

Making Mistakes Work For You

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Pitfalls of expanding to the US and how to make them productive

It is important to state at the beginning that market entry mistakes cannot and should not be avoided. The US is too large, too diverse, and changes too fast to pick one perfect approach. Like learning a sport, entering the US market requires practice and experimentation. US entry fails when early activities are made too expensive and inflexible, depleting money and forcing companies to extract themselves from the US before they have time to apply what they learn.

The following suggestions focus on entry strategies that are easy to change, highly targeted and resource-efficient. In 25 years of managing and consulting to companies, I have seen companies from start-up technology companies to large multinationals learn these lessons:

Make your move now. In today's economy a company's worst mistake in entering the US market can be hesitation. It is paradoxical, but true, that the best time to move into a new market is during a slow economy. During a downturn, your competitors are either afraid of new ventures, cash-starved, or leaving the market. This gives a UK company the opportunity to be more visible now, and take the lead when the economy turns.

Market for credibility. US clients want to buy from "safe" companies – companies that have already proved themselves in the US marketplace. In the first few months, building credibility is more important than revenue. However, most companies entering the US focus on selling without building the essential credibility. The good news is that credibility marketing is more practical and less expensive than broad marketing and advertising campaigns. If your company already has multinational customers, you can use them as references. Other tactics that work:

- Give away your product or service to customers in exchange for the right to publish results.
- Hire consultants to write up case studies from other clients.
- Use independent labs to validate product performance.
- Establish technical and marketing partnerships with US companies.

Go indirect. Many companies move immediately to a fully-staffed direct-sales US subsidiary. This is expensive and fraught with the risks inherent in doing everything yourself. It requires the right choice of salespeople and marketing tactics from the beginning. As an alternative, the US is full of distributors, system integrators and marketing partners with market intelligence and access. For most new US entrants, Indirect channels yields profitable revenue faster than going direct and allow you to use direct sales later. It is important that the selection of partners is critical, and must be done with care. Select a partner who knows your market well, has a good customer list, and will contract to deliver marketing and revenue.

Spend flexibly. US entrants frequently make spending commitments that are difficult to adjust. Companies sign multi-year leases, buy furniture and equipment, and commit to long-term marketing campaigns. In almost all cases, they would benefit from flexible arrangements for the first six to nine months. Instead of searching for space and employees, find a consultant who specializes in US entry and offers executive and technical expertise, partnership searches, and marketing planning. Contract employment is more common in the US than the UK and can give access to individuals who are more skilled than permanent hires. Managed offices offer flexible space when needed and costs have dropped in the current economic climate. After a time, when customers and channels are clear, the temporary team can help set up permanent operations.

Plan for corporate impact. Most companies entering the US are surprised by unexpected disruption and internal costs. Few anticipate the impact and new requirements of headquarters. Human resources, marketing, sales, and finance all need to create new practices, policies or documents. Some changes can be anticipated –like US laws on taxes, employment and compensation,. Others - rewriting contracts, Americanizing the web site or reworking marketing collateral, for example – are harder to predict in detail. To increase your ability to move quickly, set aside a flexible budget for these costs. This prevents future surprises and allows you to respond as you learn.

The key to a successful US entry is ensuring that you have the financial flexibility to make mistakes and still succeed. Organize your US entry so that you recognize mistakes quickly, escape from them inexpensively, and learn what works for profitable revenue.

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