10 Reasons to go International

The international marketplace offers a world of business opportunities for American companies seeking to sell or source products worldwide. Not only can you tap into a world marketplace of 7 billion people, but according to business.gov, companies that do international business grow faster and fail less often than companies that don't.

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If you are pondering whether to go global, recognize the fact that you *are* "global", in that you very likely have global competitors.

You are in a competitive global marketplace now.

Objectives of Market Entry

Companies decide to go global and enter international markets for a variety of reasons, and these different objectives at the time of entry should produce different strategies, performance goals, and even forms of market participation. However, companies often follow a standard market entry and development strategy. The most common is sometimes referred to as the "increasing commitment" method of market development, in which market entry is done via an independent local partner. As business and confidence grows, a switch to a directly controlled subsidiary is often enacted. This internationalization approach results from a desire to build a business in the country-market as quickly as possible and by an initial desire to minimize risk coupled with the need to learn about the country and market from a low base of knowledge. A few of the more wide-spread reasons are provided below:-

Reasons to enter the international marketplace and how to enjoy new export opportunities

1. **Increase sales.** If your business is succeeding in the U.S., expanding globally will likely improve overall revenue. Approximately 96% of the world's population lives outside of the U.S. and 90% of the world's population does not speak English – this suggests customers are global and that if your company looks beyond the shores of the domestic market, you have some real upside potential. If your company has a unique product or technological advantage not available to international competitors then this advantage should result in major business success abroad. For example, if you run a software company and add a French and German language version, you are extending your total market by nearly 200 million.

2. **Improve profits.** Many export markets are not as competitive as the U.S. and therefore price pressures are far less – ever wonder why a Jaguar car made in Coventry, England costs more in Coventry than California? It is common practice

for U.S. products to be sold at a higher price (and margin) in many export markets – software translated into German is much appreciated by users in Germany and they will become loyal customers and pay a premium. A U.S. company will often enjoy a far less competitive landscape if it goes to the trouble of localizing.

3. **Short-term security.** Your business will be less vulnerable to periodic fluctuations and downturns in the U.S. economy and marketplace.

4. **Long-term security.** The U.S. is a large, mature market with intense competition from domestic and foreign competitors. Additionally, the U.S. currently has excess capacity so international business trade may become a necessity if you want to keep up in an increasingly global marketplace and enjoy the potential for cost savings.

5. **Increase innovation.** Extending your customer base internationally can help you finance new product development.

6. **Exclusivity.** Your company's management may have exclusive market information about foreign customers/prospects, marketplaces or market situations that are not known to others.

7. **Economies of scale.** Exporting is an excellent way to expand your business with products that are more widely accepted around the world. In many manufacturing industries, for example, internationalization can help companies achieve greater scales of economy, especially for companies from smaller domestic markets. In other cases, a company may seek to exploit a unique and differentiating advantage (intellectual property), such as a brand, service model, or patented product. The emphasis should be on "more of the same," with relatively little adjustment to local markets, which would undermine scale economies.

Although the fundamental reason for entering the Global Marketplace is to increase potential demand, frequently other factors can drive international market investment and performance measurement decisions. These include:

8. **Education.** Under certain circumstances, a company might undertake an international market entry not solely for financial reasons, but to learn. For example, the consumer products division of Koc, the Turkish conglomerate, entered Germany, regarded as the world's leading market for dishwashers, refrigerators, freezers, and washing machines in terms of consumer sophistication and product specification. In doing so, it recognized that its unknown brand would

struggle to gain much market share in this fiercely competitive market. However, Koc took the view that, as an aspiring global company, it would undoubtedly benefit from participating in the world's toughest market and that its own product design and marketing would improve and enable it to perform better around the world. In most sectors, participation in the "lead market" would be a prerequisite for qualifying as a global leader, even if profits in that market were low. Lead markets include:

United States for software, Japan for consumer electronics, Italy for fashion, Germany for automobiles and so on. It should be noted that if a company is to maximize learning from a lead market, it should probably participate with its own subsidiary. Learning indirectly, via a local distributor or partner, is obviously less effective and will contribute less to the company's development as a global player.

9. **Competitive Strike.** Market entry can prompt not by the positive characteristics of the country identified in a market assessment project, but as a reaction to a competitors' moves. A common scenario is market entry as a follower move, where a company enters the market because a major competitor has done so. This is obviously driven by the belief that the competitor would gain a significant advantage if it were allowed to operate alone in that market.

   Another frequent scenario is "offense as defense," in which a company enters the home market of a competitor—usually in retaliation for an earlier entry into its own domestic market. In this case, the objective is also to force the competitor to allocate increased resources to an intensified level of competition.

10. **Government Incentives** (i.e., cash). It is common for governments to "incentivize" their country's companies to export. This often results in many companies entering markets they would otherwise not have tackled. The U.S. government offers a wealth of help when a company decides to begin exporting. Export assistance centers provide a one-stop resource and can be found in over 100 U.S. Cities. The Small Business Administration (SBA) offers Export Working Capital Programs that include guaranteed loans of $50,000 to $100,000 to help exporters grow their business.

Summary

International markets evolve rapidly and very often companies struggle to keep up in terms of their strategy. It is therefore reasonable to deduce that many companies' international operations will consist of a collage of country market operations that pursue different objectives at any one time. This, in turn, suggests that most companies would adopt different entry modes for different markets. More commonly, however, is for companies to evolve a template that is followed in almost all markets. This usually starts with market entry via an indirect distribution channel, usually a local independent distributor or agent. As there are *at least* 10 good reasons to go global, there is no right or wrong approach to entering the International market. Different circumstances will be prevalent in different markets and for different companies. In all cases I strongly advise serious thought and much preparation. Research foreign property and understand the customer culture of your overseas operations.

By taking your products or services international, you are replicating your business for another set of circumstances, a different locale and culture, with a different market, demands, needs and expectations. Is it worth it? Absolutely. If you do your homework and get some help from locals and professionals, going global could be one of the smartest and most profitable moves you've ever made. Otherwise, you may be overlooking increased sales, new knowledge and experience and most importantly…. higher profits.