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Are You Ready to Enter the U.S. Market?

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There are many reasons why foreign companies wish to expand globally. Some are faced with small domestic or limited markets, others are faced with the rapid rates of technological innovation must consider internationalizing their business at a relatively early phase of the business cycle in order to sustain growth rates, and return on investment. Then there are others who to reduce operating expenses look for markets where production can be done at reduced labor and material rates.

It is important that companies take a critical and unbiased view of their positioning and strategy when entering a new market, especially the U.S. Market. A great product will go nowhere without a well thought out competitive marketing and partnering strategy, and the right people and budget to make it happen.

For those few that are successful, the rewards can be substantial for opening up a new international market for their products. Before considering investing in overseas expansion to the U.S. Market, make sure you have compelling answers to these key success factors:

1. The market potential for your product in terms of size and growth?
2. What is your competitive positioning and what will it cost to execute? Is it better, faster, cheaper than what is already on the market?
3. Has management committed the right people and resources for expansion into the United States?

Companies should be able to answer these questions with grounded analysis and research well before they consider approaching the U.S. Market and beginning discussions with potential business partners.

When partnering the questions you will be asked prior to consideration will be: Is the product ready for market? Has the product been tested and piloted in your country and in the target market? Do you have an up and running reference site either in your country or elsewhere that you can show prospective business partners? Do you have testimonials from your customers? How credible are these partners and what would they say?

The time and resources you now spend doing your due diligence can payoff handsomely in the future if it is done right. First, have you developed a U.S. marketing plan? If not, early stage market and competitor analysis can be done online. Advice from professionals with knowledge of the sector in which you operate in your target market is critical. Does your company have the necessary international expertise? If not, why not plan and use a service bureau dedicated to your success in building your sales and channel base as well as handling your local operations. It is important that Senior Management lead the overseas marketing effort and support the allocation of people and budget to the marketing efforts. Do you have the budget for international business development- based on sufficient and realistic requirements? This may include executives from your country moving overseas and recruitment of local staff in the market. In most cases you will need local representation on the ground.

Have you researched the market opportunity, future trends and growth? Who in the market are you targeting? What do you offer to solve their biggest pain point? Have you researched what it takes to exploit that opportunity? Consider the channels that others in the same space use to go to market. How do your end users buy? Distribution and reseller channels are very different and need to be considered? The channels you use in your home market are quite different from the way an overseas market operates. You will have to segment the market and prioritize where you will concentrate your initial efforts.

The scale and complexity of the U.S. Market means it has many more special segments than your home market. How are your customers will be organized and who the early adopters for your product will influence how their buying decisions and how you will sell to them. By researching a short list of target strategic partners and distribution partners you will soon discover the strategic fit with each target partner, who in the organization should you be targeting for meeting.

Because of the size of the market you will need to understand early on your competitive position and what it will take to compete successfully. You will need answers to why you are better than your competitors and what is your competitive strategy. If you already assessed you competition in terms of product, technology, alliances, partners, barriers to entry, intellectual property (patents, trademarks, etc.), then knowing how you will and how your competitors go- to- market becomes important.

To be successful in the U.S. Market requires that you have developed marketing collateral for the market. Even in English speaking markets you will need to localize your expressions. You will need to plan for an international marketing, sales and operational budget that allows for a minimum of at least 12 months of operations to get you going. You can also hire firms like Red Hill Partners International to reduce your expenses and increase your overall return-on-investment by not setting up your own operations in the United States.

If you do decide to go it alone you will have to answer the following questions:

- Can you support your own sales staff? Have you assessed what it will take to support sales staff in the US?
- How much profit will you need to give to the sales channel? Do you intend to treat your international distributors on an equal basis with their domestic counterparts?
- Have you considered the channel program you will put in place to support your US distributors and resellers?
- How much will each sales person have to sell? Incentive schemes are important in certain cultures and sales teams. How will you structure this?
- Are you willing to modify products to meet local regulations or business processes? Must support US business lexicon including spelling, jargon, measurement systems etc.
- How are you going to provide technical support? Customers expect support in their own time zone and often 24/7.
- Do you understand the local laws, culture and business practices? These can vary dramatically within different regions. Patents, trade secrets, know-how, contracts/agreements Have you protected and maximized the value of your IP in the overseas market?

When gathering information, look beyond the obvious. Areas which need to be considered because they will have an impact on the successful implementation of an export marketing strategy to include technology infrastructure, product adaptation rates, level of economic activity, political stability, financial and legal structures, culture, business customs and practices.

You can enter the U.S market by means of internet access, sales representatives, distributors, and licensees, OEMs or VARs or by establishing your own subsidiary. You may also combine several of these approaches since they are not mutually exclusive

Historically, technology companies have shown a preference to select fast-paced countries such as the United States where the market is the most lucrative and fiercely competitive, increasing the cost of market entry. Capturing the U.S. Market is often crucial as the winner usually becomes the dominant global leader.

The U.S. offers foreign companies a large, easy-to-access marketplace, if you follow a few legal rules and select the right partners for your sales and distribution channel. Selecting the right distribution channel and U.S. partner for your product and market is important. To be successful, your U.S. partner must have the sales and technical knowledge and capability to support your product and the right distribution channel to reach your target customers.

With an understanding of your target market, distribution channels and the competitive landscape you are in a position to shortlist strategic alliance partners and channel partners. Partner identification is often one of the first steps in implementing your market

entry strategy. Channel partners may include distributors, OEMs, VARs, and systems integrators. Strategic partners are generally unique to your business goals but may include key customers, suppliers and companies with aligned non-competitive goals.

About Red Hill Partners International LLC

Red Hill Partners International provides sales and channel development along with operational and market development support for global businesses wishing to establish a presence in the United States. Our business and technology experts focus on helping entrepreneurial companies with the tools, processes, and content crucial to achieving business and technological knowledge and market leadership. We are global advisors to corporations and new ventures interested in the constantly shifting patterns and prevailing practices of modern business.

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