

## **Considerations for Going International**

We are living in a world that, despite all the craziness, is economically more integrated than ever. While we might not have reached the lofty dream of a global village, we certainly have a global marketplace.

If your business is not engaging in some sort of international activity you might be missing out on a tremendous opportunity to grow. Sure going international is not without risk, but after this examination of the issues, and you just might conclude, as Tudog has, that the benefits make the efforts worthwhile.

### **Risks**

Surely there are risks associated with expanding to international market. The obvious challenges include language barriers, cultural differences, and whatever sort of protective regulations the target country may have (to protect local industry), such as tariffs, registration regulations, and exchange controls. Of course, there are also unknown risks like the occasional need to grease a palm or two to open a foreign market.

### **Benefits**

Still, it could be said that going international could serve to diversify your risks by not making your company's sales completely dependent on market conditions of your country of origin. Also, if your product or service is competing in a mature market, foreign markets could offer new opportunity.

### **Adjusting to Foreign Markets**

Setting up shop in a foreign market certainly calls for a lot of adjustments. You need to consider what changes are required of your product or service so that it meets the needs and desires of the new market. The assumption that what you have is completely transferable to a foreign market is foolhardy. You need to measure your compatibility and make whatever adjustments are indicated. Other adjustments may seem more apparent, such as language translations of your materials and manuals. While this seems easy enough, you need to keep in mind local cultural considerations so that your language and content relate to your targets as effectively as you wish.

### **5 Easy Steps**

Like all Tudog engagements, we have a process for entering an international market. These steps are implemented gradually and in essence demonstrate the evolving stages of a successful international expansion. The Tudog 5 steps are:

1. Export to Target Country – get to know your targeted international marketing by exporting to it. Once you have identified a market you want to enter, locate native importers and begin to export your product. This will allow you to measure reaction to your product, thereby understanding your potential without having to make the investments in infrastructure that will be necessary in later stages.

2. Export Using Distributors – now that you have tested the market and found that demand for your product is sufficient to warrant further penetration, identify and secure local distributors. Not only will this give you a low risk way of further learning the market, but it will also allow you to create relationships with distribution companies that will most likely serve as the backbone of your local operations.
3. Open a Sales Office – once you have established sales channels you should open a sales office in the country. This allows you to expand your existing presence, while demonstrating commitment to the new market. You will most likely staff your sales office with people you pull from your established contacts. The level of autonomy you give will be a function of your corporate culture, established protocol, and cultural gap between your home base and the new country. Typically, you should extend some level of autonomy initially so that your country manager will grow the company with a degree of motivation and expertise.
4. Set up Support Operations – if your company manufactures a product you should consider setting up a production facility. If your company offers a technology, you should place a training and support unit. This step further integrates you into your new territory and demonstrates further your commitment. It also lowers operational costs by eliminating the costs associated with transporting product or expertise.
5. Establish a Regional Headquarters – while this should be the last step it is often confused as the first and many companies begin their overseas ventures with the establishment of a foreign headquarters. Engaging in this step too soon, even if for tax purposes, creates additional overhead, complicates management and sales efforts, and restricts the autonomy of local players upon whom you are or will become dependent.

## **Cautions**

As with every step forward in business there are cautionary notes that need to be heeded. As related to international expansion those notes are:

- Make sure your target market is large enough, and the demand is real enough to support the sales objectives you have set.
- Make sure your pricing policies and marketing tactics are geared toward a new product penetration strategy. Don't assume that just because you come from another country there will be demand.
- Understand the extent of corporate controls you wish to ultimately impose on the new geographical area and establish a time frame for moving the new unit from a loosely defined operational structure to a more rigid structure.
- You need to select your distributors very carefully and make sure there are strictly defined performance objectives. Make sure your distributors have the right degree of incentive and make sure that they share your long term vision.
- Make sure you understand the laws and regulations of the new country. Do not rely on distributors or other business partners to explain the laws. Have everything done by the book.
- Don't assume that, as you further expand, that one country is the same as another. There are elements of operations that can be duplicated internationally, but there are also some that cannot. For example, the people element of your business, which is, of course central to your business, cannot necessarily be

duplicated. You may have found a great country manager in one place and struggle to find a competent one in another.

Sure, there are risks, but Tudog believes that as the world becomes more of a marketplace, the companies that sit out the international adventure and stay at home will be the companies that no one will have heard of in the not to distant future.