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EXPORT MARKET SURVEY AND ITS METHODOLOGY <sup>1/</sup>

by

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<sup>1/</sup> The views and opinions expressed in this paper are those of the author and do not necessarily reflect the views of the secretariat of UNIDO. This document has been reproduced without formal editing.

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FIRST  
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THE  
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CITY  
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LONDON  
FROM  
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BEGINNING  
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## Introduction

A manufacturer, who intends to enter into foreign markets, is in many ways handicapped: he has no experience of the market, he may not be able to discuss the matters with his prospected clients in a common language, and his cost-analysis has not been developed to be able to determine a real price for exports. Speaking of furniture and joinery exports to developed countries, there are, also, many specific difficulties, like the lack of <sup>appropriate</sup> manufacturing tradition in the works of the exporter, and the lack of tradition of using furniture, both these factors leading to many hesitations on the part of the possible importers.

Being a manufacturer, especially if one has a modern factory with good machinery, many people seem to think that the only real question, that matters, is to learn the use of the machines; then you just turn the key and the factory throws <sup>out for</sup> you so-and-so many chairs, which you sell at a price, which is greater than the costs of raw material, labour, power, and amortisation, and the difference is your profit. - If it were really like that there would be no bankruptcies, no ups and downs of the economy, no unemployment, and no problems for developing countries! Everybody would be happy and the machinery would keep us living happily ever after!

This is what so many manufacturers do think, and a greater many more used to think, <sup>that is</sup> those, who now have no factories left and those, who now have learned from bitter experience. The reality of manufacturing and producing is, that there are products which cannot be sold at any price, and the freer the consumer is, the more you can produce wrong products and the more difficult it is to find a way to satisfy the needs of the consumer in such a scale, that he is ready to give up a part of his purchase power in order to pay your price.

When we have the access to a production capacity, we must first, of course, learn to use it, but before we turn the key, we must find out, what we shall produce, where we can place the production, how, where and at what time we can reach the potential buyers, and production costs. This is called marketing - which,, I am somewhat afraid to say - comes before the manufacturing.

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A map by which a plan can be made, is the MARKET SURVEY, the subject of my paper of today.

Marketing is a strategy of presentation of a product. It is based on / research into needs of the people, on the ways of satisfying these needs, on planning a system to transform these ways into concrete services and products, which we can produce at the price we can achieve, and it includes, after the research and development periods, the manufacturing and distribution, the information, the selling and the consuming of the product, all aiming at a mutual contact and continuous flow of information, money, and products, between the manufacturer and his client.

These clients are the people living within our market-area, and we marketing-people always speak of people, not the area, when we speak of a market. There can be a really defined market, such as a country, but within this area we cannot have all these men and women using only our products, that is why even within the smallest area we must define our market segment. We cannot hereover, think in chairs only, but we must know, if these are to be modern or traditional (and what is modern and what is traditional for just these people !). Are they soft and yellow, or hard and collapsible, or cheap and sold in dozens to each buyer, etc? We must know the reasons behind the purchase decision, we must be able to predict the time and place of / the order

purchase so far in advance, that our production can be geared to solve all problems before the time of shipment. We must have the hundreds of unsettled questions readily solved and jointly included in our offer. All this is so much more difficult when we want to sell abroad, an export market.

As with other types of maps, you can buy a general map at a cheap price at any stationery store. Speaking of export market surveys, as a member of the Finnish Furniture Exporters Association, I may have a general and genuine market survey at some twenty US dollars, I may even have it cheaper from a friend but such maps can only be of very general information and will not solve our particular problems, they will not tell us what to produce - by this

I mean what exact design, and how to conduct ourselves. A general market survey tells us what other people used to think some years ago, and what they have achieved, and even a good market survey speaks only about the present time, but what we need is information concerning the future.

1. Why do we need market research?

I would, therefore, excuse myself by underlining the value of knowledge: it is always cheaper to learn something from the others than trying to invent, by experience, everything by ourselves! And when I tell you, that a general market study of the present-day situation in furniture in the Federal Republic of Germany can be bought at some US\$ 20, you see, I hope, some light in this matter. And when I add that a personal visit to a market place practically always proceeds and business-transaction, you can see that a market study may still be worth while.

2. Starting our market study

If we can agree on the meaningfulness of a market study, we can continue with the basic steps in starting our activity. And the very first thing to learn is to understand "why". In the ancient Finnish mythology, Kalevala, people used to get themselves over dangers and obstacles by reading aloud the birthverses of this danger, like of a snake or of an illness. For a researcher, or anybody who prefers a systematical approach to things, the basic knowledge is to know why something is asked, i.e. for what reason this market study is needed.

I have here summarised various reasons/ <sup>for carrying out</sup> a market study, and by giving different answers and additional questions I would like to point out that different reasons lead us to different kinds of surveys, to different methods to be used, and to different answers to be found. That is why it is most fundamental to spend time and effort for this basic question of "why". In surprisingly many cases we can find out that our initiators do not know themselves what they want and why they need a "study", and by merely defining these things we may find many solutions right there! In the research we must also endeavour to cover some neighboring terrain of our goal, but as we should not start writing voluminous encyclopedias, we should limit these "trespassings" to the very necessary ones and not to bury our findings and suggestions under a mass of small facts and stories.

We must also remember the alternatives: costless starting of an adventure, and try to limit our time and financial spending to the absolute necessities. By doing so we shall not build further mental obstacles for further studies, and still learn ourselves and teach our initiators.

In marketing, there are four basics: the product, the price, the promotion, and the distribution; in a market study we should also include the outer factors of demand, competition and institutional factors (such as laws and customs duties). In doing this we can have a form of a general survey or of a specially designed study, according to the previously defined needs. By remembering the questions asked, the basic content as above, and selecting one of these two forms of presentation, we shall proceed into the actual work.

### 3. Collecting data

However, before we start piling up knowledge on our desk, we must still take two important <sup>initial</sup> steps. Firstly, don't we have the answers already somewhere, unused and unnoticed, like in the next room, in our own business correspondence, or at our friends? This is usually the greatest way for saving money and time: to find a ready answer laying there. There are also trade associations (are we members and were I), government agencies, international bodies, magazines and newspapers. Checking all these for both ready answers and for possible traces of truth, is the very first task to undertake. It is also the main part of the so-called desk-research, the opposite to the succeeding field research.

Secondly, besides the written and verbal knowledge we should collect the basic numerical data, the statistics. They are commonly available when we need general foreign trade figures of the industrialised countries, but will get poorer and poorer, the more detailed kinds of commodities we are interested in, the more we come to the domestic trade, and the more we need information from areas with less sophisticated statistical services. When our quantitative goals are mirrored against these figures, we may be able to re-write the goals and questions.



For more intimate knowledge I may indicate here, as an example, a Finnish solution for export promotion. When our export of consumer goods was newly starting, we established a very free and easy luncheon club in Helsinki, where the young exporters get - and still do get - together to listen to a topical presentation by an expert, very often by some of our trade secretaries on a visit to Finland, but with aim of "getting-to-know-each-other". The list of members with addresses is frequently distributed to all members, and you are supposed to get acquainted with your table-mates. On this basis many difficulties were solved and information shared and increased.

There are some further points in the collection and preparation of information which comprise the following:

- make a good plan for your study: start with an analysis of your present situation and define the obstacles, the ways to overcome these obstacles, and the methods of finding these ways. Sum all this up and compare the result with your own possibilities - should you not leave the study to an outside expert or are the potential answers much too far away, financially, mentally, geographically, or otherwise from the actual needs ?
- define the market you are studying. If you are supplying nuclear-power stations, your market is very limited, but well-known and scattered geographically all over the globe. If you would like to manufacture cheap and every-day tables, you must concentrate yourselves on geographically limited areas and study their tastes, needs, etc.
- what about time ? There is a present time and the time in the future, both of which have different meanings; the present "is-situation" is quite transparent and easy to understand, the future "should-be-situation" is more unpredictable but will include our own activity with its reactions such as results for us, competition, change of patterns. The "is-situation" will, therefore not develop itself to the "should-be-situation" without certain changes. There is an information gap between these two, and the research is there to narrow this down.
- still more about the time. When we have to investigate the possibilities for getting rid of a surplus-stock of certain chairs, the time needed for our work is short and the should-be-time near. When we are planning construction of a new furniture factory, the research-time must be longer and the should-be-time quite far away.

#### 4. Making of the data

Usually the most important data for our decisions is not available in the form of statistics or similar written documentation. Some information can be combined or deducted from the similar old material, but usually we must get out and do some field research.

The easiest way to get new information is to ask for it from the people who know! If we are to sell to a certain buyer, we can ask his own opinion and have the results right there. There may be even many buyers for us, but if we know them, it is easy to ask them all. Another thing is that when we have many potential and unknown buyers to be asked, we must then use other methods.

One of the elementary ways to reach many buyers is to participate in a fair, where they will be gathered. By doing so, we may have our product tested, we can get a good picture of the competition, we can find ourselves a distributor and so on. Participation in fairs is, however, very expensive - much more expensive than what one usually is ready to believe - and must be well prepared for. One of the usual "musts" in the preparation is a previous visit to the fair, to see how one should conduct himself, how the competition is doing, how people walk around, do they buy or just sample for information and so on. For the researcher - and in many other cases - I would recommend just this kind of visit to one or more proper fairs (improper ones being as good as none) and especially if you are planning to kill two or more buds at one stroke, i.e. trying to use your fair-participation for many purposes: product-testing, selling, nomination of a distributor and so on, you are most certainly doomed to experience a very expensive failure. And usually fairs-participation will yield results only after several attempts.

If there is no suitable fair - for the most real market there may be none - or if our product must be questioned by the public itself, we have three different methods: the omnibus, the Gallup-type interview, and different panels. All these types are available for interviewing and for product-testing.

The omnibus interview asks any number of people - usually in streets or calling them at random in their homes or offices - certain questions, and the answers are taken to represent the general view of this public. For this kind of interviewing we can, however, use only relatively simple questions, like "how is the weather?" or "which of these two colours do you prefer?". We can use our own visual jurisdiction for avoiding exceptional questionees such as blind people or children but we can also add some control questions, which will tell us the relation of our sample (i.e. the group of people we have questioned) to the population as a whole. Such controls can include questions for age, occupation, and sex, all relatively non-significant to the questionee, but easy to check against the general statistics. If our sample should greatly deviate from the statistical medium like showing that we have only reached 10% of manual workers instead of the statistical 35%, we must consider this as a fact or try to increase our sample towards them. An omnibus interview can also be carried out among a previously selected group such as traders, visitors to a fair, students, or users of a certain postoffice, for example.

In the Gallup-type (Gallup being a registered trade mark) we are sampling our questionees before the interview by selecting them personally, so that the sample will represent the statistical medium of the population of a certain area. For this we need reliable information of the inhabitants, and this kind of an interview will usually be possible only through specialised agencies. The great benefit of a Gallup-interview is, that we can manage with a relatively smaller sample to receive good coverage, and <sup>further</sup> that we can use more complicated <sup>the</sup> questions, as this interview must, by definition, be carried out at/homes of the questionees, after agreed appointment.

In the different panels we have our selected sample to keep accurate accounting on their behaviour in certain respects, like house-wives noticing their daily purchases, or engineers keeping a maintenance record of certain machinery.

There is still <sup>more</sup> one/type of interview: asking all the people! This is possible when the amount of "people" is small or if we are ready to make really big efforts to reach our "people". This is possible for a government for polling a whole nation but it is also possible for a manufacturer

to poll the potential clients, like those of building nuclear-stations, or those only agents, wholesalers of furniture of our area of interest. I am, however, not taking on this kind of a special case because of itself, but in order to indicate here a severe warning: even if we could ask everybody, the answers can be wrong, the questions wrongly understood, the deductions - based on the results - wrong, and there may even be no answer at all for our question; please always remember, that in trade you are dealing with living people who are unpredictable - and who are often very stupid in relation to their own wishes, much more stupid than we are ready to admit!

Besides the interviews, we can - and should - also use the normal observations, going up and down the fair or the streets of a city. This kind of "research" is quick and cheap but very subjective and based on the qualifications of the observers whose coloured glasses will always deceive the objective truth, however well-meaning and impartial they try to be.

#### 5. The fortune-telling

As I have previously pointed out, the market study only tells us something about the past, on which the present is based, but for our decision we should gain access to the future: how are we now to handle the information for learning of future developments?

The usual way to handle information for forecasting is to extrapolate, i.e. to reach conclusions, based on the known facts, for the future. If three or more sets of statistics show an annual increase of population, we may assume that the trend is growing and that the population will even in the fourth succeeding time have an increase. This we can easily check by investigating the factors causing the change in population, such as birth and death rates, standards of living, health effects of wars, etc., and we should not fall, with closed eyes into the most common trap of statistical forecasting by believing in the figures themselves: if we have a set of growing and successive figures, there is no theoretical reason for having the following figure necessarily show the same trend, just think about playing poker! If we, however, can find a logical trend, we are much better off, and can give our predictions with a numerical occurrence.

One quite useful device for forecasting is to find out the "leader" for our area, i.e. if our area will follow the pattern of change of a more advanced area, like Finland following Sweden, or Germany, the USA. With limited precaution we may assume that the situation in the "follower" country is likely to be the same as in the "leader" so-and-so many years after. In these two cases the lapse in commercial changes is some two to five years.

There is also the "black-box" technique, which is commonly used in sociological forecasting. It means that we can have factors collected into a box, and get something new out of it, without knowing of ever trying to find out, how it all happened theoretically. For estimating future sales of furniture, for instance, we can collect facts like birth and marriage rates, construction and standard-of-living figures, and relate them with the statistics of furniture sales after a certain time, and try to establish a logical relation. As the factors in this case are available now, and we should predict the sales of furniture of the following year, by having this relation at hand, we can make a numerically based - so called "educated guess" for the amount of furniture to be sold.

For furniture there is also one specific form of questionnaire at hand, carried out frequently in many developed countries, and that is the knowledge of the populations' intentions for using their money. People are annually asked, how they would use an extra income of one month, and changes of these results can show the future development of their consumption pattern. I believe that this kind of a questionnaire could be useful in the less developed countries, as well, and would benefit the planning in these countries.

Finally I must touch on the most un-scientific way of prediction: that of intuition! There has been scientific research on the capability of good businessmen to forecast things like plying cards, and it seems to be proven that the success in business-life is often accompanied with this kind of mystical power to be able to "tell the future" - however, this capability will not make good businessmen. If all the future trends and opportunities were deductable from the market research, only big firms could survive, however, the really great successes are often achieved without such a previous

warning - giving us all the hope of once striking oil for ourselves ! This is not meant to be ironical but expresses a reality, which we research and marketing people must live with.

## 6. Final warnings

In our forecasting I have already pointed out the meaning of the fact that we are dealing with the behaviour of the homo sapiens, who is a quite unpredictable creature. I have also warned of the trap of the plain numbers, a growing sequence of figures is not a trend by itself. I have called your attention to the stupidity of the man, being unable to understand our question, unable to know the answer even though it deals with himself, and the potential absence of the right answer altogether. There are also other sources of mal-information, like wrong planning of the investigation, wrong or misleading interpretation of the results, unreliable answers such as those influenced by bad-will towards our rivals, or those of the good-will of our friends, or those of people trying to please us by giving answers they think we would like to hear. There is also the so-called "Zero-research", telling us - after the most complicated and scientific studies - something we already know by ourselves and having no real bearing on our problem anyway.

Some pre-cautions should always be taken. Take a little more money for the research than previously estimated, have the researchers check the reasons i.e. the problems, thoroughly, make sure they are willing and authorized to supply you with negative information, too, and try to follow-up the research after a time.

As the final warning: no research is useful if it will not lead to some activity ! Some research-minded directors just collect nicely bound reports for themselves, without even reading them or passing them along to the people who could really use them. As a researcher, try to find out who this poor person is and give him a copy ! Some read the reports but don't use or understand them which in many cases may be the fault of the makers of this report and so forth.

7. The meaning of a market study.

The well-planned market study will, at least, give us a map of the situation on which we can draw our intended path, and it should, also give us the answers on the things which are going to happen, if our path will go there or here. By doing so, we should remember the text on our coat of arms:

"Well planned is half done".

APPENDIX I

"Why a market study is needed?"

- we are planning a new factory
- we are planning new products
- we are increasing our capacity
- we have overcapacity for the existing markets
- we have a surplus of stocks of certain products

"How big a transaction is needed for this problem, and for what kind of period?"

- give a numeric figure for quantitative volume
- do we need to export
- shall we plan for the exports only
- is the transaction to be continuous

"What are the real problems, hindering our decision?"

- we lack products
- we lack buyers
- we lack interested buyers
- we lack interesting buyers
- we lack raw-material
- we lack labour
- we lack skilled labour
- we lack experience
- we are too expensive
- we are too far away from the demand
- there is no reason for the buyers to come to us

"Will some of these problems be solved by a market study?"

- if not, why bother starting one?

"What are the alternatives for a market study?"

- purchased knowledge
- joint research with associates
- "rule-of-the-thumb"
- improvising by intuition
- calling off the plan



## APPENDIX II

### List of possible sources:

- a) enterprise records
- b) friends and present dealers
- c) data from published records
- d) books, magazines, newspapers
- e) potential dealers
- f) consumers/people

## APPENDIX III

### Suggested "table of contents" for a market study:

- a) definition of the market (area, individuals etc.)
- b) government regulations, concerning imports to our country
- c) other institutional factors
- d) competition, including import statistics
- e) ways of competition
- f) demand, including possible forecasting and definition for products
- g) distribution systems
- h) promotion systems
- i) pricing
- j) recommendations

- when a study is carried out at the initiative of someone, it should also include the aim of the study, for whom it has been prepared, by whom and how it was carried out, the date of the study and the preparation;

- as appendices, the detailed tables; bibliography used and further studies, detailed theoretical matters and their degree of accuracy, list of people interviewed (if possible), and other relevant original documentation.

APPENDIX IV

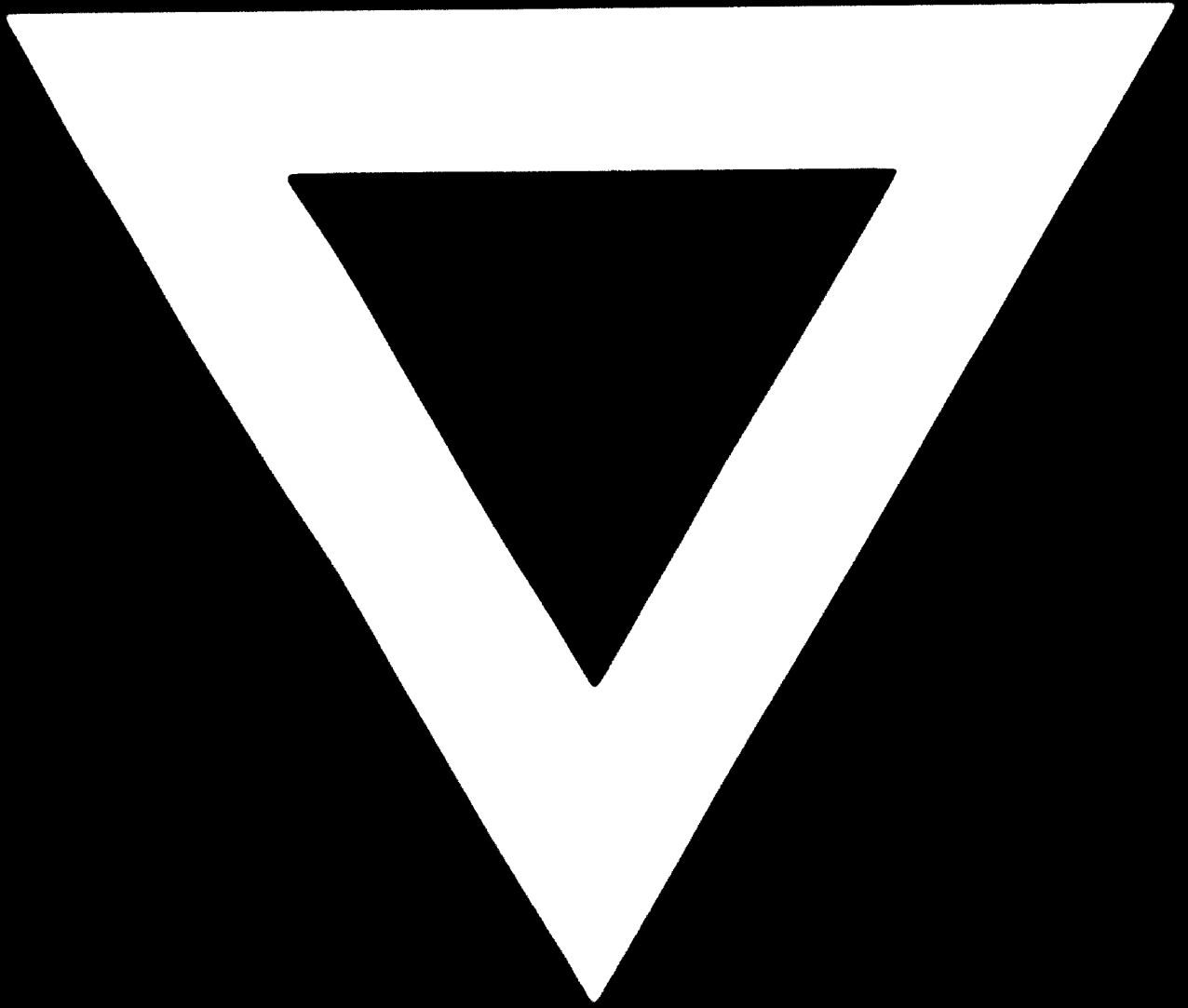
A list of major fields of marketing research, including even those which are not mentioned in the text:

- product analysis
- consumer survey
- distribution channel survey: agent, wholesaler, direct selling to large customers, direct selling to miscellaneous customers, own subsidiaries, selling at fairs, etc.
- sales analysis and market segmentation
- distribution cost analysis
- market potential
- attitude and opinion research
- advertising and promotion research
- price analysis
- market trend analysis
- operations research
- behavioral research

Methods mentioned in the text:

- interviewing by the omnibus method  
the Gallup-type method  
different panels
- tests
- extrapolation
- "leader-follower" technique
- "black-box" technique
- intended use of purchase power
- intuitive methods





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