that the franchisee must initially possess to finance the establishment and operating activities of the franchise. These are either the franchisor's own funds or funds provided by the franchisor itself to be used only for the specified purpose and repaid in the manner and at the time agreed upon. In addition, the franchisor reserves the right to set minimum operating amounts and to take corrective action in the event of non-compliance.
- 5.** The franchisor is entitled to determine the form and equipment of the commercial branch of the franchise, like determine marketing procedures and techniques, select service personnel, establish an exclusive area of territory, set minimum sales quantity and agree on prices, catalogs, etc.

- 6.** The franchisor has the right to periodically supervise the performance of the franchisee's activities in order to obtain information on the content of accounting records, periodic balance sheets, etc.

Franchisor Obligations:

- 1.** The franchisor is primarily obligated to allow the franchisee to use its trade name, trademarks and distinctive symbols so that the franchisee can operate the branch independently from the public.
- 2.** The franchisor provides the franchisee with knowledge and continued use of the technology and marketing systems for the products or services used in the model location. If the marketing process is legally covered by a patent or know-how application, the franchisor legally assigns the use of that patent, license or know-how.
- 3.** The franchisor is obliged to provide the franchisee with economic and financial support related to the establishment and operation of the business, which varies according to the type of product or service being sold. The franchisor also assists in the organization of the premises and selection of suitable locations for the installation, supervises the decoration, provides training to technical and commercial personnel, advertising, legal advice and delivery services.
- 4.** The franchisor must confirm that the franchisee's operating authority exists and belongs to the franchisor at the time of signing the contract and guarantee the originality of the "franchise package" and the peaceful exercise of the franchisor's operating authority against the franchisee (Lázaro Sánchez, 2000).

Franchisee Rights:

- 1.** The right to use, print and display the franchisor's trade name, trademarks, and distinctive symbols on all documents, equipment, etc. In this way, it will be able to benefit from the prestige, reputation and market position that the franchisor has achieved locally, nationally or internationally.
- 2.** Give the ability to know and apply specific techniques and procedures for marketing products and services.

3. The right to receive support and services that the franchisor must provide on a regular basis.
4. The right to propose common management, marketing and control policies and application forms to the franchisor.
5. The right to implement its own policies in the operation of its premises.

Franchisee Obligations:

1. The franchisee's primary obligation is to pay the franchisor the initial costs and periodic rents, as well as other amounts arising from loans, additional services and supply of goods.
2. It will comply with the rules established for the management of its business and the financial, managerial, mercantile and administrative policies established by the franchisor and will periodically comply with the technical and financial controls that the franchisor believes necessary.
3. Commits to use the franchise in accordance with the contract or sectorial use and performs the necessary activities for the efficiency of its use in accordance with the quality indicators corresponding to the reputation of the network.
4. Obligation to keep the contents of the franchise package confidential to avoid the risk of competitors exploiting the franchisor's methods.
5. The franchisee is obliged to sign a non-competition clause that does not expire with the signing of a contract. The terms of the contract generally include clauses limiting the products or services offered in the facility or prohibiting the development of the same type of trade as the object of the franchise even after the franchise expires (Lázaro Sánchez, 2000).

Once the rights and obligations of both parties, the franchisor and the franchisee, are known, the explanation of franchising for Red Crab can be concluded. A sample franchise agreement for the Red Crab restaurant to use when it decides to expand internationally can be found in Appendix 1.

The United States is a large country in which many cultures coexist, and these cultures mix with each other, that is why it is said that the United States is a melting pot, in which within the same society different types of people mix and form a single one.

It is for this reason that there are many restaurants of different cultures in the United States. However, the biggest direct competitors for the Red Crab restaurant would be two: “Red Lobster” and “La Pata Gorda” which recently opened a new location in the city of Miami.

Red Lobster is the largest seafood franchise in the United States. Red Lobster has been in business for many years, opening its first restaurant in 1968 in Lakeland, Florida. It was created by Bill Darden and Charley Woodsby, who had in mind a casual dining concept for this restaurant, i.e. lower prices than the usual fancy seafood restaurants. By 1985, Red Lobster had around 372 restaurants in the United States and had sales more than 834 million dollars. However, between 2002 and 2022, a decline in this seafood restaurant chain has been observed. Red Lobster plans to close around 650 branches and its latest menu plans have brought more losses than profits for the restaurant. However, Red Lobster continues to provide competition to Red Crab due to its market positioning and affordable prices (Meyersohn, 2024).

One of the biggest competitors for Red Crab within the national territory, specifically in the city of Guayaquil, is La Pata Gorda. Now, La Pata Gorda has a restaurant in the city of Miami, in the United States, which represents another competition for Red Crab in the United States. This restaurant opened in April 2024 and has been very well received by customers, mainly Latinos in the city of Miami.

La Pata Gorda is a seafood restaurant that opened for the first time in 2010 under the idea of Josué Sánchez, owner. This restaurant offers a varied menu in which crab stands out in the different dishes offered. The fact that La Pata Gorda was able to enter the U.S. market being a restaurant with a similar concept to Red Crab is an example of how Red Crab can do it too (Encalada, 2024).

One of the most distinctive and attractive features of Red Crab, apart from its menu, is the ambiance and decoration that makes its customers feel immersed in a unique gastronomic experience. Because of this, it is important to consider that when deciding

to expand into the United States, the aesthetics and design of its restaurants should be maintained, which is what distinguishes it from its competitors.

Figures 34, 35 and 36 show how the exterior and interior design of the restaurant should be.

Figure 34
Red Crab restaurant sign



Note. Recovered from Red Crab, página oficial, from Red Crab, 2024, <https://www.facebook.com/redcrabec/>

Undoubtedly a main distinguishing feature is its famous sign, which is handwritten and illuminated. This sign is accompanied by a life-size crab that highlights the restaurant's name and demonstrates the level of haute cuisine one can expect from the restaurant.

Figure 35
Interior design of Red Crab



Note. Recovered from *Red Crab*, página oficial, from Red Crab, 2024,
<https://www.facebook.com/redcrabec/>

Another essential point to consider is the interior design of the restaurant. As can be seen in Figure 35, the lamps are fish and one of its doors is the mouth of a shark, as well as its seats have the shape of a crab. This reflects the sea and is in keeping with the aesthetics of the restaurant.

Figure 36
Second interior design of Red Crab



Note. Recovered from *Red Crab*, página oficial, from Red Crab, 2024,
<https://www.facebook.com/redcrabec/>

The different paintings and murals should also be taken into account, as can be seen in Figure 36. Paintings of fish and sea animals as well as glass murals with maritime themes.

Based on what was mentioned above, the United States is an ideal market for the Red Crab business model. It has specific laws for franchises, the competition that Red Crab would have, is not so great, which is not a negative effect for the restaurant, and the aesthetics and ambiance of the restaurant should be taken into account so that it can be adapted in the United States.

CONCLUSIONS

The objectives of this research paper were to determine the current status of the company Red Crab to determine the feasibility of its expansion to an international market. To this end, an analysis was conducted of different international markets through economic, social and especially cultural factors based on the six dimensions of Hofstede. Lastly, the ideal market was determined by weighting the different factors mentioned above.

For the current state of the company, the history, organization and fundamental pillars of "Red Crab" were introduced. In order to perform the situational analysis, the SWOT tool was used in which each criterion was weighted, both for the internal organization, strengths and weaknesses, and the environment, opportunities and threats. When performing the weighting, if the total value exceeded 2.5 then it means that the Red Crab restaurant has a very good internal organization and in turn is responding correctly to the opportunities and threats it faces. For the internal organization it obtained a total weighted score of 3.26 and for the environment a total of 2.76. This means that Red Crab has a great organization within its company and knows how to take advantage of the opportunities and respond correctly to the threats it faces. Because of this, when the Red Crab restaurant decides to expand into an international market, it will have no problem doing so.

Once the feasibility for the Red Crab restaurant to expand was known, it was essential to know which markets for each continent would be chosen. For this purpose, a table was made in which the three most important countries were listed for each factor taken into account, and the most repeated country for each factor would be the one chosen for that continent. Once these countries were known, which were Singapore, Denmark, Cape Verde and the United States, each one was analyzed by different factors, including social, economic and cultural dimensions, all these factors were analyzed by the data in official pages such as the World Bank, Transparency International and Hofstede Insights. Graphs and tables were made for each factor for each country in order to have a better understanding of their evolution in recent years.

Because of this, when the Red Crab" restaurant decides to expand into an international market, it would have no problem doing so.

Once the feasibility for the Red Crab restaurant to expand was known, it was essential to know which markets for each continent would be chosen. For this purpose, a table was made in which the three most important countries were listed for each factor taken into account, and the most repeated country for each factor would be the one chosen for that continent. Once these countries were known, which were Singapore, Denmark, Cape Verde and the United States, we proceeded to analyze each one by different factors, including social, economic and cultural dimensions, all these factors were analyzed by the data in official pages such as the World Bank, Transparency International and Hofstede Insights. Graphs and tables were made for each factor for each country in order to have a better understanding of their evolution in recent years.

Finally, a weighted table was made for each country, providing a score to each factor depending on how good or bad they were in that factor. The table showed that the ideal and most favorable country for Red Crab with its business model was the United States with a score of 136 points out of 165. Then, the United States was reviewed and evidently it is a country that supports this type of business and there are many advantages for both franchisors and franchisees. The competition that Red Crab would have in the U.S. market was also analyzed, but it would only have two direct competitors that are already established brands in the market, Red Lobster and La Pata Gorda. Despite having competition Red Crab, can stand out for its varied and delicious menu, and also for the infrastructure and aesthetics that the restaurant has, as can be seen in previous figures.

Based on all the above mentioned, it is expected that this thesis will be useful and help the restaurant Red Crab to expand internationally, specifically to the U.S. market, which was the country selected for obtaining high scores in the different factors.

RECOMMENDATIONS

It is recommended that the Red Crab restaurant takes into account the different selection criteria generated in the document for the choice of country and take these into account together with an analysis of the competition to see where the restaurant is located and to be able to replicate in other markets if desired.

It is also recommended that a market study be conducted in the main economic cities of the United States and those with a large Latino population, such as Los Angeles, Miami and New York, to determine the market in which Red Crab would do well in.

It is also important for “Red Crab” to take into account the points shown in Annex 1, which is the model franchise contract, so that they can have an idea of what to include in the contract and be able to modify it in a way that is advantageous for both them and the franchisee.

When reaching an international market, it is essential to adapt to its culture, and although it is considered that many cultural aspects between the United States and Ecuador do not differ, it is advisable to adjust the menu according to the culture and use local ingredients. This in order to avoid excessive import costs.

Finally, it is recommended that the restaurant Red Crab presided by the economist Efren Coronel always keep in mind its competition and continue innovating as it has been doing all these years so that its clientele is maintained and also grow both nationally and internationally if they were to open in the United States.

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APPENDICES

Appendix 1

Red Crab Franchise Agreement

RED CRAB FRANCHISE CONTRACT

This franchise contract, RED CRAB FRANCHISE CONTRACT, is entered into on (date), between **Franchisor**, Luis Efrén Coronel Argudo, domiciled in Guayaquil, Ecuador, and **Franchisee** (franchisee's name) domiciled in (franchisee's address)

FRANCHISE CONTRACT, according to the following clauses:

FIRST: Object. THE FRANCHISOR, owner of the trademark, grants the use of said trademark and all that it involves (commercial name, emblem, models, designs and know how) to be exploited by the FRANCHISEE. The point of sale shall be located in the United States of America.

SECOND: Rights of entry, use of brand and product. THE FRANCHISEE grants the use of its brand and product for the amount of \$350,000 as an entrance fee and 15% in royalties on a monthly basis.

THIRD: Right of entry, use of brand and product in new franchise. For the use of other franchises, new contracts will be signed for the prices to be negotiated.

FOURTH: Royalties. The use of the franchise will generate royalties, corresponding to 15% of the monthly sales to the franchisor.

FIFTH: FRANCHISOR'S OBLIGATIONS. 1. FRANCHISOR is obligated primarily to allow FRANCHISEE to use its trade name, trademarks and distinctive symbols so that the franchisee may operate the branch independently from the public. FRANCHISOR provides FRANCHISEE with knowledge and continued use of the technology and marketing systems of the products or services used in the model location. If the commercialization process is legally covered by a patent or know-how application, the FRANCHISEE legally assigns the use of that patent, license or know-how. The FRANCHISOR is obliged to provide the FRANCHISEE with economic and financial support related to the establishment and operation of the business, which varies according to the type of product or service being sold. The FRANCHISOR also assists in the organization of the premises and selection of suitable locations for the installation, supervises the decoration, takes care of the training of technical and commercial personnel, provides advertising, legal advice and delivery services. The FRANCHISOR must confirm that the FRANCHISEE's operating authority exists and belongs to the FRANCHISOR at the time of signing the contract, and guarantee the originality of the "franchise package" and the peaceful exercise of the FRANCHISOR's operating authority against the FRANCHISEE.

SIXTH: FRANCHISEE'S OBLIGATIONS. 1. The FRANCHISEE'S main obligation is to pay to the FRANCHISOR the initial costs and periodic rents, as well as other amounts derived from loans, additional services and supply of goods. 2. It will comply

with the rules established for the management of its business and the financial, managerial, mercantile and administrative policies established by the FRANCHISOR and will periodically comply with the technical and financial controls that the FRANCHISOR deems necessary. 3. Commits to use the franchise in accordance with the contract or sectorial use and performs the necessary activities for the efficiency of its use in accordance with the quality indicators corresponding to the reputation of the network. 4. Obligation to keep the contents of the franchise package confidential to avoid the risk of competitors exploiting the FRANCHISEE's methods. 5. The FRANCHISEE is obliged to sign a non-competition clause that does not expire with the signing of a contract. The terms of the contract generally include clauses limiting the products or services offered at the facility or prohibiting the development of the same type of trade as the object of the franchise even after the franchise expires. 6. To contribute by complying with the guidelines agreed upon by the FRANCHISOR, to the good reputation and success of the chain. 7. To attend training or refresher courses provided by the FRANCHISOR. 8. To inform the FRANCHISOR about the improvements in the technical and commercial procedures used in the franchise operation. 9. To have a sufficient inventory, in quality and variety, to satisfy the needs of the clientele. To apply the sales prices defined by the FRANCHISOR. To use the distinctive signs of the FRANCHISOR, to maintain an advertising policy and to promote adequately and according to the needs of the franchise. 13. The use of the trademark shall be at the FRANCHISEE'S risk, who shall be liable for the civil, police and administrative infractions in general and even with the fines derived from the same during the term of the present contract and until the use of the trademark ceases. The payment of taxes, fees, levies, created or about to be created, derived from the use of the trademark in the respective premises shall be borne by the FRANCHISEE.

SEVENTH: Term for termination of the contract. The term of this contract shall be 5 years, counted from the day of the month of the year.

EIGHTH: Extension of the contract. The contract may be extended with the prior agreement of the parties, which shall be recorded in writing.

NINTH: Causes for early termination. THE FRANCHISOR may unilaterally terminate the contract at any time, giving notice equal to that agreed therein, in any of the following events: a) Insolvency of the FRANCHISEE; b) Inefficiency in the rendering of after-sales services, and c) Violation of any of the clauses of this contract.

TENTH: Assignment of rights. THE FRANCHISEE may not assign the contract except with the written authorization of the FRANCHISOR.

ELEVENTH: Indemnity for breach. If either party fails to comply with one or any of its obligations, it shall pay the other party the sum of \$20,000 as a penalty for non-compliance.

TWELFTH: Waiver of Indemnity. In case of termination of the present contract, THE FRANCHISEE waives any indemnity for clientele in the agreed territory.

THIRTEENTH: Controversy. The parties agree that in the event that any dispute arises between them, by reason or occasion of this contract, derived from the performance, breach, interpretation, application and effects arising between the parties hereunder

agreed in this contract shall be submitted to the jurisdiction and competence of the Arbitration Court of the place where the contract is executed.

FOURTEENTH: General Provisions. The documents that served as the basis for the drafting of this contract, as well as all the documentation that is produced until the time of its termination, are part of this contract and are incorporated to the file, for which the corresponding liquidation and settlement shall be made in the following manner: after a report is made and delivered by the parties to this contract, the respective minutes of its performance shall be drawn up, in which the termination of this contract shall be ordered; and the parties are obliged to give the respective settlement in favor of the parties herein agreed upon.

FIFTEENTH: Acceptance of the Contract: We, the grantors, accept the entire contents of the contract, and being aware of its contents, object, validity and legal effects, read, accept, ratify and sign it.

Signed by the parties on the date indicated below

Luis Efrén Coronel Argudo

Franchisor

Name of the franchisee

Franchisee

Date: include the date when the contract is signed