

Bord Bia's
Brexit Action Plan

Market Diversification

4TH EDITION: SEPTEMBER 2020



BORD BIA
IRISH FOOD BOARD



Riailtas na hÉireann
Government of Ireland

The UK has left the European Union. It is now in the Transition Period until the 31st of December 2020, during which it remains in the Single Market and Customs Union. The ratification of the Withdrawal Agreement by both the EU and the UK in October 2019 means that there will be permanent changes to the trading relationship between the EU and GB from the 1st of January 2021.

From next year there will be customs and regulatory controls on trade including trade in agri-food products between the EU and UK, excluding Northern Ireland. The details and scope of the customs and regulatory controls on trade in goods between EU/Ireland and UK will be defined based on the successful conclusion of negotiations on an EU-UK Free Trade Agreement or in the absence of an FTA based on application of WTO MFN trading rules for Third Country trade. However, what is certain is that these new Controls will add costs, delays and complexity to the supply chains of Irish food and drinks manufacturers.

Northern Ireland Protocol

The EU-UK Withdrawal Agreement includes a dedicated Protocol on Ireland and Northern Ireland. The Protocol ensures that there will be no regulatory controls on trade moving between Ireland and Northern Ireland, other than those already in place. The Protocol applies even if there is no trade agreement between the EU and the UK.



Urgent actions required to prepare for January 2021

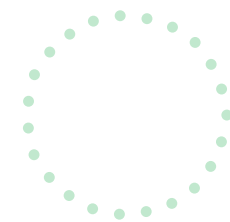
Bord Bia's Readiness Radar and Brexit Barometer have both played a vital role over the past three years in enabling Irish food and drink manufacturers to identify, assess and prepare for the challenges that businesses face as a result of Brexit. Both risk diagnostic tools focus on six key risk areas related to Brexit: Customer Relationships, Supply Chain, Customs and Controls, Financial Resilience, Market Diversification and Emerging Risks.

It is positive to note that as of April 2020, over 91% of Readiness Radar respondents said they had made progress in relation to their Brexit preparedness over the past 12 months. The results show that only a small number of companies report having made no progress in the past year. Looking to the rest of 2020 and the permanent changes coming into effect

from 2021, this Brexit Action Plan is an important resource to ensure your business is prepared for these changes.

This is the Fourth Edition of Bord Bia's Brexit Action Plan and provides practical information that Irish food and drink manufacturers can utilise in order to prepare for increased complexity in future trade with the UK. It addresses actions companies should take in two scenarios: a future Free Trade Agreement (FTA) between the EU and the UK (still to be defined as it is currently under negotiation) and No Agreement, whereby the UK and EU will trade on WTO terms. Bord Bia's support services, along with other State supports, can be found listed at the end of each chapter. Each chapter provides step-by-step guidance on the six risk areas and is accompanied by a checklist to help guide companies

through potential next steps and other considerations in their Brexit planning.



SUMMARY OF ACTIONS

1. Identify potential markets for expansion (access Bord Bia's Market Prioritisation Reports)
2. Develop a comprehensive market strategy for the selected market
3. Localise your product range
4. Activate your market diversification plans (Attend a Trade Fair and/or Trade Mission)

Market Diversification

This focuses on key actions to guide Irish food and drink manufacturers on developing a strategy for expanding into new geographies.

The Irish food and drink industry has sustained its position as by far the most global of Ireland's indigenous industries, with its products finding markets in over 180 countries. However, there are challenges facing manufacturers as they aim to unlock the value that market diversification can deliver. These challenges have intensified due to the global supply chain challenges arising from Covid-19. Efforts to diversify growth into new markets as a response to Brexit have also brought these risks into sharp focus.



Market selection considerations

Prior to entering a new market, a robust commercial marketing strategy should be developed. The following details should be taken into account when considering and prioritising markets for exports:



Market Projection

- Population
- Income per capita
- Import demand for my product(s)
- Currency trends



Ease of doing business

- Ease of doing business ranking
- Ease of logistical access
- Market access status



Market size and trends

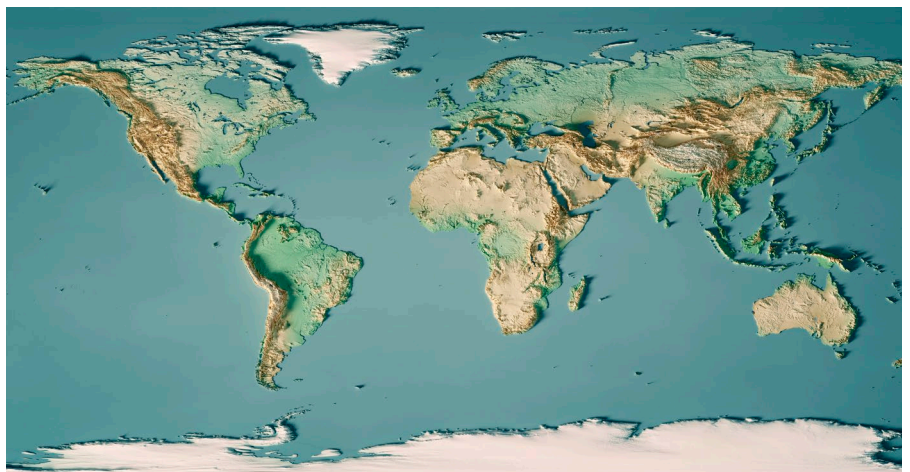
- Urbanisation
- Rate of growth in the food market
- Consumer market trends
- Wider market trends and major cultural considerations



Imports

- Import levels by category / subcategory
- Import price levels
- Import Duties and VAT

“Prior to entering a new market, a robust commercial marketing strategy should be developed.”



Expanding into new markets

According to the Readiness Radar, 71% of respondents are actively seeking to expand into new markets in response to Brexit. Expansion into new geographic regions requires thorough analysis and planning. A comprehensive market strategy provides a clear set of criteria and targets to help organisations make the required change as efficiently as possible.

The five questions below should be used to begin creating your commercial marketing strategy:

1. Where do I want my business to be?
2. Where is my market heading?
3. Where should I focus?
4. What is my value proposition?
5. How will I unlock my opportunities?

52% of Readiness Radar respondents have a marketing strategy specifically developed for non-UK export markets. A business should look in detail at the following areas to inform their strategic choices when looking at export markets:

Category:

- Have you clearly defined the category that you are operating in and the role of your product within the category?
- Do you have latest data on the category you are targeting?
- Is your proposed pricing competitive within the category?
- Do you know who the main competitors are and how they are performing?
- Are you clear on how your offer adds value to the category and what your product uniquely brings?
- Have you visited the market to familiarise yourself with it and the consumer?

Geographies:

- Are you aware of local VAT, duties, taxes and quotas for your product in the market?
- What exchange rate effects would you need to take into consideration in this market?
- Does your labelling, ingredients list, nutritional declaration and shelf life meet the market requirements?
- How would you need to resource this market in order to succeed? E.g. current sales team based in Dublin, dedicated resource based in Ireland or UK, Bord Bia Fellow, agent/distributor or other.
- Would you need a quality/technical manager who speaks the language of the market?
- What is your delivery lead time/time to market?
- What marketing/promotional support would customers expect?
- What is your target customer's margin expectation? Does your pricing structure enable you to meet this?
- How does your target customer view your competition?
- What is the value of listing your range to the customer in comparison to current listings in this category? Are you familiar with the different store formats that exist in this market?
- Once these questions have been answered and your business has a basis for market diversification, you should look in detail at the following areas to inform your strategic choices:

Channel and customer

- Have you recently visited this market, the relevant channels and likely target stores, in order to experience it for yourself?
- Do you need industry certifications to be able to access key channels or customers in this market? (E.g. BRC, ISO standards).
- What are the target customer's margin expectations in this market? What minimum life on receipt (MLOR) is expected by the retailer in this market and what type of distribution partner would you need to achieve this?
- What systems do the customers use to plan, list products, book promotions, etc., and how do you get trained on them?



Brands and products

- Will you need to customise your products for this market?
- Do you know standard pack sizes for the category? Will your existing packaging fit on the shelves and does it meet local recycling requirements (if any)? What is your unique selling proposition (USP) and how do you differ from your competition? Do you have the necessary accreditations? I.e. BRC global standards, SALSA (safe and local supplier approval), organic certification, International Featured Standards (IFS), halal or other International Organisation for Standards (ISO). Does your labelling, ingredients list, nutritional declaration and shelf life meet the local market requirements?
- What MLOR can you guarantee to the retailer?
- What are your minimum order quantities for an existing stock keeping unit (SKU)? Or for a SKU that needs recipe and packaging localisation for an export market?
- Do you have the desire and capability to modify your products based on local market preferences?
- What is your global location number (GLN)/factory code?
- Do you outsource your production? What are your three priority commitments/targets under Origin Green? Will these deliver a competitive advantage? Will they deliver a consumer benefit and/or USP?

Localising your product range

There are practical factors, such as the local regulatory environment, language and general market and cultural nuances, which will play a vital role in shaping your success overseas.

There are practical factors, such as the local regulatory environment, language and general market and cultural nuances, which will play a vital role in shaping your success overseas. These details are key to designing a product range that can succeed in the new market, namely:

Brand

Is your brand name understood by consumers in the new market? Does the brand name have the same meaning? If not, do you need to adapt your brand or develop an export or channel specific brand? You will also need to consider how to protect your brand name (and logos) in this market and check you are not infringing on another brand's intellectual property.

Range

Consider how many SKUs or product variants you are going to include in your range. Assess the taste and texture which consumers prefer in your category and adapt your range to meet local preferences. Research the product specifications which customers in your target channel prefer. Bord Bia's Thinking House can provide valuable insight in this area.

Pack Size

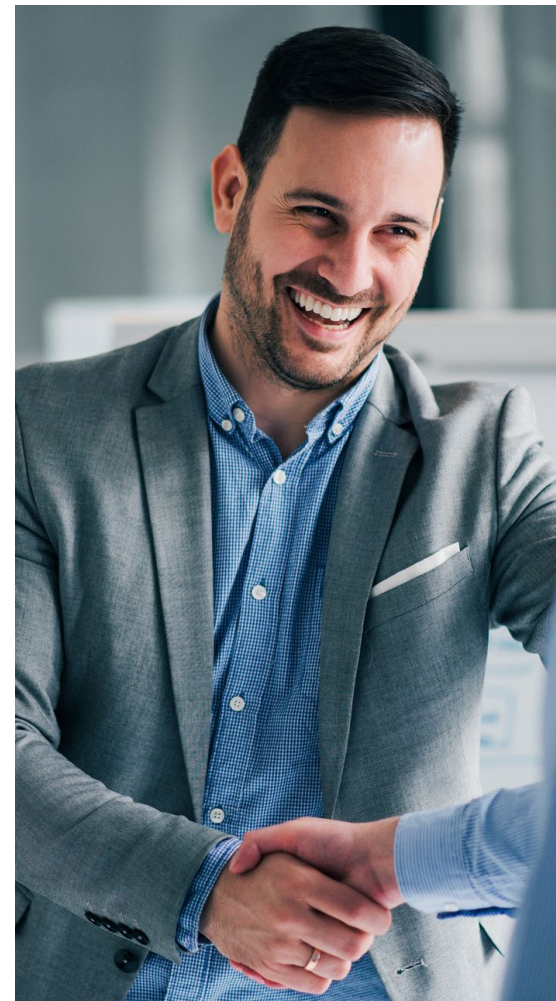
There can also be nuances in preferred pack size in different markets and it is important that you take these into consideration. Answer questions such as: What size should your product be to appeal to consumers and customers' needs in the new market? How many servings does the shopper or operator need to get out of the pack?

Labelling

Product labelling laws and regulations can differ from country to country. In Europe, EU food regulations cover all the directives that you need to follow to stay compliant with local regulatory regimes. However, some European countries may have laws that go even further than the EU regulations. Ensure you check for any additional regulations in your target market.

Language

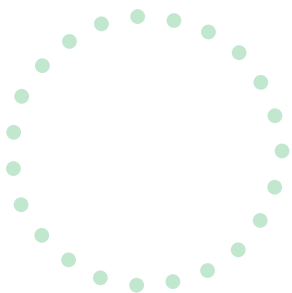
From a regulatory perspective, what elements of your packaging must be in the local language? What do consumers need to be able to understand about what you are offering and how it answers customer needs about your product from how it is packaged to brand name and description?



Market Diversification Checklist

The following checklist will help you establish a strategic market diversification plan.

	REVIEWED 'BUSINESS AS USUAL'	DRAFTED A PLAN FOR IMPROVEMENT	IMPLEMENTED CHANGE FOR BREXIT- PROOFING
Carry out extensive market research in order to identify where the opportunity lies, and which market should be selected for expansion.			
Establish a comprehensive market diversification strategy.			
Localise your product range to the market selected for expansion.			
Utilise Bord Bia's Engagement Activity Prioritisation Tool in order to activate your market diversification strategy.			



Market Diversification Supports

Bord Bia Supports

Bord Bia's Readiness Radar

In July 2020 Bord Bia launched the Readiness Radar, which is a risk diagnostic tool developed to assess industry thinking and performance around a number of priority risks and challenges. These include Covid-19, Brexit, Challenges to Market Diversification, Sustainability Pressures, Consumer Insights and Innovation, and Talent Management.

It enables Irish food and drink manufacturers to prioritise and assess their own company specific risks facing their businesses.

Readiness Radar Gap Analysis Report

Each client company that completed the Readiness Radar received a Gap Analysis Report. The Gap Analysis Report enables you to understand your risk exposure and level of preparedness across the six key challenges outlined in the Readiness Radar: Covid-19, Brexit, Challenges to Market Diversification, Sustainability Pressures, Consumer Insights and Innovation, and Talent Management.

Bord Bia's Market Prioritisation Exercise

Bord Bia has undertaken an in-depth Market Prioritisation exercise focussing on identifying relatively newer markets likely to present growth opportunities over the next 5 – 10 years. A funnel approach was adopted for the project, with an initial screening of over 180 markets. Macro-economic and sector specific criteria was assessed and

weighted, allowing for a list of the top 30 markets for each food and drinks category. Through ongoing consultation with industry, Bord Bia has identified 15 priority markets for meat, dairy, prepared consumer foods, beverages and seafood. 75 summary reports have been published for each market and sector, outlining the scale of the opportunity, level of competition and any barriers likely to face Irish exporters.

Building on from the market prioritisation exercise, each sector has developed a three-year strategy for 2019-2021, in line with Bord Bia's Statement of Strategy. The strategies inform sector focus and the key priority markets.

Please contact your relevant Sector Manger to discuss further.

Commercial Marketing Strategy Development

This service assists client companies in the development of a commercial marketing strategy for their business. This involves making choices around Where to Play (which market, category, channel, customer etc.) and How to Win (developing a value proposition and marketing objectives to deliver the strategy). The service is delivered through a mix of workshops, one-to-ones and online supports. Visit www.bordbia.ie for more details.

Key Customer Management

This Bord Bia service is designed to develop client capability in managing accounts with key trading customers (in Retail/Food Service/Manufacturing) to deliver sustainable, long term business growth. For further information and to

register your interest, please contact your Sector Manager.

Bord Bia's Logistic Partner Database

The Logistic Partner Database enables Irish companies to identify logistics service providers operating both in-market and internationally. The database covers the UK, France, Germany, the Netherlands, Poland and Spain. Simply select a supplier type from the drop-down menu to begin. Your search can be customised by company name, country or product category such as (ambient, chill or frozen) and by service (type such as transport or warehousing).

Export Assistance

The total value of Irish food, drink and horticulture exports in 2019 was €13bn. In support of this, Bord Bia has a large range of programmes and actions in place, to assist businesses with their export operations.

These supports include information on foreign markets, distribution channels, a range of Distributor Guides, as well as in-market trade shows, Consumer & Trade promotions (EU & Bord Bia promotional campaigns) to promote products and of course our flagship programme, Origin Green.



Think Digital

Think Digital aims to boost the digital capabilities of Irish food and drink manufacturers and raise awareness of the possibilities that digital can add to their Commercial Marketing Strategy. This service can support companies that are looking to enter new markets where digital activity is a necessary or integral factor in business growth.

For more information contact:
adam.baker@bordbia.ie

Virtual Trade Missions and Online Trade Shows

International travel restrictions and ongoing social distancing guidelines has necessitated Bord Bia to reevaluate its trade engagement strategy and planning for the remainder of 2020. As such Bord Bia has a new hybrid offline/online alternative programme of events. This will ensure sustained engagement to build Ireland's reputation as a sustainable source of food in new markets worldwide, develop market understanding for client companies, and foster connections with prospective business partners.

For more information contact:
info@bordbia.ie

Perfecting the Virtual Pitch

This workshop programme assists Irish food and drink exporters with preparing for virtual pitches to grow business during the disruption arising from Covid-19.

For more information contact:
adam.baker@bordbia.ie

Trade Fairs

Every year Bord Bia attends international trade fairs covering a wide range of sectors, with the goal of driving business opportunities for clients and raising the awareness of Brand Ireland. For further information on how to join these trade fairs, please contact your Sector Manager or go to the designated [Trade Fairs page](#) on the Bord Bia website.

Trade Missions

Bord Bia works with industry to prioritise high potential markets and organises Trade Missions with the Department of Agriculture, Food and the Marine. A Trade Mission will typically have sectoral priorities and common key business objectives and outputs. These focus on market access, raising awareness of Brand Ireland and driving business opportunities for Irish food and drink manufacturers. For further information on how to join these Trade Missions, please contact your Sector Manager.

Weekly Brexit Alert

Informs latest Brexit developments in the UK Market and implications for the Irish Food & Drink sector. As part of the weekly FoodAlert Newsletter highlighting emerging trends in food and drink and how those trends are manifesting in different markets. Newsletter also links to Bord Bia's pricing pages. Used by clients to stay abreast of latest developments in categories and in market.

Sign up at www.bordbia.ie/industry/news/food-alerts/





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