

Export market selection methods and identification of realistic export opportunities for South Africa

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OUTLINE

1. Introduction
2. Literature overview: International market selection
3. Decision Support Model (DSM)
4. Filters
5. Results
6. Conclusions

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How can GAP between EXPORTER and IMPORTER be solved?

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2. Literature review

- Qualitative approaches
- Quantitative approaches

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graph TD
    A[International Market Selection Methods] --> B[QUALITATIVE APPROACHES]
    A --> C[QUANTITATIVE APPROACHES]
    C --> D[Market Grouping Methods]
    C --> E[Market Estimation Methods]
    E --> F[Firm-level]
    E --> G[Country-level]
  
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3. Decision Support Model (DSM)

- Best practice from Belgium and Thailand, developed by Cuyvers *et al*, 1995
- Approached DTI with methodology of DSM
- RESULT = DSM adapted for South African circumstances

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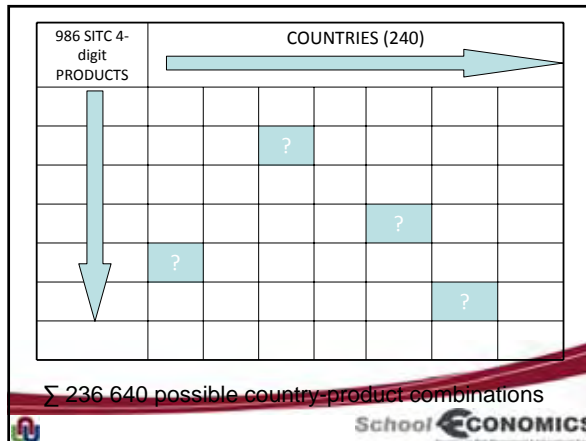
WHAT IS DSM?

- The DSM uses a sequential filtering process (4 filters) that will eliminate less promising export opportunities and focus on those countries and product-market combinations that show the most potential.
- At each step of the filtering process the less realistic export opportunities are identified and eliminated

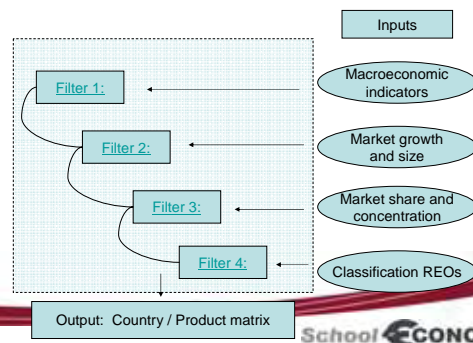
Classification of REOs

- Classification in Filter 4

	Market share relatively small	Market share small	Market share high	Market share relatively high
Large product market	Cell 1	Cell 6	Cell 11	Cell 16
Growing product market (ST+LT)	Cell 2	Cell 7	Cell 12	Cell 17
Large and growing product market (ST)	Cell 3	Cell 8	Cell 13	Cell 18
Large and growing product market (LT)	Cell 4	Cell 9	Cell 14	Cell 19
Large and growing product market (ST+LT)	Cell 5	Cell 10	Cell 15	Cell 20



the DSM approach



the filtering process

► Filter 1

Filter 2

Filter 3

Filter 4

Filter 1

- Filter 1.1
 - Country risk scores for political and commercial risks (ONDD)
- Filter 1.2
 - GDP (current US\$)
 - GDP per capita (current US\$)
 - GDP growth in 2002-2004
 - Passes criteria if pass GDP and GDP per capita for two years

the filtering process

Filter 1

► **Filter 2**

Filter 3

Filter 4



Filter 2

- Relative market size and -growth:
 - Per country: import statistics
 - SITC-4digit level
 - Imports as proxy for market size
 - Import demand in the short and long term
 - Relative size of imports



the filtering process

Filter 1

Filter 2

► **Filter 3**

Filter 4



Filter 3

- Which possible opportunities are realistic?
- Market penetration (concentration ratio)
 - Herfindahl-Hirschman-index upper bound
- Market accessibility index:
 - Distance (10%), cost (30%), LPI (20%), average applied tariff + Frequency Coverage Ratio of NTBs (40%)
 - Z-score



the filtering process

Filter 1

Filter 2

Filter 3

► **Filter 4**

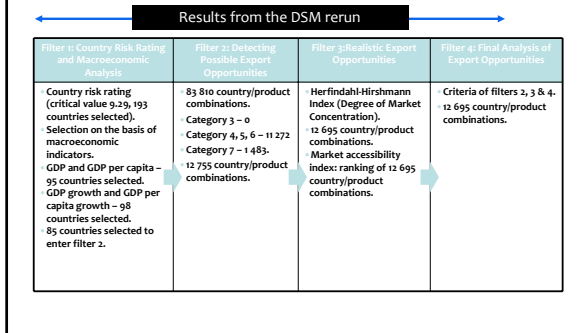


Filter 4

- Classification of REOs
 - Market characteristics
 - Relative market importance for South Africa



4. Results from the DSM



Top 20 SITC-product category per number of export opportunities

Ranking	SITC - product category	Number of export opportunities
1	1121 - Wine of fresh grapes (including grape must)	55
2	1110 - Non alcoholic beverages, n.e.s.	45
3	6415 - Paper and paperboard, in rolls or sheets, n.	47
4	6770 - Iron/steel wire/wire/rope coated, but not i	47
5	6842 - Aluminium and aluminium alloys, worked	46
6	6733 - Angles, shapes & sections & sheet piling of	45
7	2789 - Minerals, crude, n.e.s.	43
8	6631 - Hand polishing stones, whetstones, oilstones	43
9	7810 - Passenger motor cars, for transport of pass	43
10	0360 - Crustaceans and molluscs, fresh, chilled, fro	42
11	6981 - Sacks and bags, of textile materials	42
12	6913 - Building & monumental stone, worked, & artic	42
13	8421 - Overcoats and other coats, men's	42
14	0344 - Fish fillets, frozen	41
15	5629 - Fertilizers, n.e.s.	41
16	5222 - Inorganic acids and oxygen compounds of no	40
17	5331 - Other colouring matter	40
18	5411 - Provitamins & vitamins, natural, reproduced	40
19	5542 - Organic surface-active agents, n.e.s.	40
20	6731 - Wire rod of iron or steel	40

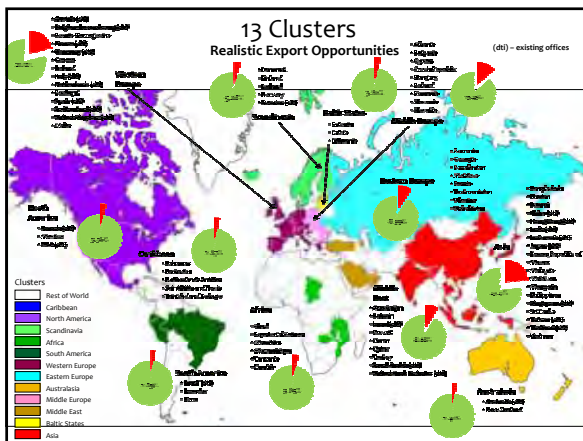
Top 20 countries per number of export opportunities

Ranking	Country	Number of export opportunities
1	Germany	353
2	France	315
3	Italy	287
4	UK	272
5	China	271
6	Belgium-Luxembourg	250
7	Turkey	249
8	Netherlands	238
9	Spain	230
10	Poland	215
11	Romania	210
12	USA	199
13	India	194
14	Japan	189
15	Bulgaria	185
16	Indonesia	173
17	Malaysia	165
18	Austria	154
19	Korea Republic	152
20	Hungary	151

Results from the DSM

SAs REOs according to relative market position and market characteristics, 2004

	Market share relatively small	Market share small	Market share high	Market share relatively high	Total
Large product/market	(Cell 1) 3	(Cell 6) 4	(Cell 11) 1	(Cell 16) 0	8
Growing (long- and short-term) product/market	(Cell 2) 7274	(Cell 7) 286	(Cell 12) 106	(Cell 17) 1804	9470
Large product/market short-term growth	(Cell 3) 106	(Cell 8) 5	(Cell 13) 1	(Cell 18) 6	118
Large product/market long-term growth	(Cell 4) 1267	(Cell 9) 288	(Cell 14) 33	(Cell 19) 21	1609
Large product/market short- and long-term growth	(Cell 5) 1307	(Cell 10) 129	(Cell 15) 21	(Cell 20) 33	1490
Total	9957	712	162	1864	12695



5. Conclusions

- Further research:
 - DSM on HS 6 digit code
 - More robust index for import restrictions
 - Correlation between REO's and DTI's export promotion offerings
 - Product studies in process:
 - Macadamias
 - Extruders
 - Oranges



Any questions??

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Thank You

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