



## GLOBAL BARRIERS TO GLOBAL ENTRY

EXPANDING INTERNATIONALLY? AVOID THESE 5 COMMON ERRORS.

BY LAUREL DELANEY

**T**he good news is you're ready to go global. The not-so-good news? Growing businesses tend to trip over common errors when entering international markets. Here are five pitfalls every entrepreneur should steer clear of:

**1. NOT ESTABLISHING A CONTRACTUAL AGREEMENT FOR PAYMENT BEFORE CLOSING AN EXPORT SALE:** Payment terms and conditions

must be negotiated, agreed upon and signed in writing as a prerequisite for closing any deal. This is important in any business, but it's mandatory in one conducted in a foreign market. The worst type of agreement is an open account, with payment delayed until goods are manufactured and shipped. That leaves you assuming too much risk, including liability.

**2. TOLERATING UNPROFITABLE CUSTOMERS:** The 80-20 Rule, or Pareto Principle, is: The lion's share of revenues comes from a small percentage of customers. Those are the ones worth pursuing and investing in. The rest are lower priority or disposable if they erode profits. If you're doing things right, you won't need every customer and can cherry-pick the best accounts to do business with. As you become more seasoned in global markets, you'll be able to identify the accounts you don't even want to check out.

**3. NOT BEING TOTALLY STRATEGIC ABOUT DEVELOPING THE BUSINESS:** Focus on a specific offering for a specific market and stick with it. "It takes discipline to avoid a scattergun approach," warns Kate Koziol, president of K Squared Marketing and Public Relations, "but success is built by knowing your market and delivering the right product in the right way." This export strategy has to be created and executed in a deliberate manner, not as a

sideline to shore up domestic sales or as a desperate effort.

**4. TRUSTING DISTRIBUTORS:** Expect middlemen to attempt to take advantage of you since you are operating a business outside your native land. To prevent this, find out from distributors what they realistically anticipate in sales for the first year. Then arrange that their first order be 20 percent of that anticipated volume, prepaid. That protects you and gives them exclusivity. You should require the balance of projected sales to be ordered according to specific time frames.

**5. NOT CUSTOMIZING PRODUCTS AND SERVICES FOR A PARTICULAR MARKET:** Success in one market, particularly a domestic one, has little or no correlation with success in another. Even gigantic multinationals fine-tune or reconfigure their colas and crackers for the tastes, customs and budgets of each market. You can conduct research by allowing prospective customers to review your offerings for free. You can also gather market intelligence through the U.S. Commercial Service ([buyusa.gov/home/export.html](http://buyusa.gov/home/export.html)).

Avoid these pitfalls, and you can invest your resources where they matter most: in your success.

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