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Market Potential Indicators- a Comparative Analysis of Brazil and India

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Abstract
This article analyzes the relations between the market potential indicators and their subsequent impact on the investment decision factors. After discussing the various elements in the form of index and their various dimensions that distinguish countries capabilities and their potentials, we will analyze how Brazil and India are coping with the requirement of the investment opportunities and how they fared when compared to each other. The last section systematizes a few perspectives regarding the two countries and what policies should be adopted by them to compete with the other developing and developed nations. The various economic reforms can help these two countries to be in the league of front runner among the emerging markets.
Keywords: market potential indicators, comparative analysis, market potential index for emerging markets, Brazil, India

Introduction

Market Potential Indicator is a measure of the market potential of a country using several dimensions, ratings, indexes and percentages. Currently, emerging economies comprise more than half of the world's population, account for a large share of world output and have very high growth rates, which mean an enormous market potential. With global marketing becoming more important, companies and marketers are attempting to determine which international markets they would like to penetrate and the appropriate marketing strategy.

Using the market potential indicator, countries are distinguished by the recent progress they have made in economic liberalization using eight dimensions. Each dimension is given a weight to contribute to the overall market potential index.

Globalization and Foreign Direct Investment form an integral part of all the developed as well as developing economies. In fact, the growth of the underdeveloped economies is also dependent on these key factors. These components equip any nation with new skills, new items and provide smooth access to markets and technology. Today, every nation across the globe is looking for foreign and overseas investors. Whether it's India or China, everyone wants foreign investments. According to recent trends, India is only second to China in the league of favorite investment destinations.

Along with India, the others who are participating in the race of investment among the developing economies are China, Singapore, Malaysia, Russia and Brazil. Most of them are vying for contracts from USA and Europe.

Indicators used in developing the Market Potential Index

Recent decades have brought a pronounced increase in international trade. Before a business engages in marketing a product to another country, research is needed to ensure the market potential is high for a maximum profitability. The Market Potential Index for emerging markets is one valuable tool for firms interested in international trade. There are certain indicators used with this index, like: market size, market growth rate, market intensity, market consumption capacity, commercial infrastructure, economic freedom, market receptivity, country risk.

a) Market Size: *the country's population, especially those living in urban area.*

The first of eight indicators used in the Market Potential Index is the market size. Business website global EDGE weights this as the most important of the indicators. Urban population numbers and the amount of electricity consumed provide the basis for the market size indicator.

b) Market Growth Rate: *the country's real GDP growth rate.*

The market growth rate is based on a historical five-year average, along with a one-year current statistic. Growing markets will show increasing demand for products.

c) Market Intensity: *private consumption and gross national income per capita represent discretionary expenditures of citizens.*

Market intensity is figured by blending two statistics. First, an analyst must divide the gross national income by the population figures. Second, the statistician needs to calculate how much of the gross domestic product is being consumed in the private sector.

d) Market Consumption Capacity: *the percentage share of income held by the country's middle class.*

Analysis of the national income and consumption is necessary to ascertain the market consumption capacity.

e) Commercial Infrastructure: *characteristics such as number of mobile phone subscribers, density of telephone lines, number of PCs, density of paved roads and population per retail outlet.*

This statistic is calculated by examining the saturation and availability of common technology and communication devices. Ratios are based on the amount of TVs, telephone lines, personal computers, cell phones, Internet users, paved road density and percentage of people per retail outlet.

f) Economic Freedom: *the degree to which government intervenes in business activities.*

Economic freedom relates to the degree of citizens' autonomy. Included in this weighted ratio is the degree of political freedom the residents enjoy.

g) Market Receptivity: *the particular emerging market's inclination to trade with the exporter's country as estimated by the volume of imports.*

Some high-consuming countries rely heavily on imports, while others are able to produce the majority of products within the national borders. Reviewing the amount of imports in relation to the gross domestic product might reveal how willing the country is to try new foreign products.

h) Country Risk: *the degree of political risk.*

Euro money magazine calculates investment risk factor for many countries around the world. Local conditions may simultaneously create a low-risk opportunity in one country while producing a dangerous market in another.

Table no. 1. Dimensions and measures of market potential

Dimension	Weight	Measures Used
Market Size	10/50	Urban population Electricity consumption
Market Growth Rate	6/50	Average annual growth rate of primary energy use (%) Real GDP growth rate (%)
Market Intensity	7/50	GNI per capita estimates using PPP (US Dollars) Private consumption as a percentage of GDP (%)
Market Consumption Capacity	5/50	Percentage share of middle-class in consumption/income
Commercial Infrastructure	7/50	Main Telephone lines (per 100 habitants) Cellular mobile subscribers (per 100 habitants) Number of PC's (per 1000 habitants) Paved road density (km per million people) Internet users (per 100 habitants) Population per retail outlet Percentage of Households with TV
Economic Freedom	5/50	Economic Freedom Index Political Freedom Index
Market Receptivity	6/50	Per capita imports from US (US Dollars) Trade as a percentage of GDP (%)
Country Risk	4/50	Country risk rating

Market Potential Index (MPI) for emerging markets

Global marketing is becoming more and more important along the years with the increasing trend in internationalization. Having too many choices, marketers face the challenge of determining which international markets to enter and the appropriate marketing strategies for those countries.

The focus of this study is ranking the market potential of countries identified as "Emerging Markets" by The Economist magazine. These emerging economies comprise more than half of the world's population, account for a large share of world output and have very high growth rates.

This indexing study is conducted by (Michigan State University) MSU-IBC to help companies compare the Emerging Markets with each other on several dimensions. Eight dimensions are chosen to represent the market potential of a country, over a scale of 1 to 100. Each dimension is measured using various indicators and are weighted in determining their contribution to the Overall Market Potential Index.

Table No. 2. Market Potential Index (MPI) for emerging markets (2011)

Country	Rank	Market Size	Market Growth Rate	Market Intensity	Market Consumption	Commercial Infrastructure	Economic Freedom	Market Receptivity	Country Risk
Singapore	1	1	100	72	65	83	80	100	100
Hong Kong	2	1	29	100	59	100	93	86	95
China	3	100	93	1	6	36	7	4	55
South Korea	4	10	41	59	92	88	83	16	71
Czech Republic	5	1	18	45	100	92	89	14	76
India	6	38	83	35	67	17	50	2	42
Israel	7	1	17	63	76	73	81	20	61
Poland	8	4	21	60	79	73	80	5	69
Hungary	9	1	4	65	83	81	83	17	47
Turkey	10	6	70	66	65	49	60	4	43
Brazil	11	20	57	47	42	51	58	1	54
Mexico	12	10	40	59	47	46	65	18	45
Argentina	13	4	65	62	64	59	51	3	18
Malaysia	14	3	41	29	59	61	53	22	57
Chile	15	2	21	44	43	53	100	11	74
Peru	16	2	67	49	58	36	72	4	42
Indonesia	17	12	69	25	70	28	53	3	45
Thailand	18	4	53	26	61	45	46	14	54
Russia	19	23	20	39	62	64	15	3	42
Egypt	20	4	53	67	77	41	28	3	18
Saudi Arabia	21	4	26	19	59	55	29	12	58
Philippines	22	5	28	49		28	48	6	38
Colombia	23	3	35	53	32	42	61	3	46
Pakistan	24	6	52	62	74	1	32	1	1
Venezuela	25	3	1	48	66	41	1	4	15
South Africa	26	6	23	35	1	17	68	4	47

Analysis

Taking into account the different dimensions and measures of Market Potential Indicators in Brazil and India, we have divided it into 8 dimensions and 19 measures. An overall weight of 50 has been assigned to analyze the different indicators. Furthermore, different dimensions, as mentioned before are sub-divided into measures.

Let's describe how each dimension has different measures and weightage assigned to them:

- **Market Size**: Have a maximum weightage of **10 out of 50** and consists of measures such as *urban population* and *electricity consumption*.
- **Market Growth Rate**: To the market growth rate has been given a weight of **6 out of 50** and has been divided into *Average annual growth rate of primary energy use* (%) and Real *GDP growth rate (%).*
- **Market Intensity**: Has a weightage of **7 out of 50** and has measures such as *GNI per capita estimates using PPP (US Dollars)* and *Private consumption as a percentage of GDP (%)*.
- **Market Consumption Capacity**: Market Consumption Capacity denoted by *Percentage share of middle-class in consumption/income* has a weightage of **5 out of 50**.
- **Commercial Infrastructure**: The fifth dimension is Commercial Infrastructure which consists of *Main Telephone lines (per 100 habitants), Cellular mobile subscribers (per 100 habitants), Number of PC's (per 1000 habitants), Paved road density (km per million people), Internet users (per 100 habitants), Population per retail outlet, Percentage of Households with TV*. The combined weightage of all the major component of Commercial Infrastructure is **7 out of 50**.
- **Economic Freedom**: Economic Freedom has been assigned a weightage of **5 out of 50** and comprises of measures like *Economic Freedom Index and Political Freedom Index.*
- **Market Receptivity**: Market Receptivity includes *Per capita imports from US (US Dollars)* and *Trade as a percentage of GDP (%)* as it measures with a combined weightage of **6 out of 50**.
- **Country Risk**: The last major dimension to be considered is Country Risk which is denoted by *Country risk rating* with a weight of **4 out of 50**.

Table no. 3. Indicators and Measures used for Brazil and India

Indicator	Measures Used	Brazil	India
Market Size	Urban population Electricity consumption	168,628,700 455.7 billion kWh	368,608,900 600.6 billion kWh
Market Growth Rate	Average annual growth rate of primary energy use (%) Real GDP growth rate (%)	5.20% 1.3%	5.87% 5.4%
Market Intensity	GNI per capita estimates using PPP Private consumption as a percentage of GDP	11,000.00 60.57	3,400.00 56.96
Market Consumption Capacity	Percentage share of middle-class in consumption/income	Lowest 10%: 0.8% Highest 10%: 42.9%	Lowest 10%: 3.6% Highest 10%: 31.1%
Commercial Infrastructure	Main telephone lines Cellular mobile subscribers Internet hosts Paved road density Internet users Population per retail outlet Television broadcast stations	43.026 million 244.358 million 26.577 million 212,798 km 79,245,740 -- 138	32.685 million 893.862 million 6.746 million 3,320,410 km 91,846,070 -- 1,400
Economic Freedom	Economic Freedom Index Political Freedom Index	58 --	50 --
Market Receptivity	Per capita imports Trade as percentage of GDP (%)	$984.10 per capita 23.30	$204.01 per capita 46.32
Country Risk	Country risk rating	54	42

Table no. 4. Indicators, measures used along with weightage for Brazil and India

Indicator	Measures Used	Weight	Brazil	India
Market Size	Urban population Electricity consumption	10/50	6.3	10
Market Growth Rate	Average annual growth rate of primary energy use (%) Real GDP growth rate (%)	6/50	2.3	6
Market Intensity	GNI per capita estimates using PPP Private consumption as percentage of GDP	7/50	7	2.16
Market Consumption Capacity	Percentage share of middle-class in consumption/income	5/50	5	3.98
Commercial Infrastructure	Main Telephone lines Cellular mobile subscribers Internet hosts Paved road density Internet users Population per retail outlet Television broadcast stations	7/50	3.9	5.8
Economic Freedom	Economic Freedom Index Political Freedom Index	5/50	5	4.3
Market Receptivity	Per capita imports Trade as a percentage of GDP (%)	6/50	4.5	3.65
Country Risk	Country risk rating	4/50	4	3.11

The present study which is based on different dimensions and measures of the Market Potential Indicators undertook a comparative analysis of Brazil and India, coming on the following results:

1. **Market Size**:

India holds an upper hand in terms of Market Size with a significance difference in their score. India gets advantage in both the measures, *i.e.* urban population and electricity consumption and has a score with 37% more than Brazil.

2. Market Growth Rate:

India is way ahead in terms of the real GDP growth rate which is a major measure used for assessing this dimension. In the case of the other measure *i.e.* Average annual growth rate of primary energy use also benefits India with a slight advantage in terms of increasing percentage. Brazil with 2.3 is behind India with a score of 6.

3. Market Intensity:

Brazil gains a great advantage in terms of Market Intensity with a score with almost 70% more than India. The measure for evaluating this dimension is GNI per capita estimates using PPP and Private consumption as a percentage of GDP. Brazil leaves India behind in both these measures, with a cumulative score of 7, whereas, India manages just 2.16.

4. Market Consumption Capacity:

Both countries have shown a great response towards Market Consumption Capacity, with a slight difference and benefit to Brazil whose score is with around 20% higher than India. India manages a score of 3.98, while Brazil a score of 5.

5. Commercial Infrastructure:

This is one of the most important dimension on the grounds of which market potentials are evaluated. This also contains the maximum number of measures used for calculating the score. The cumulative score of India comprising of all the measures used for this dimension is 5.8, and that of Brazil is 3.9.

6. Economic Freedom:

The economic freedoms in both countries are almost alike with a slight better environment for Brazil. Economic Freedom Index places Brazil above India with a difference of around 14%. Brazil stays above with a score of 5, while India follows with a score of 4.3.

7. Market Receptivity:

This dimension has two major measures (Per capita imports and Trade as a percentage of GDP) which are used to evaluate the score. Brazil has Per capita imports, while India has a better rate of Trade as a percentage of GDP. Thus, the average score obtained by Brazil is 4.5, which is with around 19.5% higher than that of India, with a score of 3.62.

8. Country Risk:

The major measure of this dimension is the country risk rating. Brazil scores higher than India and thus bears a higher risk for the attractive investors and also is a challenge in being the frontline of emerging markets.

Conclusions

After analyzing the various dimensions of Market Potential Indicators, it can be said that the measures used possess a certain co-relation or a degree of proportionality with each other. The comparative analysis of Brazil and India shows the true nature of emerging markets which varies according to the index and also depicts their potential towards fast growing adaptable environment. Both countries are in the frontline of emerging markets as far as study, analysis and evaluation of MPI's are concerned. India holds an upper hand as compared to Brazil in the field of emerging markets and thus has a wider scope. Brazil is not lagging behind and is in a position to attract investors on its own credentials. The scope of investment and growth in these two emerging countries is huge and that is going to boost and develop their economic growth, as well as other sphere which plays crucial role in attaining the power of developed nation.

The various dimensions or the indicators comprise different measures that are used to assess and evaluate the score of the countries, Brazil and India in our case. The Market Potential Indicators also shows the degree of importance in terms of variable measures which forms the base for calculation.

According to the Market Potential Indicators (MPI) for Emerging Markets (2011), India is placed on the 6^{th} position, whereas Brazil is placed on the 11^{th}. Brazil in spite of being lower in the rank as compared to India, still has an added advantage in half of the dimensions considered. This shows how the degree of importance or the weightage of various dimensions are crucial through their impact on the cumulative score of the countries and thereby, finally, in determining their rank. The countries with a higher rank are considered to be the best hub for the investors and are attracted according to the opportunity available. Thus, Brazil and India, promises for a conducive environment and offers great investment scenarios as they are among the leading emerging markets.

Suggestions

The thorough study and analysis of Market Potential Indicators brings forth the essential requirement a country should focus on in order to attract investors or be the new face of market leaders. The various dimensions used for assessing the market potentials cover the wide scope of requirement, resources, availability and necessity. Lagging behind in couple of the dimensions doesn't let you really fall behind, but ask you to go forward and use the other dimensions and be the change to capture the market by opening new opportunity for the investors and interested parties.

The comparative analysis of Brazil and India not only showed their growth as potential emerging markets, but also reflected their capability to improve and be the next best investment environment. This can be done with careful and rigorous monitoring on the weak points of the respective countries and focusing on their strength to use their potential and available resources to gain the momentum required to be called among the develop nation of the world.

***List of Suggestions*:**

- India should focus on Market Intensity, which is one of the major dimensions for assessing market potentials. The various measures used in this dimensions include GNI per capita estimates using PPP and private consumption as a percentage of GDP. Brazil though lies at 11th position and India at 6th; still they leave India behind by almost 70%, while considering this major indicator. This reflects that India need to focus on this dimension and its measure to be available as one of the leading markets in the long run.
- On the other hand, Brazil needs an extensive improvement in the field of Commercial Infrastructure. Even India have enough scope of improvement in this field as this is one of the most important as well as crucial dimension to be considered for assessing and evaluating their market potentials. The improvement in this dimensional area will definitely boost up the investment scenario of the country.
- Brazil has a tough task ahead as far as Market Growth Rate is concerned; India has an advantage of over 60% as compared to Brazil. Brazil needs to improve the real GDP growth rate to overcome the hindrance and be a compatible force in the race of emerging markets.
- India need to improve their Market Receptivity score to be in the frontline of potential markets. They can do it by increasing the

trade as a percentage of GDP, as well as by improving per capita imports.

- India also need to focus on the Market Consumption Capacity as the increase in this dimension can lead to attracting new investors and opening new scope for improvement, thereby increasing the rank alongside the market potential capabilities.
- Both countries need to assess the country risk rating, though this has the least weightage still its form one of the core reason for the change in the investors mind.

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