

International Market Research and Market Selection

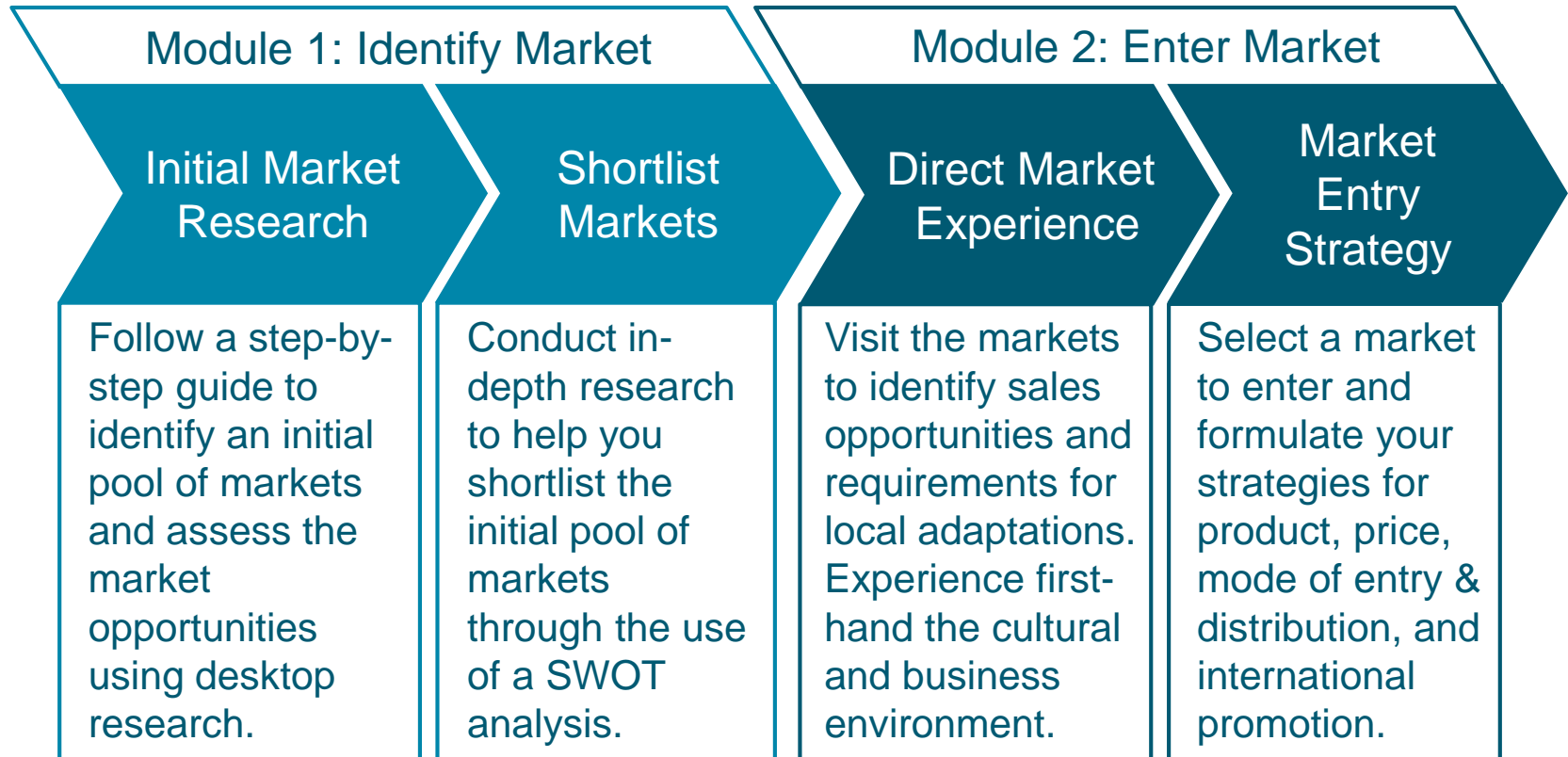
July 2020

Agenda

1. Overview
2. Identify Initial Pool of Markets
3. Preliminary Screening Using Desktop Research
4. In-depth Research to Shortlist Pool of Markets
5. Final Selection of Potential Markets
6. Key Takeaways

Overview:

Two modules to help you identify and enter a desired market



Overview:

Identify market(s) by conducting market research



Desktop research:

Analysing existing research such as reports and studies produced by government agencies, trade associations and industry publications.

Example:

Gather information on top importing markets for your product/ service.

Primary research:

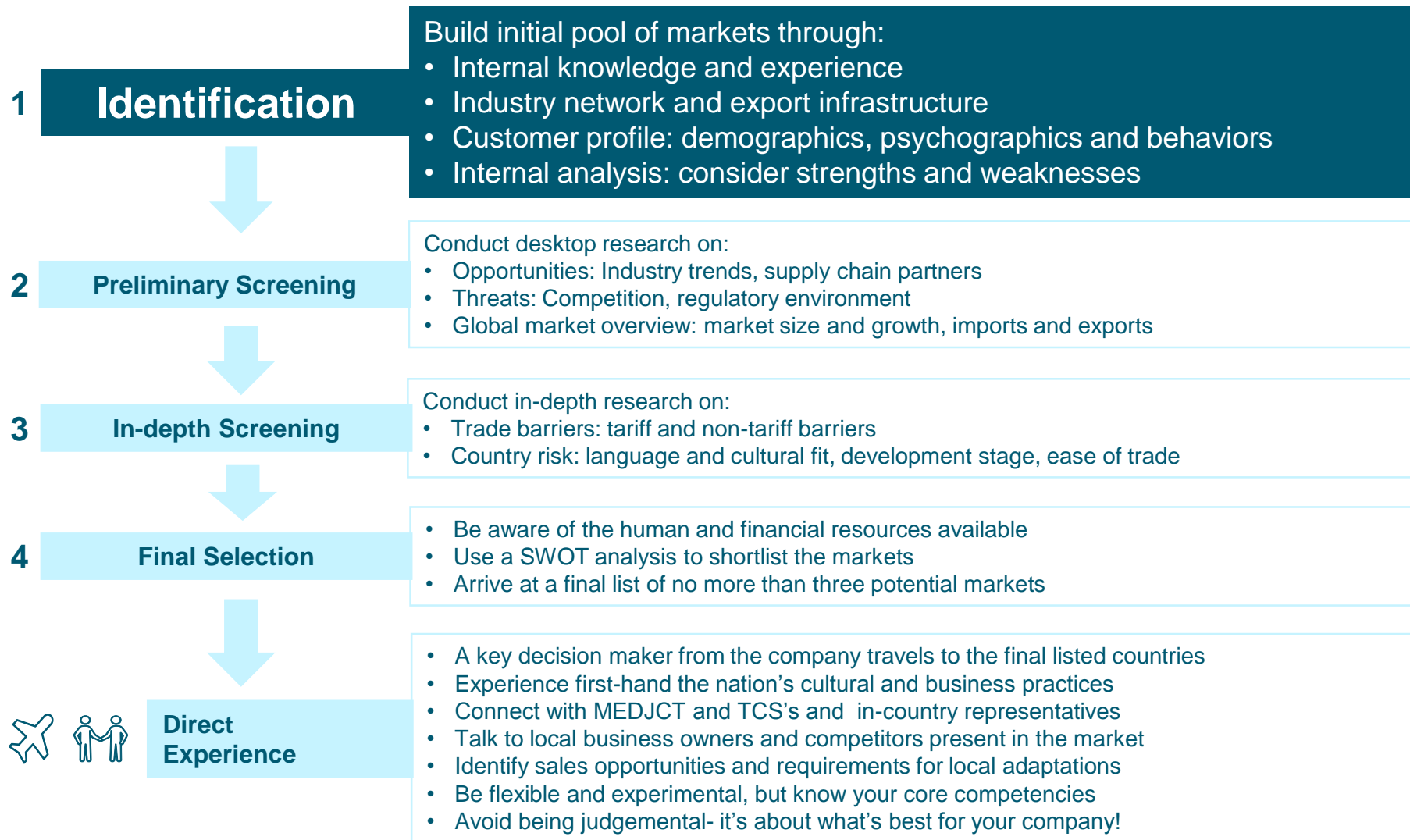
Gathering new data that has not been collected before, involves going directly to a source to ask questions and record information.

Example:

Conduct focus groups study for consumer preference and insight on your product/ service.

Identify Initial Pool of Markets

Market Selection – Step 1



Workbook:

Develop an initial pool of markets for selection

Use the questions below to build an initial pool of markets (countries):

1. Develop your **customer profile**
2. **Eliminate markets** that you are not willing to consider
3. Conduct **secondary research** to draft a **preliminary list** of markets
4. **Shortlist** your pool of markets through an **in-depth market screening**
5. Determine how you will gather **direct experience**
6. Evaluate the **types of market entry** available
7. **Design** your **market entry** strategy
8. Gather and focus your **resources**

After thinking about these questions, develop a list of countries and rank your **top 8-10** potential markets.

Customer Profile:

Define your target customer segment(s)



Consumer Profile (B2C)

1. Demographics
 - Age, gender, income, population base
2. Psychographics
 - Personality and preferences
3. Behaviours
 - Where do they buy and how do they buy



Institutional Profile (B2B)

1. Types of business
 - Hospitals, retailers, government procurement, manufacturers
2. Geographic coverage
 - Local, nation-wide or international
3. Decision making
 - Who has purchasing influence
4. Budget
 - What is their annual budget

Internal Analysis:

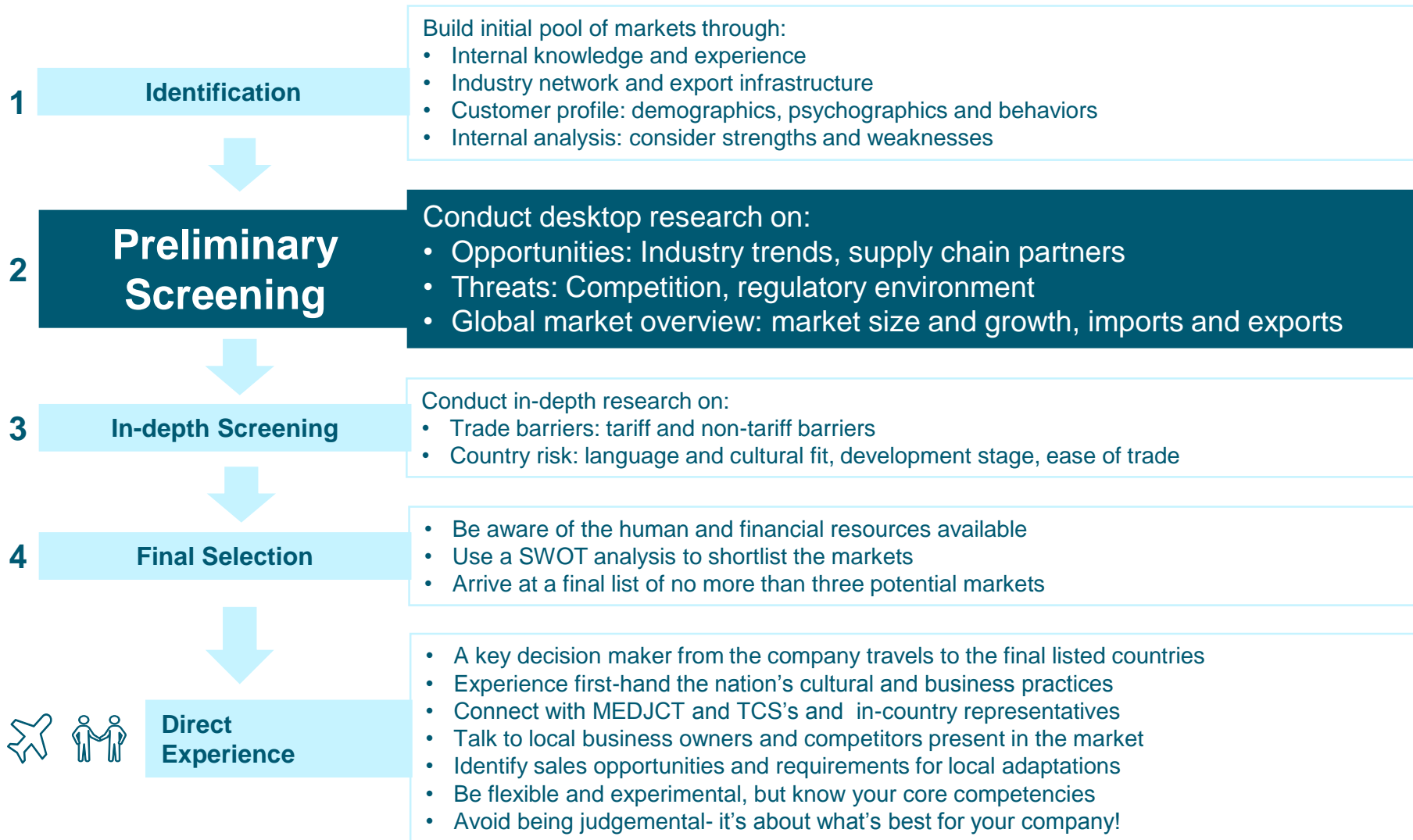
Strengths and Weaknesses

| Strengths | Weaknesses |
|---|---|
| <ul style="list-style-type: none">• Competitive advantages and unique value propositions• Capabilities and capacity• Internal and external resources, assets, supply chain connections• Relationship with customers and customer loyalty• Experience, knowledge, accreditations | <ul style="list-style-type: none">• Gaps in capabilities• Lack of competitive strengths• Lack of brand awareness• Supply chain robustness• Resource limitations• Inventory management• Cash flow• Market share |

**Internal
Analysis**

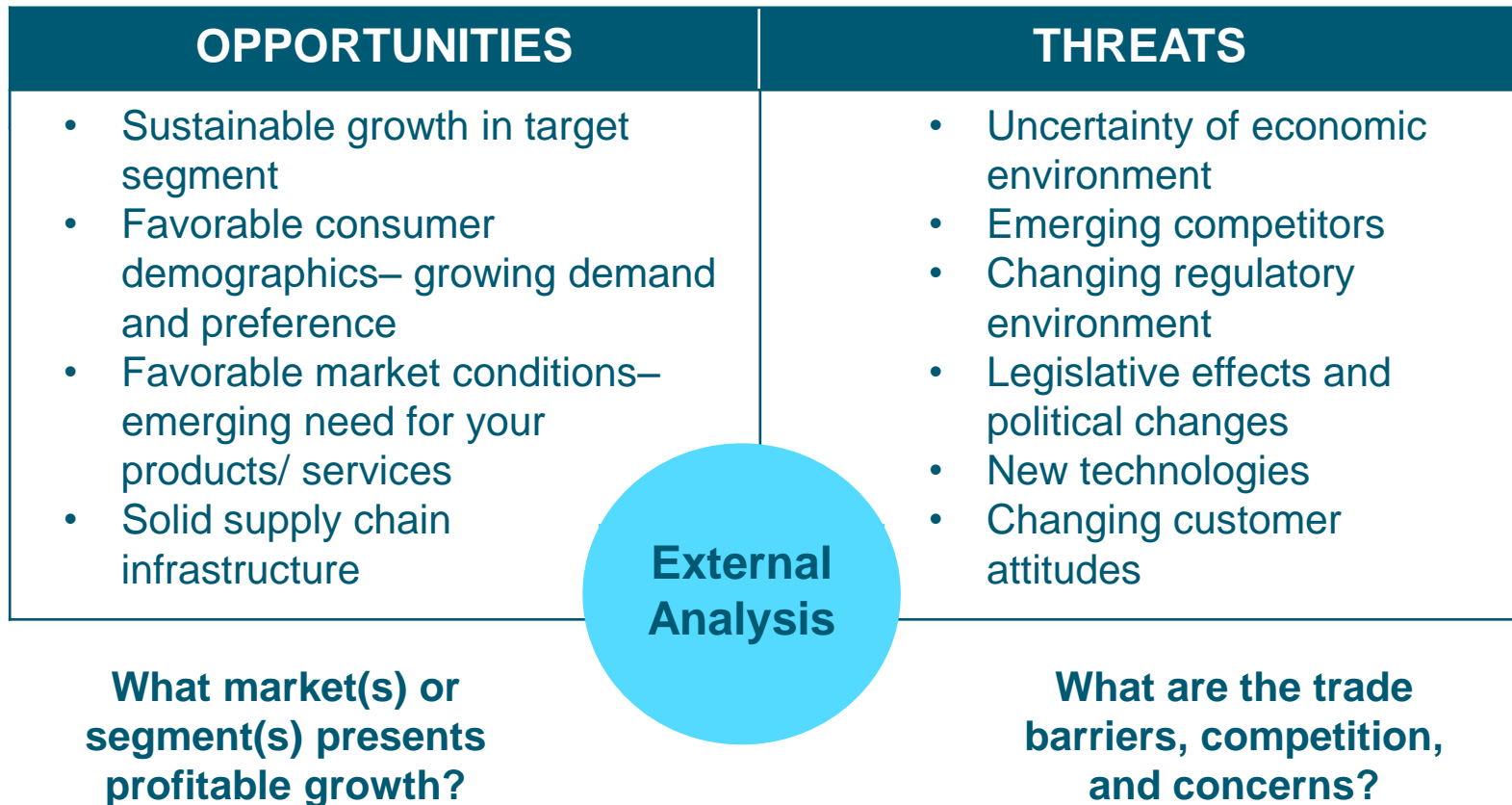
Preliminary Screening Using Desktop Research:

Market Selection – Step 2



External Analysis:

Opportunities and Threats



Opportunities:

Example: a company in infrastructure sector may research below on markets in the initial pool to measure opportunities



**Number of High
Rise Buildings**



**Total Length of
Railway Network**



**Number of Highway
Users**



**Road Construction
Investment**



**Infrastructure
Expenditure Forecasts**



**Urban Landscape
Investment**

Threats:

How to research your competition



1. Ask your customers

- Whenever you win a new customer, find out who they used before and why they switched



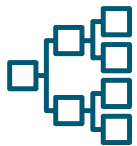
2. Attend a conference/ trade show

- Visit competitors' booth at trade show to observe their interactions with customers and check out the quality of their products



3. Check in with your suppliers and industry associations

- Talk to your suppliers and your contacts within industry associations and spend time building relationship with them



4. Tap the social network

- Monitor tweets, Facebook posts, blogs, reviews, and other media that mention your competition

Global Market Overview:

Some key indicators

| Indicator | Sources of Information / Tools |
|--|---|
| Top Markets by Size | The Canadian Trade Commissioner Service (TCS) |
| Top Markets by Canadian Imports | Trade map, by International Trade Center (ITC) |
| Import Growth | Trade map, by International Trade Center (ITC) |
| Population, Demographics, Purchasing Propensity Indicators | CIA World Factbook, Worldometers |
| Trade Relationship with Canada | Global Affairs Canada website: Trade and investment agreements |
| Industry Trends | Statista, Worldometers, Industry association newsletters and publications |

Global Market Overview:

Tool: The Canadian Trade Commissioner Service (TCS) website



Go to
'Market
Reports'

View by
industry or
region

Harmonized System Codes:

Tool: Canada Post

CANADA POST POSTES CANADA

Managing Mail Sending Tools Shop Sup

Find an HS Code

★ All Fields Required [About](#) | [Help](#)

By Item Description

Destination:
Select ▼

Item Description

Before you search for an HS Code, you should [view special requirements](#) to see if there are any requirements for your selected destination.
[Read our FAQs](#)
[Look up Terms in our Trade Glossary](#)

Examples:

- Shoes
- Shirts

FIND ▶

Select the destination and enter your product's description
Ex. tools

Harmonized System Codes:

Tool: Canada Post

The screenshot shows the Canada Post website's 'Find an HS Code' tool. The header includes the Canada Post logo and navigation links: 'Managing Mail', 'Sending', 'Tools', 'Shop', and 'Support'. The main heading is 'Find an HS Code'. Below it, a note states '★ All Fields Required' with a 'Help' link. A section titled 'You were looking for' contains a table with the following data:

| An HS Code for | Item Description | Destination | Additional Information |
|----------------|------------------|-------------|---|
| | hand tool | France | item: hand toolinterchangeable tool:, machine tool:, type of hand tool: anvilholding device:, mitre box:, other:, |

To the right of the table is an 'EDIT' button. Below the table, a red box highlights the 'We found' section, which displays 'HS Code: 8205.80'. Below this, a message states 'Tariff Schedule information is available. Select Country of Origin:'. A dropdown menu for 'Country of Origin' is set to 'Canada'. A note explains: 'The Country of Origin is the country where the item was originally manufactured.' At the bottom is a green 'FIND' button. A side note on the right explains that the 6-digit HS Code is for customs forms and that a Tariff Schedule is needed for duty and tax estimation.

Global Market Overview:

Tool: International Trade Centre (ITC) Trade Map



ITC Trade Map Features:



Analysis of present export markets and pre-selection of priority markets



Overview of competitors in global and specific markets



Review of opportunities for product diversification in a specific market



Identification of existing and potential bilateral trade with any partner country



Information on tariffs

Global Market Overview:

Tool: International Trade Centre (ITC) Trade Map

The screenshot shows the ITC Trade Map website. At the top left is the ITC logo. To its right is the 'TRADE MAP' title and a description: 'Trade statistics for international business development. Monthly, quarterly and yearly trade data. Import & export values, volumes, growth rates, market shares, etc.' On the top right is a globe icon with an upward arrow. Below this is a navigation bar with links: 'Home & Search', 'Data Availability', 'Reference Material', 'Other ITC Tools', and 'More'. To the right of the navigation bar are 'Login' and 'English' dropdown menus. A paragraph of text describes the tool's capabilities. Below this is a search interface with two tabs: 'Imports' (highlighted with a red box) and 'Exports'. To the right of these tabs is a red arrow pointing from the text 'Select 'Imports' or 'Exports'' on the right. The search interface includes radio buttons for 'Service' and 'Product' (selected), and radio buttons for 'Single' and 'Group' (selected). There are three dropdown menus: 'TOTAL - All products', 'Canada', and a list of countries with 'Algeria' highlighted by a red box. A red arrow points from the text 'Filter by country or region' on the right to the 'Algeria' selection. Below the dropdowns are 'Trade Indicators' and 'Yearly T' buttons. At the bottom left is a chart titled 'Share of importing markets in 2017' showing data for Canada, United Kingdom, Mexico, United States of America, and China. At the bottom right is a chart titled 'and international demand in 2017' showing data for Canada and various product categories like '44 - Wood and articl...', '87 - Vehicles other...', '84 - Machinery, mech...', '99 - Commodities not...', '71 - Natural or cult...', and '27 - Mineral fuels, ...'.

ITC

TRADE MAP
Trade statistics for international business development
Monthly, quarterly and yearly trade data. Import & export values, volumes, growth rates, market shares, etc.

Home & Search Data Availability Reference Material Other ITC Tools More Login English

Trade Map provides - in the form of tables, graphs and maps - indicators on export performance, international demand, alternative markets and competitive markets, as well as a directory of importing and exporting companies.
Trade Map covers 220 countries and territories and 5300 products of the Harmonized System. The monthly, quarterly and yearly trade flows are available from the most aggregated level to the tariff line level.

Imports Exports

Service **Product** ☒ Single ☐ Group TOTAL - All products [Advanced search](#)

☒ Country ☐ Region Canada [Advanced search](#)

☒ Partner ☐ Region [Advanced search](#)

Trade Indicators Yearly T Companies

Share of importing markets in 2017
Exporting country: Canada
Product: TOTAL - All products

4
2
0
-2
-4

United Kingdom
Mexico United States of America
China

and international demand in 2017
Exporting country: Canada

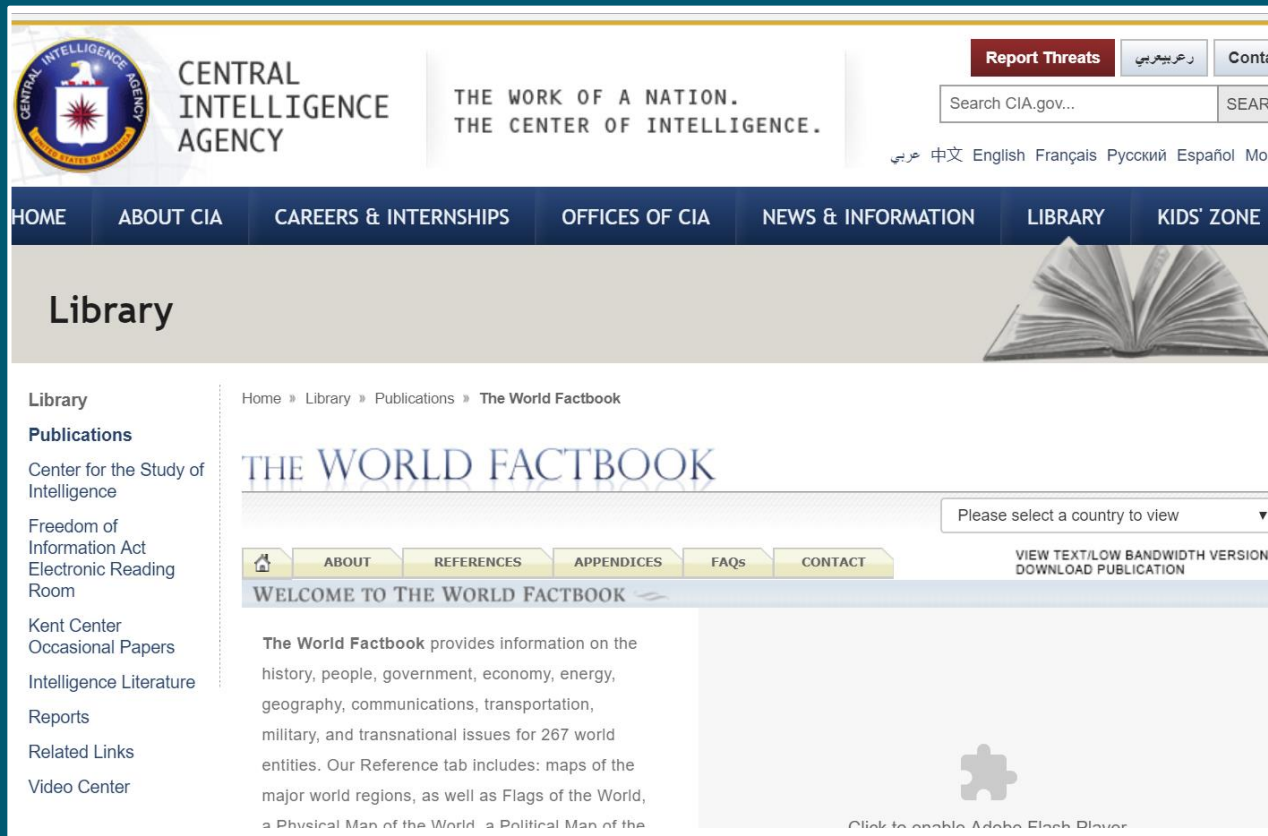
44 - Wood and articl...
87 - Vehicles other...
84 - Machinery, mech...
99 - Commodities not...
71 - Natural or cult...
27 - Mineral fuels, ...

Select
'Imports' or
'Exports'

Filter by
country or
region

Global Market Overview:

Tool: Central Intelligence Agency (CIA) World Factbook



CIA Factbook Features:



Geographical characteristics



Population, gender, age structure, demographic profile



Birth rate, death rate, life expectancy, obesity rate



GDP, labor force, exports, imports



Airports, roadways

Global Market Overview:

Tool: Central Intelligence Agency (CIA) World Factbook

The screenshot shows the CIA World Factbook website. At the top left is the CIA seal and the text "CENTRAL INTELLIGENCE AGENCY". To the right is the tagline "THE WORK OF A NATION. THE CENTER OF INTELLIGENCE." Below this is a navigation bar with links: HOME, ABOUT CIA, CAREERS & INTERNSHIPS, OFFICES OF CIA, and NEWS & INFORMATION. On the right side of the header, there are buttons for "Report Threats", "Contact", and a language selector. A dropdown menu is open, listing countries from Argentina to Bolivia, with "Australia" highlighted. A red box highlights the dropdown menu, and a red arrow points to it from the right. Below the navigation bar is a "Library" section. On the left, under "Library", there is a "Publications" section with links to "Center for the Study of Intelligence", "Freedom of Information Act", "Electronic Reading Room", "Kent Center Occasional Papers", "Intelligence Literature Reports", "Related Links", and "Video Center". The main content area is titled "THE WORLD FACTBOOK" and has a breadcrumb trail: Home » Library » Publications » The World Factbook. Below this is a navigation bar with links: ABOUT, REFERENCES, APPENDICES, FAQs, and CONTACT. The main content area is titled "WELCOME TO THE WORLD FACTBOOK" and contains text about the factbook's purpose: "The World Factbook provides information on the history, people, government, economy, energy, geography, communications, transportation, military, and transnational issues for 267 world entities. Our Reference tab includes: maps of the major world regions, as well as Flags of the World, a Physical Map of the World, a Political Map of the World." At the bottom right, there is a "Click to enable Adobe Flash Player" button.

Once you specified the country, click on it to display the information

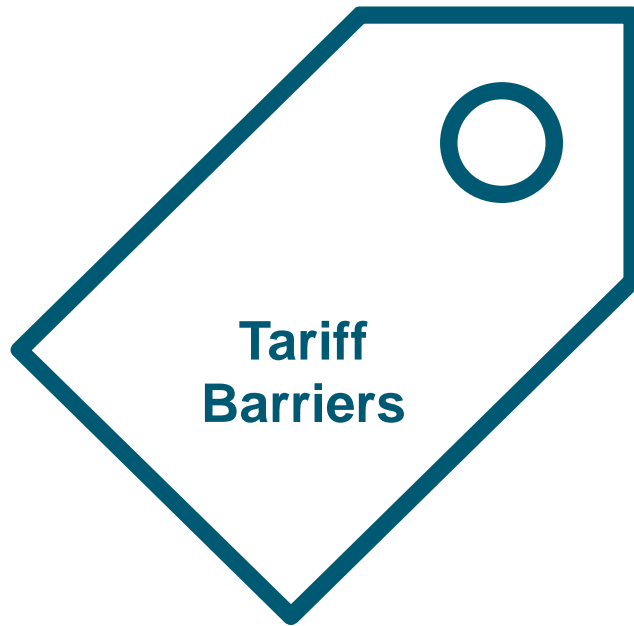
In-depth Research to Shortlist Pool of Markets:

Market Selection – Step 3



Trade Barriers:

Most common types of trade barriers



Trade Barriers:

Most common types of trade barriers

Tariff Barriers



| Type | Description | Example |
|----------------------------------|--|--|
| Specific Tariffs | A <u>fixed fee</u> levied on one unit of an imported good. This tariff can vary according to the type of good imported. | A country could levy a \$15 tariff on each shirt imported, but levy a \$300 tariff on each computer imported. |
| Ad Valorem Tariffs | This type of tariff is levied on a good based on a <u>percentage</u> of that good's value. | A 15% tariff levied by Japan on U.S. automobiles. A \$10,000 vehicle now costs \$11,500 to Japanese consumers. |
| Licenses | A license is granted to a business by the government and allows the business to import a <u>certain type</u> of good into the country. | There could be a restriction on imported cheese, and licenses would be granted to certain companies allowing them to act as importers. |
| Import Quotas | An import quota is a restriction placed on <u>the amount</u> of a particular good that can be imported. | A country may place a quota on the volume of imported citrus fruit that is allowed. |
| Local Content Requirement | The government can require that a <u>certain percentage</u> of a good <u>be made domestically</u> . | A requirement that 25% of the pieces used to make computers must be made domestically. |

Non-tariff Barriers



*Source of information: Investopedia.com

Trade Barriers:

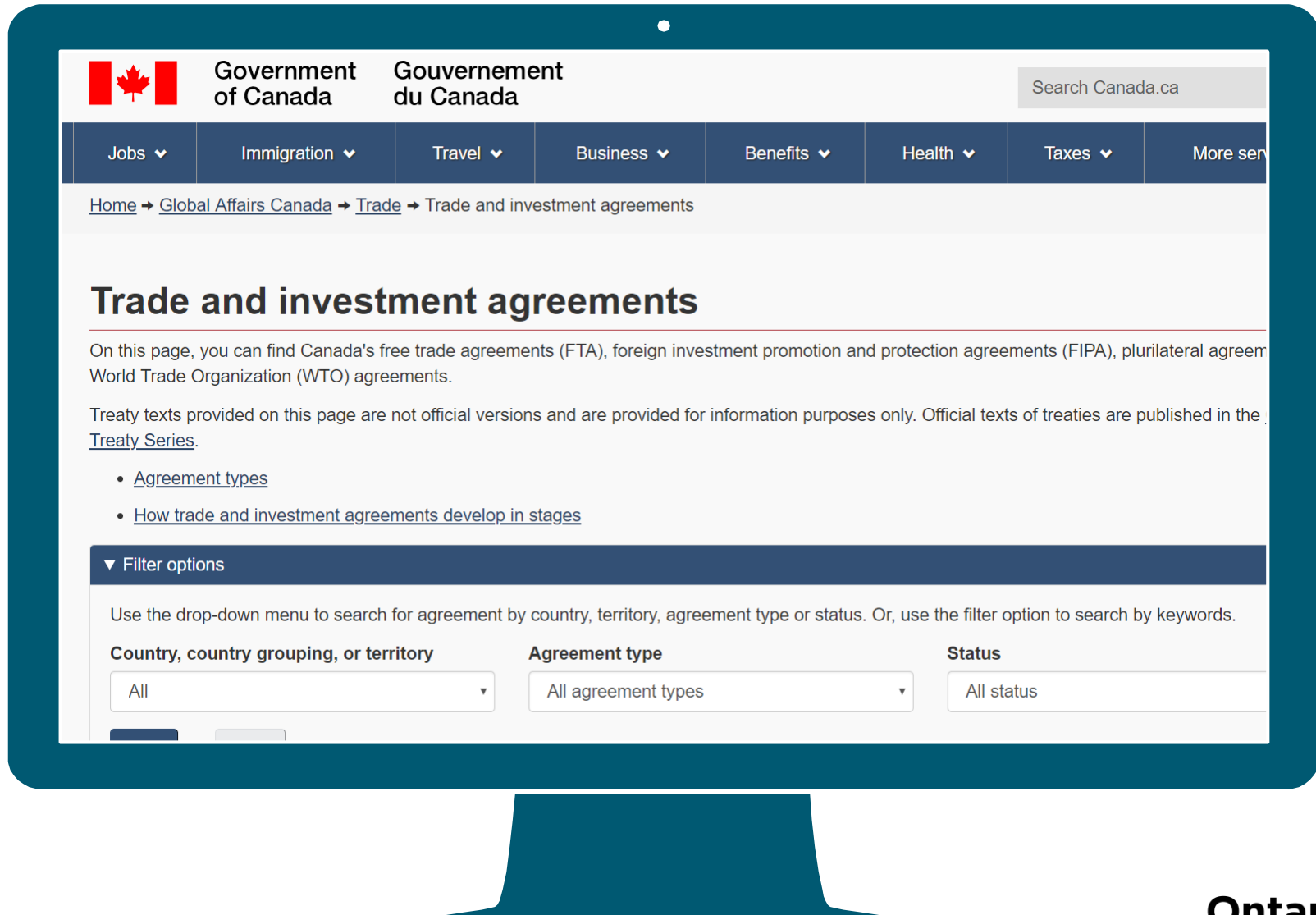
Finding information on tariffs

1. Determine Harmonized System (HS) code(s) for your products
2. Search for existing trade relationships/ agreements using different tools
3. Conduct an Internet search for tariff rates in the market(s)
4. Determine the margin of preference and associated tariff %s for different market(s)
5. Determine impact on costs and pricing



Existing Trade Relationships:

Tool: Information from Government of Canada



Tariffs

Tool: www.tariffinder.ca

Canada Tariff Finder

bdc EDC Trade Commissioner Service

Find tariff information quickly and easily

Find a product

1 You are: exporting

2 Select a country:

3 Select a product:

Enter an HS Code or keyword(s) that describes your product: ⓘ

Find

Select the country and enter your product's HS code

Ex. HS code 8207 exporting to France

Tariff Rates:

Internet Search

If you cannot find your market in the tools shown, you must find the tariff rates manually using an Internet search to find country.

1. Search for keywords such as “tariff codebook”
2. Look for the most recent documents from the country’s own websites
3. Determine the margin of preference and associated tariff %s for your products

Case Study:

Tariff-rate quotas: US Tariff Rate Quotas and Imports of Beef in 2005

As a result of the 1995 World Trade Organization (WTO) Uruguay Round Agreement, the United States adopted a system of tariff rate quotas (TRQs) for imports of beef.

The two-tiered system allows a specified volume of imports per calendar year at a lower rate of duty and assigns a higher tariff rate to volumes above the quota. Two types of U.S. TRQs were established through WTO negotiations:




- Country-Specific TRQs: Created for Australia, Japan, New Zealand, Uruguay, and Argentina
- Other Countries TRQ: Provides preferential-duty access for other countries that are eligible to ship beef to the United States



Country Risk:

Stage of development

Each economy (market) is in different stage of development, where the overall social, cultural, economic and business environment has impact on ways of how businesses operate and compete. With Canada at stage 3, Canadian businesses may find it challenging operating in a market where stage of development is different. The further away from stage 3, the more challenges and the therefore more effort is needed to adapt to the local business and social environment.

| Stage 1 Factor-driven: unskilled labor and natural resources  | Transition from stage 1 to stage 2: | Stage 2 Efficiency-driven: more-efficient production processes  | Transition from stage 2 to stage 3: | Stage 3 Innovation-driven: sophisticated production Processes  |
|---|---|---|--|--|
| India Kenya Yemen Zimbabwe (35 economies) | Algeria Botswana Ukraine Vietnam (15 economies) | Armenia Brazil China Thailand (31 economies) | Chile Hungary Saudi Arabia Turkey (20 economies) | Australia Canada Germany USA (36 economies) |

Source of information: The Global Competitiveness Report 2015-2016, the World Economic Forum

Country Risk:

Ease of doing business: trading across borders

| Market | 2018 Overall Ranking | Trading Across Borders |
|-------------|-------------------------|---------------------------|
| New Zealand | 1 | 56 |
| Singapore | 2 | 42 |
| South Korea | 4 | 33 |
| Hong Kong | 5 | 31 |
| US | 6 | 36 |
| UK | 7 | 28 |
| Canada | 18 | 46 |
| Germany | 20 | 39 |
| Japan | 34 | 51 |
| Mexico | 49 | 63 |
| Chile | 55 | 68 |
| Vietnam | 68 | 94 |
| China | 78 | 97 |
| India | 100 | 146 |
| Brazil | 125 | 139 |

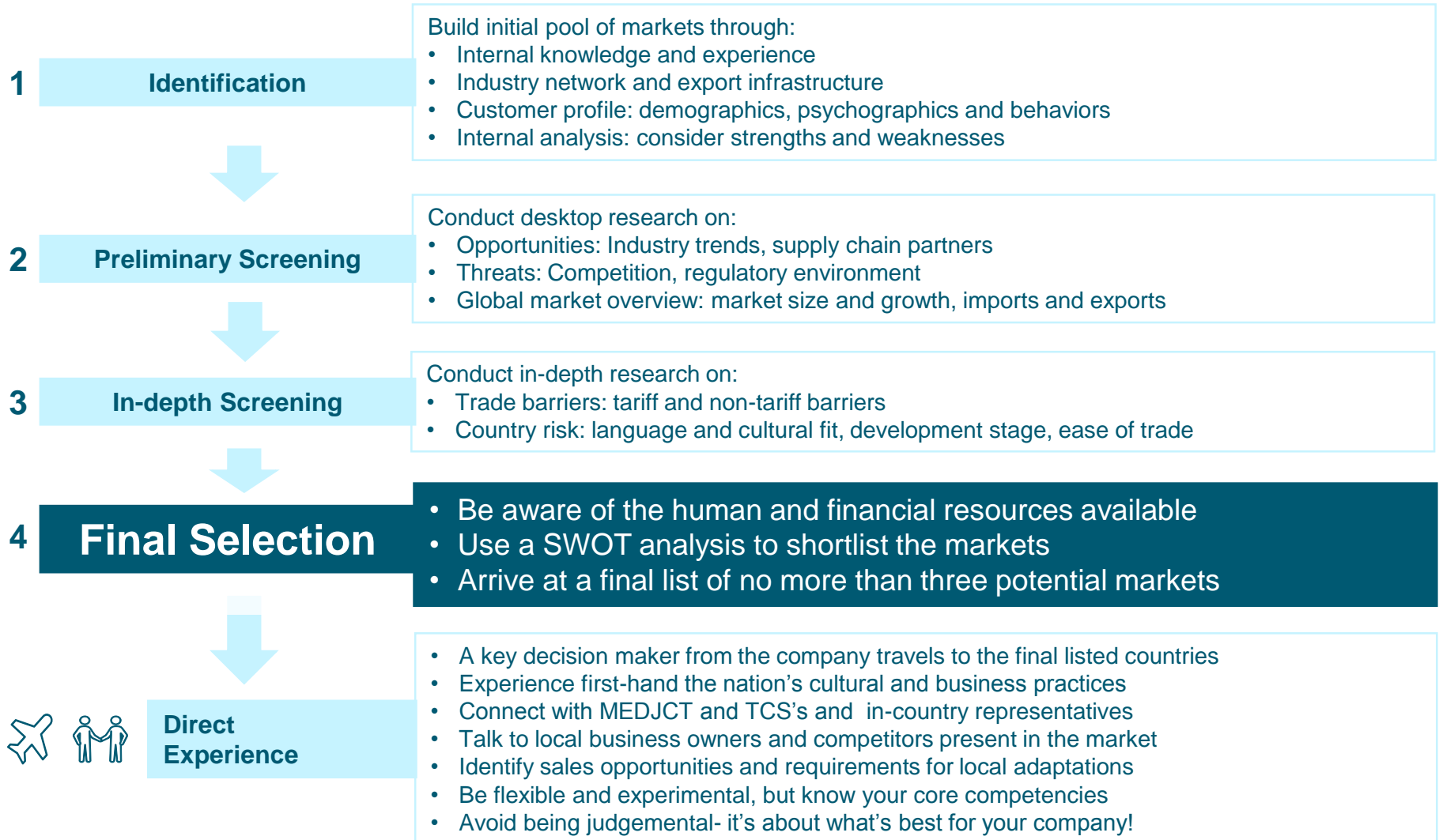
Economies are ranked on their ease of trading across borders, from 1 – 190.

A high trading across borders ranking means the regulatory environment is more favorable to the starting and operation of a local firm. (1 is best, 190 is worst)

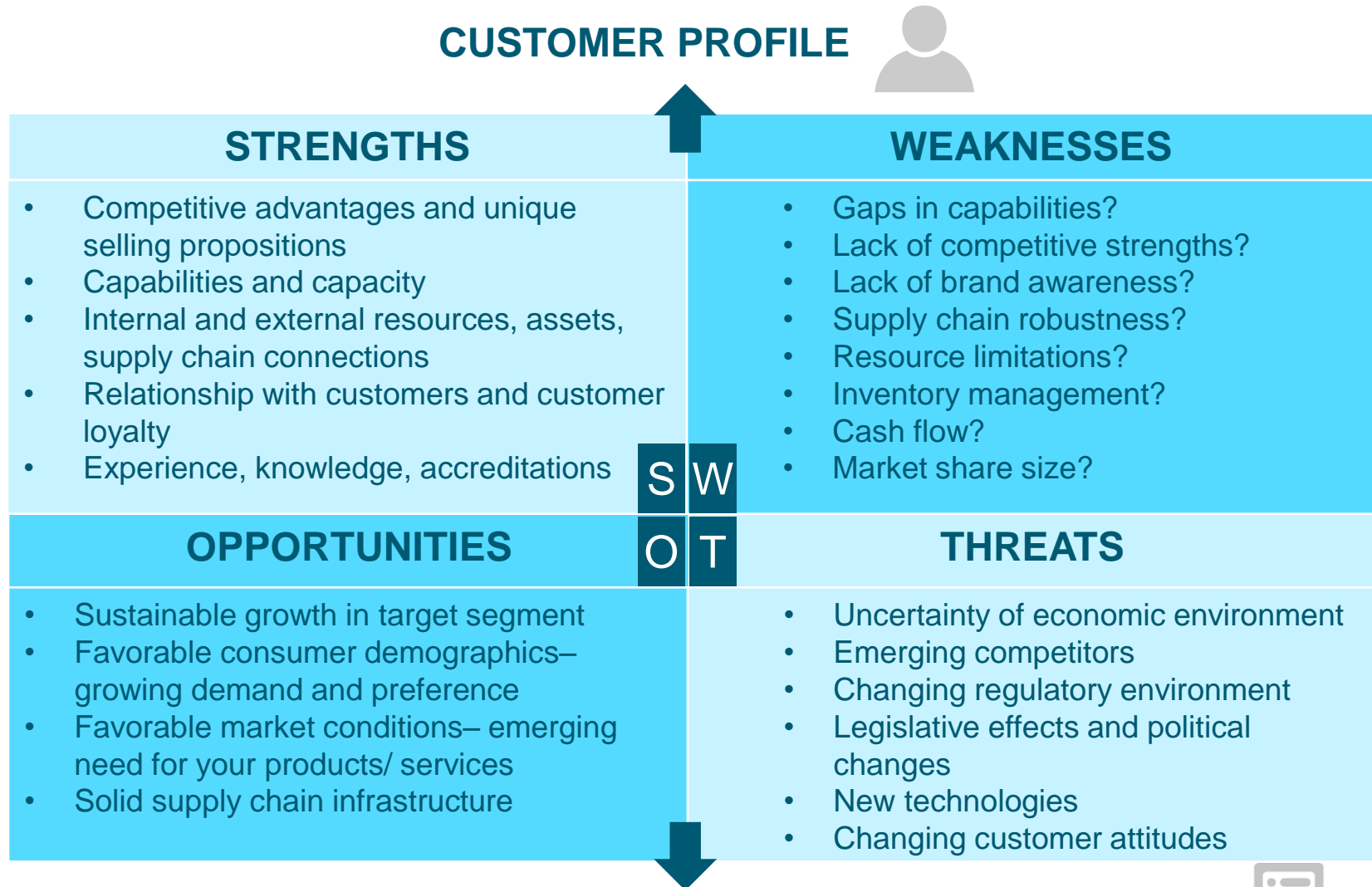
**Source of information: The World Bank*

Final Selection of Potential Markets:

Market Selection – Step 4



SWOT Analysis



LIST OF FACTORS TO SCREEN POTENTIAL MARKETS

Final Selection:



You now have a final list of no more than 3 potential markets.

What's next?



Market Selection:

Four-step approach to identify a target export market

1 Identification

Build initial pool of markets through:

- Internal knowledge and experience
- Industry network and export infrastructure
- Customer profile: demographics, psychographics and behaviors
- Internal analysis: consider strengths and weaknesses

2 Preliminary Screening

Conduct desktop research on:

- Opportunities: Industry trends, supply chain partners
- Threats: Competition, regulatory environment
- Global market overview: market size and growth, imports and exports

3 In-depth Screening

Conduct in-depth research on:

- Trade barriers: tariff and non-tariff barriers
- Country risk: language and cultural fit, development stage, ease of trade

4 Final Selection

- Be aware of the human and financial resources available
- Use a SWOT analysis to shortlist the markets
- Arrive at a final list of no more than three potential markets



Direct Experience

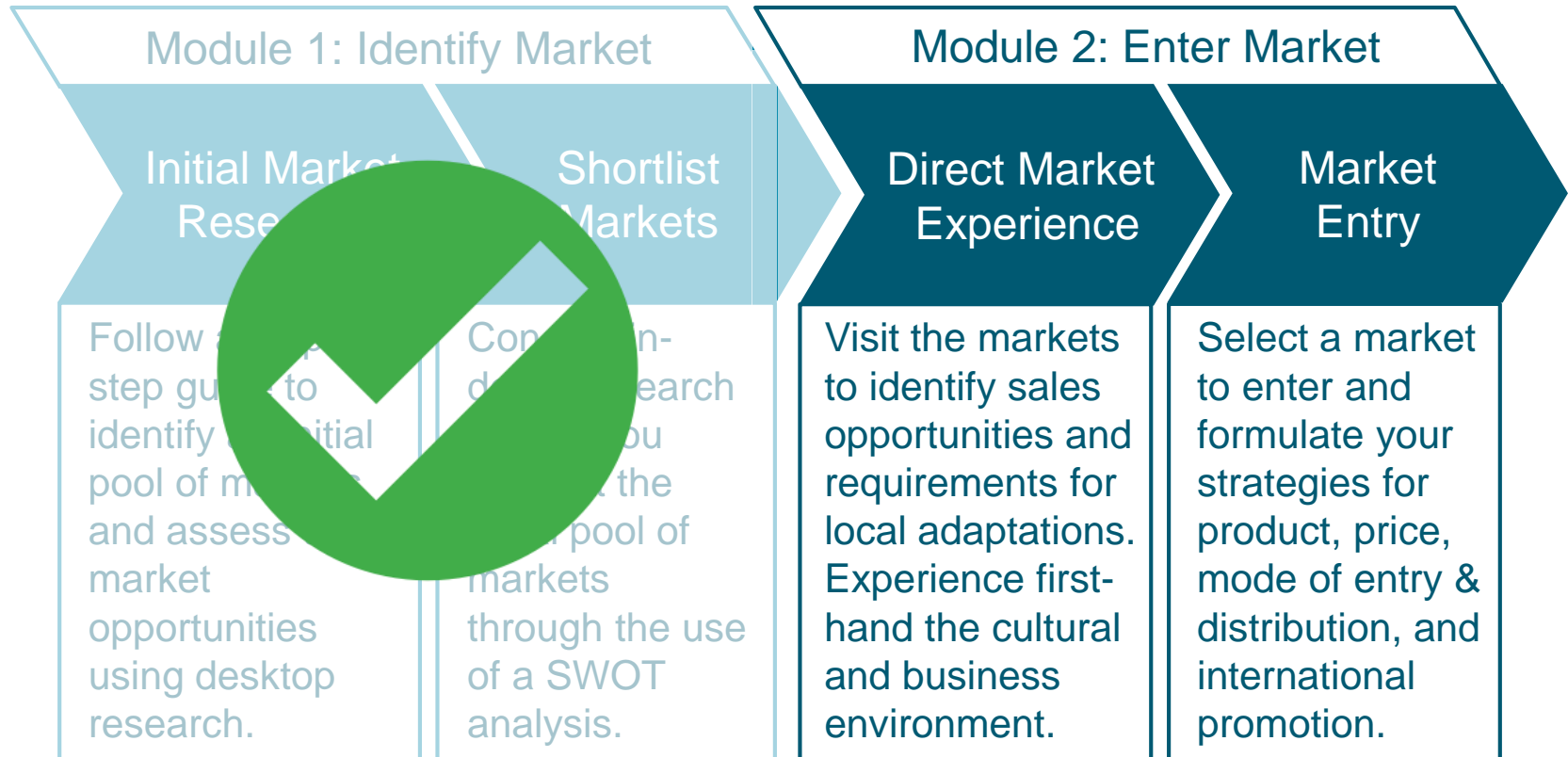
- A key decision maker from the company travels to the final listed countries
- Experience first-hand the nation's cultural and business practices
- Connect with MEDJCT and TCS's and in-country representatives
- Talk to local business owners and competitors present in the market
- Identify sales opportunities and requirements for local adaptations
- Be flexible and experimental, but know your core competencies
- Avoid being judgemental- it's about what's best for your company!

Key Takeaways

1. Market research is time consuming. Allocate adequate **time** and **resources**.
2. Be aware of and **leverage external resources and support** to conduct market research.
3. Understand **potential opportunities and risks** present in each market and make informed decisions.
4. Take **enterprise capacity** into consideration.
5. Develop a **global mindset**.

Next step: Module 2

Two modules to help you identify and enter a desired market



Thank you!