

[DOI: 10.20472/IAC.2018.035.044](https://doi.org/10.20472/IAC.2018.035.044)

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TOWARD INTERNATIONAL MARKET SELECTION: A PRACTICAL TOOL TO SELECT THE MOST APPROPRIATE EXPORT MARKET

Abstract:

When firms plan their internationalization strategies, they have to take several decisions before initiating its international venture, being one of the most complex selecting the most appropriate export market, because it could be a decisive factor that can determine the future success or failure of a business.

Selecting an export market as part of an internationalization process requires the analyses of political, economic, social, cultural and legal environments, but also to examine a wide range of public services, purchasing power and demand-related issues, as well as international trade indicators. The need to obtain information concerning the destination markets is therefore fundamental. However, this type of analysis in most cases is a difficult situation, because not all companies (specially the small ones) have enough experience to carry out this analysis on their own and/or they don't have enough investment capacity to contract a consultancy firm to do the research for them.

So, the aim of this research is to propose a tool which assists companies when facing the challenge of selecting the most appropriate market for the internationalization of their products, i.e. providing an answer to the question of how to choose an appropriate export market. The tool is divided into three stages, as it is commonly agreed in the majority literature available on the process of market selection. In each of these stages, different indicators are defined, in order to finish with a comparison of different analytic-quantitative indicators through a 7-dimensional weighted decision matrix.

However, this tool can also be generalized and used by companies searching for new markets abroad, as well as consulting companies or also it will be useful for future researchers that require a procedure to evaluate the potential of countries as export destination.

The validity of the tool is proven through a case study, where it can be concluded that the obtained results through the applied methodology don't differ from reality. This research is not exempt from some limitations. First, it has to be said that the reach of the tool is restricted to a selection analysis based on external factors that are not related to the internal environment of the company. Second, the methodology was developing with some no standard indicators, so some of them would vary depending on the sector and the export product itself.

Keywords:

Appropriate Export Market, International Expansion, International Market Selection.

JEL Classification: F23, M31