

Chapter 18 - Market Selection

Introduction

After evaluation of company's key capabilities, strengths and weaknesses, the next step is to start evaluating opportunities in promising export markets. It involves the screening of large lists of countries in order to arrive at a short list of four to five. The shorting method should be done on the basis of various political, economic and cultural factors that will potentially affect export operations in chosen market.

Some factors to consider include:

1. Geographical Factors

- Country, state, region,
- Time zones,
- Urban/rural location logistical considerations e.g. freight and distribution channels

2. Economic, Political, and Legal Environmental Factors

- Regulations including quarantine,
- Labelling standards,
- Standards and consumer protection rules,
- Duties and taxes

3. Demographic Factors

- Age and gender,
- Income and family structure,
- Occupation,
- Cultural beliefs,
- Major competitors,
- Similar products,
- Key brands.

4. Market Characteristics

- Market size,
- Availability of domestic manufacturers,
- Agents, distributors and suppliers.

Foreign Market Research

Understanding a market's key characteristics requires gathering a broad range of primary and secondary research, much of which you can source without cost from the internet.

Primary research, such as population figures, product compliance standards, statistics and other facts can be obtained without any cost from international organizations like United Nations (UN) and World Trade Organizations (WTO). Analysis of export statistics over a period of several years helps an individual to determine whether the market for a particular product is growing or shrinking.

Secondary research, such as periodicals, studies, market reports and surveys, can be found through government websites, international organisations, and commercial market intelligence firms.

Foreign Market Selection Process

Step 1: Gather Information on a Broad Range of Markets

Market selection process requires a broad range of informations depending upon the products or services to be exported, which includes:

- The demand for product/service.
- The size of the potential audience.
- Whether the target audience can afford product.
- What the regulatory issues are that impact on exports of product.
- Ease of access to this market proximity/freight.
- Are there appropriate distribution channels for product/service.
- The environment for doing business language, culture, politics etc.
- Is it financially viable to export to selected market.

You can gather much of the first step information yourself from a variety of sources at little or no cost. Sources of information include:

- Talking to colleagues and other exporters.
- Trade and Enterprise web site, publications, call centre.
- The library.
- The Internet.

Step 2: Research a Selection of Markets In-Depth

From the results of the first stage, narrow your selection down to three to five markets and undertake some in-depth research relating specifically to your product. While doing so, some of the questions that may arise at this stage are:

- What similar products are in the marketplace (including products that may not be similar but are used to achieve the same goal, e.g. the product in our sample matrix at the end of this document is a hair removal cream. As well as undertaking competitor research on other hair removal creams, we would also need to consider other products that are used for hair removal, i.e. razors, electrolysis, wax).
- What is your point of difference? What makes your product unique? What are the key selling points for your product?
- How do people obtain/use these products?
- Who provides them?
- Are they imported? If so from which countries?
- Is there a local manufacturer or provider?
- Who would your major competitors be? What are the key brands or trade names?
- What is the market's structure and shape?
- What is the market's size?
- Are there any niche markets, and if so how big are they?
- Who are the major importers/ stockists / distributors / agencies or suppliers?
- What are the other ways to obtain sales/representation?
- What are the prices or fees in different parts of the market?
- What are the mark-ups at different distribution levels?

- What are the import regulations, duties or taxes, including compliance and professional registrations if these apply?
- How will you promote your product or service if there is a lot of competition?
- Are there any significant trade fairs, professional gathers or other events where you can promote your product or service?
- Packaging do you need to change metric measures to imperial, do you need to list ingredients?
- Will you need to translate promotional material and packaging?
- Is your branding colours, imagery etc., culturally acceptable?

Foreign Market Selection Entry

Having completed the market selection process and chosen your target market, the next step is to plan your entry strategy.

There are a number of options for entering your chosen market. Most exporters initially choose to work through agents or distributors. In the longer term, however, you may consider other options, such as taking more direct control of your market, more direct selling or promotion, or seeking alliances or agreements.