

## **"THE POWER OF GLOBAL BUSINESS INFORMATION"**

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### **"Power"**

Before we can discuss the power of global business information, we first must gain some perspective of "global power". During the 15th and 16th century, power was achieved through the acquisition of more land, countries and even continents. As far back as the Biblical days, the Roman Empire, the Spanish Empire, British Colonialism and up through World War II, the acquisition of land was the vehicle to world power.

After World War II and in the subsequent three decades, nuclear warfare was the key to global power. Clearly, at the height of the Cold War, the development and acquisition of nuclear weapons and technology dominated not only the economies of the major superpowers, but also accounted for the perceived powerful status of major nations (eg. USA and the former Soviet Union).

During the 1980s, the major industrialized economies recognized that information is power. As a result, software, computer, and database companies expanded at phenomenal growth rates to provide corporations with sophisticated software, systems, and databases. Corporations made significant capital investments in internal systems, databases, information centers in addition to significant investments in human resources.

During this period, senior management formed functional groups and departments, called "Corporate Intelligence" and "Competitive Intelligence" to manage this effort. The initial purpose of these corporate initiatives was both offensive and defensive. They were offensive as they were intended to create a monitoring system to increase market share and identify new business opportunities. On the other hand, they were defensive in terms of monitoring the competition and protecting domestic market shares.

The problem, however, is that our global economic and political environment changed dramatically during the time that more and more funds were being invested into these systems and databases. With the demise of communism, the recession and slower growth of Europe and the USA, coupled with the rapid growth of Asia and emerging economies in Latin America, these information systems cannot completely provide the key to power in the 21st century - **global business research and information.**

### **"Global Business Intelligence"**

While the USA and Europe have been largely "data and public information driven" in terms of their research and information gathering methods, the Japanese, during the post-war period, have concentrated their efforts on developing active, ongoing, field intelligence monitoring systems and processes throughout their organizations. While their firms are well known for gathering and analyzing tons of data, the heart of their global market research lies in actively collecting non-published "field intelligence."

In general, field intelligence can be defined as non-public information, cultural habits, emerging consumer and economic trends. Specifically, field monitoring and research identifies the potential market opportunities as a result of obtaining the following information or data.

- .. Changing consumer lifestyle and buying habits
- .. Shifts in economic and purchasing power
- .. Growth of select industries
- .. Competitive activity
- .. Market needs and areas of investment opportunity

During the '70s and 80s, organizations from the USA and Europe relied heavily on published information (e.g. databases, public literature, published syndicated reports, etc.) to conduct research for market intelligence or investment opportunities. On the other hand, Asian firms, particularly the Japanese, have developed a global field intelligence network through the following mechanism.

- .. Extensive travel to countries
- .. Establishment of local trading companies for this purpose
- .. Establishment of strong local supplier/distributor affiliations
- .. Utilize their distribution channels to gather intelligence
- .. Establish a formal competitive intelligence process within foreign subsidiary offices
- .. Daily and continuous communication with affiliate offices

The difference in the research techniques and information gathering has a major impact on the identification of global investment opportunities. Traditional Western research techniques are very structured and rely heavily on public information and analysis by corporate staffs. As a result, the information, analysis and the research, is produced on a "one-shot" basis, is very specific to a point in time, and often not "connected" to the changing global events or even the overall strategic direction of the firm. As a result, the information is very segmented, analyzed in a vacuum, contains information from which

competitors also have access to, is useful only at a point in time, and rarely contains the input from local countries or the "field" (Figure 1).

In Japan, however, firms rely heavily on non-published information from local countries, which is analyzed by groups of local personnel and fed back to the corporate office. Most importantly, once the information is fed back to the corporate office, the information is rapidly disseminated and analyzed by groups of personnel. Most importantly, the data is gathered on a global basis and is analyzed on an ongoing basis.

Within this process, the data is analyzed in terms of **global market opportunities and focuses on the integration of products, markets and technology.** The analytical process is very dynamic, is part of everyone's job, and rarely relies on secondary literature, which can be accessed by their competitors (Figure 2). The end result, is that Asian and particularly Japanese firms have a significant lead time in terms of identification of new investment and emerging market opportunities.

Secondly, this process supports their philosophy of developing products for local markets, rather than attempting to sell their Japanese products to other markets. The bottom line, is that through their methods of global intelligence gathering, they have a significant strategic advantage in terms of leadtime in the identification of global investment opportunities (at least 3 months to one year.)

### **"Global Survival in the 21st Century"**

In order to survive, compete and flourish in the 90s and into the 21st century, organizations will have to develop their own **global intelligence networks** which deliver rapid data and current "field intelligence." Intelligence networks consist of PEOPLE; partners, affiliates, distributors, customers, who are active communicators of the changing local markets, political and economic climate, technology and competitive activity. Typically, this ongoing field intelligence is "fed" into a corporate office on a weekly, if not

daily, basis.

Intelligence networks and global market research support a clear global strategic vision. Here, we have the "chicken and the egg" dilemma. Does the global strategy result or evolve from the data and market research? Or is the market research conducted to support the global strategy? The answer is specific to the industry, the culture of the organization and to the global market or investment opportunity (Figure 3).

### **"Establishing a Global Intelligence Network"**

SIS International is a global business research firm with an expansive international network. Our global intelligence network spans 70+ countries and contains over 200 research affiliates. These "field" representative consist of very close alliances with traditional market research firms, independent consultants, government officials, and trading companies.

Our firm actively conducts research in emerging growth markets throughout the world. Specifically, our research focuses on market entry/feasibility studies, investment opportunities, global image studies, global repositioning studies, competitive intelligence and new product feasibility studies. As a result of this very dynamic business, we are continually alerted to emerging growth markets, global trends, and investment opportunities, as a result of conducting market research and feasibility studies in Asia, Latin America and in Eastern and Western Europe, Africa and the Middle East.

How did we develop such an extensive and powerful global information and research network? Very simply, after having successfully supplied this research service for USA firms for nearly a decade in the 80s, in 1990, I decided to get on an airplane and travel to over 60 countries to establish our global network. Through industry conferences, speeches, local advertising, word of mouth, I was able to develop contacts who would serve as our intelligence source in a particular country. In total, the development of our

network took three years to achieve extensive global coverage.

This type of dynamic global network cannot be developed over the fax machine. Organizations must commit significant funds for a hefty investment in time and travel. For example, I arrived in Hong Kong in early 1990 without any contacts. I picked up the yellow pages and the telephone and began to call local research firms, with whom we could develop a strategic alliance. Secondly, during the past three years, our firm continuously keeps in contact with all of our network partners via faxes, direct mail, newsletters, etc.

Once a global network is established, there are several critical success factors for it to be an active, "breathing" intelligence network.

1. Money must flow both ways  
(There must be business or a strategic advantage for both parties)
2. Immediate and continuous communication with your partners is essential
3. The network must become "human" as international business is based on personal relationships
4. Knowledge of and respect for different cultural values

Most USA organizations have a specific international department which is responsible for global business development. The problem is that the effort is contained in one area of the company. In most Asian, European and Latin American firms, international business development emerges from several departments such as R&D, manufacturing, sales, marketing and from senior management. Here there are more "eyes and ears" constantly monitoring opportunities. Figure 4 illustrates the development of a global business network from the basic core of your organization. Clearly, global networks emerge from suppliers, distributors, customers, into local, regional and global strategic alliances.

## **"Global Investment Opportunities/Case Studies"**

Our firm conducted an extensive literature search over the past six months which outlined all of the "hot" investment opportunities. The literature is flooded with articles on investment opportunities in China, Mexico, Chile, Poland and Hungary (refer to Figure 5). While these countries represent the "current wave of investment" the next wave of investment opportunities is confirmed by word of mouth and current field research.

This "next wave" of investment opportunities are located in Malaysia, Indonesia, the Philippines, Indochina, Manchuria, Siberia and the Mercosul trading bloc countries (e.g. Brazil, Argentina, Paraguay and Uruguay - refer to Figure 6). The remainder of the speech will identify examples of how these opportunities result from global business research and information.

### **"USA Success Story - Sara Lee Corporation"**

The globalization of Sara Lee Corporation is truly a success story. Sara Lee achieved sales of \$13.24 billion in 1992, up 7% over 1991. Based in Chicago, it has operations in over 30 countries, sells in 120, and has approximately 125,000 employees. Its global businesses currently span the USA, Western and Central Europe, Asia Pacific and Latin America.

The company's successful globalization program is primarily due to the vision of its Chairman, John Bryan and five general principals of the company, listed below.

1. Target markets traditionally dominated by private label goods
2. Increase market share and capacity through acquisitions
3. Use resulting economies of scale to keep costs and prices low
4. Develop strong brand identities with extensive marketing
5. Sell through as many distribution channels as possible

When company has financed its activities through a combination of equity, debt and divestiture, Their ability to finance future growth comes from a prudent mixture of strategic asset sales, short term borrowing and increased cash flow.

Their strategy for global expansion into emerging markets is to consolidate and grow Western European branded businesses along the US model, and to extend these successful US and Western European brands to Central and Eastern Europe, Russia, Asia and Latin America. While joint ventures are a short term necessity for Sara lee, they do not fit into their long term strategy. The company's goal is to always eventually own 100% of its businesses.

Since the early 90s, Sara Lee expanded West, East and South. In Western Europe, they acquired Spain's top underwear and knit products company, the Sans Group. Sara Lee recognized that it could not easily apply its American strategy into Europe. While the European market is still fragmented, Sara Lee's European managers do emphasize Eurobranding for specialty products.

Sara Lee also discovered that it is difficult to operate in the former Eastern Bloc. To date, their investments in Eastern Europe have been limited to the coffee and tea markets. The strategic thinking behind this is that these product areas provide the most immediate returns on investments.

The Asia/Pacific region and Latin America have had "explosive" growth for Sara Lee in 1992, where sales were up 80% over 1991. Among their Asia businesses are the recent acquisitions of Ridsect insecticide brand in Malaysia, Singapore, Thailand and Hong Kong, and Harris Coffee and Tea in Australia.

Sara Lee also capitalized on "a window of opportunity" in southeast Asia with their direct marketing effort of their non food business, with their Indonesia based house of Sara Lee (as well as their Mexico based House of Fuller). According to Chairman John Bryan, "the

less developed parts of the world are ripe for Sara Lee's products, since the products that Sara Lees manufactures and sells are the products that the developing world wants." This is why Sara Lee is aggressively expanding globally into growing "third world" markets. Mexico is Sara Lee's second international priority, after their push to develop Russia and Eastern Europe.

What is the key to Sara Lee's Success?

- 1) "Global marketing on a local basis" - their particular strategy in emerging markets of establishing the Sara Lee brand as the superior one vis-a-vis local competitors.
- 2) Excellent internal global communications; well developed communications between the corporate staff and the local/field operations.
- 3) They do their homework. They research every local market thoroughly prior to making an investment or acquisition in the market.

### **"An Untapped USA Market Potential"**

Most of the literature and media reinforces the fact that the US has reached a mature stage of growth for a majority of its manufactured products, technology and services. However, a recent market research study indicated the increasing demand for Organic (pesticide and chemical-free) products, on a global basis.

The US still leads the world in food processing and is recognized on a global basis for our technology, standards and manufacturing methods in this sector. The potential exists for the US to become a major exporter of processed foods and our technology to lesser developed and to third world countries. Additionally, for the more industrialized economies (e.g. Japan, Europe, etc.), we have future potential to export organic produce,

beef, and organic processed foods. This potential and emerging trend is still in its infancy as entrepreneurial firms are now developing. Here the source of intelligence is Organic Products conferences and trade shows, word of mouth and market research. This trend has also spread to organic cosmetics, chemicals, and cleaners.

### **"The HOT Investment Areas"**

We define the "HOT Investment Areas" as investment areas which are currently identified in the media. These countries are growing at a rapid rate. Most of these countries are in need of investment in infrastructure (e.g. pollution control, construction of roads, energy, telecommunications and transportation systems). On the consumer side, as consumers per capita incomes increase, there is a demand for food products, pharmaceuticals, personal care products and apparel.

### **"Asia Pacific Region"**

This region will attract a disproportionate share of finance and other business resources as it will account for 60% of the global population within the next decade. Moreover, the majority of this population will move out of adolescence into high consuming years of their 20s and 30s. East Asia is expected to achieve a real growth rate of 7% a year vs. a 2.5% annual rate of growth for the "rich" world (USA and Europe).

Latin America is expected to achieve an annual overall rate of 3% followed by Africa with an annual growth rate of 2%. It is reported that the Non-Japanese countries will spend \$ 1 trillion on infrastructure during the 1993-2000 period.

### **"China"**

China is the new "boom" economy with a forecast growth rate of nearly 10% next year

(Figure 7). During 1992, GNP increased at 12.8% and industrial production increased at a rate of 20.8%. At present, it is the world's fastest growing major economy. Most of the current investment is in energy sector, transportation and telecommunications. China relies on the local government, the World Bank and Asian Development Bank and foreign and private financing. We can currently term the economy a "socialist market economy" where resources allocation and relative prices are determined by market forces.

Much of the press indicated that China is on its way to become the world top superpower. The combined economies of China, Hong Kong and Taiwan are projected to be larger than that of the US in less than a decade. Moreover, by the year 2000, it is expected that China will have over 30 million private bank projects or non-state enterprises.

On the downside, inflation is running as high as 20% in the big cities, peasants are pillaging and corruption is endemic. Moreover, NAFTA could shift light electronic production from China to Mexico. Lastly, if Vietnam opens up, China will no longer be the lowest cost in terms of labor.

**Window of opportunity:** While much of the US firms are exporting aircraft, fertilizers, chemicals, instruments and plastics to China, the consumer market is emerging.

**Business Intelligence Indicators:** While most of the investment is going into infrastructure in China, this will clearly be the largest consumer market in the world. Those firms who enter and penetrate this consumer market early, do their research, will reap the largest gains in the future.

### **"Taiwan, Singapore, Hong Kong, Korea"**

All four of these countries have realized growth rates in excess of 5% in the past several years. In total, they represent a competitive force to Japan. Each is strategically situated in the Pacific Rim and investment opportunities are abundant in infrastructure

development (e.g. construction and engineering, pollution and environmental control systems, and medical equipment.) Countries such as South Korea consider it a recession when GDP grows at a rate of only 6% a year. Again, the average urban household income has risen to \$19,000, in addition to a savings rate of 12%, which makes this a "ripe" economy for consumer goods.

While countries such as Singapore are viewed as a springboard into Asia, according to Mr. Craig S. Varden, Managing Director of the Getz Corporation, the largest US trading company in Asia, "too many Americans come to Singapore without the proper market research and idea of product demand." Companies, however, which have successfully located to Singapore are Apple Computer, 3M, Westinghouse, Hewlett Packard, Motorola and Johnson & Johnson.

Business Intelligence Indicator: These countries serve as excellent springboard locations for distribution and sales offices and for investment in infrastructure.

### **"Thailand, Indonesia, Malaysia, Philippines"**

Behind China, Thailand is the second fastest growing economy in South East Asia. With an average growth rate of over 10% in the past four years, and a projected growth rate of 8-9% next year, this country is currently very attractive for investment in infrastructure, computers and peripherals, medical equipment and supplies and food franchising. On the other hand, the country has major traffic problems, a lack of telephones, an AIDS epidemic and a concern for the role of the army.

Trade and investment are also abundant in Malaysia, Indonesia and in the Philippines. However, very thorough research must be conducted in these countries prior to investment as a confusing regulatory and legal system exists in countries such as Indonesia.

**Business Intelligence Indicators:** Serious consideration for investment should be given to Indonesia, Malaysia and the Philippines as they are rich in natural resources, are relatively stable politically, and have lower labor costs than the aforementioned Asian countries.

### **"The Next Wave in Asia - Indochina (Cambodia, Laos & Vietnam)**

The current literature rarely promotes investment in these countries at this point in time. Cambodia is still plagued with political instability. While the US lifted its economic embargo in January 1992, it still remains one of the poorest economies of the world.

Laos is more stable, has a liberal investment policy and has abundant natural resources. On the other hand, the country has a poor legal system and lacks skilled labor and capital. The government, however, is seeking foreign investors for the gigantic Nam Thuen Hydropower Project which will cost \$ 1 Billion USD.

While some of the communication channels and links to the US have been opened in Vietnam, as of December 14, 1992, US firms are only permitted to sign contracts should the embargo be lifted. Other European firms, however, have thoroughly researched the market and have laid plans for significant investment in the country.

**Business Intelligence Indicators:** These countries will form the next wave as they have lower labor costs than China. Sound preliminary research and consistent monitoring of the local political situation are the best route to take over the next one-two years.

### **"Japan's Strategy in Southeast Asia"**

In 1992, real GNP in Japan grew at a rate of 1.6%. In spite of the competitiveness of Japan's products in the 80s, the Japanese have possessed a "feudalistic" subcontracting

system. In the past decade, the larger Japanese firms (e.g. the automakers) subcontracted to thousands of smaller subcontractors, who were self-financed and accepted wages which were 40% lower than larger firms, with no lifetime employment.

The recent recession has forced the larger Japanese firms to subcontract their work abroad and they are even reported to be employing non-Japanese workers (e.g. Brazilians, Nigerians). In the past, the Japanese economy flourished with these feudalistic, pre-capitalistic, non-market relationships. As a result of downsizing, pulling work inhouse, the rate of new business start-ups in Japan is dramatically falling.

To increase their strategic position in Southeast Asia, the Japanese have increased their aid and investment in these countries. As a result of their New Asian Industrial Development (AID) Plan, their objective, strategy and vision is to integrate the entire Asian economy with Japan's economy. In response to this, Malaysia has developed a "Look East Policy" which underscores their reliance on Japan as a major investor in their country. The key issue, however, is whether the other Asian countries will accept Japan as its leader (Figure 8).

**Business Intelligence Indicators:** The US should aggressively research investment opportunities in Asia or potentially face being "locked out of this rapidly growing region."

### **"The World's Last Great Frontier"**

Northeast Asia, specifically, the area that surrounds China, Russia, Mongolia, the two Koreas, the Straits of Japan and the Tumen River is now being discussed as the "gold rush of the 21st century" (figure 9). It is forecast that the Tumen river has the potential to become the future Hong Kong, Singapore or Rotterdam as it is:

.. an area for harvesting the region's timber

- .. the starting point of a new land bridge to Europe
- .. the Northeast Asia nerve center of energy and telecommunications
- .. an area in which the United National Development Program (UNDP) plant to convert the region to a 30 billion trade and transport center

To date, China, North and South Korea, Russia and Mongolia have signed TRADP -or the Tumen River Area Development Program. If the project succeeds, the Tumen area will become one of the world's largest economic zones and the third largest trading bloc behind North America and Europe. It is understood that companies such as Northern Telecom and Nestle SA are ready to get involved in the area.

Two factors will accelerate the dream; 1) post cold war economic realities and the mending of Sino-Russian relationships and 2) the new development zeal of China, Russia and North Korea. Clearly, this region **pools labor, technology and vast natural resources, thus making the potential of a mighty tiger as a potential economic and political bloc.**

The area currently lacks investment capital as it has limited funding from the World Bank and the Asian Development Bank. We understand that the regions needs \$30 billion USD from private investors. The city of Hunchun is designated to become the center of trade in this area. The implications of the potential investment opportunity in the Tumen River area are as follows.

- .. This is a long range development project involving massive investment in transportation and construction projects.
- .. It is understood that because of the former Japanese imperialistic legacy in this area, China, Russia and the two Koreas wish to develop this area without Japan.

- .. The door is open for investment from the US and Europe. The issue remains as to trading with North Korea.
  
- .. This is an investment in which you must hustle to get in and stay in.
  
- .. The best way for entry is through a link up with the Chinese, Japanese or a South Korean company. Because of their shortage of natural resources and more expensive labor, companies such as Hyundai and Daewoo are reported to have initiated feasibility studies in the area.
  
- .. The Japanese are not to be ignored in this region as the Tobishima Corporation has already begun constructing a 12.5 mile canal at the mouth of the river.

#### **"HOT Investment Countries in Latin America"**

Chile led the way in terms of privatization and economic reform in 1987, followed by Mexico. Argentina, Venezuela followed and now Uruguay, Peru, Panama, Ecuador and Colombia are preparing for the privatization of their businesses, such as their telecommunications companies.

## **Mexico:**

Critics ask investment analysts - Why invest in Asia when our greatest opportunity is next door? Clearly, Latin America is the fastest growing region for US exports, as Mexico accounts for half of our total export volume. Mexico has a strong demand for capital goods; equipment, consumer goods and agricultural products.

President Salinas is committed to transform Mexico from a third world country to a first world country. Investment opportunity for infrastructure exists in telecommunications, roads, ocean ports, environmental clean up systems, distribution systems and water purification.

Additionally, it is reported that Mexico will invest \$20-\$30 billion in energy systems by the year 2000. The country is very willing to work with foreign subcontractors and while there is currently much debate over NAFTA, the agreement will eliminate import and export licenses on all petrochemicals. Recently, a \$675 million contract was signed between GE, Bechtel and Mexico to build a 700 megawatt electrical plant. These consortiums are expected to actually create jobs in the US.

Sears is a success story in Mexico. In 1989, the firm established 30 stores in Mexico and in 1992, sold 25% of Sears Mexico to the public for \$128 million. The market value of Sears Mexico is \$585 million, of which the parent's interest is \$440 million.

**Bottom Line: Sears got in early in Mexico and stuck it out.**

Opportunities exist for export of consumer goods to Mexico, as their per capita income rises. Of interest, we received a request for a study on the Mexican sheep market. Clearly, US manufacturers are evaluating not only the potential consumer market, but the raw materials from the country as sourcing for their products. We should not forget, that **Mexico is America's competitive edge as they like American goods and will become large scale consumers of our products and services.**

## **Chile:**

Chile is termed a "test lab" for the Americas. Since 1990, it has experienced a stable political system and a flourishing export-led economy. Their economy is still largely based on commodities and one third of its 13.2 million population lives in Santiago. At present, the climate for investment is very attractive and Chile is earmarked to become "the Switzerland of South America."

Companies such as Mary Kay Cosmetics, Oskosh, and Ford have successfully set up distribution in the country. While distribution remains a problem in the country, it is early to set up business in Chile as there are no limits on foreign participation. Aside from being a good base to operate from in South America, the Chileans are open to new technology and have a high literacy rate.

On my last trip to Santiago, I will outline a situation of the power of business intelligence. I had the opportunity to visit a financial credit and database firm, DICOM. Their Vice President of International Business Development demonstrated their sophisticated systems in capturing not only credit data, but import and export data, and the financing data.

Most impressive, the firm captures shipment data directly from the customs office and develops industry, market and company reports from the data. For example, within the automotive industry, they produce monthly import shipment data reports which track weekly shipments of imported cars from Europe, Japan and the US. It is interesting to note that the Japanese have the largest share of the automotive market in Chile, and it is not surprising that they are the largest purchasers of this data on annual subscription basis.

Another note of caution. The Japanese have been investing heavily in the salmon industry in Santiago. Because Santiago is situated on the Pacific Ocean, it is very

attractive for the Japanese in terms of market penetration of South America. An example of this is Sony's penetration of the consumer market. They manufactured and marketed their Sony walkman with the Chilean flag on the product. This strategy was a big success in the local market as the consumers perceived this as symbolic of their culture. We can learn some lessons from example (refer to Figure 10).

### **"Investment Opportunity - Mercosul"**

While most of the investment attention is on Mexico and Chile, a new southern common market trading bloc, Mercosul has been formed, which consists of the southern tier of Brazil (Sao Paulo), Argentina, Paraguay and Uruguay (Figure 11). The objective of the treaty is to eliminate all trade restrictions and import tariffs, promote equity trade balance and coordinate macroeconomic policies.

In spite of economic and political problems, Brazil is the largest economy in Latin America with a GDP \$402 billion. Brazil's tariffs have already declined from 25% to 14% and the agreement is expected to reduce this level to zero. Mercosul will have a population of 190 million and a GDP of \$477 billion (Figure 12). In spite of Brazil's continued political, economic, and inflation problems, it still remains the "sleeping elephant" and should not be ignored.

### **"Central America Common Market - CACM"**

With all the attention on Asia and on Latin America, CACM, or the Central America Common Market, is a "long term potential market." This trade agreement includes Costa Rica, El Salvador, Guatemala, Honduras and Nicaragua. Clearly, Costa Rica, remains the leading economy, and the region as a whole, shows a gradual strengthening of democracy.

Honduras shows the highest rate of growth at 5.5% in 1992, followed by Guatemala with 4.2%, El Salvador with 4.6%, Costa Rica with 1.8% and Nicaragua with 1.0%. To counter NAFTA, these central American countries have pressed the US for a phase-in period.

## **"Keys to Success in Global Investing"**

Within our experience during the past ten years, we have found the following four factors as key reasons for failure of international investments.

### **1) Unrealistic Expectations**

- .. Want to invest today and turn a profit tomorrow
- .. Failure to see the hidden or the total costs

### **2) Insufficient Market Research and Capital**

- .. Neglect to conduct a feasibility study
- .. Need at least \$250,000 to thoroughly understand the market (travel, market research, etc.)
- .. Both partners need to have money
- .. Lead time 1-2 years

### **3) Miscalculating the Cost of Failure**

- .. In some countries, once a company has "lost its face" it had better go elsewhere

#### 4) Picking the Wrong Partner

.. Goal to match philosophies, goals, and expectations

Given our experience in researching global market opportunities for firms, we strongly advise to research the market. As a first pass, the US Embassy in each of these countries has a commercial section. This section provides catalogs to local businesses by direct mail and as many as 400 local businesses visit the section each month. For \$250, the Embassy will carry out a search for possible agents and distributors. For \$300, you can exhibit your products in the Trade Show Catalog Display at the Embassy.

While the US has become increasingly competitive, due to our dollar and the increasing competitive wage rates, our domestic economy will not experience the rate of growth of Asia or Latin America in the next decade. We recommend a current global strategic assessment of your business and its products and services. This initial research or feasibility study will determine the market potential for your products. This effort will save money on the business development phase and costly investment or acquisition stage. Clearly, **early entry and staying in the market are critical factors for success.** For a higher rate of return, we recommend the less fashionable and longer term investment countries.

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# THIRD INTERNATIONAL SYMPOSIUM on NATIONAL SECURITY & NATIONAL COMPETITIVENESS: OPEN SOURCE SOLUTIONS Proceedings, 1994 Volume II - Link Page

[Previous](#)      [Refugees as an Offensive Weapon, Information as a Defensive Option, by Dr. Elm Whitney-Smith](#)

[Next](#)      [Intelligence Conversion: Constructive Contributions to Business Intelligence Capabilities from Government Information Technology Programs, by Mr. Michael Weiner, President and CEO, TextWise \(PART ONE\)](#)

[Return to Electronic Index Page](#)