



## *Information Sheet:*

# **The How and Why of Market Research**

Market Research includes all method that a company uses to determine which foreign markets have the best potential for its products. Results of this research inform the firm of; the largest markets for its products the fastest growing market; market trends and outlook; market conditions and practices; and/or competitive firms and products.

A firm may begin to export without the conducting any market research if it receives unsolicited orders from abroad. While this type of selling is valuable, the firm may discover even more promising markets by conducting a systematic search. A firm opting to export indirectly by using an export management company (EMC) may wish to select markets to enter before selecting the EMC, since many EMC's have strengths in specific markets but not in others.

A firm may research a market by using either primary or secondary data resources. In conducting primary market research, a company collects data directly from the foreign marketplace through interviews, surveys, and other direct contact with the representatives and potential buyers. Primary market research has the advantage of being tailored to the company's needs and provides answers to specific questions, but the collection of such data is time consuming and expensive.

In conducting secondary market research, a company collects data from compiled sources, such as trade statistics for a country or a product. Working with secondary sources is less expensive and helps focus for its marketing efforts. Although secondary data sources are critical to market research, they do have limitations. The most recent statistics for some countries may be more than two (2) years old. Product breakdowns may be too broad to be of much value to a company. Statistics on services are often unavailable. Finally, statistics may be distorted by incomplete data gathering techniques. Yet, even with 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 through an intermediary, since the other firm may have advanced research capabilities.

Because of the expense of primary market research, most firms rely on secondary data resources.

Secondary market research is conducted in two basic ways:

- The first is by keeping abreast of the world events that influence the international marketplace, watching for announcement of specific projects, or simply visiting likely markets. For example, a thawing of political hostiles often leads to the opening of economic channels between countries.
- The second method is through analysis of trade and economic statistics. Trade statistics are generally compiled by product category (SIC and HS codes) or by country. These statistics provide the U.S. firm with information concerning shipments of their products over specified periods of time. Demographic and general economic statistics, such as population size and make-up, per capita income, and production levels by industry can be important indicators of the market research potential for a company's products.
- The third method is to obtain the advice of experts. A company may accomplish this by: contacting the experts at the Department of Commerce and other government agencies; attending seminars, workshops, and international trade shows; hiring an international trade and marketing consultant; talking to successful exporters of similar products; or contacting trade and industry association staff.