

Potential barriers to a foreign market entry and strategies to overcome them



A free supplement from Infiniti Research

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BARRIERS TO FOREIGN MARKET ENTRY

In-depth insights into the barriers to foreign market entry that affect most companies.



STRATEGIES TO OVERCOME MARKET ENTRY BARRIERS

Experts at Infiniti Research reveal some of the key strategies to overcome the barriers to entry in a foreign 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.

With a team of 500 researchers spread across four continents, we can understand diversity in local behavior and business environment, overcome language complexities, proactively identify complex multi-level regulatory issues, and obtain high-quality information on private companies. 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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INTRODUCTION

Globalization has opened way for several organizations around the world to explore their prospects overseas. While some may succeed in establishing themselves in international markets, there are several market entries that may have gone kaput. Take the example of the cab-hailing company – Uber. Although they were quite profitable and successful in the US, the company has struggled to replicate the same performance in Asian countries such as Japan where their services were reduced to merely delivering food



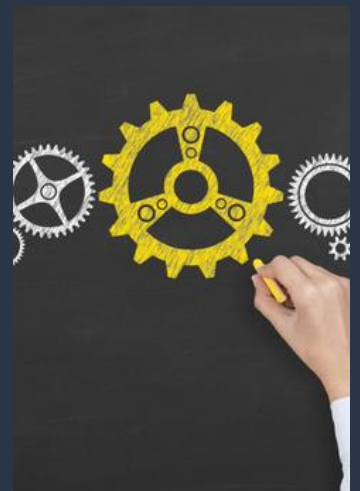
Another popular example of failed international market entry is that of popular US-coffee chain Starbucks whose strategies failed to take off in the Australian market. Market entries are challenging. This especially because every international market is different from the other in terms of customer needs, product preferences, and regulations.

All these factors must be critically examined by companies before formulating their foreign market entry strategies.

PLANNING A FOREIGN MARKET ENTRY?

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Foreign market entry challenges

Market entry overseas could be a highly challenging task and unless companies have formulated strategies to overcome these challenges, chances are they would fail. Experts at Infiniti Research have identified three main foreign market entry barriers that every company venturing into an international market must consider.

Monopolies in the market

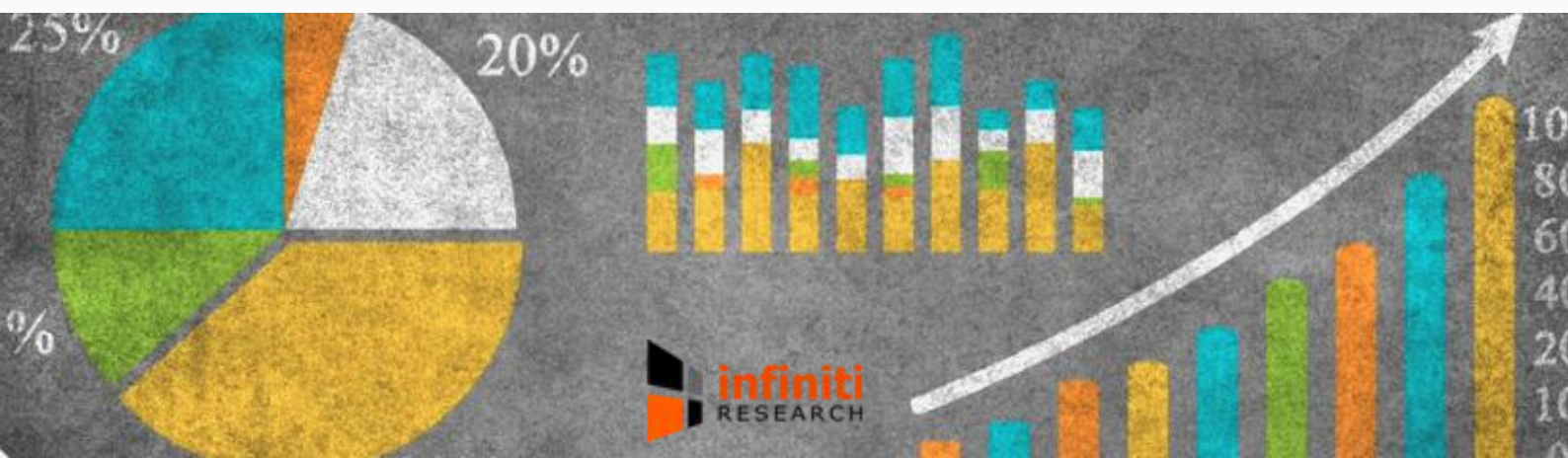
Monopoly occurs when one company rules over an entire market and is the key provider of products and services in that market. Monopolies might be state owned or can be created through takeovers of competing companies. This could prove to be a very serious entry barrier for companies. These companies often use tactics in form of patents and licenses to control distribution routes, resources or suppliers, and thereby block entry to competitors and block the development of possible substitutes. If entering companies cannot access an efficient or cost-effective distribution system because incumbent companies control distribution networks, their goods or services are unlikely to be successful.

Poor legal protection

Foreign companies getting poor legal protection from a local government could also act as a barrier. Companies that cannot assume protection of its intellectual property (copyrights, patents, trademarks) and fair and effective dispute settlement mechanisms, it is likely to suffer losses in the market. Furthermore, resorting to legal action over a commercial dispute in some countries can be futile, because neither the law nor the courts favor the foreign exporter.

Corruption and bribery

Bribes and corruption are common in several foreign markets. Although public opinion in the target country may be against such practices, they remain a reality. Local companies in such countries treat bribes as an everyday business occurrence. However, when it comes to foreign companies, they can face severe civil and criminal penalties for paying bribes. This puts them at a disadvantage in the market.



HOW TO OVERCOME FOREIGN MARKET ENTRY BARRIERS



Identify right business partners

Achieving desired business goals requires support from people that understand the local market and can deliver results within a specific period and at an affordable cost. Businesses in a foreign market often need to look outside their own organizations to meet their goals so evaluating the right partners, such as financiers, distributors, suppliers, marketing agency, and so on, should be taken into consideration when planning the entry strategy.

Understand growth potential

Getting the product-market fit right involves a thorough assessment of the market landscape to ascertain whether there's a need for your offering and if there's room for growth. To begin with, evaluate the market size i.e. what type of consumers are most likely to purchase your product/service, will this consumer base grow, and by how much.

Select right entry mode

The mode of entry is influenced by various internal and external factors, such as industry type, government policies, infrastructure conditions, and intellectual property rights. It is advisable for companies to assess previous entries by other players in your target market when deciding the best route to reach your audience. Learning from past mistakes and successes can help in avoiding pitfalls and identifying suitable pathways for navigating a new/foreign market.





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