

Assessing and Analyzing Markets

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"We believe that all roads will eventually lead to the Internet."

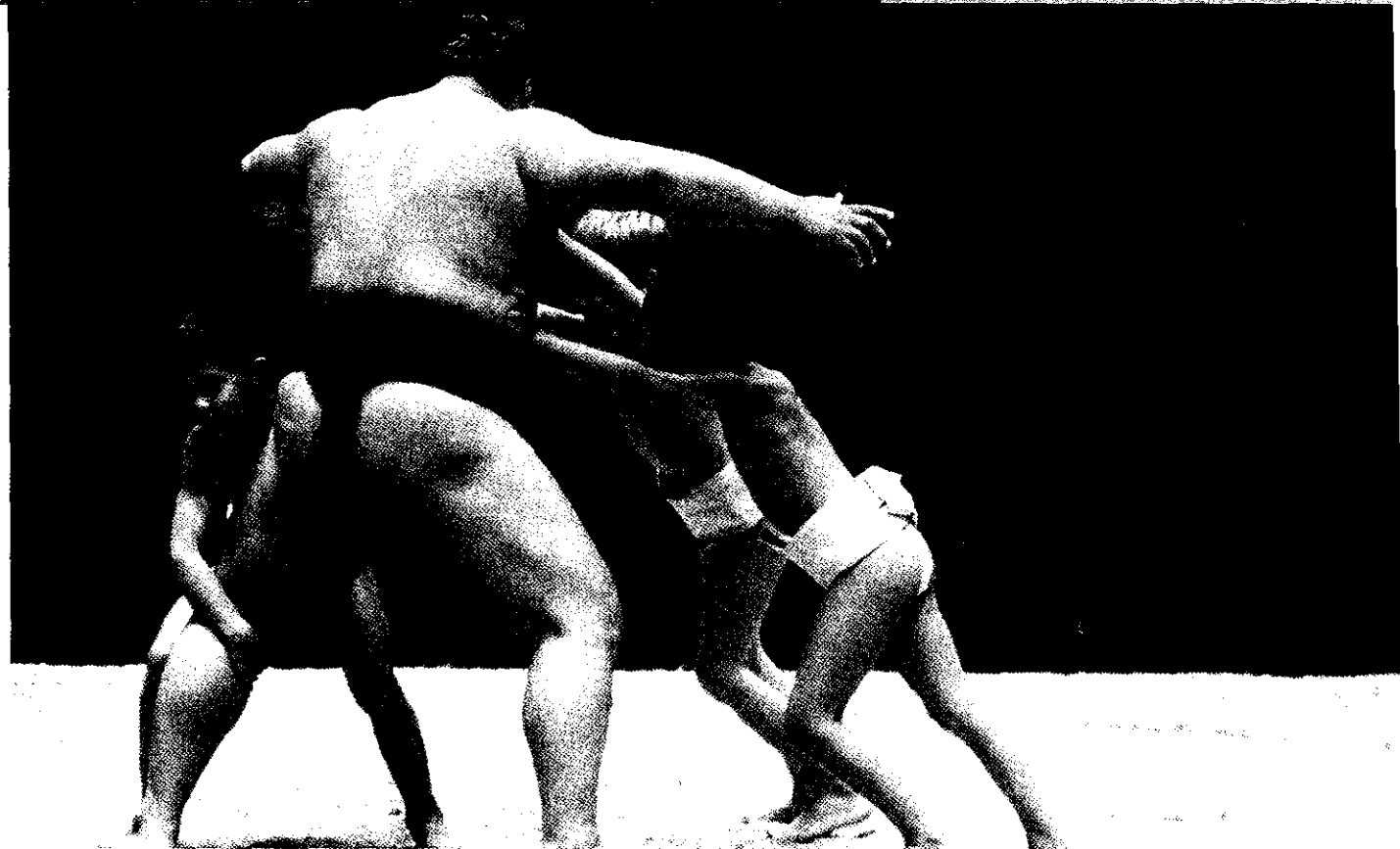
—Ann Lewnes, manager of Intel's worldwide advertising group,
World Opinion News quotes,

<http://www.worldopinion.com/news?cmd=item&id=2737>.

■ Concept Previews

After reading this chapter, you should be able to:

- **discuss** environmental analysis and two types of market screening
- **explain** market indicators and market factors
- **describe** some statistical techniques for estimating market demand and grouping similar markets
- **appreciate** the value to businesspeople of trade missions and trade fairs
- **discuss** some of the problems market researchers encounter in foreign markets
- **understand** the difference between country screening and segment screening
- **identify** the sources of information for the screening process
- **appreciate** the utility of the Internet as a source of market research data



Owen Franken/Corbis

Grassroots Marketing Research

Entrepreneur Peter Johns, a 30-year veteran in international marketing, had the idea of distributing mail-order catalogs for upscale U.S. firms in Mexico. He felt that because of the improvement in the Mexican economy, the rich would want to buy foreign-made luxury goods. He also knew that well-to-do Mexicans regularly make trips to the United States to load up on things they cannot get in their country. In fact, there is an axiom: The richer they are, the farther inland they go in the United States. However, when Johns went to confirm his beliefs with hard data, the market veteran found none to his liking. Government data were of no help.

The other alternative was personal observation, and so Johns visited the affluent neighborhoods and shopping areas to see for himself. The satellite dishes and imported sports cars, along with other information he gathered, led him to the conclusion that his target market was about 300,000 families.

Johns formed a company to distribute the catalogs of 20 American firms, Choices Unlimited, in which Mexican investors owned 60 percent. But now he had a second problem. He needed mailing lists, but he couldn't find what he needed in Mexico. This time Johns went to the Mexican investors in his own company. They gave him memberships in the city's exclusive golf clubs. He also obtained directories of the parents of the students at some of the exclusive private schools. The information he gathered enabled him to make a flashy debut at a fancy members-only nightclub. After a fashion show followed by heavy food and drink, 800 people each put down \$28 in pesos to become charter members. They'll get catalogs, promotional discounts, and more fashion-show invitations. Choices Unlimited has pledged to make deliveries from the United States in 15 days and has hired Federal Express to do it. Mexican Customs has also promised to give its packages fast service.

The entrepreneur rightly predicted that the North American Free Trade Agreement would give his business a big boost because it would eliminate or greatly reduce Mexico's 15 percent import duty on clothing and 20 percent duty on luxury goods. What he didn't count on, however, was Mexico's 40 percent devaluation of the peso, which raised the peso prices of imported products paid for in dollars over 60 percent. An item costing 100 pesos before the devaluation would now cost 160 pesos.

Johns and Mexicans involved in importing were hoping that (1) the \$50 billion rescue package from the IMF, the Bank for International Settlements, and the United States would stabilize the peso and (2) a cheaper peso in terms of the dollar would enable Mexico to export its

way out of the financial crisis. By 1998, Mexico had recovered substantially from the 1994 crisis and was displaying strong economic growth despite the Asian crisis. The inflation rate had dropped, the unemployment rate was down to 3 percent, and retail sales were up 10 percent in 1997. It seems that Johns was right after all, although the peso has continued to slide (it is now hovering at 10 to the dollar), the devaluation has been gradual, and devaluation has helped make Mexican products cheaper abroad.

Sources: "Macroeconomic Forecasts for 1998," *Review of the Economic Situation in Mexico*, (Mexico City: Banco Nacional de Mexico, January 1998), pp. 18–32; Ed Yardeni, "Mexican Business Indicators," *Dr. Ed Yardeni's Online Chart Room*, February 2, 1998, www.yardeni.com/country.htm#Mexico (February 12, 1998); "The Egg on Zedillo's Face," *The Economist*, January 7, 1995, p. 31; "Putting Mexico Together Again," *The Economist*, pp. 65–67; and "Grass-Roots Marketing Yields Clients in Mexico City," *The Wall Street Journal*, October 24, 1991, p. B2.

The anecdote above illustrates the difficulties experienced marketers from industrialized nations have when they do market assessment and analysis in developing nations, even one as advanced as Mexico. It also shows that experienced international marketers like Johns will not be stopped by lack of data but will use whatever methods are available to get what they need. Often these methods are quite ingenious. Note how Johns compiled his mailing list at no cost when he could not find what he needed. Later in this chapter, we shall look at other problems marketers have in doing research across cultures.

The market research Johns did is the first step in the market screening process: determining the basic need potential. We shall describe this process fully in the next section. **Market screening** is a modified version of environmental scanning in which the firm identifies markets by using the environmental forces to eliminate the less desirable markets. **Environmental scanning**, from which market screening is derived, is a procedure in which a firm scans the world for changes in the environmental forces that might affect it.¹

For some time, environmental scanning has been used by management during the planning process to provide information about world threats and opportunities. Those who do environmental scanning professionally may belong to such organizations as the Society of Competitive Intelligence Professionals (www.scip.org). In addition, private environmental scanning services are available from a number of private firms. Examples of such service providers include Summit Analytical Associates (www.s2a.com) and Stratfor, Inc. (www.stratfor.com).

Market screening assists two different kinds of firms. One is selling exclusively in the domestic market but believes it might increase sales by expanding into overseas markets. The other is already a multinational but wants to be certain changing conditions are not creating markets about which its management is unaware. In both situations, managers require an ordered, relatively fast method of analyzing and assessing the nearly 200 countries to pinpoint the most suitable prospects.



Market Screening

Market screening is a method of market analysis and assessment that permits management to identify a small number of desirable markets by eliminating those judged to be less attractive. This is accomplished by subjecting the markets to a series of screenings based on the environmental forces examined in Section III. Although these forces may be placed in any order, the arrangement suggested in Figure 15.1 is designed to progress from the least to

market screening

A version of environmental scanning in which the firm identifies desirable markets by using the environmental forces to eliminate the less desirable markets

environmental scanning

A procedure in which a firm scans the world for changes in the environmental forces that might affect it