

Everywhere you export

The Canadian Trade Commissioner Service

SPOTLIGHT

ON MARKET RESEARCH



TCS



Global Affairs
Canada
Trade Commissioner
Service

Affaires mondiales
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Service des
délégés commerciaux

Canada



Market research is vital to sustainable export success in international markets. It is a process that can help you avoid costly expansion mistakes and identify extraordinary business opportunities, allowing you to minimize risk before you enter a foreign market through proactive data collection and analysis.

"Take the time to examine the local culture, find out how things are done there and adapt. Part of the process includes finding the right local partner."

- Export Award Winner

The following Spotlight will outline the foundation of performing market research on an international scale to identify a target market. From differing research methods to valuable profiling elements, this short guide can help your company prepare to engage in market research in order to solidify potential exportation opportunities and avoid the risk of entering the wrong market.

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The benefits of market research

When performed correctly, market research can be instrumental to your company's global success and can provide you with a wealth of business intelligence on prospective target markets.

In general, the process identifies exportation opportunities, detects new or emerging markets, and uncovers the preferences of potential customers. This process can be beneficial regardless of your company's size.

Market research involves the collection and analysis of data at successive levels of detail, with the overarching intent of identifying compatible target markets. When performed on an international scale the process becomes especially important due to the increased level of investment required to reach foreign markets.

The Canadian Trade Commissioner Service (TCS) is pleased to present the following *Spotlight on Market Research*, which compiles information and external resources for firms looking to identify lucrative target markets on a global scale, allowing them to minimize risk and be confident when making exportation decisions.

For further information and resources on market research and the exportation process, consult the TCS [Step-by-Step Guide to Exporting](#) which has a section in step four dedicated to finding your next target market.

What is market research?

Market research is the process of gathering, analyzing and interpreting information about a market and the individuals it consists of. Internationally, market research is crucial to determine potential market compatibility and draw comparisons between markets.



Types of market research

Did you know?

The TCS offers a free database of market reports on a wide range of locations, including intelligence on prominent industries in each market. You can access this free service [by region](#) or [by sector](#).

Some forms of market research are more economical and less time consuming than others; however, it is always recommended to collect as much relevant information as you can during the process. This ensures that you have the resources you need to make the most educated decisions possible. Typically, this is why a combination of different forms of market research is usually the most sensible strategy.

- **Secondary market research** - the data collection has been completed previously by an external source, offering you the opportunity to repurpose this information. Secondary research typically consists of

reports, studies, books and surveys, the vast majority of which can be found online. This means that the process is often very affordable in nature, presenting little risk in assembling a substantial amount of information relatively quickly. One drawback of secondary market research is that it is often specialized for the purposes of the original user, meaning you should refrain from drawing firm conclusions from this research due to its subjectivity. As a result, the interpretation of secondary data is often used in conjunction with other methods, and acts as a solid foundation in the early stages of market research.



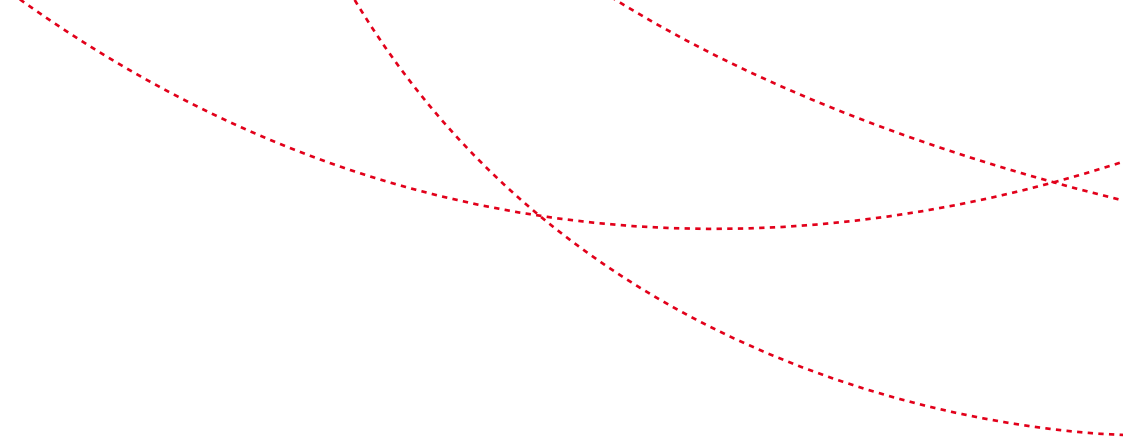
TIP:

Attending [trade shows](#) can be a great way to discover market trends and obtain other valuable market intelligence. You never know where you might find your next export opportunity!

Strategy Highlight: Crowdsourcing

Some companies conduct market research projects entirely online, finding success through the inexpensive collection format known as crowdsourcing. This process involves a mass virtual outreach to undefined groups to gather information. This approach typically works best for large enterprises with vast backgrounds in social media, and in locations with high social media and internet penetration rates. For more examples of crowdsourcing market research, consult the *CanadExport* article on [Crowdsourcing your market intelligence](#).





Steps in the process

While detailed, the market research process can be simplified to three relatively straightforward steps. Companies first need to screen several markets before making a more in-depth assessment, at which point they can ultimately come to an educated decision.



Figure 1: The international market research process

1. **Screen potential markets**

This step of the market research process involves identifying and collecting statistics concerning markets that currently import items in your product or service category. Once you have gained an understanding of this data, you can select multiple markets which appear to be in stable economic

growth with minimal fluctuations. It is also proactive to consider markets that are small and emerging, as they tend to offer a high degree of potential market share due to a limited presence of competition. You can then attempt to narrow your focus down to several of the most promising candidates from your initial screening.

Did you know?

The World Customs Organization (WCO) offers a subscription service known as the [Harmonized System Database](#), which allows users to view reports of nearly all goods that cross country borders. Tools like these are useful in market research projects where information is more difficult to acquire.



2. **Assess target markets**

Assessing markets is a process that involves a more extensive approach than the initial screening; however, it encompasses much fewer candidates. The aim of this step is to collect as much applicable information as possible in order to provide a strong basis for comparison between the remaining markets.

Part of this assessment process involves identifying noteworthy appraisal factors for consideration in each viable location, such as cultural norms and growth rates. Competition in each market is also a key consideration in this stage, as the relative success of rivals in a market of mutual interest could forecast similar success for your business. Elements like these are extremely useful when determining if your business can translate to a potential market efficiently, and are explained in greater detail later on in this Spotlight.

3. **Draw conclusions and make decisions**

This stage can only begin once the assessment of the potential target markets is complete and the entirety of the data has been analyzed. Evaluating this information involves extracting qualitative meaning from your data, which when done correctly should lead you to a final decision regarding which market(s) to actually expand into. After this decision has been made, the market research portion of your international exportation process is complete.

The next step in your plan would involve creating an export marketing strategy, for more information on how to craft a successful export marketing plan read the TCS [Spotlight on International Marketing](#).

Market profiling considerations

One strategy commonly used during the market research process is profiling, which can help you narrow down the amount of potential markets using a comparison of consistent aspects.

Any factors you choose to evaluate can also be personally weighted according to the priorities of your company, highlighting the adaptability of the profiling approach. When profiling markets it is wise to consider aspects that can be compared uniformly across multiple regions, with examples such as:

- **Development** - This factor indicates the level of economic advancement in the market, and the extent to which the market presents a mature infrastructure and client base. This could also include the pace at which the market appears to be progressing economically.
- **Political stability** - This element refers to the degree of structure and predictability of the current government within potential markets, and any major political themes that are present.
- **Trade relations** - The relationship between the foreign and domestic parties involved in any potential situation of bilateral commerce is very important, considering long term trading partners will likely offer more lenient shipping and transportation regulations than countries that do not conduct business as frequently. Major imports and exports between the two countries and existing tariffs should also be considered.
- **Economic conditions** - Any major trends that are currently influencing the market's economy are worth recording, as well as the consistency and duration of these fluctuations. Ideally you want to export to a nation with a robust economic situation and low financial risks.



What is profiling?

Profiling is applying sets of characteristics to potential markets with the objective of comparison or segmentation.



Market Highlight: Markets with free trade agreements

When evaluating prospective markets, it is wise to take free trade agreements (FTAs) into consideration. Countries that have already laid the groundwork for simplified trade can be much easier to export to than others, not-to-mention much cheaper. An example of such an agreement is [CETA](#), otherwise known as the Comprehensive Economic Trade Agreement, which eliminates a multitude of tariffs and regulations between Canada and members of the European Union.

In the absence of an existing FTA, companies can choose to consult the [Canada Tariff Finder](#), a joint venture tool from the Canadian Trade Commissioner Service (TCS), Business Development Bank of Canada (BDC) and Export Development Canada (EDC). This tool can help companies considering global expansions identify the relative costs of entering each of their potential target markets.

Did you know?

The Centre for Intercultural Learning (CIL) at Global Affairs Canada (GAC) offers a free database of [cultural insights](#) on a wide spectrum of countries around the world.



Common challenges

Market research can be a relatively complicated procedure, especially when it is performed on an international scale. This means there are a host of challenges that many companies encounter during the process. Some of these challenges include:

- **Methodology** – A common mistake among companies performing market research lies within their ability or lack thereof to choose the correct data collection techniques. It is critical to utilize the methods that will produce data you can base decisions off of, which will be dependent on the personal needs of your company and the size of your market research project.
- **Communication** - Difficulties involving communication and interpretation are common in international market research, due to the simple fact that foreign markets tend to speak different languages. It is important to recruit individuals who are fluent in the foreign culture so that your data collection and conversion efforts are not lost in translation.

- **Financing** – Conducting effective international market research will likely not be a cheap endeavour, and for this reason it is recommended that companies only take on a scope of research that realistically fits their budget. Doing so will prevent research from being abandoned before completion and should result in cost-efficiency. An example of this scenario would involve a firm selecting too many markets to research simultaneously, leaving them with the dilemma of spreading their resources too thin to cover every market they planned for. Proper budgeting is an effective way of ensuring that there are no costly surprises during the market research process.
- **Scaling** – Some companies attempt to replicate successful market research strategies used by large multinational firms; however this approach does not translate well to small and medium sized enterprises (SMEs). If you attempt to replicate the market research of a larger company you will acquire an overwhelming amount of non-relevant data, which in turn will be almost impossible to interpret accurately and could consequently lead to skewed decision making. Each international exportation circumstance is unique, and should be treated as such when it comes time to perform market research.
- **Sampling** – Whenever quantitative research is conducted, there is always an opportunity for collection errors to occur. In international market research, it is especially important to make sure you are evaluating the individuals in a market that are truly representative of the population. Failure to do this accurately could result in a skewed perception of the market's demographics and consumer demand, which could consequently lead to poor decision making. On the other hand, a sample taken properly can provide an excellent snapshot of what an entire market can offer your company, which is why enlisting the help of experienced researchers is often a sensible strategy.
- **Forecasting** - Be realistic in your projection of how much market share you can acquire in a foreign location. It is a common mistake to be overly optimistic when envisioning your potential market share, which is simply the portion of the market that is hypothetically accessible. Instead, consider taking a more refined approach and contemplate the available market for your goods or services. This is the amount of the target market that can realistically be acquired by your business, rather than simply the total market that is available.



How the TCS can help

FACT:

More than half of TCS staff working abroad are local specialists who are hired for their first-hand knowledge of the country in which they live. You too can benefit from their market intelligence and valuable connections.

The TCS can provide owners and representatives of SMEs with on-the-ground support in potential target markets, including localized market intelligence. Trade commissioners can help your business scope out prospective export locations and get you connected with the right people.

80% of TCS clients say...

Trade Commissioners helped them connect with foreign business contacts that would have otherwise been difficult to identify or access.

Trade Commissioners helped them gain the confidence to explore or expand their operations in to new global markets.

Are you export ready?

The [Step-by-Step Guide to Exporting](#) will help you to:

- **Sell to more customers.** Target global buyers online.
- **Enter more markets.** Leverage the benefits of free trade.
- **Save time & avoid risks.** Learn the legal aspects of trade.

Download this free guide and gain access to all TCS export publications through [MY TCS](#).



Access these additional resources:

- Canadian Trade Commissioner Service (TCS)
 - [CanExport](#)
 - [Spotlight on Global Value Chains](#)
 - [Spotlight on Free Trade](#)
 - [Office of the Chief Economist](#)
 - [Canada Tariff Finder](#)
- Canada Business Network
 - [Conducting Market Research](#)
 - [Designing a questionnaire](#)
- Export Development Canada (EDC)
 - [Country Information](#)
 - [Webinar: How to Find Your Target Market](#)
- Business Development Bank of Canada (BDC)
 - [Market Research](#)
 - [Entering a foreign market: 4 tips for successful market research](#)
- Innovation, Science and Economic Development Canada (ISED)
 - [Trade data Online](#)

Trade Commissioners are on-the-ground in more than 160 cities in Canada and worldwide.

The Canadian Trade Commissioner Service (TCS) is gaining market intelligence and insight, and uncovering opportunities for Canadian companies.

Our export experts can help your company:

- Prepare for international markets
- Assess your market potential
- Find qualified contacts
- Resolve business problems

 tradecommissioner.gc.ca

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