

**U.S. Small Business Administration
Ron Johnson Interview with Paula Murphy**

Ron Johnson: Conducting market research is crucial to understanding where in the world your next customers will come from. Nearly 96 percent of the world's population lives outside the U.S. borders. And with me today to discuss research on foreign markets is Paula Murphy, Director of the Massachusetts Export Center, a part of the Massachusetts Small Business Development Center network, the state's leading provider of export development services. Small Business Development Centers partner with the SBA to provide counseling and training to entrepreneurs. Paula, it's a pleasure having you join us today.

Paula Murphy: Thanks very much, Ron.

Ron Johnson: What are some of the resources and methodologies that a small business can use as it begins gathering research on potential export markets?

Paula Murphy: Well, there are two basic kinds of market research: you have primary market research and secondary market research. Secondary market research is what you can find that's already kind of pre-packaged and prepared. Primary research is where a company might be going out and doing surveys overseas and making phone calls. And the good news is that many small

businesses will find that there is plenty enough secondary research that's going to be sufficient for their purposes.

There are a lot of free online resources. The export.gov website has a lot of market research on there. They have a whole market research library. Some of the documents that exporters will find there include country commercial guides which are pretty exhaustive guides on doing business in different countries. They list the top prospects for U.S. exports in that country so they might list the top 20 industries for U.S. exporters. They'll list key contacts, shipping requirements, regulatory requirements, you name it.

They'll also do a lot of industry specific research on doing business in a particular country. So you may have a company that has industrial machinery, for example, and they're interested in researching the Canadian market. There may be a market report available on export.gov that will provide an overview of the industry, what the market size is, what the trends are, who the key competitors are, that type of thing.

And there's also another resource called TradeStats Express which puts, in a nice searchable format, all of our U.S. trade data, and so if I'm a small medical device company and I want to find out which countries are importing the most medical devices from the U.S., I can use TradeStats Express to pull a country ranking of the largest potential markets. So there's a lot

online, and export.gov, in and of itself, is a great place to start and has a lot of information.

Ron Johnson: And what are some of the specific factors a company should research when assessing potential export markets?

Paula Murphy: Certainly they want to have a broad overview and understanding of the country that they're doing business in, so it may be relevant for them to pull general information like demographics, economics, political information depending on the part of the world that they're doing business in, but really, where they're going to be spending most of their time is on market access. Are there any obstacles that they need to overcome to get that product to the market? Are there any export licensing requirements? What are the tariffs and taxes that are going to be associated with getting that product into the market? Are there any special labeling requirements, regulatory requirements; any other specific product modifications required?

And then finally, they want to really look at the overview of the market and is there going to be potential for their product to be sold in that market? What is the size of the market? How much is being imported? How much is being locally produced? What are the trends? What are the growth projections? Who is the competition?

Many times, exporters, they're going to be dealing with a new set of competitors if they're going overseas. Are there any foreign competitors that an exporter has not had to go up against in this market? Are there any pricing issues? What are the distribution channels? What are the promotional practices? And finally, what are the characteristics they should be looking at for a potential distributor in that market?

Ron Johnson: Paula, how does a company find the right partner in an export market? Isn't it a bit like finding a needle in a haystack?

Paula Murphy: You know, it is a bit like finding a needle in a haystack but the good news is that there is a lot of assistance available. Also, the more targeted a company can be with defining the type of partner they are seeking and then conducting that research accordingly. It can actually be easier for them to find the right partner.

I did speak earlier during our "Developing an Export Strategy" segment about what a company should look for in assessing and screening potential overseas partners. Once a company knows what type of partner they'll be seeking, there are specific matchmaking services that are available that can link the exporter up with potential partners. The Small Business Development Centers that have international trade programs will often do customized distributor research. So, we work with many

clients, get a very specific idea from them which countries they want to do business in as well as what types of distributors they want to find and we will go out and do customized research for them and a lot of SBDCs offer that service.

Also, different states have trade offices. Many of these offices have overseas posts as well so you'll have overseas representatives representing certain states overseas and so you have some in-country assistance that can find the right partners. Also, the U.S. Department of Commerce has these similar services, they have their network of U.S. Export Assistance Centers here in the U.S. but they also have a network of overseas specialists located in countries throughout the world who can do customized research. So they have two services in this area: one is called International Partner Search which is really where they would provide a list of potential partners that have expressed an interest in working with a small business exporter but they also have what they call their Gold Key Service where a small business can go overseas and actually have an itinerary set-up of appointments with potential partners. And both states and the Commerce Department also organize trade promotional activities, things like trade missions and trade shows that often provide an opportunity for exporters to meet with potential partners.

So, really, exporters should use as many of these resources as possible because they are either free or low-cost and government resources, when they're combined with an exporters own efforts, can often provide both quick and targeted results.

Ron Johnson: I'd like to thank Paula Murphy, Director of the Massachusetts Export Center, a part of the Massachusetts Small Business Development Center network for taking time today to discuss "Conducting Market Research." For more information on exporting, go to www.sba.gov/international or www.export.gov. So, until next time this is Ron Johnson with the Small Business Administration, *Your Small Business Resource*.

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