Launching Your Business in a Foreign Country
. . . . A Market Entry Guide

– by Lawrence P. Howorth, Richardson Economic Development Partnership

Companies in the USA know that there are many growth opportunities in foreign markets. While they are considering exporting or setting up their businesses in a foreign country or partnering with an entity (distributor, agent, etc.) in that country, they must proceed with caution to gain the most from this expansion while avoiding risk and in some cases, failure!

While international expansion can be fruitful for the USA company, it also represents enormous challenges that need to be faced by small and mid-sized companies (SME's/Scale-ups). Often, they have limited financial and personnel resources and limited knowledge of the foreign market. And competition in the foreign markets are formidable and not being properly prepared to enter the foreign market can result in unacceptable performance, wasted precious financial and personnel resources and create a poor company image with potential customers and business partners that can inhibit initial and long-term success.

There are **SIX FUNDAMENTAL STEPS** to consider when your Company decides to enter a foreign market:

1. **Assessing YOURSELF / ORGANIZATION**
2. **Choosing & Assessing your TARGET MARKET**
3. **Assessing your PRODUCT(s) / SERVICES / Solutions**
4. **Developing a thorough *MARKET ENTRY PLAN***
5. **GATHER your RESOURCES & SUPPORT**
6. **MANAGE the International Initiative & EXECUTE on your PLAN!**

1. Assessing YOURSELF / ORGANIZATION

- Does this Market Entry initiative have the support of the key stakeholders of the Company?
- "Size" alone does not guarantee or limit "Success".

- Success in one-off sales or in one country DOES NOT GURANTEE SUCCESS in another country.
- Beware the MYTH – "The Costs of International Expansion will be paid by the Profits from that expansion". Profits are often unpredictable in the early years and your budgeting needs to allow for this.
- Cultural/Business sensitivity – are you willing to accept different business and social cultures?
- Entering a foreign/overseas market will require INVESTMENT. Are you prepared for that?
- Beware the possibility of an International Expansion having a negative effect on your existing organization.
- What is your financial Risk tolerance – unexpected costs of entering the market.
- Are you ORGANIZED with the appropriate experience and resources to enter the foreign market – International advisors, etc.?
- Do you have a local in-country support group – Bank, Attorney's, CPA's, Consultants – experienced in your business needs in the target country – SOFT LANDING RESOURCES?
- Are you COMMITED to the expansion as success may be longer term?
- Is this expansion a Strategic/Competitive Necessity for your Company compared to an easier expansion in your home country – the USA?

2. Choosing & Assessing your TARGET MARKET

- You have chosen the foreign market – have you compared this choice with entering other markets – costs, size of market?
- Have you done your MARKET RESEARCH on this target market – customers, buying/distribution process (agents, distributors, joint ventures), resources/talent supply and costs, similar products/services (competition), growth of the market, regulatory requirements, landed cost (customs duties, transportation, localization)?
- Do Free Trade Agreements apply? (The USA has free trade agreements in force with 20 countries Australia, Bahrain, Canada, Chile, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala, Honduras, Israel, Jordan, Korea, Mexico, Morocco, Nicaragua, Oman, Panama, Peru, Singapore.)
- What is the Political, Social & Economic Risk? This is not so important for some foreign markets but extremely important in other areas of the world.

3. Assessing your PRODUCT(s) / SERVICES / SOLUTIONS

- Is (are) Your Product(s) / Services / Solutions "Export-Ready"? Have you done a product selection and SWOT (Strengths, Weaknesses, Opportunities & Threats) analysis of your product(s)/services/Solutions? Not all may be "EXPORTABLE" or transferrable to a new country.
- Have you considered the efforts/costs of internationalization (packaging, measurement, i.e. metric, language, maintenance/support, documentation, regulatory requirements).
- Have you considered the efforts/costs of export or transferring solutions - transportation, customs duties/taxes? (See Free Trade Agreements Above).

- Your Industry – what is the involvement of your industry and competitors in delivering to the new market? Is there a reason they are/are not doing this?
- Is your product(s)/services/solution potentially exportable or is it focused on your local market?
- Where does your product(s) rank in your home market – leader, also ran, price competitive, quality, IP protection?
- Country of Origin of the product/components – this can determine customs, taxes, Free Trade Agreement application.
- Take care that your product/solution/service can be easily replaced by a similar product/solution/service - in other words you should look at potential competition WORLDWIDE even though you are focused on a particular country.

4. Developing a thorough MARKET ENTRY PLAN

- **Part One: Develop your Management/Financial/Human Resources Strategy**
  - a) Effect on Current Business/Management
    - i. Anticipate distraction from current day-to-day business.
    - ii. Anticipate the drain on human resources.
    - iii. Plan for the human resources/outside assistance needs.
    - iv. Understand the knowledge base/experience required.
  - b) Financial:
    - i. Consider the cash dedicated to the Product(s)/Services/Solutions being introduced to the new market – what is the Budget?
    - ii. What kinds of Bank covenants are required, i.e. foreign sales collections & management?
    - iii. What is your currency risk and how will the repatriation of earnings be managed?
    - iv. What is your financial risk tolerance, unplanned (strikes, etc.)
  - b) Business Structure:
    - i. Often this should not be decided until Parts 2 & 3 of the Market Entry Plan are completed. Forms can include a) a foreign subsidiary (C-Corp./LLC) or branch with a single or multiple geographic offices or b) a joint venture with a foreign company or similar structure.
    - ii. This decision should be made in conjunction with the home company's existing requirements.
  - c) Presence/Location in the new market/country:
    - i. Do you plan to set up an office(s) in the target country and hire local staff?
    - ii. Do you plan to send home-company employees to the target country to run the business or hire local management to start and run the business?
    - iii. Have you considered the right geographic location to situate in the target country?

a. Somewhat dependent on the structure and staffing-support requirements of the business.
b. Variables to consider in selecting the appropriate location:
    i. What location can best serve the time zones as it may better to be centrally located to minimize travel and provide office hour coverage to both east coast and west coast customers and partners that need to be covered?
    ii. Where are your target customers and partners located?
    iii. Where can you find employees with the technical expertise for your product(s)/services/solutions, industry/ technology clusters?
    iv. What is the proximity to universities & colleges (especially those doing research in your industry)?
    v. Where is the most cost-effective place to set up headquarters?
    vi. Where would you find competitive wages?
    vii. Where would you find low taxes, a high standard of living/ good lifestyle?
    viii. Are there potential city, state and local business incentives?
    ix. Where is a business-friendly state and local government with minimal regulation?
    x. What is the proximity to a major airport hub for lowest airfares and best market coverage?

d) More on the Culture differences between the USA and your target country:
    i. The challenges of language and cultural differences are the most obvious ones that need addressing for any foreign company. Knowledge of the language in the target country or working with English speaking resources is critical when dealing with customers and partners, but knowledge of cultural differences and business practices, methodologies, ethics and rules are equally important for any USA company to grasp when launching their business in the foreign market.
    ii. Consider having employees from your USA headquarters that will be involved in the foreign business launch to brush up on their local language skills.
    iii. Consider hiring a cultural business coach to assist employees being assigned to the project to be aware of business practices and ethics in your target market. The laws of the USA may not apply to the foreign country regarding business-conduct and there can be big legal and financial liabilities for the employees and the company.

iv. Your country USA embassy or consulate or USA in-country-chamber of commerce in the target market can be a good source for the rules, ethics and policies.

- **Part Two: Develop Product/Services/Solution Strategy**
  a) What is the similarity of Product(s)/Services/Solution in the USA vs the Product(s)/Services/Solution you are planning for the new market?
  b) Are you considering competing on price?
  c) How strong is your brand in the USA?
  d) Is there a need for regulatory compliance (medical, electrical, measurement, etc.)?
  e) What is the Cost structure for delivering the Product(s)/Services/Solution to the end customer?
  f) Is your documentation and software localized (for the new market)?
  g) Have you secured beta sites in the target market prior to the launch to use as product testing sites and potential reference accounts?
  h) Are all major bugs identified and have they been fixed to ensure a successful launch to gain referenceable customers?
  i) Do you have a high confidence in product quality, reliability and supportability (any major failures and poor first impression could take a long time to repair and establish a good company reputation)?
- **Part Three: Develop your Marketing & Distribution Strategy**
  a) Determine the Sales & Distribution Channels:
     i. Are you considering a Direct Sales model to end customers with foreign country-based sales personnel and supervision from home-country (USA) management and occasionally send company managers to the foreign market to build, interface and support your channels?
     ii. Are you considering an Indirect channel?
        a. Sales Agent – Acts as a Commissioned agent
        b. Distributor – Customer is the distributor
        c. Do you plan to use channel partners to distribute and sell your products and services versus direct selling presence?
        d. Is your technology better suited to licensing to OEM vendors versus building your own brand?
     iii. CONSIDER the PROS/CONS of INTERMEDIARIES (Distributors, Agents., etc.) and the effectiveness of each.
  b) In the case of Products Consider the longer term for the product(s) – can it (they) be manufactured or assembled in the target and what are the advantages/disadvantages (duties, labor, etc.)?
  c) Doing this assessment at the time of market entry planning highlights a number of factors:
     i. Cost flexibility
     ii. Market acceptance
     iii. Competitive advantage in the market

d) Do you (will you) have sales and support organizations in place (outsourced reps, direct sale force, resellers, distributors, OEMs) and a program to train them on the products prior to the launch?
e) Who will install and support your products? Will you have local target country-based on-site support, phone support, customer service?
f) Will you need 24/7 support coverage?
g) Have you considered what 3rd party plug-in or solutions are needed for your product/service/solutions and is that 3rd party solution available in the target market?
h) Do you have a Sales Launch Plan complete?
    i. Start planning a product sales launch six months prior to the launch date.
    ii. A coordinated effort with engineering, production, marketing, sales, support, logistics and order entry will be required.
    iii. Everyone must be ready with their part of the process before you launch. Doing these things "on-the-go is risky.
i) **Develop a detailed Marketing Plan**:
    i. KNOW and UNDERSTAND the foreign market and HOW your product(s)/Service/Solutions are currently sold and distributed!!
    ii. Engaging an experienced in-country Marketing Agency that has experience with Companies entering the foreign market is critical. Many solutions are marketed on-line so ensure that you are prepared for this.
    iii. Are your target markets and target customers identified?
    iv. Has a competitive analysis been completed to provide adequate product positioning, pricing, licensing, services offerings?
    v. Is your advertising and PR campaign properly aimed at your target customers?
    vi. Are your website and sales materials updated to accommodate the new market? To do a successful business in the target market you must look like you know the market and the local language.
    vii. Have you worked with a PR firm to schedule a press and analyst tour to maximize launch exposure?
    viii. Do you have local customer references documented and success stories available to the sales team, channels, press?
    ix. If a technology solution, have you had your product reviewed with third party testing organizations?
    x. Have you targeted strategic partners and developed a business relationship with them to leverage your sales efforts?
    xi. Are there on-going marketing programs after the launch to maintain lead generation?
    xii. Have you mapped out and committed to key industry event participation such as trade shows, and other conferences for maximum exposure?

- **Part Four: Incorporate your Market Entry Plan with your Company's overall Business Plan**
    a) This is essential, especially depending on the size of the international expansion relative to the size of the Company.
    b) Attaching the Market Entry Plan to the Overall Business Plan for the Company elevates the importance and visibility of the effort.
    c) The Market Entry Plan for the target market should have its own Financial Model that fits with the Business Plan of the Company – one plan for each market.
- **The Market Entry Plan has to be a living document that is updated as new information is received.**

5. GATHER your RESOURCES & SUPPORT

- Choose a senior Key Contact that has the ability to make (or get) decisions expediently.
- Assemble local in-country resources to guide you through this process. There are external consulting organizations that specialize in this process.
    a) Have you engaged with a legal firm to start the incorporation process, handle legal issues such as office lease agreements employment agreements, governmental documentation requirements (federal, state, local)?
    b) Have you set up a banking account in the target country with a bank that can handle currency exchanges between the USA and your target country?
    c) Have you identified an accounting firm (CPA) (or contract staff) to handle issues like payroll, taxes, billing and accounts receivable/accounts payable?
    d) If you plan on sending company employees to the target country, have you found an immigration lawyer to assist in acquiring proper visas?
    e) If you plan to hire local employees have you found a professional recruiting organization to help find qualified talent or a local contract personnel firm?
    f) If necessary, have you selected employee benefits providers for company health, dental, vision insurance or do you plan to outsource this function to a third-party Human Resources outsource firm?
- There are International Advisory Firms experienced in managing this expansion for you and should be considered if you do not have experience.
- Choose your external resources wisely!!! Use them wisely!!!

6. MANAGE the International Initiative & EXECUTE on your PLAN!

- Focus on the "WHY" you are considering expansion into the new foreign market and execute against it.
- Monitor and reassess at the CEO/Managing Director level – Senior management must focus on staying in contact with the foreign initiatives at all times – delegation can be dangerous and small companies often don't have the staff/experience to have this responsibility delegated.

- Don't be afraid of "pulling out" or terminating and plan for this risk as often companies don't have the resilience to withstand costly failures – again high visibility a must.
- Small companies often want to boot-strap a global initiative. Ensure that you have the financial resources to enter the new foreign market. (FINANCIAL PLANNING).
- If it is not already in your Company, you need to establish a "global" culture within your organization – understanding the foreign market is "different" from your home (USA) country in many areas.
- Understand the resources requirement – time, $$ and effort – all of which are substantial – and manage accordingly.
- The length of time to get established in the foreign market must always be considered and managed – and it is critical to a small business's financial planning.
- Ensure there is CLEAR communications between senior management and vendors, customers, partners and business advisors during this process.
- Beware of filtering and set up a dual information channel where key information is available from different sources (information sources are not "simply "in the next office" but often thousands of miles away!!

This **Market Entry Guide** is not meant to be a complete list of considerations when preparing your Company to enter a new foreign market.

The ***Richardson Economic Development*** Partnership enjoys the services of an award-winning **SOFT-LANDING** program, consisting of experienced service providers prepared to engage with your company assisting companies entering the USA (and North American) markets and locating in Richardson, Texas and many also have experience with USA firms expanding into foreign companies.

- *2017-18 - "Best of the Best Soft-Landing Programs" – (Financial Times of London)*
- *2017-18 - Ranked "Best of the Best" Soft Landing Program – (fDi Magazine)*

Any questions? Please Contact:

Lawrence P. Howorth, Director, Mayor's Office of International Business

RICHARDSON
ECONOMIC DEVELOPMENT PARTNERSHIP

411 Belle Grove Drive
Richardson, Texas USA 75080
Phone: +1 (972) 792-2814
Email: LPHoworth@telecomcorridor.com - Website: www.telecomcorridor.com