

PRACTICAL ASPECTS IN DOING INTERNATIONAL BUSINESS

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Chapter 3

Foreign market research

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3.1. Notion

To discuss the subject of market research, we need to start by explaining the notion of the market as it has at least a number of interpretations. For the purpose of this chapter, the market will be understood as a collection of all buyers and sellers whose mutually dependent decisions shape demand, supply and prices (Lubiński 2002, p. 21).

According to the American Marketing Association, market (marketing) research consists of activities that connect an organisation with its market environment through information. This information is used to identify and specify problems and marketing opportunities, to instigate innovation and evaluate marketing activities, monitor their effects and get better acquainted with marketing processes (Kotler 2002, p. 361). However, there is a shorter and more often used definition of market (marketing) research, according to which it is a process of systematic designing, collecting, processing and analysing data useful in the marketing management of an organisation.

In literature, the notion of market research is used side by side with the term marketing research. Their relationships when it comes to lexical semantics are differently presented and often market research is treated narrowly as a part of a broader notion of marketing research. More recent studies define market research as being synonymous with marketing research (Doman, Denison, Doman 2005; Hague 2006; Kaniewska-Sęba, Leszczynski, Pilarczyk, 2006) and this is how we will interpret them in this chapter. Sometimes, a distinction is drawn between market research and market analysis, this division is based on certain criteria and often it is not clear-cut. In this chapter we will be using both terms interchangeably.

Market research is a tool that supports the marketing decision making process in enterprises. These decisions concern both the market and meeting consumer needs, and that is what market research is primarily used for. Economic decisions are usually taken under conditions of uncertainty, and although market research usually does not completely eliminate the risk of taking an incorrect decision, it certainly reduces it. Market research is used to take concrete decisions, which means that its goal is to provide necessary information. Hence, rarely do we examine all market components, since, as a rule, the research focuses on a particular issue, and its scope and detail depend on the needs of decision makers. Identifying the scope of information and its detail is an important but often very difficult task (Hermaniuk 2005, p. 11).

Depending on the types of decisions made by an enterprise, we can distinguish three types of market research that support them (Churchill 2002, p. 24):

- a) market research that provides information about the environment used for planning decisions – it identifies desirable directions of future market activities, helps in identifying marketing goals,
- b) market research used to solve concrete problems by identifying root causes of unfavourable phenomena, it enables the implementation of effective corrective measures.
- c) follow-up market research verifies an enterprise's information, opinions, perceptions of the market and its position in it, which may provide grounds for maintaining or changing previously taken decisions.

From the point of view of the research subject, market research can be divided into:

- a) structural,
- b) cyclical,
- c) marketing mix components.

Market research should be systematic, i.e., conducted in an orderly way, following a specific plan and repeated at regular time intervals. This is relevant since the collected data gradually become outdated. Only regularly performed market research allows the collection of exhaustive information indispensable in making business decisions. For example, in the apparel sector, owing to changes in fashion and market seasonality, market research is usually conducted twice a year. Systematic market research also means that it is not "art for art's sake" and it must be used regularly, especially within marketing information flow systems in an enterprise. Some market research may be conducted once only, when it is designed as an aid to take strategic decisions which are made rarely but impact an enterprise's market position over a longer-term. We mean here mainly investment decisions and decisions on a more lasting engagement in a particular market. Such market research is referred to as so called ad hoc research.

Market research should be objective, meaning it should describe the reality in an impartial manner, independently of the convictions, prejudices, and beliefs of decision makers in the enterprise. Only then may it provide the basis for making the correct decisions.

Since, in accordance with the definition, market research is a process of collecting, analysing and interpreting data it must fulfil three fundamental tasks:

- 1) identify market characteristics and structure,
- 2) prepare market diagnosis, i.e., explain why the market has certain features,
- 3) foresee the direction of market changes.

By collecting data we usually obtain only basic information about the market, its features and structure, in line with research goals. Data processing using various (mainly statistical) methods enables the expansion of and a more in-depth analysis by showing the linkages and diagnosis of existing situations.

Based on the situation on the market in question, the research presents predictions of its future development. It formulates assessments and forecasts, together with opinions and statements of experts in the field. This is the key part for the management team, as it shows the future included within the horizon of future decisions. It does not mean, however, that this is the only goal of market research. The analysis of the current state of the market is also relevant for the following three reasons:

- 1) many parameters covered by the research change slowly, e.g., demographic structure, certain habits and likes,
- 2) market analysis helps recognise features, structure and mechanisms contributing to better decisions making,
- 3) knowledge about the market and analysis of past decisions may help avoid wrong decisions in the future.

3.2. Characteristics

Market research is classified according to different criteria. From the point of view of geographical scope, we can distinguish national and international research, which are both similar and diverse.

Goals, research methods and tools are the same in international and national market research. In principle, both analyses focus on the same aspects of the market, nevertheless, there are differences, due to a variety of reasons (Czinkota, Ronkainen, 2004, pp. 188–189, [in:] Wiktor, Oczkowska, Żbikowska, 2008, pp. 156–157).

Firstly, international research is expanded with new components which are not analysed for domestic markets, e.g., cultural aspects or geographical environments. Secondly, how an enterprise operates abroad may differ from its conduct in the domestic market, which is why it needs to redefine rules followed at home as it faces a new legal and cultural environment that must be examined. Thirdly, when entering a foreign market a business must expect more intense competition and the need to become familiar with a greater population of competing companies.

Due to the above reasons, foreign market research is a much more complex task than domestic market research as:

- a) it is often performed for a larger number of countries,
- access to information about foreign markets is more difficult, especially in poorly developed countries, in some countries data are covered with confidentiality clauses,
- c) cultural and language differences between countries make the research more complicated, in particular when we apply the primary method,

- d) primary research implies high costs and is time-consuming,
- e) difficulties should be expected in comparing results for individual countries, as the systems of collecting statistical data are different.

Progressing globalisation and international integration of economies lie at the heart of the increasing interest in foreign market research. These processes favour the internationalisation of economies within which economic operators are involved in economic activities outside their home countries. The contemporary global economy is a complex system, characterised by versatility and uncertainty. To mitigate the risk of making an incorrect decision, vis-à-vis foreign markets, their selection, entry strategy or marketing strategy, it is necessary to have information about the international environment, which may be provided by market research (Wiktor, Oczkowska, Żbikowska 2008, p. 154). Traditionally, foreign markets were only available to large enterprises but nowadays, increasingly often, foreign markets are entered by small and medium-sized enterprises seeking market niches and the possibilities to offer new products to customers with different attitudes and behaviour. In order to be effective, they need information and market research.

Foreign market research can be divided according to different criteria. Depending on whether a particular operator is an exporter or importer, it will be interested in researching markets where it can either sell or buy.

Foreign market research can be classified based on:

- a) geographic,
- b) and product (goods and services) factors.

The above criteria enable the identification of the following formats of market research:

- a) goods (services) country,
- b) group of goods (services) country,
- c) goods (services) group of countries,
- d) group of goods (services) group of countries.

Foreign market research may also be divided based on different criteria:

- a) scope of research, full or partial (thematic),
- b) the level of detail depending on research goal,
- c) the horizon of the study goal long-term strategic objectives, e.g. to achieve the desired position on the market, short-term goals, e.g. to enter new markets, introduce new product,
- d) marketing decisions, in relation with which it is performed.

The last criterion includes research on (Karcz 2004, pp. 91–100):

- initiating and selecting directions of international expansion,
- · selection of form and type of foreign market entry,
- developing marketing action plans,
- and managing international marketing activities.

3.3. The role of market research in selecting foreign outlet marketplaces

Globally, there are more than 200 states which differ when it comes to economic, political, cultural, and other factors. Entering foreign markets follows many patterns. Generally speaking, available strategies are based on a reactive or proactive approach, with the latter including a "narrowing" and "expanding" methodology.

Under the reactive approach, it is a foreign partner who actively seeks and initiates commercial relations. Exports are rather incidental, occasional not systematic. An enterprise which follows this approach conducts very limited international marketing activities and usually is not interested in international market research. When entering a foreign market by following a proactive strategy, an enterprise initiates the selection of foreign markets for its goods (services). This strategy is most effective when applied in a planned and systematic manner, with wide use of international market research. Some exporters apply both approaches:

proactive for their primary markets and reactive for secondary ones (Schroeder, Bartosik–Purgat, Mruk, 2013, pp. 182–185).

"Narrowing", as used in the proactive approach, starts with a large group of potential outlet markets. At this stage, research is rather general but eliminates the least promising ones. The next step analyses a narrower group of countries in a more detailed way. There may be a few stages of narrowing. In the last one, the target market is carefully examined. In the "expanding" approach, foreign markets are selected based on their similarity to already existing markets, domestic or foreign. In this case, the goal of market research is to find out how similar they are and whether it is possible to formulate a similar marketing programme.

Both methods are designed to collect information (at different levels of detail) on:

- a) business conditions for products from outside a given country (geographic market research),
- b) characteristics of the market of a selected group of goods and services in the country covered by the research (goods and services market research).

3.4. Geographic market research

Geographic market research provides information about a given country from the point of view of the conditions it offers for international economic cooperation. It demonstrates how a market operates, how it is organised and the possibilities for operators from other countries to pursue commercial activities. Based on that, an enterprise is able to assess the investment attractiveness of a particular country, the opportunities and rationale of entering the researched markets and make appropriate decisions to this end. This kind of research does not refer to the goods and services we are interested in. Product research is usually performed separately.

Market research produces a very wide scope of information. From the viewpoint of an entrepreneur who is considering exports or any other form of business internationalisation, data obtained from the research can be divided as follows.

Table 3.1. Thematic scope of geographic (country) market research

No.	General area	Detailed subject
1.	Basic country-related data	Geographic location, neighbouring countries, area, population, languages, religions, currency, political system, principal cities
2.	Economic performance	Economic potential, economic and social development, structure of the economy, liberalisation, sustainability
3.	Demographic factors	Birth rate, density of population and geographic distribution, population structure broken down by: urban and rural population, age, education, national and ethnic division, language, religious groups, household sizes
4.	Cultural factors	Attitude to language and religion, consumer habits, aesthetics, attitude to foreign products
5.	Legal regulations	Regulations pertaining to business, including international trade, and their evaluation, stability of business regulations, regulatory compliance, corruption
6.	Technological and technical progress	Level of technological and technical advance, infrastructure
7.	Natural conditions	Climate, landform, access to sea, natural resources, environmental protection

Source: Authors' own studies.

Basic country-related data are presented as an introduction. The size and development level of the economy are assessed against Gross National Product, globally and per capita, in current prices and by purchasing power parity. Analysis and forecast of the dynamics of these categories allow the estimation of the potential attractiveness of a country to future exporters. When researching the level of development, besides any economic factors, account should also be taken of social components. Both groups of factors are considered in the UN ranking based on the Human Development Index. Other rankings, e.g., the Quality of Life Index ranking of The Economist weekly may also be used.

What needs to be examined is the structure of the economy, with special attention paid to the role of the service, manufacturing and agricultural sectors, and their major industries. The size and structure of people's incomes and expenses, broken down into groups, characterise consumer demand in a given country and potential import capacity.

Economic liberalization can be synthetically evaluated based on the Index of Economic Freedom ranking of The Wall Street Journal and Heritage Foundation. Other common and simple measures of openness to international markets are exports and imports as a share to GDP. Being party to international economic agreements and integration groupings is relevant for the assessment of the internationalisation of a country's economy.

To an enterprise operating in a given country, analyses of macroeconomic equilibrium, stability and resilience to fluctuations of global business cycles are extremely relevant. To this end, we need to analyse longterm business cycle indicators.

The demographic characteristics of a country are usually stable, their changes occurring slowly, in particular in developed countries, where the birth rate is low. The population structure of a given country (against various criteria) impacts its demand structure. For example, a large share of young people increases demand for entertainment products and services, a large geographical concentration of people facilitates organising an intensive distribution, which is particularly important for selling mass products. There are different demand structure patterns for urban and rural populations, especially in less developed countries, which can be observed, e.g., for food products.

Demographic analysis also provides foundations for market segmentation. In consumer market research demographic criteria, for example age, often provides a basis to distinguish groups of people and identify target markets.

When conducting foreign market research, we need to consider the historical, religious, and geographic conditions that have shaped the culture of a particular country, its behavioural patterns and systems of values, and to learn the directions and pace with which they evolve. An exporter or an investor should know how foreign products from different parts of the world are perceived in a given country. Cultural factors are fundamental when negotiating with a foreign partner, formulating an offer and delivering promotional campaigns.

Those who consider entering a foreign market must carefully analyse the binding regulations in the country in question, especially with respect to foreign enterprises. This will serve as a basis to assess to what

extent and in which areas the law favours or hinders foreign businesses. Stability of regulations and a stable political situation are paramount for economic operations in a country. Frequent changes in economic policy and law are negatively perceived by business circles as impeding economic activities.

Assessment of the regulatory compliance and corruption index are also interesting measures. Synthetic data in this field can be found in the Corruption Perception Index ranking regularly published by Transparency International.

Technical and technological advances are measured based on tools, activities and knowledge connected with the production of goods and provision of services. This may vary across sectors (e.g. there is a high level of defence industry expenditure in Russia). The technical level of an enterprise's offer must be adjusted to the requirements (high or low) in a given country (e.g. in access to electricity). Advanced technical development is reflected in infrastructure – transportation, telecommunications, energy, logistics, social media – which all create conditions for economic operations.

A country's attractiveness also depends on natural conditions. Geographic proximity of potential markets intensifies commercial relations, while access to the sea enables the use of relatively cheap sea transport. The features and parameters of offered products must be adjusted to climatic conditions (e.g. clothing). Landform also impacts the cost of transport. To enterprises seeking supplies in foreign markets, natural resources: raw materials, forests, arable land are relevant characteristics. Exporters are also interested in threats posed by natural disasters, such as floods, droughts, and earthquakes.

The environmental performance of a country, in particular the quality of air, water and soil, can be examined when analysing natural factors. Assessment should also cover the environmental awareness of the population and actions undertaken to prevent environmental degradation.

3.5. Goods and services market research

Goods and services market research may be conducted at different levels of aggregation. We may research an industry, a group of products or just one product, and the latter option is the most common. Bringing researched goods and services together in bigger groups makes sense if they satisfy similar needs, are the effects of a similar production process,

complement or substitute for one another (Lubiński 2020, p. 24). The energy raw materials market is often the subject of research. Product research may cover one or more countries.

For a firm considering the establishment of relationships abroad, product market research is conducted together with geographic market research. Product market research may be conducted by firms already present in a given foreign market which have accumulated some knowledge about the marketplace. Whereas a new entrant needs foreign market research to collect a wide range of information, enterprises already present in a given market are interested in research targeting a concrete issue, e.g., brand perception in a given product group, feasibility of placing a new product in the market, analysis of the terms of wholesale sales.

An enterprise intending to export will focus product market research in a foreign country around the issues presented below.

Table 3.2. Thematic scope of product market research

No.	General area	Detailed subject
1.	Market offer	Product range, quality, characteristics, product life cycle stages, after-sales service, warranties, brands, comparison with enterprise's product
2.	Size and structure of the outlet market	Volume and value of sales, structure of sales, potential demand
3.	Commercial policy vis-a-vis a particular product (group of products)	Applied tools – tariffs, non-tariff
4.	Domestic manufacturers	Ranking, information about strategies, competitiveness, sales related data, financial data, relationships among manufacturers
5.	Exporters to a given market	Structure of imports, imports share in meeting needs, profiles of main exporters into the market,
6.	Customers and their segments	Customers' structure, principal market segments, typical customer attitudes and behaviours
7.	Distribution networks	Distribution channels, main distributors, physical distribution
8.	Market prices	Level and structure of prices, sales terms, price elasticity of demand
9.	Types of promotion	Advertising, promotion of sales, direct marketing, public relations

Source: Authors' own studies.

Market offer research and its comparison with an enterprise's product should deliver information based on which one will be able to assess whether foreign customers are willing to embrace the offer presented by the enterprise in question. Features of commonly known products are described in brief, while specialist products, e.g., parts used in machines offered to industrial customers or some chemical intermediates, are explained in more detail. Products in the analysed market may be in a different phase of the development cycle than in the internal market (e.g. in some African countries a wound clock or a sewing machine with foot drive continues to enjoy great popularity).

The size of the market should be estimated on two planes. The first one examines product sales in the market, their structure and trends. The second one analyses potential demand – the potential sales achievable if marketing activities are intensified.

Discussion of commercial policy tools applied in a given country to concrete products is a vital component of the analysis. The same can be said about commercial policy tools applied in a particular country, vis-à-vis products covered by the research; in this case, we need to evaluate their efficiency and impact on imports.

Ranking may be helpful in acquiring knowledge about manufacturers from a given country, including foreign investors. Identifying their respective market shares, marketing and competition strategies, strengths and weaknesses is recommended. Data from other fields may also be crucial, e.g., financial performance or supplies. Examining the relationships of major firms with other enterprises in the industry, including trade agreements, may additionally turn out to be important.

Part of the research devoted to imports shows its share in meeting the demand and structure broken down by product groups and geographic areas. Similarly to manufacturers, it is necessary to rank major exporters to a given market and add their characteristics. The importance of a given market in foreign suppliers' strategies should be assessed separately.

Further research focuses on measuring consumer behaviour and attitude vis-à-vis the analysed product. When researching behaviour patterns, we specify where purchases are made, how often, at what intervals, what is purchased, product range, brands, ways of receiving information about products and other factors. Attitudes are defined as positive or negative perceptions of a product, notion or situation (Hilgar 1972 [in:] Kaczmarczyk 1995, p. 149).

Perceptions may include customer expectations, views, convictions, and opinions. They are not always correct but that is irrelevant for the analysis. Research of attitudes that impact purchases covers a very wide range of subjects, including attitude to: manufacturer's country, firms and brands, products, packaging, prices, and distribution channels. Knowing the attitudes is important because they influence behaviour and purchase decisions. If we know them, we can understand the motivation of customers, e.g. the high quality assessment of German vehicles in Poland is an important factor when considering a purchase.

To research customers we need to identify segments, i.e., groups whose members exhibit uniform behaviour and attitudes vis-à-vis the offered products. We need to identify their capacity, behaviour patterns and attitudes, in particular for groups of clients interested in imported products. Based on such analysis, we select a target segment(s). By knowing it, we may develop an offer that meets customer needs, access customers more easily and use this knowledge in promotion activities.

Analysis of distribution helps an enterprise that enters a particular market to become familiar with ways in which products are transferred to the final user. Research focuses on the characteristics of distribution channels, physical distribution or customer service. It analyses distribution systems for products, their mechanisms, complexity, intermediary links and role in product flow. Major distributors need to be characterised in detail. We need to evaluate their distribution strategies, identify strengths, weaknesses and competitiveness. Physical distribution research consists of analysing operations connected with individual stages of business transaction: ordering, transportation, and product storage. Separate research covers the quality of distribution from the point of view of customers' expectations. To analyse distribution, we need quantitative analysis of trade establishments, spatial concentration, degree of saturation, and dynamics of changes.

Information about potentially available characteristics is of key importance to any future exporter as it is decisive for profitability. Analysing competitors' prices, especially foreign ones, in a given market is vital. Such research involves numerous difficulties, due to limited comparability of products offered by various suppliers, prices influenced by a variety of factors, including the scope of offer, linkages between the offering party and the recipient, position in a given market, and price confidentiality. Price estimates of an imported product can be obtained if we know its retail price (for consumer products) and margins charged at different

levels of distribution. Research should also cover terms of sales (trade credit, discount schemes, and others), as they also greatly impact profitability.

Market analysis should identify how far different price levels are approved by individual groups of clients and how sensitive they are to price change. An important, although difficult, element of foreign market research is the identification of the price elasticity of demand for a given product.

Product promotion in a given market is analysed mainly to draw conclusions for future promotion activities. Sales promotions and public relations are relatively uncomplicated, whereas analysing advertisements is much more difficult. Sales promotion research may cover gifts that are gladly granted and received in a given country or a review of fairs and exhibitions from the point of view of an enterprise's needs. Among public relations activities, we may list the research of the image and prestige of journals, research of social perception of participation in charitable activities and sports events. In advertising research we can distinguish the research of content, media selection, and effects (Schroeder 2007, p. 175). For example, once we know the types of advertising existing in a particular market and consumer preferences, we can establish the messages that will impact consumers in a desirable way. Knowing which newspapers and magazines are read by actual and potential clients, we can publish ads there to improve the efficiency and lower the costs of reaching our target groups. Analysis of advertising efficiency is an important component of promotion research. However, the task is complex and difficult, in particular with respect to advertisements or commercials, which have not yet been published.

3.6. Stages of foreign market research

In accordance with the definition, market research must be delivered systematically. We can identify the following stages (for both domestic and foreign markets):

When conducting research, we need to stick to the above outlined sequence of steps.

The research starts with investigating a concrete situation of an enterprise to identify the problems it faces – e.g., decreasing sales, obsolete offer, emergence of new technology – which can be solved by taking an appropriate decision. Such a decision can be made once we

have information that can be obtained from research. In order to make a successful decision, the research must be carefully planned. We need to specify its goals connected with the problem. Research studies conducted without clearly stated goal are not particularly helpful.

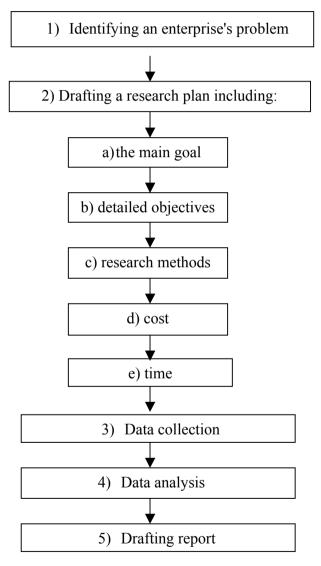


Figure 3.1. Stages of foreign market research

Source: Authors' own studies

Next, we identify the so-called detailed objectives, i.e., the list of data and hypotheses that we wish to acquire or verify to attain the main goal. That brings some discipline into the research and reduces the threat of "drifting away", which means getting relevant information that does not belong to the goal of the research.

Further, we stipulate the methods that will enable the acquisition of the required information and data. The methodology for this is discussed in the following section. The scope of information expected from research may be reduced due to financial reasons, as information is costly. To calculate the research budget, we may follow two approaches: make it dependent on available funds or on the research goal. The first method usually prevails in practice. If anticipated expenses are too high compared to the funds available for the research, the following options are available: adjustment of the goal, reduce the scope of information to be collected, use cheaper research methods or (an extreme measure) give up on the research. Companies considering entering foreign markets in many countries receive government support through appropriate programs in which market research is financed. This reduces the costs for companies wishing to conduct them. Research should be properly time-framed leaving enough time to develop the plan.

Collected data must be duly processed and prepared for analytical work. In analyses we usually use advanced statistical methods. Work is completed by drafting a report composed of three basic parts: introduction, analysis, and conclusions. The first part specifies the goal of the research, the reason why it is conducted, the methodology, and problems faced throughout its course. The second presents the obtained results and the third the conclusions, highlighting their practical (business) aspects that translate into the solution of the problems faced by the enterprise. The report should be accompanied by a synthetic executive summary, making it easier for decision makers to read through the final conclusions.

3.7. Research methods

There are two basic market research methods:

- 1) primary where information is gathered directly from the market; observations and interviews are examples of such techniques.
- 2) secondary (document based) consisting of gathering secondary data, i.e. data previously collected and processed.

Secondary market research uses data and information available within an enterprise (internal) or from external resources. Internal data include all sorts of documents connected with sales – invoices, client information, correspondence, data from foreign representatives, reports from business trips, etc. Information from external resources can be obtained in a traditional way or via the Internet, mainly in the form of statistical documents, descriptions, and lists.

Compared to primary market research, secondary techniques represent the following advantages:

- a) they enable research to be conducted relatively quickly,
- b) their cost is usually lower than that of primary research,
- c) easier interpretation of results (by using conclusions from source materials),
- d) some issues can be researched only by using secondary methods (e.g., basic information about a country and its economy).

Weaknesses of secondary research methods include:

- a) reduced scope of research as some issues cannot be investigated this way (e.g., opinions),
- b) often too few detailed results.
- c) limited accuracy of available materials in secondary research we use existing data that has been processed with various goals in mind, not necessarily connected with the goals of this particular research, hence, they may not fully meet our needs,
- d) limited access to existing resources,
- e) limited comparability of data coming from different sources,
- f) limited validity,
- g) limited credibility this is mainly true of data describing the economic performance of less developed countries.

The issue of access to market-related data differs across countries. The general view is that access to information is most difficult in the least developed countries, e.g., in the European Union such difficulties are marginal, whereas some poorly developed economies do not have basic data that could provide the starting point for further analyses. Another problem may be the high cost of access, their doubtful validity or credibility. Countries may also apply different units, e.g., weights and measures, different age brackets or a different calculation methodology, which makes comparisons a real challenge. Individual sources may give divergent figures on different sizes, e.g. the market, the degree of affluence. In such a situation, it is essential to compare the methodology of calculation, because its diversity is the most common cause of discrepancies.

Foreign market research can be performed using only secondary methods (e.g., to describe a market of a particular country) or secondary techniques may be used in the first part as a basis for further effective primary research, a better understanding of a problem and more precise formulation of goals. Starting research with secondary techniques allows for more in-depth conclusions from primary research methods. Other advantages of secondary methods used in the first part of market research are explored by Kaniewska-Seba, Leszczyński, Pilarczyk (2006, p. 56):

- a) information and data from secondary research can be the starting point for further research ideas,
- b) they help develop questionnaires used in primary research (e.g., terminology),
- c) they identify sample size and structure.

Secondary study is particularly useful in the case of a market about which we know nothing. In this case, it is necessary at the beginning of work to become familiar with the existing reports on the target country/market. In this way we can obtain a basis for further investigation using the secondary or primary study method.

In primary research, data are gathered directly from the market as a result of interviews and observations. Primary research delivers all sorts of up to date information at different levels of detail, including views, opinions and motivation. However, its application in foreign market research is limited. Conducting a series of interviews abroad is both

difficult and costly. In some countries, questionnaire-based studies must be approved by competent authorities or some works must be subcontracted to local firms, whose work quality may be doubtful. The costs of conducting interviews abroad may be reduced through the use of modern communication technologies, particularly the Internet.

From the wide choice of interview types, open-ended, in-depth interviews better suit foreign market research. Answers are received from respondents well familiar with the market or with its specific aspect. Such an interview is a source of many valuable pieces of information on how respondents perceive the issue at hand. This information is especially valuable when a researcher has little knowledge about the subject of entry into a foreign market (Hague, Hague, Morgan 2005, p. 64). A weakness of such methodology applied to foreign markets lies in the need to find knowledgeable experts willing to share their knowledge.

Observation is a separate primary market research method. It is relatively cheap and provides credible information about how consumers behave. However, it does not inform about attitudes, i.e., the reasons behind particular behaviour patterns. Observation can be overt or covert, conducted in natural or artificial settings, active and passive. Structured observation is guided by a precisely formulated goal, which helps specify the subject of an observation. Otherwise, we are dealing with unstructured observation.

Observation may focus on the following (Jemielniak 2012, pp. 44-46):

- a) organisation of time and space, e.g., pace of activities, climate,
- b) objects, e.g., equipment, labelling, offer,
- c) social actors and their interactions, e.g., groups of clients, conversational patterns.

Among all primary methods, observation is the one most often applied to foreign market research, being particularly popular with smaller economic operators as it is relatively cheap and does not require any engagement in conversations in a foreign language. In retail market research, it focuses on goods on offer – range, packaging, prices, additional information, people's behaviour while looking at shelves in stores (observation in stores). Observation of fair and exhibition stands and visitors' interest in them is also useful in industrial markets.

"Mystery shopping" (mystery consumer, secret shopper) is a specific method of observation. It involves purchasing a product and providing detailed feedback of any experiences connected with the task. This method is widely used for control purposes, especially in services, mainly retail, hotel and catering sectors.

3.8. Sources of information about foreign markets

In research based on secondary techniques we need access to input data. This is especially important to operators considering export activities, since their internal data resources are usually limited. External sources used in secondary (document based) research include (Dayan 1999, pp. 17–18):

- a) international public or quasi-public resources international organisations, representation offices abroad,
- b) domestic public and quasi-public resources broadly understood administration,
- c) private sources sectoral organisations, specialist journals, directories, private organisations that collect and organise data (databanks) for sale.

Many international organisations and institutions publish statistical data and reports in selected areas. These are sources of valuable data for market research. Publications of the following bodies are particularly useful: The United Nations Organisation (UN) and its agencies including the International Monetary Fund (IMF) and the Food and Agriculture Organisation of the United Nations (FAO), the Organisation for Economic Cooperation and Development (OECD), the World Bank (WB), Eurostat (Statistical Office of the European Union), and the International Trade Centre agency.

Government agencies make available data relating to their country and to foreign countries, statistical reports, legal acts, thematic reports, also concerning macroeconomic performance and individual industries, plans, programmes and forecasts.

Market data are also collected by chambers of commerce and producers' associations. Each industry has its own international association or organisation. Most of them limit their activities to analytical studies, although others try to influence the market. International producers' organisations are, e.g.,: OPEC, bringing together certain major oil exporters, the International Copper Study Group (ICSG), the International Coffee Organisation (ICO), and Organisation Internationale des Constructeurs d'Automobiles (the International Organisation of Motor Vehicle Manufacturers) (OICA). There are also domestic producers' organisations. For reasons pertaining to competition, their documents are, in most cases, available solely to their members.

Detailed information can be obtained by ordering reports from international market research agencies. Some of these conduct systematic research which they make available on a commercial basis, e.g., Nielsen, Marketresearch, Market Publishers.

In Poland, market research is conducted, inter alia, by the Institute for Market, Consumption and Business Cycle Research, the Polish Chamber of Commerce, business intelligence agencies, and consulting companies. Valuable information about foreign markets is also published in specialist magazines and catalogues available on the Internet or as hard copies.

Valuable information can be obtained from the numerous Internet publications and traditional statistical offices of individual countries (in Poland, the Central Statistical Office). Information about markets can also be obtained via specialized offices of the diplomatic missions of their country.

The European Society for Opinion and Marketing Research (ESO-MAR) facilitates an on-going dialogue with its 4,900 members, in over 130 countries, through the promotion of a comprehensive programme of industry specific and thematic conferences, publications and best practice guidelines. ESOMAR also provides ethical guidance and actively promotes self-regulation in partnership with a number of associations across the globe.

Nowadays, the Internet is a common access tool to necessary data. In studies of foreign markets, the Internet has become an essential tool, an essential source of commonly used information. Its resources contain reports, papers, catalogues and numerous data. The Internet has revolutionised the provision of information, by giving quick access to huge amounts of valid data at a small cost. However, it has its limitations: data come from various sources of different credibility and only general or fragmented data are available for free, while you must pay for more detailed content. Moreover, finding one specific piece of information in

the sea of billions of publicly available pages could be, despite the existence of efficient search engines, difficult.

Questions and assingements

- 1. What is the purpose of foreign market research?
- 2. What are the characteristics of foreign market research?
- 3. What are the differences between geographical market research and product and services market research?
- 4. Describe the stages of foreign market research.
- 5. What methods are applied in foreign market research?
- 6. Why is observation particularly useful in the study of a foreign market?
- 7. What are the advantages and disadvantages of secondary study in relation to primary study of foreign markets?
- 8. Evaluate the importance of the Internet in the study of foreign markets.

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Running a business on an international scale requires not only a substantial body of knowledge but also the ability to apply it in practice. That is why our textbook, with a vast collection of practical examples, discusses a wide variety of pertinent issues connected with business operations in international markets, from international market analysis, drafting business plans, concluding business transactions and the insurance of goods through to customs clearance procedures and professional etiquette. We also explain the specificity of doing business online.

The book is addressed primarily to students of courses in economics and management. We hope it will also make interesting reading for entrepreneurs and people indirectly involved in international business, who work in its immediate environment in banks, chambers of commerce and consulting companies and those who have dealings with public administration at different levels in foreign countries.





Project: The creation of new interdisciplinary curricula in the field of economics of environmental protection (in Polish and English) at the University of Łódź. Project supported by a grant from Norway through the Norway Grants and co-financed by the Polish funds.

The aim of the project is to improve the knowledge and awareness of Polish and foreign students, the faculty and alumni of the University of Łódź in the fields of sustainable development, ecology, international business and finance.

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