

# Focus on Developing New Markets

*“As competition increases and barriers fall, many companies look to new markets and customers to strengthen and grow their business. While there are many opportunities with promising potential, deciding where to start and navigating the risks of doing new business can be quite daunting” [www.hsbc.com.hk](http://www.hsbc.com.hk)*

This statement summarises the position of many companies, which recognise the potential of developing new markets but are unsure how to start and how to minimise the risks.

This Business Focus article presents the views of Lamberhurst consultants, who have many years' practical, hand-on experience of expanding businesses successfully into New Markets.

## Understand how your business currently operates and what drives you to expand by exporting

How a company operates in its home market may provide a basis for considering how it may approach markets outside its normal terms of reference. This business review will be an essential starting point in any Export Development Plan.

After all, if it is difficult for a company to characterise its position in its familiar home market, it will find it even harder to assess what it wants to achieve in an unfamiliar one.

A range of considerations will be:

- Who are your customers and how do you serve and supply them?
- What do your customers and competitors think of you and how you do business?
- What do you do well and not so well?
- What sales collateral do you provide?
- What are the threats to your business, whether from competitors or new technologies?
- What legal and technical issues are important – IPR, contracts, trade marks, patents, technical certifications?

By understanding the factors, which drive the current business, a company will be able to assess the impact of expanding its sales abroad and implications for example, for staffing and skills levels (does the company have foreign language speakers - is this necessary?), as well as for production capacity, or working practices in general, relating to, for example, payment collections or packing and despatch procedures.

In addition, the business needs to have a clear strategic vision of why it wishes to enter new markets – perhaps to achieve profitable sales expansion, to absorb excess production capacity, to strengthen their position against the competition or to keep up with new product or new technology developments abroad.

**What is just as important** as a business assessing its ability and readiness to export is for it to ensure that there exists, from key decision makers downwards and through all departments, a commitment to making the expansion into export markets a success. It is only by being committed to and understanding the common goal, that the implications for change can be mastered.



Businesses fail to capitalise on their export potential, because...

- they are wary about what export entails and are concerned about the risks
- they do not take time to understand in depth their current market position
- the world is a big place and they need guidance on how to focus their resources onto those markets with the greatest potential
- they do not consider the implications of all the legal, technical, logistical and commercial issues, which they do not encounter in their traditional market
- they lack a strategic overview of what they want to achieve in export markets in the short, and longer-terms
- they do not take into account the implications for change within their own organisations

## Which markets should be targeted?

It is axiomatic that the world is a big place and sales potential is seemingly infinite for the exporter – and this is the essential problem. Where does a business focus its resources and attention, with such a wealth of potential and information available?

Does it look to English-speaking markets, where there is naturally no language difficulty, but which may be problematic because of legal issues, logistics or for the remittance of payments? Or does it concentrate on markets closer to home, in the European Union, for example, but where language issues may arise and business practices and regulations are still far from harmonised?

In order to formulate an Export Development Plan, a systematic and in depth assessment of potential target markets is essential.

## Identify critical factors and strategic goals

It is too easy and risky to overlook critical factors, which will have a significant impact on the successful entry into a new market.

Therefore, a good Export Development Plan will, for example, consider the suitability of the company's product line for a given market - is there a demand and is it technically compliant?

It will also quantify potential demand, pricing levels (and in what currency) and what the target customer base is. Is the customer base, for example, familiar with working with foreign suppliers and willing to look for new sources of supply?

It will define how the market will be served, what legal or financial barriers may arise and how local competitors may react.

At every stage, the company's decision makers will require financial information on which to base decisions on how and in which directions the Export Development Plan will advance.

The business may decide that, in order to avoid a large upfront and potentially risky financial commitment, it will work through distributors or agents, in order to assess the market's acceptance of the products (with a corresponding reduction in margins), but with a longer-term goal of establishing a local subsidiary, perhaps through acquisition.

## Implications for change

In order to serve the new market successfully, there will be implications for the way the company does business, depending on which markets are targeted and how they are supplied. Basic issues such as language capability and sales collateral need to be addressed – does the company have a website and should it also be in other languages? Sales literature or technical manuals may need translating to comply with local business and legal requirements. Could on-line ordering be an option to overcome different working hours and time zones?

Many businesses also overlook the fact that while they are focusing their attention, resources and energies on entering new markets, they risk neglecting their own home market. Therefore will there be a need to consider an interim management solution, to continue the smooth running of the overall business or to establish the export operation?

Many businesses fail to capitalise on their export potential by not devoting enough resource to the initial stages of an export strategy and by not having a strategic view of longer-term development.

*"The volume of trade is expected to accelerate further in 2005 and export growth is expected to outstrip import growth. .... Virtually every sector of the economy is expected to benefit from this pickup with manufacturing exports projected to rise by 6¾%." Cambridge Econometrics 2005*

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