

Introduction to International Market

Objectives

The main objective of this Learning Unit is to understand the key tools and concepts of international market research and how best to apply them.

Learning Unit Summary

The first step that a budding export company should take is to evaluate the sales potential in each foreign market. One should keep in mind that there are more than 200 countries which implies that we may have to evaluate a huge amount of information.

For this reason many executives when faced with this dilemma tend to opt for markets which share some cultural affiliation with their own. UK exporters opt more for the Irish, USA and EU, whereas Spanish exporters tend to approach Latin America or the EU.

Market Definition

In marketing, the term market refers to the group of consumers or organizations that is interested in the product, has the resources to purchase the product, and is permitted by law and other regulations to acquire the product.

The market definition begins with the total population and progressively narrows as shown in the following diagram.

Beginning with the total population, various terms are used to describe the market based on the level of narrowing:

- **Total population.**
- **Potential market:** those in the total population who have interest in acquiring the product.
- **Available market:** those in the potential market who have enough money to buy the product.
- **Qualified available market:** those in the available market who legally are permitted to buy the product.
- **Target market:** the segment of the qualified available market that the firm has decided to serve (the served market).
- **Penetrated market:** those in the target market who have purchased the product.

Market Profitability

While different firms in a market will have different levels of profitability, the average profit potential for a market can be used as a guideline for knowing how difficult it is to make money in the market. Michael Porter devised a useful framework for evaluating the attractiveness of an industry or market. This framework, known as Porter's five forces, identifies five factors that influence the market profitability:

- Buyer power
- Supplier power
- Barriers to entry
- Threat of substitute products
- Rivalry among firms in the industry

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