
APEC: GROWING INDIGENOUS BUSINESSES THROUGH TRADE (PHASE 3) 2024

Opportunity Analysis



Opportunity analysis

Opportunity analysis

Top five considerations when entering a new export market

- 1. Identify the market/country
- 2. Segment and understand your customers
- 3. Assess your competition
- 4. Know the terrain
- 5. Determine the right market entry method and business model

1. Identify the market/country

- When entering a new market/country, you must have clear reasons for choosing to do business there.
- For example, is there is evidence of high or potential demand for your product?
- Is it a growing economy with rising incomes?
- While there may be positive reasons in support of that market, it is also crucial to weigh the risks or counter arguments.
- For example, might the lack of transparency in legal processes create too much uncertainty for longer term planning?
- Are there alternative countries that could be more suitable?

2. Segment and understand your customers

- To segment your market, you will have to do some detailed research.
- This may involve finding out the age, income, profession, gender, location, interests and drivers of your (potential) customers.
- You may have to do your own survey, if the information is not readily available.
- Once you understand your targeted customer, you will know how to reach them, the best way to communicate with them, and what might influence their decision-making.
- Segmenting your customers can help determine whether the size of your market will be sustainable, how to price and where to position your product, whether your means of distribution will be the most efficient, and whether your marketing will be effective.

3. Assess your competition

- Knowing your competitors means that you can benchmark your offering to theirs or discover whether there is a gap in the marketplace that you can fill.
- This will help you decide whether you are able to compete, and whether it is a market worth entering. This process might encourage you to be more innovative and look to 'blue ocean' markets instead.

4. Know the terrain

- The business environment of the foreign market/country you may be targeting could be significantly different to your home market.
- Individual countries tend to have unique business cultures, industry structures, supply chain and distribution channels, as well as regulations and administrative process, which you must adapt to.
- You may have to adjust the way you form partnerships, market your product, and meet the requirements of relevant authorities on things such as licenses, standards and labelling.

5. Determine the right market entry method and business model

- There is no one-size fits all entry method or business model.
- You choose what will best work for you in the context of that target market.
- Entry methods might include exporting direct to consumers or wholesalers, joint ventures, licensing and franchising.
- In terms of business models, you might consider more disruptive ways such as the 'peer-to-peer' model (e.g. Uber's), or the 'razor & blades' model (e.g. Nespresso's).

Market entry methods

- Direct exporting – manufacture in Australia and ship to overseas markets, including through agents or distributors
- Licensing – a sophisticated contract arrangement whereby the owner of the product, technology, knowledge, or brand allows another firm to use it or sell within the target market
- Joint ventures – Two companies come together to establish a third firm and commercialise or sell a particular product.
- Piggy-backing – Collaborate or partner with a business that has a complementary product that is already successful in the target market
- Greenfield investments – Where you purchase the land, build on it, set up operations and run it



PESTLE analysis

PESTLE analysis

- A PESTLE analysis is most useful in assessing the broader conditions and factors that could affect the market. 'PESTLE' stands for:
 - **P**olitical
 - **E**conomic
 - **S**ocial
 - **T**echnological
 - **L**egal
 - **E**nvironmental

PESTLE analysis

- **Political:** Refers to the political institutions and laws of the land, as well as policies of the government.
- **Economic:** Covers economic factors and economic performance of the country.
- **Social:** Mainly influenced by culture and demographics, including lifestyle and trends.
- **Technological:** How developed is the infrastructure and how advanced are the systems.
- **Legal:** The strength of the economy's legal infrastructure, including ease of doing business.
- **Environmental:** These include factors such as weather, climate and geographical influences.



SWOT analysis

SWOT analysis

- The SWOT analysis looks at the internal capabilities of the firm, and its external business environment.
- ‘SWOT’ stands for:
 - **S**trengths
 - **W**eaknesses
 - **O**pportunities
 - **T**hreats

SWOT analysis

Strengths (internal)

The internal positives of your business or advantages over your competition (e.g. intellectual property, infrastructure and network)

Weaknesses (internal)

Are areas that undermine your competitiveness or should be improved (e.g. skills-mismatch, lack of finance, low brand recognition)

Opportunities (external)

These might include gaps in the marketplace or potential increased demand due to policy or regulatory changes

Threats (external)

Competitors or events that could disrupt your business and jeopardise your position in the market (e.g. new entrant to the market, changes in taste, new rules)



CAGE distance framework

CAGE distance framework

- The CAGE distance framework provides a high-level guide to assessing the merits of entering a foreign market.
- It allows you to compare your targeted foreign market with your domestic market.
- Differences between your domestic market and the export market will help you assess how difficult or easy it would be to do business in that foreign market.

CAGE distance framework

- 'CAGE' stands for:
- **Culture:** The differences in culture (language, religion, social networks, celebrations and value systems)
- **Administrative:** The differences in the institutions and administrative systems (accepted currency, customs and trading processes, and political relationships)
- **Geographic:** The physical distance of markets and the impact of the geographical location (time zones, border access, difference in climate, geographic size, remoteness, and availability of infrastructure and transportation routes)
- **Economic:** The size and nature of the economy (per capita income of economy, purchasing power of individuals, an economy's resources, level of debt, the unemployment rate)



Business model canvas

Business Model Canvas

Why use it?

- It's more dynamic than a business plan
- It's an effective way of focusing on customers (as well as means of raising revenue)
- It provides a structure accessible and understandable to all staff
- It encourages innovation in processes and marketing
- It works! Major companies and start-ups are using it

Components of a Business Model Canvas



Components of a Business Model Canvas



- 1. Value proposition:** Your fundamental business offering that creates value to your customers. Clearly highlight the customer needs, wants or problems the company addresses through the value that it creates.
- 2. Customer segments:** Distinct target customers for whom you are creating value, separate them clearly.
- 3. Channels:** The touchpoints where the customers interact and purchase your offering. Could be completely digital, through sales representatives, 3rd party sellers.
- 4. Customer relationship:** The type of relationship established with your customers.
- 5. Revenue streams:** Outlines the ways in which the business is capturing the value in monetary terms.
- 6. Key resources:** The indispensable assets to deliver the value proposition
- 7. Key activities:** The tasks that are to be completed to perform the value proposition
- 8. Key partnerships:** The external parties to your business that help you deliver your value proposition.
- 9. Cost structure:** All the costs involved to deliver your value proposition, both fixed and variable.



Tips on Market Research

Market Research

Tips on Market Research

- Seek out independent expert advice to help you overcome your own knowledge blind spots for international markets.
- Identify your budget! This will allow you to determine what activities you can and can't do.
- The best market research is always conducted when visiting the market. When in market, visit anyone who touches your product to understand their perceptions.

Market Research

Tips on Market Research

- Reach out to your own network for anecdotal experiences in the market you are researching and to form relationships.
- Reputable sources that we recommend:
 - Austrade Market Insights
 - DFAT Market Overviews
 - McKinsey Reports
 - WorldBank Database
 - Harvard Business Review
 - OECD Reports



Questions