

# Guide to Identifying and Researching the Market

## Your Target Market

After the export plan, market research is the most important contributor to international success. With 190 countries to choose from, you want to pick the right market for your product or service. To do this you need to get a clear picture of the political, economic and cultural factors that can affect how you operate. You may need specific information to take advantage of an opportunity you already know about or may have a target market for which you need more detailed information on demand. The key to understanding these opportunities, confirming that they exist and developing market successfully lies in market research.

You've made the decision to export and you have the capacity, the money and time to do it. The next step is to access the market you want to target. The importance of comprehensive market research cannot be overstated. On-the-ground information is by far the most valuable information you can have and acquiring it is not usually a major strain on resources. Bear in mind the crucial piece of data you require is simple: the number of people in the market who are willing and able to buy your product. All your research should be done with this guiding principle in mind.

## Before you start ... get your short cut ready

The quickest route to any new market is for the customer to come to you.

Anecdotal evidence suggests that this happens more than you might think. In some sectors, up to 50 per cent of exporters have entered a new market based on an unsolicited order.

It goes without saying that a professional, internationalized website is a must. Potential customers around the world should be able to quickly assess from it whether your offering is what they are looking for.

There are three basic steps to international market research:

### 1. Market screening

To screen potential markets start by collecting statistics on exports to third countries within your sector. Identify between five and ten large, growing markets and see whether they have experienced consistent growth over the past three to five years. See how recession has affected growth. Check for opportunities in smaller emerging markets where you may have less competition. Then select three to five of the most promising markets for further study.

### 2. Assess target markets

With those markets, look at trends that could influence demand of your product or service.

Work out overall consumption and identify how much has been imported. Study the competition and look at each competitor's market share. Examine the channels of distribution, cultural differences and business practices that affect the marketing and use of a product or service in a particular market. Check for export controls and tariff or non-tariff barriers to imports. Look for government incentives which will help with export promotion.



### 3. Draw conclusions

Once you have completed your analysis, you may decide to limit your marketing efforts to a few countries. If you are new to exporting, it's best to concentrate on fewer than ten markets - one or two countries are usually enough.

#### Types of market research

There are many ways to study a market. Some people call with gut feelings while others prefer to work with statistics. The more detailed your research is, the less likely you are to miss something important.

There are two types of market research: secondary and primary.

**Secondary research** uses data from studies, market reports, books, periodicals, surveys and statistical analyses. Use information from Chambers of Commerce, economic development organisations, industry and trade associations and local businesses that are already working in your target market. Once you have completed this step, move on to primary research.

**Primary research** means collecting data this through direct contact with potential customers or other sources. You usually have to get personally involved in this process and you will need to have a clear idea of your company's objectives and what you want to find out

For example, you should give a brief description of your company, its history, the markets it serves, professional affiliations and your product or service.

Use your secondary research to help you describe one or more objectives for your proposed export product or service. Clearly describe that product or service and ask specific questions, basing this on your secondary research.

#### How to profile potential markets

Here is a checklist to help you summarize what you have learned about a potential market. When you pull that two or three markets, it is easy to compare to see which market or markets have the best opportunities.

#### Your market research checklist: 10 crucial questions

##### 1. Is your business model transportable?

Every market has a competitive situation. Have you established what is similar and different in the new market compared to here? Are the conditions that allowed you to win before, present there?

##### 2. Are you analyzing the market correctly?

Avoid being seduced by the 'macro picture', for example population size or economic growth. If your product is a consumer offering, will it be affordable in the new market? If you offer a business-to-business product or service, will you be pitching at broadly the same level as your competitors?

##### 3. Who else is in this market?

In the biggest, fastest growing markets, the competition is likely to be fierce. Potential customers may be spoilt for choice. Is your offering strong enough to win out?



#### 4. **Are you only looking at the obvious?**

So-called 'second tier markets' may not be as large or growing as fast, as say, BRIC countries but may have less competitors and offer greater customer loyalty.

#### 5. **Is your market ready?**

If the market for your product or service is not yet mature, do you have the resources to get in early and educate the market? On the other hand, if you let a larger organisation develop the market, can you persuade customers to switch to you later?

#### 6. **Are you ready for the long haul?**

South East Asia is a classic example of a market that will take two or three years before you start seeing any pay-off. Do you have the cash-flow and the resources to stay the course?

#### 7. **Does your offer need to be fine-tuned?**

Differences, however subtle, in the offering outside of your country are important and will have an effect on key selling points, the competitor position, the choice of sales channels and customs duties.

#### 8. **How many markets should you look at?**

There is no set rule for how many markets an SME should target. In some sectors, a large portfolio of markets is entirely feasible and helps spread risk. However, limits to your human resources and management capacity will eventually come into play. Ultimately, you should be guided by accurate market information: the potential of a market will decide whether you concentrate resources in it.

#### 9. **Could innovative partnership models work?**

It can be difficult for a new company to gain traction and compete with large, established multinationals. Consequently, identifying industry contacts throughout the value chain and partnering with them may be an option in such markets.

#### 10. **Have you got the right person to represent you?**

The correct choice of local partner is one of the most critical success factors for SMEs in overseas markets. Good partners will not only give you access to markets; they also give you market intelligence and cultural translation. In a perfect relationship, they will be 'you' on the ground.

### **Market types**

When you are screening markets it is important to understand the three types of markets exist. These are:

**Type 1** — fast paced competitive economies such as the United States and Western Europe where you will only succeed with efficient delivery of products and services, excellent quality assurance and an in-depth marketing plan. Use local partners to handle linguistic and cultural differences.

**Type 2** — relationship-based, affluent economies such as some South American countries. For these markets you will need interpersonal communication skills, cultural sensitivity and linguistic fluency to develop a business relationship with a local partner – and these should be developed at a senior level.



**Type 3** — international financial institution (IFI) funded economies such as Africa. In these developing economies market development can take time and it is important to be flexible and politically astute. Experience working with third party funding organisations is also very helpful.

Don't ever feel that you can't compete overseas. The market for your product or service may not be obvious but if your domestic market is healthy, why shouldn't your products and services sell abroad? It's not just price that is the selling point but need, utility, quality, service, credit and consumer taste can also help you to be competitive.

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*Note: Original text from the Exporter Toolkit from the Caribbean Export Development Agency (CEDA).  
The content has been updated for the Bahamas Trade Information Portal with permission of CEDA.*