

Research your export markets



It's essential to carry out thorough research before you start exporting. It will help prevent costly mistakes, boost your chances of choosing the right market and show you how to sell your products and services in that market.

This briefing is aimed at any business considering exporting for the first-time or about to move into new markets. It will help you:

- Identify potential markets.
- Research the demand for your product or service.
- Decide whether to do your own research or employ a research agency.
- Find out if you are eligible for help with your research costs.

1 Identifying potential markets

1.1 Start by **defining** the characteristics and type of customer most likely to buy your product or service.

- Use what you know about the markets you already operate in. It's possible you will attract a similar category of customer in another country.
- Try not to make assumptions. Although Third World countries are typically poorer, it does not mean poverty is evenly distributed. There may still be a market for a 'no frills' or luxury version of your product or service.

1.2 Find out if any of your **competitors** export and where. This may highlight areas you could be successful in but could also indicate already saturated markets.

- Few competitors may indicate it is an unprofitable or inhospitable market.

1.3 Contact the British Chambers of Commerce, the Government's UK Trade & Investment or the Institute of Export. They all give advice and will help identify possible markets for your product or service.

- Your initial list of potential countries may be partly based on instinct. Further research will weed out weaker candidates.

2 Do your goods or service fit?

2.1 Find out what the targeted country's **gross domestic product** (GDP) is overall and per head of the population. This will give you an idea of the country's spending power.

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- If the majority of residents have a GDP near the national average, they're likely to have similar spending habits. It could go in your favour if the distribution of GDP is uneven, especially if you have a particularly luxurious or basic item to export.

2.2 Look at the likely **demand** and size of the potential customer base.

- Find out the proportion of the population within the specific age and income groups you would target.
- Most countries have a statistical office providing demographic information. Visit www.statcan.ca for links to other countries' statistical offices.

2.3 Check how **buoyant** the market is.

- Is the demand for your product and service increasing?
This may be best answered by a market research agency based in the country. They will have immediate access to the market and should quickly gauge the potential.
- Are there any other products or services aimed at the same market segment?

2.4 Research whether you would be **legally** required to make any changes to your product or service.

- You may have to translate information and change packaging and labelling or comply with electrical standards.
- You may be unable to export certain goods, such as meat, to particular countries. Check with the Department of Trade and Industry's Export Control Organisation helpline (020 7215 8070) or by visiting www.dti.gov.uk/export.control.

2.5 You may need to make minor **changes** to make your product or service attractive to the market.

- This could be hard to assess from the UK.

2.6 Find out what your service or product could **retail** at. This will give you an idea of your possible net profit margins.

- To do this, compare the quality of your product with other goods and services on the market and gauge what you can offer that they don't, and vice versa.

2.7 Find out about the sales and distribution **channels** for your target market.

- Remember, it may be possible to find a

distributor or agent to sell your product or service.

They will take a margin but it will cut out effort in finding a sales channel.

2.8 Other factors that may be important, due to their potential effect on **cashflow**, include:

- The cost of payment insurance or factoring services in your target countries.
- Typical credit terms, which may cover longer periods than in the UK.
- Typical warranties and guarantees offered.

3 Fine-tuning the list

3.1 Find out if there are political, cultural or religious **reasons** why your product or service would not do well in a particular country.

- Ask the country's embassy in the UK for advice. For contact details, visit www.ed-u.com/embassies-in-the-uk.htm.
- UK Trade & Investment (www.uktradeinvest.gov.uk) and the British Chambers of Commerce (www.chamberonline.co.uk) also give useful information.
- You could also look at the International Trade Portal section on the Institute of Export's website (www.export.org.uk).

3.2 Look at the overall **economic** climate of possible countries.

3.3 Research what **duties** might be levied.

- To find out what import duties will be paid visit <http://mkaccdb.eu.int>. The database is free to use and you can search by a product's HS number — the classifying code used by most countries for Customs documents — or by product description.

3.4 Other factors such as **climate** and **distance** should also be considered.

- If you have to visit the country frequently or at short notice, it may be important that it is within easy travelling distance.

3.5 You may want to look at the **cost** of transporting goods or delivering your service.

- Remember there may be additional costs, such as cargo insurance, which will vary depending on where the goods are going.

3.6 Decide whether a **language barrier** would cause problems.

“Your insurance broker should be on the list of people to phone before taking the decision to export to a new country. Selling a product or service in the United States, for example, may result in higher premiums for some insurance cover.”
David Bishop,
Federation of Small Businesses

- Make efforts and respect cultures, but not speaking the language is not necessarily an insurmountable obstacle.
A good local agent may be the answer.

4 Research your competitors

- 4.1 Identify** your main competitors in the foreign market — domestic suppliers and those from the UK and elsewhere.
- A competitor analysis may be best done by a research agency (see **6**).

Searching on the Internet may also reveal a few major market suppliers.

4.2 You need to **know**:

- The range your competitors offer.
- The quality of their products or services.
- How they market and distribute.
- If they offer credit and on what terms.
- Which sectors they target.
- What their strengths and weaknesses are.

How to brief an agency

Market research agencies are usually asked to compete for work by responding to a brief.

A The **brief** should:

- Ask for a response by a given time.
- Describe your company and what you want to export.
- Give the geographical scope.
- State the reason for the research and the information you need.
- Provide a deadline for the research.
- Describe how you want the report formatted and presented.

B **Proposals** should:

- Show understanding of the project and your requirements.
- Cover how the research will be done and why.
- Include background and qualifications of the researchers involved.
- Give costings, including a breakdown of foreseeable expenses and fees.
- Explain how the agency will charge.
- Give clear timescales, including the time allocated to each stage of the research.
- Include a confidentiality agreement.

5 Doing market research

5.1 There are **two** main strands to market research — desk and field research.

- Desk research involves gathering information from sources that already exist, such as libraries and market reports. Much of this can be done in-house if you have the time and know what to look for.
- Field research can be done by visiting the potential market or by employing a market research agency (see **6**).

See **Research for your marketing**.

5.2 There are plenty of **specific** sources of help for export research.

- UK Trade & Investment (020 7215 8000) offers information on marketing, statistical and contact details for more than 200 countries and markets. Many reports are also online, visit www.uktradeinvest.gov.uk.
- Trade associations (020 7395 8283; www.taforum.org) and government departments may also be able to help.
- Your bank may also be able to provide useful information.

5.3 Check for published **commercial** market research on exporting similar products or services. You often pay for this information but it may save you repeating some work.

- You can search reports from more than 700 market research companies at www.marketsearch-dir.com.
- Other useful websites include Euromonitor (www.euromonitor.com), Findex (www.marketresearch.com) and Mintel (www.mintel.com).

5.4 A **course** in export market research may also help before you start gathering information.

- Business Link runs low-cost courses on a regular basis. For any courses in your area, call 0845 600 9 006.
- The British Chambers of Commerce (www.chamberonline.co.uk/exportzone/training) and The Institute of Export (www.export.org.uk) also run courses.

6 Using an agency

- 6.1** If you decide to use a research agency for all or part of the work, consider whether to use a **UK-based** organisation or a research agency in the country you're researching.

- A foreign research agency is likely to be able to get information faster and more easily. But it will be more difficult to keep tabs on the time your money has bought and feedback may be difficult to understand due to cultural differences.

Even if you use a UK-based research agency there is no guarantee they won't sub-contract the work.

6.2 The **easiest** way to find a research agency is to use an online database or ask business contacts to recommend one.

- The British Market Research Association has a searchable online directory of its members. Visit www.bmra.org.uk/selectline or call 020 7566 3636 for a CD-ROM of member companies.
- MR Web also lists homepages of market research agencies in many major markets. Visit www.mrweb.com.
- For research agencies outside the UK, visit www.esomar.org.

7 How can I reduce my costs?

7.1 Businesses with fewer than 500 staff may be eligible for a **grant** of up to 50 per cent of an approved export market research project carried out by an in-house researcher or outside agency.

- Find out more from the export marketing research team at the British Chambers of Commerce on 020 7654 5800 or by emailing info@britishchambers.org.uk.

7.2 Some **local councils** also provide grants for export research.

- Find your local council by visiting www.direct.gov.uk.

7.3 You may also be able to commission research through your local **Business Link** (0845 600 9 006).

- Reports cost between £50 and £1,000. They can include basic market information, identification and assessment of potential agents/distributors, customised local contact list, advice on your market approach, information about potential local business contacts and general information on local investment opportunities.
- If the report costs more than £600 and you need to visit your chosen market, you may be eligible for a grant of up to 50 per cent of the travel costs.

Your local chamber of commerce may also provide a market research service. Visit www.chamberonline.co.uk for more information.

8 Visiting potential markets

Only visit a market once you've done as much research as possible. You will get a much better understanding of the country and its people and an opportunity to make useful contacts.

8.1 Make sure you have a clear idea of what you want to **achieve** from the visit.

- Set up meetings in advance with key contacts, such as potential retailers, distributors and agents.

8.2 Contact a UK Trade & Investment representative based at the British consulate or embassy in the target country. They offer an essential first point of contact and can offer other advice and support.

- Call UK Trade & Investment (020 7215 8000) for more information.

8.3 Before you go it may also be useful to seek advice on the country's **customs**.

8.4 Basic knowledge of the language may also be useful.

- Try to book an interpreter where necessary and take translated product information with you.

8.5 It may be worth trying out your product at an exhibition or finding out whether you can join a **trade mission** — a subsidised group travelling together.

- To find out about upcoming events, visit www.uktradeinvest.gov.uk/ukti/appmanager/ukti/home.
- Trade Fair Explorer events, also organised by UK Trade & Investment, allow firms to visit major international trade exhibitions to find out more about the market for their product and what other British firms are doing.

Expert contributors

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Further help

There are other Directors' Briefing titles that can help you. These briefings are referred to in the text by name, such as **Research for your marketing**.

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