

CHAPTER 28 : Assessment of a country a market

1. Factors to consider

1.1 Level and growth of disposable income

- Disposable income : income after tax
- Higher disposable income means higher ability to pay goods and services
- This makes the market an attractive one to expand into.

1.2 Ease of doing business

: An important factor to consider when evaluating a country as a potential market is how easily it can do business.

: There are 10 indicators produced by World Bank that track the life cycle of a business from its creation to its end.

- Starting a business
- Dealing with construction permits
- Getting electricity
- Registering property
- Getting credit
- Protecting minority investors
- Paying taxes
- Trading across borders
- Enforcing contracts
- Resolving insolvency

1.3 Infrastructure

: This requires a certain level of communication and adequate transportation links

: If lower quality of transportation, this can add significantly to a company's production and operating cost.

1.4 Political stability

: A country with a calm political situation can reduce uncertainty. This might make that country attractive as a potential market to businesses.

Example of risk of political instability

- Increasing level of corruption
- Internal power changes

1.5 Exchange rates

: Changes in exchange rates can have a large impact on business that is operating internationally.

: Appreciated currency can makes export less competitiveness and cheaper imported raw material

: Also fluctuating exchange rates causes problem for business. It is difficult to estimate cost and sales.

2. Application of porter's five forces model to assess markets

2.1 The bargaining power of suppliers

: Limiting the power of supplier can improve the competitive position of the business

2.2 The bargaining power of buyers

: If buyers or customers have considerable market power, they will be able to beat down price offered by suppliers

2.3 The threat of new entrants

: If businesses can easily come into an industry and leave it again if profits are low

2.4 Substitutes

: The more substitute there are for a product, the fiercer the competitive pressure on business making the product. Equally, a business making a product with few or no substitutes is likely to be able to charge higher prices and making high profit

2.5 Rivalry among existing firms

: Rivalry among existing firms in an industry will also determine price and profits for any single firm. If rivalry is fierce, businesses can reduce that rivalry by forming anti-competitive practices.

Porter's model can be used to assess the potential of an overseas market. It can help businesses to look at the balance of power in a market between different types of organisations. It can determine whether entering into such a market will be profitable.

