The 10 Most Common Mistakes Western Companies make when going to Market in Asia and how to avoid them.

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1. Non-transparent regulatory requirements

Dealing with certain industries in foreign markets the requirements and regulations are not always straightforward. Some territories have tax regimes more favorable to local corporations, or in some cases permits and clearances are not easy to obtain. The key here is to get an experienced and reliable local partner who can get you started and helps you do the market introduction.

2. Rush into partnership with local companies too early

Working with a local partner is one of the most effective market entry strategies. The future partner should have the knowledge about the marketplace and have the access to reach the customers. In some cases, finding a suitable partner is the key to success in that market. Unfortunately local companies are sometimes hard to identify. When a partner is found it takes time to get to know them. It is advisable to do proper background research and apply diligence to see through the initial claims, as distributors and agents tend to overstate the market potential while they bid for your exclusivity. If you find yourself entangled in an ineffective relationship, you have to be willing to end the cooperation and search for another party.

3. Target China or even Asia as one big market

Obvious as this may appear, still lots of western companies go off on a limb here. It may seem easy to make exclusive arrangements with one or two distributors that claim to have the ability to cover the entire territory; however these parties will always have focus areas and may not be the best choice in other areas. It is advisable to be prudent with exclusivity as well as territory and think about options to exit the contract if things don't proceed as expected.

4. Unwillingness to localize offering, marketing or business model

Sometimes Western companies just assume that Asian nations will be similar to their home markets. They bring their market requirement assumptions, business model, pricing assumptions, and product design assumptions to market and wonder why people with entirely different languages, economies, cultures, religions, business practices and systems of government don't respond just like the folks in at home did. Here it is wise to investigate the market and look before you leap.

5. Selecting staff based on how well they speak English

The mistake Western companies often make is hiring market facing (sales) people based on how well they speak English. It is understandable that internal communications issues weigh in, but English proficiency is not always a guarantee that you found the right guy/gal for the job. Communication skills towards the target market are more important and often ignored.

6. Underestimating local competition

An insignificant competitor in the U.S. market could possibly have a large presence in China. Local competitors with have long established and well-functioning business relationships can make your go to market look as foolish as bringing water to the sea. Diligent market research is needed: Don't just investigate the demand for your specific product, but also look into the alternatives with which it needs to compete and chart competitions response. Less than 15% of companies actually attempts to understand and estimate the competitor's reaction to a new market entrant. Even fewer companies will do it when they go abroad.

7. Inflated expectations

Sometimes expectations are based on macro-level information (e.g. GDP growth in China) alone or based on over-enthusiastic reactions from people we haven't spent enough effort to get to know and zero due diligence. Like any other venture it's wise not to just make a guesstimate when you fill the top-line numbers in your business case but to do a thorough investigation into the fundamentals that drive demand for your product.

8. Setting quotas too aggressively

Setting quotas too early and too aggressively is a common temptation. Often, it is the result of spending too much money at the onset of the entry effort, which gives the CFO heartburn, which drives quotas that lead to unconstructive behavior. Asia takes time, plan for it.

9. Staff training programs & ways of working are not culturally aligned

The best training program meant for workers in the EU or US is not effective in Asia. There is real need for trainers and coaches that can understand cultural differences. Work together with local training institutes or experienced cross-cultural managers to establish training programs and working procedures.

10. It is easy to invest money into developing markets, but hard to get it out

Emerging markets are hungry for foreign capital and most governments have established stringent capital export regulations. Make sure to have secured methods to extract the revenues and seek help from experts to engineer the most suitable fiscal strategy.

About XS-2-Asia

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If you are an EU or US based corporation planning to expand towards the far-east, XS2Asia is not only your window to Asia but also your road to success.

What can we do for you?

XS2Asia can advise and assist in a range of matters that can make the difference between success and failure. Whether you wish to set-up a local office, need a local sales-rep, need to find or evaluate a distributor or supplier. No matter if you are sourcing or selling, XS2Asia can save you valuable time by using our network of experts and local contacts.

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