

# FOOD & DRINK EXPORTERS GUIDE

A handy guide for SMEs



**ACCESS 6**  
Food & Drink Programme



**European Union**  
European Regional  
Development Fund  
Investing in your Future

**NORTHERN  
IRELAND  
FOOD & DRINK**

# CONTENTS

1	Introduction	1
2	Why export	4
3	Identifying export opportunities	6
4	Developing your export plan	10
5	Choosing a route to market	14
6	Getting your products to the customer	20
7	Marketing and selling your products overseas	24
8	Getting paid	28
9	Managing the financial strain	32
10	Legal and regulatory considerations	34
11	Market Profiles	36
	<i>London &amp; South East UK</i>	36
	<i>France</i>	38
	<i>Germany</i>	40
	<i>Benelux</i>	42
	<i>Scandinavia</i>	44
	<i>USA</i>	48

# INTRODUCTION

Access 6 is an innovative, EU INTERREG IVA funded programme led by the Irish Exporters' Association, Northern Ireland Food & Drink and Scotland Food & Drink.

The Access 6 programme has provided extensive training and mentoring for food and drink SMEs in the border regions of Ireland, Northern Ireland and Western Scotland to develop new routes to market in the UK and international markets.

This programme provides food and drink SMEs with the marketing skill sets, professional marketing assistance, and logistical support to successfully export to one or more of six selected markets – Southeast England, Benelux, France, Germany, Scandinavia, and the US.

In total, 90 food and drink SMEs from Ireland, Northern Ireland and Scotland have taken part in the programme. As part of the programme, the participating SMEs received one-to-one mentoring from specialist mentors who also provided a wide range of training and business development support.

In addition, a number of innovative on-line training modules were made available covering areas such as sales, marketing and new product development.

Participating SMEs were able to increase competitive advantage by exchanging knowledge, and in some cases devising joint solutions, with one another. They also took part in targeted study tours in order to increase their knowledge of the competitive landscape in target markets. This helped them to grow relationships with potential trading partners.

This Food & Drink Exporters' Guide has been produced with a view to sharing some of the learnings and knowledge gained during the Access 6 programme. The guide 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 identifying export opportunities, formulating an export plan, choosing routes to market, selling and marketing your products, getting paid, and legal and regulatory considerations.

Also included are profiles of the six markets covered by the programme and a number of case studies outlining the experience of some Access 6 participants.



# WHY EXPORT



**EXPORTS**

**Become more innovative**



**Generate economies of scale  
through increased production**



**Gain new knowledge**



**Reduce dependence  
on the home market**



# 2 WHY EXPORT

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. The reasons most cited for SMEs to consider exporting include:

## Increased sales



The most obvious reason for most companies to think about exporting is to increase sales. The company may have exhausted opportunities in its domestic market and may have little choice but to look further afield for growth. It can also be the case that you discover an export opportunity which exists due to a particular unmet need in a market and this spurs the decision, but the ultimate goal is the same, to increase sales of a particular product or product line.

## Growing the company



If your ambition is to grow your company at a reasonably rapid rate, the revenues and cash flows required to support this may not be available from the domestic market alone. Export sales are therefore almost a necessity.

## Increased profits



Increased sales do not always translate into increased profits. The higher costs of distribution, and other factors such as more intense competition associated with exporting, may make sales significantly less profitable than domestic sales. However, even with tighter margins overall profits can be improved by selling into much larger markets. Furthermore, certain unique premium food products may command even greater profit margins in some markets than they do at home.

## Reduced dependence on a single market



SMEs are particularly vulnerable to economic downturns, however temporary and short term in nature. A small drop in consumer buying power can have a profound impact on a small food producer. Similarly, SMEs can find themselves in a position where they are overly reliant on a small number of customers. Expanding into export markets reduces this exposure, spreads customer and market risk and offers greater balance for future growth strategy.





## Useful sources of advice

State enterprise agencies

Banks

Industry organisations

## Gaining new knowledge



Companies trading in just one market naturally develop the skills and knowledge required for success on that market. However, there may be other marketing techniques or product variations which can be successfully imported from other markets thereby boosting domestic sales. 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 and realise productivity gains which results in an overall 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. For example, new product development capabilities can be greatly enhanced by adapting products and packaging to meet the particular needs of individual export markets.

## Is exporting the right decision for the business?



While the benefits of exporting are clear there are also risks, and only companies who are genuinely ready for exporting and are prepared to put in the time and resources will succeed.

It is important to understand from the very outset the additional strain that exporting can put on every aspect of a company's management and operations including accounting, marketing and production. In addition, you have to be sure you have sufficient funds available to finance the export initiative. It can take up to two years to secure a first order on some markets and you have to be prepared for that.

When orders do start coming in you have to be prepared for other risks such as currency fluctuations, different payment terms, higher logistics costs, and so on.

Therefore, before even considering exporting, a company must be willing to invest in significant additional overheads, marketing expenses, product design and adaptation for new markets, higher inventory costs, increased customer service costs and longer credit lines.



# 3 IDENTIFYING EXPORT OPPORTUNITIES

Extensive market research is an absolute prerequisite before even considering exporting to a particular country or market. Just because a product is successful in one market does not mean it will meet with the same reception in another, regardless of the apparent similarities between the two.

SOUTH / CANADA / ASIA / EUROPE  
GREAT BRITAIN / RUSSIA / JAPAN / CHINA / USA  
MEXICO / CANADA / INDIA / FRANCE  
EASTERN EUROPE / RUSSIA / AUSTRALIA  
AFRICA / USA / SCANDINAVIA / GLO





The first step in this process is the simplest – pick the market that interests you most. This will normally be the one which presents fewest apparent barriers to entry.



**Before committing any resources to in-depth analysis, preliminary desk research should be carried out. This initial research can quickly identify if a market has potential or not and whether further exploration is warranted.**

## Research

Research is the second step and much of it can be initially carried out online using freely available sources of information. A useful starting point is relevant industry websites, and a little time spent on search engines like Google can prove very worthwhile as well.

The websites of your competitors and those of relevant retailers or foodservice operators will also provide valuable insights. For example, if you are planning on selling into retail, the 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 help you identify gaps on the shelves and where your products might fill that gap.

Be sure to establish if any of your business contacts are already active in the market as they could offer useful on-the-ground advice.

This quite straightforward 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? Or is there an apparent gap in the market which could be filled through some minor alterations to products already in your range?

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**

“ you can do a lot online but you have to physically visit the markets to really understand the local consumer requirements ”

Heather Boyle,  
Managing Director, A Slice of Heaven.

# Market research

If research shows positive results it is then time to look more closely at the market. This will inevitably require a market visit or visits and investment in quality in-market research.

Participation in organised trade missions and study tours is very valuable at this stage. These missions are organised by trade bodies and financial support is often available to early stage exporters wishing to participate in them.

Marketing, legal 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 for what you are willing to spend on the exercise. This will ensure that valuable time and resources are not wasted whilst also increasing the prospects of gathering data that will be valuable to subsequent exporting activity.

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

## General market issues

These include issues such as cultural differences, language, currency, and attitudes to imported products. The political climate in a target market is another important consideration. Overall economic issues including consumer spending power and regional economic variations should also be analysed under this heading.

## Routes to market

It is important to consider how easy or difficult it is to physically get products from your location to a customer in the chosen market, and also to look at existing transport links between the two countries. With regard to distribution, channels vary from market to market as will the means of accessing potential customers in the retail and food service sectors. In addition, some markets will require the retention of a local agent or representative.

## Market structure

Variations in market structure even between neighbouring countries can be quite pronounced. Some may have a retail segment dominated by a small number of key players while another may have a highly fragmented foodservice sector. Regional differences can also be quite marked and approaches may have to be tailored for different areas.



## 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, high tariffs which may price it out of the market, licensing regimes which may require the establishment of a local joint venture entity, local product standards regimes, product support requirements, certification and testing issues, and many more besides. These issues should not be insurmountable but where they arise may be best tackled by an experienced export consultant, specialist or distributor.

If the results of this research indicate that your product can not only succeed in the chosen market, but that the effort in achieving success is justified by the returns on the investment, it is time to move onto the next stage ...

## Developing your Export Plan.

### Useful initial information sources

**State export support agencies**

**Embassies**

**Chambers of commerce**

**Existing international customers**

**Banks**

**Competitor websites**

**Distributor websites**

**Retail multiple websites**

**Other food exporters**



# 4 DEVELOPING YOUR EXPORT PLAN



Having decided that exporting is for you and 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.



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

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.

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.

For example, a pricing strategy which appeared realistic originally may have to be altered in the face of changed conditions in a market. Similarly, marketing plans may be subject to significant amendment in light of actual customer responses.

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 the success or otherwise of the exporting project will be impossible to judge.

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



**KEY QUESTIONS >>>**

# KEY QUESTIONS



In formulating an export plan there are a number of **key questions** which should be asked and answered realistically.

- Which market (or markets) is being targeted?
- What market research has been carried out and 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 to be met in each market?
  - economic
  - legal
  - cultural
  - import barriers
  - language
  - competitive landscape
  - market structure
- How will each of these challenges be met and who within the company will be responsible for meeting them?
- What is the chosen route to market and how will it be accessed?
- How will the product price be set?
- What are the operational steps to be taken to enter the market?
- Who is responsible for these steps and when will they be taken?
- What budget is set aside for the export effort?
- What personnel resources will be devoted to it?
- Will it be necessary to increase production capacity and if so, by how much?
- What are the performance targets e.g. market visits, potential customer/distributor meetings, first order, sales value/volume for first year etc?
- How will performance against targets be monitored and evaluated?

**The development of an export plan, based on the answers to these questions, will increase the overall chances of success but will not guarantee it. Crucially, what it can do is provide focus and an early warning system to alert when things are going wrong or targets are being missed. This will allow changes to be made quickly in order to avoid making further costly mistakes.**







## Bute Island Foods

Bute Island Foods manufactures a dairy-free range of cheeses under the Sheese brand.

The company has been working with Access 6 to find the best route to export markets and is targeting the US initially. “Access 6 has given us a good contact in the US”, says director Guy Crichton. “Our products have been on show in a few exhibitions over there and we are planning to exhibit at the Natural Food Exposition.”

This is not the company’s first foray into the American market. “We had exported to the US in the past”, Guy explains. “This was with one customer who was doing it as a sideline because he liked our products. He stopped importing because of a change in his personal circumstances and we have been thinking about finding new customers in the US ever since. Access 6 gave us the push we needed to do that.”

Exporting was on the agenda in any case. The company specialises in a unique market and is looking beyond the domestic market for significant growth opportunities. “What’s happened is that the Free From market is really taking off at the moment and our new production facility gives us the manufacturing capability to support further sales growth”, he notes. “Up until recently there were only four or five dairy free cheese makers in the world, now there are more than 40. We know that the demand is there for top quality cheese alternatives, as we receive regular requests from US consumers and store owners, and now is the time to get into the US market before it gets too crowded.”

*“One of the best things about Access 6 is that there are genuinely no fees or charges. For a small company that makes a difference. Lots of people offer advice and assistance but it’s quite unusual for it to be completely free.”*

Marketing was a key area for Bute Island Foods. “As a company, we didn’t have to try to sell our products in the past. Companies like Tesco came to us, asked about our product and we told them about it. Access 6 helped us with how to market and explain our products to potential customers. The programme also gave us information on the US market and it offers a very good online training system and some very useful checklists.”

The US mentor, Pavel Kolarov has been very useful as well. “Access 6 provided us with a mentor who is based in the US. The mentor has years of experience in the market and has a very good understanding of what we are trying to do. We can pick up the phone to him anytime with questions and get answers. That’s really good for a small company – it gives you the confidence to take on a new market.”

# 5 CHOOSING A ROUTE TO MARKET

**Choosing the right route to market is essential for export success.** The most important decision many exporters have to make at this stage is whether they will sell directly or indirectly into a new market. Generally, direct exporting involves selling direct from the exporters location to the customer. Indirect 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.**

**With the benefit of the correct advice, costly mistakes can be avoided.**



## The direct model

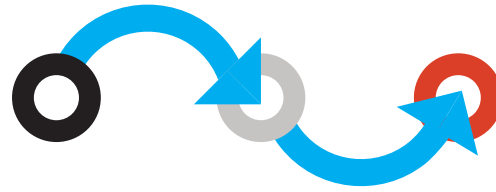
This requires the exporter to take full control of sales and all other aspects of the export activity. It has the advantage of offering a direct relationship between seller and buyer with no commission payable to agents or intermediaries.

The direct model is quite attractive on the surface as it usually replicates the way business is done at home.

However, geographic distance, language differences, market scale and many other factors may render this option impractical. Attempting to engage buyers and maintain relationships with them over a long distance can be an unrewarding exercise. Most first time exporters find they need help from an in-market specialist to represent and sell their products.

Sometimes large companies prefer to deal direct with suppliers so it could be the case that at least part of your export business has to be done in this way. Indeed, at the outset some firms can find that they have to employ several routes to market before finding the one that suits them best.

Direct exporting can, however, be a very costly way of doing business for a small company as it usually requires frequent market visits and all logistics and other overheads have to be borne by the exporter.



## The indirect model

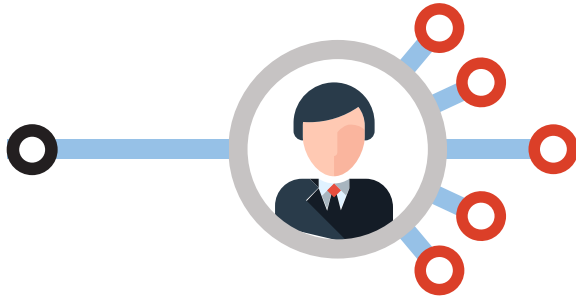
This is the most common choice for most first time exporters and there are a number of different options open to them. These include using a distributor or using the services of an agent.

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 at the end of the process.

## Local partner

A business will need to form a relationship with a local partner who knows the territory and can help it navigate its way around some of the trickier areas. That representative should also be able to provide introductions to buyers and distributors, provide or arrange translation or simply provide advice on local business culture.

It is strongly recommended to invest time and research into picking the right partner as this will avoid problems at a later stage. A good working relationship is a critical key to success and needs to be worked on continuously.



## Distributors

For a first time exporter this can be the most attractive and apparently trouble free option. A distributor buys your products and then takes charge of sales, marketing, promotion, logistics, and so on within a market.

On the face of it at least, this would appear to be an ideal solution for would be exporters. Distributors offer ready market access and take a lot of the risk out of export trade. They also tend to enjoy considerable power and reach in their own markets and can use this to put new products on shelves or on restaurant tables.

There are some downsides of course. Not least are the very high margins - regularly 30% - and long credit terms they demand. These are usually 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. It has not been unknown for a distributor to make agreements with exporters in order to control competition in a market and this must be guarded against.

It is therefore essential to seek references from other exporters as well as take legal advice before entering into any distribution agreement. However, with the benefit of the correct advice, distribution agreements can be mutually beneficial and profitable over long periods.



## In-market presence

Establishing your own operation in an export market can be a very profitable in the long run. There are no agents' commissions or distributors' discounts, you have full control of the sales and marketing and branding of your products, and you can build long term relationships directly with your customers.

But it is also costly. Setting up a business in your home market is expensive and difficult enough but is even more so in a different jurisdiction. Company law, employment regulations, tax rules and so on will differ markedly. Indeed, the overheads involved place it out of the reach of all but very few SMEs and this should be the long term aspiration of first-time or early stage exporters rather than the first option.

“As a small company we learned that having the right partner on the ground in each jurisdiction is the most critical point for us” says Hughes. “Finding companies who will work with us, help us grow, and grow with us is really important.”

Barbara Hughes.,  
Founder, Hughes Craft Distillery.



## Agents

Using an agent is a form of halfway house between a distributor and having your own in-market presence. The agent acts on behalf of the exporter, finding customers and selling product 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.

Care has to be taken when appointing an agent to ensure that they have the right contacts with the customer base you are looking to sell into. For example, retail contacts alone are not enough if they are not with the food and beverage buyers or category managers.

The advantages and disadvantages of using an agent versus a distributor have to be assessed very carefully. While an agent's commission at between 5% and 15% may be significantly lower than a distributor's margin, the fact that you are responsible for all logistics and other in-market cost of sales, as well as being exposed to payment risk from multiple customers, can outweigh this.

Just as in the case of a distributor, legal and other advice should be taken before reaching an agreement with an agent and their credentials should be checked very carefully.

Naturally, there are distinct advantages to using an agent. These include the fact that they remove the necessity of employing and maintaining your own staff in the target market. They can also offer invaluable local knowledge and experience which would be very difficult to replicate. On the other hand, they tend not to offer an after-sales service as standard and the exporter should make appropriate arrangements to cater for this.





## USEFUL TIPS WHEN PICKING AN AGENT OR DISTRIBUTOR

- Look for recommendations from other exporters and export advisers first
- Consider hiring a sales consultant in the market to advise you on your options
- Do the legwork – find out who the key distributors are for the customers you wish to sell into and open discussions with them
- Look at the distributor's website to check prices and the product ranges they offer
- Consider working together on a trial basis for a fixed-period
- Talk to your lawyer before signing any agreements and make sure your lawyer has access to expertise in the relevant jurisdiction
- Always try to minimise the agent or distributor's period of exclusivity.

# 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.



***In the first instance the export documentation has to be right.***

The paperwork involved in exporting, particularly to countries outside the EU, can be quite daunting for a first-time exporter, but it is essential as getting it right helps ensure that the goods arrive safely and on time and protects you from a variety of risks.

# Freight forwarders

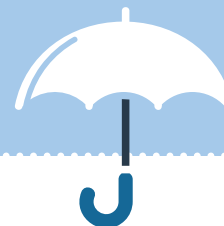
Many SMEs do not have the resources to devote to becoming an expert in the finer points of export documentation. For this reason, the services of a freight forwarder are frequently used and prove invaluable to many first-time exporters.

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 from one destination to another and can advise on the best mode of transport, the rules governing exports to markets around the world, specific regulations covering exports from your home country to other countries, freight costs, port charges, documentation, insurance, packaging, and so on.



In fact, before ever securing your first order it is probably best to find a freight forwarder to work with. They will be able to help with the preparatory work necessary to make sure that first order goes through smoothly from start to finish.

The freight forwarder will charge a fee and this must be factored into your overall export costs when setting a price for your product.



## 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.

Of course, there can be times when sea and air freight prove best. For example, if you are selling very high quality fresh products into a high end restaurant in Paris the air freight option, although expensive, may be best. At the other end of the scale, if you are selling bulk commodity products to a far distant market, sea freight may prove best.

## Insurance

You need to ensure that all export shipments are fully covered by transit insurance from the moment they leave your premises to the point at which they arrive at their destination. This will protect you from loss or damage costs during transportation.

## Get advice

The complexities of export documentation and the costs involved in shipping goods from one location to another mean that advice is an absolute must before any decisions are taken. While a freight forwarder can shoulder much of the burden, you must be in a position to pick the right one for your needs and to be comfortable that they are looking after your affairs properly. This means getting advice from export support agencies and associations and, if possible, learning from other exporters or experts who have been through the process already.



# Dan Kelly's Cider

## Spreading the cider message to new markets

Dan Kelly's is a traditional, hand-pressed cider made from apples grown on the McNeece family farm. The cider is naturally fermented using wild yeasts and contains no additives. Its natural credentials are reinforced by membership of the Bord Bia Origin Green programme.

*"My father bought the farm in 1962 and we specialise in growing apples for the wholesale and retail markets", says Olan McNeece. "We have always made a little bit of cider for personal consumption but only went into commercial production with Dan Kelly's Cider in late 2013."*

He had been interested in cider production for quite a while before setting up Dan Kelly's, which is named after his great-grandfather. *"My father discouraged me", he recalls. "And this was probably quite right because giving a young man unlimited amounts of cider might not have worked out well. More seriously though, we started to see a trend in the drinks market towards craft beers and other premium products and this gave us an opportunity. We clearly couldn't go toe to toe with the mass market leader but there was an opportunity for us in the craft cider segment."*

Sales are growing strongly on the domestic market but exports will be a feature of future growth. *"Our sales are up 200% year on year but you would expect that in the early growth phase of a business", says Olan.*

*"Before I got into this business I would have been cynical to a certain extent about people who tried exporting without dominating their home market first. But in a category like ours, exporting is necessary to generate the sales to support growth and to scale up the company."*

The Access 6 programme has assisted the company in breaking into the German market. *"When Access 6 contacted us I didn't know if we were ready for exporting to Germany, but in fact we were becoming more and more prepared. The Germans like apple products but there is no equivalent to cider on the market, in fact the word doesn't even translate into German. Access 6 was fantastic. They brought us on a market tour and our mentor explored all sorts of avenues for us that we would never have thought of."*

As a result, Dan Kelly's Cider has secured a listing with German retailer Manufactum, which has a chain of 10 outlets and an online presence in Austria, Germany and the UK specialising in high quality consumer goods. *"Access 6 were very supportive throughout the whole process of securing the listing with Manufactum. They were very proactive at all stages. I would certainly recommend exporting to other Irish food and drinks companies who are interested in scaling up. The image of Irish food and drink is very strong internationally and there is a recognition of their superior quality. There is a great opportunity in that for exporters."*

# 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.







**Ensure your target customer base knows that your products have arrived.**

**Before deciding on any marketing strategy you should review the activities of competitors and similar companies to your own to establish how they market their products. There is nothing wrong with learning from your competitors – it can help avoid costly mistakes and give you a head start in a new market.**

**You should also discuss your plans or ideas with your distributor or potential distributors if you have not already chosen one. Distributors will often market products on behalf of exporters and contribute to the costs. They are experts in their own market and can be a very valuable source of advice and assistance, as well as a marketing resource in their own right.**

## **Advertising**

When considering advertising the first thing to do is research the target market thoroughly to assess how best it can be addressed. Very often the wisest approach is to only commit expenditure when absolutely certain that it is the right thing to do.

### **Areas to consider include:**

**The online channel** – register a new domain name for your company in the target market; translate and localise your website for the market; use social media where possible to address your target customer base. Review market specific websites for advertising potential.

**Trade media** – review relevant trade media to establish the best vehicles to advertise your product.

**Consumer advertising** – this should only be considered when your product is actually on sale in a market or being launched. In many cases local distributors and agents will bear a share of advertising costs and indeed manage the advertising effort and that should be borne in mind when reaching agreement with them.

## 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. However, the better the show the more expensive it is likely to be. This means that the utmost care must be taken to maximise the return on your spend. This can be achieved in a number of ways, for example:

- Find out who else is going to exhibit and make sure the event is relevant
- 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
- Explore stand sharing options with other exporters from your home country to spread the cost
- Find out if there are grants or other supports available from Government agencies to help with the cost of exhibiting
- 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
- 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.

## Other Marketing options

Direct mail, either electronic or physical, can be a very useful marketing tool in a new territory as can listings in trade and other directories. Their effectiveness can vary from market to market but expert advice should be sought before committing funds to either.



*“When we started to market and sell our products we realised just how different regional tastes and consumer buying patterns can be. For example London and the South East is such a diverse market and people shop in a completely different way. It is very much a convenience driven market.”*”

Jack Hamilton,  
Managing Director, Mash Direct

# TMC

## Traditional Meat Company

### A strategic approach to new markets

Irish beef processing company TMC – the Traditional Meat Company – has received assistance from Access 6 to target the Benelux and UK markets. The company employs 55 people in the slaughter, deboning and export of vac-packed beef primals to Mainland Europe. “Exporting is essential to our business”, co-owner Peter Ward explains. “The volume of cattle that we slaughter in this country means that we would never be able to use all beef within the Irish market. We export 90% of our output.”

Access 6 has helped the company focus on new market opportunities. “We got a range of support from Access 6, in particular for the Benelux countries where we were given access to market information as well as market research on potential new customers in Holland and Belgium”, says Peter. “We also received support in terms of developing foodservice and high end restaurant business in the UK. Access 6 has made us more conscious of developing new contacts and focusing on our sales and marketing development in all EU countries. It made us rethink in terms of the customer base we have in each country and where we could develop new contracts and improve our business strategy.”

The additional resources provided by Access 6 has also assisted the overall development of the business, according to Peter. “When you’re this size and growing from a small to a medium size the owners and the people running the company tend to get sucked into all different areas of the business. There is not enough time in the day sometimes to actually focus in on the development of the business; developing new contacts and new business particularly in foreign markets. Markets where there is a language barrier, where there might be other issues in relation to payments. That’s where the biggest challenge for us lies and where Access 6 has been able to help.”

Participation in the Access 6 programme will also support future expansion plans. “Over the next year and a half we hope to add 40 to 50% in volume capacity and turnover and because we export 90% of everything we do that means we have to access new markets or develop new customers in existing markets”, Peter points out. “Those markets will change so we will have to be flexible. Certainly the Access 6 Programme has helped us to start that process and hopefully it will help us with our ongoing development over the next couple of years.”

“ Access 6 has made us more conscious of developing new contacts and focusing on our sales and marketing development in all EU countries. ”

# 8 GETTING PAID

This is quite possibly the single most important part of the whole process for the vast majority of exporters. Sometimes it can be relatively straightforward; you might be selling a product into a highly reputable major supermarket multiple or restaurant chain and the payment arrangements are similar to those you will have with customers in your own country. But there is always an element of risk involved in exporting and payment arrangements can be quite complex as a result.

## **Risk minimisation**

The best way to minimise payment risk is to know who you are doing business with. Check out the reputation of any potential customer or partner before doing business with them. Even a simple Google search for media references to them can be useful in this regard. Similarly, if it is a new customer who you have not heard of before easy steps like verifying that their address actually exists using Google Maps can be a valuable check.

## **Your bank**

Your bank can be a source of very good advice in terms of minimising risk. They can talk you through the various payment options as well as advise on export credit insurance options.

## **INCOTERMS**

All exporters have to quickly become familiar with International Contract Terms (INCOTERMS). These are published by the International Chamber of Commerce and they govern various aspects of the contract between the exporter and the buyer. Crucially, they set out the point when ownership of the goods changes from one party to another. This is vitally important in cases where payment disputes arise.

# Payment methods

There are four main payment methods employed in export transactions:

## Open account

This is the system which most closely resembles that used for doing business on your home market. 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. The customer gets the goods and has probably sold them already by the time payment is due. If payment is late the cost of chasing it can be high and enforcement can be difficult in an overseas market.

Most exporters would naturally prefer an arrangement which shares risk more equitably but this is often not possible either due to the scale and buying power of the customer or the competitiveness of the particular export market.

That said, many exporters have established long and successful relationships with overseas customers using open account payment arrangements.

## 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 exporter's and buyer's banks. The exporter completes certain documents which are required for the buyer to be able to take possession of the shipment. The exporter's bank takes these documents and forwards them to the buyer's bank with instructions that they can only be released when payment has been made on the invoice. The buyer's bank transmits the payment to the exporter's bank at the same time as releasing the documents to the buyer who can then take possession of the shipment.

This may sound convoluted but it almost completely eliminates payment risk. Should the buyer not pay, the exporter still has the goods. The risk is limited to the losses associated with shipping and other costs.

There are bank charges associated with these arrangements and these can be quite high.

## Letters of credit

This arrangement eliminates almost all risk from the exporter's 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. The letter of credit sets out these requirements and the exporter must provide the documentary proof that these have been met. This usually involves evidence that the shipment has been made in accordance with the terms agreed with the buyer.

The advantages of this are clear. The exporter gets paid once the shipment has been made regardless of the ability of the buyer to pay. However, the expense involved usually means it is very difficult to get buyers to agree to it.

## 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. The exporter agrees to return that payment in the event that they do not complete the contract.



## 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 as a result of the liquidation of the buyer company or changes in political and economic circumstances. Cover is available from a number of different companies and banks and insurance brokers can advise on which are best suited to your needs.

## Safety first

Ultimately, 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. An international supermarket chain which already has a presence in your home market may take a while to pay you but at least you can factor that into your cash flow projections. On the other hand, an independent retailer or small wholesaler in some overseas market may simply be unable to pay you due to trading difficulties, and that loss can be very damaging to an SME.





## Mash Direct

### Making gains in the South of England

Access 6 has helped Mash Direct win new business in the English market and has given it the skills to expand further afield. Mash Direct is a highly innovative company which produces a range of pre-prepared vegetable side dishes including mashed potato, red cabbage and beetroot, and traditional Ulster Champ.

At the outset, Jack Hamilton, director of Mash Direct, found that there was a few different markets which Access 6 could help with. *"We decided to look predominantly at the South of England market as well as getting a little bit of advice about what we could do in the US", he says. "Exporting is key for us. At the moment, we export to the US as well as the UAE; but our largest export markets are of course England, Scotland, Wales and the Republic of Ireland."*

There were some issues to be faced as well. *"As a chilled food company with some of our products having an 11 or 12 day shelf life there can be considerable challenges", Jack notes. "So it does add a little bit more risk, but with that risk comes huge opportunities. There's such a big market out there and getting beyond Northern Ireland, and to promote Northern Ireland food, is something huge for us."*

Access 6 offered a number of different types of support. *"Firstly, they offered us meetings with buyers, we met with buyers in both London and Warrington and then I also had the opportunity to get some personal training from our export mentor who, with their huge expertise, gave me the opportunity to understand what buyers are really looking for and what figures buyers really want to see in front of them on the table."*

This helped Jack with his approach to buyers. *"It enabled me to look at how I make presentations as well as how I negotiate with buyers. I am able to look at things in a different way now. With the expertise of our mentor behind us we have been able to get a few successes and that led to us getting increased business in both Asda and Waitrose. Anything that builds the knowledge base of the industry is always going to be useful so in that sense Access 6 has been great for Mash Direct."*

This is just the beginning for Mash Direct's export ambitions. *"We have plans to go right around the world but we are looking at things strategically at the moment. We have big, big opportunities out there at the moment, especially looking west. We have been doing a lot towards the east but there are two big markets sitting over there on the other side of the Atlantic and we can't wait to get our teeth into them."*

# 9 MANAGING THE FINANCIAL STRAIN

Setting out on the export journey involves significant costs for a business and these need to be factored in from the very beginning. Furthermore, many businesses often do not take into account the additional costs associated with export success and this can put severe financial pressure on a business.

## Two sets of costs should therefore be taken into account:

### Initial costs

These include the market research, visits to the market, staff training, specialist advice, product development and early stage marketing costs.

### Ongoing costs

These include the costs associated with longer production runs which might involve investment in new plant or hiring additional staff, new packaging development, marketing and localisation costs, shipping and other logistics costs, reduced margins on export product, agents' fees, other consultancy fees, in-market representation, bank and finance costs, currency fluctuations, legal fees and working capital requirements.

This last item is easy to overlook but is often the most important. The lower margins usually associated with exports put pressure on a firm's resources in any event, but when these are coupled with the long credit terms often demanded by overseas customers, the financial strain can be almost too great to bear for many firms. Indeed, it can happen that a firm simply cannot afford to take on additional export business due to the additional working capital requirements.

## There are a number of means of finance which can be utilised to meet these needs. These include:

### Bank finance

This can range from basic overdraft facilities to straightforward term loans and invoice discounting. It is best to discuss your export plan and financing needs with your bank well in advance. The bank may be able to offer an additional overdraft facility to help deal with any short term cash flow difficulties or indeed arrange a loan to cover specific costs such as new production plant.

The banks can also advise on other useful forms of working capital such as invoice finance. This can help bridge the gap between making a sale and getting paid by providing working capital facilities linked to the value of a company's debtor book. It can be a much better way of accessing funding for your company than through conventional banking products.

## Financing options

A firm should be capable of meeting the initial costs from its own resources. But this must be factored into the Export Plan. A cash reserve should be built up to fund the once-off costs associated with initial exporting and the company's own cash generating ability should be sufficient to cover the other costs.

### Factoring

This is a more expensive product than bank invoice finance but it can prove very valuable to exporters. In essence, it involves the exporter "selling" its outstanding invoices to a factoring company which takes on all of the payment risks but takes a substantial discount in return. This type of finance can make sense if it does not totally eat up the margin on the export sale.

### Existing suppliers

Existing suppliers of raw materials and other services stand to gain from your export success. It therefore stands to reason that they might provide some assistance in the form of increased credit terms. Lengthening credit terms by 30 days, even temporarily, could ease many of the early stage cash flow headaches associated with exporting. It is therefore worthwhile at least discussing your export plans with your suppliers.

### Credit control

Companies should not forget their own credit control and management systems. Tightening up on this area can improve cash flows and help provide the additional resources required for the export effort.

The actual costs of exporting are another matter. While the long term aim is for exporting to add profitable sales to a company it can take some time for a company to adjust to a higher cost base, reduced margins, and longer overall credit terms. The increased payment risk associated with exporting must also be catered for.

## Currency fluctuations

There is little that an individual SME can do to counter or offset currency fluctuations. Buyers will usually insist on paying for goods in their own currency and the risk of a fall in value of that currency must always be considered when pricing your products.

Larger companies have a number of instruments at their disposal to hedge against this risk. Smaller companies may consider opening bank accounts in the currency, such as sterling or the US dollar, to which they have exposure. This would allow them meet in-market costs in that currency saving on foreign exchange costs and dampening the effect of fluctuations.

## Grants

There are certain grants available from government agencies and other bodies to assist early stage exporters and these should be investigated. However, care should be taken to ensure that actions are not predicated on the availability of a grant to support them. If an action is worth taking it should make sense without a grant.

# 10

## LEGAL & REGULATORY CONSIDERATIONS

Every company involved in the food and drink industry will be acutely aware of the necessity to comply with a variety of legal and regulatory measures relating to their products. In many ways, the stringent requirements in this sector make them more prepared for exporting than companies in other sectors.

### Product certification

Many countries have their own specific certification and approval requirements for food products and these can often catch a would-be exporter unawares. For example, the need for US FDA approval for food products might be widely known, but not so generally appreciated is the need for the manufacturing facility also to have approval – even for sending samples into the market.

Some European countries also have product standards which are actually more stringent than their EU equivalent and this needs to be researched in advance.

“*From a regulatory perspective, the ingredients declaration form that you have to complete is highly detailed and it's critically important to get it right.*”

Paul Diffley,  
Gallaghers Bakery

### Food safety standards

In Britain and Ireland, food businesses are legally responsible for the safety of the food they produce and sell. Hazard Analysis and Critical Control Points (HACCP) is the basis of European and international legislation for the food industry and plays a key role in the export of food products. Food and beverage companies need to ensure that they are fully HACCP compliant before even considering exporting.

Food safety standards can vary considerably in non-EU countries. In some cases there may be a requirement to provide a sample to a testing authority before permission to export is granted. Export Health Certificates from relevant agencies in Britain or Ireland may also be required by non-EU countries.

**Selling into overseas markets brings a whole new set of complexities. These begin with the documentary requirements involved in the transport of the goods, right through to the contractual arrangements with customers and agents, and also encompass the various customs, regulatory and legal requirements of different countries.**

### **Tariffs**

Most non-EU countries have a range of tariffs and other trade barriers which are aimed at protecting native industry as well as raising revenue for the governments involved. Tariffs reduce the eventual return from the export sale and need to be taken into consideration before attempting to enter any market. In addition, some countries impose quotas on certain categories of imports while others may require specific licences for trade in food or alcohol products.

### **Local legal systems**

Care needs to be taken when entering a new market as local legal systems may differ markedly from those in the UK and Ireland. It may be difficult, if not impossible, to secure judgements against local companies for non-payment of import bills. Even where it is possible the costs involved may be prohibitive. Fortunately, such circumstances are the exception rather than the norm in the vast majority of markets targeted by British and Irish food and drink exporters.

### **Business conduct**

Exporters also need to be cautious in terms of their 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. For example, any requests for payments outside of the strict terms of contracts should be resisted and referred to lawyers.

### **Insurance**

Some countries may have product and public liability insurance requirements which differ from the norm and others may be excluded from the terms of the usual policies. The US is one example of a country which is often excluded from product liability policies. It is absolutely vital to have all necessary insurances in place before commencing trade in a new market.

### **Intellectual property**

It is essential to protect your brand and your intellectual property rights for any innovative aspects of your product in every market in which you are operating. This might involve applying for patents and registering trademarks and designs in the destination market. This will protect you against competitors copying your product.

### **Legal advice**

Initial advice on all these areas is available from chambers of commerce, government agencies and trade associations. Professional advice from lawyers with specific expertise in exporting, the jurisdictions involved and intellectual property is a necessity once you decide to proceed with your export plan.

## LONDON & SOUTH EAST UK

London is the UK's only city region with 12.5% (7.75 million) of the country's population living on just 0.6% of its land area. London and its South East hinterland have the largest Gross Value Add (GVA) of any UK region and between them account for some 36.6% of UK GDP valued at some €811 billion in 2014. They also have the fastest growing GVA with London growing by 19% and the southeast by 14% since 2006.

London and South East UK may be an easy area to define geographically and economically but this doesn't necessarily hold true for the food and drink market. It is very much an island within an island and it has its own food trends. However, it is not necessarily the right place to look for volume sales.

This is not to say that there is no retail opportunity there. There are many speciality, independent and high end food retailers and food halls in London but the challenge is both in developing a product with a real point of difference for these customers, and also in finding a viable route to the market.

Very small companies might find it cost effective to do a single drop to a food hall but when selling to a number of retailers or foodservice customers it is best to go through a distributor.

The starting point for most exporters is to identify where they want their product to be sold and then convincing the retailer or chef that they need the product. That means doing extensive research in London to understand what's there already and to establish what might differentiate your product.

It may then be a question of innovation. London is an intensely competitive market and it is likely that there will be a direct competitor for almost any product being introduced. The new product has to have clear points of differentiation and this may mean adapting existing products to achieve that.



# LONDON & SOUTH EAST UK

Food producers need to have British Retail Consortium (BRC) Food Safety Standard Certification if they are to sell to the UK Retail Sector. This will pay dividends down the line as BRC Certification is now recognised as a global standard. You should also familiarise yourself with the Grocery Supplier Code of Practice (GSCOP) as this is the basis on which the relationship with your customers should work.

It is a challenging market in terms of margins. Wholesalers will usually take 30% and the retailer will take 40% to 50%. This may be sustainable with some high end retailers but value for money is one of the dominant themes in the UK market and consumers will only pay extra for a premium product if it delivers on its price promise.

## Retail Overview

The total UK grocery market is worth £174.5 billion. Tesco continues to lead this highly consolidated market where the four leading retailers – Tesco, Sainsbury's, Asda and Morrisons – hold a combined 65% market share. Significant trends are the growth of discounters such as Aldi and Lidl and the convenience segment. Indeed, the main players are continuing to grow their convenience retailing base mainly at the expense of independents.

## Top ten UK retailers by market share

Tesco	25.9%
Sainsbury's	14.7%
Asda	14.6%
Morrisons	10.5%
The Co-operative	5.4%
Waitrose	4.8%
Aldi	4.0%
Lidl	3.1%
Marks & Spencer	3.0%
Iceland	2.0%

## Foodservice Overview

It has been estimated that 35% of food spend in the UK is out-of-home at present and that this could rise to 50% by 2025. The total UK foodservice market is estimated to be worth more than £60 billion, and is growing at healthy pace. In 2013, some 260,000 outlets served 7.8 billion meals to consumers, representing around one in eight of all meals eaten in the UK.

There is a thriving foodservice sector in London with the city not only being a trendsetter for international cuisine but also importing the latest trends from Europe and around the world. This gives the region a vibrant food culture.

The main foodservice operators in the UK include:

- › Sodexo
- › Compass
- › Mitchell & Butler

The main wholesalers include:

- › 3663
- › Brakes

The more speciality wholesalers include:

- › Leathams Larder
- › Town & Country
- › Harvey & Brockless



# MARKET PROFILES:



# FRANCE

France has a population of 66 million and is the second biggest economy in the EU with a GDP of €2.1 trillion in 2014.

France is not only an important market in terms of scale it also has a capacity to surprise in terms of food trends. It may enjoy a reputation for gourmet food, but French consumers are not too different to their UK and Irish counterparts. It is the largest burger market in Europe, for example, and key trends are towards convenience foods and ready meals.

French consumers are much closer to their counterparts in the UK and Ireland than it might first appear. They work long hours, take short lunch breaks and overall food trends such as health, organics, own label will be very familiar.

On the other hand, consumers are not as price sensitive as in the UK and Ireland. They tend to be interested in a balance of price, quality and added benefits. This offers an opportunity for the development of new food solutions.

Branding and packaging is very important. Despite a reputation for good taste, the French tend to like bright, vibrant colours and packaging there frequently reflects this.

Dealing with French customers is another matter. There are specific windows for selling into the market. The year does not really start until after 15 January, quieters down again in May, with September to November the next most opportune period.

There are also important cultural aspects, most notably the need to communicate in French. Business meetings are expected to be conducted in French. This may require the services of an interpreter who should be a native speaker rather than someone who speaks French as a foreign language. Exporters should also set up a .fr French language website and have a .fr email address.

Having someone to act for you in the market can be very valuable. Care should be taken, however, when appointing a distributor or agent as their fees can be very high and you need to be sure you will get a return on the investment.

## Retail Overview

The French Grocery retail market was worth €225 billion in 2013. The main growth driver is convenience but hypermarkets still accounted for 42% of grocery sales value in 2013.

The approach to the major retailers is different to most other markets; the category manager must be approached first and when they are convinced you will then get to talk to the buyer.

Visual aspects of presentations to buyers and category managers are far more important than in the UK and Ireland. The product needs to be shown in various settings with good photography. It has to be shown on the shelf and being consumed.

There is a marked preference for working with distributors, and retailers want products to come through a French firm. Doing deals with distributors can present legal issues, however, and expert advice is a prerequisite for any deal. Distributor margins of between 13% and 20% need to be factored in.

### Top retail players by market share\*

Carrefour	20.3%
E. Leclerc	19.6%
Intermarche	14.2%
Casino	11.7%
Auchan	11.3%
System U	10.3%
Lidl	4.6%
Cora	3.4%
Aldi	2.3%
Dia	1.6%

## Foodservice Overview

French Foodservice can be divided into three areas:

- **Commercial:** Restaurants, Cafes, Fast Food
- **Institutional:** Schools, Hospitals, Retirement Homes
- Snacking, impulse etc.

The French Foodservice Industry was worth €79 billion in 2013 with commercial foodservice accounting for €50 billion, the institutional segment making up €19.5 billion and snacking and impulse accounting for the remainder. The best means of addressing this market for first time exporters is, again, through a distributor.

### Top Foodservice players\*

McDonald's	5.6%
Agape	1.2%
Quick	1.0%
Elior	0.9%
Servair	0.7%
Groupe Flo	0.6%
Buffalo Grill	0.6%
Groupe Le Duff	0.5%
KFC	0.5%
Newrest	0.5%

# 11 MARKET PROFILES:



## GERMANY

Germany is Europe's largest economy with a population of over 80 million and GDP of €2.9 trillion in 2014. It is also Europe's largest food market with sales in food retail alone of €180 billion in 2013. The scale of the opportunity for export is illustrated by the value of imports of processed foods and agricultural commodities which is worth more than €70 billion.

### Retail Overview

The German food and drink sector is quite fragmented and highly competitive. This is partly due to the diverse nature of the country and the prominence of discount retailers in the market. The country is made up of a number of distinct regions and markets. It shares land borders with nine countries and each of them has an influence on its neighbouring region.

This leads to some pronounced regional differences with, for example, cheese being very popular in the south and black tea favoured in the north. The size of the country is also worthy of note; Hamburg to Munich is a distance of 775 km. Exporters to the German retail sector need to find a logistics solution and transport costs must be included in the initial price.

In these circumstances, SMEs shouldn't really view the country as a single national market. There are 16 federal states in Germany with wide taste and cultural variations between many of them. A presence in one of these states can be very rewarding. For example, North Rhine-Westphalia alone has a population of 18 million.

There are a number of significant food trends in evidence in Germany. New consumerism is seeing time-poor consumers looking for easy convenient meal options. Health and wellness is a significant trend but taste is important as well. There is a growing percentage of vegetarians in the market with the latest estimate putting this at 8%, while the number of flexitarians – occasional meat eaters – is very high at 40%.

# GERMANY

Ethical food is also growing in popularity. Germany has long been noted for its focus on environmental issues and there is strong demand for ethically responsible products where child and animal welfare is safeguarded.

Regional and organic food is another trend and this is translating into growing demand for locally produced, homemade, traditional foods.

Germany is the second biggest organic market in the world with sales reaching almost 7.5 billion in 2013, 7% up on the previous year, representing a two-fold increase over 2000. Domestic production has not kept pace with this growth providing increased opportunities for exporters.

The other major trend is towards indulgence and premium foods which are consumed occasionally and for which consumers are willing to pay a good price.

Social demographics are interesting in the context of these trends. There are more one-person households in Germany than in the whole of the UK and Ireland. Smaller pack sizes have to be considered in order to appeal to that market.

Germany is regarded as having an excessive number of shops with over 37,000 supermarket outlets. It is dominated nationally by five main players who command over 70% of the market but there are regional groups as well. Discount stores are a prominent feature of the national market.

Competition is intense. Germany has a large native food industry which has been well educated by the discount retailers in terms of producing high quality products at low price points. This is a challenge for most new entrants.

Long sales lead times are also an issue with 18 month intervals between first contact and shipment being quite typical.

## Top 5 German retailers by market share\*

Edeka	25.5%
Rewe	14.9%
Schwarz	13.8%
Sonstige	13.6%
Aldi	12.3%
Metro	6.0%
Lekkerland	4.6%
Rossmann	2.5%
DM	2.4%
Globus	1.7%

## Foodservice Overview

The foodservice sector in Germany was valued at approximately €69.4 billion in 2013. Some 70% of the total market is made up of pubs and restaurants, while the remainder is made up of schools and hospitals. Overall, the German foodservice sector is very fragmented, with the Top 5 players accounting for only 7% of all foodservice sales. The market is dominated by smaller independent distributors and suppliers, servicing some 163,000 outlets.

## Main Foodservice players\*

Intergast  
Service-Bund  
Compass  
Aramark  
Sodexo  
Dussmann  
Apetito

\*2013

# BENELUX

The Benelux region covers EU founding members Belgium, The Netherlands and Luxembourg. With over 27 million inhabitants, this is most densely populated region in the EU as well as being among its most prosperous with a combined GDP of €1.1 trillion in 2014.



Benelux can be a very good starter market for exporters. Its relative proximity to the UK and Ireland, the ease of doing business there, the fact that English is widely spoken, and the mix of cultures in one market can make it a very good place for an exporter to start off.

One of the bonuses for early stage exporters is the exposure to different cultures offered by Belgium; the French speaking south; Flemish (Dutch) speaking north; and (a small) German speaking east. These distinct regions can give a good indication of how a product might do on the wider European market.

Indeed, while Belgium may be a small market in itself, it is in easy reach of Germany with 85 million people, the Netherlands with 16 million, and France with 66 million. It is therefore a small but very strategically important market.

This also makes packaging very important. It needs to be translated into French and Dutch as a minimum and preferably German as well, but this can be a distinct advantage later on as it means the product is ready for several other European markets.

The majority of households are dual income. While household size is declining with single and two person units on the rise, the population is also aging. This is driving increased demand for prepared and convenience foods.

The small and aging household size translates into increased purchasing power. Among the key overall trends are an increased willingness to pay more for convenience, variety and health. Demand for ethnic cuisines and other new concepts is also rising. There is also growing demand for sustainable and organic food products.

There are some distinct differences to be aware of within the Benelux market. There is a general view that people in The Netherlands eat to live, whereas in Belgium they live to eat. While this may be a sweeping generalisation there is a marked difference between the cuisine in the two countries and this should be borne in mind when assessing potential demand for products. There is also a marked trend towards sustainable products in The Netherlands.

On the other hand, business methods are very similar and dealings with customers, distributors and others are regarded as quite straightforward and direct when compared to some other markets.

## Retail Market

The turnover of the Benelux Grocery Retail Industry was estimated at €56.3 billion in 2012. It is quite consolidated with the Top 3 food retailers in the Netherlands having a market share of 64%, while in Belgium the leading three have 72% of the market.

The market share for private label products continues to increase in the Benelux region whilst the demand for convenient, healthy and new innovative products continues to be strong.

## Foodservice Overview

The Benelux foodservice Industry was valued at €19.3 billion in 2012. Full service restaurants, fast-food outlets and cafés/bars dominate the industry. The sector is highly fragmented with the great majority of restaurants and cafés being independently operated companies with their own purchase patterns and buyers. The key is to work with a wholesaler or distributor who supplies the sector. The payoff is that by getting into one wholesaler you may be able to cover the whole region.

## The Netherlands -

### Top Retailers by Market Share\*

Albert Heijin	28.2%
Jumbo	19.6%
Aldi	7.0%
Lidl	5.6%
Plus	5.5%
Detail Result	5.5%
Coop	2.7%
Sligro	2.6%

## Belgium -

### Top Retailers by Market Share\*

Colruyt	29.7%
Delhaize	25.4%
Carrefour	18%
Aldi	10.2%
Louis Delhaize	5.0%
Lidl	5.0%
Intermarche	2.0%
Match	2.0%

## Luxembourg -

### Top Retailers by Market Share\*\*

Cactus	39.2%
Delhaize Group	11.6%
Louis Delhaize	9.2%
Auchan Group	8.5%
Aldi	3.5%
Schwarz Group	1.7%
Colruyt	1.5%

## Top 10 largest Benelux Foodservice Companies

Van de Valk
McDonalds
Golden Tulip
Center Parcs
Servex
NH Hotels
Accor
Landal Greenparks
Maxeda
Sjoerd Kooistra



## SCANDINAVIA

In addressing the Scandinavian market the Access 6 Programme has focused on Denmark, Norway and Sweden as these have often presented the best opportunities for food and drink companies looking to export. Together these three countries had a GDP of €1.06 trillion in 2014.

While it is always dangerous to generalise, first time exporters to Scandinavia are advised to find a distributor who believes in their product and is committed to representing them on a daily basis with potential customers.

Among the challenges presented by all three markets is the potential for currency fluctuations in relation to both the euro and sterling and exporters need to be prepared for that risk.





**Among the challenges presented by all three markets, is the potential for currency fluctuations in relation to both the euro and sterling.**

## Sweden

Sweden has the largest population (9.4 million) in Scandinavia and is sometimes referred to as the entrance door to the market. At €30.9 billion in 2013, its retail grocery market is also the largest in the region.

Consumer food tastes remain quite traditional but the last decade has seen it opening up to imported influences and products. Among the key trends in the market is the growth in popularity of prepared ethnic meals such as Tex-Mex as well as the organic segment which now accounts for 4% of the market. In addition, there is a growing focus on environmentally sustainable foods and animal welfare as well as on health. In common with other markets Swedish consumers are also seeking convenient and fast solutions.

Also worthy of note is the fact that Sweden has one of the highest European cheese consumption levels while frozen foods consumption is the second highest in the EU behind Denmark and continues to rise.

Exporters should be prepared for quite long decision making processes. It can take 18 to 24 months before a contract is awarded.

Exporters from the UK and Ireland should look at the taste profile for their products as Nordic tastes tend to prefer spicier foods.

### Main grocery players\*

ICA Supermarket	50.1%
Coop	20.7%
Axfood	15.8%
Bergenhals	7.2%
Lidl	3.4%
Netto	2.8%

### Foodservice Overview

Commercial foodservice in Sweden was worth €10.8 billion in 2013 and is dominated by fast food operators. Burger restaurants are especially strong, with McDonald's, Max, Burger King and Sibylla all being strong brands.

### Main Foodservice players\*\*

McDonalds	27%
Max	8.3%
Burger King	5.1%
Statoil	4.5%
Sibylla	3.9%
Harrys	3.9%
O'Learys	3.4%

\*2014 \*\*2011

# SCANDINAVIA

## DENMARK

Denmark is the second largest of the three markets with a population of 5.5 million. The retail grocery market was worth €18.6 billion in 2013. A key market theme is a growing demand for value for money on the part of consumers. This is resulting in cost-cutting by retailers accompanied by a drive to increase volume sales in order to maintain profits.

Wellness and sustainability trends continue to strengthen, with Danes remaining amongst the most health-conscious consumers in Europe. Fair trade, healthy and hypo-allergenic products are therefore growing in popularity while Denmark is the world's largest consumer of organic foods by retail market share (7.6%). In contrast, it is still one of Europe's top markets for sugar and confectionery products.

Denmark is probably the easiest of the three markets to do business with for UK & Irish exporters. The decision making timeframe is much shorter than in the other two markets. Denmark is also similar to the UK and Ireland in that it is dominated by a small number of major retailers.

It is also easier to reach buyers in Denmark and they are open to doing business with non-Danish people in contrast with some more nationalistic markets in Europe.

While Danes enjoy a good disposable income, there is a 25% VAT rate on food – the highest in the EU – and that has to be factored into the end price.

### Main grocery players\*

Coop Danmark	37.6%
Dansk Supermarked	31.9%
Kobmaend	24.4%
Dagrofa	15.6%
Aldi	3.2%
Lidl	2.5%

### Foodservice Overview

The Danish foodservice sector was worth €3.8 billion in 2013. The Danes are highly focussed on health and quality when eating out with many preferring to eat or drink less rather than compromise on these factors. Chains such as Burger King, 7-Eleven, Sunset Boulevard, Lagkagehuset and Paradis are currently expanding heavily in Denmark. These companies have so far proven more adept than independents at addressing the growing consumer focus on health, quality and value-for-money.

### Main Foodservice players\*\*

McDonald's	26.7%
Jensen's Bøfhus	8.1%
7 - Eleven	6.9%
Statoil	5.3%
2GO	4.8%

\*2014 \*\*2011

# SCANDINAVIA

## NORWAY

The smallest of the three in population terms (4.9 million), Norway's strong oil revenues have insulated it from much of the economic and fiscal turbulence which affected the rest of Europe during the past decade.

As a result, Norwegians have continued to enjoy a strong economy and high employment rates, which facilitated higher disposable income for consumers. The grocery retail market was valued at €23.3 billion in 2013.

Norway is quite different to the other two countries in the respect that it is not in the EU. There are protectionist measures in place for the local food industry and these have to be navigated.

It is also different in terms of some of its food preferences. For example, it boasts the highest consumption of frozen pizza in the world at 5kg per person per annum.

In all three markets senior buyers expect that exporters will have a good knowledge of categories, buying practices, pricing, competitors, and so on. This places a premium on research and advance market visits.

### Main Grocery players\*

Rema 1000	17.0%
Kiwi	12.3%
Meny	7.5%
Vinmonopolet	6.6%
Coop Prix	5.3%
Rimi	5.2%
Spar	5.2%

### Foodservice Overview

Consumer Foodservice in Norway was worth €4.1 billion in 2013 and is quite complex in terms of players. Umoe Restaurant Group, McDonalds and Norgesgruppen are among the strongest players.

Wholesalers and Cash & Carries probably offer the best route into food service companies in all three countries for SME exporters.

### Main Foodservice players\*\*

McDonalds	13.5%
Peppes Pizza	11.9%
Dolly Dimple's	4.6%
Egon	6.9%
Statoil	4.9%
Mix	4.9%
Narvesen	4.4%

\*2012 \*\*2011

# 11 MARKET PROFILES:



## USA

The United States is the world's single largest economy with a population of 317 million people and GDP of more than \$17 trillion. It is also one of the world's most ethnically diverse and multicultural nations. The US food market is worth approximately \$1.2 trillion with retail accounting for a 55% share and foodservice the remainder. The alcoholic drinks market is worth around \$200 billion.

**Similar to other developed markets key trends include growth in the convenience and discount segments as well as increasing consumer focus on health, wellness, natural and organic products.**

### Retail Overview

Not surprisingly in a market of that scale the retail grocery sector is highly fragmented with few national operators. The ten largest retailers account for just over 60% of the total grocery market between them. Walmart is the lead player at the moment and this is set to continue as the company moves into new and different store formats.

There are literally hundreds of supermarket chains and a large number of speciality and regional food chains. From an SME exporter's perspective many of the regionally based retailers are very large businesses in their own right and offer very significant opportunities.

Retailers' own-brands are less common than in many European markets, but they are growing. As in the UK there has also been a shift towards smaller format stores, as retailers target shoppers in urban areas.

Exporters shouldn't make the mistake of assuming that because the US is English speaking it might be an easy market to break into.

The US has to be viewed as several markets and sub-markets – North-East, California, Mid-West, Chicago, Texas for example. SMEs need to research and decide which one to target and how to go about entering it. Branding can be very important in this respect as there are specific markets which will respond positively to Scottish or Irish branded products.

Focusing on one region or food genre with a good local partner in place to assist is usually the best market entry strategy for SMEs. Packaging will often have to be redesigned to suit American tastes and norms and companies should be prepared for this.

The biggest challenge to exporters is the sheer size of the country which creates numerous supply chain challenges. The supply chain is also quite complex. The American authorities are very security conscious when it comes to the food supply chain. The FDA has a deserved reputation for being very strict. For example, the production unit in the home country has to be registered with the FDA before an exporter can even get a sample into the country.

The Food Safety Modernisation Act (FSMA) also has to be taken into account in this regard. Exporters need to ensure their products have US compliant labelling, as well as universal product code (UPC Barcodes).

This means that exporters entering the market for the first time need to work with someone in the US with expertise in dealing with the FDA. Export agencies and associations can assist in this area.

Alcohol products can present particular difficulties. Retailers cannot be importers of alcoholic beverages; this means wholesalers are the primary route to market. There are also many local rules and regulations surrounding the sale, distribution, marketing and promotion of alcohol products and a local partner is very much a necessity in order to deal with these.

Listing fees are a feature of the grocery market and exporters should factor these into overall costs.

As with all export markets, detailed research and market visits are essential. There is a very impressive range of trade shows in the US, as what are considered to be niche markets in other countries are of such significant scale there. Would-be exporters should make every effort to visit the appropriate shows, not only to make contact with potential customers and partners, but to look at other imported products and see what has succeeded there.

### Leading US grocery retailers

Walmart	26.3%
Kroger	9.7%
Costco	7.0%
Safeway	4.0%
Sam's Club	4.0%
Publix	3.0%
Ahold	2.5%
Albertson's	2.0%
Target	2.2%
Delhaize Group	1.9%

### Foodservice overview

According to Technomic, the total US foodservice market was worth \$702 billion in 2014, up 3.1% on 2013 with growth of 3.9% predicted for 2015. This confirms the trend of out-of-home food consumption continuing to increase its share of the total food market. Full-service restaurants and fast food restaurants account for the majority of out-of-home food sales. Historically the fast food sector has grown faster than full-service restaurants.

# Isle of Skye Brewing Company

One of Scotland's oldest craft brewers, The Isle of Skye Brewing Company, has been working with Access 6 to target the Scandinavian market. Following a restructuring of the business the company had doubled its capacity and this led to a renewed focus on exporting following a number of years when the main priority was on meeting demand from the home market.

The e-learning package offered by Access 6 has been particularly valuable according to founder Angus MacRuary. *"It means I'm not tied into travelling away somewhere",* he explains. *"Obviously, in a place like Skye whenever we want to go to a meeting it tends to take a couple of days to do it. Even Inverness is a 250 mile round trip. Being able to go through the programme here makes such a big difference."*

*"Also, not having to concentrate on it for eight hours at a time is very good. If we are at a meeting somewhere we can sit down and work through it for an hour, if there is a spare hour. It can be done here in the office, it can be done at home so it's really good for us. And it has lots of downloadable materials that we can use. There is a very good contacts database for example."*

The range of information available is also important. *"It pulls together a lot of information on different areas and puts them in one place so that you don't have to trawl around the internet trying to find specific information on a particular country – such as labelling requirements or food hygiene requirements. It's all there for us in one place."*

Angus stresses the long term value of the Access 6 online training. *"It's not a question of working through the different modules and saying that's it. It's a bit like a library where you keep going back and using it as a reference. It is something we are going to be using for quite a while. It's not just for companies in remote locations, it's a really good reference tool. It is ideal for those of us who are in more remote locations."*

Access 6 also organised a visit to Scandinavia where the company was able to meet representatives of a number of supermarket chains. *"Access 6 has helped us identify where our markets will be and hopefully will be adding quite a lot of value to the business,"* McRuary points out. *"Access 6 is a really good starting point for any business that wants to export and doesn't have a great deal of knowledge to start with."*

For more information please see [www.access6skills.eu](http://www.access6skills.eu)



# Good4U

## Bringing a healthy message to new markets

Family-owned Good4U produces a range of fresh sprouts, roasted seeds and super seed snacks at its two sites in Cookstown, Co Tyrone and Sligo. *“Our business is a health food business”, says Bernie Butler. “We produce a range of healthy and tasty snack products. Nutrition is a very important part of the business.”*

Exports will play a key role in future growth. *“In the business that we are in we wouldn’t survive with just the domestic market and export markets are truly integral to the overall business”, she adds. “We feel that the time is right now for us to explore new markets, in the EU and further afield.”*

*“We were contacted by the Access 6 programme organisers as they felt that we were a suitable company to take part in the programme”, Laura O’Sullivan explains. “Access 6 were fantastic in offering a number of different supports, primarily mentoring, trade missions, and also sharing in-depth knowledge of the markets that we were considering.”*

The programme helped to fast-track the company’s export plans, according to Laura. *“We had been considering the French market for a number of years. Entering a new market with a different language posed a bit of a challenge but the service offered by Access 6 was great.”*

*They introduced us to a number of distributors and after we went on a study tour to France we were able to align ourselves with a strategic partner who we saw ourselves working with long-term. Access 6 helped us understand consumer and customer expectations. Having their support has been fantastic.”*

The company has ambition plans for the future. *“We’ve been working very hard for the past 10 years building what will be a global brand”, Laura continues. “We want to revolutionise the relationship people have with healthy eating and we want it to be all-inclusive. We have developed a very extensive and innovative range of healthy foods. Our plan is to hit the ground running and have them as widely available as possible in as many markets as possible.”*

Access 6 is playing an important part in that plan. *“I can definitely say that winning our first order in France was a result of being on the Access 6 programme. I think it’s vitally important that programmes like this are run more often and are made more readily available to small businesses. It’s opened our eyes to the challenges that you have to overcome when you look at new markets. And it’s also introduced us to a number of other exporters that are at a similar stage to us.”*





## Northern Ireland exporter contacts

Northern Ireland Food & Drink Association - [www.nifda.co.uk](http://www.nifda.co.uk)

InvestNI - [www.investni.com](http://www.investni.com)

Access 6 - [www.access6.eu](http://www.access6.eu)

Department of Agriculture and Rural Development - [www.dardni.gov.uk](http://www.dardni.gov.uk)

Agrifood Strategy Board - [www.agrifoodstrategyboard.org.uk](http://www.agrifoodstrategyboard.org.uk)

Food NI - [www.nigoodfood.com](http://www.nigoodfood.com)

Enterprise Northern Ireland – [www.enterpriseni.com](http://www.enterpriseni.com)

Northern Ireland Chamber of Commerce & Industry - [www.northernirelandchamber.com](http://www.northernirelandchamber.com)

NI Business Info - [www.nibusinessinfo.co.uk](http://www.nibusinessinfo.co.uk)

Northern Ireland Meat Exporters Association - [www.nimea.co.uk](http://www.nimea.co.uk)

UK Trade & Investment - [www.ukti.gov.uk](http://www.ukti.gov.uk)

InterTradeIreland – [www.intertradeireland.com](http://www.intertradeireland.com)

Export Start Guide - [exportstartguide.com](http://exportstartguide.com)

Northern Ireland Food Chain Certification - [www.nifcc.co.uk](http://www.nifcc.co.uk)

Food & Drink Federation - [www.fdf.org.uk](http://www.fdf.org.uk)

EU Market Access Database – [madb.europa.eu](http://madb.europa.eu)

For further information on Access 6 or  
general food and drink exporting in  
Northern Ireland, Ireland or Scotland  
contact:

Northern Ireland Food & Drink  
+ 44 28 9024 1010

Irish Exporters Association  
+353 1 6612182

Scotland Food & Drink  
+44 131 335 0940



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