

Planning to Enter a Foreign Market

By BNET Editorial

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Foreign markets can be very attractive to a business looking for new customers, especially when its home market is becoming saturated. Such an expansion, however, needs to be thoroughly researched and carefully planned to ensure that the timing is right. To begin with, a business needs to have successful products or services close to home. It is essential to proceed from a strong financial position if you want to develop markets abroad.

You will need to have the full commitment of the members of your management team, which will depend on their in-depth knowledge of the time, effort, and resources the export venture will require. Their support will be critical to overcoming the many (and unexpected) hurdles of entering a market. Be prepared to delay pursuing your ideas until everyone is “on board.” Once this commitment is solid, you can develop the plans, capacity, and systems for your business to launch its export program confidently.

Thorough analysis and understanding of the market you want to enter is vital. Your research and PLEST (political, legal, economic, socio-cultural, and technological) analysis should provide you with insights and help determine whether or not this is the right time to enter an export market.

What You Need to Know

How long will the planning process take?

You can be winning and writing your first export orders within six months—if, that is, you can fast track the planning and development process. On the other hand, the circumstances of your business might require a year or two before you feel comfortable exporting. As a practical guideline, you could aim at achieving some progress within a year, but be aware that unexpected problems might force a longer timeframe.

Should I attempt to pioneer new markets?

There is obvious merit to being among the first to exploit a new export market, but the risk of being a pioneer may outweigh the possible benefits. Pioneers usually are businesses with deep pockets, while those that follow them into uncharted territory have learned from the initial mistakes the pioneers made. When considering the timing of a new market entry, be aware of all the unknown factors that could cost you dearly. Then start with small orders, after making sure all agreements are in writing and signed by all participating parties.

What to Do

Perform a PLEST Analysis

A PLEST analysis of the market you plan to enter will ensure that you appreciate all the political, legal, economic, socio-cultural, and technological factors that can affect your effort there. Here's what to consider in detail:

- *Political factors* The political arena influences business regulation and the spending power of consumers and existing enterprises. Consider issues such as: How stable is the political environment? What is the government's overall economic policy? Is the government likely to change tax regulations soon? What is the government's position on marketing ethics? Will your product be protected by copyright? How does the government view culture and religion? Is the government involved in regional trade agreements?
- *Legal factors* Statutes governing commerce vary by country, of course, so it's essential to understand how they will affect your activities. For instance, can you establish your own subsidiary company? Or must you have a local partner? Do existing or proposed laws give domestic companies significant advantages over foreign firms? It pays to find out.
- *Economic factors* Consider the state of the economy you are planning to enter. You need to look at interest rates, inflation rates, employment levels, taxes and fees on foreign businesses, the cost of employee benefits, long-term economic prospects, and gross domestic product. Determine whether you can use available distribution channels or must develop your own distribution network.
- *Socio-cultural factors* The social and cultural influences on business may be very different from those in your own country, so consider questions such as: What is the dominant religion? Its influence on business? What are the attitudes to foreign products and services? How does the native language affect which products succeed in the market? How much time do consumers have for leisure? What are the respective roles of men and women within society? What is the average life span and birth rate? Are the older generations wealthy? Does the population have strong opinions about environmental issues? What is the common work ethic?
- *Technological factors* The use of technology may be vital to your competitive advantage, so consider these questions: Will technology help reduce the cost and quality of products and services? Do the technologies offer consumers and businesses more innovative products and services, such as Internet banking and new generations of cell phones? How is distribution altered by new technologies? Does technology offer businesses a new way to communicate with consumers?

Set Objectives Based on a Timetable

Within the constraints of your particular business and sector, set some time frames that you can use to measure the progress of your effort. You need to consider the level of funding available to

implement your plans, the revenue and cash flow that you expect from your capital outlay, the extent to which exports will strengthen your current position, and the extent to which exports further the overall mission of your business.

Test and Adjust

Include in your export development plan ample time to test market your product and to make any necessary adjustments. Do this before launching a full-scale marketing campaign so that you can deliver—right from the start—a product or service that meets all local requirements.

Expand Accordingly

From your market research, you will develop sales forecasts to help develop production and supply plans. When planning your export launch, make sure you give yourself enough time to employ and train the necessary people and to install the systems you will need to meet the demand you expect. You will be working hard to get new export customers, but you will not be able to keep them if you have not developed the capacity to deliver what you sell.

Remember That Timing Is Everything

There will be factors unique to your new market that you need to consider when timing your entry. The revision or removal of certain trade barriers or customs duties could present an ideal opportunity to launch business and grab a lead over competitors. There may also be certain times of year that naturally generate more sales in your sector, particularly if it is seasonal. You would need to consider any supply side conditions, too: If you are exporting fruit, for instance, better to enter the market when those fruits traditionally are in short supply than when domestic growers are able to satisfy the lion's share of demand.

What to Avoid

You Rush In

The size of a market is no guarantee of its willingness to embrace new competitors, especially foreign ones from afar. Indeed, large markets are often those most heavily contested by big and small players, due to the high stakes. Take your time doing research and finding the best point of entry.

You're Unrealistic about Potential Returns

Most small businesses will find export efforts constrained by limited funds and resources, so tailor your export plan to fit your individual situation. In turn, be careful not to expect miracles from a new market. An agent or distributor might give an overly optimistic sales forecast; you need to know enough about the market to make a realistic assessment of such forecasts, so that you don't expect too much too soon. This can be particularly dangerous if your export effort is drawing on cash or resources vital to your primary domestic markets.

You Ignore the Details

Trouble can arise in the most unlikely places. For example, the literal translation of a slogan Pepsi-Cola once took to China was "Pepsi brings your ancestors back from the dead"—not a winning set of words in a country that reveres the preceding generations! Product names themselves can be equally troublesome, such as the automobile whose equivalent in its new Spanish-speaking market was "no go." Its ambitious marketing plans didn't either.

Where to Learn More

Books:

Morrison, Terri and Wayne A. Conaway. *Kiss, Bow, or Shake Hands: The Bestselling Guide to Doing Business in More Than 60 Countries*. Adams Media, 2006.

World Bank. *Doing Business 2007: How to Reform*. World Bank Publications, 2007.

Web Sites:

Export.gov, "Pre-formatted tables on export totals for all 50 states to the world":
<http://ita.doc.gov/td/industry/otea/state/>

Jeff Wuorio's "6 tips for launching a business overseas":
[www.microsoft.com/smallbusiness/resources/startups/business_opportunities/
6_tips_for_launching_a_business_overseas.msp](http://www.microsoft.com/smallbusiness/resources/startups/business_opportunities/6_tips_for_launching_a_business_overseas.msp)

Thomas Global Register: www.thomasglobal.com/Default.asp?bhcp=1

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