4 Common Market Entry Mistakes and How to Avoid Them

INTRODUCTION

Entering into a foreign market is not easy. Even several big and established companies tend to fail in their ventures to operate in an international market. The lack of accurate knowledge about a new market and inefficiency in the market research efforts undertaken by the company could be some of the primary reasons behind the failure. Although expanding your business abroad can seem like an easy way to grow your market, there are many simple, obvious mistakes that companies make when they start a new business in a foreign country. Here some of our market entry experts discuss the key pitfalls that derail companies in the foreign market entry efforts with some examples of lessons learnt from famous international market entry failures.

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4 common market entry mistakes to avoid

Inadequate market research

Any effort taken towards business expansion should be backed by serious and effective market research. Even big companies who believe that they can rely on merely their brand name to establish themselves in a new market could be caught off guard.

Furthermore, it is critical to understand that not every market is the same of similar to your 'home market'. Customer needs and expectations vary across different geographies. Companies must undertake an in-depth market research to study about the foreign market that identifies the local competition, industry trends and legal requirements.

Lack of understanding about the market dynamics

When it comes to market entry into countries like the US, there is ample room for mistakes relating to the market dynamics. Firstly, companies may prioritize products that are of little consequence to customers in the foreign market. Secondly, poor channel choices could be another notable cause of market entry failure. Thirdly, misunderstanding the regulatory nuances of a new market could cost big for the company.

Unexpected costs

While a company may have a profitable business model within its domestic market, there are often unanticipated new market expansion costs that can quickly add up. Again, due diligence across all functional areas is essential to identify additional costs. These unexpected costs may include transport and import duties to local costs of doing business such as taxes, surcharges, and compliance. It's important that companies anticipate and understand these costs to ensure that the new market business model stacks up.

Increased focus on technology

Emphasizing too much on a product's perceived or real technical superiority could prove to be a huge mistake in the case of a foreign market entry. When products are built around technology and product execution, this could cause companies to overlook critical elements of the total value proposition for each specific segment. Investments should be focused towards rapid integration in the ecosystem, quick delivery and relentless customer support, with the goal of tearing down as many adoption barriers as possible.

Lessons learnt from famous market entry failures

Best Buy

In 2006, Best Buy entered the Chinese market, however, five years into the market all their stores across China was shut down. Despite the fact that the electronics retailer has widespread success in America and other countries, it was unable to keep its foothold in the Chinese market. Here, Best Buy faced extreme competition from Chinese electronics companies such as GOME Electronics and other local retailers. These local retailers offered similar products at cheaper rates. The reason these retailers could do this was because they operated out of smaller shops in areas that did not require as much car parking. Transportation in China is still done largely on bike or by foot. This made it easier for local companies to appeal to customers. By using locations that could be reached by bike and foot, instead of mainly just by cars, the stores got more customers and could reduce prices due to higher volume.

Walmart

When Walmart entered the South Korean market, they made the mistake of ignoring the differences between foreign and domestic markets. These were basic errors, such as failing to adjust the heights of their in-store signs and shelves or selling fish that was already packaged. South Korean customers are more used to fish being alive and visible in a tank close to the counter. Not giving emphasis on proper research on the customers and their shopping habits is one of the primary reasons for the withdrawal of Walmart from the South Korean market.

ABOUT US

Infiniti Research is a leading provider of actionable market intelligence and advisory solutions that help global organizations in entering, competing, and capturing maximum market potential. Our experienced market researchers follow highly tailored and proven methodologies to support clients with succinct answers for business decisions in areas including Market Opportunity Assessment, Emerging Market Planning, Benchmarking, Value-Channel Analysis and Customer Segmentation.

By using Infiniti as your research partner, you can supplement and augment your internal resources on a flexible basis, increase the productivity of your team, and simultaneously cut costs.

Our researchers have extensive experience in deep dive custom research and consulting assignments for over 100 Fortune 500 companies and numerous small and medium-sized companies across several industry verticals.

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