Case study - 4 Mistakes resulting in international failure

Expanding your business to international markets is not easy. Many companies experience international failures. Why? Read about some common mistakes and real-life examples so that you can avoid them!

1. Not understanding your local market and local competitors

Example: Starbucks in Australia

The coffee giant opened their first Australian store in 2000 and quickly grew to 84 stores across the country. Eight years later, Starbucks had to close 60 stores with losses of over 140 million dollars.

One of the main reasons for this disastrous outcome was Starbucks's inability to properly analyse their local competition: McDonald's (McCafe) and Gloria Jeans were already well-established and had a better price compared to Starbucks. They were also better adapted to consumer's coffee preferences.

2. Underestimating the importance of cultural differences

Example: Walmart in South Korea

This was one of the major mistakes, among others, that Walmart made while trying to establish itself in South Korea. The company opened 16 stores in 1988 but closed all of them and completely abandoned their operations by 2006.

As it did in many other countries, Walmart did not try to understand the cultural differences between their home market in the US and in South Korea. They did not adapt the height of the signage and shelving to local standards and sold pre-packaged fish, whereas local consumers were used to seeing fish still swimming in the aquarium before buying it.

3. Going it alone (and ignoring key local players)

No one said that you need to enter a new market alone. Working with a local partner who already knows the market can save a significant amount of time and money. In some cases, it may be beneficial to acquire a well-established local business, allowing you to benefit from their existing client base and reputation.

Example: Carrefour in Russia

In late 2009, only 4 months after opening their stores in Russia, Carrefour announced that they were closing operations in the country altogether. According to Carrefour, there were insufficient acquisition opportunities, which would prevent them from attaining a strong foothold in the market.

4. Expecting a return on investment too soon

Example: Tesco in the US

Before launching their "Fresh & Easy" stores in the US, Tesco researched the American market and consumer behaviour. Unfortunately, a lack of suppliers meant that they had to build their own production centre, at a cost of more than $100 million. This was quickly followed by the 2007 financial crisis, which had a strong negative impact on sales. Faced with these losses, Tesco was unable to open new stores and therefore could not recover the investment in the production centre. Six years later, Tesco finally sold its 150 stores to Yucaipa and pulled out of the US with 1.4 billion euros in losses.

Source:
https://www.textmaster.com/blog/5-mistakes-going-global/

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