americanventuremagazine.com

The Eight Commandments of Selling Internationally: Establishing Your Company Successfully Overseas

"Because we have kept experimenting in our approach to international sales, we have had significant success." Carol Meyers, Vice President Marketing, Unica Corporation

November 2008

By Frances Grigsby

As the weakening dollar makes American goods more attractive to foreign buyers, and as China and India grow into huge markets, international expansion becomes more essential for US firms. But, challenging business environments and the increasing cost of doing business overseas raise the risks of international selling.

My market development consulting firm has interviewed executives from 20 US companies that have successfully sold overseas. Here are eight commandments drawn from their experience.

I. Plan, don't react

Launching your company in a new market is like launching a start-up. As with any start-up plan, ensure that you can answer questions including: What is the size of your target market? Who are your competitors? How do customers buy? Which countries are your best alternatives? Unica, a leading provider of marketing management software, holds regular working sessions to explore market opportunities.

"We line a room with big spreadsheets and write pros and cons of different markets. Then we assign values and choose. There is always a bit of gut feel, but the data has to drive the gut, said marketing vice president Carol Meyers."

John Curtis, a senior executive at Network Engines, Stratus and others, got advice from overseas business contacts. "We spent a week in the UK, rented a cheap apartment, shopped for groceries, and rode the tube. We had lots of contacts - lawyers, personnel recruiters, marketing people, customers' branch offices – and we visited every one, he said. "

This is an ideal time to use outside experts. Market researchers, country experts, local accountants and lawyers can add perspective as well as specific domain knowledge.

II. Invest incrementally

No matter how well you plan, successful international sales will take more money and time than expected. If you can, make your first sales before you invest in a new country. "When I was CFO of a software company, we leveraged our good relationship with a major consulting firm to get introductions to overseas companies," said Peter Hemme, who has spearheaded international expansion for energy and telecommunications solutions. "We made our first small sales from the US, and ramped up later after we hired people, he said."

After this step, local reps and distributors can establish your presence before you open a branch or subsidiary. Start marketing only after you have obtained local reference customers and understand how to tune your messages to the local market. Focus on lead generation so every dollar spent helps bootstrap revenue.

III. Refine your messages for remote employees

When you begin selling overseas, your agents have none of the local resources available to your US salespeople. To substitute, provide crystal clear information. Fill the gap by preparing three templates: The sales template includes your product description, the problem you solve for customers, value proposition, ROI and reference customers. The operations template describes how you will ship product, collect revenue and provide pre- and post-sales technical support. The accountability template clarifies your goals, identifies your business values, and defines the responsibility and scope of the international office.

Advance preparation extends to the stability of your products. If your product does not actually work as promised, your first international sale may be your last.

IV. Practice watchful financial management

Distance and language differences make it hard to sense how your international businesses are faring. Financial tracking has to substitute for gut feel. For this reason, one software company instituted more frequent reporting from its international offices than from US offices, including tracking the sales pipeline. Many companies also outsource financial functions, with overseas financial staff reporting directly to the CFO.

Detailed oversight is even more critical in countries like China where the legal infrastructure is less developed. Thorough reporting can provide early warnings about theft, inventory leakage and underperforming partners.

V. Focus on countries, not regions

Inevitably, expanding companies underestimate the impact of cultural differences on sales and management. "Our London office made our first sale to Italgas. But as sales grew, they made it clear they wanted someone to talk to locally, who understood the Italian way of doing business," Peter Hemme said of his experience.

Your customers will want to buy from their countrymen, and you will probably find that you need individual country managers, rather than managing salespeople from a central office.

Responding to a customer's demand for local presence also gives you leverage to get a commitment to future business. This will make local presence worth your investment.

VI. Choose markets that play to your strengths

Many companies choose their first international market because of a single event– an initial sale, or meeting an agent at a trade show.

Instead, evaluate where your sales will be easiest, and start there. Doug Antaya, former Vice President of Marketing at Tylink, said: "When we looked into Europe, our biggest competitors were already present. So we found our first wins in South Korea, where we could be the market leader."

Another software company sold first to financial institutions, because they are organized similarly to their US counterparts. Basing your market choices on your assets, rather than chance, will reduce your risks.

Some assets may be weaknesses overseas. You may need to develop alternatives to, for instance, an idiosyncratic US advertising campaign or the ability to deliver orders in 24 hours.

VII. Be realistic – and opportunistic - in hiring

Finding and managing successful employees is one of the biggest challenges of opening international offices. This challenge is complicated by international regulations that make underperforming employees – even contractors – hard to fire. John Curtis recommends using local consultants and recruiters to validate hiring decisions.

Finding the right person anytime is difficult, so it pays to hire good people when you find them.

"When you find an executive who is right for the company, make a place for him," suggested Carol Meyers.

Hands-on management matters too. Online communication and good local managers do not relieve senior executives of the responsibility to personally call on international teams and customers.

VIII. Internationalize the whole company

It is easy for remote offices to be out of sight and out of mind. Ensure that all functions broaden their scope.

Gary Pavlik, of Nair and Company, which provides outsourced accounting services for multinationals, gives an example: "Cross-border product moves and tax decisions can make a big impact. Accounting departments should check with a local expert to avoid running afoul because of country-to-country inconsistencies."

Marketing and HR organizations also need to adapt to localized cultures, languages and legalities.

Keep an open ear to feedback from remote offices. Executives, who will hear many requests on visits to foreign sales offices, should be diligent about taking action items back to your headquarters team.

Flexibility and responsiveness are central themes in these commandments of international market entry. Your new markets may not develop exactly as predicted, but staying faithful to this advice will help you rebound from setbacks, recover from errors, and maximize your potential for profitable international revenue.

--Fran Grigsby is founder and managing principal of Next Level International, a consulting firm that helps executive and marketing teams develop growth strategies, improve decision support and launch successfully into new markets. Email comments are welcome for inclusion in future articles.