



IDENTIFYING TARGET MARKETS

With almost 200 countries in the world, how do you decide where to sell your products or services? Which countries are the world's major consumers of your types of products/services? Markets must be selected to best suit the objectives of your company. The collection and analysis of current market information will help you make reliable export decisions and select target markets. There is no substitute for a well organized international market research program!

The International Trade Division of the Virginia Economic Development Partnership (VEDP) has many resources to assist your company in determining which countries are the best markets for your product/service. VEDP's International Trade Managers are available to meet with you one-on-one to answer your questions, and VEDP's International Research Team can help you organize your search and provide important data. Additionally, through the Global Network of in-country market researchers, target markets can be identified for you. Most of the services provided by the VEDP are free to Virginia businesses. To find the Trade Manager in your region, go to www.ExportVirginia.org or call the VEDP's International Trade Division at (804) 545-5764.

PRIMARY VS. SECONDARY RESEARCH: WHICH ONE SHOULD YOU USE?

Market research to select the best export markets can be conducted using either primary or secondary data resources.

- In conducting primary market research, data are collected directly from the foreign marketplace through interviews, surveys and other direct contact with representatives and potential buyers. Primary market research is tailored to a company's needs and provides answers to specific questions, but the collection can be time-consuming and expensive.
- With secondary market research, data are collected from various domestic or Internet sources, such as trade statistics for a country or market reports from the U.S. Department of Commerce. Working with secondary sources is less expensive and helps the company focus its marketing efforts. Secondary data sources have limitations, including material that may be out-of-date or too general. Despite these limitations, secondary research is a valuable and relatively easy first step for a company to take. It may be the only step needed if the company decides to export indirectly, since the overseas representative may have advanced research capabilities to conduct primary research. (Jagoe)

THREE STEP APPROACH TO IDENTIFYING TARGET MARKETS

The Export Sales and Marketing Manual, by John Jagoe, lays out a strategy for discovering the best markets for exporting (available at <http://www.exportinstitute.com>). A brief overview of this strategy is presented in the following pages of this Fast Fact. *Please note that this method works best for exporting products.* If you are interested in exporting a service, see the following document, located on the VEDP's website:

[VEDP FastFacts Exporting Services](#)



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Step One: Screen Potential Markets

Basic research, analysis of generic information, and an initial assessment of the potential export markets for your product/service is the first step, and will help your company narrow the number of potential countries to the twelve most promising markets.

1. Obtain trade statistics that show export values to specific countries. Your VEDP Trade Manager can provide this data for you. Additionally, the federal government provides statistics on all U.S. exports through the United States Bureau of the Census (<http://www.census.gov/>) and the National Trade Data Bank (<http://www.stat-usa.gov>). Industry associations, marketing agencies, and the Internet may be other sources for trade data.
2. Select 6 to 10 of the largest export markets for your products based on trade data. Examine market trends over the past 3 -5 years. Has market growth been consistent from year to year? Did import growth continue during periods of economic recession? If not, did sales performance improve with economic recovery?
3. Identify a few smaller but quickly emerging markets, as there may be fewer competitors in emerging markets than in well-established markets.

See VEDP FastFacts Emerging Markets

4. Investigate non-governmental sources of information on these export markets. You may receive useful ideas and valuable information from the following sources:
 - Industry Trade Associations: <http://www.columbiabooks.com/>
 - The Federation of International Trade Associations: <http://www.fita.org/>
 - World Trade Centers Association: <http://world.wtca.org/>
 - National embassies: <http://www.embassy.org/>
 - American Chamber of Commerce: <http://www.uschamber.com/>
5. Devise a list of categories and a checklist to evaluate the sales potential of each foreign market. Because the information you will be receiving from the VEDP and other sources may be extensive, it is important to establish a basic list of favorable market characteristics, including the following:

Current Market Size: Very small markets for your products should be avoided until you have established a profitable sales network in your larger, more lucrative export markets.

Potential Market Growth: Large markets with strong growth trends for your products will increase profit margins and reduce per-unit costs for production and marketing. Entry costs tend to be somewhat higher in these markets.

Market Accessibility: National governments may create trade barriers that favor domestic products over foreign imports.

See VEDP FastFacts Foreign Trade Barriers

Economic Stability: Persistent trade deficits may prohibit your potential customers from obtaining import permits from the local government. Also, the supply of U.S. dollars to pay for your products may not be available to the foreign importer.



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Political Climate: Unstable governments can make international sales difficult.

See VEDP FastFacts Foreign Trade Barriers

Other: Long distances to markets will increase transportation and travel costs. Cultural and language differences may result in higher communication expenses.

See VEDP FastFacts Intercultural Communication

6. Choose the twelve most promising markets. A common mistake made by many exporters is attempting to take on the whole world at once. The volume of work becomes overwhelming and eventually international sales efforts are dropped because the strategy was too broad.
7. After you have selected twelve preliminary export markets, schedule an appointment with your local VEDP Trade Manager. Indicate that you intend to research foreign markets and ultimately select target markets for a concentrated sales and promotional effort.

Step Two: Assess Target Markets

This step will require detailed information about the disposable income and spending patterns of the end-users of your products or services. This information can usually be obtained through secondary research, but it may also require some primary research to provide you with the “complete picture” of the local marketplace.

1. Determine the market size and income level of consumers. Examine demand trends for your products as well as any complementary products that could have an influence on demand. Try to calculate total consumption (local production and imports) of your product and the amount accounted for by imports. Demographic information (population, age, educational levels, etc.) can be obtained from the World Population section of the Bureau of the Census at <http://www.census.gov>, and the Statistics Division of the United Nations at <http://unstats.un.org/unsd/>.
2. Identify competition in the local market, including domestic production and major international competitors. Sources such as local industry associations and local media can be used to find competitive information.
3. Determine the methods of market entry and distribution channels that are prevalent within the country. This information will play a major role in determining what type of export sales representation you will need to penetrate the local market. The Country Commercial Guides from the U.S. Department of Commerce usually have this information, and can be found at <http://www.export.gov/mrktresearch/index.asp>.
4. Identify trade barriers (tariff and non-tariff) for the import of your type of products into the overseas market. The U.S. Department of Commerce is helpful in finding this information; specifically, the Trade Compliance Center (TCC) has good information on trade barriers. See TCC’s website at: <http://tcc.export.gov/>. Determine U.S. government restrictions (such as export controls) affecting exports into the country by contacting the U.S. Bureau of Industry and Security at: <http://www.bis.doc.gov/>.

See VEDP FastFacts Foreign Trade Barriers, Foreign Standards Overview, and Export Licensing, Regulations and Compliance



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5. Identify any U.S. or foreign government incentives designed to promote exporting of your types of products to the country, i.e., waiver of import duties/taxes.

See VEDP FastFacts Federal Resources

6. Use this new information to narrow your twelve potential target markets to six.

Step Three: Draw Conclusions and Make Contacts

While there are now 6 target markets, you may decide to narrow it down even further after analyzing the data and your company's goals and resources. You can always develop the remaining primary markets at a later date.

1. Gather the contact information of agents, distributors, or representatives in your primary target markets. Make certain that you include companies that have expressed an interest in representing products similar to yours.
2. Select 3 to 6 qualified potential export sales representatives in each of your primary target markets for visits and personal interviews.

See VEDP FastFacts Finding a Buyer– Distributor, Sales Rep, or Agent?

VEDP SERVICES

The VEDP offers a number of export-related services to Virginia businesses, including group market visits and market research by our Global Network of in-country consultants. These services are available to all Virginia exporters. For more information, please visit our website: www.exportvirginia.org.

ADDITIONAL RESOURCES

- U.S. Department of Commerce, Export Assistance: <http://www.export.gov>
- A Basic Guide to Exporting: <http://www.unzco.com/regre/eires.htm#basic>
- Export Sales & Marketing Manual 2009. Available for sale at: <http://www.exportinstitute.com/>

WORKS CITED

Jagoe, John R. Export Sales & Marketing Manual 2004. 17th Ed. Export Institute. 2004.
Available at: <http://www.exportinstitute.com>

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