

# Ready Set Grow

Season Two Webinar Five

Session Summary

## Get Ready to Rumble: Developing an Effective Market Entry Strategy

September 15, 2009

Presented by:



Technology Marketing  
Resource Centre



Canadian Innovation Centre

In collaboration with:

**CATA**Alliance

Sponsored by:



ready, **set..**

**grow.**

## **Introduction**

The Ready Set Grow series presents webinars featuring subject matter experts and Canadian tech execs discussing topics of interest to the executives of young Canadian technology companies.

On September 15, 2009, Ready Set Grow looked at the topic of developing a strategy for entering a new market through a session featuring a panel of experts and questions from the audience.

This document captures the content of this session.

## **Speakers**

### **Andrew Maxwell,**

*Director, Business Partnerships, Canadian Innovation Centre*

Andrew Maxwell's experience includes the founding of two environmental technology companies, the creation of a wireless, medical device and web company and a technology incubator that helped create 30 technology businesses. He is currently with the Canadian Innovation Centre and pursuing a Ph.D. in the area of new venture creation at the University of Waterloo. He teaches at UTM and Waterloo in the area of technology entrepreneurship.

### **Kurtis McBride,**

*Director, Business Partnerships, Miovision Technologies Inc.*

A leader in the computer vision field, Kurtis is the driven entrepreneur responsible for Miovision Technologies' sales and technological vision. Prior to conceiving Miovision, Kurtis held positions in product management, product marketing, product development and software design at Nortel Networks and Cypress Semiconductor, as well as nine years of experience in the traffic data consulting field. Kurtis holds a Bachelor and Masters of Applied Science degree in Systems Design Engineering from the University of Waterloo. His Masters thesis focused on video analytics applications in the traffic industry.

**Doug Taylor,**

*Managing Director, Pacific Business Intelligence Ltd. (PBI)*

*President, The Taycor Business Group Ltd.*

Established in 1983, PBI provides professional consulting services in the core areas of international business development, strategic planning, international marketing and corporate guidance. PBI has undertaken assignments in over twenty-five countries in Europe, Asia, North America, the Middle East and the Caribbean for private industry, governments and international organizations.

The Taycor Business Group Ltd. is a holding company that buys and develops small firms in the environmental sector. Major acquisition targets are firms with a strong growth potential that can achieve their next level of success with new management, marketing and product lines.

During a recent hiatus from his consulting practice Doug was the Chief Executive Officer of the Vancouver Island Advanced Technology Centre (VIATeC) a member driven organization whose mandate is to assist in the development of the advanced technology industry on Vancouver Island. VIATeC acts as liaison with industry, government and educational organizations to ensure that Vancouver Island's potential for growth in the advanced technology industry is fully realized. In this capacity Doug developed the association to become the largest technology industry association, by membership, in Canada.

Doug is an Instructor in the Business Faculty at the University of Victoria, an Associate Faculty member in the Business and Tourism Faculties at Royal Roads University and an Advisor in the Royal Roads MBA program. Over the past two decades Doug has also taught at York University, the British Columbia Institute of Technology, and Seneca College in Canada and at Singapore Polytechnic and the Marketing Institute of Singapore in Singapore. He teaches international marketing, international trade-finance, international business management and strategic planning. Doug is also a noted public speaker on the process of international business practices and technology development.

He is currently a Director of the Forum for International Trade Training and an advisor to the Canada Export Centre. In the recent past he was a director of the Wise Energy Cooperative, the Garth Homer Society and Foundation and the Entrepreneurial Learning Foundation. Chair of the Camosun College Foundation Board and a Director of the Victoria Music Festival Society, the Vancouver Island Advanced Technology Centre, the Greater Victoria Film Commission and the BC Biotech Alliance. He was the founding Chair of the Greater Victoria Enterprise Partnership, and the International Science & Technology Committee for the Science Council of British Columbia. Doug has also been a Director of the Association of

**ready, set..**

**grow.**

Professional Economists of B.C., the Canada-Singapore Business Association, the Malaysia-Canada Business Council and the Canadian Institute for Climate Studies. In addition he is on the Board of Advisors for a number of Canadian advanced technology firms.

Doug holds a B.A. in Economics from Dalhousie University in Canada, an M.Sc. in Public International Law from the University of Edinburgh in Scotland and a Diploma from the Canadian Securities Institute. Doug holds the designations of Certified International Trade Professional, C.I.T.P. and Certified Management Consultant, CMC

The Taycor Business Group Ltd. is a holding company that buys and develops small firms in the environmental sector.

## **Get Ready to Rumble: Developing an Effective Market Entry Strategy**

### **The Canadian Challenge: Export or Die**

Most young Canadian technology companies need to look at exporting as a key to long-term business development. In fact, more than 90% of Canadian technology companies start selling products to the USA, during their first year of revenue, making this export market more important than the Canadian market. For Canadian companies with their first market within Canada, the speed with which they move into export markets is often underestimated as are the challenges. Whether the export market is a major expansion or the very first market entered by your company, the right market choice coupled with strong implementation can massively increase chance of long term success.

There are five main strategic reasons for moving into an international market. The greatest reason is the potential to increase revenue and market share which is critical to the growth of a business. The next most important reason is to reduce the likelihood of competitors or to reduce their risk. A company may dominate the Canadian market with a large but sole customer; however being dependent on that one customer is quite risky. By expanding into other markets, and gaining more customers you can greatly reduce that risk and grow your business.

The other reasons for exporting are to enhance the offering, reposition the business, add more services, find ways of adding value to clients and enhance the ability to use international organizations to establish partnerships and build new opportunities. This can mean acquiring technologies resources, establishing partnerships or even raising capital to grow the business. Most companies raising venture capital will have to look at international markets at some point.

**ready, set..**

**grow.**

Lastly, we look at the export market as an exit strategy. Although going public is an option, it is more common to see a trade acquisition – that is the company being acquired by a larger company that can help accelerate the companies’ rate of growth. Moving into international market increases your company’s exposure and the number of people that think they may be interested in acquiring your business at some point.

Successful market entry into an international market requires understanding of strategy. The choice of strategic approach and key partners is vital to your business.

*"Entering an international market is a very important decision and is a step change in your business."*

Andrew Maxwell  
*Director, Business Partnerships  
Canadian Innovation Centre*

## **The How, What and Where**

Moving into a competitive export market is a big challenge for any company, and it is important not to underestimate these challenges. We now take a closer look at the three strategic issues for your business, the *how, what* and *where*, of launching into international market.

### **What is my product?**

In identifying some of the key elements when designing your marketing plan, you must ask a few important questions:

- Am I launching an existing or a new product?
- Is the product for an existing application or will I be going into a new market I am not familiar with?

This will help you identify the level of risk associated and where exactly the risk is. You will also be able to determine what is most challenging and what is easiest. For example if you are entering a market with an existing product for an existing application, you will likely not have to learn much about the new market, and the customers in the market will easily understand what is it you do. However, if you’re entering the market with a new product for a new application, you will have to spend a lot of time at persuading the customers where you can add value.

ready, **set..**

**grow.**

As a result of the question will help you gain a better understanding of:

- What is the specific product you're going to launch?
- What is the pricing and service offering?
- Who are the key first customers?
- What are the issues that are going to stop those first customers from buying the product?

Remember that picking the first customer is very important when entering a market. Making sure you pick someone who is an early adopter as they will help you define future sets. You also need to work with someone who will help either actively or passively help you attract subsequent customers.

### **Where will I be entering the market?**

When entering a market, it is important to have a good understanding of the competition. The easiest market to go into is a new emerging market, meaning there are no competitors, but don't underestimate the adoption issues. In such a situation you will have to persuade people that there is a need for your product/service.

Scenarios when entering the market include direct competitors and potential competitors (companies who may have a similar technology that may want to enter the market once you've developed). The *where* question will help you understand the: market potential and growth, the competitive environment, the barriers to entry for you and future competitors, and the political and cultural issues.

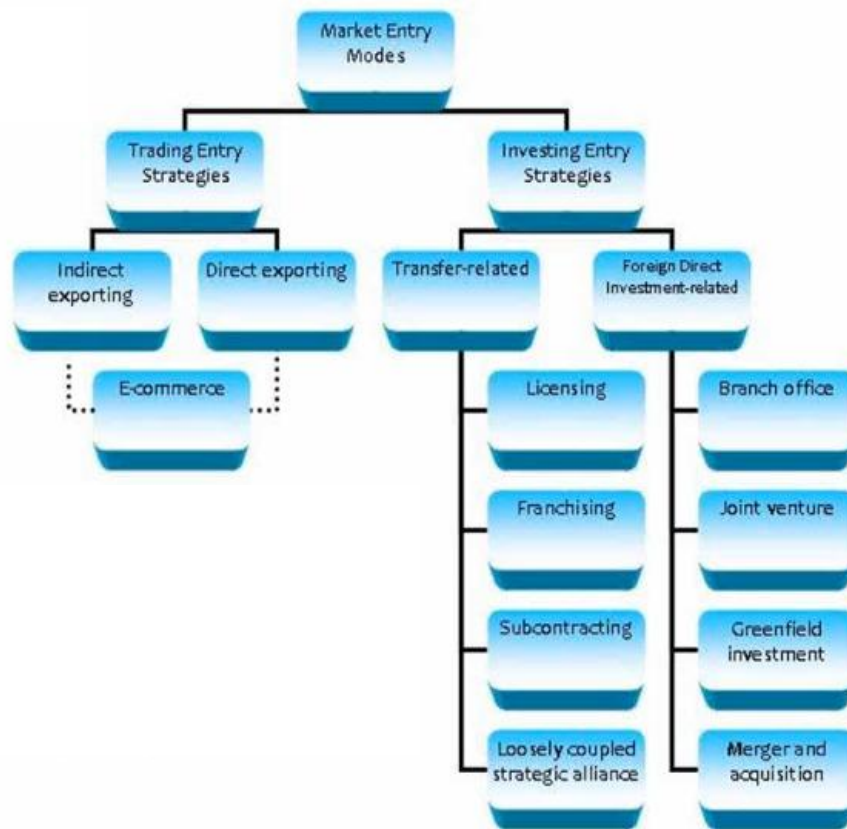
### **How will I enter the market?**

This question focuses on market entry modes. There a whole range of questions you might want to ask yourself when developing your strategic plan to enter the market, and the chart below will aid you exploring the various options that are out.

Fundamentally there are two major market entry modes, the trading route where you can sell directly to customers and the investment route where you can transfer your technology for example through licensing or franchising, or setting up your own business. When answering the how question and make your choices you need to keep in mind the issues covering resource implications, supply chain, distribution logistics, and support.

ready, **set..**

**grow.**



## Developing the ideal plan

As you move forward and make decisions between specific markets or strategies you have to think about each of your options, and what the implications are. For each option ask yourself:

- How does it meet the strategic objective?
- How will the existing organization be able to cope with that?
- What are the additional resource requirements?
- What is the impact on cash flow and how will you manage the impact?

This will help you prioritize and rank your options.

The next vital step is to validate your assumptions. Once you come up with your strategy, you may want to think about asking a third party to help validate that you've made the right decision. You need to validate that the opportunity is real, check that the first customer will actually buy, confirm the distribution channel, and most importantly verify resource assumptions.

ready, set..

grow.

By completing these steps, you will be left with an externally validated, preferred strategy. Next you need to start to build an implementation plan. This may involve a formal document, or simply a couple of points on a slide. What you need to ensure is that the people involved with your strategy are familiar with your decisions and how you are going to implement the plan. Your plan should also include strategies for dealing with anything that can go wrong to really reduce the risk. In the end a well thought out implementation plan is the key to success.

#### **Top ten causes of failure**

1. *Export decision made without plan*
2. *Underestimate resource requirement*
3. *Choice of wrong strategic partner*
4. *Ignorance of standards or approvals*
5. *Lack of knowledge of supply chain*
6. *Lose focus on existing business*
7. *Underestimate cultural and political differences*
8. *Infrastructure not in place*
9. *Mis-identification of sales capabilities*
10. *Underestimate time to success.*

#### **Case Study: Miovision Technologies Inc**

Miovision Technologies Inc. developed a device to do automated traffic counts rather than the manual way it's been done for the last 30-35 years (see profile below). The brand new concept was first introduced into the North American market with no competitors, but it had its challenges. First customers were difficult to find, and even harder was trying to persuade them to breakaway from the traditional way of doing things.

As the company grew and expanded internationally new challenges arose, particularly picking the right price point. In North America price point was mainly built off the local wage rate for counting cars, which seemed to work very well. The North American price curve was then transplanted to other countries; however, this resulted in undershooting in Australia and overshooting in the UK.

*"When you go abroad, really know you understand your market."*

Kurtis McBride  
*Director Business Partnerships  
Miovision Technologies Inc.*

Today Miovision Technologies Inc. has about 90% of its customers in North America and a quickly growing percent of international customers. Although time zones sometimes pose an inconvenience, by preparing for these challenges ahead of time has really helped Miovision Technologies Inc.

**ready, set..**

**grow.**

### **Profile: Miovision Technologies Inc.**

Miovision Technologies Inc. based in Waterloo develops videos and web based technologies to perform automated traffic counts, greatly reducing the cost of collecting, analyzing and reporting accurate traffic data.

This unique Automated Turning Movement Count system replaces manual traffic data collection. While the Data Management and Reporting system allows customers to store all their data in one secure, centralized, globally-accessible place, the Online.

For more information, visit <http://www.miovision.com/home/index.php>

When entering any market it is recommended in the early stages to lead with a product management approach rather than a very technical. This will help you understand where you go out and really try to understand what the market really needs. Once you've gathered that information focus on building the thing that is going to get you through the door, don't bother with the bells and whistles until later. Try to understand the international market because in the end this could save time. Lastly use resources such as mentors with valuable experience at all stages of business development.

### **Searching for International Partners**

It is almost impossible for a company to enter a foreign market on its own and succeed, even if the market is a small one such as Singapore or Dubai. The trick is to find somebody who has an established presence in that market, introduce them to your product or idea, and really work with them in the market. In large markets such as the United States or China you want to find a partner of equal size. For example, if your goal is to enter the market in China, it would be best to search for a partner in Singapore. These partners will know the language and culture.

Foreign partners offer Canadian companies some essential skills and knowledge needed to thrive in the marketplace. A partner can save a company tremendous amount of time by helping them understand the local business culture, and sharing their series of networks and contacts.

*"Finding partners in international business is essential for success"*

Doug Taylor  
Managing Director, PBI  
President, The Taycor Business Group Ltd.

ready, set..

grow.

There are a number of ways to find formal partners for example using the Trade Service Commission through the Department of Foreign Affairs and International Trade. Getting in touch with such an agency would be a first step to try to identify potential distributors or agents who will help a new comer enter the international market.

### ***Profile: Forum for International Trade Training (FITT)***

FITT is a non-profit organization based out of Ottawa that develops international business programs sets competency standards, and designs the certification and accreditation programs for the Certified International Trade Professional (CITP) designation. These tools help equip individuals and businesses with the practical skills they need to succeed in today's competitive global marketplace.

FITT has been operating for about 20 years and partnerships with 62 educational institutions both in Canada and around the world.

For more information, visit <http://www.fitt.ca/home.htm>

## **Marketing in International Markets**

The United States and China are two of the most difficult markets to enter, and although they are large markets with much potential, they are dominated by large companies. Further, these markets are filled with restrictions and regulations on foreign investments. However, if your company is successful there is some great potential in these big markets.

Part of the problem in international business is getting that first customer that is actually going to buy something from you. Many companies will go out with a new product and focus on being a product based company, when what they really need to do is turn themselves into a marketing company.

Canadian companies are solely unprepared for marketing in an International market and should consider a few key things before taking the leap

- What is the market is like?
- Who are the players in the market?
- What are the rules and regulations?
- What is the business culture? The norms?
- Learn the language

ready, **set..**

**grow.**

Canadian companies assume that they can market the same way in Singapore and Thailand as they market in Canada, this is a prime mistake. These companies need to invest more money into marketing materials and be prepared to dedicate time and effort to develop relationships. Most importantly, Canadian companies need to remember the importance of following up with potential clients, as this is one of the main reasons they lose clients in international markets.

ready, **set..**

**grow.**

## Results of Real-time Poll

Below are the results of the polls conducted during the webinar:

### **Poll #1: What stage is your business in developing an export business?** (Choose one answer)

- Have not thought about it yet. 16%
- Are exploring our options. 27%
- Have a domestic business 5%
- Not decided yet if we want to start in Canada or other markets 5%
- Already have one export market, looking for next. 48%

### **Poll #2: If you are considering exporting, which of the strategic reasons identified applies to you?** (Choose all that apply)

- Increase likelihood of acquisition 23%
- Establish partnership – acquire resources 43%
- Enhance offering – reposition business 20%
- Reduce likelihood of competitors – reduce risk 11%
- Increase revenues or market share 77%

Note that Poll #2 allowed multiple answers; therefore percentages will not add to 100%.

### **Poll #3: Which areas will you now apply more focus to?** (Choose all that apply)

- Identifying first customer 24%
- Developing the supply chain 24%
- Understanding/assembling the resources required 38%
- Finding an appropriate partner 65%
- Developing a launch strategy 59%

Note that Poll #3 allowed multiple answers; therefore percentages will not add to 100%.

ready, set..

grow.

## Links of Interest

Export Development Canada <http://www.edc.ca>

Canadian Association of Importers and Exporters <http://www.importers.ca/>

Canadian Manufacturers & Exporters <http://www.cme-mec.ca>

International Chamber of Commerce <http://www.iccwbo.org/>

Service Canada [www.servicecanada.gc.ca/](http://www.servicecanada.gc.ca/)

Business Development  
Bank of Canada <http://www.bdc.ca>

Canadian Innovation Centre <http://innovationcentre.ca>

Technology marketing  
Resource Centre <http://www.tmrc.ca>

Canadian Advanced Technology Alliance <http://www.cata.ca>

## Articles and Books of Interest

Exporting for Dummies

Available via [http://www.edc.ca/english/publications\\_11934.htm?cid=red1608](http://www.edc.ca/english/publications_11934.htm?cid=red1608)

Exporting to the USA , Edward G. Hinkelman | World Trade Press | July 16, 1999

ready, set..

grow.

## Sponsors

We would like to thank our sponsors for enabling this series:



Export Development Canada  
[www.edc.ca](http://www.edc.ca)



Business Development Bank of Canada  
[www.bdc.ca](http://www.bdc.ca)

The Ready Set Grow webinars are presented by:



Technology Marketing  
Resource Centre

[www.tmrc.ca](http://www.tmrc.ca)



Canadian Innovation Centre

[www.canadianinnovation.ca](http://www.canadianinnovation.ca)

In collaboration with:

**CATA**Alliance

Canadian Advanced Technology Alliance  
[www.cata.ca](http://www.cata.ca)

ready, set..

grow.