TPSA | CANADA–INDONESIA TRADE AND PRIVATE SECTOR ASSISTANCE PROJECT

How to Prepare Market Intelligence Reports

IN PARTNERSHIP WITH

KEMENTERIAN PERDAGANGAN
REPUBLIK INDONESIA

MINISTRY OF TRADE

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How to Prepare Market Intelligence Reports
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About the TPSA Project

The Canada–Indonesia Trade and Private Sector Assistance (TPSA) Project is a five-year, C$12-million project funded by the Government of Canada through Global Affairs Canada. The project is executed by The Conference Board of Canada, and the primary implementation partner is the Directorate General for National Export Development, Indonesian Ministry of Trade.

TPSA is designed to provide training, research, and technical assistance to Indonesian government agencies, the private sector (particularly small- and medium-sized enterprises, or SMEs), academics, and civil-society organizations on trade-related information, trade policy analysis, regulatory reforms, and trade and investment promotion by Canadian, Indonesian, and other experts from public and private organizations.

The overall objective of TPSA is to support greater sustainable economic growth and reduce poverty in Indonesia through increased trade and trade-enabling investment between Indonesia and Canada. TPSA is intended to increase sustainable and gender-responsive trade and investment opportunities, particularly for Indonesian SMEs, and to increase the use of trade and investment analysis by Indonesian stakeholders for expanded trade and investment partnerships between Indonesia and Canada.

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Introduction and Purpose

Training Indonesian Ministry of Trade officials to prepare market intelligence reports (MIR) is a critical component in the effort to increase Indonesian exports to Canada. This manual provides the necessary framework to help officials develop an effective structure and use the right tools to do so.

This manual was created for the workshop "How to Prepare Market Intelligence Reports" held in Jakarta on April 17, 18, and 20, 2017. The officials who attended the workshop came from departments in the Indonesian Ministry of Trade that are actively involved in analyzing trade between Indonesia and its trading partners.

Using Market Intelligence Reports as Background for Training

Three market intelligence reports (MIRs) produced by the Canada–Indonesia Trade and Private-Sector Assistance (TPSA) Project were used as background cases in designing and conducting the workshop. The MIRs focused on the three TPSA target product sectors: coffee, footwear, and apparel (dresses, shirts, shorts, and trousers). The reports gave the participants the opportunity to visualize a finished MIR and allowed them to understand and familiarize themselves with the process and tools used in preparing MIRs.

The Purpose of Market Intelligence Reports

To write a comprehensive and useful MIR, it is essential to understand the report's intended audience, what it should include in terms of content, and the expected outcomes of the report.

For the purposes of this manual, the report's main audience is the Indonesian SME that is interested in exporting to the Canadian market. (However, although the Canadian market is used as the target market in this manual, most of the information and tools can be applied to other target markets). The SME may or may not have export experience or be familiar with the target market in question. This underscores the importance of making the report as easy to understand and read as possible. The information should be simple and the writing team should assume that the reader's knowledge is limited. The audience may, of course, include larger, more-experienced companies as well as trade associations, freight forwarders, trading houses, banks, and other parties, linked directly or indirectly to exporting activities. These groups will have different levels of market understanding. The overall objective is to inform them of market conditions to help them gain business insight, so they can then decide whether to pursue opportunities in Canada or other target markets. After reading the report, companies will be able to ask themselves two fundamental questions:

- Is my company ready to enter this market?
- Is this an appropriate market for my company?

If the answer to the first question is "no," the company will then need to define the steps they must take to become ready and decide whether taking these steps makes financial sense. The steps may take different forms, such as certification or product development.

Regarding the second question, the answer may be that the target market is not a good one for the company. For example, the company may not be able to produce a product that is price-competitive with those currently being imported to Canada from low-cost producing countries that have historically been market leaders because of their price advantage.

Tools and Parameters

A number of tools are available to researchers to gather market information. This information consists of either primary data or secondary data. Primary data are created and used for the sole purpose of the specific MIR. Typically, researchers create a questionnaire or survey and send it to different groups of customers, with the intent of capturing data related to measuring and understanding the market and its consumer base. Primary data can also be generated from focus groups or interviews (with Canadian importers, for instance), again to obtain very specific information from the market. Gathering primary data can be a time-consuming and expensive process. For these reasons, primary data are seldom used when creating MIRs. When they are used, they usually complement secondary data available from other sources.

As the term implies, secondary data are normally created for purposes other than the specific research carried out by the export-promotion organization. For example, the Canadian and Indonesian statistical agencies produce data on exports and imports for customs purposes that could be used "secondarily" to analyze specific MIR products. The fundamental differences between primary and secondary data are captured in Table 1.

TABLE 1

DIFFERENCES BETWEEN PRIMARY AND SECONDARY DATA

Primary Data	Secondary Data
• proprietary	• not proprietary
• original	• not original; shared data
• costly and time-consuming	• data can be adapted
• specific questions and needs	• generally not geared specifically to your report
• only you have access to the data	• sometimes inconclusive
• specific surveys and interviews	• readily available and free
• qualitative and quantitative	• quantitative and qualitative

Secondary data are the most frequently used information when creating good MIRs. The researcher typically gathers data from different sources and analyzes that information. The data is neither original nor proprietary, and is not usually specific to the MIR product. Therefore, it is not always possible to obtain perfect and complete information about the product or group of products in question. For instance, if a researcher is examining the Canadian market for ladies' leather footwear, it may not be possible to obtain complete market information, since much of the data may relate to all women's footwear (not necessarily leather), to leather footwear (both men's and women's), or to all footwear (leather and other materials). If only data on leather footwear are available, the researcher might use data on the share of male versus female footwear shoppers and apply those shares to the data on all leather footwear.

Both quantitative and qualitative data can be useful when creating MIRs. Usually, government import statistics are the main quantitative data used as the basis for research. Quantitative data can also be obtained through industry groups and associations, which are generally reliable sources of information.

Qualitative information is subjective and usually takes the form of feedback from interviews, surveys, and focus groups. Indonesian trade representatives in-country are typically in a good position to provide some

of this qualitative information. For instance, interviews with importers or retail-market checks often provide valuable market insights.

The question of which currency to use must be determined when conducting research for an MIR. For a report related to the Canadian market, it is advisable to use a combination of currencies. Any data related to the Indonesian industry should be provided in IDR, bearing in mind that the primary reader is the Indonesian exporter. Any data related to the global market should be provided in U.S. dollars, as it is the most widely-used currency when comparing different markets and using world data. The Canadian dollar should be used when presenting Canadian figures, provided the exchange rate between the Canadian and U.S. dollar is given at the time of writing the report. The main reason why the U.S. dollar should not be used in place of the Canadian dollar is the history of significant fluctuation between the two currencies during the last several years.

Other parameters that will help the researchers/writers create comprehensive and reliable reports include:
- Properly formulated average calculations, as follows:
  - If needed, weighted averages may be used and are easily calculated in Excel, using two columns: the first to provide the figure and the second to weight that figure.[1]
  - The compound annual growth rate (CAGR) provides a more accurate average when different years are used, as opposed to a simple average of the yearly growth rates.[2]
- Values and volumes: When both dollar values and quantities are available, it is worth providing both, especially if foreign currencies are used. The SME reading the report will relate more to, for example, the fact that Canada imported 10,000 pairs of shoes in 2014, than to the fact that Canada imported C$90,000 worth of shoes in 2014.
- References: Whenever references are made to data, forecasts, opinions, or comments, whether quantitative or qualitative, the source should always be noted. This will underscore the fundamental importance of making sure sources used are reliable and that sufficient care has been taken to use proper data.

Seeking out reliable sources of information is an essential parameter that researchers and writers must abide by to produce valuable market intelligence reports. The Internet is the most important source for accessing data. The main and most reliable websites are those of the following organizations:
- government departments/ministries (Indonesian, Canadian, and others)
- international organizations (ITC Geneva, the United Nations, OECD, and others)
- trade association websites and publications (international, Indonesian, and Canadian)
- non-governmental organizations (NGOs) (international, Indonesian, and Canadian)
- private-sector companies (international, Indonesian, and Canadian)
- research companies (private, fees may apply)

Most of the organizations listed above provide data free of charge, with the exception of research companies such as Euromonitor, which usually charge a fee for access to market information. Using such companies' reports can be a good option, if funds allow. A number of these research companies exist and produce market intelligence reports on specific products for specific countries. Fees vary for such studies.

The increasing ubiquity of blogs and social media makes it tempting to use them as sources, especially when they relate to the product sector in question. However, unless a blog is widely recognized as being reliable, it should be used with caution. If one is used, it should be clearly referenced.

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[1]   Using the Excel command: =SUMPRODUCT(BX:BY, CX:CY)/SUM(CX:CY), where column B lists the value and column C lists the actual weight to be given to each value.
[2]   In Excel, the formula to use is XIRR function. The actual formula is the following: CAGR = (((End Value/Start Value)^(1/(Periods–1))) – 1)*100.

Main Components of a Market Intelligence Report

Creating a well-organized and comprehensive report outline is one of the most important tasks facing the researcher. The more well-organized and complete the outline, the easier the process of writing will be. The recommended outline for market intelligence reports includes the following components:

1. executive summary
2. introduction
3. global context
4. Indonesian context
5. Canadian context
6. recommendations
7. conclusion

Each component is described below. A market intelligence report will typically vary in length and depth of information, but generally a report will be between 20 and 30 pages in length. For proportion purposes and to place relative importance on each component, this manual assumes a 20-page report.

Executive Summary
The executive summary is a brief synopsis of the report, primarily intended to provide the reader with a high-level overview. It summarizes the entire report, providing highlights from each component. The executive summary is normally written at the very end, once all the data have been gathered and integrated into the text. It should be approximately 1 to 1½ pages long (of 20 pages).

Introduction
The introduction sets the context of the report. It normally contains the following information: the purpose and scope of the report, the intended audience, and the product sectors and subsectors covered. It should also explain the methodology used to prepare the report. The recommended length is 1 to 1½ pages (of 20 pages). The introduction should include:

- specific HS product numbers (six digits) and descriptions or other product classification information;
- main data sources (for the global, Indonesian, and Canadian contexts);
- calculation methods;
- currencies used;
- assumptions made (e.g., calculating the market size based on a percentage of the country's population or estimating the number of women consumers to be a percentage of the total number of consumers);
- limitations of the report (e.g., the data does not differentiate between leather and non-leather footwear, or the statistics do not break down women's and men's footwear but aggregate both into one category).

Global Context

This section of the report typically sets the scene for the market in question. It should provide valuable information and give the reader a global perspective, placing the target market in the context of the global scene. Its focus should be on providing an overview of the world market for the past three to five years. If available, market forecasts by expert sources should also be included. Any specific world situation (for example, world prices of cotton affecting demand and supply conditions) should also be mentioned.

This section should also cover the leading players in the global market (i.e., countries and, if applicable, major companies) and should discuss both Indonesia in the global context (major markets, etc.) and Canada as an import market (both in value and, if available, in volume) in relation to other markets. The average length of this part of the report should be one to three pages, depending on how much information is readily available. The main themes to be covered include the world market, trade information and standards/regulations, and general market trends. Issues related to the environment, sustainability, labour, gender equality, and corporate social responsibility (CSR) should also be included, but should not form the bulk of this section.

The following are some important sources of information to address the global context, focusing on the three market intelligence reports on coffee, clothing, and footwear. This list is by no means exhaustive and has been compiled to provide a strong starting point for research:

Trade statistics; trade-related information:
- UN Comtrade database: https://comtrade.un.org
- International Trade Centre: www.intracen.org
- World Atlas: www.worldatlas.com
- Centre for the Promotion of Imports From Developing Countries (CBI): www.cbi.eu
- International Organization for Standardization (ISO): www.iso.org

Fair trade information:
- Fair Trade International (FLO): www.fairtrade.net
- Fair Factories Clearinghouse: www.fairfactories.org

Environment, sustainability, CSR, and compliance information:
- International Institute for Sustainable Development (IISD): www.iisd.org
- Ecovadis: www.ecovadis.com
- International Finance Corporation: www.ifc.org
- Business Social Compliance Initiative (BSCI): www.bsci-intl.org

Coffee-related information:
- International Coffee Organization: www.ico.org
- European Coffee Federation: www.ecf-coffee.org
- Global Coffee Platform: www.globalcoffeeplatform.org
- Specialty Coffee Association (U.S., EU): https://sca.coffee

Footwear-related information:
- World Footwear: www.worldfootwear.com
- American Apparel and Footwear Association: www.wewear.org

Clothing-related information:
- American Apparel and Footwear Association: www.wewear.org
- Fibre2Fashion: www.fibre2fashion.com

Indonesian Context

The next section of the report should provide an overview of the Indonesian context. It should be approximately two to three pages long (of 20 pages). The objective of this section is to provide the reader (i.e., the SME considering exporting to Canada) with a picture of the competition in the Canadian market to help the SME determine whether it can be competitive in that market. It should provide the following information:

- overview of supply conditions over the past five years (or 10 years if desirable);
- major highlights of the Indonesian industry or sector (e.g., coffee, footwear, or clothing);
- production volumes and value (nationally and by province), number of producers, seasonality in production/harvesting (if applicable), production techniques, and standards in the industry;
- main export markets by type/kind/variety (if applicable);
- description of domestic market demand;
- product availability: a description and overview of each type and kind (e.g., mass, specialty, organic, fair trade) and a profile of each;
- export requirements and regulations (if applicable): what exporters need to do to export their products (e.g., procedures, documentation, permits);
- industry challenges obtained from phone interviews or questionnaires: primary qualitative information from exporters and trade associations;
- product certification: types, procedures, and requirements;
- other considerations that may impact supply conditions, production growth, and forecasts: environment, government assistance, women and empowerment in the specific sector, gender equality, labour policies and issues, poverty alleviation, and other CSR issues;
- opportunities and prospects for market growth.

Some key sources from which to obtain the information above are provided below:

Statistics and trade-related information:
- Ministry of Trade: www.kemendag.go.id/en
- Indonesian Statistical Agency: www.bps.go.id
- Economic Research Institute for ASEAN and East Asia: www.eria.org
- Global Business Guide Indonesia: www.gbgindonesia.com
- Directory of Indonesian Exporters: http://directory-indonesian-exporters.com

Environment, sustainability, CSR, and compliance information:
- Asian Environmental Compliance and Enforcement Network: www.aecen.org
- CSR ASIA: www.csr-asia.com

Coffee-related information:
- Indonesia Coffee Exporters Association (ICEA): www.gaeki.or.id

Clothing-related information:
- Indonesian Textiles: www.indotextiles.com

Footwear-related information:
- Indonesia Leather Footwear Association: www.indoleatherfootwear.com

Canadian Context

The Canadian context should form the bulk of the MIR (approximately 75 per cent). This section should contain the following components:

General market information

Offer a synopsis of the economic situation in general terms as a context for the MIR product market.

Canadian import market size and growth

Include:
- the 5- and 10-year compound annual growth rates (CAGRs) for the dollar value of all imports for the MIR product;
- the 5- and 10-year CAGRs for the volume of all imports for the MIR product;
- Canadian import growth for the MIR product compared with world import growth for the MIR product;
- Canadian volume and value import growth forecast.[3]

Canadian import market size by country

Include a list of the top exporting countries to Canada and their share of the Canadian market in comparison to their share of the global market.

Indonesia's position as an exporting country to Canada

Include:
- the 5- and 10-year CAGRs for the dollar value of Indonesian imports for the MIR product;
- the 5- and 10-year CAGRs for the volume of Indonesian imports for the MIR product.

Canadian import prices

Make a comparison of the nominal price per unit for Indonesia and each competing country.

Importer concentration

Provide the number of major players (companies) in the Canadian market.

Market characteristics

Offer an overview of market segments and sub-segments, niche markets, demographic trends, consumption trends, and retail prices.

Distribution channels and distribution points in Canada

Detail the main distribution options: agent, importer, retailer, and segments (for instance, food services and mass-consumer markets).

Canadian production—profile and exports (if applicable)

Provide highlights of what is being produced/manufactured in Canada and its main export markets.

Market demand (if available)

Outline the specific market needs (from interviews with buyers or information from trade associations) in terms of trends.

Market developments (new technology)

Discuss new consumer packaging, new manufacturing technology, or other related developments.

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[3] Forecasts may be available from industry associations, government agencies, or independent forecasting organizations such as The Conference Board of Canada.

Canadian regulations and standards

Provide information about import and entry regulations and standards related to labelling, packaging, safety and security, and quantitative restraints, if applicable, as well as relevant industry standards and certifications.

Tariff treatment and actual rates

Give the actual tariff rates applicable to Indonesia for the specific six-digit HS product classification.

Buyer input/perception in Canada through phone interviews and/or questionnaires (if possible)

Provide feedback obtained from buyers related to the market, to the products, and to their experience in dealing with Indonesia.

Barriers to entry for Indonesian exporters

Outline the barriers that may affect market entry of products (other than certification or technical requirements).

Useful addresses/links

Provide addresses of government departments responsible for trade and trade-related issues, trade associations, trade shows, trade publications, and importers. If a list of importers appears in this section of the report, it should only include general information and not specific buyer names (as buyers often change within companies).

Promotional considerations

Create a list of trade shows pertaining to the sector that would provide good opportunities to gain visibility in the Canadian market; list the names of publications produced by trade associations where advertising could be explored; and indicate any relevant social media outlets and applications.

The following websites are helpful sources of information and data to be included in the section on Canadian context:

Statistics and trade information:

- Canada Border Services Agency: www.cbsa-asfc.gc.ca (information on tariffs and market entry procedures)
- Agriculture and Agri-Food Canada: www.agr.gc.ca (information on agriculture and agro-industry, regulations, and requirements)
- Canadian Food Inspection Agency: www.inspection.gc.ca (information on import requirements for food and agricultural products)
- Canadian Food Inspection Agency: www.inspection.gc.ca/airs (database of entry requirements into Canada and specific Canadian provinces)
- Justice Canada: www.laws-lois.justice.gc.ca (information on regulations related to market entry)
- Health Canada: www.hc-sc.gc.ca (information on claims related to health, safety, and security for various products, e.g., flammability of clothing)
- Global Affairs Canada: www.international.gc.ca (information on trade agreements and import restrictions)
- Statistics Canada: www.statcan.gc.ca (statistical information related to demographics and socio-economic factors, economic indicators, and trade data through the Canadian International Merchandise Trade (CIMT) database)
- Trade Data Online: www.ic.gc.ca/tdo (import and export statistics for Canada, the United States, and more than 200 other countries)

- Competition Bureau of Canada: www.competitionbureau.gc.ca (import requirements for non-food products)
- Canadian Association of Wholesale Sales: www.caws.ca (trade association for independent sales representatives)
- Trade Facilitation Office Canada: www.tfocanada.ca (trade information, market studies, market research tools, and other trade-related matters for Indonesian exporters interested in the Canadian market)
- Canadian Importers Database: www.ic.gc.ca/cid (list of major importers in Canada by product and Canadian city/province)
- United States Government: www.export.gov (information for U.S. exporters interested in the Canadian market)

Environment, sustainability, CSR, and compliance information:
- Environment and Climate Change Canada: www.ec.gc.ca
- Innovation, Science and Economic Development Canada www.ic.gc.ca
- Fair Trade Canada: www.fairtrade.ca

Coffee-related information:
- Canadian Beverage Association: www.canadianbeverage.ca
- Coffee Association of Canada: www.coffeeassoc.com
- Tea Coffee Association of Canada: www.teacoffeeassociation.com
- Canadian Federation of Independent Grocers: www.cfig.ca
- Canada Organic Trade Association: www.ota.com/canada-ota
- Canadian Grocer Magazine: www.canadiangrocer.com
- Food in Canada: www.foodincanada.com
- Grocery Business: www.grocerybusinessmedia.ca
- Organic & Wellness News: www.organicwellnessnews.com

Clothing-related information:
- Competition Bureau of Canada: www.competitionbureau.gc.ca (import labelling requirements)
- Canadian Apparel Federation: www.apparel.ca
- Trendex North America Inc.: www.trendexna.com (fees apply)
- Canadian Apparel Insights Report: www.apparel.ca/cgi/page.cgi/Marketing_and_Sales-c7/Canadian_Apparel_Insights-p64?_id=291 (fees apply)
- Canadian Apparel Federation Newsletter: www.apparel.ca/newsletters.html

Footwear-related information:
- Shoe Manufacturers Association of Canada: www.worldfootwear.com
- Ontario Shoe Travellers Association: www.ontarioshoetravellers.com
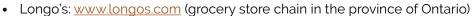- Canadian Footwear Journal: www.footwearjournal.com

Private market research companies (fees apply):
- Euromonitor International: www.euromonitor.com
- IBIS World Industry Reports: www.ibisworld.ca

Select Private Retailers:
- Loblaws: www.loblaws.ca (grocery store chain)
- Metro: www.metro.ca (grocery store chain)
- Sobeys: www.sobeys.com (grocery store chain)
- IGA: www.iga.net (store chain within the Sobeys chain in the provinces of Ontario and Quebec)

- Longo's: www.longos.com (grocery store chain in the province of Ontario)
- Costco: www.costco.ca (warehouse-type chain—coffee, clothing, some footwear)
- Walmart: www.walmart.ca (mass merchandising—coffee, clothing, footwear)
- Holt Renfrew: www.holtrenfrew.com (upscale clothing chain)
- Hudson's Bay: www.hbc.ca (large department store chain—clothing, footwear)
- Simons: www.simons.ca (medium-sized department store chain—clothing)
- Browns Shoes: www.brownsshoes.com (upscale footwear chain)
- Aldo Shoes: www.aldoshoes.com (medium-scale footwear chain)

Recommendations

This section should propose a plan or plans of action based on the quantitative and qualitative information gathered during the research. It should be suggestive, not definitive, since the report is in theory never based on full and perfect information. The wording should therefore include phrases such as "there may be opportunities" or "there would appear to be growth." Once again, the sources used (for example, buyer feedback) should be mentioned in this section.

The recommendations should be marketing-oriented and provide a series of steps or specific actions to be taken to achieve market entry. Outline requirements for promotional tools that can be used to achieve the company's target, and offer pointers about export readiness for the Canadian market. This section should be two to three pages long (of 20 pages).

Conclusion

The conclusion should be approximately a half-page in length and should highlight the main points of the research, much as the introduction presents the reader with the context of the report. It should not provide new information, but simply summarize the main points raised in the report. It should also include suggested contact points, should the reader require additional information (for instance, the ministry or department in charge of producing the MIR).

Summary

If the government department in charge of producing market intelligence reports incorporates all the components outlined in this manual, the SME should have sufficient information to gain a sound understanding of market conditions and requirements for their product sector. With this information, the SME will be in a good position to evaluate its export offerings and determine whether the target market is right for the company and its products. If the market is right, it can take the necessary steps to introduce its products in an orderly fashion.