> BY CHARLES STEILEN

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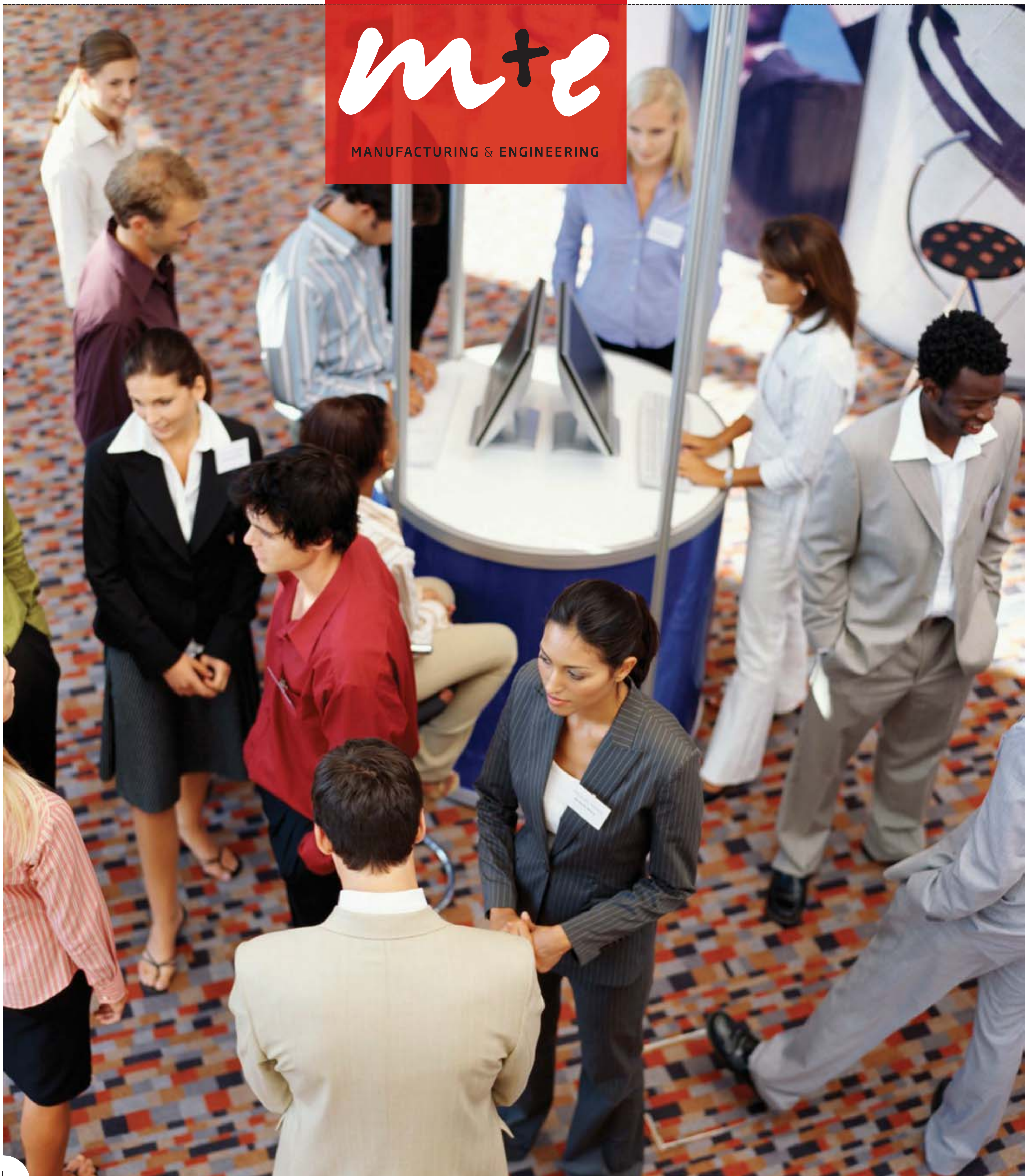

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+Define and *Prioritize*

MARKET SEGMENTS SHOULD BE CLEARLY DEFINED BEFORE ENGAGING YOUR COMPANY'S MARKETING STRATEGY.

This column explored exporting in the previous issue of *Management Today*, and offered a few options as to how one might begin to enter a foreign market. Option A suggested that an analysis of each individual country be conducted with the objective of ultimately developing a comprehensive entry strategy tailored for individual market segments within a targeted country. Individual countries can differ in a variety of ways.

Option B suggested that one might consider going to a trade show with the objective of meeting with potential end-users/buyers as well as potential distributors who are from a variety of different countries. Although going to a trade show may be the easiest way to meet people, problems can always occur as you may not be meeting the most effective distributors or the more valuable customers.

Obviously, the nature of your product or service, the nature of a country's market and distribution structure, the number of total potential customers available in a country, the dollar value of an individual purchase, etc., should play some role in your determining whether or not to go with Option A or B, or even some other approach; e.g., the Internet.

It is highly recommended that when using a middleman to represent one's organization in a foreign market, or even if one chooses to employ a direct salesperson to represent your firm in an overseas market, a total marketing strategy should be developed with input from both the supplier and the person who is on the ground in the foreign market.

This requires that suppliers have a very close working relationship between themselves and those who are representing the supplier in that foreign market. Each of the parties should be involved in the planning process. Problems often occur when the supplier either hopes or assumes that the distributor will take control of a supplier's every need or activity in a foreign market. This can be dangerous.

A variety of problems can be encountered when using a distributor or even your own direct salesperson in a foreign market. Yes, many distributor/supplier relationships do flourish; however, this is not always the case. Here are a few examples.

- If one is spending money on media advertising in a foreign country, it has been noted that double invoicing of the media bills does occur. The media sends one bill to the distributor and then sends an inflated bill to the overseas supplier. The supplier then reimburses the distributor for what the supplier believes is the cost of the advertising efforts.
- Some distributors do not want to increase the supplier's sales in a market by more than 15 percent per year as greater sales results may result in the supplier bringing in their own salesperson to replace the distributor.

- Oftentimes, either the distributor's sales force or the supplier's own direct sales team may not have been properly trained to address the market.
- On certain occasions, distributors do handle far too many products, and even competing products, and thus are not able to allocate sufficient time to develop the market for your product.
- In some cases, the distributor will suggest that the only way for your product to be successful is to drop your price.

Thus, there is the need for the supplier and the distributor to work together to develop an effective strategy for a particular country and for the specific market segments that exist in that country. This becomes the first decision that needs to be made in the selected country – to define and then prioritize those market segments that offer potential to the supplier.

Never assume that your representatives in a targeted country already has this information at their fingertips. On the other hand, if they do have the information, do not assume that they will know how to use this information in the most effective manner. Being able to define and then prioritize your market segments will then allow both your distributor and yourself to focus your objectives and how you allocate your resources in a very directed manner.

With the proper type of analysis conducted, you may be able to identify multiple market segments in any one country while also discovering that there may be different product applications between countries.

In evaluating any foreign market, first start by identifying the similar customer needs, wants and benefits within a given country. Classify the potential customers on the basis of those key benefits they are seeking. Then develop a profile of those individuals and/or companies that are seeking those similar benefits. It is then possible to get information about who makes and who influences the buying decisions, their attitudes toward existing suppliers, their product and service preferences and/or their future expansion plans.

One needs to also determine the extent to which your competitors are targeting your various market segments and how they have positioned themselves in those sectors. Are you up against organizations that have certain competitive advantages or weaknesses?

Your knowledge about the various market segments can then be defined in terms of the composition, size and growth rates of each segment, as well as the sales and profit potential of each. Thus, the steps in segmenting your various target markets in any one country include:

1. Within a given country or region, identify and define each market segment.
2. Determine the size of each segment by the numbers and/or dollar volume.
3. Rank the segments by priority and present justification for the ranking.

Once your various segments have been ranked, then concentrate on your priority market segments. Again, this decision should be a result of your planning process with your distributor or direct salespeople in the foreign market. Once your segments have been prioritized, then concentrate on just those

// *When entering a foreign market, it becomes necessary for your company to rank market segments based on their appropriateness.*

priorities. Do not get led astray by having someone suggest that you should also look at other minor segments at this point.

Having selected your key market segments, what type of commitment are you willing to make? What will you be trying to achieve within the priority segment over the first two or three years? Create some type of objective for your company for that period. Base that objective on your analysis of the segments in question as well as what resources your company has at its disposal. How to achieve these objectives will be the topics of future columns.

In summary, whether or not you end up selecting a distributor, dealer, agent or decide to employ your own direct salesperson in a foreign market, it is critical that your organization, along with those folks on the ground in the foreign country, work together in the planning process. The first decision to be made becomes the defining and prioritizing of your key market segments within each country. All other decisions and activities you will make will be directly linked into those key market segments.

Question: If you are thinking about entering a foreign market for the first time or expanding your sales efforts to an additional foreign market, what do you think would be your priority market segment in that country? Try to define that segment in as much detail as possible.

Should you decide to actually enter that market, it would be interesting to see if your assumed profile of that market segment would actually be represented in that country as you have defined it. •mt

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