

## **Foreign Market Assessment for Kanga Coolers**

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## **Executive Summary**

Kanga Coolers is a company based out of the United States of America in the state of South Carolina. Currently, they operate entirely through an online website. Kanga Coolers can ship its products to all fifty states, Mexico, Canada, and Australia. This report will detail the potential political and legal risks of expanding Kanga Coolers to a new international market in the United Kingdom.

### **I. Political and Legal Risk**

The United Kingdom government is considered a constitutional monarchy and a Commonwealth realm. Their economy is an advanced open market that uses a free price system. Kanga Coolers is classified as a Limited Liability Company (LLC) and the United Kingdom laws allow a USA-based LLC to operate in the U.K. without reclassifying into a different type of company. This creates an easier transition for Kanga Coolers due to the ease of bringing their company into a new country. However, the tax system in the United Kingdom requires the company to register with Her Majesty's Revenue & Customs to pay all its tax liabilities (Martin, 2024). Therefore, Kanga Coolers would need to track revenue from their United Kingdom operations separately.

The U.K. has vigorous intellectual property standards which are needed when expanding to a new country. New firms in the U.K. have to register with Companies House, which is the U.K.'s official registrar of companies (CT Corporation Staff, 2020). This process can take only a couple of days once the documents are submitted. However, the new firm will also need to set up bank accounts in the U.K. This often takes an extended period to set up bank accounts after setting up a new business entity in the U.K (CT Corporation Staff, 2020). The U.K. does not require a bank account to be set up to become registered, which is uncommon in other countries (CT Corporation Staff, 2020).

Finally, the United Kingdom has more strict regulations pertaining to data protection for consumers. The citizens of the U.K. have the most privacy protection in the world. Companies that do not comply with these standards can face fines of up to 20 million euros. (CT Corporation Staff, 2020) Overall, the United Kingdom's laws and politics for new businesses entering their country are set up to encourage and support these firms.

### **The Industry**

The cooler industry within the United States is large and growing every year. This growth is driven by increased consumer demand, especially with the popularity of outdoor activities and sports events. This industry has a wide range of products that can be used for many different activities, making it a very competitive market. Challenges facing the sector are fluctuating costs of materials for the coolers themselves, the large array of consumer preferences, and strong competition between companies. But, there are many opportunities for growth in the United States, especially with niche markets like eco-friendly production companies.

When looking at the cooler industry in the United Kingdom there are many factors to consider. For example, many regulatory compliances need to be met especially for safety and environmental impact, the market size is much smaller than in the US, and the consumers in the UK have their preferences that need to be kept in mind. However, there are many opportunities within this growing industry, like the ability to have more sustainable products, innovations for coolers, and growing interest in this product in the United Kingdom.

### **Specific Risk for Foreign Firms**

There are many risks that Kanga Coolers will face expanding into an international market. These risks include currency exchange rates, tariffs, and trade barriers. The business must research extensively to understand the United Kingdom's tax system. For example, VAT and double taxation must be considered to ensure profitability and legal compliance. The exchange rate between the British pound and the U.S. dollar can fluctuate, causing an impact on profitability. Kanga can mitigate these risks by using a natural hedge strategy (International Trade Administration, 2024). This will allow the company to stay competitive and protect its profit in an international market.

## **II. Estimated Demand for Kanga Cooler Offerings in the United Kingdom**

Kanga Coolers would have substantial potential in the market when bringing their product to the United Kingdom. There is a large market for outdoor enthusiasts, young adults, athletes, and environmentally friendly consumers. According to the Office for National Statistics (2024), the overall population of the United Kingdom was recorded at almost 68 million people in 2022. The listed markets have massive potential, with outdoor enthusiasts and athletes totaling 17 million people, with an expected increase in the coming years (Statista, 2024). The percentage of Britons willing to pay more for an environmentally friendly product is 21%, a fifth of the entire population (Fernandes, 2024). When determining purchasing power for the United Kingdom, we should consider the country's GDP, income levels, cost of living, and consumer confidence. The United Kingdom's GDP per capita is roughly £40,000, and disposable income is £34,000 (Office for National Statistics, 2024). To determine the cost of living, we look at the inflation rate, housing prices and energy bills. According to the Office of National Statistics, inflation was at 4.2%, housing prices annual inflation was at -1.4%, and food prices were at a 7% inflation rate in the spring of 2024. Finally, consumer confidence in the U.K. in August of 2024 was at 100.75 on the Consumer Confidence Index (Statista Research Department, 2024). Overall, the United Kingdom's purchasing power appears promising and can help Kanga Coolers succeed in the markets.

### **Cultural Values, and Consumer Tastes, Preferences, and Behaviors**

In the United Kingdom, cultural values strongly influence consumer behavior, particularly in terms of outdoor activities, environmental awareness, and brand loyalty. British consumers tend to appreciate products that offer practical benefits, align with sustainable values, and reflect quality craftsmanship. The United Kingdom has a rich culture of outdoor leisure activities, including camping, hiking, and sporting events, which aligns well with Kanga Coolers' product offering. The British value time spent in nature, such as enjoying picnics, beach outings, and countryside walks (Narvar, 2024). As a result, there is a steady demand for portable cooling products that can enhance outdoor experiences.

Additionally, British consumers tend to favor brands that are environmentally conscious. The UK's commitment to reducing carbon footprints and promoting sustainability makes eco-friendly products appealing (Fernandes, 2024). Kanga Coolers could leverage this by emphasizing sustainable manufacturing practices and recyclable or reusable cooler designs. British consumers generally prioritize functionality, durability, and value for money when selecting products. While premium brands like YETI have a foothold in the market, there is still room for more mid-range options that provide high performance at a lower cost. Kanga Coolers'

selling proposition of innovative cooling technology paired with a reasonable price point can fill this gap.

Customization is another important aspect of consumer preference. UK consumers enjoy products that allow for personalization, reflecting their individual tastes and preferences. Kanga Coolers' customizable cooler designs can cater to this demand, enabling customers to choose options that suit their personal style and needs.

### **Primary Competitors**

The primary competitors for Kanga Coolers in the United Kingdom are Igloo and YETI (Grojo, n.d.). Igloo is known for its wide range of cooler products with affordable options and high-end coolers. Igloo offers traditional hard coolers and soft coolers. YETI is a premium cooler brand known for its performance, durability, and high-end design. Both of these brands are available through select retailers and eCommerce platforms. Igloo and Yeti's strengths lie in their high brand exposure, large product range, and high-quality products. The weakness of Igloo is the amount of high competition in mid-range coolers and their products are not as durable as YETI. YETI products are expensive. This limits YETI's market to only high income consumers. YETI and Igloo are already established brands in the United Kingdom. However, with the innovative cooling technology that Kanga Coolers brings to the table and customizable designs, Kanga Coolers has the potential to meet an unmet demand of a mid-range cooler option with optimal performance.

### **Possible Competitive Advantages**

The pre-existing cooler market in the United Kingdom creates an issue of setting our client's brand apart from the rest. But, there are many opportunities to do this within the market and against our competitors. The price point is one of the buyers' biggest deciders when choosing which cooler to buy. By setting a lower price point while maintaining the majority of the quality standards, we can get a large number of people who cannot afford the usually high prices of our competitors. Also adding the option of having different qualities of coolers within our client's brand, some that are cheaper and others that are more expensive can be a way to access this part of the buyer market without sacrificing lots of our brand quality standards. The style of the cooler can also be a distinguishing factor. By creating a cooler that looks different from the usual white and square cooler like YETI or Igloo our client can easily create a recognizable style and image to identify with the brand that is very different from the competitors. Innovation is another step that could be taken by our client as a competitive advantage. (Statista, 2023) They can use things like solar-powered technology for USB chargers or smartphone apps to control the temperature of the cooler. Furthermore, with sustainability becoming increasingly important to the people within the United Kingdom, using sustainable, eco-friendly materials within the manufacturing process will help reach a wide audience that appeals to an environmentally conscious product. (Fernandes, 2024) Along with the idea of manufacturing, Igloo, and YETI are both United States manufactured brands. If our client decides to manufacture in the United Kingdom then they will have the advantage of promoting local craftsmanship and reducing the environmental impact of overseas shipping. (ONS, 2024) Finally, with these advantages over our competition, they might react by lowering or adjusting their prices to compete with ours or launch entry-level products at a lower cost similar to ours, increase the use of technology of their products, or consider manufacturing using more sustainable materials. (Wordbank, 2019; Statista, 2024)

### **III. Resource Assessment of the United Kingdom for Kanga Coolers**

The United Kingdom has a wide range of resources available for Kanga Coolers. The primary resources that Kanga Coolers should analyze are labor resources, raw materials, and supplies. The United Kingdom has strong labor resources. The majority of workers are highly educated and skilled in their professions. Kanga should consider the average wages and labor costs for the United Kingdom. According to the United Kingdom's government website, the minimum wage for anyone over 21 is 11.44 pounds (National Minimum Wage and National Living Rates, 2024). This converts to around 14.88 United States dollars, significantly higher than the United States minimum wage. This can cause the cost of any personnel hired to be heavily increased.

Next, Kanga should look at raw resource availability. The U.K. is known for having less available raw materials than other countries. Kanga would most likely need to import raw materials from other countries because the United Kingdom cannot produce these resources efficiently and naturally. The primary resources produced by the U.K. that can be used for manufacturing are sand, gravel, and crushed rock (Kellner and Thomas, 2024). However, these resources can not be used to manufacture Kanga's products. Importing the materials can also increase the price of manufacturing the products.

The resources that the U.K. offers can cause some potential problems. The U.K. passed "The Environment Act" in 2021. "The Act requires the Secretary of State to set at least one long term target in each of the four key priority areas: air quality; biodiversity; water; and waste. This will be achieved by a set of measures targeted at U.K. businesses and supply chains" (Williams, 2023). The "Environmental Act" explicitly measures their environmental impact by reaching target goals in the country's businesses and supply chain (Williams, 2023). These goals and regulations put more stress on every company, especially in manufacturing. To maintain compliance with these regulations, a company like Kanga Coolers may need even more resources, like hiring someone to ensure you are not breaking the law.

### **Infrastructure Assessment of the United Kingdom for Kanga Coolers**

Infrastructure plays an important role in ensuring the success of Kanga Coolers in the United Kingdom. "With over 70 airports, 40 major ports, excellent rail links and toll-free motorways, the UK has the ideal combination of the infrastructure components to move goods and people around the country in simple, affordable ways" (Department of Business and Trade, 2024). Third-party logistics that the United Kingdom has to offer will be beneficial to Kanga Coolers. Multi-carrier relationships are conducted through a single point of contact to streamline supply chain processes (Whistl, n.d). This offers fulfillment and warehousing that will ensure efficient distribution.

Kanga Coolers' operational needs will be fully supported by the infrastructure and extensive resources at hand in the United Kingdom. The reliable supply chains and strong logistics will assist the business in building a strong platform and strong position to enter the market in the United Kingdom.

The technological landscape in the United Kingdom is highly developed to support Kanga Coolers' operational needs. The country has advanced internet connectivity, with over 95% of households having broadband access (Statista, 2024), as well as high mobile penetration

rates, reaching approximately 120% (Ofcom, 2023). These factors contribute to efficient e-commerce operations for online sales, aligning with Kanga Coolers' current online business model and enabling website functionality and customer interaction.

Additionally, the U.K. is at the forefront of technological innovation, particularly in sectors such as manufacturing and logistics. Advanced manufacturing technologies, such as automation and IoT (Internet of Things), can enhance production efficiency for Kanga Coolers, resulting in scalable operations. The availability of local suppliers and logistics companies specializing in rapid shipping will also contribute to meeting customer expectations for timely deliveries, a crucial factor in maintaining competitive advantage in the cooler market.

Communication in the United Kingdom, as with the rest of the world, relies heavily on the use of the Internet. The use of raw materials, labor, and natural resources is needed to create the cables, powerlines, and towers that are essential to the physical products that make the Internet feasible. However, the actual use and dependability of the internet and routine upgrades to keep them in the modern era are essential. For example, there are two primary fiber broadband networks in the UK, BT's Openreach and Virgin Media (Fibre Networks, n.d.). These two networks cover over 30 million premises within the territories and are hoping to continue expanding (Fibre Networks, n.d.). Also within the UK, they are taking steps to connect people in hard-to-reach communities to faster gigabyte-capable broadband networks that would not have been possible otherwise with Project Gigabit (Project Gigabit, n.d.). This project tries to target homes and businesses that were not in the broadband suppliers plans originally, this plan would give them the connectivity they need for success and daily efficiency (Project Gigabit, n.d.). Additionally, they are fully engaged in an ongoing rollout of 5G that they project will cover all areas in the UK by 2030 (5G in the UK, n.d.). This infrastructure aligns well with client needs in the UK by providing the speed, reliability, and adaptability that is needed for all businesses in the modern world and to be prepared for technological growth.

### **Evaluation of the Strategic Importance of the Present United Kingdom**

Kanga expanding its operations into the United Kingdom would increase its competitiveness and worldwide effectiveness. Currently, the United Kingdom's GDP in 2023 was 2.27 trillion pounds, making it the 6th largest economy in the world (Clark, 2024). This is an enormous market for Kanga to take advantage of, with outdoor recreation being a very popular sector of this market. In 2022, UK consumers spent nearly 13.7 billion British pounds on recreational and sporting services, representing an increase of around 21 percent on the previous year (Statista, 2023). These numbers show an increasingly popular sector that Kanga should pursue to increase its customer base. The United Kingdom has a strategic geographic placement in Europe. It can be used for a large amount of imports and exports throughout the entire country with large ports placed along the English Channel. This allows Kanga to easily be able to expand its operations further into other European countries after establishing itself in the United Kingdom. Although, with Brexit, there are new trade agreements that the U.K. has established and some that are still pending. In January of 2024, the United Kingdom signed trade deals and agreements in principle with about 70 countries and one with the EU (Edington, 2024). Finally, when considering innovation many UK consumers want to see more products being environmentally friendly. When U.K. consumers were asked about their sustainable lifestyle behavior, three-quarters of consumers in the United Kingdom said they recycled or composted household waste, making it the most common sustainable habit among UK individuals in 2022 and 2023 (Tighe, 2024) Therefore, the United Kingdom has many more shoppers trying to shop

in a more environmentally friendly way (Tighe, 2024). This is another massive opportunity for Kanga with their commitment to sourcing eco-friendly and organic materials for their products. They also use a pigment-based printing process that minimizes water and energy consumption during production (Kanga, n.d). The United Kingdom's potential for market expansion, influencing consumer behavior, and economic positioning all tie together its importance for Kanga moving forward in the future. Expanding Kanga to the United Kingdom will allow the company to gain a competitive advantage in essential areas and remain competitive on a global scale. Without a presence in this market, Kanga's global competitive advantage could be limited. The United Kingdom has one of the largest economies in the world. The gross domestic product is expected to increase over the next decade due to its strong service sector and recovery-focused policies following Brexit (Clark, 2024). The United Kingdom has put a large emphasis on environmental innovation. The government has pledged to achieve net-zero emissions by 2050. These values are in line with Kanga's environmentally friendly values such as using organic materials and limiting production waste (Kanga, n.d). If Kanga does not establish a presence in the U.K. market, Kanga has the risk of losing out on a future customer base that values sustainability, which in turn, will allow competitors to take over the market, harming Kanga's international reputation.

### **Competitiveness and Worldwide Effectiveness**

The lack of a physical presence in the UK could reduce Kanga Coolers' competitiveness and effectiveness in the long term when it comes to the market. This could limit their ability to capitalize on the growing UK sports and outdoor e-commerce sector. According to Statista (2024), the sports and e-commerce sector in the UK is anticipated to generate considerable revenue, if the growth continues on this track, it will highlight the importance of engagement in terms of the market for new companies looking to enter that market. While digital sales and local partnerships lessen the likelihood of challenges, there is a lack of direct interaction when it comes to customers and that could hurt the company's ability to foresee the changing preferences and trends for their targeted consumers in this competitive landscape. Statista (2024) believed that the e-commerce market in the UK would continue to rise, meaning that many businesses with more localized operations would be able to see the increasing consumer demand for convenience and online shopping. Overall, most UK consumers place a significant value on their ability to trust the brand and its involvement with local infrastructure. Without a direct presence in the UK, Kanga Coolers might find it difficult to bring that strong brand recognition and loyalty. So, while e-commerce is a way to find great opportunities, it is more effective to establish a physical presence when it comes to being competitive against established and secure brands in the UK. If they can compete by having a more direct and locally involved presence, then they will find it easier to secure their position in the UK for the long term.

### **Analysis of Sustainable Competitive Advantage**

Entering the United Kingdom market can help Kanga Coolers obtain a sustainable competitive advantage by leveraging its innovative design, strategic brand positioning, and adaptability. The cooler's ability to keep beverages cold without requiring any ice makes the product a clear differentiator, filling a gap for UK consumers who value convenience and portability for outdoor activities and events. By focusing on sustainability in its materials and processes, Kanga can align with the growing demand for eco-friendly products, creating a loyal customer base while setting itself apart from competitors. According to the UK Department for

Business, Energy & Industrial Strategy (Deloitte, 2023), 62% of UK consumers prefer sustainable products, highlighting the potential for Kanga to take control of this market segment. Entering the market early could provide a first-mover advantage, which would establish Kanga as the go-to brand in this category before competitors. Expanding to the UK also presents an opportunity to reduce production costs and enable competitive pricing. This expansion has the potential to act as a starting point for broader European growth, solidifying Kanga's position in the global market.

#### **IV. Final Recommendation**

After thorough consideration through market research and data analysis, we believe that Kanga Coolers will benefit by expanding their business into the United Kingdom. This decision is founded on the United Kingdom having a growing outdoor culture, higher disposable income, a market for innovative products, consumer sustainability focus, strategic timing, and e-commerce growth. The entry strategy that is suggested would be to export the products from the United States with local partnerships. Exporting gives Kanga Coolers the opportunity to test the market demand without putting too much investment in upfront. Kanga Coolers can use local retailers to get access to customers. The local partnerships should be drink related or outdoor recreation oriented. Some key aspects for Kanga Coolers to consider to be successful is building local market trust, strong marketing, and being compliant with legal requirements. The local market trust can be obtained through creating products that align with the culture of the UK and using local connections to establish credibility. Strong marketing is key when moving to a new country. This can be accomplished by making advertisements personalized to the specific area of the United Kingdom. Lastly, knowing the legal requirements and following these regulations is mandatory. In order for Kanga Coolers to overcome the "liability of being foreign" the company should use the marketing techniques mentioned above and build trust through the local partnerships that was suggested.



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