

THE TREATMENT ROOM



Water treatment specialist Judith Herschell discusses the challenges of entering the U.S. industrial market and how they can be overcome.

Navigating the waters of a new market

In these lean years, the companies that survive and thrive are those that seek out new opportunities. But how does one navigate the waters to become a market player in a specific industrial sector? How does a company span the chasms between fragmented markets? There are diverse commercial, technical and managerial challenges along the path when initiating market entry. All must be deftly handled to successfully enter a new market.

Commercial challenges

The sales approach for market entry of a new water treatment technology varies and is highly dependent on the culture of the industry. For instance, while there are similarities in the technologies used in the semiconductor and pharmaceutical sectors, the cultures vary greatly. In the semiconductor area, they are accustomed to selling a product that hasn't yet been produced. They have a similar acceptance of products that they purchase. In contrast, a pharmaceutical installation has an arduous certification process and is heavily regulated. This keeps many firms from entering this profitable market. For an international company, cultural differences play an important role. Added to the culture within the industry, a foreign company must understand and adapt to the U.S. culture and how to bridge the differences between their culture of origin and the culture in the U.S.

Commercial challenges include devising market-appropriate literature, understanding the market drivers, having detailed knowledge of the competitive landscape, gaining brand recognition, strategizing proper product placement, obtaining the first installation, building a reference list and having sales channels that are in touch with the selected market – its history, trends, competitors, drivers, sales cycle and so on.

There are also relationships within the political realm, engineering community and at the customer level that must be fostered to facilitate success. Relationships of trust are essential when convincing an engineer or facilities manager to be the first to implement a new technology. When curve balls such as the changing economic landscape and the evolving regulatory and certification requirements are considered, it can be quite challenging to realize success without a strong strategy based on in-depth knowledge of factors influencing potential customers.

Technical challenges

Regulatory requirements are different for each industry. They are ever changing and typically quite stringent in the U.S. market. If the technology is cutting-edge and regulatory approval is needed, regulators may not have a process

for evaluating the technology. This can slow the approval process. There is often reluctance on the part of the regulators to approve a technology that has no track record in the U.S. Piloting is often required. This is a function requiring on-site manpower for part of or the entire pilot testing period, from connecting to disconnecting the equipment. It can be resource-intensive in terms of both labor and equipment. First installations are often more costly and subject to the “lessons learned” syndrome, adding cost to the sales effort. Without a strong knowledge of the market, it is quite difficult to find companies who are comfortable being early adopters. When entering a market, there is a deficiency in detailed designs, process data and in-house experience. There is a technical risk with unforeseen issues that don't surface until the full-scale system is in operation. For international companies, there is the added challenge of the difference in units of measure. Fittings, piping, electrical components and so on must be changed to components using American units of measure.

Managerial challenges

A primary challenge is having the resources to survive the sales cycle from product introduction to revenue generation and eventual profitability. In many sectors, having an office location in an appropriate area can be important. Attracting, hiring and justifying the expense of a talented staff can be difficult for an unknown or small company. The return on investment for technology development can take five or more years. Therefore, the risk of “me too” products entering the market and competing for the same projects affects the attractiveness of a market. Having depth of experience and depth in relationships in the industry is critically important for success. This makes the composition of the team that is formed a vital component of success.

Summary

In summary, the company that is focused on entry into the U.S. industrial market must be ready to meet the challenges ahead while investing appropriately and setting out a clear strategy that incorporates an understanding of the issues. The cost of entry should be closely evaluated, and synergies with other products and divisions within the company should be maximized. As the demand on our water resources continues to grow, treatment technologies must improve to meet new challenges. New technologies allow us to meet the water scarcity and water quality challenges of our time.

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