

An Introduction to Internationalisation Principles

Food & Drink Products



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1. Introduction

The training module is primarily aimed at first-time food and drinks exporters, but should also prove useful to early stage exporters with plans to expand into new markets.

It takes a step-by-step approach to the exporting journey, beginning with the decision as to whether exporting is right for your company and moving on through the next steps required on the export process.



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2. Why Export ?

- Increase profitability
- Increase sales
- Grow the company
- Become more innovative
- Generate economies of scale
- Gain new knowledge
- Reduce dependence on the home market

For many companies exporting is a natural part of the growth journey. They may have outgrown the domestic market or their products may be more suited to certain overseas markets.

For others it may simply
be a natural progression to look further afield for new
opportunities.



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Why Export?

Core Reasons

1. Increase sales

The company may have exhausted opportunities in its domestic market and may have little choice but to look further afield for growth.

2. Increase Profit

Increased sales do not always translate into increased profits. However, even with tighter margins, profits can be improved by selling into much larger markets.

3. Grow the Company

Revenues and cash flows required to support this may not be available from the domestic market. Export sales are therefore almost a necessity.

4. Reduce Dependence

SMEs find themselves in a position where they are reliant on a small number of customers. Expanding into export markets reduces this exposure.



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International trade benefits

Gaining new knowledge

Companies trading in just one market naturally develop the skills and knowledge required for success on that market

Exposure to new customers and competitors in export markets can bring the knowledge and skills necessary to do this

Economies of scale

While export sales may not be as profitable as those on the home market, the overall increase in production they generate can be used to drive economies of scale which results in a rise in profitability, competitiveness and capability

Becoming more innovative

Learning the skills and techniques required to succeed in other markets greatly improves a company's overall innovative capacity. Achieved by adapting products and packaging to meet the particular needs of individual export markets



3. Identifying Export Opportunities

Extensive market research is an absolute prerequisite before exporting.

Because a product is successful in one market - does not mean it will be in another !



Pick the market that interests you most, also the one with the fewest barriers to entry

Desk Research - Internet

The websites of your competitors and those of relevant retailers or foodservice operators will also provide valuable insights.

Websites of major retail chains or specialist shops will give you an indication of the range of products in your category, how they are packaged, pack sizes, flavours and price points.

It can also identify gaps on the shelves and where your products might fill that gap.

In-Market Business Contacts

Early stage research can uncover a range of good quality information which can indicate the existence of an opportunity or not, or if such an opportunity is worth pursuing.

For instance, can you meet the price expectations of the market while generating sufficient margin to make the enterprise worthwhile?

The type of basic data which should be sought and will be readily available includes:

- Economic trends
- Competing products and prices
- Population and demographics
- Trade statistics
- Tariffs
- Non-tariff trade barriers
- Currency value trends



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If research shows positive results, it is then time to look more closely at the market

This will inevitably require a market visit and investment in quality in-market research

These missions are organised by trade bodies and financial support is often available to early stage exporters

Marketing, sales and other experts will be required at this stage and their time will not come cheaply

It is essential to define in advance the type of market intelligence you are seeking and to set clear budgets

The type of data to be gathered can be broken down into a number of key areas:

Market Issues

These include issues such as cultural differences, language, currency and attitudes to imported products.

The political climate is another important consideration.

Overall economic issues including consumer spending power and regional economic variations should also be analysed.

Market Structure

Variations in market structure even between neighbouring countries.

Some may have a retail segment dominated by a small number of key players, while another may have a highly fragmented foodservice sector.

Routes to Market

It is important to consider how difficult it is to physically get products from your location to a customer in the chosen market.

Look at existing transport links between the two countries.

Distribution channels vary from market to market as will the means of accessing potential customers.

Data Gathering

Product Specific Issues

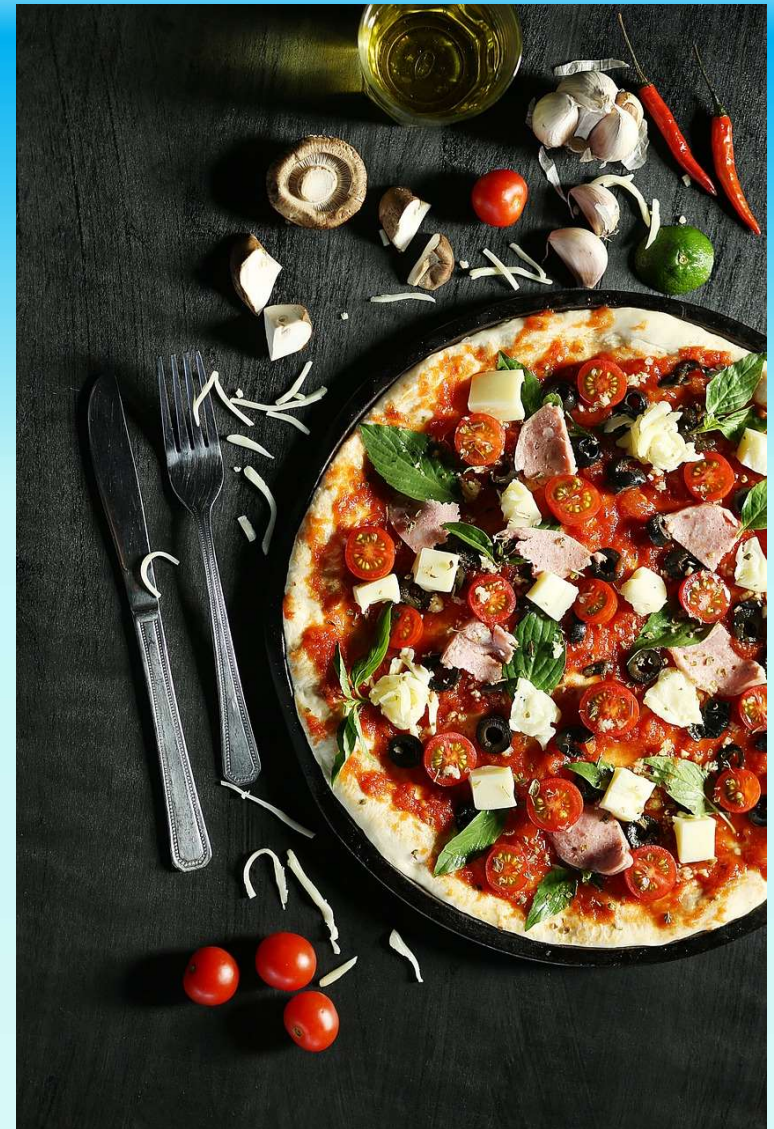
Product specifications can vary greatly from market to market. Pizzas may need to be spicier in one market than another; packaging colours may need to be more vivid or subtle depending on consumer preference; certain products may be viewed as premium in one market and commodities in another; ethnic origin may be very important or not at all; your product's name may have a different and sometimes unfortunate meaning in another language.

Legal and Regulatory Issues

You may, on the face of it, have a product which should succeed in a particular market on price, quality, taste characteristics and other terms but that will face other difficulties down the line.

These can include particular packaging regulations, legal issues regarding what the product can be called and how it can be described.

These issues may be best tackled by an experienced export consultant, specialist or distributor.



4. DEVELOPING YOUR EXPORT PLAN

Having decided that exporting is for you, and when you have identified a suitable export market, the next step is to develop an export plan.

An export plan is similar to a business plan in that it will include an overall strategy and objectives, a background analysis, and sections covering marketing, budget, action steps, implementation schedule, targets, and of course market information.



Export Planning

Measurement

The plan should set benchmarks and targets against which actual performance can be measured

Complexity and detail

The degree of complexity of the plan will depend on whether the company intends exporting directly into a market or indirectly using distributors or agents

Live document and active plan

The export plan will grow and become more comprehensive as time goes on



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Export Plan

The best export plans are dynamic in nature and are compiled, at least partly, as a result of the research being carried out into the target market or markets. The plan should also be capable of adaptation and alteration during implementation as actual market conditions on the ground are taken into account.

It is therefore best to try to keep the plan as simple as possible in order to avoid unnecessary rigidity. It should be capable of changing in response to the company's real experiences and learnings in the market.

The plan should therefore grow and become more complete as time goes on.

Most importantly, the plan should set benchmarks, timeframes and targets against which actual performance can be measured. Without these milestones it will be impossible to judge.



KEY QUESTIONS

Which market (or markets) is being targeted?

What type of market research has been carried out?

What were its findings?

Which products are to be exported?

Are product modifications required?

Who are the target consumers for the products?

What are the specific challenges and constraints?



KEY QUESTIONS

How will each of these challenges be met?

Who will be responsible for meeting them?

What is the chosen route to market?

How will it be accessed?

How will the product price be set?

What are the steps to enter the market?



KEY QUESTIONS

What budget is set aside for the export effort?

What personnel resources will be devoted to it?

Will it be necessary to increase production?

If so, by how much?

What are the performance targets?

How will performance be evaluated?



An export plan based on these questions,
will increase the overall chances of success but will not guarantee it.



What it can do is provide focus to alert when things are going wrong.



This will allow changes to be made to avoid making costly mistakes.



5. CHOOSING A ROUTE TO MARKET

The most important decision to make at this stage is whether they will sell directly or indirectly into a new market

- (A) Direct exporting involves selling direct from the exporters location to the customer
- (B) Indirect exporting means working through an agent or distributor

AS WELL AS CHOOSING THE RIGHT ROUTE TO MARKET CHOOSING THE RIGHT PARTNER IS CRUCIAL

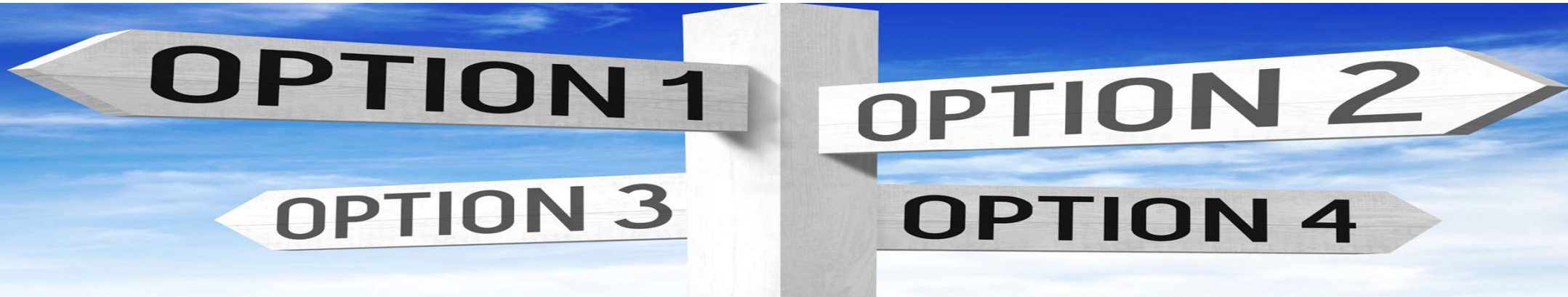
It is essential to seek references from other exporters, as well as taking legal advice, before entering into any trade agreements.





The Direct Model

- ✓ Full control of sales and all other aspects of the export activity
- ✓ Offers a direct relationship between seller and buyer
- ✓ No commission payable to agents or intermediaries
- ✓ Replicates the way business is done at home
- ✗ Geographic distance, language differences, market scale may render this option impractical
- ✗ Maintaining Buyer relationships over a long distance can be difficult
- ✗ Most first time exporters find they need help from an in-market specialist
- ✗ Costly, as it usually requires frequent market visits and all logistics & other overheads have to be borne by the exporter



(A) Distributor (B) Agent

Before deciding on which option to choose you should familiarise yourself with all of the different costs involved

Every link in the chain will have its own charges and costs and you have to make sure you have some margin left for yourself

Points to consider - when working with a local partner they should:

- Know the territory
- Be able to provide introductions to buyers and distributors
- Provide translation & local advice

Invest time and research into picking the right partner as this will avoid problems at a later stage

A good working relationship with all of these options is a critical key to success and needs to be worked on continuously



Distributors

- ✓ Takes charge of sales, marketing, promotion, logistics within a market
- ✓ Offer ready market access and take a lot of the risk out of export trade
- ✓ Have reach in their own markets and can put new products on shelves or on restaurant tables
- ✓ There are some downsides of course for example, High margins (regularly 30%) and long credit terms
- ? These can be justified if they achieve their sales promises. but there can be difficulties if they do not
- ✗ Distribution agreements often involve long exclusivity terms with few performance penalties
- ✗ Distributors sometimes make agreements in order to control competition in a market
- ✗ Distributors seek references from other exporters as well as take legal advice before entering into any agreements



Agents

Halfway house between a distributor and having your own in-market presence

Agent acts on behalf of the exporter, finding customers and selling products to them

Once a sale is made the order is then passed over to the exporter who dispatches it and invoices for it

The agent receives an agreed commission for their services, (typically 5% -15%)

Care has to be taken when appointing an agent to ensure that they have the right contacts with the customer

The advantages and disadvantages of using an agent versus a distributor have to be assessed very carefully



Agents

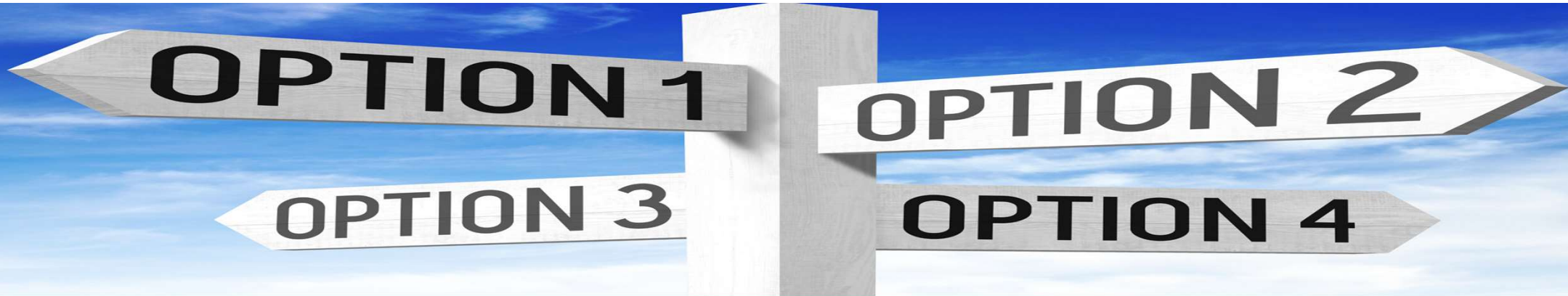
An agent's commission may be significantly lower than a distributor's margin

But remember that you are responsible for all logistics and other in market cost of sales

You are also exposed to payment risk from multiple customers

Legal and other advice should be taken before reaching an agreement with an agent

.....and their credentials should be checked



In-Market Presence

Establishing your own operation in an export market can be very profitable in the long run

There are no agents commissions or distributors discounts

You have full control of the sales and marketing of your products

You can build long term relationships directly with your customers

But this comes at a price. Setting up a business in a different jurisdiction can be costly, both in terms of cash and time

Company law, employment regulations, tax rules will differ markedly

Indeed, the overheads involved place it out of the reach of all but very few SMEs

This should be the long term aspiration rather than the first option

Useful Tips When Picking An Agent or Distributor

- Consider hiring a sales consultant in the market to advise you on your options
- Look for recommendations from other exporters first
- Find out who the key distributors are for the customers you wish to sell to
- Look at the distributors website to check prices and the product ranges they offer
- Consider working together on a trial basis for a fixed-period
- Always try to minimise the agent or distributors period of exclusivity
- Talk to your lawyer before signing any agreements

6. GETTING YOUR PRODUCTS TO THE CUSTOMER

Making that first sale or reaching an agreement with a distributor is just one step in the export process.

You then have to fulfil the order and actually get the goods to the customer or distributor.

This can involve a number of other parties along the chain and close attention to detail is required to ensure that everything goes smoothly.



Freight Forwarders

Many SMEs are not an expert in the finer points of export documentation.

For this reason, the services of a **freight forwarder** are frequently used.

A freight forwarder should be considered as a key partner in the process.

They act as your agent in getting your goods from your door to your customer's location.

They are experts in all aspects of moving cargo and can advise on the best mode of transport and the rules governing exports to markets around the world.

The freight forwarder will charge a fee and this must be factored into your overall export costs.

Shipping goods overseas

There are three basic methods of shipping goods overseas.

The first is to use a logistics company which will pick up your goods, either from your premises or a depot, and deliver them to the customer or distributor in the destination market.

This is the simplest and most popular method for the majority of early stage SME exporters.

The other two methods are sea freight and air freight.

Both of these require you to make all the arrangements for the delivery and collection of goods from ports and airports and can be unnecessarily complex, particularly when documentation requirements are taken into account.



7. MARKETING AND SELLING YOUR PRODUCTS OVERSEAS

INTRODUCING A NEW BRAND OR PRODUCT TO A MARKET IS NOT EASY

Building awareness with trade customers can be done in several ways.

Advertising in relevant publications and attendance at exhibitions can be effective



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Ensure your target customer base knows that your products have arrived

Advertising

When considering advertising the first thing to do is research the target market thoroughly to assess how best it can be addressed.

The online channels

Register a new domain name for your company in the target market.

Then translate and localise your website for the market & use social media.

Direct Trade & Consumer

This should only be considered when your product is actually on sale in a market.

In many cases local distributors and agents will bear a share of advertising costs.

Exhibitions and Trade Fairs

Trade shows are often the best way to meet buyers and research new markets

A presence at a trade fair can also be a very cost effective means of selling and promoting your business to key customers



Utmost care must be taken to maximise the return on your spend.

This can be achieved in a number of ways, for example:

1. Find out who else is going to exhibit and make sure the event is relevant
2. Speak to other exporters and trade associations about who is likely to visit the fair to ensure it is the right one for your product
3. Explore stand sharing options with other exporters from your home country to spread the cost
4. Find out if there are grants or other supports available from Government agencies to help with the cost of exhibiting
5. Make sure you have someone on the stand at all times who can speak the local language – English may be widely spoken but many people expect to be able to communicate in their own language
6. Set realistic goals for what you want to achieve from your presence at the exhibition and only go ahead if it appears likely that they can be reached

The single **most important part of the whole process** for the vast majority of exporters.

But there is **always an element of risk** involved in exporting and payment arrangements can be quite complex as a result.

8. Getting Paid

Risk Minimisation

1

Know who you are doing business with
Check out the reputation of any potential customer

Your Bank

2

They can talk you through the various payment options as well as advise on export credit insurance options

INCOTERMS

3

These are published by the International Chamber of Commerce and they govern various aspects of the contract between the exporter and the buyer
(see also page 49)

Payment Methods

There are four main payment methods employed in export transactions

Open Account	Goods are shipped to the customer and payment is made later according to agreed terms, usually 60 or 90 days. This places all of the risk with the exporter.
Documentary Collection	This is the equivalent of cash on delivery (COD) for exporters, but with some important differences. It works on a documentary system and uses the exporters and buyers banks.
Letters of Credit	This arrangement eliminates almost all risk from the exporters side. A letter of credit is a guarantee from a bank that the exporter will be paid, as long as they fulfil their part of the contract.
Advance Payment	This form of payment arrangement is usually associated with only the most high risk contracts. It involves a buyer paying a certain proportion of the invoice upfront, even before receiving the goods.



Export Credit Insurance

One way of dealing with the risk of non-payment is **export credit insurance**. This is an insurance policy taken out by the exporter to protect against non-payment.

Safety First

The best way to reduce the risk of non-payment is to be absolutely sure who you are doing business with. This might narrow your potential customer base somewhat, but having a customer who doesn't pay is far worse than not having a customer at all.

MANAGING THE FINANCIAL STRAIN

The export journey involves significant costs for a business and these need to be factored in from the very beginning.

The Costs

Initial costs

Market research

Visits to the market

Staff training

Specialist advice

Product development

Early stage marketing costs

Ongoing costs

Costs associated with longer production runs

Investment in new plant

Hiring additional staff

New packaging development

Marketing

Shipping and other logistics costs

Reduced margins on export products

Agents - Consultancy - In-market representation

Bank and finance costs - Currency fluctuations

Legal fees

Financing Options

Factoring

This involves the exporter “selling” its outstanding invoices to a factoring company which takes on all of the payment risks but also takes a substantial discount in return

Credit control

Tightening up on this area can improve cash flows and help provide the additional resources required for the export effort

Grants

There are certain grants available from government agencies and other bodies to assist early stage exporters and these should be investigated

9. LEGAL & REGULATORY CONSIDERATIONS

The necessity to comply with a variety of legal and regulatory measures relating to your products.

These begin with the documentary requirements involved in the transport of the goods, right through to the contractual arrangements with customers.

Tariffs

Most non-EU countries have a range of tariffs and other trade barriers which are aimed at protecting native industry.

Local Legal Systems

Care needs to be taken when entering a new market, as local legal systems may differ markedly from those in your home market.

Business Conduct

Firms can inadvertently find themselves in breach of local laws, or even the laws of other countries, as a result of the way they carry out their business.

Intellectual Property

Protect your brand and your intellectual property rights for any innovative aspects of your product in every market in which you are operating.

Legal Advice

**Initial advice on all these areas is available from
Chambers of Commerce, Government Agencies
and Trade Associations.**



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You will also need to have a working knowledge of

INCOTERMS

The Incoterms® rules are the worlds essential terms of trade for the sale of goods.

Whether you are filing a purchase order, packaging, and labelling a shipment for freight transport, or preparing a certificate of origin at a port, the Incoterms® rules are there to guide you.

Incoterms are Issued by the

International Chamber of Commerce



For more information about INCOTERMS [please click here.](#)

TASK	Questions and Points to consider	Action Target Date	Progress - Comment	Revised -Actions
1. SET UP YOUR GOALS		Stage 1 Date	Stage 1 Comment	Stage 1 Revised
Before you start conducting competitive analysis you must set up your goals	<i>Increase profitability - Sales</i>			
Understanding your goals will greatly assist the development of your plan	<i>Reduce dependence on the home market</i>			
It is essential to have a clear-cut goals that will help you to structure the research	<i>Grow the company - Generate economies of scale</i>			
	<i>Become more innovative - Gain new knowledge</i>			
2. IDENTIFY YOUR COMPETITORS		Stage 1 Date	Stage 1 Comment	Stage 1 Revised
Check the list of companies running in the same market	<i>List your Retail compeditors</i>			
Run a Google / online Search	<i>List your Wholesale compeditors</i>			
Speak to potential customers - Find out "who" else they may be considering	<i>List any new product or Artisan compeditors</i>			
3. Identifying Export Opportunities		Stage 1 Date	Stage 1 Comment	Stage 1 Revised
What gaps or openings are currently available within the target market	<i>Check the export-import statistics</i>			
Research the companies competing in the same market	<i>Talk with the experts -BUYERS</i>			
Speak to potential customers - Find out "who" else they may be considering	<i>Carry out analysis of sales reports</i>			
If its possible physically walk the stores and carry out in-store research	<i>Examine trends and new products being launched</i>			
4. COMPARE COMPETITOR VALUES PROPOSITION		Stage 1 Date	Stage 1 Comment	Stage 1 Revised
To develop a value proposition that makes your offer special and unique you must get to know how your competitors position themselves	<i>Review your offering to your main compeditors in the target market-Have you a point of difference</i>			
Analysing your competitors webpages and paying attention to their reviews you will be able to create a better understanding of the competitive market	<i>Don't just analysis the statements from your compeditors but also look at what the consumers are saying about them</i>			
5. QUANTITATIVE INVESTIGATION		Stage 1 Date	Stage 1 Comment	Stage 1 Revised
Obtain as much accurate data about the market your competitors as possible	<i>Evaluate your chances against the numbers. Looking at size and profitability of the sector</i>			

TASK	Questions and Points to consider	Action Target Date	Progress - Comment	Revised -Actions
6. FUNCTIONAL INVESTIGATION		Stage 1 Date	Stage 1 Comment	Stage 1 Revised
Your competitors business, their strategy, tactics, route to market, channel partners	<i>Can you copy their process or improve or make a cost saving by doing it differently</i>			
7. DEVELOP YOUR EXPORT PLAN		Stage 1 Date	Stage 1 Comment	Stage 1 Revised
An overall strategy and objectives, including all background analysis referred to above	<i>Sections on marketing,budget,targets,implementation schedule and market information</i>			
8. ROUTE TO MARKET		Stage 1 Date	Stage 1 Comment	Stage 1 Revised
Explore and set out the various options	<i>Options including Channel Partners -Distributors- Sales agents</i>			
Include costs and timelines	<i>Options including direct sales to Wholesale - Retail -Foodservice customers</i>			
9. GETTING TO THE CUSTOMER		Stage 1 Date	Stage 1 Comment	Stage 1 Revised
The logistics of product delivery	<i>Direct Delivery</i>			
Include costs and timelines	<i>Consolidation haulage or consolidation warehouse</i>			
10. MARKETING AND SELLING		Stage 1 Date	Stage 1 Comment	Stage 1 Revised
Producing a marketing plan to launch the product in a new market	<i>Instore support-POS - Introductory price - Multi buy</i>			
You need to set a budget - choose the platforms -create a sales message	<i>Social media activity - hard copy press advertisements</i>			
11. GETTING PAID		Stage 1 Date	Stage 1 Comment	Stage 1 Revised
The single most important part of the whole process	<i>Credit Check the reputation of any potential customer</i>			
There is always an element of risk	<i>Your bank can advise on payment options along with export credit insurance</i>			
12. LEGAL AND REGULATORY		Stage 1 Date	Stage 1 Comment	Stage 1 Revised
Advice available from Chambers of Commerce, Government Agencies and Trade Bodies	<i>Ensure you research and comply with your legal obligations</i>			
Trading terms -Intercoms	<i>The Incoterms® rules are the world's terms of trade for the sale of goods</i>			
	<i>Review which suit your export sales best</i>			

We hope that you have found this training module a useful and helpful support to your healthy food and drink innovation.

This training module is one of a number of training opportunities, organised into themed training programmes to support SME's (small & medium sized enterprises) in the participating regions of Wales, Northern Ireland, Ireland, Spain, Portugal and France to successfully bring new and reformulated food and drink products to market.

The training was created by the partners within the AFE project which is funded by the European Union under the Interreg Atlantic Area Funding Programme.

This programme promotes transnational cooperation among 36 Atlantic regions of 5 European countries and co-finances cooperation projects in the fields of Innovation & Competitiveness, Resource Efficiency, Territorial Risks Management, Biodiversity and Natural & Cultural Assets.

For more information about other training available [please click here.](#)

