Removing the uncertainties of global expansion for your business

Moving anywhere right now is something we don’t need to put too much thought into, it’s either a jog around the block or taking the dog to the local park – no sitting! Yet, as with all things, the threat of COVID-19 will diminish and us entrepreneurs, perhaps more than ever, be ready to spread our wings and take to new destinations in search of market expansion.

At smaller firms, it is usually a combination of the CEO and CFO that decides a company’s next global move whereas the preliminary task of identifying a new location for Corporates is often left to their business development teams. As I have spent many years working with both, I’ve noticed some common pitfalls they make when growing their businesses overseas.

There are six things all companies should do, but 90% do not when moving into a new market:

1. Detailed location research
2. Cost of operation analysis
3. Adapt product offering

4. Empower local teams
5. Channel to market strategy
6. Tapping into local networks

Firstly, detailed location searches. Executives tend to think about overseas markets in vague regional terms (e.g., “We’re shifting our focus to Europe,” or “We’d like to double our growth in Asia”), but this simple approach has drawbacks. Companies need to remember that every country/city has its own local laws, cultural norms, forms of currency and payment, and unique business practices.

It’s essential to break up broader geographic “markets” into individual countries and cities. Being more specific from the beginning helps tremendously with prioritising one market over another, producing cost of operation analysis, creating a staffing plan, and budget allocation—all of which are necessary for helping a company achieve its desired global goals.

Research into local markets has to be aimed at understanding the market size, the talent base available, the fiscal environment, and where your product can fit in. Many companies fail to think about these basics of product positioning at the country level and overlook things like strong local competitors.

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Secondly, cost of operation analysis. Developing a global market entry strategy requires more complex and specialised market research. In the vast universe of data that can help you determine the locations most suited to your business, the most important data points are: 1) how much estimated opportunity is available in that market, 2) how easy it will be for your company to do business in that market, and 3) how many businesses similar to yours have succeeded in your new location. Many companies rely heavily on existing networks and contacts to guide this decision-making.

However, having relevant, up to date and informed data will help you answer these questions and determine whether you have a strong product-market fit in your chosen location. Executives can do a better job of utilising relevant data to prioritise their global business decisions.

Thirdly, adapting your product offering. Perhaps one the most committed of all the sins of taking your company into new markets.

Once companies have had success with a product in one market, many assume that they can replay the same product to market journey in new markets. The reality is that each market requires new entrants to be aware of the cultural values and behaviours before they invest all their time and money.

Some pay lip service to this without actually appreciating the reality of what is required to integrate your product. Regardless of whether you believe that your product is more advanced or efficient than any in the new market, if you cannot get this message across and establish distribution then you will fail.

Selling your product successfully often starts with the vehicle you choose. For example, China often requires establishing a joint venture with a local partner, which – depending on the partner – will yield better results than starting your own business as business relationships are well set up over years. Conversely, in Singapore, there are incentives for overseas companies to set up their own offices and the market is open to new arrivals, who can fast track their market entry.

This is true of physical and digital products. Another example of the latter is video games. China is the largest games market in the world, yet it operates very differently from the rest, especially the western markets. Without a solid partnership with a publisher in China, you have no hope of gaining traction for your game, even if you have a best seller in the US. Your game will also require modifications, both around content and your monetisation paths to truly succeed in the market.

Similarly, marketers need to change up their own channels according to the behaviours of each market, and this can vary across countries within the same region. For example, in Brazil, a marketing campaign might find more success with promoted messages on Facebook or Instagram due to the popularity of this social network there, while in other Latin American countries, Twitter might attract a larger audience more quickly, and thus be a more effective marketing tool. While some channels work across a large number of markets, you want to explore what delivers the best result in each market by conducting detailed market research that relies heavily on local, in-country experts in advance.

One of the most damaging mistakes that I've seen companies make is that they hire highly-skilled, intelligent local people to serve their overseas markets, but then fail to consider their input when making strategic decisions. You need to empower your local teams.

In my global consulting work, CEOs would often ask me, "What do *you* think our best way forward is in the UK? Why aren't we succeeding there? What should we do differently?" My answer was often, "ask your local teams." They would frequently admit that they hadn’t tapped resources like the salespeople who sold there, and their local partners, vendors, consultants and customers.

This is extremely important because these individuals not only know the country in question, they know your business inside out. The biggest challenge companies face with incorporating local insight tends to be communication.

The marketing team must, therefore, put a system in place to help ensure that local views are captured and disseminated frequently enough. Don’t bring your company into a country the hard way. Leverage your existing relationships, and make sure to give their feedback extra weight. They are by far your most credible advisors.

This is not a new lesson in how to grow your company globally, ever since I have been involved in global business – going back, ahem, 20 years – it’s been an ever-present best practice model. I always remember my first flight to Tokyo sitting next to one of the original team that established the Seven-Eleven Japan business model. Trusting local store managers to source the products best suited to their customers. Simple.

Yet so many large and fast-growing companies neglect this simple method for extracting maximum value from your global expansion. You have invested time and resource into expanding – don’t see it as just a way to impress investors or to flatter a pending IPO – see it as a chance to grow your customer base and expand revenues. In the world being reshaped by the hour, having varied and solid revenue streams will be as valuable as ever.

Ok, so you have found your new location, hired a great team and adapted your product to fit the demands of your new market. Now all you need to do is reach your target market, find those clients or customers to see those revenues tumble in.

Your channel to market strategy is key to making this happen.

It is more than retuning your marketing messages and tinkering with your pricing, though they are key elements of your plan. It involves commercial partners, intermediary organisations, national and local government, universities, media outlets, events, agencies, accelerators and corporations. Any organisation or individual that is able to fast-track you to your customer base.

In the years I have spent helping overseas companies to access new markets, I have used all the above routes to help find my clients better access to the marketplace. It depends also on what stage the client company is at – can they handle multiple partners – what activity is top of their to-do list and how far advanced their product or service is at the time of market entry.

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For example, I have set up university relationships in France and the UK for a multinational Games publisher looking to recruit young talent into new studios they were establishing. Alongside this, we ran competitions at local government level to bring in wider talent groups and raise awareness in the existing games sectors of their intentions. This succeeded in producing a strong pipeline of talent to help speed up their talent acquisition.

For smaller companies, access to client groups is the desired method for market entry. One example would be when I helped a Polish software company to find global retailers who would test their AI product to demonstrate product-market fit in the UK and the US. This helped them raise finance and develop lasting client relationships in the long term.

Depending on which location you are in, your available channels to market will vary as the business cultures differ and the barriers to entry for cherished networks may not be accessible through normal routes. This is where you need to tap into local networks.

When most companies expand into new markets, they have little or no contacts so they tend to do one of two things: first, is to reach out to their own personal networks and the other is to just take a leap of faith that they can improvise along the way. Both may work out for them but evidence suggests it does not. When taking your business into new territory you have to reach out and make new connections with people who have the power to help you succeed.

I am not talking about tapping into meet-ups, though they certainly play a role in connecting people. More valuable are curated networks that exist to bring companies together. These are trade associations, business chapters, research groups and mentors. Each industry sector has its own network groupings, with companies and research organisations that can help you place your company in the context of the local value chain.

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Companies approaching a new market bring with them their own set of values and beliefs that were forged in their domestic country. For example, if you are coming from the US to Europe, your instinct tends towards distrust of any government body or association advising you on business issues. Yet, governments across Europe tend to be more involvement, especially in R & D, with businesses and have valuable connections across academia and enterprise. Again, companies crossing borders need to reset their approach to conducting business as it's hindering them from getting their product or service to that new market.

Ingrained practices can be an obstacle for a company when entering a new market, but reaching out to local networks can help you understand and adjust your market entry strategy to give you the best chance of succeeding. Also, do not underestimate what your company can bring to these local networks. For example, having introduced a Japanese social media company into business networks in London, they were inundated with media agencies wanting to do business with them in the Japanese market.

As business continues to become more global, companies can gain competitive advantage by focusing their efforts on targeting the right international markets and adapting their products and strategies to appeal to local customers. They'd be wise to avoid the pitfalls outlined here.

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