

By Phoenix Arien

# Exporting Oz



Though well aware of the importance of the rich North American market, Australian companies also recognize it as one of the world's most complex and competitive.

Hundreds of different geographic and demographic markets portray distinct tastes, purchasing behaviors, regulations and distributions systems. So Australian companies entering the North American market must carefully plan their strategies with creativity and persistence.

Careful research, appropriate alliances, acquisitions and partnerships, local knowledge and appropriate legal advice are as crucial as overcoming the business and cultural differences.

It's worth the effort. The US is Australia's largest trade and investment partner, amounting to approximately AU\$48 billion in two-way trade. While the US is Australia's largest export destination, Australia ranks as America's 14th largest export destination.

## The Advantage Of Being Lean

Based in Sydney, Dynamiq is a business resilience provider, experienced in assisting medium-to-large organizations manage their operational risk in complex environments such as mine sites, critical infrastructure (airports, utilities, ports) and off-shore operations in developing countries. Its clients are both governments and NGOs, covering travel, transport, mining and energy, media and insurance.

"The appeal of the US market is twofold," says Anthony Moorhouse, Dynamiq's managing director. "Firstly, its sheer size: 100 percent of the Australian market is equal to 1 percent of the American market.

"Secondly, North America understands risk management and specifically, security."

His company was founded on his kitchen table in Australia, but global expansion was part of the business plan from day one, with North America identified as a particular key area for expansion.

"Australia has a 'she'll be right' or 'it

won't happen to me' attitude towards risk," observes Moorhouse. "North America, on the other hand, takes risk mitigation strategies very seriously. Ours is a growth industry and combine that with the world's biggest economy, the appeal becomes fairly obvious."

In the US Market, Dynamiq works with many global media and resources companies that began as clients in Australia. With a lean business model that limits fixed costs wherever possible, Dynamiq augments its 15 full-time staffers

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with a 300+ database of contractors operating in Australia, South Africa and the US. "Clients never come to us," says Moorhouse. "We go to them.

"A key advantage to our flexible and de-centralized business model is that location becomes largely irrelevant," explains Moorhouse. "Dynamiq is starting to branch out in the US market and has a full time staff member leading our marketing presence. Our 'office' is in Raleigh, North Carolina, but the backend IT, hotline and intelligence analyst support is out of Annapolis, Maryland."

Flexible infrastructure support has also been crucial. "We chose these regions because that's where the right people and

outsourced infrastructure were,' says Moorhouse.

"Entering a new market is essentially about having the right people with local networks. A lot of our workforce operate from home and travel constantly. The only essential infrastructure required for entering a new market is a computer and Internet connection."

However, Dynamiq's niche market is unique and not all Australian companies can be so lean when entering the US. Other markets require a very different approach.

## The Right Allies

The Virgin Blue Group of airlines undertook a thorough market analysis before deciding to enter the North American market. The result: V Australia, an international boutique-style carrier. V Australia plans to operate 10 non-stop services a week between Los Angeles and Sydney. Later, Brisbane will be added. Currently awaiting delivery of new Boeing 777-300 ER planes, it has set a target launch date of February 28, 2009.

According to Mathias Friess, general manager of sales for Virgin Blue Group, the new service will offer 33 lie-flat business class seats with personalized service; 44 premium economy seats with 'high end type' extra legroom, space and amenities; and coach class, offering more legroom, personal space and in-flight entertainment than some of its competitors.

Alliances with other airline partners are one of the cornerstones of V Australia's market-entry strategies to provide onward carriage beyond Los Angeles. It's a long-held tactic with the Virgin Blue Group, which established a code-share partnership with United Airlines in 2002.

"For V Australia, we have expanded our partnership scope and added a strategic partnership with Northwest Airlines,

which will add significant network and frequent flyer benefits for our guests,” says Friess.

A bilateral relationship with Alaska Airlines will also provide connections to and from the Pacific Northwest.

And, obviously, V Australia enjoys a close relationship with Virgin America, which will also take connecting passengers beyond LA.

The location of customers clearly dictates where a company concentrates its resources. Based in LA, V Australia believes its key customers are located there and currently sees no need for offices in other regions. “We are where our customers are,” says Friess.

### Localized Investments

When establishing their presence in the North American market more than a decade ago, FCm Travel Solutions identified a need for personalized service in the North American SME market. “We felt this segment remained largely untapped in North America,” explains Anthony Grigson, FCm’s global executive general manager, “and (believed) we could effectively fill this niche.”

In March 2006, FCm’s parent company, Flight Centre Limited, acquired Chicago-based corporate travel company, Bannockburn Travel Management (BTM). “BTM became part of the FCm brand and gave us a strong immediate presence across the midwest region,” says Grigson.

In January 2007 Flight Centre Limited invested a 26 percent stake in Boston’s largest travel company, Garber Travel Service, securing an east coast footing and bolstering FCm’s global network and servicing capabilities.

To build its North American network, FCm’s strategies have included installing approximately 450 staff in nine business units across Los Angeles, Chicago, Boston, Phoenix and Seattle. In Canada, 95 people staff 15 business units in Toronto, Edmonton, Vancouver and Calgary.

“We are all strongly focused on delivering highly personal service, understanding our market, providing local knowledge and being flexible in our solutions for each client,” says Grigson.

### Different Approaches

Tourism Australia, the country’s travel promotion organization, recommends that while considering distribution channels in

the North American market, Australian companies need to address many factors. Among these are estimating customer numbers, whether to go wholesale or retail and the selection of agents.

Targeting a small number of customers may suit a direct selling strategy, whereas a larger, more complex or face-to-face service-driven customer base requires considerable investment in local sales,

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marketing and customer service, making the set-up of local offices, alliances or partnerships crucial.

American and Australian business practices can be peculiarly different. Misunderstandings can stem from simple differences in wording, slang, spelling and meaning; from Australian’s more casual attitudes, attire and relationships; or from American expectations that first offers are just that: a starting point for negotiating, not the expected price.

“The key challenge to operating in North America is the sales culture,” says Dynamiq’s Moorhouse. “Australians don’t like aggressive sales techniques. Everything is very subtle and understated. Whereas, the North American sales culture is overt and aggressive.” For that reason, Dynamiq has three full-time US citizens on staff to advise on selling and marketing. “The key advantage of the North American market is the cultural ease with which they are willing to embrace new concepts.”

“Of course there are subtle cultural differences ...” concedes Grigson, “but our North American partners share our belief that people still enjoy doing business with people. Regardless of where in the world ... we find people are inherently the same. Our clients are all essentially looking for good service and value for their dollar spent and we have found that emphasis on good localized service transcends ... business globally.”

“At the end of the day all business is local,” agrees Virgin Blue’s Friess. “We have a team of internationally experienced

managers who can adapt to different ways of doing business.”

The litigious nature of American business means money on legal advice is well spent, particularly in areas of contracts, trademarks and patents, intellectual property, incorporation and liability insurance. However, for almost all of the respondents to this article, there were few significant legal issues, rather more regulatory annoyances.

“The airline industry is still challenged by a lot of government red tape that needs to be worked through when starting a new airline and for international service,” points out V Australia’s Friess. V Australia has worked, together with the Australian government and relevant US authorities, to enter a so-called “open skies environment” between the two countries, which has enabled the start-up of the new airline.

Grigson believes America has been a driver for data delivery and management, payment, communication and security systems, helping develop FCm’s global platform and ensuring “no particular problems.”

### The Future

In 2007, there were 459,733 US visitors to Australia, an increase of 1 percent from the previous year, making the USA Australia’s fourth largest inbound market for arrivals. Of these, 280,657 visitors were traveling for holidays or visiting friends and family; 128,550 were traveling for business or employment.

Australia’s outbound departures have been forecast to increase by 9.9 percent — reaching 6.0 million — in 2008, then rise a further 8 percent to 6.5 million in 2009. However, the likely impact of the recent financial instability around the world introduces a considerable unknown. Together with ongoing security concerns and rising costs, it adds up to a tough environment for both the corporate and leisure sectors of the travel industry.

“The current market environment is certainly tougher than we all expected a year ago,” admits Virgin’s Friess, adding “We are in it for the long run ... This tougher economic environment offers huge opportunities for players that are faster, leaner and meaner than their competitors.”

Grigson agrees: “Despite the challenging economic and market conditions, FCm remains strongly focused on long-term

growth. We view the current climate as one of opportunity, as our clients, more than ever, are looking for strategic and cost effective travel management. Our job is to advise and guide them through this phase with a focus on consolidation and cost savings, ensuring they always receive the most competitive rates in business travel.”

Opportunity also remains the key word at V Australia, which even sees its share of the corporate market growing as tougher times drive customers to seek increased cost-efficiencies. Its low-cost base and airfare savings of 15 percent to 25 percent over the competition, say company spokesmen, are “an easy way to lower costs without any need to change travel behavior.”

Additional partnerships and a continued focus on developing sales and account management teams to further boost business development and servicing capabilities remain the strategies at FCm. “We believe a key hot spot for FCm in North America exists in the MICE sector, where we are planning to establish specialist event management business,” Grigson says.

Nor does Dynamiq, which has had year-on-year triple digit growth since inception, see any indication of a slowdown over the next five years. ‘At the moment, our US market expansion is in its infancy,’ says Moorhouse. “However revenue projections over the next 24 months suggest that the US market will be Dynamiq’s second biggest market after South East Asia, with the potential of becoming our biggest within five years.

“As a result, it has a lot of our attention and while we are taking a conservative investment strategy to ensure we don’t over extend, we will begin to invest more aggressively in North America,” he continues.

One of the unforeseen consequences of the financial crisis has been a massive devaluation of the Australia dollar to the US dollar, making travel to Australia significantly cheaper.

That has an upside at Virgin. Friess concludes: “In the leisure area we actually predict no downturn at all as the US market is experiencing massive losses on leisure travel to Europe, mostly due to conversion rate issues. Australia has come back into travelers’ minds offering great value. And according to market research, Australia is the number one place international leisure travelers from the States want to go in the next five years.” **BTE**

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