

Section 3

Market Entry Strategies

Direct Sales

Selling your product directly to customers by leveraging a live and/or online sales team.

Distribution

Offer the company's products directly to regional distributors for sale or lease.

Licensing

License your product or technology to companies that are currently selling products to your target market and potential customers.

3.1 Doing Your Own Market Research

DOING YOUR OWN MARKET RESEARCH



There are billions of potential customers in the world, but you can't reach them all. To determine whether your business can thrive in each market, you'll need to conduct thorough research.

Your Existing Market

Be familiar with your existing market and customer base before you start.

How old are your core customers, what type of education do they have, and what income bracket do they belong to? What makes your customers buy from you?

Know the key industries in the area you plan to enter. A great source of information about regional industries, advisors, lifestyle, and culture, is the local chambers of commerce and other trade associations.

Barriers to Entry

It can be difficult for small startups to overcome barriers to entry but overcoming them can yield huge rewards.

Language Barrier

It is highly recommended to hire a consultant native to the country where you plan to launch and local vendors for logistics support. You will experience differences in how things are done and communicated if you are currently operating in an English-speaking country and are expanding into a different English-speaking country, such as the States or Australia. It is wise to hire local advisors.

3.1– Barriers to Entry

BARRIERS TO ENTRY

Registration and Compliance Difficulties

Get a lawyer to assist with your paperwork and find out how long it will take in advance so you can plan a realistic schedule. It is not a good idea to find yourself in a situation where your launch must be delayed or canceled because a key license hasn't been obtained.

Cost Consideration

There is a common misconception that entering foreign markets is expensive.

Consider these costs:

- Shipping costs
- Legal expenses (registering your business in a new location, licensing, contracts, etc.)
- Staff
- Consultants
- Manufacturing
- Fulfillment

3.1 – Evaluating your best Market Entry strategy



Market Entry Recommendations

- Review commercialization strategy based on research findings
- Review Potential Revenue Streams
- Review short-term/mid-term/ and long-term goals for the company
- Review Potential Partners

3 POTENTIAL MARKET ENTRY STRATEGY EVALUATIONS:

The long-term to short-term speed-to-market strategies include:

1. Sell the company products directly to the end users
2. Sell or lease the company products directly to the regional distributors
3. License your product or technology to the companies currently selling products in your target market to your potential customers

Choose your market entry strategy based on your market research findings, budget review for each strategy, speed to market, and potential profitability. **It is important that you create these items for review BEFORE choosing and developing your market entry plan.**

3.2 - Strategy 1 - Selling Direct



Strategy 1

Selling directly to your customers at retail cost.

This strategy would require:

- a physical sales team
- sales management
- sales taxes collected and paid to each city/county/state where you sell and deliver your product
- warehousing
- fulfillment
- inventory to support short lead times from order to delivery
- accounts payable and receivable departments to handle billing and collections
- local bank accounts
- local and state business licenses
- human resource department to manage employees
- product insurance
- business insurance

Many companies assume selling direct at retail, will make them more money because they will be selling at full retail cost, but because of all the overhead costs involved, **it can often be more profitable to sell through distributors or licensing.** A cash flow analysis and full budget should be created and reviewed before deciding the final sales and market entry strategy.

3.2 - Strategy 2 - Selling Through Distributors

Strategy 2

Sell or lease products directly to regional distributors (wholesale)



Distributors have:

- an existing customer base
- established sales and marketing program
- established accounting and human resources
- established business licenses
- brand recognition in the marketplace
- fulfillment programs

Examples of some large USA retail distributors include:

- Amazon
- Wayfair
- Overstock

The distributors will buy your product at a determined wholesale price and sell it to their customers at retail.

Sales strategies for distributors:

- bill in advance for bulk sales they will warehouse, sell, and fulfill
- drop ship to their customers from your warehouse
- they sell, bill, and collect, then pay you after they receive payment from their customers. ***(You would want to make sure that the distributors are creditworthy before you choose this method.)***

3.2 - Strategy 3 - License your product or technology

Strategy 3

License your product or technology



Licensing happens when a licensee acquires permission from a licensor to manufacture and sell its product or products within a specific market.

The licensee, commonly known as the party that gains the rights to sell the product, typically needs to pay the licensor a royalty fee.

When considering licensing your product sales, it's crucial to partner with a company currently selling similar products to your target audience. The licensee gains the right to sell your product to their customers, paying your company a royalty or license fee upon each sale.

Ensure the uniqueness of your product by securing patents and protecting your intellectual property rights. Refer to the [US Customs and Border Protection Intellectual Property Rights Brochure](#) for guidance.

Early advantages include leveraging established companies with industry recognition, existing customer bases, accounting and sales departments, business licenses, tax procedures, payment systems, and marketing strategies. This approach expedites market entry and reduces initial overhead costs.

This strategy is beneficial for software and training programs that do not involve physical product manufacturing and delivery. For further insights, explore the [Product Licensing for Beginners guide from SCORE](#).

3.3 – Planning for Strategy 1–Selling Direct



Planning for Strategy 1

Sell or Lease the Company Products Directly to Retailers

Longest Time to Market – The steps in this process would require a large marketing budget to create brand awareness for the company.

INITIAL STEPS REQUIRED FOR IMPLEMENTATION

- Research several target markets and large retailers to make initial introductions
- Multiple meetings with potential retailers
- Strong marketing
- Product demonstrations
- Pilot projects
- Research and engage a manufacturer
- Research and engage a warehouse and fulfillment center in the United States

3.3 - Planning for Strategy 2 - Selling to Distributors

Planning for Strategy 2 Selling to Distributors

Sell or lease the company products directly to distributors for major and smaller brands

Mid-Range Time to Market

Sell or lease your company's products directly to distributors, whether for major or smaller brands. To entice current distributors to incorporate your products into their catalog, your company must demonstrate how these products can meet the distributors' specific needs by:

- Easy solution to implement
- Cost-effective maintenance
- Lower cost than existing solutions
- Higher sales of products due to “impulse buying”
- There would need to be significant product on hand with short delivery times to meet the demand
- The company product would have to meet all the distributor standards for government regulations, and the existing supply chain
- Strong product marketing to share with the retailers

INITIAL STEPS REQUIRED FOR IMPLEMENTATION

- Research all major distributors in the US Marketplace for every major brand
- Multiple meetings with brand managers for the distributors
- Strong marketing, product demonstrations
- Pilot projects
- Research and engage a manufacturer
- Research and engage a warehouse and fulfillment center in the United States
- Have enough product “on hand” in a US warehouse to meet “high volume”

demand if the company product is chosen to be included in the product catalogue for their retailers

- Enough cash flow and company strength to ensure that the product can be produced and delivered within the required timelines, in order to protect the supply chain.

3.3 - Planning for Strategy 3 -License Your Product or Technology

Planning for Strategy 3

License your Product

Shortest time to market for PHYSICAL PRODUCTS

Partner with the companies that are currently creating and selling products for the major brands. Based on all the research on the way the US market works and the marketing strategies of the major and smaller brands, we recommend that this strategy would be often the shortest time to market and most cost-effective solution for PHYSICAL PRODUCTS, due to the existing marketplace.

INITIAL STEPS REQUIRED FOR IMPLEMENTATION

- Research the largest manufacturer/distributors of products currently in use by the major brands of products in your industry
- Learn the requirements for becoming a supplier for those brands
- Learn the requirements of having those manufacturers also become the major distributors for the company products
- Learn if it is better to go strictly with a distribution model and sell wholesale through a distributor requires a manufacturing and fulfillment partner
- Should the company license the technology and design to an existing US Manufacturer that already sells to the major brands

Summary:

For all market entry solutions, the company should create a US Entity or new market Entity. It is also recommended that there be inventory in the new market and preferably manufacturing in the new market also, prior to initiating sales/leases. It will be a much greater expense and longer lead times for product delivery if the company chooses to export the final products to the new market. It will also be more difficult to engage the customer base if there are long lead times for delivery or if they are dealing with a foreign entity for their supply chain.

3.4 - Creating Your Sales Team Based on The Market Entry Strategy You Choose

Each Market Strategy will require a different type of sales team.

3 POTENTIAL MARKET ENTRY STRATEGY EVALUATIONS:

The long-term to short-term speed-to-market strategies include:

Strategy 1 – Sell the company products directly to the end users

Using this strategy of selling directly to the end user

- Create your sales materials (logos, brochures, videos, product descriptions, testimonials)
- Create your product training
- Hire a sales manager to train and support your sales team
- Create your salary/commission plan and target sales goals for sales the team
- Hire your sales team and make sure they are properly trained about your product and product pricing
- Create a marketing plan
- Determine how you will find your customers
- Have a product fulfillment plan, including time from sales to delivery to the customer
- Create a customer support team

NOTE: *Many early-stage companies choose to outsource this to a professional sales team.*

Strategy 2 – Sell the company products directly to the regional distributors at a wholesale price

- Create your sales materials (logos, brochures, videos, product descriptions, testimonials)
- Create your product training
- Secure your distributors
- Your distributors will handle the rest of the sales process

Strategy 3 – License your product or technology to the companies currently selling products in your target market to your potential customers

- Create your sales materials (logos, brochures, videos, product descriptions, testimonials)
- Create your product training
- Secure your licensees
- Your licensees will handle the rest of the sales process

3.5 - How to create your sales training and marketing materials



Sales Training

Sales Training includes training your salespeople not only about your products, but your customers, your market, and even sometimes, how to be a successful salesperson.

Many companies outsource their ongoing sales training to a professional sales training company or task their sales managers to keep ongoing training for their sales team to include:

- Prospecting – how to find customers
- Making the appointment
- How to present to customers
- Overcoming objections
- Closing styles
- Customer retention
- Customer satisfaction

Marketing Materials should include:

- Branding – Logos, Product name
- Product videos – what the product is? what problem it solves and how to use the product
- Product Description
- Brochures – either print, digital or both
- Websites
- Social Media Pages
- Sales Contracts or Order Forms – either print, digital or both
- Packaging

3.6 – Create a Sales and Marketing Plan



Sales and Marketing Plan

Creating your Sales and Marketing Plan is a critical step in finalizing your new market entry or expansion plan.

Your plan should include:

- Unique Value Proposition – Your unique value proposition is the market need you’re planning to solve.
- Pricing Strategy – Determine your pricing levels. First, check what your competition is charging. This should give you an indication of what customers are willing to spend.
- Sales/Distribution Plan – How do you intend to get your product to customers? Once you figure out where you’ll be selling your product – online, at a retail outlet, door-to-door – determine the type of sales team you’ll need and how you’ll compensate them. In terms of distribution, think about how you’ll deliver the product or service into the hands of the customer.
- Marketing Plan – How do you plan to get customers? There are many free or low-cost strategies such as referrals, word-of-mouth, public relations, and marketing partners to help cross-promote or sell your product, so avoid any expensive print, TV, or radio advertising campaigns at these early stages.
- Branding – Before you start executing your marketing strategy, however, think about “branding.” This is the look and feel of your business, and what customers experience when interacting with it, from the fonts, colors, and text of the website and your business cards to the overall image you portray in the product itself. This branding will be reflected in the execution of your marketing strategy.

3.6 – Create a Sales and Marketing Plan

Part 2



Sales and Marketing Plan

Creating your Sales and Marketing Plan is a critical step in finalizing your new market entry or expansion plan.

Your plan should include:

- Customer Experience – Describe how you want customers to experience your product or service. Look at products or companies that you really like and think about why you like them. What makes you feel good about them? Do these characteristics permeate all aspects of the product, from website to packaging to letterhead?
- Budget – After you document the marketing plan activities, calculate the costs that you expect to incur.

On the next pages you can review a sample marketing plan.

3.6 – Sample of a Marketing Plan

Part 1

SAMPLE OF A MARKETING PLAN – provided by SBA -Small Business Administration

J&K Auto Repair Marketing Plan

1. Marketing plan summary

J&K Auto Repair (J&K) will build a customer base made up of local community members and drivers on the nearby highway. It will establish a reputation of a trustworthy business with an experienced staff and competitive prices. J&K will gain an advantage over its competitors by being one of the only local shops to offer both auto repair services and auto parts for sale.

2. Market research

The Bureau of Economic Analysis and Bureau of Labor Statistics show that many members of the local community work for the nearby university. These jobs pay well, and many university employees earn well above the area's cost of living. There is a strong market for non-student residents.

Half of the university students have a car on campus. The university is roughly a two-hour drive from the nearest major city, which means many students drive long distances for internships and to visit family.

3. Target market

J&K estimates that 80% of its customers will come from the local community, including the university, while the remaining 20% will come from drivers on the nearby highway.

3.1 Local community

The local community members represent the largest share of J&K's customer base, and are the best opportunity for repeat customers.

3.2 University students and staff

J&K is located near a university. Creating awareness about the business on campus will turn students and university staff into customers.



J&K AUTO REPAIR

1

3.6 – Sample of a Marketing Plan Part 2

SAMPLE OF A MARKETING PLAN – provided by SBA -Small Business Administration

3.3 Highway drivers

Drivers on the nearby highway represent hundreds of potential new customers each day. They are a smaller, but important, portion of J&K's customer base.

4. Competitive analysis

In addition to J&K, there are four auto repair shops within a 15-mile radius. But only J&K and one other shop offer both auto repair services and auto parts. In its marketing tactics, J&K will emphasize that it's a shop where customers can have their cars repaired and buy parts.

The majority of J&K's inventory includes:

- Tires
- Batteries
- Brake parts
- Chemicals (oil, antifreeze, more)
- Wiper blades
- Filters, belts, and hoses
- Accessories (floor mats, seat covers, more)

5. Market strategy

J&K will build out its social media presence. It's a free and effective way to create awareness about the business and directly engage its customer base. It will purchase advertising space in the print and online editions of both the local newspaper and the university newspaper. J&K will also purchase ad space on a local TV news station's website.

To attract customers from the nearby highway, J&K will purchase a billboard ad that will include directions from the highway to the shop. The business also will build relationships with local tow truck companies with the goal of getting those companies to refer their customers, many of whom are highway drivers in need of a tow, to J&K.

6. Budget

J&K has budgeted \$1,000 for marketing. These funds have already been accounted for in the business plan. J&K has broken down the cost by each marketing tactic.

Billboard: \$500

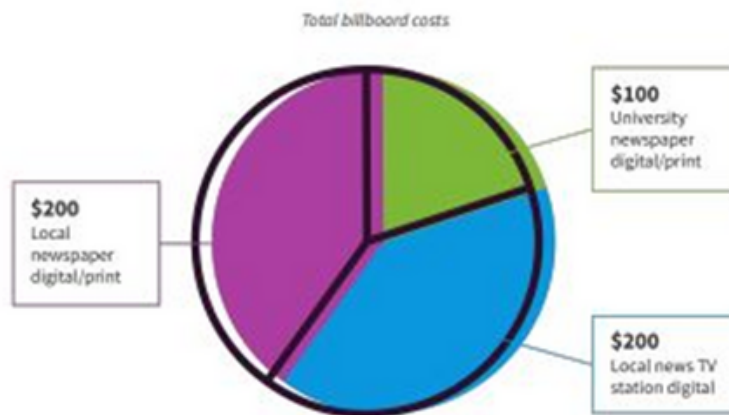
- Local news TV station digital ads: \$200
- Local newspaper digital/print ads: \$200
- University newspaper digital/print ads: \$100

J&K AUTO REPAIR

2

3.6 – Sample of Return on Investment Graphic

SAMPLE OF Return on Investment – provided by SBA -Small Business Administration



7. Return on investment

J&K will revisit its marketing plan in four months to look at which tactics worked and which didn't. At that time, it will decide whether to cut the unsuccessful tactics and direct those funds elsewhere, or give them more time to work.

3.7 – How to Create Financial Projections for Potential Investors

The **video** below from the Small Business Administration provides a great overview of what you should consider before creating the final financial projections you will provide to prospective lenders or investors.

WATCH THE VIDEO BELOW

SBA U.S. Small Business Administration


How to Write a Business Plan

Financial Projections

As you move to the next section of the business plan (Financial Projections), ensure your financial projections match your funding requests.

All possible credit sources will be on the lookout for inconsistencies and few, if any, will allow you to correct problems they have uncovered.

It's much better if you catch mistakes before they do; it can mean the difference



3.7 – Create Key Documents For Funding Pitch Deck



In your final package to secure funding from a financial institution or investor, certain essential documents are required. These should include many of the items covered in this guide.

The next step is to gather what you have, identify what needs to be created, and decide whether you want to do it yourself or hire a consultant.

- A company introduction – this could be a typical overview of the business, an executive summary, and many companies are now choosing to create a short “elevator pitch” video. Less than 3 minutes. This is a short and simple message.
- Elevator pitch e-mail - shouldn’t last forever and take too much time to read. You don’t have to share everything about the business – just enough to spark the investor’s attention. On the other hand, you also don’t want to skip essential details about the business.

Once you’ve written your pitch, check if it answers these questions:

- •What is the product or service your business is selling?
- Who is your customer?
- •How does your product/service help this customer?
- •What is the problem your product/service solves?

Mention your business traction. The pitch should mention the traction, as this is a powerful way to attract positive attention. This can be in terms of sales or even social media interest.

Include your previous business accomplishments