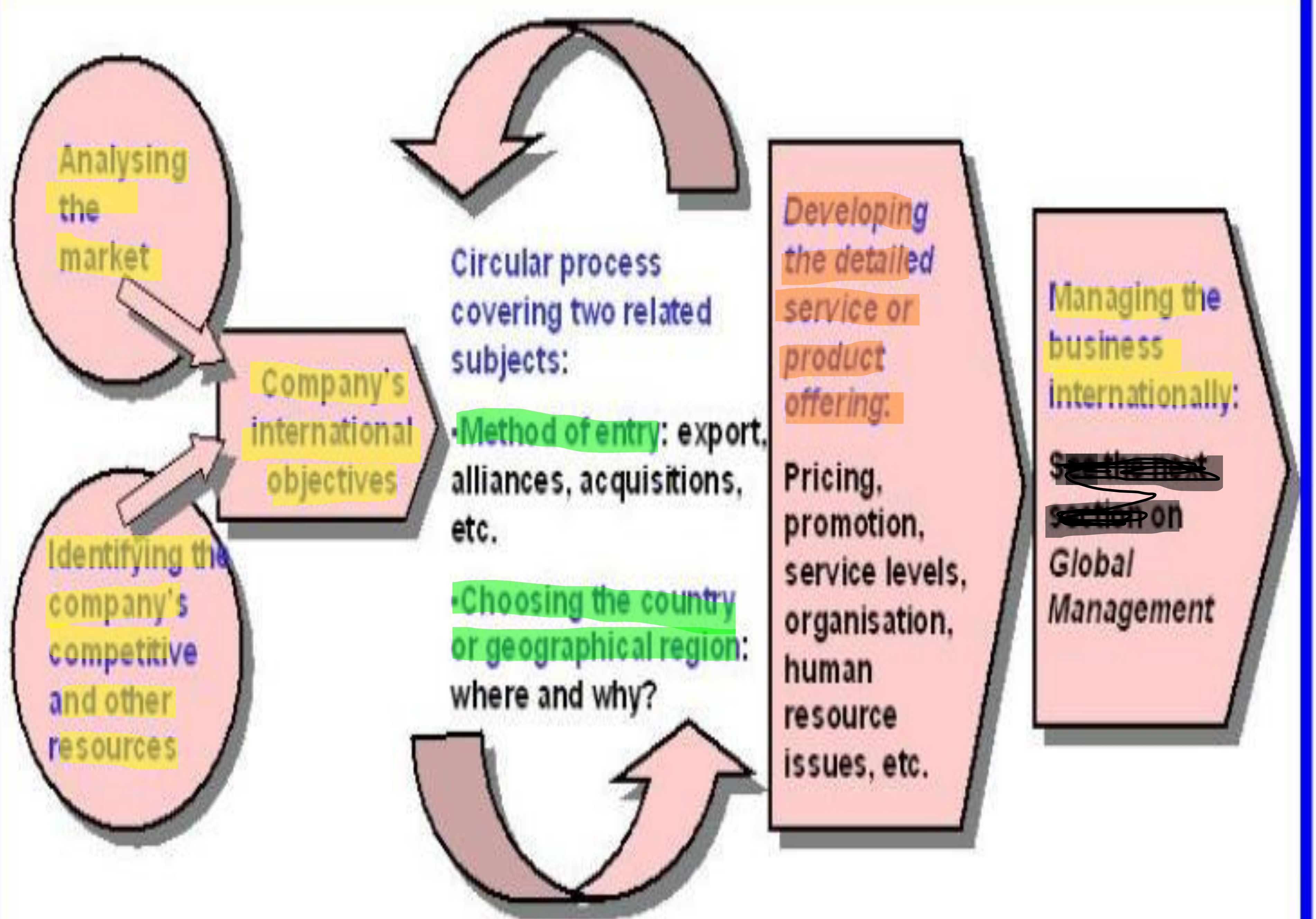
On Target Country

For Global Trade

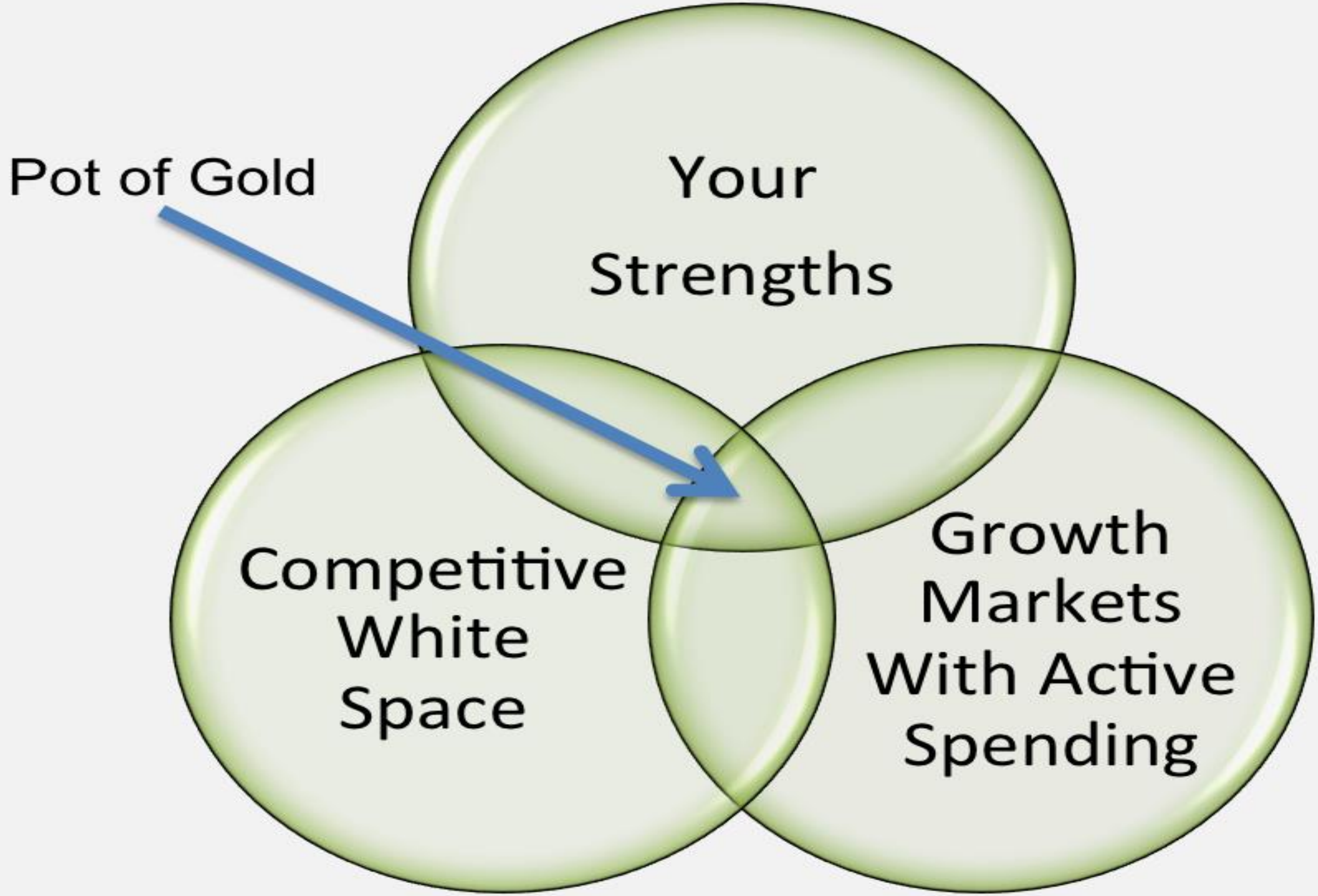
Dr. Nicholas Aristotle Demos

Target Country
Evaluation & Selection



Analysing the market
Identifying the company's competitive and other resources
Company's international objectives
Circular process covering two related subjects:
•Method of entry: export, alliances, acquisitions, etc.
•Choosing the country or geographical region: where and why?
Developing the detailed service or product offering:
Pricing, promotion, service levels, organisation, human resource issues, etc.
Managing the business internationally:
[redacted] on *Global Management*

Global Market Selection



International Marketing Decisions

Deciding whether to go abroad

↓

Deciding which markets to enter

↓

Deciding how to enter the market

↓

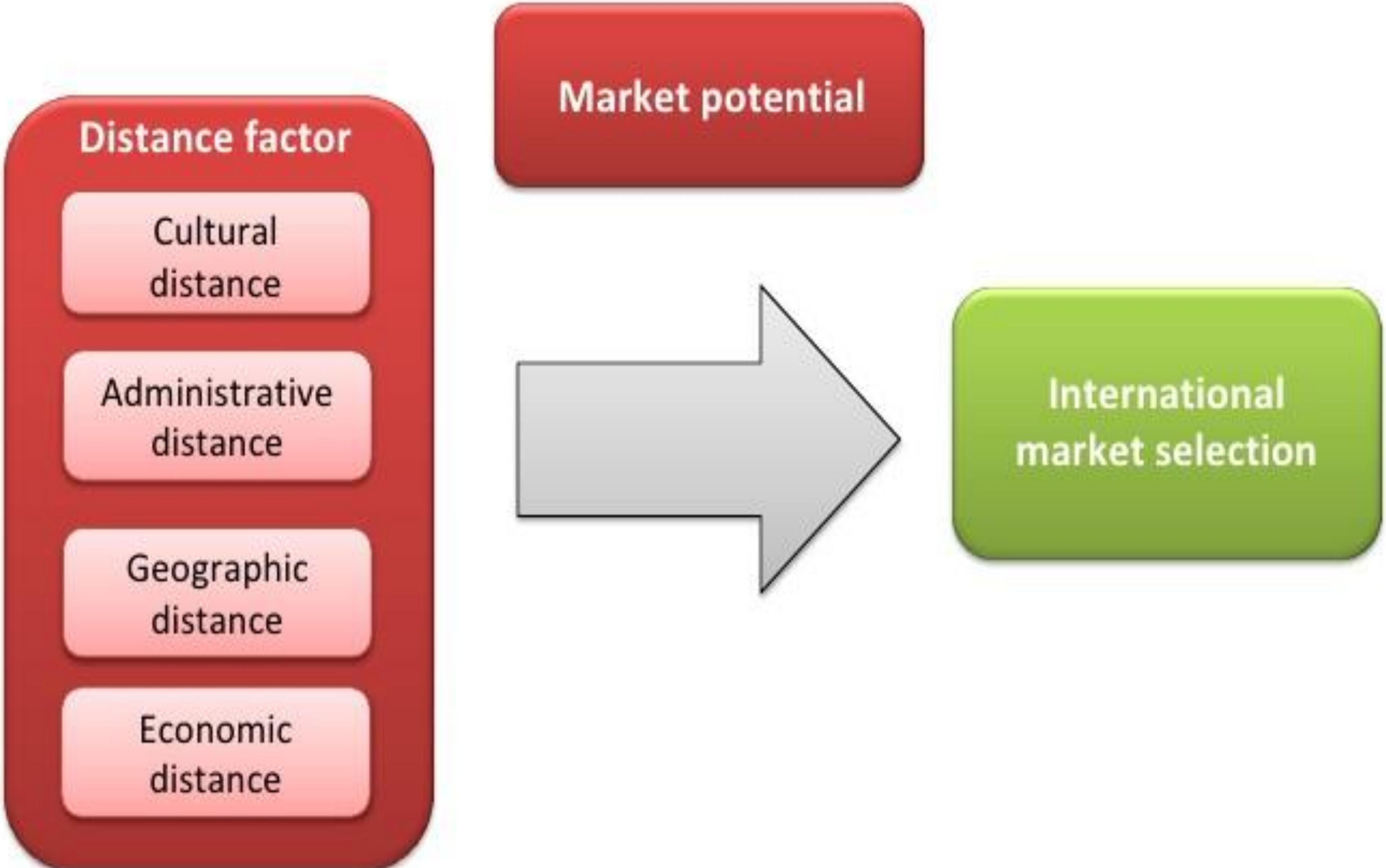
Deciding on the marketing program

↓

Deciding on the marketing organization

LOCATING ……target…..MARKETS

Market selection



INTERNATIONAL MARKET SELECTION PROCESS

- International marketing objectives
- Parameters for selection
- Preliminary screening
- Short listing of markets

International Market Selection Process-Steps

1. Segmentation, targeting & positioning

2.Collection of relevant data on each country

3. Analysis of relevant data

4. Filtering less promising countries

5. Selecting most promising countries

Market Selection: Other Factors

- Political restrictions
- Special requirements
- Product specification
- Distant location
- Market accessibility
- Business community

Alternative approaches to market selection

- The first category of approaches focuses on whether to enter overseas markets on an incremental basis or whther to enter a number of overseas markets simultaneously and on the basis of experience decide which markets to concentrate on.

GLOBAL TARGET MARKET SELECTION

- Target markets should be selected after careful consideration of various factors like political embargo, scope of exporter's selected product, demand stability, preferential treatment to products from developing countries, market penetration by competitive countries and products, distance of potential market, transport problems, language problems,
- collect adequate market information before selecting one or more target markets.

International Market Selection

- Which market/s to enter?
- What the „right market" to enter is?
- What is „international market"?
  - 1. a country or a group of countries
  - 2. a group of customers with nearly the same characteristics (from several countries)

Market opportunities:

- ✓ Existing markets
- ✓ Latent markets – recognized potential
- ✓ Incipient markets – market does not exist now - indication/trends – future emergence of need

Target Market Selection

Target Market: group of individuals who have similar needs, perceptions and interests; show inclination towards similar brands and respond equally to market fluctuations.

- Understand consumer lifestyle
- Age group
- Income
- Spending capacity
- Education & profession
- Gender
- Mentality, paradigm & thought process
- Social status
- Environment

Process of International Markets Selection

5. Target markets within target countries	Microsegmentation
4. Market Attractiveness (BCG Matrix, McKinsey Matrix)	Target countries selection
3. Scanning (BERI, other indexes)	
2. Segment profiles	Global market segmentation
1. Segmentation criteria	

Steps in LOCATING ……target…..MARKETS

Selection of Foreign Markets

Initial Screening
Basic Needs Potential/Foreign Trade Investment

Second Screening
Economic and Financial Forces

Third Screening
Political and Legal Forces

Fourth Screening
Sociocultural Forces

Fifth Screening
Competitive Forces

Final Selection
Personal Visit

Location Choices

- Why be concerned with location choices?
- Decisions related to location choices

INTEL: The Scanning Process

- Why use scanning?
- Insert figure 13.2

Scanning and Detailed Analysis

- Scanning first
  - Types of information gathered
- Detailed Analysis

Screening potential markets

Step 1: Identify Basic Appeal

↓

Step 2: Access national business environment

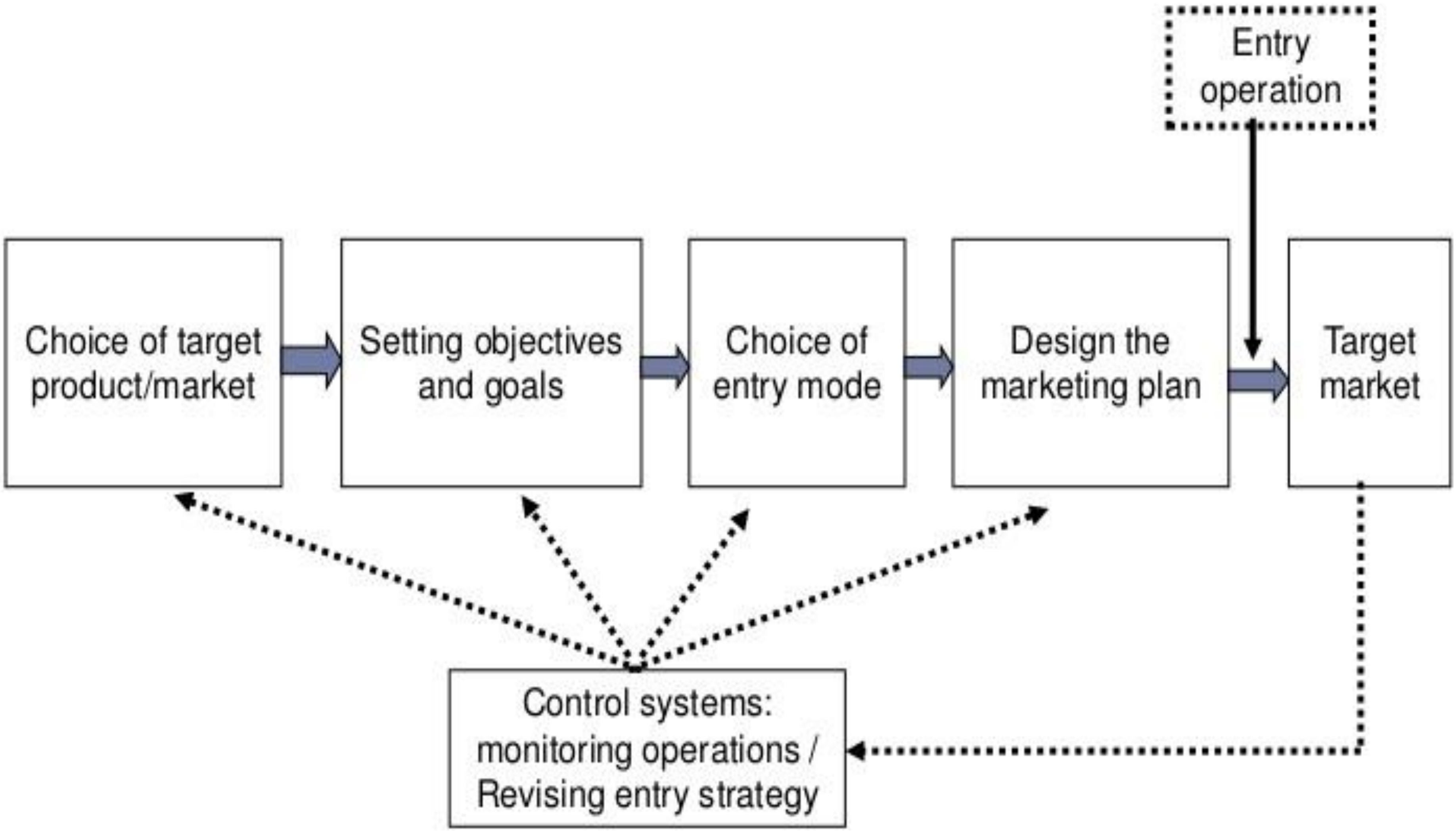
↓

Step 3: Measure market size

↓

Step 4: Select the market

Elements of market entry strategies

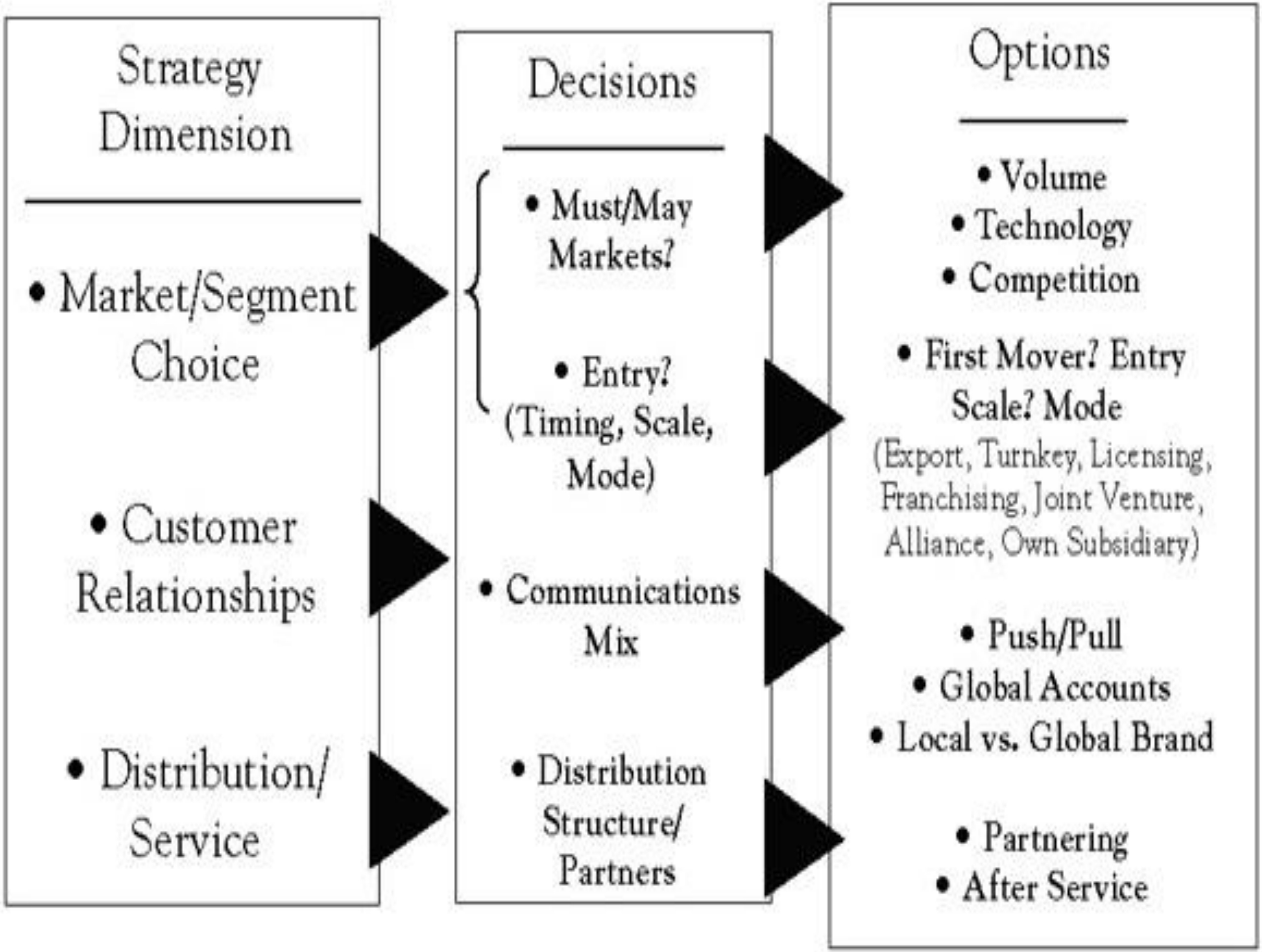


Opportunities: Sales Expansion

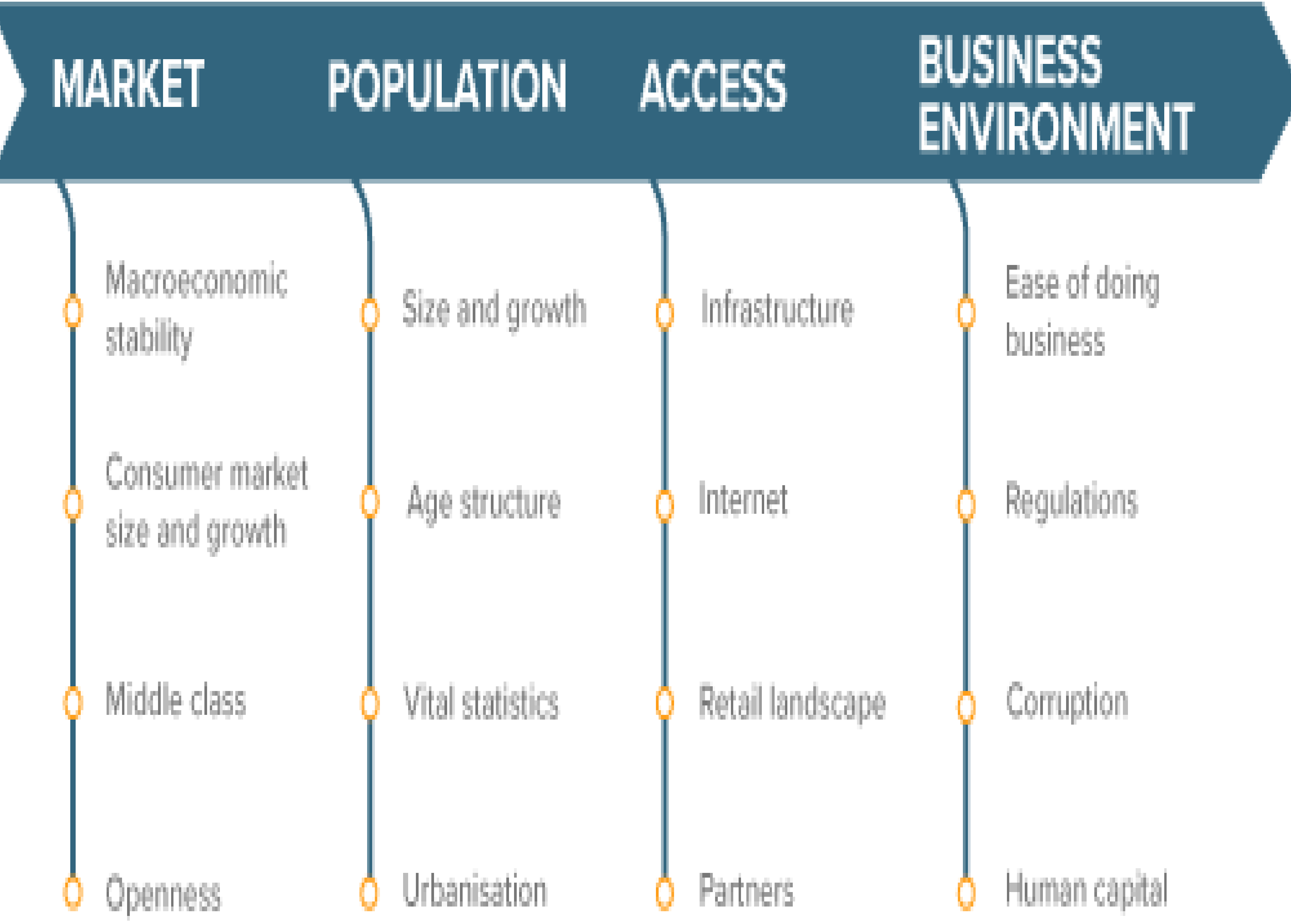
- Sales expansion
  - Demographic and economic factors to consider

Opportunities: Resource Acquisition

- Securing Resources
  - Cost considerations


Strategy Dimension
• Market/Segment Choice
• Customer Relationships
• Distribution/ Service
Decisions
• Must/May Markets?
• Entry? (Timing, Scale, Mode)
• Communications Mix
• Distribution Structure/ Partners
Options
• Volume
• Technology
• Competition
• First Mover? Entry Scale? Mode
(Export, Turnkey, Licensing, Franchising, Joint Venture, Alliance, Own Subsidiary)
• Push/Pull
• Global Accounts
• Local vs. Global Brand
• Partnering
• After Service

Criteria for …..Global Market(s)….

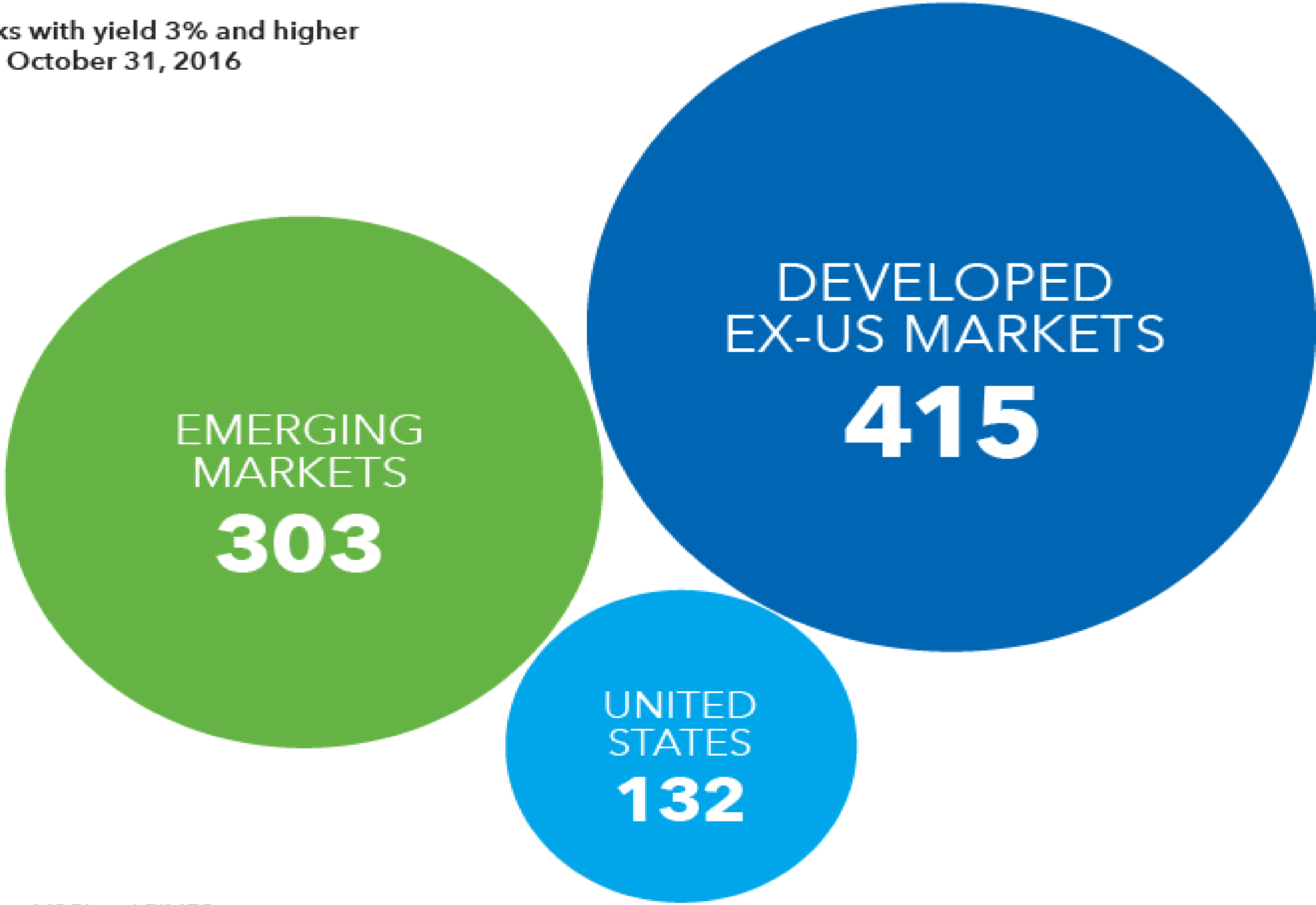

MARKET
POPULATION
ACCESS
BUSINESS ENVIRONMENT
Macroeconomic stability
Consumer market size and growth
Middle class
Openness
Size and growth
Age structure
Vital statistics
Urbanisation
Infrastructure
Internet
Retail landscape
Partners
Ease of doing business
Regulations
Corruption
Human capital

Criteria (with weighting)	Dairy	NTFPs	Vegetables
Unmet Market demand (x2)	5 (10)	4 (8)	3 (6)
Number of poor producers (x2)	5 (10)	3 (6)	4 (8)
SSP competitiveness	4	3	3
Gender	4	4	4
Climate change	2	4	3
Total weighted score	30	25	24

What types of …..Global Market(s)….

The world is a fertile hunting ground for yield

Stocks with yield 3% and higher
as of October 31, 2016



Sources: MSCI and RIMES.
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Global Markets
Mass (Undifferentiated) Marketing
Targeted (Differentiated) Marketing
Multisegment Marketing
Concentrated Marketing
Niche Marketing
Microtargeting
One-to-One Marketing

To further complicate matters, when it comes to "ease of doing business", the top 10 fastest growing emerging markets[1] range widely

"Ease of Doing Business" amongst selected emerging markets [2][3][4]

Ease of Doing Business	Global Ranking	Ranking - Selected Emerging Economies	Ease of Doing Business	Global Ranking	Ranking - Selected Emerging Economies	Ease of Doing Business	Global Ranking	Ranking - Selected Emerging Economies
South Korea	4	1	Russia	51	14	Kuwait	101	27
Malaysia	18	2	Colombia	54	15	Philippines	103	28
Poland	25	3	Turkey	55	16	Sri Lanka	107	29
UAE	31	4	Greece	60	17	Indonesia	109	30
Czech Republic	36	5	Qatar	68	18	Brazil	116	31
Romania	37	6	Oman	70	19	Ecuador	117	32
Mexico	38	7	South Africa	73	20	Argentina	121	33
Croatia	40	8	Tunisia	74	21	India	130	34
Kazakhstan	41	9	Morocco	75	22	Egypt	131	35
Hungary	42	10	Saudi Arabia	82	23	Pakistan	138	36
Chile	48	11	Ukraine	83	24	Nigeria	169	37
Thailand	49	12	China	84	25	Bangladesh	174	38
Peru	50	13	Vietnam	90	26			

Extremely Easy	Moderately Easy	Somewhat Easy	Somewhat Difficult	Moderately Difficult	Extremely Difficult

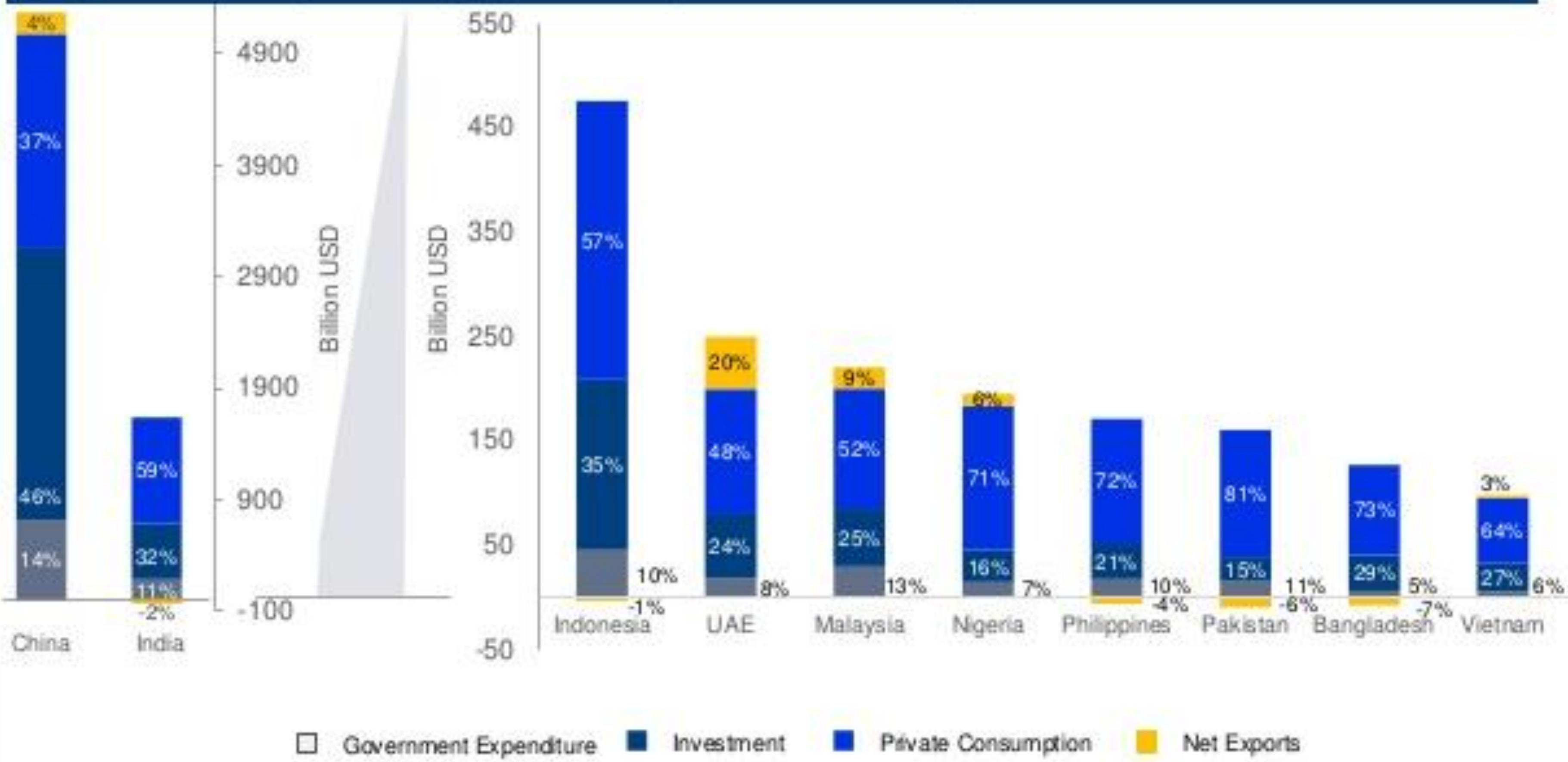
- Out of the top 10 fastest growing emerging economies in 2014, only Malaysia and UAE rank in the top 30 countries globally in terms of ease of doing business, the others rank lower than 83

Note:
(1) As measured in 2014
(2) Economy Rankings of Ease of Doing Business (June 2015)
(3) The total number of countries ranked by World Bank for Ease of Doing Business include 189 countries
(4) See appendix for rationale for list of countries included

Top 10 fastest growing economy 2014

A look at private consumption can provide yet another perspective. Other countries may emerge as more attractive when private consumption as a % of GDP is better understood

GDP[2] composition by Private Consumption, Government Expenditure and Investments -2014



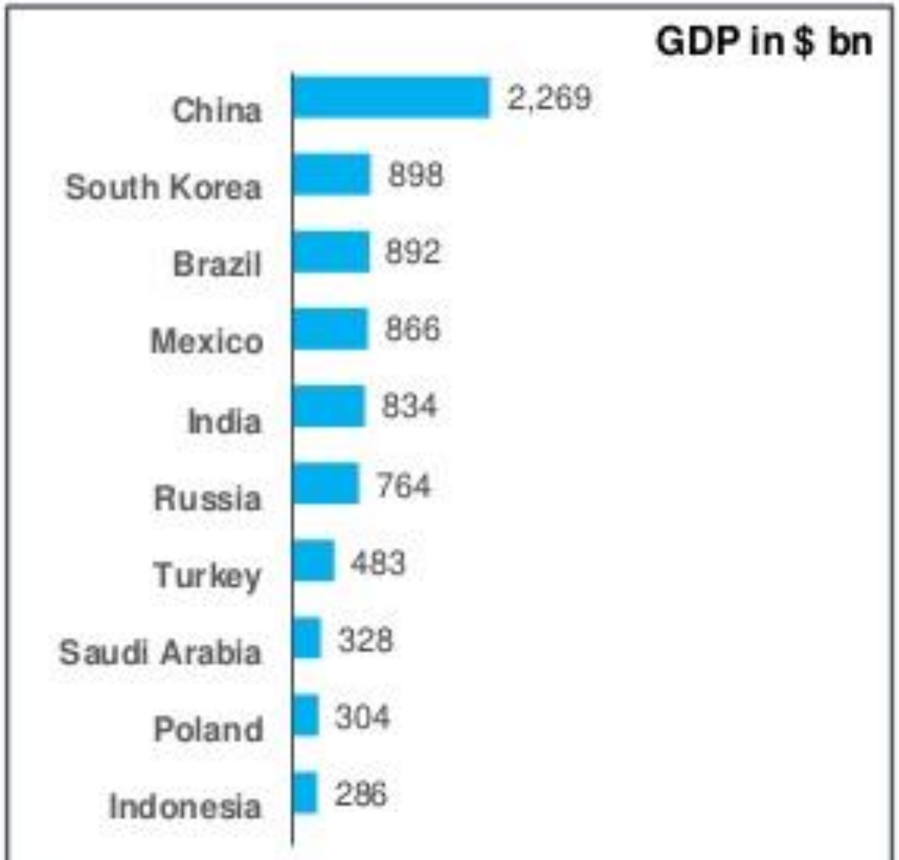
- In China, private consumption as a % of GDP is ~37% as compared to 50% or higher in most other emerging markets

Note:
(1) The scale for India and China is different from the scale for rest of the top 10 countries
(2) GDP at Market Prices (Constant 2005 US$)
Sources:
(A) World Bank

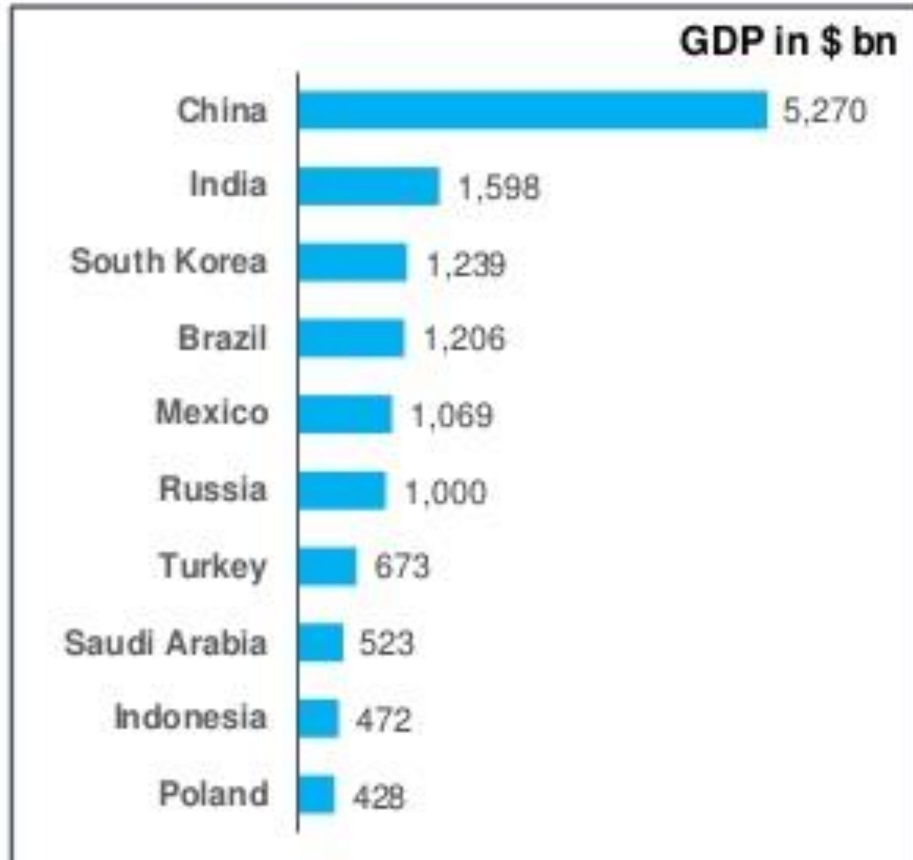
bostonANALYTICS

In terms of size, the largest emerging markets in 2014 were the same as those in 2005 with only slight changes in their ranking

Top 10 Countries by GDP[1] - 2005



Top 10 Countries by GDP[1] - 2014



- The most dramatic change in ranking is India, which moved from fifth position to second from 2005 to 2014

Note:
(1) GDP at Market Prices (Constant 2005 US$)
(2) Please see the appendix for the list of countries considered for this analysis

Selecting an entry mode

Technological Know-How	Wholly owned subsidiary, except: 1. Venture is structured to reduce risk of loss of technology. 2. Technology advantage is transitory. Then licensing or joint venture OK
Management Know-How	Franchising, subsidiaries (wholly owned or joint venture)
Pressure for Cost Reduction	Combination of exporting and wholly owned subsidiary

Evaluating …target… Markets

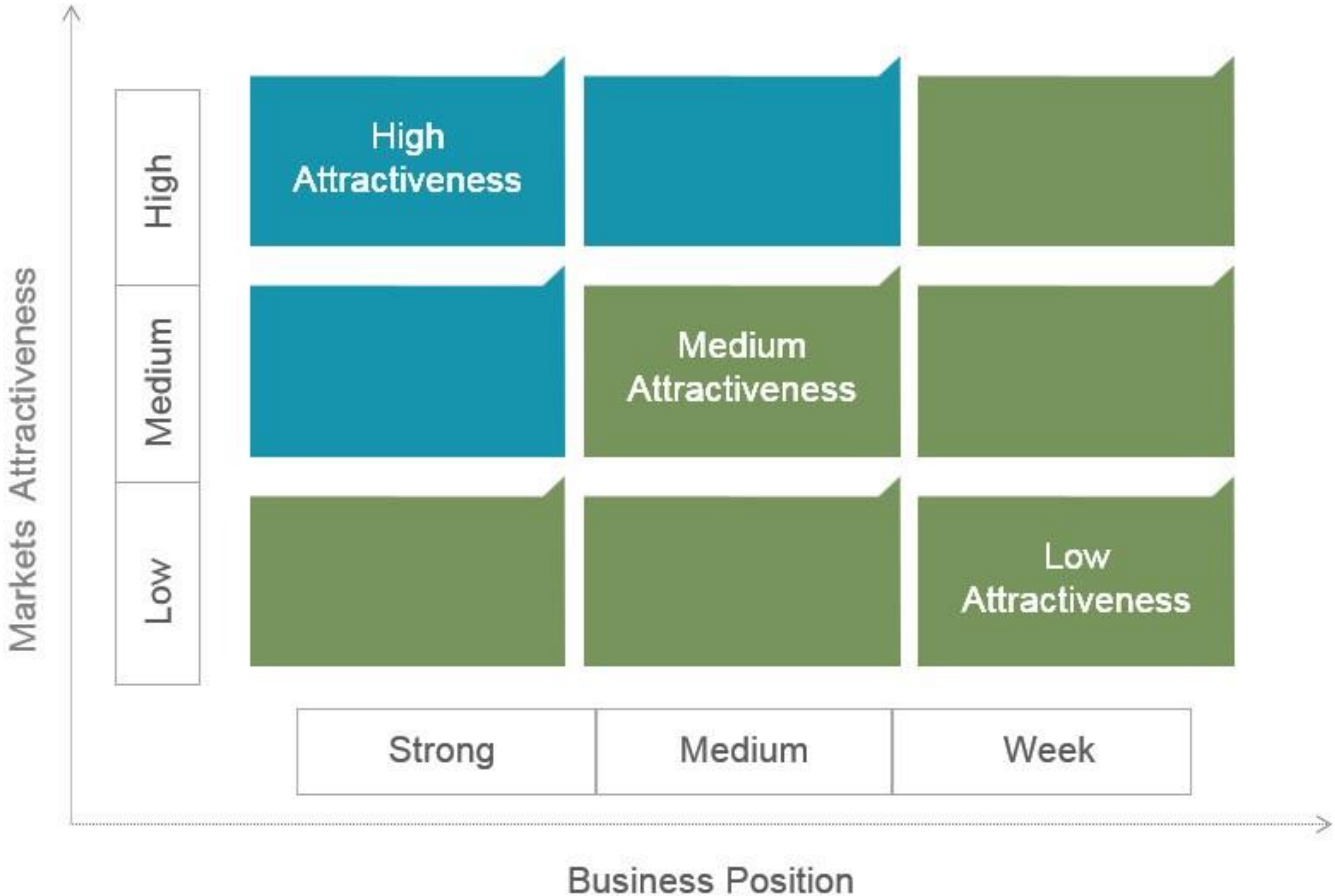
An Agile and Adaptable Global Markets Action Plan

Priority markets and market access plans will be periodically reviewed based on strategic advice and consultations with key stakeholders, including repre-sentatives from the critical SME sector.

Evaluating Market Segments

- Segment Size and Growth Potential
  - Sales, profitability and growth rates
- Segment Structural Attractiveness
  - Competition, substitute products,
  - buyers & supplier power, new entrants (Porter's Five Forces)
- Company Objectives and Resources
  - Core competencies
  - "What business do we want to be in?"

Evaluating Market Attractiveness PowerPoint Shapes



Evaluating Market Segments

- Segment Size and Growth
  - Analyze current segment sales, growth rates, and expected profitability
- Segment Structural Attractiveness
  - Consider competition, existence of substitute products, and the power of buyers and suppliers
- Company Objectives and Resources
  - Examine company skills & resources needed to succeed in that segment
  - Offer superior value and gain advantages over competitors

Marketing Strategy

Evaluating Market Segments

- Expected growth rates
- Demand
- Profitability
- Competition intensity
- Competitive advantage
- Speed of payment
- Price sensitivity
- Cost of marketing activities
- Compatible with business aims and objectives

Evaluating Market Segments

- Segment Size and Growth
  - Analyze current segment sales, growth rates, and expected profitability.
- Segment Structural Attractiveness
  - Consider effects of: competitors, existence of substitute products, and the power of buyers & suppliers.
- Company Objectives and Resources
  - Examine company skills & resources needed to succeed in that segment.
  - Offer superior value and gain advantages over competitors.

Market Targeting

Evaluating Market Segments

- **Segment structural attractiveness:**
  - Competition
  - Substitute products
  - Power of buyers
  - Power of suppliers

Five Criteria for Evaluating Potential Market Segments

- Measurability
- Accessibility
- Substantiality
- Compatibility
- Responsiveness

EVALUATING / SELECTING MARKETS

- Evaluation is based on a number of criteria:
  - market-related characteristics
  - cost-related aspects
  - the regulatory framework
  - tariffs, duties & non-tariff trade barriers

- The entry decision may vary by country
  - item weights and components

Evaluating Global Growth Opportunities

2006 Ranking	Country	Index*
1	China	76
2	United States	63
3	India	61
4	Russia	59
5	United Kingdom	57
6	Malaysia	48
7	Japan	46
8	Australia	46
9	Canada	44
10	Spain	41
11	Phillippines	40
12	Turkey	40
13	South Africa	40
14	Germany	40
15	France	39
16	Taiwan	39
17	Veitanam	38
18	Thailand	37
19	Netherlands	36
20	Sweden	35

*Weighted index.

SOURCE: Ayuna Kidder, "Global Retail Outlook," Columbus, OH: Retail Forward, Inc., March 2007.

Rankings are based on weighted score using growth (55%), risk (25%), and market size (20%)

Evaluating Market Segments

- Segment Size and Growth
  - Analyze current segment sales, growth rates, and expected profitability.
- Segment Structural Attractiveness
  - Consider effects of: competitors (how aggressive are they?), existence of substitute products (do they limit prices?), and the power of buyers & suppliers (bargaining power).
- Company Objectives and Resources
  - Examine company skills & resources needed to succeed in that segment.
  - Offer superior value & gain advantages over competitors.

Factors to Analyze Regarding Risk

- Factors to consider with risk
- Types of Risks

Analyze……. Risk

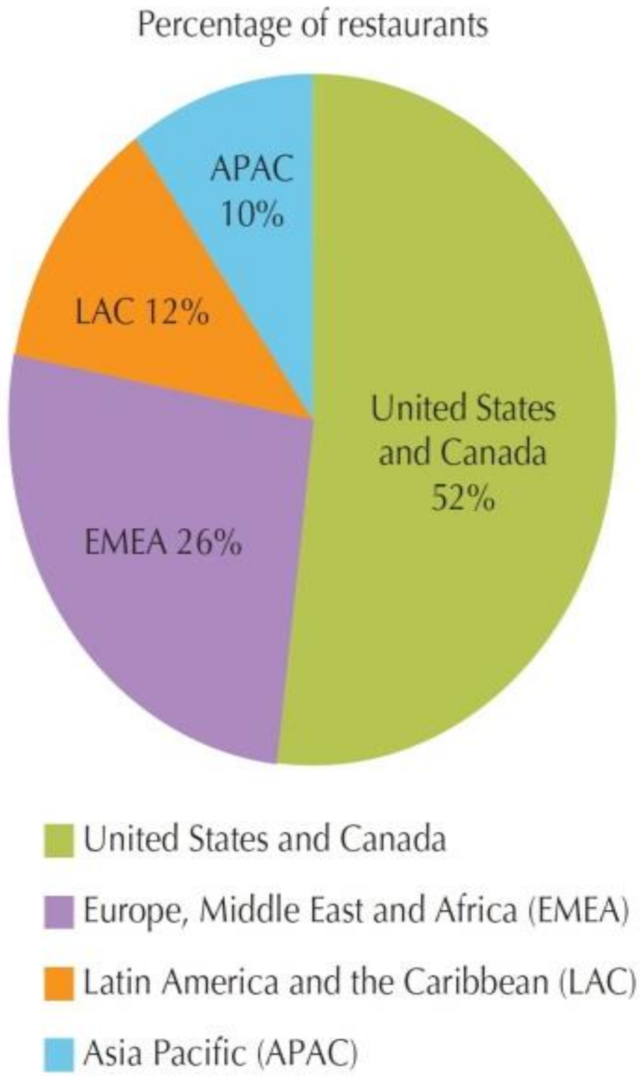
Table 13.1 Simplified Country Comparison Grid

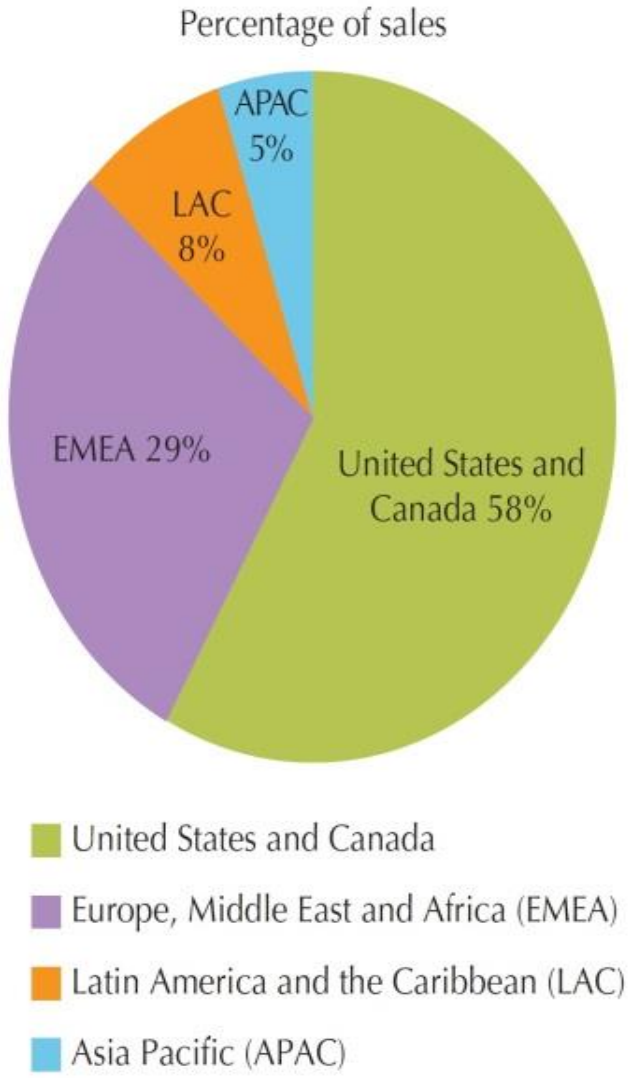
This table is merely an example. In reality, a company chooses the variables and countries to consider (usually many more than this table demonstrates) and weights some variables as more important than others. Here managers eliminate Country I because the company will go only where 100 percent foreign ownership is allowed. Country II is the most attractive because it's regarded as having high opportunity and low risk. (With a larger number of scanned countries, several should end up with these characteristics and become the ones for detailed analysis.) Country III offers low opportunity and risk, and Country IV has high opportunity and risk. (One of these may be chosen for further analysis, depending on the company's tolerance for risk.) Country V is eliminated because of having low opportunity and high risk.

Country Variable	Weight	I	II	III	IV	V
1. Acceptable (A), Unacceptable (U)						
a. Allows 100% foreign ownership	–	U	A	A	A	A
2. Opportunity						
a. Sales potential	0–5	–	4	3	3	3
b. Labor conditions	0–3	–	3	1	2	2
c. Infrastructure	0–2	–	2	1	2	2
d. Ease of external integration	0–4	–	3	2	4	1
e. Possibility of governmental incentives	0–3	–	2	1	3	1
f. Tax rate	0–2	–	2	1	2	0
Total	–	–	16	9	16	9
3. Risk (lower number = preferred rating)						
a. Political	0–4	–	2	1	3	2
b. Foreign exchange	0–3	–	1	0	3	3
c. Natural disaster	0–4	–	0	0	4	3
d. Competitive	0–2	–	0	1	2	2
Total	–	–	3	2	12	10

Example on How to Analyze Risk

Figure 13.1 Regional Emphasis of Burger King





Based on data from *2015 Burger King 10K Report*. The sales figures are for 2013, and the restaurant figures are for 2014.

Shortcomings of Comparative Country Information

- Inaccuracy
- Non-Comparability

Strategies for International Expansion: Alternative Gradual Commitments

- Alternative Gradual Commitments
- Insert figure 13.4

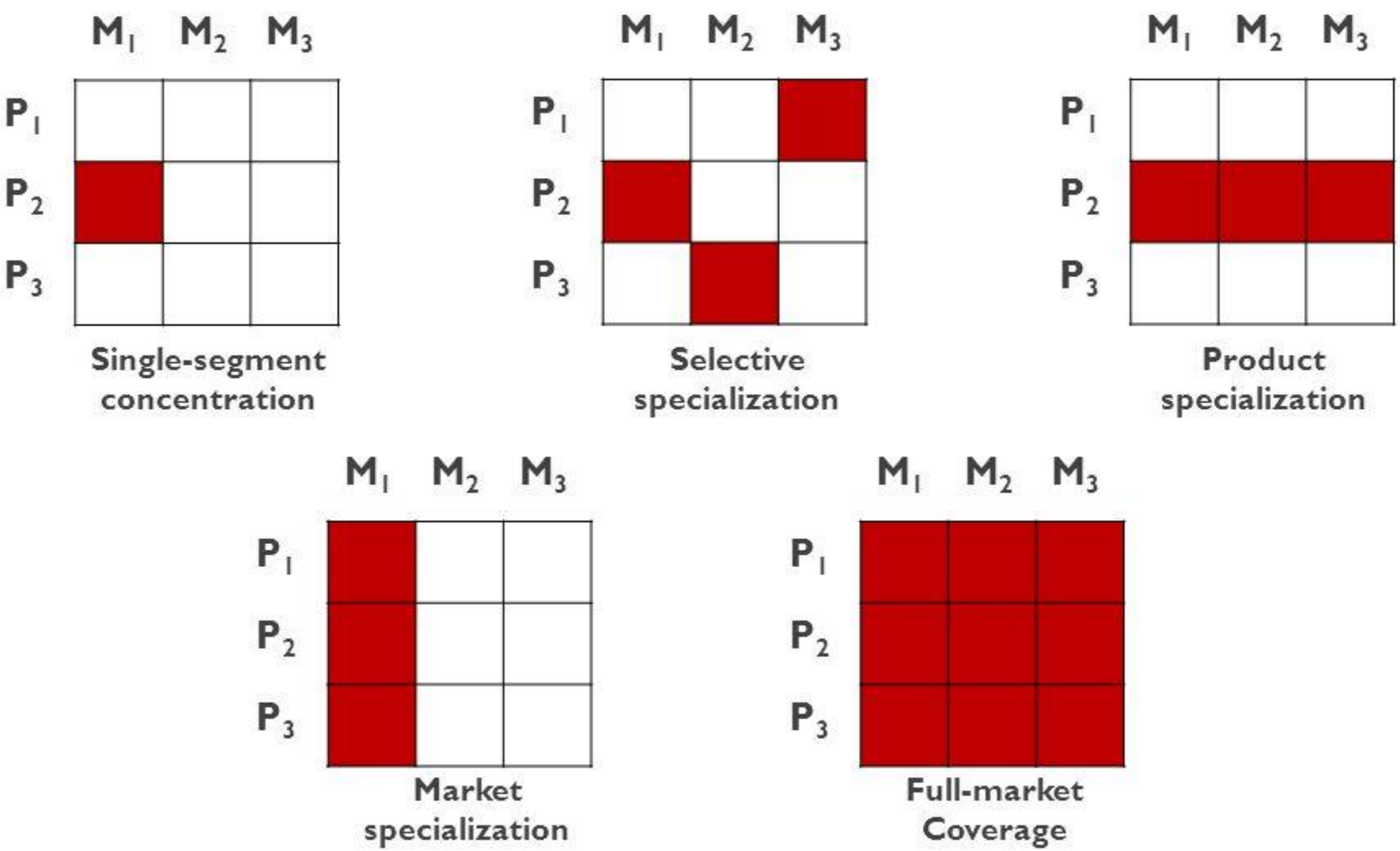
Strategies for International Expansion: Diversification, Concentration, Reinvesting

- Diversification Strategy
- Concentration strategy
- Reinvesting and Harvesting

Non-Comparative Decisions

- Decision Making Process
- Go-no-go decisions
- Interdependence

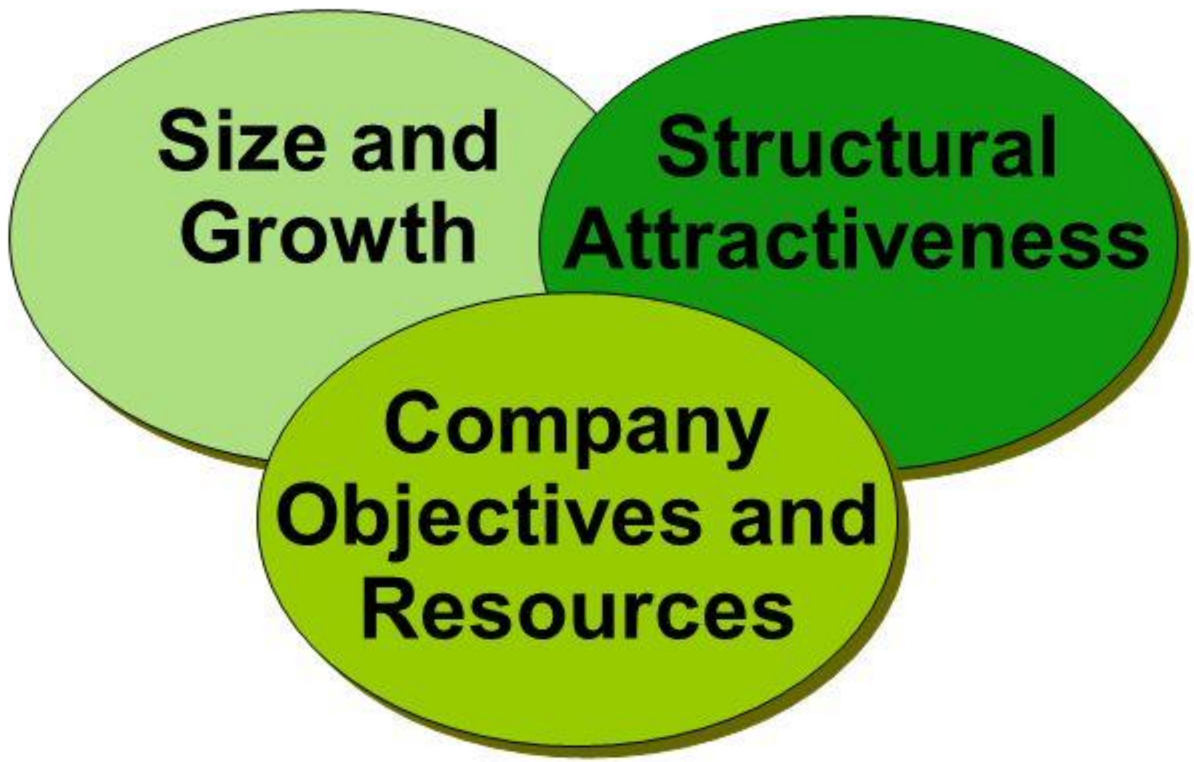
Selecting and Evaluating Market Segment



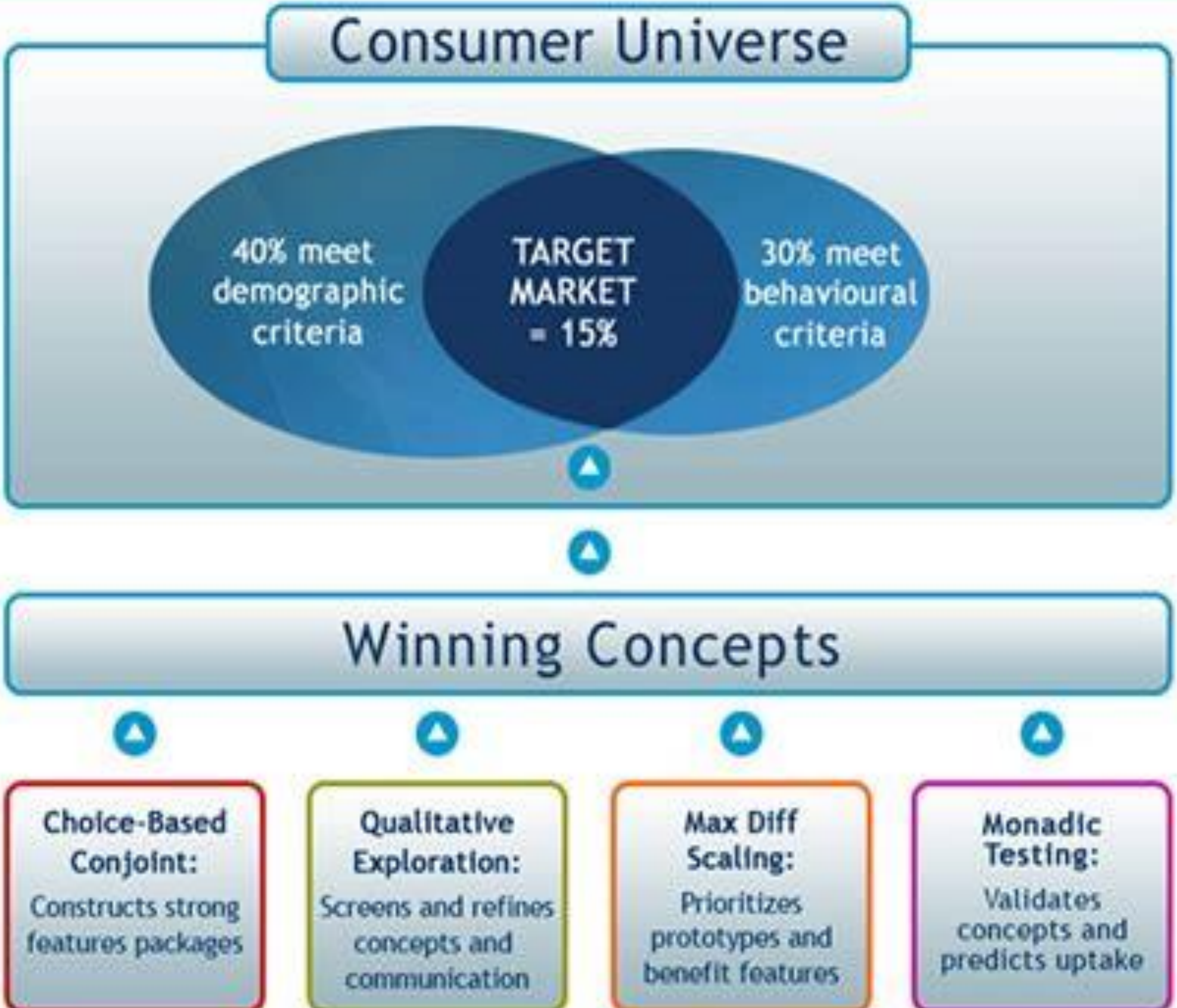

inventory
customer satisfaction
market share
revenue
Evaluation
sales per salesperson

Target Marketing: *evaluate and select*

The process of evaluating each market segment's attractiveness and selecting one or more segments to enter.



The full market segmentation process *Source: www.marketingstudyguide.com*


Consumer Universe
40% meet demographic criteria
TARGET MARKET = 15%
30% meet behavioural criteria
Winning Concepts
Choice-Based Conjoint:
Constructs strong features packages
Qualitative Exploration:
Screens and refines concepts and communication
Max Diff Scaling:
Prioritizes prototypes and benefit features
Monadic Testing:
Validates concepts and predicts uptake

What is a market evaluation not?

Market evaluations are intended to be a high-level document or first step in the decision-making process, not a definitive roadmap for how to enter a market

To determine the path to market or mode to market, there are several extensions of the market evaluation:

Evaluation of International Markets: Two Main Approaches

Considering international market as country or group of countries

«+» Secondary information is often enough

«+» A lot of information on the country

«+» Sales and marketing often organized divided by countries

«-» From the marketing point of view it is crucial to work similarly with similar customers, and vice versa

Considering international market as groups of consumers (from different countries) with similar behavior

«+» More adequate information

«+» More possibilities to adapt products to the needs of foreign consumers

«-» Firm needs to conduct primary research

«-» Problems in finding reliable cross-national statistics

Evaluating Growth Opportunities for Gifts to Go

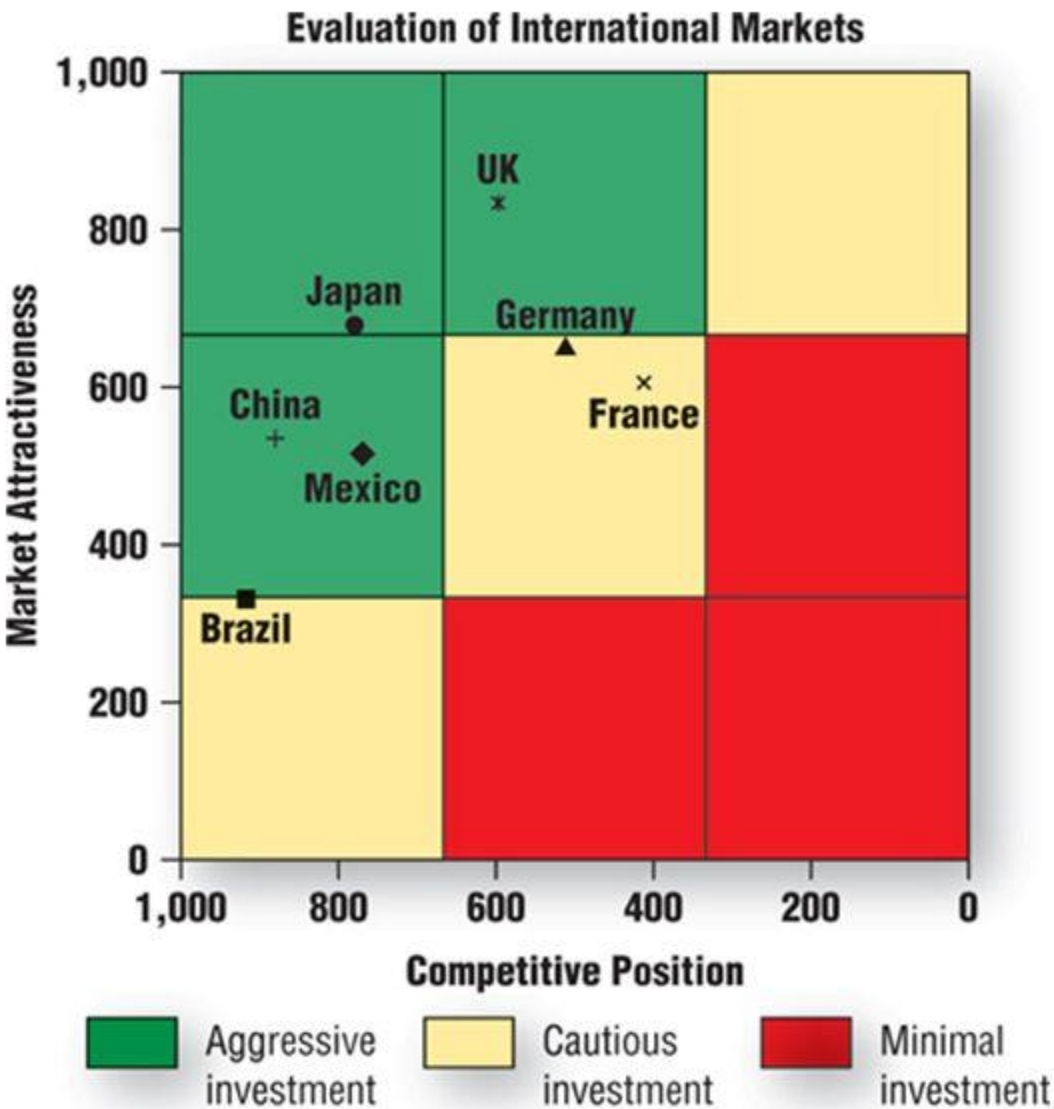
Market Attractiveness

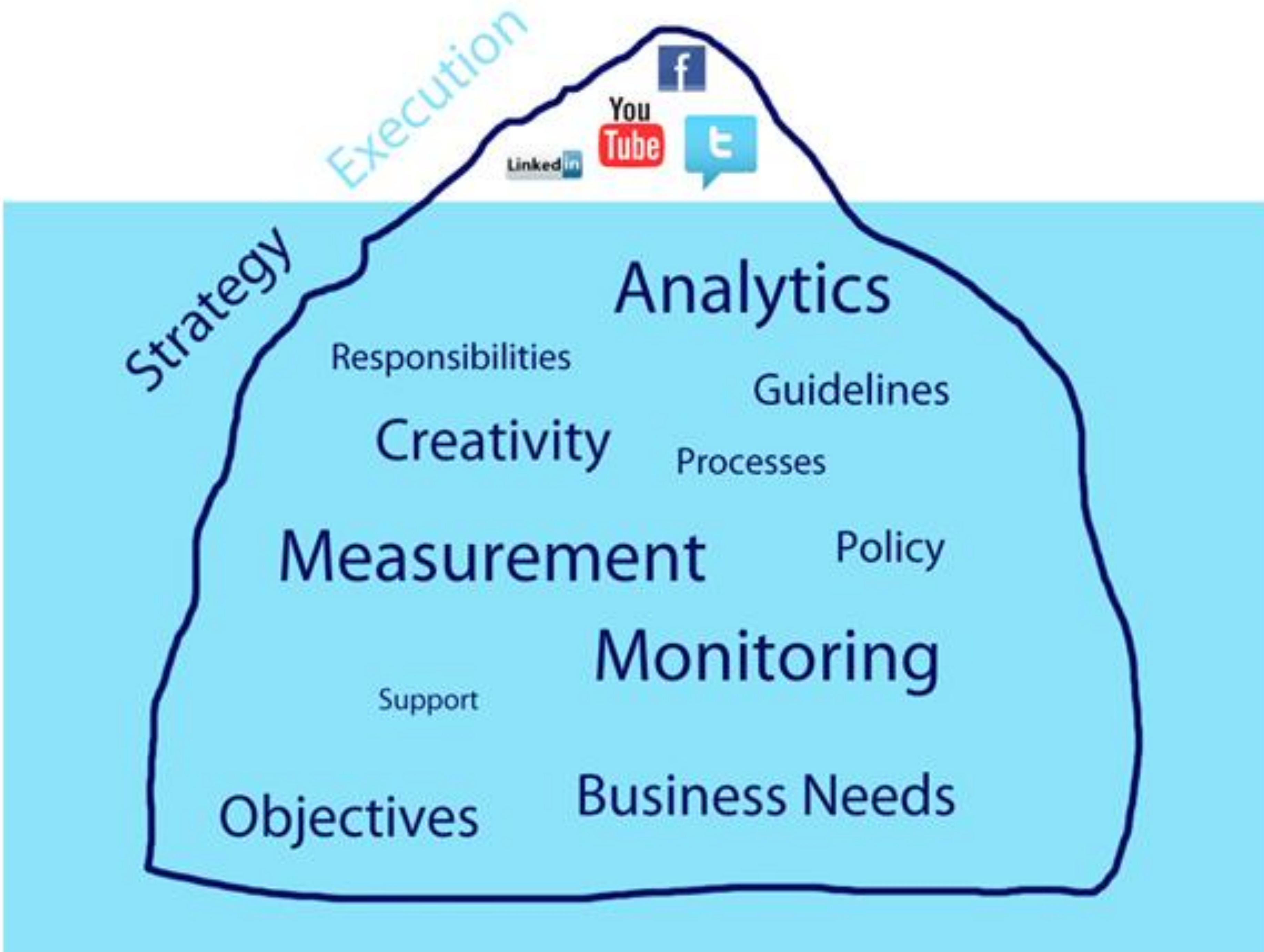
- **Market Penetration**
  - Increase size of present stores (low)
  - Open additional gifts stores in Chicago area (medium)
- **Market Expansion**
  - Open gift stores outside Chicago area – new geographic segment (medium)
  - Sell lower priced gifts in present stores – new benefit segment (medium)

Step 4 - Evaluate Relevant Market Segments

- After analyzing the segment profiles, a marketer has identified several relevant market segments which require further analysis
  - Several factors should be analyzed, including:

Market Attractiveness/Competitive Position Matrix




Execution
Strategy
Linked in
You Tube
Analytics
Responsibilities
Guidelines
Creativity
Processes
Measurement
Policy
Monitoring
Support
Business Needs
Objectives

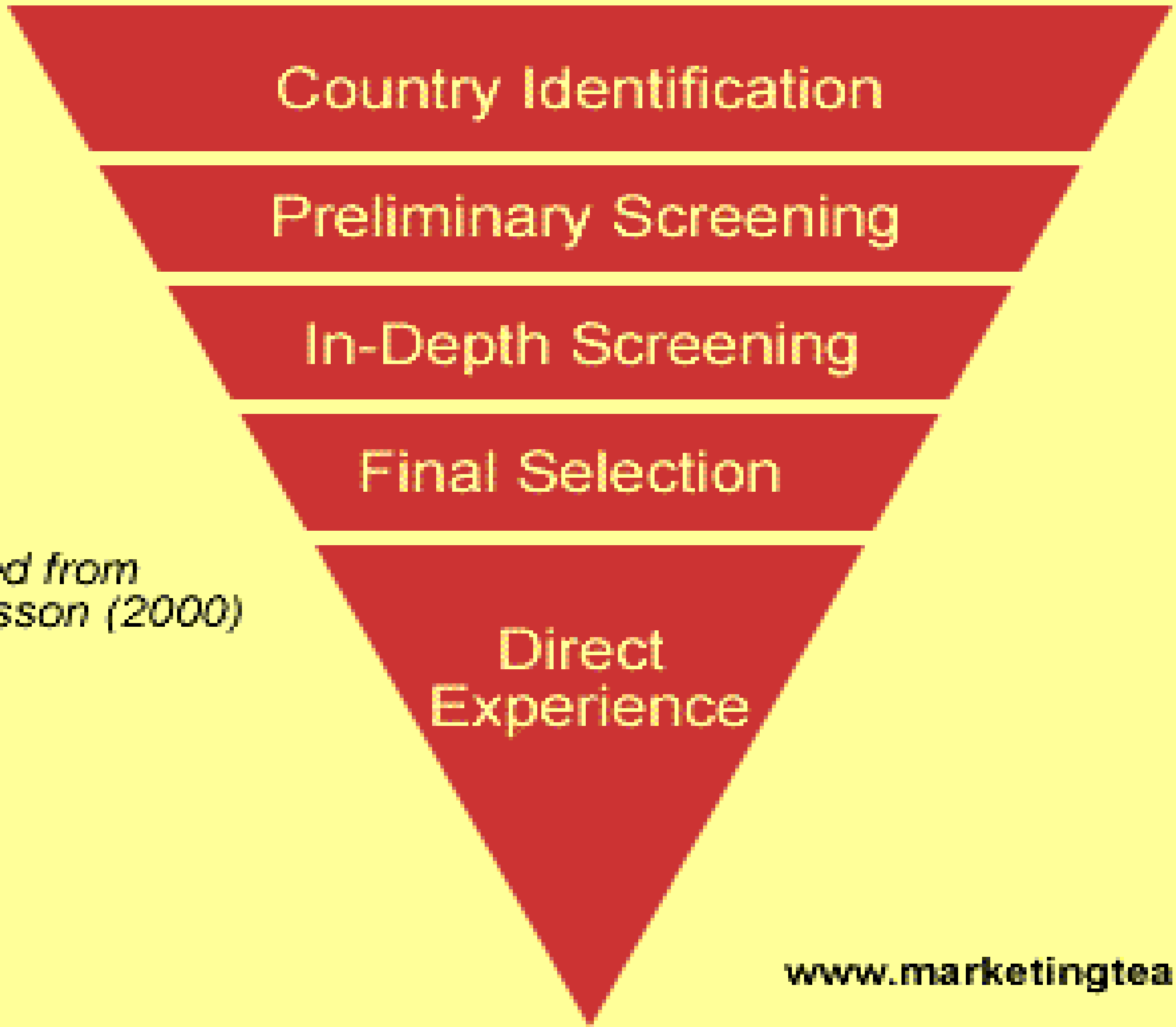
Market attractiveness evaluation

Cranfield UNIVERSITY
School of Management

	Factor	Scoring Criteria					
		10	5	0	Score	Weighting	Ranking
1.	Market Size (£ millions)	£250	£51.250	< £50	5	15	0.75
2.	Volume Growth (Units)	10%	5.9%	< 5%	10	25	2.5
3.	Competitive Intensity	Low	Medium	High	6	10	0.6
4.	Industry Profitability	> 15%	10.15%	< 10%	8	25	2.0
5.	Vulnerability	Low	Medium	High	3	15	0.9
6.	Cyclicality	Low	Medium	High	2.5	10	0.25
						Total	**7.0**

This form illustrates a quantitative approach to evaluating market attractiveness. Each factor is score multiplied by the percentage weighting and totaled for the overall score. In this example, an overall score of 7 out of 10 places this mark in the highly attractive category.

The International Market *Entry Evaluation Process*



Adapted from J.K. Johansson (2000)

www.marketingteacher.com