

6.6: Tips in Your Entrepreneurial Walkabout Toolkit

Researching the Local Market

When you begin to consider expanding globally, research the local market thoroughly and learn about the country and its culture. Understand the unique business and regulatory relationships that impact your industry. Early in your research and planning process, take a look to see where your competitors are already selling. You can't enter multiple markets at the same time. You need to prioritize. By studying others' successes and failures, you'll be well positioned to determine which markets make the most sense.

You may, for example, decide that Asia is a good place to do business. Within Asia, you should pick two or three countries and plan to enter a new market only once every two to three years. Regional strategies have the added value of marketing synergies. But as with domestic channels, don't try to take on more than one new market or distribution at a time. Some younger companies tend to choose countries closer to their headquarters and time zones. Conducting business can be harder if you're in opposite time zones, unless everything is done via e-mail. Some companies highlight several countries and then choose their first market based on available sales or distribution options. For example, they may have a salesperson eager to start working in a specific market. Often, local partners and salespeople will approach you even before you have formally decided to enter a new global market. It can seem easy to simply let the person start selling, but first make sure you have a plan in place. It will help set goals, manage everyone's expectations, and determine what a success or failure will look like in terms of revenues, profitability, and time frame.

Large global companies often have a bevy of resources in the form of budgets and consultants to provide information on local markets. Small and midsize companies typically have smaller or no consulting budgets and need to research local markets creatively with existing resources.

A number of resources are available to companies considering new global markets—some more useful than others, depending on the country and on whether the new market is for sourcing or for selling into. The Internet is often the best place to start any research, and e-mail is the best way to contact some of the offices noted below. Many of these organizations operate online exchanges where companies can find partners, customers, and suppliers. The following are key steps to follow when researching a new market:

1. Develop a relationship with your home country's embassy and commercial service office in the target country. Many governments realize that large companies have multiple options and that the companies most likely to need their services and insight are smaller or midsize. Some offices charge modest fees for researching lists of potential partners or distributors. Whether you need this list or not, the added insight from an experienced country expert can be quite useful. These commercial service officers will be able to tell you about the track records of other companies within a specific industry or with specific distributors. Even learning about the lack of other companies entering the market may be helpful, as you may identify the reasons for their lack of success or interest. The US Department of State publishes useful information online at www.state.gov/e/eeb/cba/index.htm. The site also provides more general country information.
2. Contact the target country's commercial office within its embassy or consulate in your home country. If the country doesn't have a trade office, contact the respective diplomatic offices. Even tourist offices can provide you with general information. Most country offices are eager to promote their local economies, even on a small scale. If you're considering sourcing from the country, they're usually even more eager to provide you with resources and lists of potential companies as partners or manufacturers.
3. Contact the chamber of commerce for that country in your home country. These are different from the commercial office noted in the first point, as they tend to be funded by private-sector companies. Many smaller or still-emerging countries may not have a chamber of commerce office yet. You may also want to contact your home nation's chamber of commerce in the foreign country of interest. For example, in the United States, there are two types of chambers: American Chambers of Commerce (located in numerous countries) and binational chambers of commerce offices (located in the United States).

The primary difference between the two types of chambers is their location. Both organizations seek to facilitate business interactions between the United States and the respective country, often collaborating on specific projects as well as lobbying governments for protection of US business interests. The American Chambers of Commerce Abroad (AmChams) are affiliated with the US Chamber of Commerce and tend to focus on American business interests in the target country. "American Chambers of Commerce Abroad," US Chamber of Commerce, accessed January 7, 2011, www.uschamber.com/international/directory. A list of overseas AmChams can be obtained by contacting the United States

Chamber of Commerce in Washington, DC“International,” US Chamber of Commerce, accessed January 7, 2011, <http://www.uschamber.com/international>.

The binational chambers of commerce located in the United States promote both US business interests and other countries' interests in the United States. It's important to note that these are not the International Chamber of Commerce or its World Chambers Federation division, whose mission is to create a business and legal environment that encourages global trade. Instead the binational chambers of commerce are focused on bilateral issues. For example, the American Indonesian Chamber of Commerce is located in New York.

These binational chambers tend to be run by executive directors who really know the countries well, have excellent networks of US and domestic companies, and can supply needed information or facilitate business introductions. Offices run by people who have been in-country for a lengthy period of time will more likely be knowledgeable and full of useful information. Both AmChams and binational organizations tend to be dominated by large, well-established companies, but they can be very useful in research and information gathering as well as in obtaining introductions to possible partners. Again, the strength of any of these organizations usually rests with the executive director.

Chambers of commerce are also great places to get in touch with others who are experienced in dealing with a country, either as advisors, consultants, or hires. Utilize the expatriate community located within that country, as well as those who have recently returned to your home country, as sources for valuable information about the country and its business climate and practices.

4. Contact the US Department of Commerce's International Trade Administration office in your state and in Washington, DC, or the respective trade office in your home country, and speak with the desk officer for the country of interest. In the United States, general trade information can be obtained at www.ita.doc.gov or www.usatrade.com. Government trade offices also provide an export program guide that lists resources available at www.ita.doc.gov/exportamerica/AskTheTIC/03_02qa.html.
5. Find out if your home state or city has a “sister” state/city relationship with specific countries and if promotional opportunities are available.
6. If possible, conduct a fact-finding trip to your country of interest. Participate in any delegation or trade mission that the US Department of Commerce, your local chamber of commerce office, or other trade organizations sponsor. Always review the agenda and list of meetings carefully. Make sure not only that they fit the needs of your industry and company but also that the people are decision makers and not just political figureheads.
7. Attend trade shows in the country or region of interest. Trade shows have become particularly popular for smaller companies, as many organizers offer smaller booth options with lower fees or allow companies to share both spaces and costs. In many cases, country trade offices also facilitate trade trips to a target country or trade show. The delegation often shares exhibition space to minimize cost. Most of these shows are organized by the specific industries; schedules are available online and through the country's trade or diplomatic offices.
8. Be creative. Find common connections with companies in the country. Also seek connections with individuals who have experience doing business in the country or with the specific company with which you are dealing (e.g., a company or individual that you interact with that also does business in your target country). Talk to natives from the country that live in your home nation. Even if there is no direct business application for the information you glean from such sources, you will be able to gather a great deal of cultural and social information that you may be able to put to good use.
9. Approach vendors and clients. If you are hoping to win local business through government contracts, you may want to approach larger vendors that are more likely to obtain the overseas contracts. Many of them have blanket government contracts and look to subcontract for specific goods and services. Further, they often have a requirement to utilize small businesses, particularly those that are owned by women or minorities.

The entire government-contracting industry is very time-consuming and will require resources up front to cultivate the necessary relationships and process the required paperwork. Unless you're sure that your product or service is required or have established buying relationships, it's not the best first sales prospect given the lengthy sales cycle. Many service companies start to work in new markets through project contracts for specific tasks and time periods. It can take longer to build a sustainable business in a country, but the projects allow you to learn about the country and its business practices as well as identify local partners. Most young companies initially choose to partner with a local service firm rather than try to establish their own office.

Recognize that some embassies, offices, and individual officers are better able to assist you in your efforts. For example, junior-ranking career people who have spent more time in the local country are often more insightful and knowledgeable than senior and politically appointed officers with less in-country experience. Over time and through research and references, you will learn which officers and professionals have the most experience and knowledge. As a safety measure, double-check all information

with at least two independent sources. Also, be aware that the embassies in your home country may differ in their degree of responsiveness to foreign interest. Don't automatically assume that the embassies or trade representatives of the larger or more economically advanced countries are more efficient or helpful. Excerpted from Sanjyot P. Dunung, *Straight Talk about Starting and Growing Your Own Business* (New York: McGraw-Hill, 2006).

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