

# 3 Identifying International Markets

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To succeed in exporting, you must first identify the most profitable international markets for your products or services. Without proper guidance and assistance, however, this process can be time consuming and costly—particularly for a small business.

The U.S. federal government, state governments, trade associations, exporters' associations and foreign governments offer low-cost and easily accessible resources to simplify and speed your foreign market research. This chapter describes those resources and how to use them.

## Federal Government Resources

Many government programs and staff are dedicated to helping you, the small business owner, assess whether your product or service is ready to compete in a foreign market. The U.S. government created the Trade Promotion Coordinating Committee (TPCC) in 1990. It is the federal government's export team. The TPCC, an interagency task force chaired by the Secretary of Commerce, is dedicated to thinking strategically about our global competitive position and has been charged with leveraging and streamlining our export promotion and trade finance services.

### U.S. Export Assistance Centers (USEACs)

USEACs were authorized by Sec. 202 of the Export Enhancement Act of 1992 and implemented by recommendation of the TPCC's report, *Toward a National Export Strategy*. They are designed to provide the U.S. exporting community a single point of contact for all federal export promotion and finance programs. USEACs can deliver services directly or refer clients to appropriate public and

private sector partners. The Centers integrate representatives of the Small Business Administration (SBA), the Department of Commerce (DOC) and, at some locations the Export-Import Bank of the United States (Ex-Im Bank), and additional federal agencies.

Whenever feasible, the centers are conveniently co-located with private and other public sector partners who concentrate on assisting export ready firms in all areas of export development and trade financing. The USEAC staff can assess your company's export readiness and can refer you, if you are a start-up business, to basic "How-to Export" programs. For new-to-market companies, the specialists at the USEAC have a full menu of market entry programs, including industry and country profiles, help with finding distributors overseas, identifying tariff and regulatory requirements and assisting with financing or questions related to how to get paid.

### The U.S. Small Business Administration

Many new small firms have found the counseling services provided by the SBA's SCORE® volunteers helpful. Through your local SBA District office you can gain access to more than 10,500 SCORE® volunteers (389 chapters nationwide), for basic business start-up help. The other SBA-sponsored program for management and export advice is the network of Small Business Development Centers (SBDCs), affiliated with colleges and universities throughout the United States. SBDCs offer counseling, training and research assistance on all aspects of small business management and many have programs for international business development.

### The U.S. Department of Commerce

The U.S. Department of Commerce's (DOC) International Trade Administration (ITA) is a valuable source of advice and information. Its export portal, [www.export.gov](http://www.export.gov), is a useful starting point for your on-line search for information about export development, federal export support programs, services, and staff.

One of its divisions, the United States and Foreign Commercial Service (US&FCS), helps U.S. firms compete more effectively in the global marketplace. Known in the U.S. as the Commercial Service, its trade specialists are available by email for your inquiries and for personal consultation in 69 U.S. cities, including Export Assistance Centers, and in 70 countries worldwide. The trade specialists are organized by industry specialty and provide information on foreign markets, agent/distributor services, trade leads, and counseling on business opportunities, trade barriers and prospects abroad. The best access point for help from the Commercial Service is through the Export Assistance Centers. To find a trade specialist near you, visit [www.buyusa.gov/home/us.html](http://www.buyusa.gov/home/us.html).

General country-specific information is also available on-line:

- World Fact Book, Central Intelligence Agency ([www.cia.gov/library/publications/](http://www.cia.gov/library/publications/))

- the-world-factbook/index.html)
- Country Reports, Department of State ([www.state.gov/countries](http://www.state.gov/countries))
- Country Risk Assessment, EXIM Bank ([www.exim.gov/tools/country/country\\_limits.html](http://www.exim.gov/tools/country/country_limits.html))

District Export Councils (DECs) are another useful ITA-sponsored resource. The 51 District Export Councils located around the United States are composed of 1,800 executives with experience in international trade who volunteer to help small businesses export. Council members come from banks, manufacturing companies, law offices, trade associations, state and local agencies, consulting companies and educational institutions. They draw upon their own experience to encourage, educate, counsel and guide potential, new and seasoned exporters in their individual marketing needs. DECs can be contacted through local Commercial Service or U.S. Export Assistance Center offices.

### The United States Export-Import Bank

The United States Export-Import Bank (Ex-Im Bank) can provide you with information about a country's political and economic risk. Through its export credit insurance program, Ex-Im Bank offers protection against failure of foreign buyers to pay their credit obligations for commercial or political reasons; greater financial flexibility for you and your bank in handling overseas accounts receivable; greater ability to offer foreign buyers competitive terms of payment; and support for prudent penetration of higher-risk foreign markets.

### The United States Department of Agriculture

If you have an agricultural product, your best choice for help is the U.S. Department of Agriculture's (USDA) Foreign Agricultural Service (FAS). With posts in embassies and consulates worldwide, the FAS can obtain specific overseas market information for your product. The FAS also maintains sector specialists in the United States to monitor foreign markets for specific U.S. agricultural products. The FAS Trade Assistance and Planning Office (TAPO) can assist you in finding out more about the export programs of the USDA, or go to the FAS website: [www.fas.usda.gov](http://www.fas.usda.gov).

## Non-Federal Resources

### State Economic Development Offices

Most state commerce and economic development offices have international trade specialists to assist you. Many states have trade offices in overseas markets, and some port authorities may offer small business export assistance. Although traditionally associated with transportation services, many port authorities around the country have expanded their services to provide export training programs and

foreign-marketing research assistance.

### Foreign Embassy Commercial Sections

Talk to the Commercial Attaché assigned to the embassy of the country to which you wish to export. For a web listing of embassies, visit [www.embassy.org/embassies/](http://www.embassy.org/embassies/).

### Exporters' Associations

World Trade Centers, import-export clubs and organizations such as the American Association of Exporters and Importers and the Small Business Exporter's Association can aid in your foreign market research.

### Trade Associations

The Federation of International Trade Associations ([www.fita.org](http://www.fita.org)), founded in 1984, fosters international trade by strengthening the role of local, regional and national associations throughout the United States, Mexico and Canada that have an international mission. FITA affiliates are 450+ independent international associations which fall into six categories: world trade clubs, associations/chambers of commerce with regional/bilateral interests, associations focused on international logistics, associations supporting international trade, associations supporting exporters and professional associations. More than 5,000 trade and professional associations currently operate in the United States; many actively promote international trade activities for their members. Chambers of Commerce, particularly state chambers, or chambers located in major industrial areas, often employ international trade specialists who gather information on markets abroad.

## How to Gather Foreign Market Research

Now that you know where to begin your research, the next step is to identify the most profitable foreign markets for your products or services. You will need to:

1. Classify your product by the HS-Code/Schedule B number
2. Find countries with the best-suited markets for your product
3. Determine which foreign markets will be the easiest to penetrate
4. Define and narrow down those export markets you intend to pursue
5. Talk to your U.S. customers or other companies who are doing business internationally
6. Research export efforts of U.S. competitors

Data originating outside the United States or information available from international organizations usually are organized under the Standard International Trade Classification (SITC) system, which may assign a different code to your product or

service.

The most critical method of classifying products for export is the Harmonized System (HS). It is an internationally agreed upon classification system that is the basis for obtaining domestic and international trade and tariff information. The codes are available on the National Trade Data Bank (NTDB) or visit the U.S. Bureau of the Census (USBC) website [www.census.gov/foreign-trade/schedules/b/](http://www.census.gov/foreign-trade/schedules/b/).

The North American Industry Classification System (NAICS) ([www.census.gov/epcd/www/naics.html](http://www.census.gov/epcd/www/naics.html)) is the system by which the U.S. government formerly classified its goods and services. Knowing the proper code for your product or service can be useful in collecting and analyzing data available in the United States.

Data originating outside the United States or information available from international organizations usually are organized under the Standard International Trade Classification (SITC) system, which may assign a different code to your product or service. Another method of classifying products for export is the Harmonized System (HS). Knowing the HS classification number for your product is essential to obtaining international tariff information. DOC and USDA trade specialists can assist in identifying the codes for your products. The codes are available on the National Trade Data Bank (NTDB). The U.S. Bureau of the Census (USBC) can help identify the HS number for your product.

## **Finding Countries With the Largest and Fastest Growing Markets for Your Product**

At this stage of your research, look up where your domestic competitors are exporting. In 2002, the three largest markets for U.S. products were Canada, Mexico and Japan. Due to their proximity, Canada and Mexico often are good first choices for new-to-export companies.

Trade associations can often provide data on where companies in a particular industry sector are exporting their products. U.S. government databases can identify those countries which represent significant export potential for your product.

### **The National Trade Data Bank (NTDB)**

The National Trade Data Bank (NTDB), a web-based subscription service of DOC's STAT-USA, is a trade library of more than 190,000 documents on export promotion and international economic information from more than 20 Federal sources. With the NTDB, you can conduct databank searches on markets, tariffs and non-tariff barriers, importers, logistics and product information. NTDB can be purchased by subscription or accessed at nearly 1,000 Federal depository libraries throughout the United States. Once you learn the largest markets for your products, determine which are the fastest

growing. Find out what demographic patterns and cultural considerations will affect market penetration. Several publications, most available on the NTDB, provide geographic and demographic statistical information. The World Factbook, produced by the Central Intelligence Agency (<http://cia.gov/cia/publications/factbook/index.html>); World Population, published by DOC's U.S. Bureau of Census; The World Bank Atlas, available from the World Bank ([www.worldbank.org](http://www.worldbank.org)); and the United Nations International Trade Statistics Yearbook. Another excellent resources for country information is a private sector provider [www.countrywatch.com](http://www.countrywatch.com).

## Determining the Most Penetrable Markets

Once you have defined and narrowed your search to a few prospective foreign markets for your product, you will need to examine them in detail. At this stage you should ask the following questions: How does the quality of your product or service compare with that of goods already available in your target foreign markets? Is your price competitive in the markets you are considering? Who are your major customers?

Answering these questions may seem overwhelming at first, but many resources are available to help you select which foreign markets are most conducive to selling your product.

Much information is available on-line, visit [www.export.gov/mrktresearch/index.asp](http://www.export.gov/mrktresearch/index.asp) and you are able to search on-line for Country and Industry reports, access the Video Market Report Library, find Country Facts, Data, Demographics, etc. and get the details on Customized Market Research Services. At some point you may want to discuss your preliminary findings and get feedback on your selection. The ITA trade specialists can assist you in the feasibility check on your market selections and then link you with specific foreign markets. The trade specialists in USEACs communicate directly with colleagues working in U.S. embassies worldwide and can produce locally prepared in-depth reports on selected products and industries which can answer many of your questions regarding foreign market penetration. These reports are a low-cost way to conduct research without having to leave the United States.

Finding partners and trade leads is easy. Visit [www.export.gov/tradeleads/index.asp](http://www.export.gov/tradeleads/index.asp) and see whether any of the listings fit your interest, business focus and export strategy. One other basic screen in the targeting foreign markets includes political risk considerations. For a general check using the Country Credit Assessment by the EXIM Bank, visit [www.exim.gov/tools/country/country\\_limits.cfm](http://www.exim.gov/tools/country/country_limits.cfm) and use the 'Quick Select,' alphabetical country selection for a review of the credit standards prepared by economic specialists of the Export-Import Bank. The government also maintains a list of prohibited companies and individuals which you can cross check for the legality of trading with companies or individuals, by checking the listing



of Specially Designated Nationals (SDN) or Blocked Companies at [www.ustreas.gov/offices/enforcement/ofac/sdn/](http://www.ustreas.gov/offices/enforcement/ofac/sdn/). The same site also has a comprehensive list of sanctions which prohibit trade with designated countries.

Finally making cultural adjustments and product modifications, such as packaging or labeling can make your product more “exportable.” Conforming to entry requirements that are of a technical nature, such as the EC Mark for entry into the European Union markets may even require redesigning or retrofitting your products in order to be allowed entry. Commercial Service trade specialist can offer advice and information on these requirements as well.

Another fundamental question to ask trade specialists is about tariffs or import restrictions, which may exist for your product. Food items, supplements and cosmetics may require pre-clearance prior to import into a foreign market, similar to the FDA approval in the USA. Often experienced trade specialists can assist you in achieving clearance simply by helping you understand the process or by providing details on the requirements.

Tariffs are the taxes imposed on imported goods in the target markets and unless you are trading within the NAFTA area or in markets linked to the US by trade agreements, they can become a major factor in determining your pricing. If tariffs raise the price of imported goods beyond the level of domestic goods, you will not be competitive.

To determine the rate of duty, you will need to identify the Harmonized Code number, for the product you wish to export. While each country has its own schedule of duty rates, most classification systems are based on the Harmonized System of Tariff Nomenclature.

## **Defining Which Markets to Pursue**

Once you know the largest, fastest growing and easiest markets to penetrate for your product or service, the next step is to define your export strategy.

New-to-export businesses tend to choose too many markets. For most small businesses, one to three foreign markets will be quite ambitious initially. It is best to test one market and then move on to secondary markets as your expertise develops. Focusing on regional, geographic clusters of countries is more cost effective than choosing markets scattered around the globe, especially when you plan trips or marketing events.

After you have identified the best export markets, the next stage will be to determine the best way to distribute your product abroad. Chapter 4, “Foreign Market Entry,” discusses distribution methods.