# The 10 biggest risks when entering a new market

Globalisation makes market expansion inevitable, but entering new territories remains a complex and high-risk endeavour

Expanding into new markets is no longer a matter of choice. It's a strategic necessity in today's globalised economy. For many companies, international growth is key to staying competitive, reaching new customer segments, and reducing reliance on domestic markets. While new markets offer exciting opportunities, they also present considerable challenges, especially when trading on credit. These are ten of the most significant risks businesses face when entering new markets.

#### 1. Limited market intelligence

A lack of in-depth market knowledge can expose businesses to avoidable risks. New geographies often involve unfamiliar languages, time zones, and regulatory environments, all of which can affect operations and customer engagement. Without reliable data on local trading conditions, companies may offer credit terms that clash with market norms. Benchmarking sector-specific practices and gaining insight into the competitive landscape, customer behaviour, and legal context are essential. Poor intelligence leads to poor strategy, and in new markets, that can be costly.

#### 2. Legal and regulatory uncertainty

Assuming domestic legal norms apply abroad is risky. Trade laws vary widely, and misinterpretation can result in fines, reputational damage, or operational setbacks. Even standard clauses of sale and delivery may not be enforceable unless adapted to local requirements. For instance, retention of title clauses, which protect sellers until payment is received, may require registration, notarisation, or translation to remain valid. Overlooking these details can leave exporters exposed. Legal uncertainty is a structural risk that demands thorough preparation and local expertise.

#### 3. Political and economic instability

Volatile political or economic conditions can quickly undermine market reliability. <u>Country risk</u>, shaped by governance, economic fundamentals, and policy stability, can affect even financially sound buyers. Political unrest, regulatory changes, or economic downturns may trigger export bans,

currency controls, or compliance shifts. Sanctions and geopolitical tensions can disrupt trade overnight. In such environments, credit insurers offer more than protection: they provide early warnings and expert assessments to help businesses navigate uncertainty.

#### 4. Cultural and communication barriers

Cultural differences can quietly undermine international efforts. Variations in business etiquette, negotiation styles, and communication norms may cause misunderstandings or even lost trade deals. In some cultures, indirect language or reluctance to confront issues can mask early signs of payment trouble. In others, verbal agreements may carry more weight than written contracts. Language barriers and time zone differences further complicate matters. Building trust across cultures requires sensitivity, preparation, and clear, localised communication.

#### 5. Assessing customer creditworthiness

Evaluating a new customer's financial health is vital when offering credit, yet transparency is often limited in many markets. Financial statements may not be publicly available, and reliable credit data can be hard to obtain. Requesting documents directly from buyers offers limited assurance. Credit insurers add significant value here: beyond providing cover against non-payment, they offer independent, data-driven assessments of buyer risk. Their insights are based on proprietary information, global monitoring, and deep sector expertise, helping businesses make confident decisions in uncertain environments.

#### 6. Payment delays and defaults

Late payments and defaults are common risks in unfamiliar markets. Weak enforcement mechanisms can make debt recovery slow, costly, or impractical. Legal recourse may be hindered by inefficient courts or unclear commercial codes. Local practices may favour extended payment terms or informal dispute resolution. Credit insurers add strategic value by monitoring global payment behaviour and offering international debt recovery capabilities, leveraging local expertise and legal networks to pursue claims effectively, even in distant or complex jurisdictions.

## 7. Supply chain and logistics disruptions

New markets often involve fragmented and unpredictable supply chains. Poor infrastructure, unreliable logistics providers, and opaque customs procedures can cause delays, unexpected costs, and reputational harm. Supplier networks may lack transparency, making it difficult to assess quality and compliance. Overreliance on single-source suppliers increases vulnerability, especially in regions prone to natural disasters or political unrest. Resilient supply chains require diversification, local insight, and contingency planning.

### 8. Currency and exchange rate volatility

When local currencies weaken against the euro or dollar, importers may struggle to meet obligations in hard currency, even if they are otherwise reliable. This is particularly problematic in low-income economies, where depreciation often signals deeper economic challenges. These pressures can lead to delays, renegotiations, or defaults. Where invoicing in stable currencies isn't feasible, shorter payment terms can help. Credit insurance provides an additional layer of protection against non-payment due to currency-driven stress.

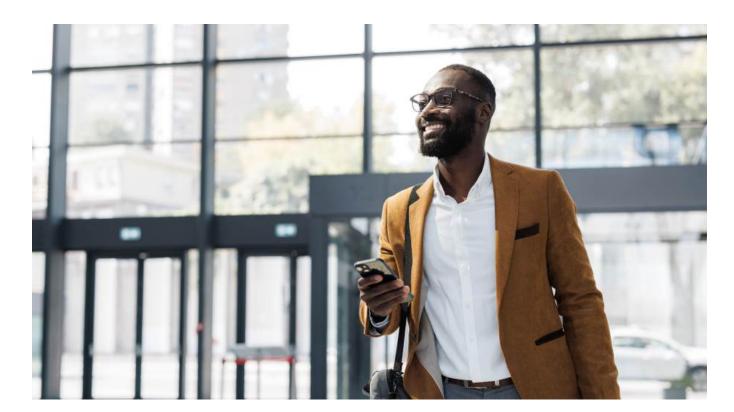
#### 9. Resource overextension

Rapid expansion without sufficient internal capacity can strain operations and increase risks. Sales, credit management, compliance, logistics, and customer support all become more complex across multiple time zones and legal systems. Businesses may underestimate the effort required to manage local relationships and adapt processes. Overextension can lead to inconsistent decisions, slower responses, and missed opportunities. Sustainable growth depends on realistic planning, clear priorities, and phased execution. Credit insurance supports this process by reducing the operational load on internal teams responsible for managing <a href="mailto:buyer risk">buyer risk</a>.

### 10. Overestimating market demand

Misjudging demand is one of the costliest mistakes in international expansion. Overly optimistic forecasts or anecdotal assumptions can lead to excessive investment in inventory, infrastructure, or staffing. Consumer behaviour may differ significantly due to cultural preferences, purchasing power, or competition. Without proper validation, expectations can unravel, leaving sunk costs and underperformance. Overestimating demand also distorts credit decisions. Mitigation requires rigorous market testing, scenario planning, and a gradual approach to scaling.

## How to protect your business from market risks





One of the best ways to minimise trading risks when entering a new market is to work with a credit insurer that knows the market and ideally has a local presence. They can help with understanding local laws and customs, as well as wider economic or market risks. At Atradius, for example, we have offices in more than 50 countries and local risk underwriters with experience and expertise in even more.

To explore how to strengthen your own credit risk strategy, get in touch with us and see how we can help you stay ahead.

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