



PROFIT

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for investment and trade

Researching the market

FACTSHEET // MARCH 2021

Researching the market¹

1. Introduction

You have probably found that taking decisions is much easier when you have all the facts you need. Take the simple example of buying a birthday present for a relative or close friend and having to choose between the red one or the blue one. If you know the recipient's colour preference, the choice is easy. If not, then there is the risk of making the wrong choice. On a much larger scale, that is what market research is about — obtaining sufficient, relevant information to increase the chance of making the 'right' decision.

In assessing your international trade and investment² opportunities, you may have already undertaken preliminary research. However, it is unlikely to have provided sufficient information to decide exactly how you are going to get into the market and what approach you should take in terms of tailoring the product or service to meet prospective customer needs, setting appropriate price levels, selling successfully against the competition, and delivering the product or service to the customer. Reviewing the information you have and determining what additional information you need to find out provides you with your research objectives. You will then be in a position to set out a plan of action for obtaining the information you need.

Researching markets, like all planning processes, is iterative. At first, as you review your initial data, you may find that some of the information raises new questions that suggest the need for additional research. The key point here is to keep in mind the main issues you are trying to address. If some new question arises, consider whether it is likely to have a notable impact on the topics under investigation. You can then decide to what extent you feel it is important to delve into any additional points arising from each piece of information you obtain. For example, if you are researching competitor activity and you discover that a small number of competitors appear to be changing their pricing policies, a quick but careful investigation may show it to be a minor trend in a relatively unimportant segment of the market. Thus, you may feel it is best to put that issue to one side for later re-evaluation of any longer-term implications once you've established an initial foothold in the market. Alternatively, it may be clear that it is being initiated by the key players in your market and

¹ This factsheet is based on material originally published in *Exporting for the First Time* by Graham Smith & Paul Sampson and edited by Colin Weatherspoon & David Irwin, copyright Project North East, 1996, and used with permission.

² This factsheet tends to talk about 'exporters' as shorthand for businesses that intend to engage in international trade or investment, on the basis that the business intends to sell something in an international market.

thus needs a more detailed investigation now because it obviously has immediate implications for the potential success of your market entry intentions.

2. Research aims

Obviously, one person's research aims could be quite different to someone else's. Market location differences or differences in the type of product or service or differences in the market entry approach will mean they want to investigate different types of customers or different distribution methods, and so on. However, there are some common aims which apply to all markets and working through these should prompt you to develop a list of questions that are specific to your research needs.

Table 1:

RESEARCH ISSUES	Research topic	Typical questions
	Customer profile	Who are the buyers of the product/service likely to be? What proportion will actually buy? How can you define/describe them? Where are they? How can they be located? Also consider whether you are selling directly to end-customers or through intermediaries and think therefore about the needs of the intermediary.
	Customer attitudes and requirements	Why do/will they buy? What motivates them to buy? For what benefits are they particularly looking? How do they judge value for money? How do they want to be able to buy? How do they go about making buying decisions? Who/what plays a part in making buying decisions or can influence the decisions?
	Competition	What is being offered at the moment and by whom? What actually sells at the moment? How are these products being sold? Where and from whom do customers buy? What do customers think of their existing suppliers and products/services? What would encourage them to switch?
	Market size (volume and value)	How many existing and prospective buyers are there? How often are they likely to buy? How much of each type of product is being sold? At what prices? Are prices very similar or widely different? Why? What price will buyers be willing to pay? How price sensitive is the market?
	Market structure	What is the typical supply chain like – materials suppliers; manufacturers; distribution channels; customers; end-users? Who buys what from who? How many operators are there – and who are the key players – at each stage in the supply chain? At what stage of development is the market – new, growing, well-established, declining?
	Market forces	What factors have a major influence on market development – political activity; economic trends; social issues; technological development; balance of supply and demand; market entry barriers; resource issues? How are these factors affecting the market – growth rates, trends, structure, stability, customer preferences, profitability, etc.?
	Specific considerations	Are there any special regulations or standards to meet? What special legislation must be complied with?

Ultimately, you should be aiming to determine that there is a currently viable market and that the market will remain viable for the foreseeable future. The table above summarises the main questions to which you need to seek answers. It would be foolish to enter an apparently healthy market only to find that some new legislation that was in the pipeline, or some other predictable event, effectively kills off the market soon after you start to export. Whilst that scenario may be unlikely for most, there have been plenty of examples of firms moving into an export market having overlooked pointers to potential difficulties and then run into serious problems after committing a great deal of time, effort and money. To avoid such problems one of your research aims should be to gather sufficient information to gain an insight into likely future developments as well as determining the current market position.

Using this framework will enable you to compile a list of all the necessary points you want to cover and thus define your research aims. Whilst this covers the main issues and indicates the sort of questions you need to be asking, it is not an exhaustive list. Working through each and thinking about what you do know or do not know can act as a prompt for specific questions for which you do not yet have the answers.

Table 2:

SOURCES OF MARKET INFORMATION	Issues	Source(s)	Comment
	List major competitors.	Dun & Bradstreet (Hoovers), Seekahost Directory (India), Indiamart, TradeIndia, Yellow Pages, Santander Trade	All available online, some are free. The Santander Trade Portal aims to be especially helpful with much more than just lists of businesses.
	Quantify level of imports and exports.	ITC Trade Map	A large amount of information available free, and more detailed information available on a paid basis. Will give a good feel for the level of imports and exports in broad sectors but not necessarily sufficiently disaggregated to provide the level of detail ultimately required by business. Does not give volumes delivered by domestic businesses so only tells half the story.
	Identify most suitable distribution channels	Web search. GlobalTrade.net has lists of distributors and agents	Depends on whether you plan to sell via intermediaries. Often that can be a good way to test a market. Look for a distributor or agent who specialises in your sector.
	Inflation & exchange rate forecasts	Web search	If you are selling via short term contracts, this is unlikely to be an issue, but beware if you plan to enter into long term contracts.

You can use the list of questions to produce a tabular research plan. Include detailed questions that you are trying to answer and ideally include a timetable as well. Using a table like this will help you work more efficiently, keep your investigations focused on what you

have defined as the key areas for research, and give you a basis for monitoring and reviewing progress.

Remember that the main purpose of gathering information is to enable you to make important decisions with confidence. The information you gather now is not just to help you make that first decision as to whether this market is an attractive proposition. It will also be useful when it comes to deciding what your overall approach to entering the market will be; what, more precisely, you will sell; your pricing strategy; how you will promote and sell; and how you will deliver the products or services. In the longer term, it will also provide you with a basis for monitoring and measuring changes and trends in your export market.

3. Gathering the data

There are basically two types of research. One of the most common is accessing published data or reports and extracting the information you need. This is often referred to as desk research or 'secondary' research — so called because it comes from a secondary source rather than from your own, direct investigations. The other type is direct, or 'primary', research and this involves you undertaking your own investigations to acquire the information you seek.

The use of the terms 'primary' and 'secondary' sometimes seems odd in the sense that secondary research tends to be carried out before primary research. Part of the reason is that, in general, primary research is more costly. Therefore, it makes sense to gather as much information as possible from already available data and avoid the unnecessary expense of doing the same research directly. In addition, primary research tends to be much more effective and valuable if used when much of the desk research is completed and you have a good feel for the important issues and likely attitudes prevalent in the chosen market.

Secondary research

To start your secondary research you will need to get access to any market reports, statistical records, journals, published articles and other sources of data that are relevant to the sort of information you are looking for.

Much published information will be held in libraries — either public libraries or libraries kept by organisations such as chambers of commerce, industry associations and specialist information centres. The librarians who maintain these places of knowledge are usually highly skilled at finding sources specific information. Being able to give librarians a clear idea of the specific information you want means they can often find you a relevant report or publication, or provide guidance on the most appropriate places to look.

Aside from libraries, there are many other sources of secondary research data. A source that is often overlooked is trade magazines. National trade promotion agencies can direct you to

some of the less obvious sources of market data and your PROFIT mentor may also be able to help.

Table 3:

FURTHER SOURCES OF MARKET INFORMATION		
	Internet	The internet is a massive resource but bear in mind that not everything that you find on the internet is reliable, so you should always cross reference with other sources. However, it can be a great starting point.
	Trade magazines & newspapers	Trade magazines published in your chosen market can be very useful for gaining a general impression of current market activity – competitors, current issues and opinions, active agents and distributors, ancillary services.
	Trade associations	Many trade associations and chambers of commerce maintain their own reference libraries and information services including on trading procedures and restrictions, documentary requirements, import tariffs and non-tariff barriers. If you need a certificate of origin, in most cases, you will need to seek this from a Chamber. Many chambers can also offer assistance with export market research and run their own export missions. Some chambers restrict some of their export services to members only.
	National trade promotion agencies	Trade promotion agencies offer a variety of information services to exporters usually including overseas statistical publications, market reports, country specific or international directories, economic profiles and catalogues, plus access to online databases.
	National standards bureaux	The national standards bureau in your target country is a direct source of information on standards and technical regulations that you may be required to meet.
	Banks	Banks are a source of financially related data such as exchange rate forecasts. Some banks have departments that are involved in researching world markets and economic trends and assessing trading risk (as with Santander recommended in table 1).
	Customs authorities	Customs authorities monitor trade statistics and many make them available publicly. This can give an indication of the level of imports and exports between your own country and your chosen country.
	Embassies	The embassies of your chosen countries can be a useful source of general economic data, some selected market information, guidance on any special regulations or laws with which you must comply, and general information on doing business within their country.

Making use of these sources of existing information can save both time and money, but it is important to check just how up-to-date the information is. Some types of printed material can become out of date relatively quickly. Furthermore, it is very unlikely that desk research will enable you to obtain all the information you need. At best you will obtain a very good impression of what is generally happening in the market and get a good feel for the overall market trends. At worst you may find there is very little information with which to work.

Primary research

The information gathered during your secondary research will help to consolidate and refine your initial ideas on how you might tackle the new export market. However, to increase the probability of being able to meet and satisfy your prospective export customers' potential requirements, it is important that you know and understand them as fully as possible. When it comes to knowing what typical or individual customers want there is no real alternative to research on the ground.

There are two things which you need to do before beginning your primary research:

Review research to date

Your secondary research will have given you some insight into general activity and trends and may have prompted you to adapt some of your initial thoughts. Now is a good time to review what you have learned and re-evaluate what it is you want the primary research to tell you.

Review your research plan and ask yourself: How much do we already know about customer attitudes and potential requirements? What important gaps in this knowledge are there that we need to fill? How confident are we in the customer and competition data gathered through secondary research? Which aspects of our findings so far would benefit from confirmation or clarification as part of the primary research?

Obviously, what you are doing is stepping round the planning cycle and taking an opportunity to reassess your research aims and redefine your research plan for primary research.

Identify at whom to direct your research

From the directories, trade magazines and other sources you have used you will have been able to draw up lists of representative customers, competitors and those who are involved somewhere along the supply chain. The lists may not be exhaustive and complete but you can use all or a selection of names from the lists to target the research at. In some cases, you may have been able to obtain company names but not the names of individuals who you would like to reach. Think about the role of the person who may be able to answer your questions and then make some telephone calls with the sole aim of identifying the name or title of those people.

Having decided at whom to target the research, you need to think about which groups are likely to be able to provide you with answers to your questions. You may be surprised to find how readily export customers will impart information about their requirements.

Customers can also be a useful source of feedback on the activity and performance of existing suppliers — your potential future competitors. Those with some position in the supply chain — retailers, agents, distributors, etc. — may not be keen to talk about individual customers but can be a worthwhile source of general feedback on customer attitudes and requirements. Some aspiring exporters have successfully obtained valuable

information direct from potential competitors by making a general enquiry (as against formal research) and not revealing the true purpose of the call.

Having reviewed what you want to know and who you intend to approach, you can begin to prepare your primary research. There are five main market research techniques:

- Questionnaires
- Interviews
- Discussion groups
- Test marketing
- Competitor scans

These are discussed below noting the principal aim of each technique and the main issues you should consider.

Questionnaires

This is where respondents are asked a series of predetermined questions, often requiring a choice from a predetermined range of responses. This type of research can be carried out in face-to-face, over the telephone or by post. Typically questionnaires are used to obtain quantifiable data — you can count how many answered a), b), or c) — so that you can identify the importance of specific issues. Examples might be: preference for particular features; readership of selected publications; pricing expectations; etc.

Face-to-face and telephone questionnaire research can be very time consuming but has the advantage of some flexibility in handling response. Unclear answers can be queried and supplementary questions can be asked dependent on the response to a given question. For export research, this more direct approach raises the issue of language. Whilst it is true that English is an international business language it is unlikely that everyone you want to contact will be able to speak English well, if at all. This means that if you cannot speak their language you can run into problems over misunderstood questions or it may make it impossible to speak with some potential respondents. The alternatives are to post a translated questionnaire or to engage the services of someone who can speak the language and conduct the research on your behalf.

Electronic surveys, such as SurveyMonkey, are much cheaper and much less time consuming but response rates can be much lower than for face-to-face or telephone research. Even so, the response can sometimes be more reflective of truer feelings since some people find it easier to write what they really think than to tell someone in a 'live' situation. If you intend to use electronic questionnaires, language is still an issue. You should have the questions translated since your overseas respondents are more likely to complete something written in their language. It is advisable to have the translation checked by a native speaker for nuances and grammar.

When you are preparing the questions, try to ensure you are as precise and clear as possible. Avoid using leading questions which may produce biased responses — it is

important that you find out what they really think, not what you would like them to think. Any questionnaire should be thoroughly tested before use to expose any ambiguous or unnecessary questions. If the results are vague the exercise will have proved to be costly for yourself and a waste of time for those which you have asked to participate.

Interviews

This approach differs from questionnaire research in that the process is more interactive. The interview is structured round a standard set of 'open' questions but allows plenty of room for discussion of points raised. This enables the interviewees to express their views in much broader terms than would be possible within the more tightly structured questionnaire.

Interviews can be face-to-face or telephone based and are mostly used as means to obtain attitudinal feedback — for example, in customer care surveys, or identifying how buying decisions are made, or finding out what buyers think of some particular product feature. Like questionnaire research, interviews suffer from the disadvantage that they are time consuming but offer the notable advantage that you can obtain a lot of very valuable information, albeit not necessarily quantifiable.

To make the most effective use of the interview technique requires that you prepare well. This not only applies to working out good, clear questions, presented in a logical order, that will encourage the sort of response you want, but also in thinking through the sort of answers you expect and being prepared to prompt the interviewee to expand on important points they make. As with questionnaires, it is a good idea to try a 'test run' with a few suitable colleagues first to test the overall approach.

Focus group discussion

This technique is similar to interviewing in that you work from a pre-prepared outline structure. However, it differs in that it is not one-to-one but involves a number of people, typically representative of your target market. The group is encouraged to openly discuss their views and thoughts on the topic being researched and, within reason, raise any point they wish. Because of this, focus groups can be a very useful means of identifying issues that you may not have otherwise thought of as important. These points can then be incorporated into later research using other techniques.

Test marketing

One of the most effective ways to gain an indication of the likely receptiveness of the market is to conduct trial runs. Generally, this involves placing product samples with a selected sample of the target market, or undertaking a small test contract, and then gauging reaction. If it goes well, bigger orders may well follow. If not, it's rethink time.

An alternative approach used by some firms is to provide a selection of representative targets with prototypes. In this case the objective is to identify required changes and

enhancements which will improve the appeal of your product or service before trying out finished products on a wider scale.

Many people fear using test marketing because they feel that, if the product or service is not well received, it might close the door to further opportunities. However, this risk can be reduced by maintaining close contact with those chosen for the test run and using supplementary research methods to ensure you get accurate information on why it is, or is not, doing well. Furthermore, many of those who do try test marketing are pleasantly surprised by the supportive attitude of the customers involved in the trial and, in some markets, others have found that customers will not place an order without an opportunity to 'try before they buy'.

Competitor scans

The purpose of competitor scans is, unsurprisingly, to gather information about competitors. It is crucial that you are aware of what your prospective competitors are doing and what they are offering since it will have a direct bearing on your potential success. A number of different approaches can be used.

Obtaining samples of brochures, catalogues and other promotional material can often be as easy as calling them and asking for copies. If you have a contact based in the target market then a possible alternative to the direct approach would be to enlist your contacts help in obtaining copies. This will give you the chance to see how they approach selling into the market and, if their material is well produced, what they see as the important benefit points to sell. It may also give you valuable data on the specification of their product or service.

Another approach for gaining first-hand information about competitor products is to purchase a sample and 'reverse engineer' it — in other words, take it apart and find out what goes into it, how it works and how it's made. Where it is possible to visit competitors' premises then this can be very revealing opportunity to see how they go about doing business, attitudes of staff and the operational methods they employ.

If you are able to identify a number of customers of competitors then using questionnaire and/or interview research can enable you to assess attitudes to service standards, quality of products and some indication of the degree to which the customers are satisfied with those suppliers.

See it for yourself

As you gather all this information you will begin to build up a picture of what is happening in your chosen market. But an important question remains: what is it *really* like? There is only one way to find out and that is to get over there and take a look — a market visit.

Think about your business development in your home market for a moment. Your home market is a familiar place. You understand its customs and common practices in doing business. You know your way around. You have an inherent appreciation of the factors that drive the market — attitudes and aspirations, social and economic issues, the effect of

government policy, etc. This degree of familiarity and direct, everyday experience is invaluable when it comes to market research. In the market research world it is often referred to as 'observational research'. It helps turn all those cold, clinical facts into something meaningful. It enables you to make a sensible assessment of the data and take a balanced view of what you need to do. When it comes to researching and preparing for entry into export markets, we don't have this advantage which is why a market visit is essential.

Apart from the research factor, there are a number of other advantages to going on a market visit — establishing useful contacts, the opportunity to visit potential agents or distributors, or the chance to take a closer look at the competition. Some firms starting out in exporting for the first time have undertaken an initial market visit and come back with serious enquiries or even sales orders. It is not that uncommon, but it should be regarded as a bonus rather than the aim of a first visit. However, you do need to plan your visit to make sure you get a good return on your investment of time and money.

For further suggestions, there is a factsheet specifically on trade missions and how to maximise their benefit.

4. Interpreting the results

Analysing and interpreting market research data is sometimes viewed as a bit of a 'black art'. Deciding whether the figures show one thing or another, or whether the commentary in one report is likely to be a more accurate view than another, is not a simple task. In truth, it is very much a subjective exercise and therefore you cannot expect to come up with 'absolute' answers.

If you look back to the first business performance forecast you prepared for your home operations, and think about how it actually turned out, you will appreciate that perfect accuracy is impossible. However, given a good understanding of market activity, influences and trends, most people's predictions of their business' performance turn out to be not that far from reality. How close it was will have been related to the degree to which you had successfully acquired a good knowledge of the market and market trends based on a reasonable assessment of available information and careful observation.

Looking back to your research aims, the data you set out to acquire is aimed at answering the sort of questions posed earlier. If it helps with your analysis, the issues can be reviewed through the lens of two models which will enable you to put all your research in context – and may additionally throw up some gaps that need further review. These models are covered in the complementary factsheet, *Considering Market Forces*.

5. Conclusion

Export market research is about gathering the necessary information so that you can properly assess the chosen market and make sensible decisions with confidence. First time exporting is definitely exciting and challenging but for the majority of intended exporters it is also a step into unfamiliar territory with many potential pitfalls to avoid. Consequently, careful and thorough research is a vital part of the export development process. Many people view the task of carrying out market research with horror but this is typically because, in their past experience, the focus of the research has become confused, they have been overwhelmed by a mass of often irrelevant data and they have ended up being unable to identify valuable information. “If you adopt a well-planned approach with well-defined research aims, your market research will tell you everything that you need to know.

Key points to remember include:

- Prepare well and make sure you are clear on what you know and what you need to find out. The central question is whether your perceived export opportunity is a viable proposition or not. You need to focus on the main issues that can affect your potential success and find out what is happening, why, and what is likely to happen in the future.
- Research the market as thoroughly as possible. It is too easy when dealing with unfamiliar territory to overlook an important point. Keep an open mind, gather as much information as you can from all the obvious and less obvious sources but use your research aims to help you weed out the irrelevant from the relevant.
- Even if you are fortunate enough to obtain a wealth of clear and useful data, there is no substitute for taking a look for yourself. To make the most of your trip, set yourself clear and realistic objectives, allow sufficient preparation time and plan it thoroughly.
- Question the validity of the information you gather and try to “read between the lines”. Be very critical when analysing your findings — we’ve all been guilty at some time of accepting at face value something we’ve been told because it fits with what we’d like to think. Be objective — it’s your business future.
- Be flexible enough to recognise the need for a rethink if there are obvious signs that your provisional export ideas might not work out as expected. It’s better to take a few steps back and consider a slightly different route than to waste time and effort going down a route you suspect might be unsuccessful.
- Continually review and monitor progress against your research aims and periodically summarise your findings in an easy to read and assimilate form. It will help you stay on track, spot issues you may have otherwise overlooked and construct a clearer picture of the important issues and the development options open to you.

The data you gather now will put you in a better position to make informed and well-reasoned decisions about how to progress your export plans and implement them. It will also form the starting point for measuring, monitoring and reviewing future developments in the chosen market for research and cannot be regarded as a one-off

exercise. To stay one step ahead in the game you need to make research part of the management process.

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