

Seven Steps towards Successful Market Entry

Introduction

For organisations seeking growth opportunities via entry into new markets, particularly overseas, the quest can be quite daunting. As with any journey into unknown territory, it is critical to plan, research and be prepared for surprises along the way.

Jenesis Consulting has developed a structured approach, based on the collective experience of our Consultants that have advised and successfully led several organisations – large and small - into new markets.

This paper sets out seven steps in the structured approach and key factors to guiding an organisation towards a successful market entry.

Seven Steps to Achieve a Successful Market Entry

1. Assessment of Objectives
 - The *strategic rationale* for venturing into new markets should be set out, for example
 - Grow revenue stream;
 - Diversify risk;
 - Response to competitor actions; etc
 - In turn, this should help define targets to achieve in the new markets, against which success or otherwise can be measured;
2. SWOT Analysis
 - A thorough analysis of the organisation's products and services should be undertaken;
 - The purpose here is to determine which products and services are best suited for 'export' to new markets;
3. Market Analysis
 - A number of markets should be identified that enable the objectives (Step 1) to be met;
 - A detailed analysis of each market short-listed should be undertaken;
 - Factors to consider include
 - Political landscape;
 - Foreign ownership restrictions, if any;
 - Exchange controls, tax structure (withholding tax, etc);
 - Economic performance (past and projected);
 - Judiciary and independence from political system;
 - Regulatory framework (if applicable);
 - Market size and characteristics;
 - Competitor analysis;

- Pricing analysis and consumer behaviour (to determine product pricing / positioning);
 - A comprehensive analysis of the short-list of markets is critical to a successful market entry;
 - It is advisable to engage local consultants and advisors to benefit from their local knowledge and contacts;
 - Investment at this step of the process should avoid pitfalls later and hence save significant costs and potential embarrassment;
 - The output of this analysis will assist in selecting the market(s) to target for entry;
4. Options for Market Entry
- Analysis of various alternatives to entering the target markets should include, for instance,
 - Distributor appointment;
 - Equity participation via, for example a wholly or partially-owned venture;
 - It is imperative that a detailed study of potential partners is undertaken, taking into account their
 - Experience in the sector;
 - Trading record;
 - Reputation;
 - Industry and government connections; etc
 - Again, it is advisable to utilise local consultants for assistance during this step;
5. Strategy Formulation
- Upon collection of relevant data and subsequent analysis, a strategy should be formulated that concludes
 - Which products / services to enter the new market(s) with;
 - Which market(s) to target;
 - Which option to take for entry into the selected market(s); and
 - Which partners to negotiate with (if appropriate);
 - The strategy should also cover any legal, regulatory and other issues that need to be addressed;
 - Ideally, the strategy should also formulate a ‘fall-back position’ in the event that the preferred option is not viable. For instance, negotiations with preferred partner may not yield a successful outcome;
6. Business Plan Development
- A financial model of the ‘base case’ scenario should be developed, showing effect on Group P&L, Balance Sheet and Cashflow as a result of adopting the strategy formulated at the previous step;
 - Financial analysis should include,
 - Return on investment ratios;



- Funding requirement;
 - Tax considerations;
 - Key assumptions;
 - Sensitivity analysis of a 'hi-case and 'lo-case';
 - The financial analysis is one of a number of sections that feeds into the Business Case;
 - For guidance on how to develop a Business Case, please refer to *Jenesis Consulting* document entitled "Business Plan Template".
 - Please refer to <http://www.jenesisconsulting.com/businessguides.asp>
7. Execution of Business Plan
- Once the Business Plan has been approved, any recommendations or follow up action should be noted by the lead officer responsible for the market entry;
 - Regular feedback on progress should be provided to that the Management Committee;

Further Guidance

The above Seven Steps towards a Successful Market Entry provides an overview of the process that should be followed before venturing into new markets. Should further advice and support be required to assist your entry into a new market or to develop a financial model, *Jenesis Consulting* would be pleased to discuss your requirements.

Please contact us on info@jenesisconsulting.com