BRINGING DOWN THE BARRIERS – CHARTING A DYNAMIC EXPORT DEVELOPMENT AGENDA

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BUILDING INSTITUTIONAL CAPACITIES:
FINDING THE RIGHT FOCUS – GEARING UP FOR EXPORT SUCCESS

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1. Introduction

The analysis on international trade and the current scheme to promote exports frequently arise from the premise that it is the countries or blocs that trade among themselves, thus we say that Costa Rica exported bananas to the European Union or the United States purchased ethanol from Brazil.

This method of executing the analysis at a macro scale, leads us to develop general export promotion schemes where we focus on the market-penetration strategy of the country in the market of interest and we frequently forget that in reality it is a Costa Rican company that is selling its product to a German or Portuguese company which at the same time distributes or transforms this product and subsequently it will reach the consumers. Given this reality, we must begin with a micro-analysis to be able to formulate policies and strategies that allow a successful integration of the companies into international markets.

2. Reasons to segment

However, is it possible for an export promotion agency (OPC) to prepare an analysis of each exporting company or potential exporter in order to define the best integration strategy for the international market? The answer to that question is evident. That analysis cannot be carried out, regardless of the willingness and inclination to do so, because the necessary resources most likely would not be available to carry out the task.

Just as a company that sells finished products is faced with a market comprised of diverse consumers as a result of their distinct habits, income, tastes, among other variables, how can it adapt to such a heterogeneous market when it cannot sell a specific product to each consumer? The most reasonable method is to create homogeneous groups of clients in terms of habits, needs, income and tastes; that is, by segmenting the market. The OPCs must do the exact same thing, a segmentation of their clients in the most homogenous way possible in order to try to have the greatest possible coverage.

Consequently, the first action the company must execute is to segment the market, that is, break up the total market in a certain number of groups which must be as homogeneous as possible, in order to really know the consumers and therefore, adapt its market strategy in the best way possible.

3. Types of Segmentation

There are multiple ways in which the companies can segment the market; traditionally the main approaches are the following:

- Geographic segmentation: country, provinces, size of the city, climate, urban or rural, etc.
- Demographic segmentation: sex, age, family life (marital status), size and composition of the family, ethnic group, etc.
- Socioeconomic segmentation: income, education, occupation, religion, personality, life style, deep-seated values, etc.
- Segmentation by behavior: this refers to the behavior related to the product: what benefits does the consumer want from a product, importance given, use of the product (a great deal, average, not much, does not use it himself/herself, etc)
However, the segmentation approach has not been entirely free of problems, both at the company level as well as at OPCs. Probably, the greatest problem faced by companies when executing a market segmentation is to forget the client, which seems a paradox if one considers that the majority of companies use a segmentation that mixes the elements mentioned previously; for example, selecting as the target segment, male consumers who are single, between 25 and 35 years old, with a high purchasing power who generally visit trendy restaurants, that is, they know the client very well, how much he/she spends, where he/she lives, but perhaps they forget the most important aspect: what is the unsatisfied need of this client?

Another mistake made in many marketing departments is to ask themselves: what need will my product satisfy? In this case the error consists in trying to force the product to satisfy a need and try to create the need in the consumer. This is practically resorting to the literal interpretation of the so-called Say's Law, which states that all offers create their own demand.

The same analogy can be applied to the OPCs, which are unaware of the needs of their clients or maintain export promotion programs that they try to instill on exporters or on potential exporters without really needing them. But in many cases the OPCs may face a greater challenge when executing the segmentation of clients and that is to really define who their clients are.

The OPCs face a broad number of clients, in addition to being highly heterogeneous and each with different objectives. In the case of Costa Rica, we find within our clients university students who are studying international trade, journalists, and public institutions, although, we could mention two large categories of basic clients of the OPCs:

- The **local companies** that are interested in selling their products abroad.
- The **foreign companies** that will be purchasing our national products and services.

It is evident that the first of these groups deals with natural clients of all OPCs, they are those companies that are exporting and wish to expand or those non-exporting companies that want to penetrate the international market.

The second group is comprised of companies that could potentially purchase national products; these companies represent important links with the final market since they know their consumer and their needs thus they represent an invaluable source of market information.

As part of the constant change that must be made in an organization to deal with the new challenges that arise and following the trends for client segmentation, PROCOMER is endeavoring to sell solutions and not products to its diverse clients.

A vital element to consider when carrying out a new segmentation of clients is to forget what we have and how it has been done; one cannot fall into the trap of continuing to concentrate on the products that are already being promoted, since the approach should focus on the needs of the client and how to satisfy those needs.

### 4. PROCOMER’s experience

During more than 10 years, the Costa Rican Foreign Trade Corporation (PROCOMER) has worked hand in hand with Costa Rican companies with the objective of supporting them in their successful integration in the international market, and through that integration support the growth and development of the country.
To overcome this great challenge but without forgetting one of the first lessons of the courses on economics that taught us that needs are unlimited but the resources are limited, PROCOMER, just as many other OPCs, has had to focus on strategic areas and programs that will allow us to take advantage of the available resources.

The segmentation approach has also been followed by the OPCs, and in the case of PROCOMER, it has generally been executed in two main approaches:

- The segmentation by products or sectors, where related products are grouped together. In the Costa Rican case, the sectors that have been taken into consideration are those included in the category of fresh products and food industry, just to mention a few.

- The approach of the country of destination is also pursued by the different OPCs. In the past, Costa Rica followed this approach and our efforts are focused on markets such as the United States, the European Union and Central America.

In the best of cases, the segmentation strategy pursued by the OPC mixes the approach by sector and market, thus, offering enhanced nearness and closeness with the client.

With this objective in mind, once the two large groups of clients on whom the export promotion efforts made by PROCOMER have been defined and on which the efforts are directed, it will be necessary to study and get to know them in depth so as to build strategies that will allow attending to the needs of both the exporters (current and potential) as well as the prospective clients of Costa Rican products.

The are several ways to get to know the clients of OPCs, in the case of PROCOMER various methods have been followed with regard to current and potential exporters:

- The quantitative aspect, through the analysis of detailed information of the exporter, such as products (exported customs items), exporting frequency, amount exported, destination of exports; at any rate, all statistical variables that are available. However, this variable has a limitation because it refers only to current exporters.

- Detect the needs through service requests. During the last few years PROCOMER has implemented a quality management system and as a result it has developed a series of forms where the needs of exporters or potential exporters are captured and the system allows us to measure the degree of satisfaction of our clients as well, thus we obtain an extremely valuable variable: feedback.

- Lastly, although no less important, is the direct contact with the exporters and potential exporters. Personalized dealings offer us the opportunity to have a closer relationship and to obtain direct and concrete reactions from our clients in aspects that we need to improve or develop to be able to attend to their needs.

Another tool that is used is benchmarking as well as visits to other agencies that are similar to PROCOMER or sharing of experiences at different levels in a variety of instances, which allow us to learn from the positive and negative aspects that other comparable agencies have experienced throughout the years.

Merely by knowing these aspects we would be able to carry out a segmentation of the client portfolio, however it would seem necessary to also identify external clients and their needs to execute a cross segmentation as well. On the other hand, we also face the problem of identifying these clients. Which
leads us to the question: which are the most adequate if there are millions of companies around the world?

To carry out this difficult task, we have resorted to different methods and to a constant process. We have used offices abroad and market research as a way of identifying potentially interested companies, which can eventually be satisfied with our domestic products or pursuant to their entrepreneurial spirit they could have a solution in the near future, and in that sense, networking and the field work have been essential tools.

Additionally, access to sources of information and specific databases for companies and by keeping them updated and permanently analyzing them allows us to establish and develop better estimates on the different needs encountered in the international market.

In Costa Rica we have sought ways to amalgamate the needs of these two groups of clients, in order to be able to offer specific solutions to clients with particular needs. This process has been exhaustive and constant, since needs change rapidly and the organization and the people who work in it must attempt to change at the same rate of speed in order not to lose relevance among our clients.

In order to offer solutions to the different clients, it is necessary to develop agile mechanisms of internal coordination, and as a result the different departments are not oriented to perfecting their products or individual solutions but rather they are focused on developing a real solution to the needs of the client on behalf of the institution.

Additionally, this approach requires training and development of competencies among the persons involved, in order not to repeat the habits we are avoiding, such as the approach by product or geographic markets or the organization or participating in events “because it has always been done like this”.

5. Conclusion

The aforementioned does not mean we must abandon the traditional methods however; the approach must be constantly evaluated and adapted according to the new requirements that evolve.

Upon executing the analysis we may find ourselves in a situation where we are unaware of the needs of our clients and at that point we are forced to be creative; to practice the same thing that we very likely and frequently indicate to the companies as a success factor: innovation. The development of new programs will succeed as long as they respond directly to dealing with a need, just as a product is successful when it tackles the need of its consumers.

Besides, we have to take into consideration that resources are scarce and we will be unable to satisfy all the needs of our clients (even if we wish to do so) therefore, in the end we will have to choose those that will have a greater impact and will be in agreement with the national and institutional reality in which we operate.

To summarize, we can say that there is no correct way to carry out segmentation; success will depend on the objectives proposed and the way in which the segmentation helps attain those objectives.
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