

CHOOSING YOUR SERVICE EXPORT MARKET

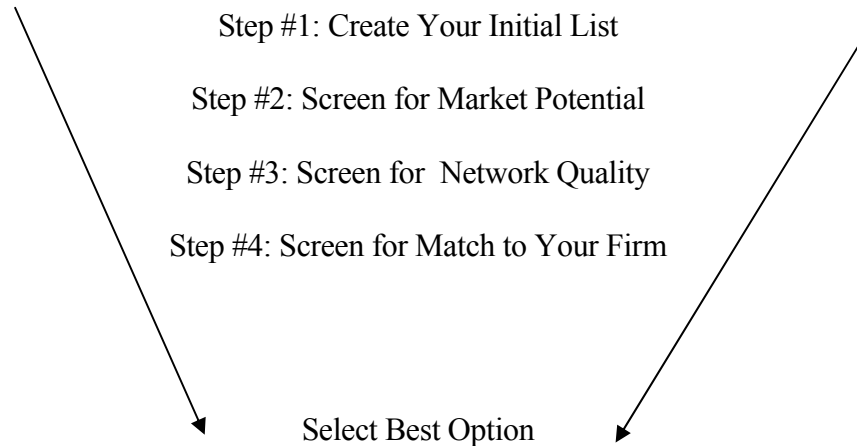
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Introduction

The biggest challenge in services exporting is finding that first customer in a new market who is willing to risk trying your services. Market research can verify whether or not there is likely to be any demand for your service, but it will not help you determine how likely you are to get that first customer. This Kit walks you through a four-step process that can be completed quickly and often based on your existing knowledge of markets without the need for expensive and time-consuming market research.

How to Use This Kit

If your firm is new to exporting, wanting to expand into new export markets, or wishing to evaluate the appropriateness of nearby markets, **start with Step 1** and work your way through the succeeding steps. If you have received a request from a potential customer or a potential partner, **start with Step 4** to determine if that request represents a good opportunity for your firm. Working through the process in this Kit will help you narrow your market options to select the best option for your firm at this time.



Step #1: Create Your Initial List of Possible Target Markets

To be successful, you are looking for an export market where you have a personal link or that is relatively easy to visit for market development purposes. Here are some questions to help you generate an initial list of markets to consider:

Question to Answer	Instruction If You Answered “Yes”	List of Possible Target Markets
Are you already exporting outside your country?	<i>List possible target markets near, or on the way to, your export market</i>	
Are you selling services to foreigners in your country?	<i>List any of their home markets that could be possible target markets</i>	
Are there foreigners that invest in your market whose home markets would be possible targets?	<i>List the home markets of investors that could be possible target markets</i>	
Are there foreigners coming to your country as tourists or students whose markets would be possible targets?	<i>List the home markets of tourists or foreign students that could be possible target markets</i>	
Are there any markets that are a direct flight from your location that could be possible targets?	<i>List the possible target markets that are a direct flight from your location</i>	
Are there markets that are similar to yours (or similar to ones in which you have experience)?	<i>List possible markets where you might have a competitive edge by seeming familiar (e.g., language, religion, colonial heritage, population composition)</i>	
Are there markets in which you have a particularly good contact who would vouch for your services?	<i>List possible markets in which you have a particularly good contact</i>	
Are there markets to which you travel regularly on holiday or in which you have friends or relatives?	<i>List possible markets in which you holiday or where you have friends or family</i>	

Top 8 Possible Markets in Rank Order	
1.	_____
2.	_____
3.	_____
4.	_____
5.	_____
6.	_____
7.	_____
8.	_____

Step #2: Screen for Market Potential

In order to narrow the possible markets from your top eight to your top five, answer the following questions:

2.1 Market Demand Indicators:

Do you know what market conditions indicate a demand for your services?

Yes

No, then go to Annex A to review possible demand indicators

Once you are clear on the relevant demand indicators, eliminate any of the top 10 markets from Step #1 where there are not adequate indicators of demand. You may need to do some brief initial research in order to assess possible demand.

2.2 Payment for Your Services:

There is no point in exploring a new export market unless you are certain that you can get paid for your service. Who usually pays for your service (*check all that apply*):

Final customer

Business or non-profit organization

Government agency

Donor agency

Eliminate any of the top 10 markets left after 2.1 where you are uncertain whether or not you could get paid.

2.3 Sources of Competitive Edge:

People like to do business with firms with which they feel comfortable and at ease. Part of that feeling of comfort relates to a sense that you come from a similar context and so will understand their issues. Do you have any special competitive edge because of (*check any item where your answer is "yes"*):

Similar geography or climate

Similar type of population concentration or dispersion

Similar type of government structure and political philosophy

Similar type of population composition or religion

Similar type of service structure (public or private provision)

Similar history

Similar language(s) and cultural values

Eliminate any of the top eight markets left after 2.2 where you have no sources of competitive edge. Then rank order the rest based on the strength of your competitive edge.

Top 5 Possible Markets in Rank Order	
1.	_____
2.	_____
3.	_____
4.	_____
5.	_____

Step #3: Screen for Network Quality

Usually people use referrals, recommendations, or references to manage the risk of selecting a new service provider so your challenge is to get into a position where your firm is recommended. It doesn't matter how much market potential exists if no one believes that you can deliver a quality service. So you need to examine your network of contacts and potential contacts to help you identify the markets in which you are most likely to be able to get that first customer. In the table below, fill in your top five possible target markets from Step #2 and then place ticks where your answer is "yes." Then use your answers to narrow your possible target markets to three.

Network Contact	Possible Target Market				
	1: _____	2: _____	3: _____	4: _____	5: _____
You know an influential person in government or the business community					
You have a referral to someone influential in government or the business community					
One of your customers will give you a referral into the target market					
You or your staff have family or friends in the target market					
You have met tourists or students from the target market					
Your firm is a member of the Chamber of Commerce, and there is a Chamber of Commerce in the target market					
Your firm is a member of your service industry association, and there is a similar association in the target market					
You are a member of Rotary, and there is a Rotary Club in the target market					
You are a member of the World Trade Center, and there is a WTC in the target market					
You know persons at the embassy (high commission) in your county who would give you contacts					

Top 3 Possible Markets in Rank Order

1. _____
2. _____
3. _____

Step #4: Screen for Best Match to Your Firm

In order to select the best target market for your firm or determine if a particular market that has been suggested to you would be suitable, fill in the top 3 markets from Step #3 (or the market you are considering) and place ticks where your answer is "yes." Then use the responses to make your final decision.

Market Evaluation Factor	Possible Target Market		
	1:	2:	3:
<p>Language and culture: You/your staff are fluent in the language You are familiar with the business culture Firms from your country have a good reputation in the market</p>			
<p>Market type: Your firm is a good match to this market [if unsure, see Annex B]</p>			
<p>Major competitors: No direct competition from government No major foreign competitors</p>			
<p>Market access: Your country has a trade mission there The telecommunications infrastructure and Internet access is good You can own a business there, find workers, and get work permits You can get an entry visa for business travel</p>			
<p>Market entry options: There will be a major industry event there You have a local partner there already There is a World Trade Center complex or other mini-office option</p>			
<p>Profitability: You can expect to be paid full fees You can be profitable given local business costs You will be able to develop follow-on business</p>			

Top Choice for New Export Market

Annex A
Examples of Market Demand Indicators for Selected Services:

Architecture/Construction/Engineering
Environmental Services
Education and Training Services
Health Services
Legal Services
Management Consulting

Architecture/Construction/Engineering	Environmental Services
<ul style="list-style-type: none"> ➤ Plans for new infrastructure ➤ Infrastructure needing repair or replacement ➤ Major international event (e.g., Olympics) ➤ Inadequate housing available ➤ New regional headquarters being planned ➤ Demand for physically accessible facilities ➤ Demand for independent living facilities for seniors or persons with disabilities ➤ Low office vacancy rates ➤ New environmental building codes ➤ Natural disasters that require rebuilding 	<ul style="list-style-type: none"> ➤ Environmental sustainability for ecotourism ➤ Natural resources to be preserved ➤ New environmental legislation ➤ Environmental degradation to reverse ➤ Substandard factories ➤ Pollution from mining or forestry operations ➤ No public waste management system ➤ Inadequate potable water ➤ Air quality concerns ➤ Mega projects, needing environmental impact assessments ➤ Introduction of new technology with environmental consequences ➤ Strong environmental advocacy groups ➤ Closing of military bases and/or weapons depositories ➤ Environmental Ministry ➤ Signatory to an environmental agreement ➤ Disease from environmental factors ➤ Natural disasters

Education and Training Services

- Low adult literacy rate
- Low percent of children moving from primary to secondary schooling
- Low percent of young persons completing secondary or post-secondary schooling
- Few post-secondary training options
- Inadequate post-secondary capacity
- Low scores on standardized tests
- New curricula being introduced
- Passive education methods in use
- Lack of computer usage in schools
- Lack of teacher training programs
- Government upgrading initiative
- Budget overruns in the school system
- Inequities in schools between rural and urban areas (need for distance delivery)
- Presence of videoconferencing/distance learning facilities that are underutilized
- Low labour productivity
- Desire to move from low-value-added to high-value-added activities
- High youth unemployment rates
- Industrial restructuring that requires training workers in traditional industries
- Increased technology adoption
- No training programs in new technologies
- New government policies on literacy development or ongoing learning
- New government economic development initiatives requiring new skills
- Initiatives to improve productivity
- Lack of career development professionals or career guidance in schools
- Lack of standardized testing of academic achievement
- Lack of vocational testing
- Lack of prior learning assessment capability
- Lack of accreditation body for educational institutions
- Lack of an association for trainers
- Licensing of professionals
- Requirements for continuing education to maintain professional licenses

Health Services

- Low government budget for health care
- High percentage of special needs populations (infants, elderly, disabled)
- Geographically dispersed population
- High number of population per doctor
- High number of population per nurse
- High number of population per hospital bed
- Substantial urban concentration
- Substantial upper/upper-middle class
- High infant mortality rate
- Low life expectancy
- Preventable leading causes of death
- Presence of above average % of obesity or AIDs
- Presence of controllable infectious diseases
- Environmental factors that put the population at risk
- Lack of wellness or immunization programs
- Lack of consumer health education
- Lack of specialist expertise
- Lack of pharmaceutical regulations
- Lack of pharmacies, laboratories, x-ray, dental facilities
- Lack of professional licensure programs or continuing education
- Lack of paramedic training
- Inadequate training capacity for health professionals & paraprofessionals
- Lack of accreditation programs for health facilities
- Inadequate medical records, or records not digitalized
- Lack of health facilities for in-country foreigners
- Waiting lists for urgent care
- Lack of health benefits or health insurance programs

Legal Services	Management Consulting Services
<ul style="list-style-type: none"> ➤ Government restructuring ➤ Plans to privatize government agencies ➤ Planned regulatory/legislative review for trade treaty conformance ➤ Lack of regulatory framework for key professional services ➤ Government tenders for policy development ➤ Government plans for new legislation ➤ Government tenders for draft legislation ➤ Underdeveloped commercial law or judicial systems ➤ Underdeveloped environmental, conservation, and resource management law ➤ Underdeveloped constitutional and human rights law ➤ Underdeveloped admiralty and maritime law ➤ Underdeveloped banking, insurance, telecommunications, and administrative law ➤ Planned regulatory reform (banking, insurance, telecom, transportation) ➤ Sectoral Action Plans needing legal frameworks ➤ Plans to join a new trade group ➤ Protected sectors being opened to foreign competition ➤ Concerns about trademark, patent, or intellectual property protection ➤ Companies needing advise on trade treaty implications ➤ Companies seeking to raise capital; underwriters needing due diligence ➤ Investors willing to operate/invest in your market ➤ Companies anticipating jurisdictional disputes 	<ul style="list-style-type: none"> ➤ Political announcement of a problem area and an intent to address it ➤ Meetings between government officials and potential funders (IFIs) ➤ Donor-funded project announcements ➤ Under-performance in state-owned enterprises ➤ Plans to privatize state-owned enterprises ➤ Changes in government priorities ➤ Media pieces on loss of competitiveness ➤ Public sector reform (education, health care, judiciary, utilities) ➤ Concerns about sector competitiveness due to trade liberalization ➤ Concerns about performance improvement and cost containment ➤ Concerns about institutional strengthening at the governance level ➤ Announced corporate plans to enter new markets ➤ An increase in the number of bankruptcies ➤ Salaries increasing, putting pressure on cost competitiveness ➤ Increased pressure for competitive quality and innovation ➤ Requirements for ISO 9001:2000 or ISO 14000 registration ➤ Publicity regarding the importance of performance measurement ➤ Public emphasis on accountability ➤ An influx of major new foreign investors/competitors ➤ The loss of a major employer ➤ Media coverage of difficulties in incorporating ICT ➤ Increase in global operations & joint ventures ➤ Concerns about corporate recovery and refinancing ➤ MOUs with partner economies for private sector collaboration

Annex B

Matching Your Firm's Strengths to the Type of Export Market

Check which of the following items apply to your firm:

<ul style="list-style-type: none"> <input type="checkbox"/> Excellent internal time management <input type="checkbox"/> Rapid internal decision making <input type="checkbox"/> The ability to respond to customer requests within 24 hours <input type="checkbox"/> Ongoing media coverage of your firm's successes <input type="checkbox"/> Polished, sophisticated website and marketing materials <input type="checkbox"/> A registered quality assurance system <input type="checkbox"/> <p style="text-align: center;">If you have answered "yes" to most of these items, you will find "fast-paced" markets a good match.</p>	<p><i>Fast-paced, competitive markets</i> include the U.S.A., Canada, northern Europe, and Singapore.</p>
<ul style="list-style-type: none"> <input type="checkbox"/> Senior managers with excellent interpersonal communications skills <input type="checkbox"/> Staff fluent in the primary language of the market you are considering <input type="checkbox"/> Staff who are skilled at adapting to different business cultures <input type="checkbox"/> A corporate willingness to let a business relationship evolve gradually <input type="checkbox"/> An expectation that return on market development costs will take time <input type="checkbox"/> Senior managers who are willing to travel to develop new clients <p style="text-align: center;">If you have answered "yes" to most of these items, you will find "relationship-based" markets a good match.</p>	<p><i>Relationship-based, relatively affluent economies</i> include Japan, southern Europe, and lower-middle or upper-middle income developing countries or economies in transition.</p>
<ul style="list-style-type: none"> <input type="checkbox"/> Senior managers who are politically well connected with donor agencies <input type="checkbox"/> Staff with good interpersonal communications skills <input type="checkbox"/> Resources to support a long planning cycle <input type="checkbox"/> Experience in satisfying several clients at once <input type="checkbox"/> Experience in working with government agencies <input type="checkbox"/> A service delivery system that can adapt to low technology <p style="text-align: center;">If you have answered "yes" to most of these items, you will find "donor-funded" markets a good match.</p>	<p><i>Donor-funded markets</i> include least developed countries where most financing of foreign expertise comes from donor agencies.</p>