

Where do I begin?

Is there a foreign market for my product?

How do I research potential markets abroad?

How can I learn more about a country's culture and business environment?



Is there a foreign market for my product?

If your product reflects quality and can be differentiated from other products, you will most likely be able to find a suitable foreign market.

For some, finding a foreign market springs from prior business experience. Owners often develop an intuitive sense that helps to identify market opportunities or they may have come into contact with other firms exporting a similar product or service. Although domestic marketing success is critical if the neophyte company is to enter a foreign market successfully, management must still plan a market research effort. We should emphasize that a considerable portion of this research effort is obtaining suggestions and information from informed individuals. This is not number crunching research, yet the importance of getting to the right individuals in the network cannot be overstated. This section provides you with the contacts that you need to begin networking with informed individuals in the international trade arena.

How to Begin

First, you want to begin to consider which areas of the world offer the most potential for your product or service. It is important to consider differences in consumption and buying patterns, the organization of the industry to be served, domestic and foreign competitors, business customs and market potential, all of which vary from one country market to another.

If you have never thought about exporting before, we recommend that you take advantage of some key resources that are available to Massachusetts businesses! For answers to general export questions—or to access any of the Massachusetts state agencies or services—contact the Massachusetts Export Center at (617) 973-8664.

Massachusetts Export Center (www.mass.gov/export)
State Transportation Building
10 Park Plaza, Suite 4510
Boston, MA 02116
Tel: (617) 973-8664 Fax: (617) 973-8681

The Massachusetts Export Center provides targeted, high-impact services for exporters, including counseling, training, research and technical assistance. To supplement export counseling and technical assistance services, the Massachusetts Export Center provides international market research to help

clients make informed decisions on their international business activity. The Export Center has access to a wealth of information on export markets, ranging from general country information to specialized information on markets for specific industries/products in countries worldwide. This information is obtained through secondary market research sources, such as online subscription databases and the World Wide Web. In some cases, the Massachusetts Export Center also conducts primary research for clients needing specific information unavailable through secondary sources. In addition, through the Massachusetts Export Center's partnership with other state and federal government agencies, companies can take advantage of specific programs to market their products and services internationally. The Massachusetts Export Center also organizes several seminars throughout the year under the *Partners for Trade* program, and develops a number of publications that provide practical, in-depth information on all aspects of exporting.

Massachusetts Office of International Trade & Investment

The Massachusetts Office of International Trade & Investment seeks to promote trade and attract foreign direct investment to the Commonwealth. The office's principal activities include participating in overseas trade shows, establishing bilateral accords with foreign trade officials, coordinating the inbound visits of foreign business delegations, and speaking at conferences on regional and global economic and political developments.

MassDevelopment

Established to stimulate private investment and job creation in Massachusetts, MassDevelopment may assist firms unable to secure working capital to finance their exports through the "Massachusetts Export Finance Guarantee Fund" and the "Massachusetts Export Partnership" programs. The Massachusetts Export Finance Guarantee Fund is targeted to small and medium-sized companies that typically have experienced difficulties in obtaining export financing. The Massachusetts Export Partnership, a collaborative effort of MassDevelopment and the Export-Import Bank of the U.S. (Ex-Im Bank), encourages banks and other providers of commercial credit to make loans through Ex-Im Bank's Working Capital Guarantee Program to cover the event of default by the exporter. The Massachusetts exporter may have to present a business plan, financial statements, cash flow projections and product descriptions. Loan funds may be used for a wide range of export-related activities, such as the purchasing of materials for export sales, marketing and trade fair participation. Companies can also access Ex-Im Bank's Credit Insurance Programs through MassDevelopment.

Massachusetts Office of Business Development

The Massachusetts Office of Business Development's (MOBD) assists Massachusetts businesses in creating and maintaining jobs, and works to attract new business by facilitating their relocation or expansion within the Commonwealth. It focuses on being an easily accessible, one-stop shopping source of information and referral for economic development. In addition, five regional offices localize the

many state economic and business development services. MOBD offers companies accessibility to federal, state, local and private sector financial resources; industrial site selection; one-stop permitting services with guaranteed timelines; identification of training and recruitment needs; and general and industry-specific information on expanding or relocating to Massachusetts.

U.S. Small Business Administration (www.sba.gov)
Regional International Trade Office (www.sba.gov/oit)
10 Causeway Street, Room 265
Boston, MA 02222-1093
Tel: (617) 565-5590 Fax: (617) 565-5598

The U.S. Small Business Administration (SBA) offers a number of export information assistance programs—counseling, publications and financing. Counseling is offered through the Service Corps of Retired Executives and Small Business Development Centers, both sponsored by SBA. Counselors knowledgeable in international trade are available to answer export questions. Market research is offered through SBA's Small Business Institute program. Under an agreement with SBA and selected colleges and universities, business school students will research export marketing questions of a small business firm. The SBA also offers financial assistance through the regular business loan and the Export Working Capital Loan Program (see "Is there financing available for small business exporters?").

U.S. Export Assistance Center (www.ita.doc.gov)
U.S. Department of Commerce (www.doc.gov)
International Trade Administration (www.ita.doc.gov)
U.S. and Foreign Commercial Service (www.usatrade.gov)
Bureau of Industry and Security (www.bis.doc.gov)
World Trade Center Boston, Suite 307
Boston, MA 02210
Tel: (617) 424-5990 Fax: (617) 424-5992

Under the U.S. Department of Commerce, the International Trade Administration (ITA) was created to offer trade assistance in the U.S. and abroad. The ITA offers counseling assistance by experienced country desk officers as part of ITA's International Economic Policy unit and industry specialists in the Trade Development (TD) unit located in Washington, DC. In addition, 60 offices throughout the U.S. and Puerto Rico are part of the ITA's U.S. and Foreign Commercial Service (US & FCS) domestic network. Stateside offices of the US & FCS provide practical information about overseas markets. US & FCS offices have trade professionals throughout the world dedicated to helping U.S. companies export successfully. The Boston office is a logical first stop for individual firms wishing to expand their business activities to overseas markets. It can help you locate agents and distributors, identify foreign markets, provide information about financing, insurance, tax advantages of exporting, international trade exhibitions and export documentation requirements. The US & FCS also operates some 125 offices in U.S. embassies worldwide.

National Trade Data Bank. The National Trade Data Bank (NTDB) is a convenient electronic source for international trade and export information. The NTDB contains over 90,000 documents including

basic export information, country-specific information, industry-specific information and industry-country information. The NTDB's Foreign Traders Index identifies foreign firms seeking to import U.S. products. The NTDB is a one-stop source for international trade and export data from 15 U.S. federal government agencies.

The purpose is to get a general idea for potential foreign markets. What countries are a few sources recommending? For more recommendations, suggestions and information, try networking a little more. The following individuals and organizations can be extremely helpful to one seeking preliminary information about the most likely foreign markets to analyze further. Contact the Massachusetts Export Center for more information and guidance in this area.

Trade associations. Every industry has one or more trade groups that represent the interests of those in the industry. Central staff persons are informed about the major events and trends in the industry. They know which firms are industry leaders and which firms are doing well in export markets. If specific detail is not forthcoming, obtain the membership list and then contact those that produce and export products complementary to your own.

International departments of commercial banks. Often the heads of the international departments of larger banks can assist in identifying key markets for a particular industry. Most are looking for new international business and wish to demonstrate their willingness to be helpful.

Libraries. Large public and university libraries have computerized data bases from which they can list out annotated bibliographies of articles recently published in a given industry. Key words and phrases are typed on a terminal to produce a list-out of published items that relate to the mix of typed-in key words and phrases. It may be that recent articles of a given industry in the business press discuss foreign market opportunities for those in that industry. Spend time developing a rewarding relationship with reference librarians. They can be productive contacts.

Editors/publishers of industry trade magazines and newspapers. Some of the most informed individuals in a given industry are those who publish what key players in the industry read to keep current. Each issue of a publication carries the contact address of its editor and publisher. In addition, many will forward a copy of an earlier article that an inquirer would like to obtain.

Freight Forwarders. Although these service providers are discussed in a subsequent section, they are mentioned here because they know what goods are being shipped where, or they know where you can find this information. A helpful freight forwarder who is knowledgeable about your product category can be an invaluable resource.

Carriers. These are the ocean freight and air freight companies that can be very helpful. Identify those that have established information-giving as part of their new business development programs.

Certified Public Accounting firms. Larger CPA firms collect information on many foreign countries. Some have published country series describing environmental conditions and trade regulations. Certain preliminary questions of the new exporter might be directed to public accounting firms.

Domestic trade shows. Industry members attend trade shows for many reasons. For the non-exporter, one reason might be to talk to those individuals who are supplying foreign markets and to foreign buyers who are visiting from abroad. Attendance rosters can be very useful for contacting those that appear to possess good information.

Chambers of commerce. You may want to contact the chamber of commerce in your locality. Some chambers publish lists of international traders in their localities, and, since they are well informed on businesses in their areas, may provide you with some valuable contacts. In addition some chambers may organize seminars on exporting and provide certificates of origin (sometimes an export documentation requirement) for exporters. American chambers are also found in many foreign countries.

In addition, the following organizations can provide you with valuable information and help you develop network contacts:

World Trade Center Boston
World Trade Institute
164 Northern Avenue
Boston, MA 02210
Tel: (617) 385-5000 Fax: (617) 385-5090

The World Trade Center Boston provides trade information, educational exhibitions, translation and trade mission services and computerized data bases. It also provides opportunities for exporters and importers to get together to discuss mutual interests. Additionally, the World Trade Centers Association, headquartered in New York City, coordinates the activities of the sixty-one centers in operation worldwide. Selective individuals in key positions in these organizations can be helpful in answering questions or directing one to others who are informed.

The World Trade Institute represents New England in the World Trade Centers Association, and it is their primary mission to promote and support the international business endeavors of New England companies and to encourage and facilitate regional investment and partnering from abroad. WTI offers global briefings and seminars, along with a variety of other offerings.

Smaller Business Association of New England
204 Second Avenue, Suite 3
Waltham, MA 02451
Tel: (781) 890-9070 Fax: (781) 890-4567

The Smaller Business Association of New England (SBANE) is a private sector organization involved in many business issues including export related activities to help smaller businesses in the New England

region. The organization holds export seminars and provides the opportunity for neophyte exporters to talk with experienced exporters about their experiences. SBANE has also established an International Trade Committee (SINTRAC) which consists of experts in small business export. SINTRAC also offers seminars and programs to assist smaller firms in their foreign trade endeavors.

This listing does not exhaust the possibilities of research and assistance available to the potential exporter. There are numerous federal agencies, such as the U.S. Department of Agriculture and private organizations that can also be of assistance. Because we are discussing selecting target markets, we have indicated those sources that are likely to be the most useful. The type of information sought will determine what resources will be of most value.

How do I research potential markets abroad?

Now, you have to carefully investigate the potential markets that you have discovered. First, you want to identify those countries that have export potential for your product (e.g., size of the market), and then assess, in more detail, certain characteristics of these markets. This is a two-step process:

- ▲ **Selecting target markets.** This step consists of identifying (screening) those countries that appear to be the best country market candidates.

- ▲ **Assessing the target markets.** This step consists of gathering information that will narrow the choice to the one or two countries to which the new-to-export company should direct its efforts. It involves examining such things as:
 - Economic outlook
 - Market locations and segments
 - Competition (who, their offerings, market positions, pricing, strengths and weaknesses)
 - Market characteristics (buying habits and preferences, after-sale support)
 - Distribution characteristics (channels, customer preferences, trade shows, trade margins and markups, marketing support, sales/distribution agreements, agent/distributor candidates)
 - Trade barriers (e.g., duties, tariffs)

The Massachusetts Export Center also provides this research to its clients in addition to general information on doing business in different countries; demographic, economic, political and cultural information on different countries; and detailed statistical information on U.S. exports by state, product and country.

Step 1: Selecting Target Markets

There are a number of useful sources available to determine which country markets are the most logical ones to screen out and research in greater detail. We recommend that you investigate the size of these potential markets. The following list provides quantitative data sources that can help you determine the size of foreign markets for your product or service.

Small Business Automated Trade Locator Assistance System (SBAtlas). The SBAtlas was established in 1993 by the U.S. Small Business Administration's Office of International Trade in response to world trade data needs of SBA counselors and their clients. The objective of the system is to

provide foreign trade data to help identify world market opportunities. The SBAtlas contains worldwide import and export trade statistics for country markets and commodity products trade. Statistics are provided by the U.S. Bureau of Census, U.S. Customs Bureau, U.S. International Trade Administration's Trade Data Systems Division, U.S. International Trade Commission, U.S. National Technical Information Service, U.S. Foreign Agricultural Service, United Nations, U.S. Foreign Trade System and the World Bank's International Monetary Fund.

Two types of trade data reports are available from SBAtlas: *Product Reports* are processed on the basis of a commodity number or description available from Product Classification Tables. SBAtlas produces a world trade data report on the trading activities of 67 industrialized reporting countries based on a product category of inquiry. The import and export product flow value in U.S. dollars is used to rank the countries by year. The product report lists the top 35 importing and exporting countries ranked by trade flow values. *Country Reports* are processed based on the country name or code available from the codes for SBAtlas. It includes only those 67 industrialized countries labeled as available. Country reports list the top 20 importing and exporting product categories ranked by trade flow values.

For further information, contact the local SBA office or the International Trade Program of the Massachusetts Small Business Development Center. This service is provided to clients only.

U.S. Importers & Exporters Directory. This two volume set shows which country markets products similar to yours are being sold and gives the names and state locations of exporters.

Source: The Journal of Commerce
U.S. Importers & Exporters Directory
445 Marshall Street • Phillipsburg, NJ 08865-9984 • Tel: (973) 848-7000
www.joc.com

Commodity Trade Statistics Data. Every year approximately 100 countries supply the United Nations Statistical Division with their international trade statistics, detailed by commodity and partner country. Data is processed into a standard format with consistent coding and valuation and then stored in a computerized database system. For a better understanding of the data content of the database, review the following publications: “*Commodity Trade Statistics, Statistical Papers Series D*” which contains annual data for most headings of the Standard International Trade Classification (SITC) by partner country and/or the “*International Trade Statistics Yearbook*” which summarizes the more recent trade statistics by country and commodity.

Sources: United Nations Statistical Division
United Nations, Room DC2-1420 • New York, NY 10017 • Tel: (212) 963-6170

Massachusetts Institute for Social and Economic Research (MISER)
128 Thompson Hall, UMass • Amherst, MA 01003 • Tel: (413) 545-3460

Country market potential is a large, aggregate estimate, but it is useful as a reflection of the “worth” of a foreign market. Additionally, it is also helpful to reduce the overall country market potential measure to smaller geographic areas, if possible, in order to identify the most important and meaningful geographic areas in which to pinpoint one’s marketing efforts. The trick in doing this is to associate the presence of certain consumption variables or factors with the sales of the product being considered. For example, abrasive materials used to polish metal surfaces of hand tools and jewelry would be bought by firms who manufacture these products. Marketing efforts should, therefore, be concentrated in those regions where these businesses are found. Networking with individuals who are in the business may shed light on where in the foreign country market one should concentrate marketing efforts.

Step 2: Assessing Potential Target Markets

At this stage in the market selection process you have probably chosen one, two, or three alternative country markets to analyze in depth. We encourage you to be decisive and very selective in narrowing down the best country prospects. All too often firms wanting to begin exporting fail to limit their market focus and begin thinking of exporting to too big a chunk of the world. Keep it uncomplicated. Choose one category of the product line and choose one market to begin with.

But which market to choose? Part of the answer will be determined by country comparisons of tariffs, import quotas (if any) imposed by the government to protect domestic industry, the strength of domestic and other foreign competition, current foreign exchange rates and such factors as the political stability of the government in power. These are examples of some of the criteria that can be used to choose the one market to concentrate upon.

There are specific sources of information and services that will help you to select the best country to begin exporting to. One suggestion: All early and tentative country choices should be retained, and newspaper, magazine, or other materials pertinent to that country should be saved in labeled folders. If conditions change and one finds a need to add a new market or to exit from one chosen earlier, part of the task of choosing a new market is already completed.

Some examples of good sources for this stage of the research effort are:

Country and Industry Market Research using the U.S. Commercial Service Market Research Library. Country Commercial Guides, Industry Sector Analysis, and other Market Research Reports are indexed on this government website designed to help you do your own market research. Available at www.usatrade.gov/website/ccg.nsf/ccghomepage.

Background Notes on Countries of the World. These short pamphlets, compiled by the State Department, providing specific information on a country’s history, economy, government, political orientation, and foreign relations, are now available on the web at www.state.gov/r/pa/ei/bgn. They can

also be ordered in print from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. Telephone 202-512-1800.

Dun's Exporters Encyclopedia. This handbook contains detailed information on world markets. This excellent source book is updated with monthly bulletins and covers such background topics as:

Country Profile: Population, currency, trading partners, leading banks, country memberships in international agencies, trade authorities.

Communications: Descriptions of telephone, mail, direct mail requirements.

Key Contacts: Commercial offices abroad, domestic business information offices.

Trade Regulations: Licensing and exchange regulations, import requirements and restrictions, customs tariffs, free trade ports and zones.

Documentation: Shipping documents required, pro forma invoice, bill of lading, certificates of origin.

Marketing Data: Agency agreement information, government procurement, consumer protection, product standards, safety requirements, labeling regulations, patents and trademarks.

Transportation: Entry and warehousing, case markings, principal ports and trade centers.

Business Travel: Passports and visas, hotels, holidays, health, telecommunications, transportation.

Source: Dun and Bradstreet Information Services
3 Sylvan Way • Parsippany, NJ 07054 • Tel: (800) 526-0651

The Massachusetts Export Center also develops a number of helpful publications including: *How to Start an Export/Import Business* and *International Business Plan Workbook*. You can find out more information on our website at www.mass.gov/export.

How can I learn more about a country's culture and business environment?

There are several sources available which can provide information on a country's culture and business environment:

Culturgram Series

These are four-page cultural orientations covering customs, manners, lifestyles, socioeconomic statistics and country maps. Addresses of embassies and national tourist offices are also included. You may also purchase a complete set of orientations for 130 countries.

Contact: D.M. Kennedy Center for International Studies
Brigham Young University, Publication Services, 280 HRCB • Provo, UT 84602
Tel: (422) 378-6528

Background Notes on the Countries of the World

These short pamphlets, compiled by the State Department, providing specific information on a country's history, economy, government, political orientation, and foreign relations, are now available on the web at www.state.gov/r/pa/ei/bgn. They can also be ordered in print from the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402. Telephone (202) 512-1800.

CIA World Factbook

This online resource is a compilation of the information gathered by the Central Intelligence Agency. It provides general information on geography, politics, economics, people, communication, transportation and transnational issues. Available at www.cia.gov/cia/publications/factbook/.

Country Commercial Guide

Prepared annually by the U.S. Embassy staff, country commercial guides contain information on the business and economic situation of foreign countries and the political climate as it affects U.S. business and foreign investment. Now available online through the U.S. Commercial Service Market Research Library at www.usatrade.gov/website/ccg.nsf/.