CONSUMER AND RETAIL GROUP

INTERNATIONAL ROUTE-TO-MARKET MODELS – BUILT TO LAST



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> **Most international expansions fail not because** of the model a brand picks at entry, but **because it sticks with that model long after it stops working –** and nothing in the operating rhythm of a consumer business forces the question to be reopened.



Two situations put the route-to-market question on a consumer brand's agenda.

The first is "Expansion"

A company wants to take its operations into new markets to drive growth, and has to decide how it will get there – through its own subsidiary, a distributor, a cross-border platform, or a licensee.

The second is "Conversion"

A company already present in a market wants to move existing operations to a more asset-light model, releasing capital and fixed cost while protecting the brand's position and the customers it has built.

Both are the same decision made in opposite directions, and both are made less often, and with less rigor, than their consequences deserve.

This paper is written for branded consumer businesses – apparel and accessories, beauty, consumer durables – facing either situation. It sets four route-to-market models on a common basis, states what each partner in the chain does and what the brand pays for it, identifies the four variables that should drive the choice, and gives a playbook for switching between models without handing back the value the expansion was meant to create.

Crossing a border means committing capital and ceding control before the brand can see the demand it is committing to. But the bigger cost of that first choice is that it hardens. A partner is signed, a team is staffed, a P&L is built around the economics of one model – and the market keeps moving while none of that does.

The decision rests on four criteria:

01 Strategic fit

02 Capital availability

03 In-market expertise

04 Control requirements

All four move. A test market becomes core. Scarce capital frees up. Expertise held by a partner gets built in-house. A model that scored well on all four at entry can fail three of them within a few years. The rest of this paper is about recognizing when that has happened, and what to do about it.

01. The Tension

Every model resolves the same tension: How much of the value chain you own versus how fast, and with how little capital, you get in

There is no right model in the abstract. Each choice has to be built for the market in question, based on the control the brand needs over price, positioning and customer, the capital it is willing to commit, the expertise it holds or must buy in, and the weight the market carries in the wider plan. The same brand will, correctly, land on different models in different markets. Whatever the answer, it is set by two forces that pull against each other.

- **Control and value capture:** how much of the retail price reaches you, and how much say you keep over pricing, positioning, assortment, and the customer relationship.
- **Speed and capital efficiency:** how fast you can be selling, and how little of your balance sheet you commit to get there.

The four models sit at different points on that line.

Exhibit A: The four models at a glance

The four are archetypes. Markets can run on a blend: a joint venture where ownership rules or relationships call for a local partner, an agent or commissionaire that sells without taking title, concessions inside department stores, or a split by channel – owned e-commerce alongside a distributor for wholesale. Each sits between two points on the line and inherits some of the economics and control of both.

Higher control and value capture





Wholly-owned subsidiary

A local entity that imports or makes in market and sells direct. The brand keeps every commercial lever and carries the full local fixed cost.

Example: Louis Vuitton runs its own entity and operates every boutique itself, including its leased department-store spaces, with no franchisees.



Cross-border marketplace

A platform listing that ships to consumers abroad with no local entity. The brand holds price and assortment; the platform holds the customer and takes a fee.

Example: Charlotte Tilbury opened a Tmall Global flagship in March 2019, its first e-commerce presence outside Europe and the US, and reached Chinese consumers cross-border for more than two years before launching locally with its own stores in late 2021.



Third-party distributor

The brand sells in bulk to an in-market partner that owns local retail relationships and takes a margin. Light cost base, narrow control and customer visibility.

Example: Grupo Axo holds the distribution rights to Tommy Hilfiger, Coach, Kate Spade and Victoria's Secret in Mexico, and to brands such as Gap and The North Face in Chile, running the stores and department-store relationships itself.



Licensing and franchise

A local partner operates under the brand's name and standards for a royalty. Capital-light scale on someone else's balance sheet.

Example: Gap sold its Greater China business to Baozun for $40m (agreed 2022, closed 2023) and now earns a royalty while Baozun runs the 160-plus stores, the site and local product creation under franchise.

Less control and less capture

Exhibit B: Who does what, Brand vs. Partner

What the brand does	Model	What the partner does
Everything. Imports, holds the stock, sells, prices, markets, services. Carries the full local cost base.	Wholly-owned subsidiary	No partner.
Sets price and assortment. Pays for product, cross-border shipping, duty, and its own traffic.	Cross-border marketplace	Platform supplies the storefront, the traffic, and the payment rail. Takes a fee and keeps the customer.
Sells in bulk at a trade price. Keeps brand and product decisions, and typically funds a share of marketing.	Third-party distributor	Imports and clears the goods. Funds and holds the stock. Warehousing, delivery, credit risk. Owns the relationships with accounts and consumers, funds most local marketing.
Supplies the name and the standards, and polices them. Takes a royalty.	Licensing and franchise	Puts up the capital, holds the sites and the people, runs the whole operation to the brand's standards.

02. Key Variables

Match the model to four key variables: Strategic fit, Capital availability, In-market expertise, Control requirements

The four dimensions are not a scorecard to be averaged. They are constraints, and each one eliminates rather than recommends:

Criterion 1: Strategic fit

Whether the market deserves a committed position: category size and growth, how closely the local consumer matches the brand's, existing unsolicited demand, strength of incumbent local players, the market's role as a regional anchor for credibility or price, and whether it sits in the multi-year plan.



Criterion 2: Capital availability

Two limits apply. The portfolio limit is what the business will commit to this market when others compete for the same capital – entity, leadership, systems, first stock, capex, launch marketing, receivables, and losses to breakeven. The product limit is gross margin per unit after landed cost, which is what funds local fixed cost, marketing, and any partner margin. Two further tests are payback tolerance and the size of the write-off if it fails.

Criterion 3: In-market expertise

Four key elements: consumer knowledge (what they buy, against whom, at what price, in what format), demand knowledge (volumes, price points, seasonality, channel mix), trade relationships (buyers, accounts, landlords, terms), and operating capability (customs, stock, marketing, service).



Criterion 4: Control requirements

Four levers: price and discount depth, positioning and doors, assortment and speed of newness, and ownership of the customer record and sell-through data. The category sets how much control is needed. In premium and regulated categories, margin depends on presentation and curation. In commoditized ones, it depends on reach and cost to serve. The requirement rises when local data feeds global assortment or pricing.

03. The Economics, and the Trade-offs they Force

Four ways to reach a market, trading control against capital

The work does not disappear in any model. Someone imports, holds the stock, ships it, sells it, markets it, and services it in every market. What changes is who does that work, who gets paid for it, and what the brand gives up to avoid doing it itself.

Against consumer spend ($100 at retail in the table below), the subsidiary leads at 27% and the license trails at 6%. Against the revenue the brand actually books, the license converts 75 cents on the dollar, the distributor 31, and the marketplace falls from second to last at 24%. The first measure sizes the prize; the second shows how hard the brand's own capital works.

The choice is set by the two things the table does not show: how much capital the brand will commit to the market, and how confident it is in the volume.



Exhibit C: Illustrative unit economics, per $100 of retail (exc. VAT)

Per unit ($100 retail exc. VAT)	Subsidiary	Marketplace	Distributor	License
Retail Sales	100.00	100.00	100.00	100.00
Channel / platform margin ceded	–	(15.00)	(45.00)	(92.00)
Price captured by owner (NET REVENUE)	100.00	85.00	55.00	8.00
Landed/Product cost	(30.00)	(25.00)	(30.00)	–
Fulfillment & duty	–	(18.00)	–	–
Local operating cost	(23.00)	–	–	–
Marketing / traffic	(20.00)	(22.00)	(8.00)	–
Standards / oversight	–	–	–	(2.00)
Contribution to owner	27.00	20.00	17.00	6.00
% of retail sales	27%	20%	17%	6%
% of net revenue for the brand	27%	24%	31%	75%

Notes: $100 retail MSRP assumed (exc. VAT). For the subsidiary the owner captures full retail and carries the local cost base; for the distributor a partner takes ~45% of retail; the marketplace adds fees, cross-border fulfillment and duty (landed cost is excluding duty in that column), and paid traffic with no local entity; the license returns an 8% royalty on partner sales against near-zero capital, so its return rides on scale, not per-unit margin. Figures are illustrative worked examples, not benchmarks, and represent no client, market, or category.

Exhibit D: Trade-Offs between Models

	Wholly-owned Subsidiary	Cross-border Marketplace	Third-party Distributor	Licensing/ Franchise
What You Get				
Control	●●●	●●○	●○○	○○○
Speed to market	○○○	●●●	●●○	●●○
Margin capture	●●●	●●○	●○○	●○○
What You Risk				
Capital at Risk	●●●	●○○	●○○	○○○
Brand and Execution Risk	○○○	●○○	●●○	●●●

●●● High ●●○ Medium ●○○ Low ○○○ Minimal

The trade-offs between models carry material tax, legal, and regulatory consequences that vary by market and structure. **Each requires specific review in the specific jurisdiction before a model is selected or changed:**

- Transfer pricing on intercompany sales to a subsidiary
- Permanent establishment and taxable-presence risk
- Franchise/license disclosure, competition, and resale-pricing rules
- Customs, duty, and product registration
- Local regulations on product (e.g., origin, materials)
- Data protection
- Employment regulations



04. The Transition Playbook

The value leaks during the switch, so plan the switch before you need it

Two switches matter, and they are not mirror images. Moving to an owned model is a build problem: The capability has to exist before the old model is unwound. Moving away from an owned model is a handover problem: the value sits in people and relationships, and it has to be transferred, not rebuilt.

Triggers to move to an owned model:

The binding criterion has changed. A market that was unproven is now forecastable, and the expertise gap that justified a light model has closed.

Ceded margin now costs more than owning the chain. The margin handed to a distributor or platform would more than fund a local cost base at current volume.

NOTE: On the illustrative economics in Exhibit C, owning the market beats the distributor route only above roughly 70 to 80 percent of the volume that justified the switch, depending on how much local marketing is treated as fixed. A shortfall of 20 to 30 percent against plan does not reduce the advantage of ownership. It erases it, and leaves the brand carrying a fixed base and a broken trade relationship. This is why the underwriting case matters more than the base case. Size the switch and build sensitivities to different top-line assumptions.

Control has become decisive. Pricing, assortment, or customer data now matter to the wider strategy in a way they did not at entry.

The partner has become the growth ceiling. Under-investment, channel conflict, or limited reach is capping a market that could grow faster.

You are flying blind on the customer. Not holding first-party demand and customer data is now constraining decisions elsewhere in the business.

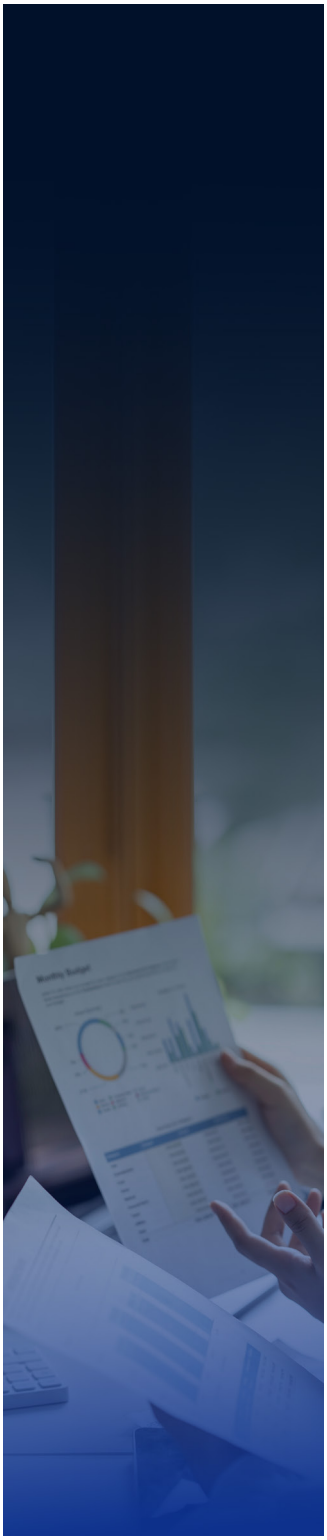
Triggers to move away from an owned model

Volume never reached the scale local fixed cost needs, and the forecast does not close the gap.

Strategic fit has fallen. The market's role in the portfolio no longer justifies the capital tied up in it, whatever its standalone return.

Capital has a better use. The same money placed in another market or another channel earns more.

Local capability, not capital, is now the binding constraint, and a partner holds reach or relationships the brand cannot economically rebuild.



01

Diagnose and size the gap

Confirm which trigger has fired. Size the prize: the margin you get back and the growth you unlock, against the fixed cost and risk of the target model. Test it at a volume below plan (e.g., 20 to 30% below plan), not at plan.

02

Read the exit terms before you plan

Notice periods, minimum terms, inventory buy-backs, and any local termination or agency-protection rights determine what the switch costs and how long it takes.

03

Stand up the target model in parallel

Moving to a subsidiary: build the entity, hire the leadership, and secure systems and logistics before the current model is unwound.

Moving away from a subsidiary: identify and select the partner, keep alternatives live to hold your negotiating position, and negotiate before the internal decision becomes visible in the market.

04

Secure continuity of the three things that break first

Customer and channel relationships, in-market stock, and demand data. These degrade fastest in a handover and are the hardest to rebuild.

05

Cut over on a set date, then optimize

A clean switch on a planned date beats a long dual-running period that confuses the trade and blurs accountability.



How to de-risk the handover

01

Structure a managed transition with the outgoing partner. A defined, incentivized handover of accounts and knowledge is cheaper than a contested exit and protects the trade relationships that carry the market.

02

Retain critical local people and knowledge. The individuals who hold the customer and operational relationships are the asset most worth securing through the change.

03

Rehearse the cutover with the largest accounts. Walk them through ordering, invoicing and delivery under the new model before the date, so the first orders afterward go through without friction.

04

Instrument demand data from day one of the new model. First-party visibility is the durable prize of owning the chain. Build the capability to capture it into the transition, not after it.

Managing the partner is a job in its own right

A distributor does not run itself. A subsidiary is managed through line authority, budgets and headcount; a distributor is managed through terms, incentives, joint planning and evidence. That is a different job, and it needs a dedicated capability inside the brand, in place at cutover rather than built after it.

01

Dedicated ownership.

A named distributor manager, or regional partner team, whose only job is the partner relationship. They own the annual plan, the KPI set (sell-in, sell-through, inventory weeks, door productivity, brand-standards compliance), the review cadence and the escalation path.

02

Joint business planning

An annual plan agreed with the partner and reviewed quarterly: growth targets by channel, door and account plan, launch calendar, marketing investment split, inventory commitments. This is where the brand keeps influence over a P&L it no longer owns.

03

Supporting growth, not only policing it.

Partners invest behind brands that make them money and are easy to work with. The brand supplies what the partner cannot build alone: global product story and launch assets, sales and product training, key-account support, and demand and category insight from the wider business.

04

Guarding brand essence and standards.

Marketing and presentation are where drift shows first. Marketing toolkits the partner executes, approval rights over creative, pricing corridors and promotional depth, and brand-standards guidelines with audit rights keep the consumer seeing one brand whichever market they are in.

When not to switch

A model that is under-delivering is not the same as a model that has been outgrown. If the partner is underperforming against terms, the volume gap is a demand problem rather than a reach problem, and no criterion has structurally moved, the switch buys nothing. Most of the transition cost is incurred whether or not the thesis was right.

05. Case Study

Transferring a market from owned operations to a distributor:
What worked, what did not, and why

As part of a broader operating-model transformation, we supported a global fashion accessories brand in transitioning several international markets from wholly-owned subsidiaries to third-party distributors, in some cases through the sale of the local entity to the incoming partner. The program was executed across multiple markets in parallel over roughly a year. The lessons below are drawn from that work.

What worked, and Why

A transition mechanism chosen market by market, not a template

Three structures were used depending on market size, the local legal position, and what the incoming partner needed. In larger markets with a substantial local entity, stores, leases and stock, the entity itself was sold to the partner, transferring people, contracts and inventory in one step. In smaller markets with a handful of wholesale accounts and a light local team, a distribution agreement and an orderly wind-down was faster and cheaper than a sale. Where the legal position made a sale slow or costly, assets and people were transferred without one.

Partner selection ahead of commercial terms

Partner choice determined the outcome more than any contract term, so the brief was written before terms were opened. It was specific: a partner that already operated in the brand's category and in adjacent categories, so that it understood the product, the buyers, the price points and the seasonality; and one that could operate all of the brand's key channels – wholesale, e-commerce and, critically, retail stores, since the brand's own stores were part of what was being handed over. Candidates strong in wholesale but with no store or e-commerce operation were screened out at that stage. Financial strength and willingness to invest were tested against a plan for the market rather than taken on assertion.

One negotiation covering everything, on transparent numbers

Exclusivity, minimums, brand standards and asset usage, reporting, people, and inventory were settled together rather than in sequence. Exclusivity was tied to minimum purchase commitments and a door-opening plan; inventory transferred at an agreed valuation with aged and seasonal stock treated separately; the reporting set was written into the agreement. Partners were given controlled data-room access to real sell-in, sell-through and account-level performance so they could size the opportunity before committing, which shortened the negotiation and removed the discount for uncertainty.

A distributor-management capability inside the brand

Managing a distributor is a different job from managing a subsidiary: line authority, budgets and headcount give way to terms, incentives, joint business planning and evidence. A regional partner-management role was created to own the new relationships, and the joint business planning cycle and reporting obligations were written into the contracts so the operating rhythm did not depend on goodwill.

Sequenced, honest communications.

Employees first, on the day of announcement, with the rationale, the terms, and explicit confirmation of what would and would not change for them, including who would transfer to the partner and on what terms. Trade customers within days, with a letter confirming continuity of contracts, pricing and service. Partner introductions to accounts followed once the message had landed, so the trade heard about the change from the brand and not from the market.

A single cutover date per market.

One date after which the partner held all responsibilities – ordering, invoicing, delivery, service and customer contact – and became the point of contact for the trade. Dual running was limited to a few weeks to clear open orders and returns, with a named owner on each side for that period.

What did not, and why

Fix



Parallel markets outran central capacity.

Legal, finance, IT, and commercial at the center became the bottleneck, and later markets moved slower than the first.

Sequence markets against the capacity of the constraint functions; Supplement teams with a program/transformation office.



Inventory and receivables negotiated late in the entity sales.

Stock valuation, open receivables, and returns treatment surfaced as friction close to signing.

Agree the valuation method for stock, the treatment of aged and seasonal inventory, the split of open receivables, and the returns liability before commercial terms are opened, and price them into the deal rather than discovering them inside it.



Attrition between announcement and close.

The elongated interval created uncertainty for exactly the people holding customer and operational relationships.

Identify the individuals who carry the trade relationships and the operational knowledge before the announcement, and put retention terms in place at the same time. Where the incoming partner needs those people, make their transfer part of the partner negotiation.



Year-one governance defined after cutover.

KPIs (sell-in, sell-through, brand-standards compliance) and the review cadence were formalized once markets were live.

Agree the year-one operating rhythm inside the contract: the reporting set, the data the partner supplies and at what granularity, the joint business planning cycle, the escalation path, and the audit rights.

The Common Thread:

The strengths came from decisions taken before signing – the mechanism, the partner, the terms, the message, the team. The gaps all sat on the other side of the same line. Transactions of this kind pull attention toward the close, and the items that suffered – balance-sheet mechanics, retention, year-one governance – were the ones whose value only shows up after it. **The lesson is one of sequencing rather than execution:** in a transition, close is a milestone, not the objective. The distributor takes the market; the brand does not get to take its eye off it.

06. How A&M CRG Helps

We help on three questions:

01 **Diagnostic:** Testing markets against the four criteria as constraints, and identifying which markets have outgrown their model.

02 **Design and underwriting:** Building the economics of the target model at realistic and downside volume, and sizing the recoverable margin against the fixed cost and risk of the switch.

03 **Transition execution:** Sequencing the switch, protecting accounts, inventory, and demand data through cutover, and standing up the new operating model.

The question worth asking this quarter is not which model each of your markets is on. It is when each of those choices was last tested, and against what.



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ABOUT ALVAREZ & MARSAL

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