SESSION 2B:
GLOBAL MARKET INTELLIGENCE
FINDING PROFITABLE EXPORT MARKETS

Hello, my name is Bob Erwin, and welcome to session 2B of Export-U…on global market intelligence.

This series of online trade mini-courses is sponsored by the US Commercial Service of the US Department of Commerce.

It has been prepared through a collaboration of the US Export Assistance Center in Atlanta …….and the University of Georgia's Small Business Development Centers.

In the previous session, we learned how to use a product's Harmonized Code to determine global –CLICK-1-
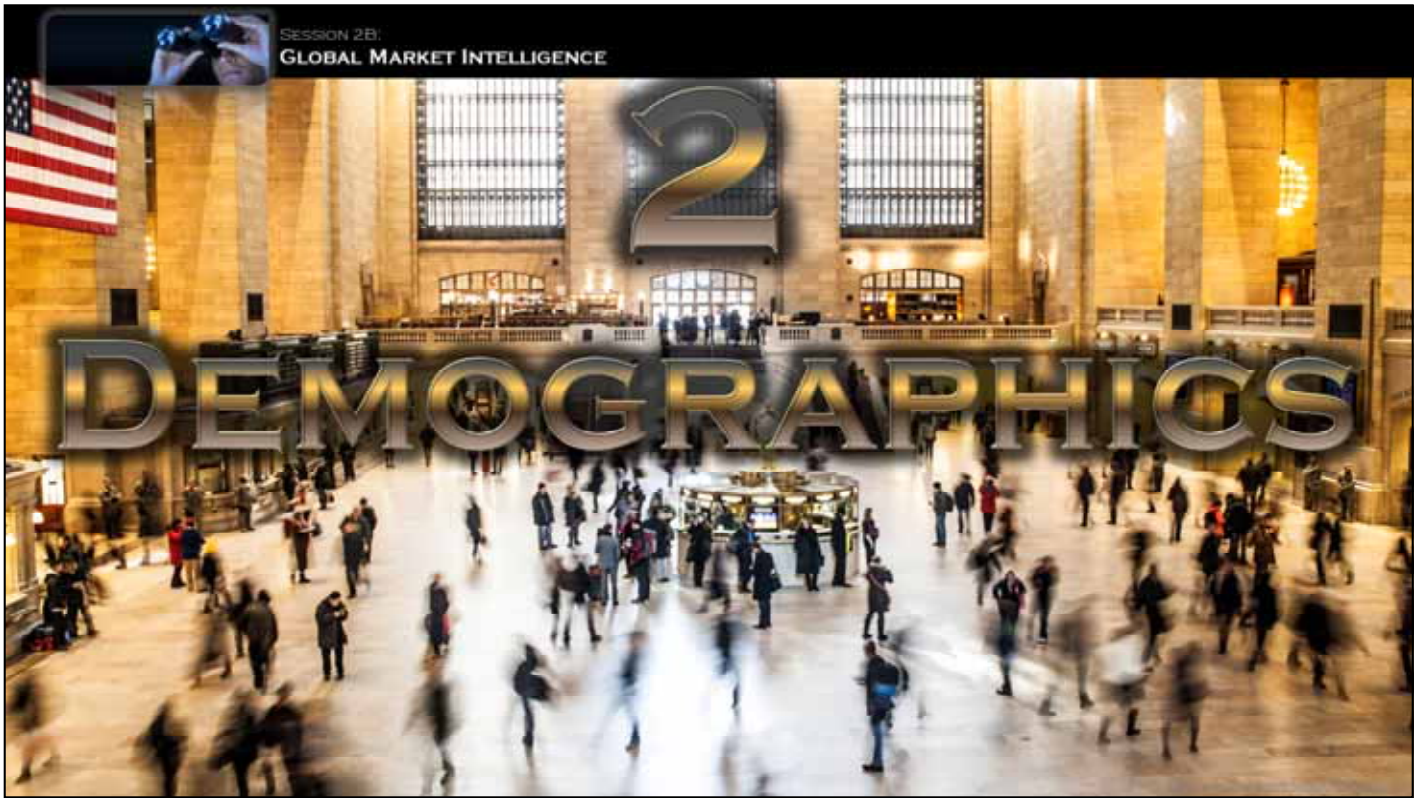
trade patterns and trends.

In this session, we will dig deeper….to see how
-CLICK-2-

demographics,
-CLICK-3-

special product-related factors, and
-CLICK-4-

country risk, determine market opportunity….. And finally,…..we will learn one method for
-CLICK-5-

analyzing all of this data so we can turn it into actionable market intelligence.
-CLICK-twice-

……………………………DEMOGRAPHICS…………………….

OK, it's a BIG word,… but what we're really talking about here are the numbers that define a country and a market.

How big is it,… how many people live there, ….how wealthy are they,…and so on……

and perhaps most importantly,……. can they afford what you're selling, and if they can, will they want or need it.

Demographic information is available all over the web, but one of the best sites for it is the
-CLICK-1-

CIA's World Factbook.
On the homepage you can select
-CLICK-2-

"Guide to Country Comparisons."
-CLICK-3-

to bring-up a long list of possible data.
-CLICK-4-

For example, selecting GDP - per capita yields
-CLICK-5-

a listing of countries by the average wealth of their population --- a key factor in determining if they can afford your product.

There are tons of other useful datasets, and I would encourage you to spend some time exploring this site.

Now, let's return to the example from the previous session, where we considered the global trade patterns for motor vehicle parts.

That research gave us a 10,000 foot view of US export patterns, and showed where we are probably competitive........

This is critical data, but for most products there are also a number of
-CLICK-

special factors at play......

Often, a product's export potential depends heavily on special factors.

For example, auto part sales volume depends on the number of cars.... A good website for such data is -CLICK-1-

Nationmaster.com. ...On the home page,
-CLICK-2-

you select the category of interest --- in this case "transport"--- which opens
-CLICK-3-

a new page of sub-categories.... Selecting
-CLICK-4-

"Motor vehicles per 1,000 people," yields
-CLICK-5-

a ranking of countries by car density. The Netherlands Antilles, of all places, has the most, actually having more cars than people…. Amazing!
Incidentally, Wikipedia is also good for such information.

List of countries by motor vehicle production

From Wikipedia. the free encyclopedia

Rank	Country	2015 [2]	2014 [3]	2013 [4]	2012 [5]	2011 [6][7]	2010 [7][8]	2005 [9]
—	World	90,780,583	89,747,430	87,507,027	84,141,209	80,092,840	77,629,127	66,482,439
1	China	24,503,326	23,722,890	22,116,825	19,271,808	18,418,876	18,264,761	5,717,619
2	United States	12,100,095	11,660,699	11,066,432	10,335,765	8,661,535	7,743,093	11,946,653
3	Japan	9,278,238	9,774,558	9,630,181	9,943,077	8,398,630	9,628,920	10,799,659
4	Germany[20]	6,033,164	5,907,548	5,718,222	5,649,260	6,146,948	5,905,985	5,757,710
5	South Korea	4,555,957	4,524,932	4,521,429	4,561,766	4,657,094	4,271,741	3,699,350
6	India	4,125,744	3,840,160	3,898,425	4,174,713	3,927,411	3,557,073	1,638,674
7	Mexico	3,565,469	3,365,306	3,054,849	3,001,814	2,681,050	2,342,282	1,684,238
8	Spain	2,733,201	2,402,978	2,163,338	1,979,179	2,373,329	2,387,900	2,752,500
9	Brazil	2,429,463	3,364,890	3,712,380	3,402,508	3,407,861	3,381,728[22]	2,530,840
10	Canada	2,283,474	2,393,890	2,379,806	2,463,364	2,135,121	2,068,189	2,687,892

While the number of cars on the road is important if you selling aftermarket parts,….. it is less important if you are selling parts to vehicle manufacturers.
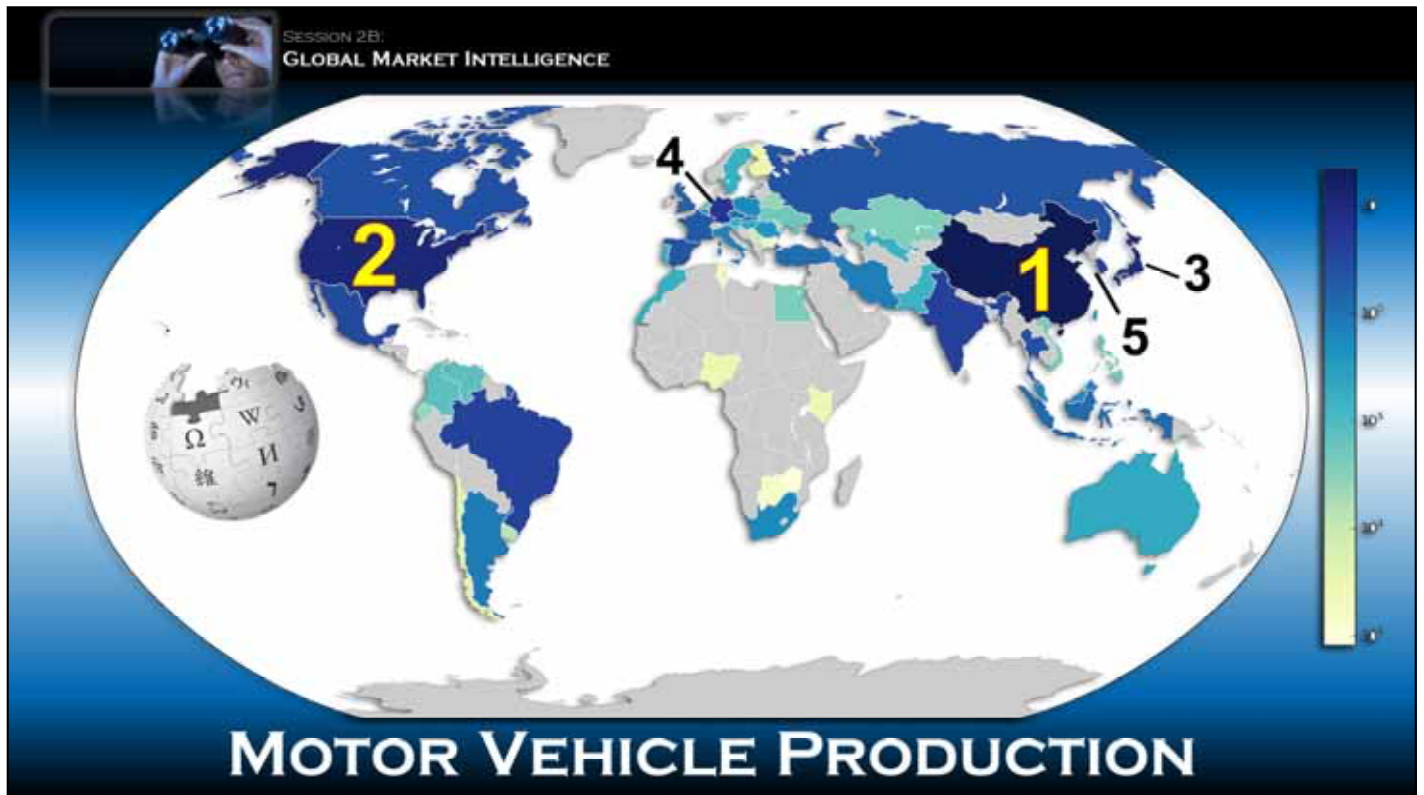
Then, you really want to know where cars …..
-CLICK-

are produced. And a good place to find this sort of industrial data is
-CLICK-

Wikipedia. Here's a chart showing motor vehicle production by country. Wikipedia will even give you …

MOTOR VEHICLE PRODUCTION

A color coded map of vehicle production,.... which makes it easy to visualize
-CLICK-

where the top markets are.

Clearly, the US and China are top dog, followed by Japan, Germany, and South Korea.

Similar data is available for many industries, and some good sources are listed in the links section of this website.

This type of production data is often compiled by trade associations, and may even be found on individual company websites……

For example, this chart from the General Motors website shows that in 2015 GM actually built more vehicles in China than in the US.

-CLICK-

If you were a supplier of OEM parts to their factories in America, this might suggest export potential in Asia.

Finally, there is some risk inherent to doing business in any country.
-CLICK-1-

One place to get country risk ratings is on the Coface website. On their home page you can
-CLICK-2-

click the pulldown menu for data on a specific country. Or, if you scroll down on the page you will see
-CLICK-3-

A link to their "Country Risk Map"-----Clicking that link will open a
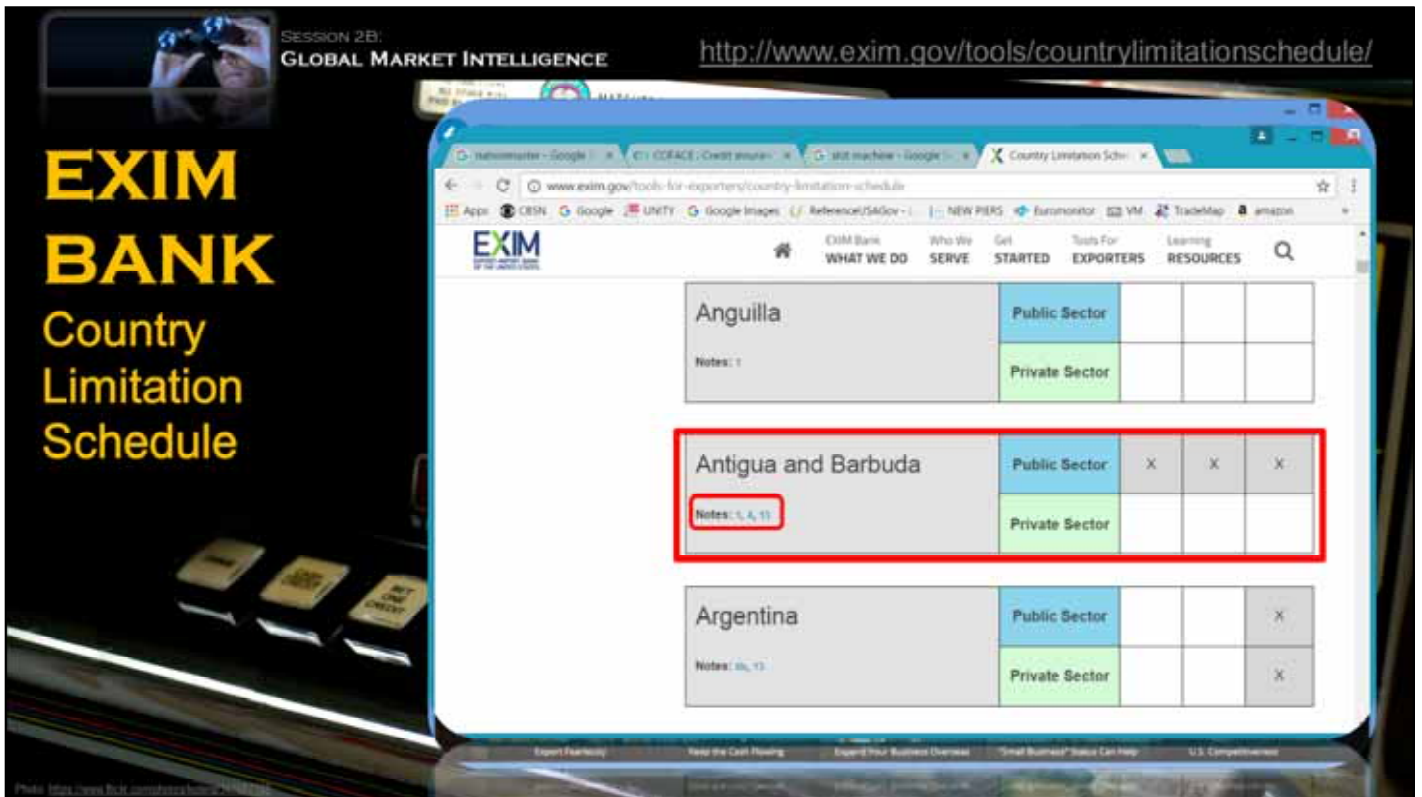-CLICK-4-

worldwide risk map... And clicking on a specific country
-CLICK-5-

will reveal that country's basic risk score. Clicking on the score produces
-CLICK-6

an analysis of the risks for that market and a rating of its business climate. Coface

Another good indicator of risk can be found on the
-CLICK-1-

ExIm Bank website. ExIm is a US Government agency that provides export loans
and export credit insurance.
-CLICK-2-

This chart, called the Country Limitation Schedule, indicates with an "X" where ExIm
sees sufficient risk to deny financing and insurance. For example, here you can see
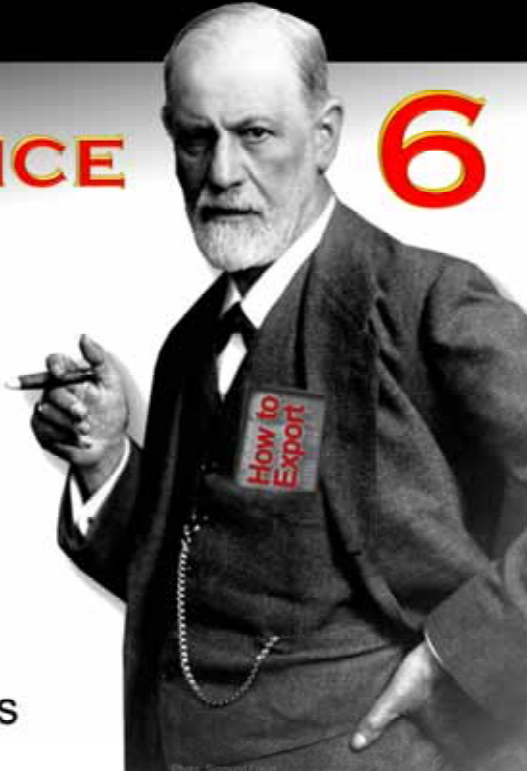that …
-CLICK-3-

in Antigua and Barbuda they will not cover export sales to the public sector. Detailed
explanations can be seen by clicking on the
-CLICK-4-

"Notes links"

There are a number of ways to analyze trade data. …But, I recommend the following general sequence:
-CLICK-1-

First, record all of you country data on a single chart,
-CLICK-2-

Nest, examine the chart for any obvious trends or opportunities.---

For example, you might look for markets that receive the most US exports,... have the highest growth rate,... or have a certain industry present.
-CLICK-3-

Finally, you should eliminate those markets which appear unpromising or too risky.

To see how this works in practice, let's return to our auto parts example.

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BRAKE PARTS

HS-870830

Obviously, cars break down all over the world, and need replacement parts, including brake parts, like
-CLICK-1-

this disc and caliper,
-CLICK-2-

brake pads, and
-CLICK-3-

hydraulic lines . ………

Brake parts have their own unique 6-digit harmonized code
-CLICK-4-

870830.

Just to review, previously we found international trade data on
-CLICK-1-

the Trademap website.
 ….Then, we found demographic information on the
-CLICK-2-

CIA World Factbook site. We also considered special factors,.. like the number of cars per capita on
-CLICK-3-

the NationMaster site, and finally we found country risk data on
-CLICK-4-

the Coface website.

By the way, for your convenience, each of these logos is live-linked to the source.

We also list many other sources, in the "LINKS" section of this website.

RECORDING CHART

SESSION 2B: GLOBAL MARKET INTELLIGENCE

	Brake Trade					Demographics		Special Factors			Risk
	US Brake Exports in 2014 ($M)	Export Growth 10-14 (p.a.)	Export Growth 13-14	Rank in World Imports	US Market Share (%)	Economy (GDP, $T)	Wealth (GDP/capita, $K)	Population (M)	Car Density (cars/M people)	Cars (M)	
Canada	$1,370	5.0%	5.0%	4	71.5	$1.6	$44.5	35	607	21	A1
Mexico	$899	14.0%	4.0%	3	63.2	$2.1	$17.9	120	275	33	
China	$61	7.0%	18.0%	8	6.4	$17.6	$12.9	1,356	113	15	
Australia	$48	1.0%	8.0%	27	12.9	$1.1	$46.6	22	731	16	
Brazil	$34	9.0%	9.0%	18	6.2	$3.1	$15.2	202	249	50	
United Kingdom	$33	8.0%	-11.0%	6	2.1	$2.4	$37.7	64	519	33	
Germany	$31	14.0%	28.0%	2	0.7	$3.6	$44.7	81	588	4	
South Korea	$29	13.0%	6.0%	21	10.9	$1.8	$35.4	49	438		
Japan	$23	7.0%	-25.0%	15	4.8	$4.8	$37.8	127	588		
Emirates	$22	49.0%	-9.0%	23	8.4	$0.6	$65.0	6	313		

The easiest way to examine all this data is on a single recording chart. To keep things manageable, lets start by recording the
-CLICK-1-

Trade data for brakes, looking at just the top 10 US export markets….

Here we have recorded the value of exports to each country, along with export growth and the US market share.

Next, we enter some
-CLICK-2-

Demographic factors, including the countries' economic output and wealth.
-CLICK-3-

Special factors include the number of cars per country.

And finally, we record
-CLICK-4-

The countries' risk ratings.

Looking at this data, we immediately notice that --- not surprisingly ---
-CLICK-1-

Canada is our number one brake export market, with an annual growth rate of 5%.
-CLICK-2-

Mexico came in second with about 2/3s as much volume, But look at the growth rate: of about 14% each year!
-CLICK-3-

China is a very distant third, but exports there rocketed by 18% annually. And, they have a LOT of CARS needing brakes.
-CLICK-4-

Sales to Germany and South Korea were modest…. but look at the growth rates! There are also cautionary signs.
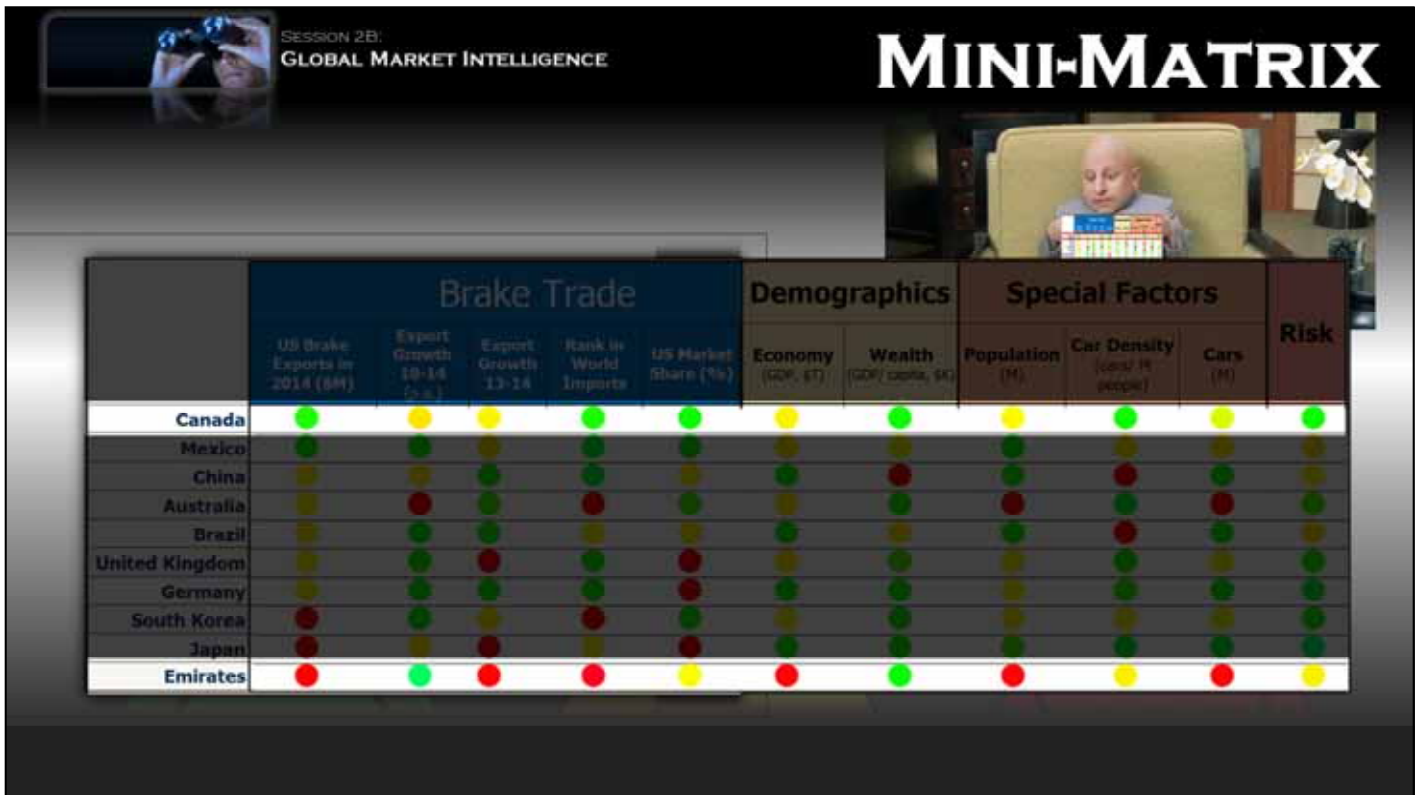-CLICK-5-

Exports shrunk to the UK, Japan, and the Emirates.
-CLICK-6-

And, all these markets are relatively safe places to do business.

One takeaway?
-CLICK-7-

The biggest markets are not <u>always</u> the best choice,. if their growth is sluggish.

	Brake Trade					Demographics		Special Factors			Risk
	US Brake Exports in 2014 ($M)	Export Growth 10-14	Export Growth 13-14	Rank in World Imports	US Market Share (%)	Economy (GDP, $T)	Wealth (GDP/capita, $K)	Population (M)	Car Density (cars/K people)	Cars (M)	
Canada	Green	Yellow	Yellow	Green	Green	Yellow	Green	Yellow	Green	Yellow	Green
Mexico	Green	Green	Green	Green	Green	Yellow	Yellow	Green	Yellow	Green	
China	Yellow	Green	Green	Yellow	Green	Red	Green	Red	Green		
Australia	Yellow	Red	Green	Red	Green	Yellow	Red	Red	Red	Green	
Brazil	Yellow	Green	Green	Yellow	Yellow	Green	Yellow	Red	Green	Yellow	
United Kingdom	Yellow	Green	Red	Green	Red	Green	Green	Green	Green	Green	
Germany	Yellow	Green	Green	Green	Green	Green	Green	Green	Yellow	Green	
South Korea	Red	Green	Yellow	Red	Green	Green	Green	Green	Yellow	Green	
Japan	Red	Yellow	Red	Green	Green	Green	Green	Green	Green	Green	
Emirates	Red	Green	Red	Red	Yellow	Red	Green	Red	Yellow	Red	Yellow

A fairly simple way to assess this data is with what we affectionately call the mini-matrix. ...To keep things simple, we'll use just three dot types
-CLICK-1-

GREEN for good, …YELLOW for so..-..so,… and RED for Bad…. Incidentally, Consumer Reports magazine has used such methodology for years to rate household appliances.
-CLICK-2-

Now let's apply this to our brake parts chart, and replace each number with a dot
-CLICK-3-

Countries with a lot of green dots look pretty good…. But red dots signal areas of caution…. To see how this works, let's ….
-CLICK-4-

compare Canada and the Emirates. Canada looks pretty good, but the Emirates have several red dots flagging potential concerns.

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MINI-MATRIX

Country	Construction Rank 2015	2020 Hot Growth Region?	2030 Projection	Investment Top 10	GDP Growth	Cement Production	Environmental Sensitivity	My assesment
India	1	green			green	green	red	C
USA	2		green	green	green	green	green	A
China	3	green	green	green	green	green	red	C
Japan	4	green		green	yellow	yellow	green	B
France	5			green	yellow	yellow	green	B
Germany	6			green	yellow	yellow		B
UK	7		green	green	yellow		green	B
Canada	8		red	green	yellow		green	B
Australia	9		red	green	red		green	C
Russia	10				red	green	red	D
Brazil	11		red		red	green	yellow	D
Italy	12				red	yellow	green	C
Spain	13				yellow		green	C
Indonesia	14	green	green		green	yellow	red	D
Mexico	15		green		green	yellow	red	D

An environmentally-friendly concrete additive

Now let us consider another example. This company manufactures
-CLICK-1-

an eco-friendly chemical additive for concrete. First,
-CLICK-2-

we listed the top 15 countries by their construction volume. Then, we identified
-CLICK-3-

"hot growth" regions of the world. Other factors included
-CLICK-4-

projected construction rates,
-CLICK-5-

Top investment climates,
-CLICK-6-

GDP growth,
-CLICK-7-

Cement Production…and
-CLICK-8-

environmental sensitivity.

This information was drawn from a broad range of sources. Some was numeric, some not, ….. but all could be rated subjectively as good, bad or fair.

We then looked at the dot patterns and ventured
-CLICK-9-

our own market assessments from "A" to "D"…. For example,
-CLICK-10-

take a look at China and India. They both have a lot of construction, growth, and cement production, but low environmentally sensitivity, so they may not pay more for an eco-friendly product.

Okay,...colored dots are great, but now its time for the really serious stuff…Meet THE full MATRIX…
-CLICK-1-

Our formal name for the thing is Multi-attribute Analysis of export markets,.. or MMA,...

But, honestly that's a mouthful, and nobody really calls it that.

It is roughly....and I mean very roughly
-CLICK-2-

based on NASA's Probabilstic
Risk Assessment
or PRA methodology. …which was used in the early days of the space program to estimate the risks inherent to space-flight.

Basically, this type of analysis can consider a lot of seemingly incompatible data…

It digests all sorts of things that are relevant to exporters, and then
-CLICK-1-

it manipulates them to produce opportunity scores for potential export markets.

Through a little bit of spreadsheet magic, it converts everything to a common number scale. …
-CLICK-2-

from -100 to +100, with 0 representing the average value.

This scale is useful, since Excel can print all of the negative values in red so they are easy to spot.

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GLOBAL MARKET INTELLIGENCE
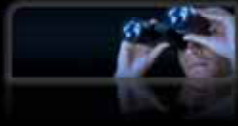
MATRIX

HOW IT WORKS

1. Adjusts all numbers to a standard range (-100 to +100)

2. Lets you weight relative importance of each indicator (% of total)

3. Derives total country scores: (sum of all the weighted data)
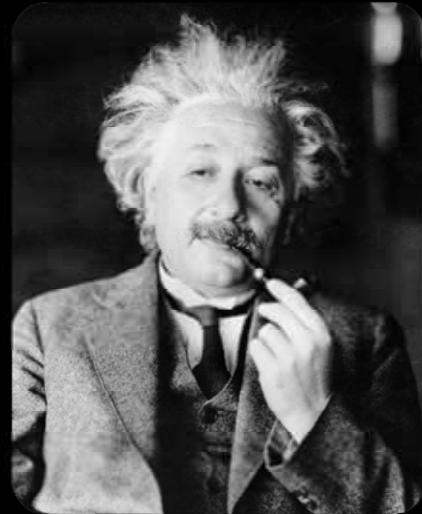
The MATRIX digests all of these numbers to derive a score for each country.

The process is rather laborious, but it does make sense if you are examining a large number of countries simultaneously.

And, while the mathematics are beyond the scope of this session, it basically

CLICK-1- adjusts everything to the range of -100 to +100. Then...

-CLICK-2- you assign an importance rating of each factor.

-CLICK-3- and the spreadsheet then combines them to yield country scores.

Just to give you an idea of what it might look like. ………………

Here's a screen shot of one part of a full Matrix analysis….WOW!

Typically, we score 178 countries, ---- basically, all the counties for which the UN keeps trade data….

We have also produced smaller spreadsheets focused on certain regionsof the world, like Latin America, or the Caribbean.
-CLICK-1-

We often create maps like this one to highlight the top markets from the Matrix.

If you're interested in learning more, you can download a sample spreadsheet, complete with formulas and map, from the "Resources" section of this website. A direct link to that page is shown above.

A conference paper on the process is also available there for download.

The next webinar will explain how to get more detailed intelligence on specific targeted markets….

but, just to complete our discussion of auto parts, lets assume that your research points toward
-CLICK-

Australia

How do you gather more imformation on that specific country? ……… or for that matter on any other country?

One logical first step is to perform intensive Google searches for car parts and Australia.

This quickly yields a lot of ads for cars and dealerships down-under,

And, it also reveals that some American models are sold there,
-CLICK-1-

like this mustang. If you make Mustang parts, this might be a good target country.

Your Googling will also tell you that Australia has a huge, flat, and almost empty "outback" region. And, this makes it quite a challenge to move products cross-country.

One clever solution is the
-CLICK-1-

"Australian Road Train", ….basically it's a semi-rig towing several trailers --- much longer than anything in the US.

These things are efficient, but as you might imagine, the vehicles suffer incredible wear-and-tear, and they need a **lot** of replacement parts.

So, the question is: can your parts compete in Australia's market?
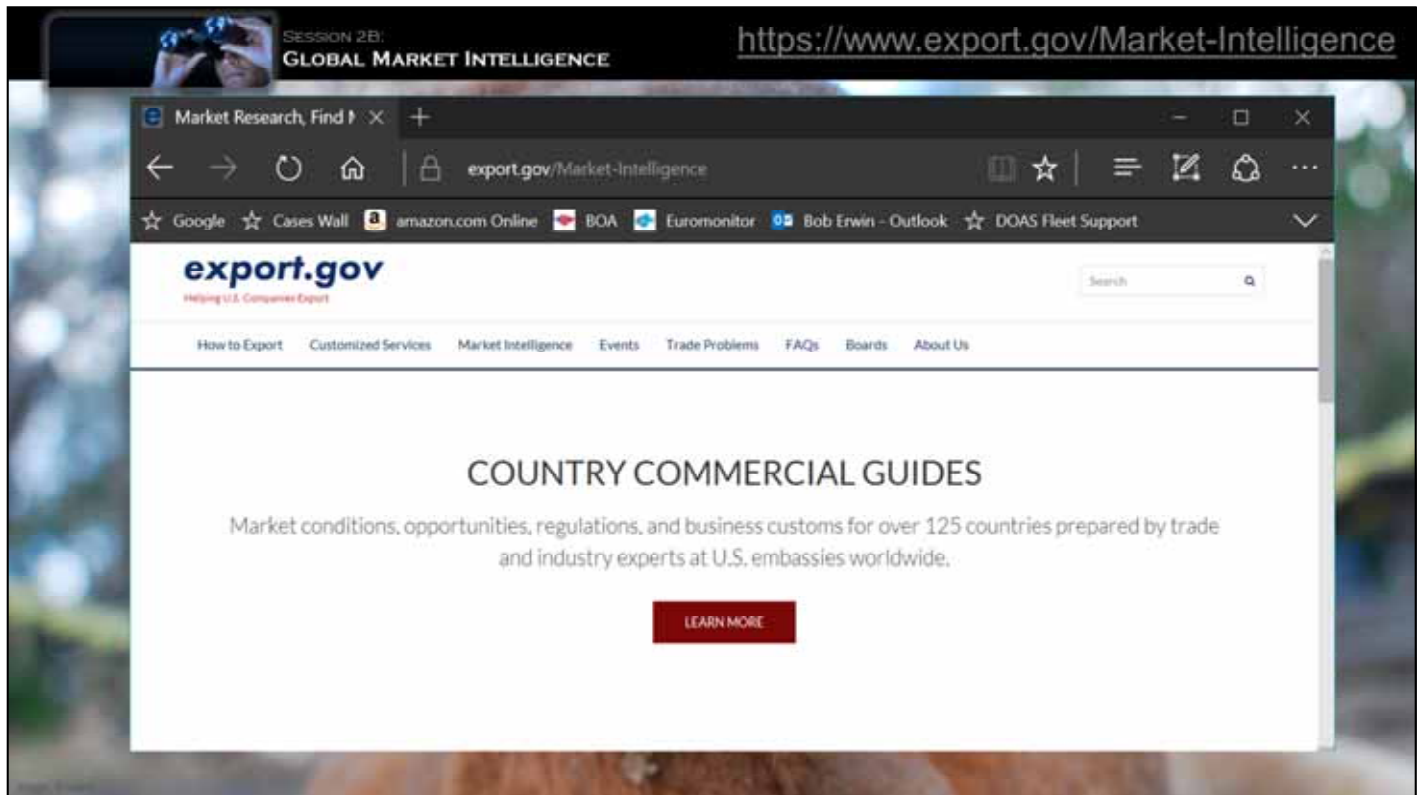
An excellent place to start looking for the answer is in the US Commercial Service's online
-CLICK-1-

Market Intelligence Library……. Here, …you have several research options, including a simple keyword search,

…..or …scrolling down a little you can access several
-CLICK-2-

Top Export Market Reports for various industries. You can even create your own …
-CLICK-3-

customized research report by assembling an information download…..

But, some of the most useful overview information on doing business overseas may be found in the
-CLICK-4-

Country Commercial Guides. …..
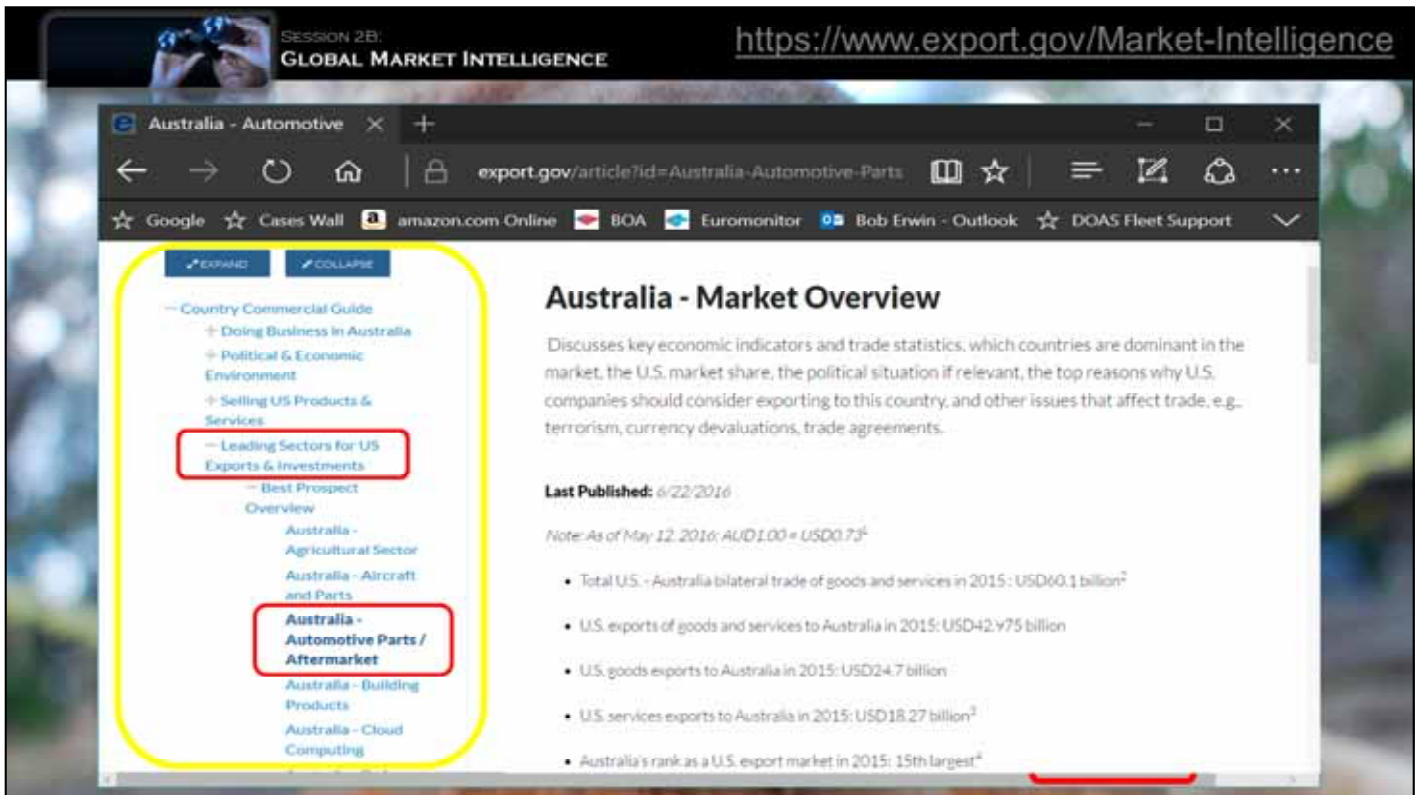
To access Australia's Country Commercial Guide. ……… just
-CLICK-1-

click here and
-CLICK-2-

the report pops-up…….. It has a ton of useful information....

On the left is
-CLICK-3-

an expandable table of contents... If you click on
-CLICK-4-

Leading Sectors for US Exports and Investment, and then select
-CLICK-5-

"Automotive Parts Aftermarket, you see this section. The US is a top supplier to
Australia, and in 2016, we sold Australia over
-CLICK-6-

a BILLION Dollars worth of parts!

On this site, you can also click on
-CLICK-1-

Top Market Reports to bring up a page listing all the
-CLICK-2-

available reports. And, fortunately, there is one on Auto Parts. Clicking this link, opens up
-CLICK-3-

an incredibly detailed and useful PDF report on the subject. ....
-CLICK-4-

In the Table of Contents, you see that Australia is covered, and…. just glancing at the
-CLICK-5-

section heading, you learn that Australia is America's 12th largest aftermarket parts destination, and we have a free trade agreement with the country.

SESSION 2B:
THE END
GLOBAL MARKET INTELLIGENCE

Thank you for attending this session of Export-U.

The next webinar will discuss in greater detail how to get more intelligence on target markets, so you can approach them with confidence.