



MARKETPLACE
INTERNATIONAL 2015
WORLD LEADERS. WORLD CLASS. WORLDWIDE.

Marketplace International 2015

World Leaders. World Class. Worldwide.

The Export Challenge Part II

January 2015

Growing the success of Irish food & horticulture

Bord Bia
Irish Food Board

Ground Rules

- ✓ Mobile phones off/silent
- ✓ Participation is a must!
- ✓ Be open...willing to share and learn
- ✓ Select a Table Leader

Introductions

Roddy Feely – Principal Consultant - Bellevue Creative Solutions Ltd

- 25 years experience working in International Markets
- Business Consulting – Specialising in Exporting/ International marketing
- Training – Sales; Customer Service; Management Coaching/Leadership
- Advocate & Mentor for EI

James Burke – James Burke & Associates

- 25 years retail experience incl. Superquinn Board Member
- Former board member of AMS
- Links with Sainsburys, Albert Heijn, Auchan etc.
- Food and retail advisors

The Export Challenge Part II

✓ Review Preparation from Part I

- Export Strategy
- Knowing Your Market
- Route To Market

✓ What's Different About Exporting?

✓ Exporting – Practical Considerations

✓ Are You Ready to Grow?

✓ Can Your Business Afford to Export?

✓ Going Global has its rewards.....

- Alan Kingston – Owner, Glenilen

✓ Q&A

Review Preparation – Group Exercise

- ✓ Export Objectives & Expectations
- ✓ Knowing Your Market
- ✓ Route to Market – Channel Strategy

Table Exercise – 10 minutes share your thoughts & preparation work on the above. Table Leaders share the consensus view from your table.

Why Understand Culture?

*Negotiate a river by following its bends;
Enter a country by following its customs.*

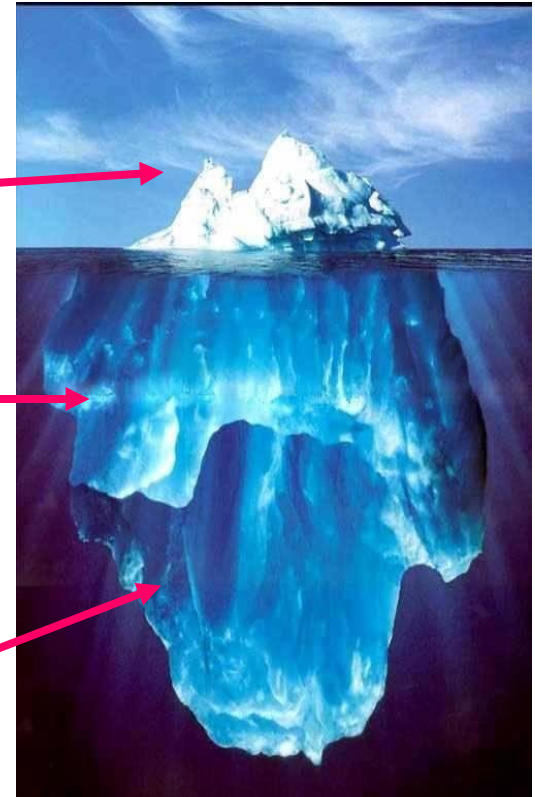
Indochinese Proverb

Culture is...like an Iceberg: 80% is below the surface

**Behaviors
and artifacts.**
Visible, tangible.

**Personal Values
and Attitudes.**
Less visible, but
can be talked about.

**Cultural Values
and Assumptions.**
Usually not visible and rarely (if ever)
questioned until a conflict.



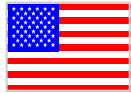
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Culture

- ✓ Languages
- ✓ Business practices and customs
- ✓ Social/Cultural differences
- ✓ Political/Economical
- ✓ Time zones

Communication Styles

USA



Germany



Japan



Informal	Formal	Formal
Action; Impatient	Deliberate	Patient
Talkative; Social; Humour; Silence = Discomfort	Serious	Silent
Direct ; Confrontational	Blunt	Indirect; Polite; Harmonious
May Exaggerate; Sell data & facts	Factual; Precise	Cautious; Lots of data & facts
Verbal; may miss non-verbal	More data & facts; Verbal	Very non-verbal

Understanding Cultural Differences - Communication

CHINA

- **Bowing or nodding is the common greeting.**
- You may be offered a handshake...wait for the Chinese to offer hand first!
- Introductions are formal. Use formal titles.
- **Chinese value rank and status.**
- Being on time is vital in China!
- Appointments are a must for business.
- The decision making process is slow.
- **Present and receive cards with both hands**
- Allow the Chinese to leave a meeting first.
- Develop a working knowledge of Chinese culture
- Tipping is considered insulting (this is changing!)
- **Do Not Discuss business at meals**

USA

- **Offer a firm handshake upon greeting and leaving.**
- Maintain eye contact during your handshake
- A smile is a sign of friendliness
- Introductions include one's title and full-name.
- **Business cards are generally exchanged during introductions**
- **Use of first names is very common**
- Good eye contact during business and social conversations shows interest, sincerity and confidence.
- **Business conversations may take place at meals**
- If you are someplace with a line or queue, go to the end of and wait your turn!

Source: Geert Hofstede TM Cultural Dimensions

Exporting – Practical Considerations

Company ; Brand Name; Patent

- ✓ Make sure your company name, brand name and logo are registered in the local market(s).
- ✓ Brand registration – it is important to ensure that you are at liberty to use your brand name & logo in the markets you intend selling. Cross reference your industry sector to avoid potential conflicts with local or international brands from similar industry sectors.
- ✓ Intellectual Property (IP) – if your product/packaging design, technology etc., needs to be protected make sure you register the patent in the markets you intend selling-in.
 - Do not share designs or IP data with anybody before your patent is registered or “patent-pending”.
 - Speak to an international patent lawyer
- ✓ Check that the name or symbol is not offensive in the language or culture of the market – avoid.....
 - Opel model “Nova” in Spain
 - Kia “Provo” in N.Ireland
 - Schweppes “Il Water” in Italy
- ✓ Mistakes can be costly!

Packaging/Customer Compliance

- ✓ Packaging presentation/customer compliance
 - What's the appropriate unit size?
 - What packing materials are permitted? (Glass v Plastic)
 - Local restrictions?
 - Raw Milk Regulations?
 - What are your customers requirements?
 - Packing size/weight/format/labelling
 - Delivery stipulations...times/location/frequency

Pricing/Promotions

✓ Pricing

- Check local pricing for competitiveness?
 - Retail RRP/Wholesale
 - Value Added Tax or Sales Tax
 - Import duties or tariffs
 - Impact of exchange rates
 - **Work back on a unit basis from your RRP or sales price to ex-factory – include taxes/distributor or agent margins/shipping/insurance etc....where's the money?**

✓ Promotions/Discounts

- Who pays for promotions or special price discounts?
- How often are you expected to be on promotion or to give discounts?
- Are they linked to volume sales?

Value Proposition – Your Product

- ✓ Is it relevant & appealing to other markets? Do it satisfy customer needs?
- ✓ What's truly unique about your product ?
- ✓ Is there a compelling reason why the buyer should buy from you?
- ✓ Are you good at articulating your USP,s
- ✓ In parallel can you get across messages of efficiency and lean manufacturing
- ✓ Can you demonstrate that you have benchmarked the value proposition of other products in your chosen market

Marketing Communications

✓ Company/product literature (multi-lingual/Website)

- Always use a professional translator
- Very important for specifications and/or operating manuals

✓ Communication strategy

- Traditional
 - What are the local options and costs?
 - What does your customer expect?
 - How do your competitors advertise/promote?
 - What's really needed?
- Social media
 - How advanced in local market?
 - Can be an effective low cost way to promote your product ?
 - Facebook/Twitter/etc.,

Regulatory Compliance

✓ Regulatory compliance - ensure your product/packaging/services comply with local or international and food safety standards as required

- Packaging
- Ingredients/Contents
- Services
- Transport etc.

✓ Environmental

- Are you responsible for waste disposal?
- Plastics/Tubs/Bottles
- Does your product comply with all local environmental laws?

Insurance/Taxes & Contracts

✓ Insurance

- Are you properly insured for exporting?
 - Shipping
 - Product liability
 - Public liability

✓ Taxes & Duties

- Are you aware of all local taxes/duties or tariffs that apply to your product/service?
- Will you have any local tax liability?

✓ Contracts – you should have a written contract in place for:-

- Agents – defining territory/product/pricing/commission/obligations/disputes
- Distributors – defining territory/pricing/products/customers/margins/obligations/disputes
- Customers – if selling directly, may want you to sign annual contract specifying their requirements
- Employees – if you employ people directly you will need a contract subject to local employment law.

Are You Ready To Grow?



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Customer Service & Support

✓ Customer Support & Service:

- What are the service expectations of your international customers?
- Do you need to provide 24/7/365 days support to your international customers?
- What is your response times compared to the domestic market? Do you need to improve them?
- Have you reviewed your service policies? Can you live up to them?
- Can you make specifications/operating manuals etc. available on your website for overseas customers?
- Is there a competitive advantage for you in exceeding your customers' expectations/requirements? (ie shorter lead-times? Faster delivery?)

Manufacturing/Service Capacity

Manufacturing/Service Capacity:

- Do you have the production capacity to handle increased sales from export markets?
- How long will it take you to adjust/add capacity?
 - Can you add a second production shift?
- Can you handle/store the additional materials required?
- Can your systems cope with the increased demand or activity?
- How long will you need to train people to respond/deliver export orders?

Product & Packaging

✓ Product:

- Is your product ready for exporting?
- Do you have to change the specification or quality? Add or subtract ingredients or contents?
- Plan for additional new products to capture exporting opportunities?

✓ Packaging:

- Do you have to change packaging format?
Volume/Quantity/Size/Shape/Labelling?
- Does your packaging presentation meet market expectations/requirements (colour/languages/consumer information)

Logistics & Operations

✓ Logistics/Operations:

- Warehousing capacity for additional raw materials/finished goods
- Stock holding policy and manufacturing policy – hold stock or make-to-order?
- Location of finished goods ..in market?
- Reverse logistics (customer returns) from export markets

✓ Lead-times & Order fulfilment:

- Can you respond to international customer lead-times?
- What if they are the same as in your domestic market?
- What will be your new pick/pack and ship times?
- Do you need to invest systems to manage and track orders and material stocks?

Procurement & Suppliers

Procurement & Suppliers

- Are your Suppliers ready to grow with you?
- Can they meet the additional demand you will place on them? Will they need time to adjust or invest in their business?
- Will lead-times change?
- Can they maintain or meet new quality demands?
- Can you get volume discounts reflecting your growth and importance to them?
- Will you need to find additional/backup suppliers to ensure that you can meet commitments to export markets?

Capability & Skills

✓ Manpower:

- If needed, can you access additional/suitably qualified manpower to support growth opportunities?
- Are there flexible operating options? Will you need new agreements with your existing workforce?

✓ Capability/Skills:

- Have you got the right skills and capability in the your company?
 - Languages
 - Shipping administration
 - Product/Packaging Quality Assurance
 - Export Sales and marketing
 - Customer service/technical support

✓ Network Connections:

- Are you connected to key influencers/organisations to assist your export expansion?
- Bord Bia/EI/Relevant Embassies/FSAI/DAFFM etc.,

The 8 P's of Exporting

People

- Do you have a team around you?
- Who is going to deal with all export queries?
- Do you have the necessary expertise and experience in house?

Politics

- Have you got connections in the right places e.g. Bord Bia, EI, DAFFM, FSAI, Embassies etc.

Price

- Have reviewed competitor prices?
- What is the RRP in the export market
- What are the margins all along the chain?

Product

- Is the product suitable?
- Are all the ingredients permitted?
- Correct labelling requirements
- Do consumers like your product?

The 8P's of Export

Place

- How are you going to get the product there?
- Shelf life and timeframe from factory - store?
- Costs involved in supply chain?

Promotion

- What kind of promotions will be expected by the buyer?
- Can you afford these promotions?
- Have you prepared a promotional calendar for the year?
- What happens if you are offered promotional listings only?

Purple Cow

- What is your purple cow/ USP?
- Why should the buyer buy from you?
- What makes your product unique/ better than the competition?

Profit

- Is there money in it for you? Have you analysed your own costs and margins?
- Have you allowed for all additional costs e.g. transport, customs, audits etc.

Assignment: Can You Meet the Export Challenge?

- ✓ Is your business prepared for export growth?
- ✓ What challenges and issues will your business face?
 - What will you need to change?
 - Where will you need to invest?
 - Have you the capability and skills needed?

Individual exercise to answer above questions; share with your Table: Table leader summarise issues/challenges.

Can your business afford to export?

Finance & Funding

✓ Capital investment:

- Plant & machinery to increase production capacity
- Warehousing facilities
- New packaging lines

✓ Raw materials & finished goods:

- Increased stock of raw materials to meet export demand
- Increased stock of finished goods to respond to export orders

✓ Cash-flow impact:

- Cash tied-up in inventory for long periods of time (shipping to far away markets ie Japan)
- Order to cash cycle – how many days between receiving/confirming an order, committing cash & resources to producing and delivering the order and collecting payment from the export market.

Pricing

✓ Pricing & Margins:

- Determinants of an export price
 - Costs – shipping/insurance
 - Market conditions/customer behaviour
 - Competition
 - Route to market – intermediaries
 - Currency issues
 - Legal/political issues – tariffs/price ceilings
 - Marketing investment
 - Increased scale
 - Margin generation

Exchange Rate -

✓ Have you planned for Fx Rate impact on your business?

- Sales Currency
- Have you fixed a budget rate?
- Spoken to Your Bank about currency management and Fx Risk? Get rate quotes
- Can you deal with your banks Corporate Dealing Desk
- If also, buy in St£, should you set-up a UK/NI bank account to receive payments in St£?
- Consider non banking providers – currency brokers (compare and check credit scores etc)

Payment Terms

✓ Payment terms:

- Pro-forma payment
- Letters of credit/Payment on presentation of documents (ie at sight of bill of lading)
- Credit terms 30/45/60/90 days etc,....
- Customer conditions/requirements

Development Costs

✓ Development costs:

- Will you have to commit funds to any of the following activities before you can begin exporting.....
- Market research/feasibility study to establish/confirm the demand for or suitability of your product in the export market.
- New packaging design and development (multi-lingual)
- Changes in the product specification or formula to meet local/international standards
- Added costs to meet Food Safety regulations in the export market

Logistics

Logistics:

- Freight – will you be paying additional shipping costs to deliver your product to market? Can you sell ex-factory?
- Local storage costs – will you have to cover local storage costs in the export market before you can deliver to your customer? (Food/Frozen goods)
- Freight Insurance
- Do your customers have specific compliance demands that will add cost to your logistics operations?
- Will you incur penalties if you are non-compliant?

Marketing & Selling Costs

✓ Have you allowed for the additional costs associated with selling your products in export markets?

- Travel & Subsistence costs
- Entertainment
- Trade shows
- Promotions and discounts
- Advertising
- Multi-lingual brochures/manuals

Other Important Considerations

✓ Consider some of the following.....

- Who'll look after your existing clients/business?
- Can you cope with managing the growth opportunity?
- Can you afford to expand right now?
- Do you know enough to make a decision?
- Can you create value for your customers?
- Will it be worthwhile?
- Can you make money?

Going Global Has its rewards....



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MARKETPLACE INTERNATIONAL SUCCESS STORY

Alan Kingston – Owner, Glenilen Farm

QUESTIONS?