



What to consider when expanding business into North America

Increase your chances of success in the biggest market in the world.

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North America is the world's largest pharmaceutical market. Opportunities for high margins, strong demand and exceptional market potential are compelling factors that prompt European manufacturers to start supplying the North American marketplace. As home markets mature, however, competitive presence becomes painful and opportunities for growth become limited.

The vision of successfully expanding into North America is one that has been shared by many companies over the years. While the English language does not pose undue hardship for most educated Europeans, American culture and business often present unexpected and unique challenges.

Look before you leap

As a case in point, a European manufacturer seeking to develop new business supplying the North American pharmaceutical industry with an innovative technology engaged the services of a local independent sales agent. Initially, things looked promising, but after several false starts and months of inactivity, expectations for new sales were unmet.

The manufacturer then replaced the sales agent with a dedicated sales office staffed with some of the best and brightest long-time employees. After all, he rationalized that they were familiar with the technology, loyal to the company, had a reliable command of the English language and could

communicate with the factory in great detail.

Unfortunately, while opening a North American office might have been a good idea, it did not meet with success for many reasons, and after several years and several million dollars were spent, the office was closed.

What went wrong?

Each market is very different.

There are 'needs' and 'wants' that differ by company and by specific job-related corporate hierarchies. North American purchasing decisions are made in ways that are distinctly different from European purchasing practices, and the culture, which at first glance may seem to be so open, is actually very complex and challenging. In Europe, a great product sold into a good market is expected to return a reliable profit. In North America, the same product may meet limited customer interest, develop minimal customer interaction and result in considerable cash, and brand losses.

What are the potential risks?

To limit the risk of failure, it is important to understand all of the potential risks, which may include:

- Limited knowledge of market and cultural issues can result in unanticipated expenditures, lost time and sales opportunities.
- Lack of North American business experience may expose the company to contract complexities and legal restrictions, penalties, and unforeseen and damaging brand consequences.
- The industry is very relationship-oriented. Appropriate industry contacts are not readily accessible or are resistant to engaging new suppliers.
- Already-in-place contract agreements or a corporate mandate to select suppliers from a prequalified vendor list may present roadblocks to hamper a new supplier from the opportunity to compete.
- Overconfidence in the technology and traditional way in which product design, development and manufacturing are done in Europe may not fit with the more consultative, hands-on North American problem-solving style approach.
- Expanding into the North American market with a 'business as usual' mentality often increases risk. Remote management with decision making done from an office at the overseas parent company isolates the company and key management from the market and inhibits direct customer interaction.
- Sometimes European companies tap top-quality technical personnel to manage the North American operation. These individuals may have technical expertise, but lack management and sales experience. In addition, they are not typically familiar with local customs, business practices and industry purchasing protocol. Reliance by the home office on what is traditionally comfortable

and familiar further isolates the operation from meaningful customer interactions.

How can these be overcome?

North Americans buy from companies whose products meet a need and from people who are easy to do business with. Companies looking to expand into this market should:

- Clearly identify the niche target markets and individual prospects your company needs to reach, and form a strategy with a compelling selling proposition. (Consider yourself akin to the Commander-in-Chief who is embarking upon a military operation: you need ground intelligence and a strategy — so you call upon the General and assign the mission. The General then devises a plan and develops tactics.) An established North American marketing firm can garner market intelligence, determine an appropriate market strategy, develop brand appeal, prepare marketing materials and perform direct

prospect meetings, sales calls and reporting cycles so that you stay in command. This strategic guideline will provide essential traction and more than likely reduce the risk, time and cost of establishing a solid presence.

- Build brand awareness and recognition. Your company has to communicate value and present performance expectations that connect the buyer to your company and its products. An experienced brand development and marketing firm can help position your brand with a North American value-based market orientation.
- A professional, on-the-ground, well-managed North American entry campaign has the best chance of creating sales. Targeted, face-to-face presentations that are supported with a consistent, brand-defining media presence reach the 'best' prospects and shorten the purchasing decision cycle.
- Understand and plan for unexpected changes in market conditions and government regulations. Change is a fact of life. Your on-the-ground sales and marketing team should be familiar with the movements in the industry, and they should stay well informed by reading industry newsletters and publications to stay on top of issues as they emerge. By staying flexible and connected, your sales and marketing team can assist you in identifying change so that you can transform risks into specialized opportunities.
- Maintain communication with key potential customers to keep your brand and products firmly

positioned in the customers' mind. Your North American sales and marketing team should be able to maintain direct contact with prospects and, at the same time, expand the communication channel so that your brand is supported in industry trade publications.

- The best way to build new customer loyalty is to offer them local support. Your point-of-sale aftermarket presence, training and service infrastructure lends credibility and expertise, and answers questions immediately, as they arise. This personal and collaborative relationship builds loyalty, and positions your company way ahead of the competition to reinforce the value of your brand.
- Customer loyalty is long-term and lucrative.

Success or failure?

A knowledgeable, experienced local sales and marketing partner can be an invaluable resource for guiding your company through the critical first steps in developing a North American presence. Frank and open assessments, recommendations, a defined brand strategy and direct, personalized selling programmes can make the difference between your company's success and failure. **PTE**

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The author says...

- The North American pharmaceutical market is an attractive proposition for European companies seeking to expand.
- Although language may not present a barrier, lack of knowledge and experience in this market could lead to failure, regardless of the strength of a product or technology.
- To increase the chance of success, companies must work with local sales and marketing teams to garner intelligence, define brand strategy, build awareness and tailor sales programmes.