

Questions & Answers CHOOSING EXPORT MARKETS

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To help in designing your export strategy, the following ten questions and answers provide tips on how evaluate possible export markets and how to leverage your network of contacts to select the best export markets for your organization.

1. What makes an export market attractive for my service?

The factors that make a particular market attractive will vary from firm to firm. First and foremost, there is the issue of where your firm can most quickly build credibility. So you will want to consider markets where:

- You already have local contacts there
- Your staff already have family/friends there
- There will be a major industry event (e.g., international conference) soon

Then, in evaluating a potential market, look for markets with the following characteristics:

- a) A good cultural match to your firm
- b) Few or no major competitors
- c) A growing market where:
 - Your service sector is growing rapidly
 - Your government officials have good contacts
 - A potential local partner has good contacts
- d) Easy to reach:
 - Direct air flights from your location
 - On the way to a market in which you are currently supplying services
- e) Easy to establish “local presence” through:
 - A local partner you already know
 - A local partner you still need to locate
 - A commercial “mini-office” arrangement
 - A World Trade Center complex
- f) Easy to provide service at a distance through:
 - An “800” number that is inexpensive to access
 - An e-mail address
 - An Internet website

2. What type of market should I consider?

Being “export ready” depends on a good match between the type of market you choose and the characteristics of your firm. There are three general types of markets to consider:

a) Fast-paced, competitive economies

In such economies, new customers are willing to deal with strangers as long as they feel confident that you have the expertise to perform well. Efficient service delivery, excellent quality assurance, and a media profile are critical for your success. If you are not fluent in the language, you can work through a local partner to handle linguistic and cultural differences.

These markets include the United States, Australia, New Zealand, Hong Kong (China), Singapore, and the northern European countries.

b) Relationship-based, relatively affluent economies

In such economies, customers usually deal only with known suppliers – i.e., firms that they know and trust. Here interpersonal communication skills, cultural sensitivity, and linguistic fluency are critical in developing a good relationship with a potential new customer or a local partner with whom you can do business. Such relationships typically need to be developed first at a senior level, so your senior staff need to be prepared to travel extensively.

These markets include Japan, southern Europe, the affluent Middle East, and the more affluent developing and transitional economies (i.e., former command economies).

c) Developing economies where third-party funding is usually needed

In such economies, few private sector organizations or government ministries have the funds to pay for imported services. Instead, they look to international financial institutions (IFIs) for funding. In these markets, market development takes time, flexibility, and being politically astute. It is very helpful if you already have experience working with a third-party funder (e.g., one of the international financial institutions such as the World Bank).

These markets include the developing nations in Africa, Asia and the Pacific, Latin America and the Caribbean, the Middle East, as well as some of the transitional economies.

3. How will I know if my service will sell in a particular market?

You will want to ask questions like the following:

- a) Are there customers with needs similar to our current customers?
- b) Are potential customers complaining that they cannot get the type of service we offer?

- c) Are potential customers likely to buy our type of service from a firm from our country?
- d) Are potential customers willing to pay for our type of service?

Remember that you can have a great service and one that people need, but you will not make a sale unless potential customers believe that you can meet their needs. So make sure that you have referral links to local decision makers in order to maximize your credibility.

4. What market indicators signal a potential market for our service?

Think about how you identify potential market demand now and the types of needs your services currently meet. Then think about where you might get information about these same indicators for your target market. Your local librarian may be a good research resource. Here are some examples of industry-specific market indicators:

Architectural Services

- New regulations regarding environmental requirements for buildings
- Indications that existing infrastructure is wearing out
- Plans for new infrastructure (signaled through bond elections, bills tabled in parliament, etc.)
- Bidding opportunities for a major international event (e.g., Olympics)
- Pressure towards more leisure activities
- Pressure towards independent living for physically challenged and for seniors
- Natural or other disasters that require rebuilding
- Low vacancy rates
- Increase in the level of renovation activity
- Market characteristics compatible with your specialized expertise (such as cold weather climates, dispersed populations, use of wood products, etc.)

Commercial Education and Training

- High illiteracy rate in work force
- Increased pace of adopting new technologies
- High unemployment rate among youth
- Government-led labour force initiatives (e.g., new accreditation requirements)
- New social policies on literacy development, or lifelong learning
- Focus on improving productivity
- Government initiative to upgrade public education
- Rising unemployment in traditional industries (need to re-skill)
- Market characteristics compatible with your specialized expertise (e.g., need for e-learning, flexible delivery methods, multilingual delivery)

Environmental Services

- New environmental legislation imposed and enforced by governments
- Large congresses (e.g., G8 Summits)
- Introduction of new technology
- “Mega” projects where environmental impact needs to be addressed

- Presence of strong environmental advocacy groups
- Natural disasters, requiring environmental clean-up
- Closing of military bases and/or weapons depositories

Legal Services

- Anticipation of jurisdictional disputes
- Concerns about trademark, patent or intellectual property protection
- Government tenders for policy development or draft legislation
- A country being integrated into a new trade group
- Protected sectors being opened to foreign competition
- Regulatory reform (banking, insurance, telecom, transportation)
- Judicial administration and legal training
- Interest in/reform of various laws, such as environmental, conservation, and resource management; constitutional and human rights law; admiralty and maritime

Management Consulting

- Trends toward deregulation, privatization, down/right-sizing
- Reform of the tax structure
- Shift from owner-managers to professional managers
- Pressures for increased productivity
- Pressures for private sector changes in competitive positioning
- Development of the consulting profession itself
- Changes in government priorities
- Sector competitiveness concerns due to trade liberalization
- An increase in the number of bankruptcies
- An influx of major new foreign investors/competitors
- Quality management/benchmarking/innovation concerns

5. How can I get information on a particular market?

The source of information will depend a great deal on how you plan to enter the market. Increasingly, much of the information you will want is available through the Internet. One of the best initial websites is the CIA World Fact Book website: www.cia.gov/cia/publications/factbook.

You will also find useful data on regional and national portals, which you can find through directories like www.worldjump.com.

If you plan to set up a local office, the *local investment agency* or a *World Trade Center* can probably supply you with information you need such as:

- Availability of literate skilled workers
- Typical business expenses and conditions
- Percent of foreign ownership allowed
- Licensing requirements

You may find that your sister industry association is an excellent source of such information.

6. Where do I find information on market entry restrictions?

As the commitments made under the General Agreement on Trade in Services (GATS) become more detailed, you will be able to get much of the information you need off of the *World Trade Organization website* (www.wto.org).

- Go to www.wto.org/english/info_e/search_e.htm
- Click on “Documents Online Search Facility”
- Choose either “simple” or “advanced” search
- In the section entitled “Document Symbol,” type: GATS/SC
- In the section for “countries,” type the country that you want
- Click on “Search”
- The country’s schedule of commitments and all the supplements will be listed.
- Download the file in the format and language desired.

Other sources of information include trade officers at foreign embassies and high commissions in your country.

7. Where do I find information on industry regulations and standards for my service industry in a particular market?

First check with your service industry association. Your next best source of information will probably be the website of the relevant service industry association in the target market, if one exists, or a local strategic partner. In some instances, the U.S. industry association’s website has a comprehensive list of links to regulatory agencies in a wide range of countries.

Other sources of information include trade officers from the target market posted in your country as well as your trade officers abroad.

8. How do I find out who my competitors are and what they are offering?

To be internationally competitive, you will want to track potential competitors online worldwide to see what kinds of services they are offering. Not only will this let you know what customers are expecting, but it will also help give you ideas for how to customize your services profitably. One of the best ways to do this is through monitoring websites that provide benchmarking and best practices information, such as:

- Benchmarking at APQC [www.apqc.org]
- Quality Network [www.quality.co.uk]
- Benchnet [www.benchnet.com]
- Global Benchmarking [www.globalbenchmarking.com]

With regard to online presence, you will want to track industry standards as well as your competitors’ ratings through sites like the following:

- CIO Magazine [www.cio.com]
- Information Week 500 [www.informationweek.com]

In any target market, you will probably have both local and international competitors. If your government trade officers are not able to help you identify them, you should be able to do so through an industry or trade association or through local news sources. To learn about their services, you can either ask them directly or talk with persons (like potential strategic partners) interested in being helpful to you.

9. How do I find out about intellectual property protection?

Intellectual property refers to creations of the mind: inventions, methodologies, literary and artistic works, symbols, names, images, and designs used in commerce. You can receive legal recognition for your intellectual property in much the same way as you can receive title to a piece of land.

The copyright of an author is typically valid in foreign countries as long as the country in question belongs to one or more of the international copyright treaties, conventions or organizations. These include the Berne Copyright Convention, the Universal Copyright Convention, the Rome Convention, and the World Trade Organization (WTO). These international conventions, treaties and organizations include most countries in the world. But domestic trademark registration does not necessarily protect your rights in other countries. Before selling trademarked services abroad, you should consider applying for foreign registration. Contact a trade-mark agent or the embassy of the country in question to find out about procedures.

For more information on intellectual property protection, contact the World Intellectual Property Office (www.OMPI.int).

10. How can I best choose among potential markets?

The most important criterion is the strength of your contacts and networks in order to get initial customers in your target market. All other factors being equal, you will want to select the market that fits best into your “portfolio” of markets and helps you to:

- Minimize your vulnerability to market changes.
- Maximize your use of resources.
- Maximize your financial returns.
- Maximize customer loyalty and retention.
- Enhance your image as a worldclass provider