

Take a Shortcut by Way of a Detour!

When the Direct Approach to Foreign Markets Is to Be Avoided

In geometry, we can agree that the shortest distance between two points is a straight line, but in the realm of international trade, targeting certain countries directly may in fact inhibit or definitively block access to the desired markets. The indirect approach is often quicker and more efficient.

Groupe Anderson, an exporter of agriculture and forestry solutions can attest to this. Having initially planned an incursion into the lucrative Argentinian market for its equipment, the company, accompanied by Mercadex International, changed its sights toward its neighbour to begin their adventure in this region, a country one tenth the size: Uruguay. This country turned out to be an ideal testing ground for a joint venture with an Uruguayan company and another partner firm from France. Groupe Anderson preferred to cut its teeth with the region's culture and business practices before indirectly yet more quickly, exporting towards Argentina and then towards Brazil.



When conducting business activities abroad, the sequence in which countries are engaged determines in large part the length of the cycle before the first sales are concluded. Once the limits of its own markets are crossed, the enterprise is faced with an array of options in terms of territories to develop. Choosing a market cannot be reduced to an accept/reject type of decision. The decision must focus on the order of entry for the different markets that have been prioritized beforehand.

China's middle-class population can present an enormous potential for consumer goods. Yet, before reaping the benefits of a steady revenue stream, the exporter may have to invest large sums and exhibit a lot of patience as "extraordinary potential" is often synonymous with "mammoth entry ticket". It goes to show that a market's potential is only one part of the equation which defines its level of priority. Another dimension, of equal importance is its "entry ticket", or the set of all challenges to meet to gain access to the market in question. The following figure illustrates these two dimensions used for prioritization as well as their underlying elements.



Experience shows that focusing on another regional market can eventually help accelerate entry into the large market that was initially considered. It is sometimes better to avoid a frontal attack in order to mobilize one's internationalization efforts strategically, according to the priority level (which results from the evaluation of the potential and entry ticket) of the different markets. An internationalization strategy built upon the prioritization of markets has a greater chance of accelerating the enterprise's entry cycle and growing its EBITDA*.

In practice, the more a market is considered a priority, more efforts should be deployed to develop it. As such, a positive correlation between the prioritized markets and the allocation of business development efforts will help optimize the enterprise's overseas performance (see examples in chart below).

Market Priority Level	Intensity of Development Effort	Examples of Development Actions
Priority Market	Proactive	<ul style="list-style-type: none"> ⌚ Exhibiting at a foreign trade show ⌚ Adapting the entire website to the reality of the foreign target market (language, visuals, content etc.) ⌚ Quarterly sales visits to prospects within the foreign target market
Important Market	Active	<ul style="list-style-type: none"> ⌚ Visiting a foreign trade show ⌚ Translating certain key website sections ⌚ Bi-annual or annual visits to prospects within the foreign target market
Interesting Market	Reactive	<ul style="list-style-type: none"> ⌚ Signing onto contractors' supplier lists ⌚ Responding to foreign prospects' requests for proposals ⌚ When necessary, translate certain promotional content
Market to Avoid/Abandon	Null	<ul style="list-style-type: none"> ⌚ No action required, or alternatively a strategic withdrawal

Beyond the choice of country(ies), the same goes for the different segments of clients within the target foreign markets. Again, an approach that is too direct can prove less effective due to differences in terms of distribution channel structure, culture or business practices. Within certain societies, the level of xenophobia or distrust of foreigners contraindicates any attempt to enter into direct contact with prospective clients. In the same spirit, an exporter who'd seek to bypass the current network of intermediaries in order to accelerate the sales cycle and avoid mark-ups, can be banished from the market or be stuck on the sidelines for some time.

Besides, assuming that one's business development approach, as effective as it is in the domestic market, will produce the same results everywhere else, is an unforgivable gaffe in international business. Such clumsiness can be very expensive but can fortunately be avoided with a minimal understanding of the target markets beforehand, in particular, the target clientele's purchasing behaviour, notably with respect to :

- sources of information consulted by clients
- their attitude vis-a-vis foreign suppliers
- their selection criteria for suppliers
- their purchasing criteria for products/services
- prescribers (influencers) internal and external to the enterprise
- the length of the decision and purchase cycles
- etc.

Lastly, the company that succeeds in defining the proper sequence for conducting its international activities and that constantly strives to get a firmer grasp of the nuances regarding the buying process of its foreign customers is in a better position to accelerate its market entry cycle while at the same time maximizing its return on investment.

NB. The *Podium-Gallows™* tool, developed by Mercadex in 2005, allows enterprises to define the priority levels of their international product-market couples. The reader is also invited to read « *Comment développer les marchés internationaux* » which specifically addresses this approach in Chapter 5.

**MercadExpress is published by
Mercadex International**

Contact :

**M. Guillaume Cariou
1-877-489-9068
gcariou@mercadex.ca
www.mercadex.ca**

¹ Earnings before interests, taxes, depreciation and amortization.