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MARKET ENTRY

Most market entries don't fail. They stop.

What four decades of trade data says about how new markets are actually lost, and the seven assumptions worth testing before you commit to distributors, partners and launch costs.

THE PATTERN

The failure is quiet, and it is early.

Market entry gets discussed as a bet that either pays off or blows up. The trade data describes something duller. New product-market flows overwhelmingly begin, run briefly, and then cease. Across US, EU and German import records covering four decades, the same shape keeps appearing.

1 year
Median life of a new EU import flow

~60%
Cease inside the first year

<10%
Survive the first ten years

1–3 yrs
Typical span, German import trade

But the risk is front-loaded.

The same studies find negative duration dependence: a flow that survives its first few years faces a sharply lower chance of ending. Entry is not uniformly risky. It is dangerous at the start, and comparatively safe afterwards. Almost all of the mortality happens inside the window where the money has been committed and the evidence has not yet arrived.

ABOUT THE DATA

These figures describe product-market trade flows, not company expansion programmes. One company's entry may span several flows, and a flow ending is not always a failure. We quote them for shape, not precision. The shape is consistent across the datasets cited here. Sources: Besedeš & Prusa, On the Duration of Trade (NBER, 2003) and Journal of International Economics (2006); Hess & Persson, Exploring the Duration of EU Imports, Review of World Economics (2011); Nitsch, Die Another Day: Duration in German Import Trade, Review of World Economics (2009).

WHAT IT MEANS

If the risk is front-loaded, so is the evidence.

The money spent proving a market is small next to the money spent entering one. Certification, stock, a distributor agreement, a first hire, a trade stand, twelve months of a senior person's attention. Those are the committed costs. The evidence that decides whether to commit them is a fraction of that, and it is the only spend in the whole programme that is still reversible.

Most entry decisions rest on a single source: a bought report, a distributor's enthusiasm, or a spreadsheet built backwards from a target. Each is a legitimate input. None of them is a test. A report describes a market that already exists; it cannot tell you whether anyone in it will change supplier for you. A distributor is describing an opportunity they would like you to fund. A target is an intention wearing a number.

> **A route to market**
> **is not evidence of demand.**

Which is why the questions below are worth answering before the commitments are made rather than after. Every one of them is cheap to test in advance and expensive to discover in arrears.

THE SEVEN ASSUMPTIONS

Seven assumptions, three directions.

Every entry decision rests on assumptions from three places: what the business needs commercially, what buyers will actually do, and what the market structure allows. Build the answer three ways and reconcile them. Where the three disagree, that disagreement is the finding.

INTERNAL

01 **The price floor survives the journey.**
Landed cost, duties, certification, currency and channel margin all sit between your works price and the buyer. The home-market margin rarely arrives intact.

02 **The commercial model travels.**
If sales today are founder-led or relationship-led, ask honestly what replaces the founder four thousand miles away.

CUSTOMER

03 **The ideal customer exists there.**
In the same form and in enough numbers. Not a similar-sounding job title inside a differently-shaped industry.

04 **Something would make them switch.**
Interest is not a trigger. Someone has to own the disruption, and the risk, of changing a supplier that currently works.

05 **They will pay it, and someone will sign.**
Willingness to pay is tested, not converted from a domestic price list. Buyer, user, specifier and procurement rarely want the same thing.

MARKET

06 **The channel margin is affordable.**
Distributors and partners take a structural cut. The model has to fund it before the first unit ships.

07 **The route in is actually open.**
Tariffs, certification, standards and incumbent positions decide how much of the market is addressable. Which is never TAM.

THE DECISION RULE

Agree what would make it a no. Before you look.

The seven assumptions above are researchable. The question that decides whether the research is worth anything is not.

Before any evidence is gathered, the leadership team should write down the revenue, the margin, the payback period and the timeframe that would make this a go, and therefore what a no looks like. Thresholds set afterwards drift toward whatever the evidence happened to find. Thresholds set beforehand hold, including on the day everyone would rather they didn't.

That is the difference between research that informs a decision and research that ratifies one already taken. It costs nothing, it takes ninety minutes, and it is one of the simplest ways to prevent a marginal opportunity being rationalised into a go decision.

HOW THE WORK RUNS

PHASE 01
Frame the decision

PHASE 02
Test the market

PHASE 03
Quantify it

PHASE 04
Build the entry plan

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NEXT

Define the next step.

If a new market is on the agenda in the next twelve months, it would be lovely to talk, whether or not that goes anywhere commercial. Half an hour is usually enough to tell whether the decision in front of you needs evidence or just needs deciding.

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Market Entry & Pricing · Market Entry Validation · Market Pricing Strategy · Customer Pricing Research. Every engagement is fixed-scope with a defined end date, not a retainer.