Track: Management Education and Teaching Cases

First steps overseas of Brazilian Ticketing Services Provider Bilheteria Digital

Abstract

The case describes the beginning of the internationalization process of Bilheteria Digital, a Brazilian ticketing services provider. The company had already a relatively wide coverage of the domestic market on its segment, when an opportunity to do business in Angola spontaneously emerged, arousing the attention of its managers to new ventures overseas. The company managers were trying to answer some important questions and the case explores those issues. Should the expansion be incremental? Which countries should be selected first? Which entry modes should it employ?

Key words: ticketing services, internationalization, entry mode, country choice

Introduction

Big or small, events bring people together. Humans are social beings and like to gather to enjoy different kinds of events. This is true since the Ancient Rome and will continue to be throughout the ages. Not even economic downturns are able to undermine this ancestral heritage. At the same time, long are gone the days when people would wait in line to buy tickets to events. Counting on innovative solutions, event managers and venue owners are now able to leverage the power of social media, mobile apps, CRMs, cloud solutions and a lot of other technological gimmicks. The Cohen Feldman brothers were well aware of all this, and in 2012 constituted their first ticket sales company, Woow Zone. The decision to merge with Bilheteria Digital two years later proved to be a wise one, since the company grew in one year what it could have grown in five if the merger would not had happened. When in Portugal, while extending his postgraduate studies, the youngest Cohen Feldman brother was approached by a Portuguese entrepreneur with a proposal to become partners in exploring Angola's market of tickets sale. The partnership did not evolve, but when Guilherme returned to Brazil, in 2015, he and his brother Henrique decided to convince their other partners to let them head the company's internationalization process. They had ahead too many questions to answer. But as they believed that the better the questions, the better the answers, they relaxed and moved forward plenty of hope.

Live Entertainment Industry Overview

Ticketing services comprehend all the activities related to administering ticket sales whether at ticket offices, physical points of sales, through call centers, over the Internet, or any other mean. These activities are part of the live entertainment industry's value chain, which is briefly described below.

- *Entertainment content provision* - generally performed by artists' managers and agents who represent or negotiate on their behalf, earning commissions on all the generated revenues. There are some artists, though, who negotiate their performance directly with the event promoters.
- *Event promotion* – encompasses creating, organizing and promoting events. Its profit driver is the surplus between the total ticket revenues and the total cost of the event.
- *Ticketing services* – are all the activities concerning ticket sales and their main sources of revenue are commissions on total ticket sales and convenience and delivery fees.
- *Food, beverage and merchandise sales* – generate complementary profits for live entertainment events, corresponding to the difference between the price paid to suppliers and the customers' sales price.
- *Venue operation* – includes all activities concerning the operation of a venue, such as lighting, video, sound, security, parking and other related services. Its main sources of revenues are the venue's rent and the parking fees.
- *Corporate sponsorship sales* – many companies use musical, sports, cultural and other kinds of events to promote their brands. In fact, sponsorships are fundamental to the economic viability of some major events. Sponsorship revenues may come from different stages of the live entertainment industry's value chain, that is, food, beverage and merchandise sales, venue operation and parking.

The mainstream of the live entertainment industry promotes a large variety of events, including live music concerts, theater performances (musicals and dramatic pieces), cultural exhibitions (paintings, sculptures, photos), sports events and festivals. Consequently, audience demographics and preferences vary enormously, depending on the content being offered.

Increasing at high rates worldwide, the significant market of entertainment business amounted to US$5.7 trillion in 2012, according to Euromonitor's market research, covering 71 countries, totaling 5.7 billion inhabitants. Indeed, population size is key to this business, as well as GDP per capita, since there is a positive correlation between this indicator and entertainment spending as a percentage of disposable income.

Euromonitor also found that the South American live entertainment industry was growing faster than the global average. In Chile and in Argentina, per capita spending in 2012 equaled respectively US$560 and US$326, whereas in Brazil, it totaled US$359, corresponding approximately to a total spending of US$70 billion.

The South American live entertainment industry is fragmented with a great number of participants operating in each stage of the value chain. There is only one company – TF4 – Time for Fun – that operates a vertically-integrated business model, the others being local niche competitors operating at each stage of the business value chain, including event promotion and production, ticketing services, venue operation, and food, beverage and merchandise sales.

Indeed, there is an increasingly number of independent event producers creating and promoting a great variety of smaller events, such as dance parties, sports contests, thematic festivals, VIP lounges in major events, workshops and others, constituting an important subsector of the live entertainment industry. However, due to its great informality it is virtually impossible to enumerate all competitors and there are no reliable statistics available to measure its size and value.

The ticketing services sector

Ticket sales provide the financial backbone to any company or independent event promoter operating in the live entertainment industry. Event ticket sales, in average, accounts for 60 to 70% of sports events revenues and 40 to 60% of music concerts revenues. Moreover, complementary revenues, that is, sponsorships, endorsements, merchandise and food and beverage sales are also dependent on ticket sales figures.

With so many events being promoted, of all kinds and sizes, many event promoters and venue operators prefer to outsource ticketing services, so that they can focus on their core business activities.

As many other industries, ticket sales have also been transformed by the internet, allowing the appearance of several business models during the dot.com boom, but only three of them survived and prospered: the ticket retailer, the ticket marketplace and the solution provider.

The ticket retailer represents the conventional and dominant model. As any other conventional goods retailer, the ticket retailer is the middleman between event promoters and event attendees. Ticketmaster is the biggest company on the global market and constitutes virtually a monopoly in the United States. Founded in 1976, in 2010 it merged with Live Nation to create Live Nation Entertainment. The new company manages artists, merchandise, tours and ticket sales for more than 200 artists, among them, U2, Madonna and Justin Timberlake. To operate, ticket retailers need basically ticket suppliers, that is, promoters of all kinds of events; ticket outlets to distribute tickets offline (physical points of sale), as well as online (virtual point of sale) and a robust software to control its operation. Revenues come from fees applied to event organizers as a percentage of tickets sold and to attendees for convenience and delivery services.

Another existing business model is the ticket marketplace, which is usually a secondary market for ticket sales, where people who bought tickets, and for some reason decided to resell them, are connected to potential buyers. The ticket price is not fixed, being heavily subjected to the market's temporary movements. The resulting transaction generates usually a 25% commission to the marketplace, consisting of a typical 15% commission to sellers and a 10% increase in ticket price to buyers. Like other C2C marketplaces it is also strongly dependent on network effect. Moreover, to count on a considerable number of ticket sellers is paramount, otherwise buyers will most probably head towards the competition. In short, gathering the critical mass, in terms of number of users, is central to this business model. Some competitors on this market are StubHub.com, RazorGator and Viagogo.com.

Finally, the solution providers focus mostly on smaller and less conventional events, such as, small conferences, indie bands concerts, and others alike, helping users to create and manage events; to promote and market events; to sell tickets to events; and to check in attendees. The platform normally charges a general service fee of 2.5%, a fixed fee per online tickets sold, and a service fee of 3% per tickets sold at the event location. Due to the modest percentage fees, a great number of events, as well as a large number of attendees are crucial to the success of this business model. In addition, a solid financial management automated system and competent check in hardware and software are also key to this kind of business operation. The main competitor on this market is Eventbrite, a British company founded in 2006. To enable further global reach, in 2013, the company expanded through two important acquisitions, including Eventioz, the sector's leader in South America. Cvent, founded in 1999, and present in more than 100 countries; Ticketleap, founded in 2003, operating in more than 10 countries; and Xing Events, a German company, with an important presence in German speaking countries, can also be pointed out as important players of the sector.

As reported by Statista, online event tickets sector worldwide[1] amounted to almost US$32 billion in 2016. Revenue is expected to show an annual growth rate of 16% for the period of 2016-2020, resulting in a market volume of around US$58 billion in 2020. The market's most significant segment comprises the sales of cinema tickets, with a market volume of

1 Online sale of tickets for sporting and music events as well as cinema tickets. Tickets for museums, theatres, cabarets or comedy clubs and offline purchased tickets at the point of sale or event location are not considered. Selected region only includes countries listed in the Digital Market Outlook.

approximately US$12 billion in 2016. From a global comparison perspective, figures showed that the bulk of revenues is generated in the United States (more than US$13 billion in 2016).

Bilheteria Digital's domestic trajectory

By 2008, the emergence of a great number of independent event producers in Brazil, coupled with the availability of many technological tools, and the consequent increase of online sales, created the perfect setting for the appearance of the so-called "ticketeiras". Indeed, until 2008, independent event tickets were mainly paper tickets sold at ticket offices at the event venue or other points of sales. There was no real time online control of the whole sale operation and the result was that two weeks before the event, the promoter did not know if there were 1,000 or 10,000 tickets sold. Furthermore, those promoters faced many difficulties to increase the reach on their target audience. The Brazilian "ticketeiras", came up, then, to satisfy these needs, enlarging the reach of independent events and providing control over sales operation in terms of ticket volume, as well as of financial flow. In addition, these new ticket retailers also took over the activity of checking in the audience at the event's door, and powered event's promotion, allowing promoters to concentrate even more on their main core business activities. In short, these companies' business model turned to be a hybrid of two other industry business models: the ticket retailer and the solution provider.

It was also by 2008 that the two predecessors of the current Bilheteria Digital came to life in the Brazilian Midwest. TicPlus was founded by an IT analyst in Goiania, the capital of the state of Goiás, based on a very powerful software to control ticket sales operation. At the same time, the former Bilheteria Digital was born in Brasilia, the country's capital, by the hands of two independent event promoters, who had also had a bar and a night club, but did not possess a software to integrate and control their operation. As both companies only operated in their respective local areas, do not competing for the same market, Bilheteria Digital had the idea of "renting" TicPlus software. TicPlus rapidly perceived that there was an attractive market for licensing its software and soon enough many other companies around the country, mainly in the South and Northeast regions, were generating a new source of revenue for TicPlus, by paying licensing and maintenance fees to use its proprietary software.

As time went by, TicPlus and Bilheteria Digital turned out to be competitors, since promoters from Goiania and Brasilia increased their coverage and started to organize events in each other's cities. Instead of simply breaking off the partnership, the companies decided to merge. As Bilheteria Digital was greater in terms of volume and magnitude of events, the new company kept its brand name. The year was 2011 and when the new company's managers realized that their software was being licensed to 12 other firms all around Brazil, they immediately thought about continue expanding through other similar mergers. Firms among those twelve, showing alignment to the new company's corporate values and target audience were approached and negotiations began. Each negotiation process had its own peculiarities, differing from each other, and consequently, resulting in different corporate structure designs. Those companies that did not fit the ideal profile had their software licensing agreements terminated. By 2016, Bilheteria Digital kept its headquarters in Brasília and was present in 20 out of the 27 Brazilian states with 8 own offices – Brasília, São Paulo, Rio de Janeiro, Goiania, Recife, São Luís, Vitória e Três Lagoas -, employing more than 60 people and hundreds of freelancers. The company also counted on 6 physical points of sale of its own, almost all in Brasília, and a hundred others belonging to third parties.

Bilheteria Digital in Rio de Janeiro

Henrique Cohen Feldman, 4 years older than his brother Guilherme, took a time to engage in a serious romantic relationship, and during 7 years, from 18 to 25 years old, attended parties and night clubs seven days a week. His long journey through Rio de Janeiro's nights generated a wide circle of friends and acquaintances in the independent event promotion's *milieu*. By 2012, Henrique and Guilherme realized that 99% of those events were promoted through Facebook, and had the idea, later copied, of selling tickets through that social media platform, initiating the use of F-commerce to facilitate ticket sales in Brazil. Grounded in Henrique's network with promoters, the Cohen Feldman brothers decided to found Woow Zone, a ticket sales company, headquartered in the city of Rio de Janeiro, to provide services to independent event promoters nationwide. Instead of making a huge investment in the development of a software to control their operation, they signed a licensing agreement with TicPlus to use their proprietary software.

Woow Zone began working primarily selling tickets to parties and other independent events charging fees from 2 to 3%. Audience varied from 500 to 5,000 people in the case of parties, and amounted to 10,000 to 20,000 people for music concerts, especially Brazilian country music performances, a rising musical style in the country throughout the years. At one point, the firm also tried to sell tickets to football games played in the state of Rio de Janeiro, an excellent deal, as the audience was never less than 10,000 people and the fee charged amounted to 10%. However, due to administrative and political issues associated with football stadiums and football clubs' general managers in Rio, these partnerships were not successful. Nevertheless, the company never lose contact with some football clubs, such as Botafogo and Fluminense, investing in the future conquest of these interesting partnerships.

By 2014, the Cohen Feldman brothers were approached by Bilheteria Digital with a proposal for merging. The deal was closed, Henrique and Guilherme kept 50% of the new company, adopted the new brand name, gained access to all the infrastructure provided by Bilheteria Digital, and had their operation restricted to the state of Rio de Janeiro. According to Guilherme Feldman, that was a very advantageous agreement: “we could grow in a year what we would have grown in five if we had continued with Woow Zone”.

From Guilherme’s point of view, to increase the national reach through regional partnerships was an intelligent strategy adopted by Bilheteria Digital. He believes that local physical presence is critical to the success of this business where networking is paramount. According to him, this expanding strategy granted the company its most important competitive advantage in the Brazilian market.

The company’s operation mode

Bilheteria Digital is hired by event producers or event venues – their primary customers – basically to sell tickets to the events’ attendees - their secondary customers. This means that its role is twofold and it must please both direct and indirect clients, engaging on B2B and B2C commerce.

Sales to attendees are held on physical points of sale, as well as over the internet on the company’s website and mobile app. To be successful with final consumers the company must have good communication channels, a good number of physical points of sale, a practical and reliable e-commerce website, a smart mobile app and an efficient after-sales service. It is important to note that its services are not restricted to the tickets sale, since the company is also responsible to check in attendees on the day of the event, ensuring the security and speed of the service. At the same time, to conquer its primary customers, that is event promoters, Bilheteria Digital not only must offer all those attributes but also many others. Transparency and trust are key to this task. The company must be able to report reliable real-time sales information, transfer the money collected with the tickets sale as fast as possible, and prevent frauds. Therefore, to be successful with primary customers, the company must count on reliable, robust and integrated information systems, and provide a high level of service to event producers, who are very demanding, idiosyncratic and often unpredictable.

Bilheteria Digital do not own physical points of sale in Rio de Janeiro, but relies on a great number belonging to third parties. The company seeks to establish partnerships with stores and brand names that show alignment with the target audience of the events being marketed. These third parties points of sale do not earn any payment in cash for their service, but benefit from an increase in the flow of customers to the stores, which ends up generating higher sales volume and institutional promotion. The salesmen of these points of sale are thoroughly trained to perform the tickets sale by Bilheteria Digital. In some special cases, the company offers a commission to the point of sale to be handed over to the salesmen.

The company's intention is to gradually replace the sale of paper tickets by virtual ones. For that matter, it developed an app that allows the customer to buy the ticket at the store and have it stored directly on his mobile. However, Bilheteria Digital has been encountering some resistance of many points of sale to commercialize virtual tickets. In addition, many Brazilian young people do not possess credit cards, a prerequisite to buy online. This scenario will probably change with time, but until then, other solutions must be provided to attend this kind of customer. There are also people who do not want to pay for the convenience fee to buy online and prefer to purchase the ticket at a point of sale or at the event's door.

Besides the printers for the points of sale and the event's door, to carry out access control services, that is, the check in of the attendees, Bilheteria Digital had made significant investments in some other equipment, such as bar code readers and turnstiles. To print paper tickets, the company must also invest on paper rolls and, to enhance security, had heavily invested lately in a much sturdier paper roll, that is tear and waterproof. All this equipment is imported and Bilheteria Digital buy them in Brazil through local representatives. Turnstiles are the most expensive item, with a price of around US$2,000 each. According to Guilherme Feldman, to open a new market it is necessary to buy at least 10 turnstiles, implying on an investment of approximately US$20,000. The equipment must be safely stored and its transportation to the event's door is another cost to be borne by the company. Bilheteria Digital internally developed a software to operate this equipment, which allows the fully integration with the other information systems of the company. They currently count on a team of around 70 freelancers and some supervisors to perform the activity of checking in attendees. Those freelancers are normally undergraduate students from 18 to 25 years, approaching the profile of the events' attendees.

To maintain a high level of services, Guilherme Feldman reports that the company needs to sell an average of 50,000 tickets a month at an average price of R$80 (corresponding to nearly US$26) to pay for its total costs.

Antecedents of the internationalization process

The embryo of Bilheteria Digital's internationalization process was an opportunity arose in Angola, in 2015, when Guilherme Feldman went to Portugal to extend his postgraduate studies in business management. Interested in increasing his knowledge about augmented reality, a new technology trend, which was consistently growing in Europe, he contacted a Portuguese company specialized in that new technology. It came out that the firm was also involved in promoting events in Portugal and Angola, and he was inquired by the company's Director about an eventual future partnership to explore Angola's market. Negotiations did not evolve due to some peculiarities of the African country, which apparently became unbridgeable entry barriers. However, the seed was planted and when Guilherme returned to Brazil, he approached his partners in Brasília to negotiate the leadership of the company's internationalization process.

The Cohen Feldman brothers had a very good academic background and their accurate management capacity was recognized by their partners, who came from different academic fields. Indeed, many of their ideas about how to manage the company, initially implemented in Rio de Janeiro, were eventually adopted nationwide. Moreover, Henrique and Guilherme used to travel to other countries, and had family and friends living all around the world, what facilitated the recognition of opportunities to entry into new countries. They agreed, then, that any business opportunity across borders, which would emerge from the initiative of the Cohen Feldman brothers would be shared on a 40%/60% basis (the minor percentage allocated to the brothers).

One important consideration about Bilheteria Digital's internationalization movement is the fact that the firm already experiences an inbound internationalization flow, when it comes to its B2C operation, that is, when foreigners buy tickets at Bilheteria Digital to attend events in Brazil. In fact, independent event promoters operating in Rio de Janeiro took advantage of the big international events held in the city, such as the Football World Cup and the Olympics to promote a great number of smaller events, benefiting from the huge flow of tourists coming to the city. Guilherme reported that, during the Olympics, that comprised a period of around 15 days, Bilheteria Digital provided services to 100 different events.

From the moment they conquered the leadership of the company's internationalization process, the Cohen Feldman brothers directed their efforts to drive the internationalization of the firm's B2B operation. However, given that there was still too much to conquer in the domestic arena – the market of many cities of the state of Rio de Janeiro were still to be explored - the brothers intended to smoothly manage the process to allow the properly planning of each step. To enter new domestic or international markets, in Guilherme's opinion, demanded great investments, not only financial but also in terms of commitment and dedicated working hours. He remembered a lesson took from his father who used to tell him that "who goes too thirsty to the pot, break the pot".

First steps to international markets

Comparing to other South American countries, Brazil was well ahead in the provision of ticketing services. The huge Brazilian market – 200 million inhabitants - and its intense competition pushed the segment's companies to evolve to high standards in terms of extent and quality of the services provided. Although purchasing power should be considered an important driver, the diversity of promoted events was so expressive, including charitable and free events – with earnings deriving from the sale of foods and beverages - that the market used to turn even during economic downturns. The fact that many young South Americans travelling to Brazil already attend events marketed by the company, in Guilherme's opinion, was a further indication about which new destinations should be explored. Beyond the proximity to the event promoters, Guilherme believed that cultural affinity was also critical to the success of the internationalization process. The Cohen Feldman brothers started, then, thinking about expanding to other South American markets, and their first guesses went towards Uruguay, Chile and Argentina.

Having in mind a gradual internationalization process, Uruguay, a country of around 3.5 million inhabitants, and with no competition, as per the Cohen Feldman brothers, was chosen as a pilot project and other international ventures would depend on the results of this first market test.

During one of his trips abroad, Guilherme acquainted a Uruguayan engineer, who had already had a bar and worked close to event promoters in his country, who became his friend. In December 2015, Guilherme traveled to Uruguay and while staying at his friend's house suggested that they should consider the possibility of becoming partners in providing ticketing services in Uruguay. This new Uruguayan friend had himself another friend, who was his partner at the bar, and was working for Philip Morris, promoting the company's products in all kind of events held throughout the country. His job at Philip Morris allowed him to acquaint many Uruguayan independent event promoters and they immediately thought about him as another potential partner. Guilherme went back to Brazil with the promise that the Uruguayans would research on the market and consider his proposal. The Cohen Feldman brothers had themselves already did some research about the ticketing services sector in Uruguay, but Guilherme believed that, due to their closer knowledge about their country and its culture, the Uruguayans would be able to develop a much more accurate idea about the real possibilities offered by its market.

The first research findings indicated that online ticket sales in Uruguay was virtually inexistent and there were no ticketing services providers using mobile apps to operate. Besides Montevideo, the country's capital that gathered half of the country's population, Uruguay offered also a resort destination, Punta del Este, extremely important in terms of event promotion. A legion of wealthy Brazilians and Argentinians regularly visit the city for leisure and, in Guilherme's opinion, this could also help the internationalization process to succeed. Indeed, there were already many Brazilian promoters organizing events in Punta del Este. Guilherme remembered that Ingresso.com, one important player in the Brazilian ticketing services market, initiated its internationalization process following their clients, who first made movements towards international markets.

By the end of 2016, there were still many steps to go to accomplish and consolidate the entry into Uruguayan market. The Cohen Feldman brothers had already decided that the entry mode should be the establishment of an international sales representative in Uruguay. The Uruguayan partners would constitute a firm to enable such an agreement to be signed by Bilheteria Digital Rio de Janeiro, Bilheteria Digital Brasília and the new Uruguayan company. They are aware of the need to count on the advice of a good lawyer to elaborate this agreement and the associated costs, but as Bilheteria Digital has a lawyer on his staff, no incremental costs would be due. Henrique and Guilherme had already in mind that if all goes well with this partnership, the next market to be addressed by them should be Argentina, with its 44 million inhabitants and a recovering economy.

In the meantime, as not everything happens always as planned, a new opportunity arose in Chile, also through a Guilherme's friend, and negotiations began. Guilherme considered that this could also be a market test for the company's internationalization aspirations.

The Uruguayan operation would basically follow the model adopted in Brazil. The software update and maintenance would stay in charge of the Brazilian companies, but all the other necessary activities to sell and provide the services would be the responsibility of the Uruguayans sales representatives. Still, the Brazilian companies would provide all the necessary support and trips of the Brazilian managers to the country are already planned and would happen whenever deemed necessary.

Although still taking the first steps, Bilheteria Digital has already been having to deal with some important issues that complicated and delayed the progress of the Uruguay's market entry. The translation of the website into Spanish and English, that they thought would be an easy task, end up taking 6 months to be completed. As the Brazilian website was not designed having in mind the company's internationalization, different mechanisms and features needed for the operation to properly occur in foreign countries had not been addressed, such as the payment method choice. Besides, other adaptations were necessary to get control over the data of foreign users, such as how to identify valid Taxpayers' IDs and zip codes. In addition to the development of the website itself, an effective back office should be implemented to support the foreign operation. Mobile apps and different software needed at the physical point of sales and at the event's door should also be adapted.

Another problem that had to be addressed by the Cohen Feldman brothers was related to the company's brand name. They had already decided to translate it into Spanish to Boleteria Digital, but this implied on some more investments to adjust the company's logo and visual identity. As the initials BD could be maintained, those adjustments had proved not be a great problem. By the way, the new brand name would have to be registered in Uruguay and, preferably, also in other South American countries to where the company intended to expand its operations. The Cohen Feldman brothers began to wonder how difficult and costly it could be to address this same question in relation to the English language. It would be interesting if they could find out a brand name that could travel well worldwide, as the one that named their first ticket sales company – Woow Zone.

The brothers feeling was that the tasks were endless….

Future Perspectives

The Cohen Feldman brothers were very excited about the prospects for the internationalization of Bilheteria Digital, but there were still many questions, whose answers had not fully convinced them yet. Was it honestly the best decision to approach international markets incrementally? Since the competitive advantages are relatively easily imitated, would not be more intelligent to already approach some interesting new international territories to profit from the advantages of the first mover? How should them proceed when selecting new territories to entry? Are geographical and cultural proximity undoubtedly important criteria when deciding where to go next? How to be sure that they have chosen the best entry mode?

Would it be reasonable to assume that there must be a universal entry mode for their type of business that should be adopted no matter where?

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Teaching Notes

Teaching objectives

This case illustrates the beginning of the internationalization process of Bilheteria Digital, a Brazilian Ticketing Services Provider, into Latin American countries. It can be used in International Business classes to discuss issues related to motivations to go abroad, country selection, and international operation mode. Moreover, it can be explored in Strategy classes to discuss industry analysis (e.g., the Five Forces Model, cf. Porter, 1980), macro-environment analysis (Piercy & Giles, 1989), competitive positioning (Porter, 1985, Mintzberg, 1988) and the VRIO framework (Barney & Hesterly, 2011). More specifically, the case meets the following objectives:

- Introduce the concept of macro-environment analysis and conduct an opportunities and threats analysis complemented with a strengths and weaknesses analysis (to allow to fill in the SWOT analysis).
- Identify the main characteristics of the live entertainment industry, more specifically, its ticketing services segment, and its *modus operandi*, and assess how industry-specific characteristics can influence many aspects to be considered when deciding to internationalize;
- Analyze the internationalization process of ticketing services providers;
- Analyze facilitators, difficulties and risks associated with the internationalization process of ticketing services providers;
- Weigh up between facilitators and barriers and evaluate the choice between prioritizing domestic operations to the detriment of the deepening of the internationalization process;
- Analyze advantages and disadvantages of different entry modes;
- Analyze criteria to determine country choices.

Sources of information

Data came from personal and telephone interviews with Guilherme Cohen Feldman, one of the authors of this case and partner of Bilheteria Digital Rio de Janeiro's operation. The interviews were recorded and later accessed for details. We also relied on previous analysis of the company and its strategy performed by Guilherme Cohen Feldman during its postgraduate studies in business management under the supervision of another author of the case.

Data also came from secondary sources, such as the company's website as well as inspection of extensive material available on the Web from competitors, consulting firms and business magazines.

Suggested questions for in-class discussion

The following questions are mere suggestions of potential questions that can be applied by the instructor for in-class discussion:

- What are the key drivers of internationalization of ticketing services?
- What motivated the beginning of the internationalization process of Bilheteria Digital? How did its internationalization process begin?
- What are the main facilitators of the company's internationalization process?
- And the main obstacles?
- Which criteria should the company employ to select countries?
- Which entry modes should the company employ?

Suggested analysis

- *What are the key drivers of internationalization of ticketing services? What motivated the beginning of the internationalization process of Bilheteria Digital? How did its internationalization process begin?*

Diverse motivations which drive firms abroad can be explored. Cuervo-Cazurra et al.'s (2015) review of such motivations as well as Benito (2015) and van Tulder (2015) provide good materials to guide such a discussion. In addition, students can specifically examine the differences between manufacturing and service companies' motivations to internationalize. The conceptual model of internationalization services offered by Cicic, Patterson and Shoham (1999) provides a good support for this matter. The model presents the following factors as determinants of the internationalization propensity of service firms: company characteristics; type of service provided; management characteristics; external environment; motivations for internationalization; perceptions and attitudes; and cultural distance.

Furthermore, the decision-making process related to the international expansion of ticketing services providers is undoubtedly influenced by factors related to the destination country, such as level of competition, market size, demand characteristics, cultural aspects and physical distance.

Regarding the specific case of Bilheteria Digital's internationalization process, the expansion mode adopted for the domestic market, which has enabled the company's rapid development and its present broad market coverage, pointed out that this could also happen abroad, and eventually became one of the most important drivers to the firm's conquest of new markets overseas. Moreover, the level of education and managerial capabilities of its partners, their international knowledge and command of foreign languages can also be considered important motivating factors behind the company's decision to internationalize. Indeed, these drivers are extensively presented by the literature as important factors that explain the export growth of firms (Aaby & Slater, 1989; Cavusgil & Naor, 1987; Fernandes, 2011; Swift, 1991; Mavrogiannis et al., 2008).

- *What are the main facilitators of the company's internationalization process? And the main obstacles?*

To discuss factors stimulating SMEs to export, it could be useful to call upon Leonidou et al.'s review (2007). Their work showed that export incentives can be classified into internal and external to the firm and vary according to time, spatial, and industry contexts. Nevertheless, they found out that some factors systematically played an important role in motivating SMEs to export, such as, the desire to increase sales, profits and growth, overcome idle capacity, exploit unique value propositions, avoid threats in the domestic arena, decrease domestic market dependence, and reply to international unsolicited orders. Regarding the specific case of Bilheteria Digital, some export internal and external stimuli can be evoked, among which:

- Special managerial interest and the desire to take advantage of distinctive managerial skills;
- Management trips overseas;
- Potential to obtain extra sales, profits and growth from exporting;
- Possession of proprietary technical knowledge (specially software to control ticket sales operation);
- Unfavorable state of domestic economy and the consequent need to reduce dependence on it;
- Intense domestic competition;
- Close physical proximity to foreign markets that are still not well served.

Export barriers, at their turn, can be explored through the works of Leonidou (2004) and Arteaga-Ortiz and Fernandez-Ortiz (2010). As in the case of stimulating factors, barriers are mainly classified as internal or external to the organization. Leonidou (2004) categorized internal barriers as functional, informational, and marketing-related, whereas external barriers were systematized as procedural, governmental, task-related, and environmental. Lately, Arteaga-Ortiz and Fernandez-Ortiz (2010), at their turn, attempted to homogenize export barriers measurement, clustering them into four generic categories: knowledge, resource, procedure, and exogenous. Concerning Bilheteria Digital internationalization path, some internal and external barriers can be pointed out, among which:

- Difficult access to international market data, due to specificities of the segment;
- Lack of managerial time to deal with the internationalization process;
- Lack of capital to finance internationalization process;
- Obtaining reliable foreign representation and/or partner;
- Different foreign customer habits/attitudes;
- Keen competition in some overseas markets;
- Foreign currency exchange risks;

- Unfamiliar foreign business practices;
- Different socio-cultural traits.

- *Which criteria should the company employ to select countries?*

To expand overseas any firm should employ country assessment criteria that encompass demand and offer characteristics (including the configuration of related industries, that is, suppliers, distribution channels and complementary offers), and macro environment aspects.

Since the competition for events' attendees is more of a local rather than national nature, the analysis concerning demands prospects must focus on the cities to be served, and not the country itself. Nevertheless, the country is relevant since legislation and socio-cultural aspects affect the business.

The firm should inquire about the regulations related to the service it offers, including laws and taxes. In addition, psychic distance issues should be considered, such as, differences in business practices, types of contracts, marketing and promotion practices, degree of expected personalization of the service and verbal interaction and physical contact between service provider and customer. (Johanson & Vahlne, 1977; Prime et al., 2009).
The legal environment is also relevant, that is, enforcement of contracts, conflict resolution, and profit remittance rules among other issues, should be examined when deciding where to expand.

Another important aspect of the decision-making process about countries selection is the economic environment. Issues such as population purchasing power, exchange rate volatility, competitors' pricing policies and substitute services are of utmost importance when it comes to choose a market to conquer.

The main motivation for Bilheteria Digital to go abroad was the quest for new markets (Dunning, 1988) and country selection was made considering markets that presented social-cultural similarities to Brazil and minimize psychic distance (Anderson & Buvik, 2002), as evidenced by the choice of expanding first into other Latin American countries. However, Bilheteria Digital must also consider the possibility of expanding to other psychically distant countries to avoid the risk of missing the opportunity of establishing a pioneering advantage.

- *Which entry modes should the company employ?*

The choice of market entry mode is crucial for a few main reasons. Some entry modes require significant investments, and to change it in the middle of the process may involve even more relevant additional investments, not to mention the damage that it may cause to the new entrant's reputation. Furthermore, building durable and solid relations with foreign partners is a long-term task, no matter the type of entry mode involved. Finally, establishing an entry mode implies not only dealing with marketing issues, but with organizational and cross-cultural management issues as well. Analyzing foreign entry experience for service firms has its own specificities. Ekeledo and Sivakumar's work (1998), Blomstermo et al.'s research findings (2006) and Sarapovas et al.'s analysis (2016) can be very useful for that matter.

Inseparability, i.e., the total concurrency (or partial) between production and consumption is a very important characteristic of ticket sales services. This means that the provision of such services necessarily involves the interaction between the client and the service provider, especially with regard to the final customer, that is, the events' attendees (Aharoni, 1993; Cicic et al., 1999). In fact, this specific feature tends to significantly influence the choice of entry mode. Moreover, it is also important to note that in addition to the physical movement of the service providers per se, international trade of ticketing services may involve the use of information, communication and e-commerce technologies to deliver part of the services to be provided.

Given those circumstances, finding partners in foreign markets seems fundamental for Bilheteria Digital to be able to expand quickly and better understand and deal with social-culture differences and psychic distance issues.

Advantages and disadvantages of venturing alone versus partnering can be examined, focusing on service firms' peculiarities. Partnering has the advantage of preventing the firm from investing heavy financial and managerial resources. For example, sharing operations' control with partners demands more financial and managerial resources than licensing, franchising or the mere hiring of an international commercial agent. Yet, these entry modes provide less control over the activities overseas and carries the risk of opportunistic behavior of foreign partner, and can even give birth to a future competitor. In addition, there is also the risk of lacking commitment from the licensee or franchisee.

In its first steps to internationalization, Bilheteria Digital has shown a preference for joint ventures over other entry modes to maintain the essence of its service and, most of all, to potentialize its learning process about foreign markets.

Finally, students can be led through a SWOT analysis (Pickton & Wright, 1998) to identify Bilheteria Digital's strengths and weaknesses over its main competitors and substitutes, and to assess opportunities and threats posed by domestic and international external environments. Porter's (1980, 2008) five forces model of the industry structure can be a helpful analytical framework for this exercise. Indeed, defining the proper industry frontier, that is, the relevant competitors and substitutes of Bilheteria Digital's services should be considered another relevant exercise (Day, 1997). The discussion of the firm's resources and competences and whether they fit the VRIO (Value-Rareness-Non-Imitability-Organization) framework of the Resource-Based View should also constitute an interesting discussion issue (Barney, 1996; Barney & Hesterly, 2011).

Some important challenges and risks for ticketing services sector are emerging from the development of new technologies. Moreover, the industry's future rapid expansion is evidenced by recent surveys. Consumers of developed countries, such as United Kingdom, find online tickets purchase the quickest and most convenient way to buying events' tickets and adopt it not only because of these attributes, but also because they consider it to be environmentally friendly and more secure. From new software to wearable technology, mobile solutions and new payment methods, the online ticketing services providers are daily faced with the challenge of adapting to all these novelties in order to maintain their competitiveness. All these issues can be addressed during class discussion of the case.

Suggested dynamics for managing discussion

Two suggested dynamics can be used:

1. The instructor can organize a small groups discussion session of about 15-20 minutes, where the students express their opinions to colleagues and listen to others'. Arguments and ideas from diverse points of view enrich the analysis and understanding of possible decisions. Smaller discussion groups have the advantage of helping the shyest students participate. After discussing the case in small groups, a discussion session involving the entire class can follow. It should be made clear that students are not required to reach consensus together with the other members of their small group. The idea behind the small-group discussion is to bring forth new perspectives that had not emerged when the students analyzed the case on an individual basis. However, in the open classroom discussion, each student should be encouraged to freely state his/her own opinions.

2. Another dynamic is to ask the entire class who believes the company should opt for decision “X” and who believes they should choose decision “Y”, as well as who does not have a completely formed opinion about the matter. Next, the students who recommended decision “X” can present their arguments and enter debate with students supporting decision “Y”. The idea is that as the discussion unfolds, which can be organized to allow 10 minutes for each question found in the case, the students who do not have a completely formed opinion can decide upon which group they agree with. At any moment, the students (including those who initially formed groups “X” and “Y”) can change their support to either group, or to those without a completely defined opinion.

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