

Look Before You Leap: What to do Before Jumping into a New Market

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Abstract

This paper discusses key steps that are often times missed when a company decides to launch a product into a new market. It pulls from several different articles on both launching products as well as failed product launches to piece together a guideline. This paper does not go into all of the details that must take place prior to launching a product into a new market, but rather focuses on the first key steps that are often times missed or rushed that should be looked into prior to making a launch decision. We key in on: getting to know the customer on an intimate level and what exactly that means, determining if the product and packaging are a good fit for the market in question, as well as the current distribution or infrastructure that is available in the current market. All of these things need to be reviewed and researched before you can even look into the legalities and jumping into getting the launch set up. Companies need to be willing to take the time, effort and resources necessary to do the work up front. History can tell you that until you really start digging in, there is no way of knowing what is needed or wanted. Take the time and do it right or you may find yourself doing these first steps several years and numerous headaches later. At some point, these need to be looked into, better to do it all on the front end.

Keywords: Customer, distribution, market, packaging, product distribution

Introduction

The amount of case studies that are out there focused on “what went wrong” after a company jumped into an international market with something new and it failed are countless. But

how do you know if you have a product or service that will fit? There is no obvious solution, but there are a few key items that need to be looked into before trying to push a product into a new and unfamiliar market. Here we have looked into several cases and zoned in on some key items that seem to either be forgotten or rushed. We will focus on keys steps that should take place prior to really jumping into a new product launch in a new market. Key items that we will discuss are: getting to know the market on an intimate level, needs and wants of the market in regards to packaging and finally determining if there is a good way to distribute your product with the current infrastructure of the new market.

Intimate Customer Knowledge

“It is vital to have an intimate understanding about who lives in the community and what they value” (Abner, 2015). This may seem obvious, but it is much harder to do than one would think. You need to be able to become familiar with the customer on many different levels and there are many barriers that make it difficult to do so. Language, culture, religion and even the climate are a few items that need to be well understood. How many times has a conversation happened between co-workers, or even close friends or family members, where when the two begin working on what was discussed, only then do the two realize that they had completely different understandings of the conversation and what was to be done. Throw in a different language and different cultural backgrounds and the task of understanding becomes that much harder.

It is not common for a company to launch a product thinking they did not do all of the necessary research, however it is very common for product launches in a new market to fail because a piece of research was missing. Getting a deep knowledge and an intimate understanding of the potential market is a time consuming task. This step cannot be rushed through and must be very detailed.

Language is a huge barrier for gaining information. Even if the two markets have the same language, words and phrases can have different meanings. When the languages are different, the translations often do not translate over with the same meaning. It is often key to have someone who has a very good understanding of both languages assisting with the research. This is also “critical, because the language, channels and information you use to communicate with and appeal to one demographic may not be as effective with another” (Forbes Agency Council, 2017).

Once you have figured out how to deal with the language barrier, you must then figure out the cultural differences. What may be completely normal in the home market could seem completely foreign to the market you are looking to launch your product into. There needs to be an intimate level of understanding your customer’s lifestyle; their daily habits, their needs, their wants, their pain points and how they go about their daily activities.

In some cases, well developed surveys can work well. In most cases, you need to go much deeper. Spending time and developing relationships in the potential market is more often than not the way to gain the greatest understanding of the customer. Bill Gates and Steve Jobs are both very well known throughout the world for their innovation and supplying the customer with what they want. They also have in common the fact that they actually go out and spend time with their customers to really get to know them. “It’s crucial for top executives to get away from their desks and spend time in the marketplace” (Cateora, 2016). The better you know the customer, the better you can serve them and this can only happen by spending a great deal of time with them.

Tailor to Customer Needs

Once you have an intimate understanding of the customer, you need to determine if your product can immediately fit their needs or if you can change up your product to meet their needs.

Most product needs to be tailor fit for the new market in some way, shape or form. Not only does this pertain to the physical product, but we also need to look at the language, packaging and how the product is actually marketed.

First we will review the physical product. Here we can take the research to determine if this is an immediate fit or not. Does the product fill the customer need? When getting to know the customer, specific questions targeting your product should have been conducted. Learning from the customer not only what they currently use, but getting a sense of what they could use if offered.

“Brands have often relied too heavily on the same approach that made them popular in the West. Same product, same marketing, just different language. And it rarely works” (Beer, 2012). Kraft encountered this problem when they launched the Oreo cookie into China in 1996. By 2005, it only had 3% of the market. But why? The Oreo is one of America’s most loved cookies. Why would it fail in China? No one took the time to talk to the Chinese to have a better understanding of their tastes. It is ignorant to assume that if something is that well-loved in one market, it will naturally be as big of a hit to just move it to another market.

After struggling for several years, Kraft took the time to go back to the basics and got to know their customer on an intimate level. They took the time to discover their likes and dislikes and they were able to tailor the Oreo to better fit the taste of the Chinese market. Today Oreo has 15% share overall in the Chinese market becoming their number one market in regards to share. As stated before, intimately getting to know your market may seem like an obvious step, but it is often missed and companies are forced to pull items off from the shelf and go back to the basics.

Sometimes it is possible to do a trial in the market with the new product or service. “Creating a free trial or product demo is a critical stage for any product or service because you

want to get as much feedback as possible before the official launch” (Forbes Agency Council, 2017). This allows you to get first hand feedback from people within the market. It also gives you a chance to make any necessary changes prior to going through with a big launch and having to back track after the fact. During the process of getting to know the market, there is a lot of information that can be gained, but seeing customers’ reactions to the actual product is the best way to determine how the market as a whole will react.

Steve Jobs stated that “A lot of times, people don’t even know what they want until you show them” (Mui, 2011). Being able to take a test group through a trial of your product and show them what it is, how it works or what it is meant for, will also allow you to get the initial feedback on something completely new. The trial allows the chance to see their reaction after being shown a demonstration and not necessarily leaving it up to the customer to figure it out on their own. If you did enough research and determined the market’s needs, this demonstration with a trial group could also start a lot of buzz around the new product which can help launch your marketing campaign as well. Again, it is not always possible, but when it is, take the opportunity to test the waters!

The second part that needs to be looked into prior to launching a new product is the products packaging. What type of packaging is the market used to? Does your packaging have the right color or layout that the customers are used to? Will it stand out? Can the packaging be distributed as is? There are so many different variables that need to be determined in the packaging before launching as well. Some of these are strictly advertising pieces. What we will focus on in this section is what the proposed market needs are in regards to the packaging of the product.

The footprint of a product can be key in certain markets. “Sophisticated retailers calculate the square inches a product takes up on its shelves and the revenue the product generates per square

inch” (Ashe-Edmunds, n.d.). In some markets, the amount of retail space is limited and larger packaging is not well received. In other markets the “green effect” is quickly gaining traction. More markets are moving to be more environmentally conscious. Others are even pushing for it, so if you have packaging that does not fit well with the proposed culture, you could get kicked to the curb based solely on that.

More importantly is the overall packaging content. In the United States, we often purchase in bulk to avoid so many trips to the grocery store. Sams Club and Cosco are continuously growing here, however, for many markets, this is not an optimal way to purchase products.

Items purchased in bulk are more costly. Looking back at the Kraft journey when they introduced the Oreo into the Chinese market, they discovered that “it wasn’t just the cookie that needed to change. Kraft also found that its traditional package size was too big and expensive for the average Chinese consumer, who have less disposable income than North Americans” (Beer, 2012). It is important to learn what style product that is being offered and how that fits into the customers current buying patterns. Even if you have a product that the customer desires, if it is not affordable for them, they will look elsewhere for something they can include into their budget.

Smaller pack sizes also allow for products to go into smaller grocery stores, mom and pop shops, as well as gas stations. They are easier for these smaller locations to keep inventory on hand. They also allow for the customer looking for something quick on the go as well as the customer who has less disposable income, but still wants that something extra.

Many poorer markets fall into this same category. They do not have the funds to purchase in bulk nor do they need to have weeks’ or months’ worth of product on hand. They are okay with making frequent trips to get the necessary items. “In India, China, the Philippines, and other

countries, single-serve packs of shampoo, detergents, pickles, tea, aspirin, cookies, matches, and ketchup are common” (Prahalad, 2014). Had the companies that offer these single-serve packs not adjusted their packaging to meet the demand of these poorer markets, they would have priced themselves out. It may seem as a small piece of the overall global market, but the amount that these markets buy of these smaller pack items can really add up and it has been found to be very profitable for many companies. In India, roughly 60% of the shampoo that is sold is sold in the single-serve packs. That’s a large market share to give up by not adjusting your packaging to meet the needs of the customer.

Distribution and Infrastructure

Lastly we will look at the ability to distribute the product into a new market. The infrastructure from one area to another can have dramatic variations and it cannot be assumed that you can distribute your product similar to how it is done in the home location. There are many different ways to distribute product, however the infrastructure of that given market needs to also be taken into consideration when coming up with a distribution plan. How you are used to distributing your product is most likely not going to work the same way in a new market. Where you distribute from and how you get it to where it needs to go greatly depends on the infrastructure of the new market.

In order to figure out your distribution plan, you must first decide who your ideal customer would be. Who is going to use this product and how would they typically gain access to this style product in the proposed market? Through your research, is there a better way to get them the product? B2B (business to business) and B2C (business to customer) companies can either sell through a single distribution channel or through multiple distribution channels. The various distribution channels include: wholesaler/distributor, direct/internet, direct/catalog, direct/sales

team, value-added reseller (VAR), consultant, dealer, retail and sales agent/manufacturer's rep (Marketing MO, n.d.).

After determining the most ideal way to distribute your product, or perhaps even in parallel, you need to decide if the infrastructure in the market supports that route of distribution. From market to market, the infrastructure varies greatly. Some areas have great internet service and the ideal customer would order through the internet, however the roads and railways that connect where your product from where it is to where it needs to go to the end customer may not be able to happen before your product goes bad. More often than not, the distribution process that is being used in the home market will not work for the proposed market due to where you manufacturing facilities are located and the different infrastructure of the new market. This will take some time to step back and determine if there is a new way to make this work.

As an example, it has become apparent that there are many consumers in rural emerging markets that are looking for health care products such and soaps, shampoos and conditioners. This was not apparent however until someone thought outside of the box and learned to distribute in a different way using the infrastructure that was available to them. In these rural emerging markets, there are no grocery stores and the typical distribution process would not work. Companies such as Unilever started to work with local women setting them up as independent sales agents. "With its Shakti initiative, Hindustan Unilever Limited (HUL) pioneered the concept of training local women as rural sales agents who sell Unilever products door to door in their communities. In Pakistan, Unilever took the concept to a new level, training hundreds of village women as beauticians, working out of their homes" (Mahajan, 2016). In this concept, they are able to use the internet with smartphones to keep track of inventory and the company rarely has to make

shipments. It works out well on all fronts. Coming up with this design using what was available to them was not easy and it is the same for nearly every company trying to enter into a new market.

There is a lot of research and thinking outside of the box that needs to take place, but there is proof out there that it can be done well. Keep in mind that there are numerous case studies out there showing that it can fail as well. This is also key in your research to learn from their mistakes and what they forgot to look for.

Conclusion

There are no easy wins when it comes to marketing a product internationally. In fact, there are no easy wins when it comes to marketing a new product anywhere. Taking something international just makes it that much harder. There is a lot of variables that need to be taken into consideration when going international and there are no easy ways to do this. Companies need to be willing to take the time, effort and resources necessary to do the work up front. It may seem like a slam dunk, but history can tell you that until you really start digging in, there is no way of knowing what is needed or wanted. Take the time and do it right or you may find yourself doing these first steps several years and numerous headaches later. At some point, these need to be looked into, better to do it all on the front end.

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