Going international with your family firm

In today's business climate, it makes sense to export. But do your homework first.

BY DAVID DIETRICH

THE NUMBER of American businesses sending their goods and services overseas has tripled since 1990. Businesses that don't export are 9% more likely to fail in any given year than comparable firms that do, according to the U.S. Department of Commerce's International Trade Association.

If your market has matured in the U.S., you owe it to yourself, your family and your business to think in terms of global markets. As an adviser who has spent 15 years working with businesses on strategic growth and international development issues, I've identified the first steps involved in taking your business outside the country.

Step 1: Develop a plan and a budget

Taking your product or service to international markets can seem overwhelming if you're not sure how and where to begin planning. You first need to create a strategic plan for entering a foreign market. It's advisable to look at where your family company wants to be in the next three, five and ten years and build the plan to take it there.

This plan must carefully estimate the necessary funds to complete such a task. Budgeting can be tricky, so build in some reserve for the unknown.

Step 2: Do your due diligence

Many businesses try to follow the path of least resistance by selecting English-speaking countries to sell their products. But there is much competition in these countries, and your product may be more successful in a less-developed place.

Landmines can include cross-cultural issues, language barriers and foreign technical terms.

The best way to determine the right country is to define a group of customers—a "market niche"—with potential. The trick to benefiting from a niche market is to develop one that has customers who are accessible, shows potential for growth and is not yet dominated by established businesses. Once you decide that a particular country may be a feasible market, you must conduct an in-depth market analysis and study the culture.

Resources include an international business consultant, an export management company and federal and or state government export assistance programs. Many programs offer free advice, although some are fee-based.

Step 3: Work with state and federal agencies

Once you determine the right strategy and assess the market potential in your country of choice, it's critical to educate yourself about this opportunity, so set a budget for your exploration efforts. You can hire a consultant or participate in an overseas trade mission sponsored by the Department of Commerce or your state export development program. The Department of Commerce has more than 130 offices throughout the world that can assist family businesses in a country assessment. Your state export development program may also have overseas offices in a limited number of countries.

The goal of an overseas trade mission is to help U.S. companies gain local market exposure by setting up meetings with agents and distributors, local buyers, manufacturer's representatives and potential strategic alliance partners. The mission will also educate you on the cultural and business nuances in that country.

Step 4: Partner with a liaison

Before visiting your target nation, find a business partner to help you through the landmines of doing business in foreign countries, especially China. These landmines can include cross-cultural issues, language barriers and foreign technical terms.

The barriers to entry in China are not as steep as they used to be. China is becoming a fairer trading partner, but it's not without issues—China is a semi-communist government promoting capitalism to its fullest.

I recently traveled to China with a 50-year-old, family-owned specialty chemical manufacturing business looking at developing countries as its new frontier for growth. I determined that the company's product could be sold in China, so we decided to conduct more due diligence by visiting select Chinese cities to experience the market and environment for ourselves. We participated in a state-sponsored trade mission, which took 20 companies to China for one-on-one business meetings. As a result of the meetings, my client hired an in-country consultant to assist in developing the sales channel.

We identified a partner in the U.S. who could act as a liaison to help us with these concerns—an experienced businessperson with similar business interests to those of the Chinese. Our liaison proved to be extremely important and influential. She helped us avoid costly mistakes when it came to issues like language misunderstandings and Chinese business protocol.

Step 5: Develop an educational marketing plan

Don't assume potential international consumers know what your product is and how to use it. In order to have a successful product introduction, you must develop an educational marketing plan.

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Certain words and terms to describe your technology and language may not exist; they may have to be created. It's important to find an in-country partner you can trust. You will have to do your homework to find a reputable partner and review that firm's credentials—both financial and ethical.

Step 6: Get your product certified

In countries like China, the locals prefer to do business with companies that have certificates of authenticity and conduct testing on their products. Ideally, your in-country partner has worked with various associations and government agencies that will officially test and certify your product. This is especially important when it comes to product performance and credibility if you are making claims about your product's effectiveness. Before you start planning with your partner, you must understand that it may take several months to get testing and certification completed and approved.

Step 7: Protect your intellectual property

Don't assume your products are protected. Your intellectual property is at risk when you conduct business internationally. From an investment and budget perspective, a good rule of thumb for lesser-developed countries is to first spend your dollars developing the foreign market. Then try to patent the product locally in the country once you develop some market share. But it's important to realize that the lack of intellectual property protection always raises a potential risk of getting "knocked off."

Taking your product or service to a new country can offer profitable opportunities for your company, but this strategy should not be treated casually. To help ensure success, take the time to fully investigate the opportunity; create a detailed plan; set a reasonable budget; and find the right business partners. FB

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