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Key Marketing Resources & Associates

Ensuring your First Success in International Expansion

(with some comforting advice on three pitfalls and how to avoid them).

First steps …

So bravo, you've made it big in your home market! You started as a small company with a novel idea, worked diligently with those first loyal customers to overcome teething problems and get things up and running, and from these humble beginnings you've finally crossed the sales and marketing chasm to arrive on the up-side with a mature, proven product or service. After you've gone through all that, attempting to bridge the international divide and expanding abroad should be child's play - you've done all the hard stuff already. But don't get so gung-ho about that big leap that you ignore some of the pitfalls that may await you at your new destination.

Now, don't get me wrong, international expansion can be the best decision any company ever made to increase its revenues and market share, even though globalization has got a lot of ill-defined negative press recently. As a quick comment on this hot issue, to my mind the opposite of globalization is isolation, which long-term never benefits any economy. I've never heard of anybody complaining about being able to buy a bottle of French champagne in a U.S. supermarket, so go global! You can do it!

However, cautious optimism and detailed planning is the best way to ensure success, and of course learning from other people's mistakes is a more relaxing and less expensive way of conducting business than devising your own trial and error crash course.

As a global expansion company that provides a range of services to help you along the road to success, we can assure you that there is a wealth of expert guidance out there that understands your current position and can evaluate and facilitate your future goals.

So let's look at three general pitfalls, and how to side-step them. There are certainly a lot more specific issues out there, but three is always a good number for broad blanket categories, and this is a short article, not a novel, so here we go!

Pitfall number 1: If our product sold at home it must sell abroad.

Not a bad assumption on the face of it, and you may well be right. Most developed societies have a similar infrastructure, and most underdeveloped societies are striving to get comparable infrastructures and efficient business processes in place as fast as possible. The trend towards globalization also makes international commerce easier at multiple levels, and some people abroad even speak the same language as you, bless them!

However, if your company has grown organically, i.e. through steady growth from inception to its current state, then there are differences in the way a point attack on a new market should be structured. If your company has grown through substantial mergers and acquisitions, then this strategy can be replicated abroad, but you still need to bear a few points in mind.

In your home market, your range of products and services complement each other, but may be too broad as you expand overseas. For maximum efficiency and chances of success in the new market, you need to determine your core offering that best expresses your differentiator in the optimal niche market and focus on that alone.

To increase your efficiency, you may also need to determine which industry sector to focus on. For example, being a specialist for the insurance industry may well be better than offering product and services to the financial sector as a whole. Articulating business benefits around an industry vertical gives you that extra competitive edge when previous successes have been in that domain – credibility is all-important and proven execution in a specific business sector is what customers are looking for.

You may well have built up some brand loyalty amongst your customer base. However, your reputation has less of an impact abroad, so that your product or service has to stand on its own two feet in its new market and against the established domestic competitors.

Support is also an issue – it's possible to support a wide range of products and services close to home, but more difficult abroad, especially with language and time zone barriers.

So get lean and mean – resolve your core competencies and product, and spearhead with that.

Pitfall number 2: Too much money - we can't fail if we spend enough cash on this.

With just a hint of sarcasm, I can say that most people will agree that this has become less of a issue recently -- in the current economic climate there are substantially fewer companies suffering from the thorny problem of having too much cash. There are in fact substantially fewer companies period! However, be careful, you might exceed your wildest expectations and find yourself in the fortunate position of having a stack of loot and therefore being a prime candidate for a headlong dive into this pitfall.

There are numerous examples of this from the bygone era where venture capital funding was more abundant, generally taking the form of a company moving into an extensive office suite and importing managers, sales and support staff. Then everybody tries to figure out if there really is a market for their product and services out there, where exactly it might be, and oops, bumping against unexpected competition. A common end scenario is a lot of vacant office space a year later.

The flip side of this coin, and to be perfectly honest a lot more relevant these days, is that expenditure on international expansion can be gradual and limited.

Spend some of that cash on testing the market first to determine your best product/services profile, and then of course do some math to figure out if you can really make a profit with it. This reiterates a previous point - the most efficient spearhead for your new market entry is a crucial decision.

Once you've made the decision to enter into a new country, a lot can be done with a relatively small cash outlay during the initial stages of implementation, namely seeking out first customers and partners. You can use local sales consultants, who know their own back yard better than you, and will probably have more rapid initial successes than your hot-shot sales rep transplanted from home base. The first intrepid flag-bearer from your headquarters might in fact be a technical project manager, who can serve as pre-sales support for the sales effort and work on project definition for new contracts.

Setting up a full-blown subsidiary of your company might then come at a later date, as you gradually ramp up the organization to keep pace with prospective clients and new projects, when there is some revenue stream and more certainty of long-term success. In addition, tax authorities both at home and abroad start to take an interest in what happens at the head office and the subsidiary, so keeping it simple for as long as possible minimizes risks and headaches. When you finally do need to commit to a strong local presence, then it's because you have the contract that will support that investment. And finally don't forget those local government subsidies, incentives and tax breaks that are often available to foreign companies that set up subsidiaries that create local employment and tax revenue.

Pitfall number 3: I built up the company by myself here, I don't need help abroad either.

People who build successful companies have a lot of characteristics in common – a belief in themselves and their business vision, attention to detail, and quite frankly, they're often control freaks. They want to control the evolution of their company abroad in the same way as they controlled it at home. But if you're the do-it-yourself type, then you're going to be burning up a lot of time and hard cash on the plane and in hotels, and you'll have to occupy all of your spare time on those planes and in those hotels reading up on the way the locals do business if you really want to set everything up personally.

Very often, the type of person that successfully grows a small company from scratch to the point where there is a solid customer base and a healthy revenue stream might not be the best person to guide the company through the next level of expansion. Initial organic growth may be replaced by more extensive partnerships and distribution channels, as well as mergers and acquisitions. The successful recipe for international expansion is definitely more akin to this second phase of development than to the initial phase of organic growth, with a corresponding requirement for a new set of managerial skills.

So learn to delegate. There are boutique firms out here that can help you out. A boutique firm offers specialized services to a select clientele, and you're the select client who needs those specialized services to make sure your expansion is carried out as efficiently as possible. Your cash can buy excellent professional services rather than round-trip fares.
Here are some of the core services that can help you plan and then implement on the ground: Initial market assessment and strategy, business planning, outsourced sales, office location assessment, lease negotiation and set-up, legal counseling on international business agreements between countries, interim financial planning, accounting and tax planning, recruitment, ongoing human resource management ….phew! Try doing all that yourself!

A happy ending …

Making that international move is easier than you might think if you plan ahead and take a step-by-step approach. Enlisting the services of professionals who know how it should be done minimizes risk and expenditure, and ensures that you navigate through the new business terrain and realize your goals in the most rapid and cost-effective way – go for it!