

Creating New Market Opportunities for Small Businesses and Artisanal Enterprises



**An Export Development workshop for MSMEs in Jamaica
Sponsored by the Private Sector Organization of Jamaica (PSOJ)**

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Workshop Objectives

- to enhance product and market development skills of entrepreneurs
- to provide support for self -evaluation of export readiness
- to increase the preparedness of attendees to identify and pursue new trade development opportunities for their businesses, in particular through linkages with tourism



Workshop Overview

1. Informal vs. Formal Exporting
2. From concept to product: planning for successful product development (30mins)
3. Building a company image and brand for export (30mins)
4. The ABC's of Export Marketing (45mins)
5. Pursuing linkages with the tourism industry(20 mins)

Question and Answer
Workshop Evaluation



Informal vs. formal exporting

INFORMAL EXPORT

- Goods accompany seller across borders
- Occasionally, no tariffs or duties applied
- No quality or conformance assessment
- No margins for middlemen/agents
- Minimal packaging required
- Seller is able to make direct representation to buyers on product's merits
- Very little record-keeping

FORMAL EXPORT

- Goods are sent across borders by ship or airline
- Relevant customs duties and import tariffs applied at point of entry
- Goods must conform to specific country standards or they may be seized at point of entry or in the market
- Margins applied based on various marketing channels
- Primary and secondary packaging required
- No direct representation by seller-goods must sell themselves in terms of price, quality, brand and packaging
- Record keeping is an absolute must!



New Market Opportunities= New Customers

- Travel and Tourism
- Integration
- Linkages
- Partnerships
- Trade Arrangements/ Agreements
- New products and services



The Growing Economy for Contemporary Craft

A 2004 European Union (EU) Market Survey estimated the 2003 value of the EU-25 market for gifts and decorative accessories at 12.7 billion Euro. Global exports of textiles and clothing (most of them machine-made) are estimated by one source to exceed US\$350 billion a year. In the Caribbean, the intra-regional market for artisan's gifts, craft and fashion has not been quantified, but given the dominance of the tourism industry in the economic activity of most islands, is known to be significant.



Part 1: **From concept to product**

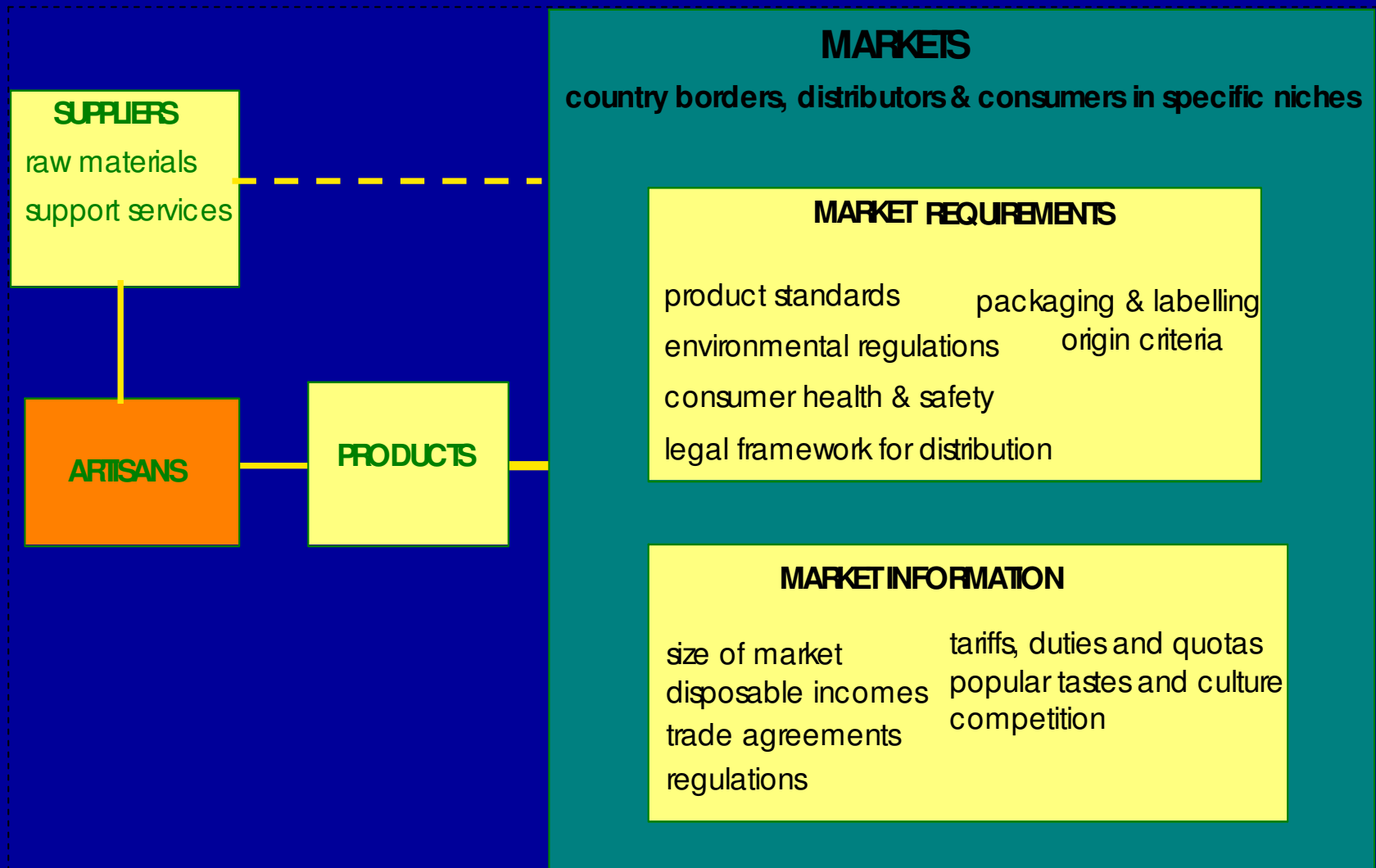
Planning for successful product development



The Product Development Process



Understanding Market Requirements



How to do Quick and Meaningful Market Research

1. Talk to your current buyers
2. Use the Internet to research
3. Define your company's industry and refer to industry publications (including free/on-line publications) for trends, cultural, legal, technology and global issues
4. Contact Chambers of Commerce and Business Associations in the target market
5. Join your local exporters' association, Chamber of Commerce or industry association
6. When visiting a target market pay attention to unexpected sources of information on the country and potential buyers



How to do Quick and Meaningful Market Research

4. **Contact Chambers of Commerce and Business Associations in the target market for information on local enterprises who could be buyers/importers and partner organizations**
5. **Join your local exporters' association, Chamber of Commerce or industry association**
6. **When visiting the target market for a trade show or business activity, pay attention to telephone and business directories, magazines and even tourist guides for information on the country and potential buyers**



Looking at Tastes and Trends (cont'd)

Recent research into the international and regional markets indicates that there is one common interest on the part of buyers: to find something NEW !

Products have a life cycle and must be constantly revamped or new products introduced! Try introducing new materials, colours, sizes or textures, or appealing to a new market (e.g. Children) altogether!



Looking at Tastes and Trends (cont'd)

In addition to buying products for their uses or value, consumers are increasingly buying products for the feelings and lifestyle experiences they inspire – cultural products and experiences are highly desirable!



Looking at Tastes and Trends (cont'd)

It is important to produce products in collections (that offer buyers and consumers choice) and to introduce themes in the collections which can connect with experiences that consumers desire



Current Hot Themes for Caribbean Products

Rest and Relaxation

Healthy Lifestyles

Caribbean Cuisine

Beauty and Nature

Culture and Heritage

Travel

Sports

Luxury

One Caribbean



Organizing for New Product Development: Successful Product Planning

1. Trade shows are a great opportunity to introduce new products and get feedback from the market! Make new samples for every show!
2. Create an annual calendar trade shows and marketing events and a timetable for new product launches.
3. Develop concepts based on research (who is the customer and what is his/her profile?)
4. Create samples to test idea feasibility and generate costing
5. Prepare promotional material, packaging and labelling with photographs and brief on product 's inspiration, materials and size for buyers
6. Develop a production plan and order supplies according to a timetable for launches



Part 2:
**Building a company image and brand
for export**



Brands.....

- are more than names of individuals and companies or logos
- Brands offer assurances to consumers of product quality and value
- They connect emotionally with consumers and inspire feelings about values and experiences
- In modern economies, registered brands have economic value and due to the existence of international copyright laws, can legally be defended from copycats
- Because of our legendary history, interesting cultures, exciting lifestyles and the international success of our music, athletes, foods, drinks and tourism, the Caribbean brand is already prominent internationally, but there is room for many more great Caribbean products!



Trademarks

- Are consumer shorthand for the unique characteristics of a particular brand
- Trademarks are distinctive signs used to identify certain goods or services as those produced or provided by a specific person or enterprise. The system helps consumers identify and purchase a product or service because its nature and quality meets their needs. Trademarks protect a company's investments in its goods and services
- A word, symbol, slogan or logo that identifies a product can be a trademark and rights to a trademark can be acquired through *use* or *registration*.
- A trademark provides protection to the owner of the mark by ensuring the exclusive right to use it to identify goods or services, or to authorize another to use it in return for payment. The period of protection varies, but a trademark can be renewed indefinitely beyond the time limit on payment of additional fees. Trademark protection is enforced by the courts, which in most systems have the authority to block trademark infringement.
- For further reading see www.wipo.int



Copyright

- Copyright is a legal term that describes rights given to creators for their literary and artistic works. Copyright protects the *original expression of ideas*, not the ideas themselves.
- The requirements of copyright are that works must be “*original*” and “*fixed in a tangible medium of expression*”.
- Copyright protection is free and automatic as soon as works are created and may be assigned by using the symbol ©. By International Law, copyright lasts for the creator's life plus seventy years.
- For more information, see local offices or www.wipo.int



Tips on Intellectual Property Issues in Export

- When entering a new market, check that brand(s), logos and/or trademarks are unique and are not already being used by a local business, since the local business may have an advantage of “prior use” in the market within similar categories of product
- Registered logos, trademarks and business names can usually be checked through a government's Companies Registry
- Ensure that products reflect the quality and value of your brand
- Display your logo, trademarks and brand name prominently on booth signage for trade shows, labels and packaging
- Remember Copyright can be assigned to an artist through use of the symbol © on artwork
- Develop close dialogue with buyers that will lead to brand loyalty



Starting to Build an Export Brand

1. Define Core Values of the business and brand
2. Develop a brand strategy based on the five P's (Product, Price, Promotion, Place, People)
3. Based on market research, values and strategy select a name
4. Create a logo/ trademark concept which aims to communicate 1, 2, 3 above
5. Seek advice from the local Companies Register on registering the trademark and trademark rights
6. Use the brand, logos and trademark in business transactions



Effective Logos

- represent the spirit of a company
- are creative
- distinctive
- representational
- comprehensible in any language
- fun and adaptable
- visually strong
- appealing



Packing, Packaging and Labelling

Packing

Packing entails placing packaged products into a shipping box or carton to maximize protection from damage.

The key issues to keep in mind are: breakage, weight and moisture. No matter how lovely the products, buyers will not appreciate receiving them broken. Remember that excess packing leads to extra weight and by extension additional shipping costs. Products can be damaged in shipping by rough handling or bad weather



Packing, Packaging and Labelling (cont'd)

Packing (cont'd)

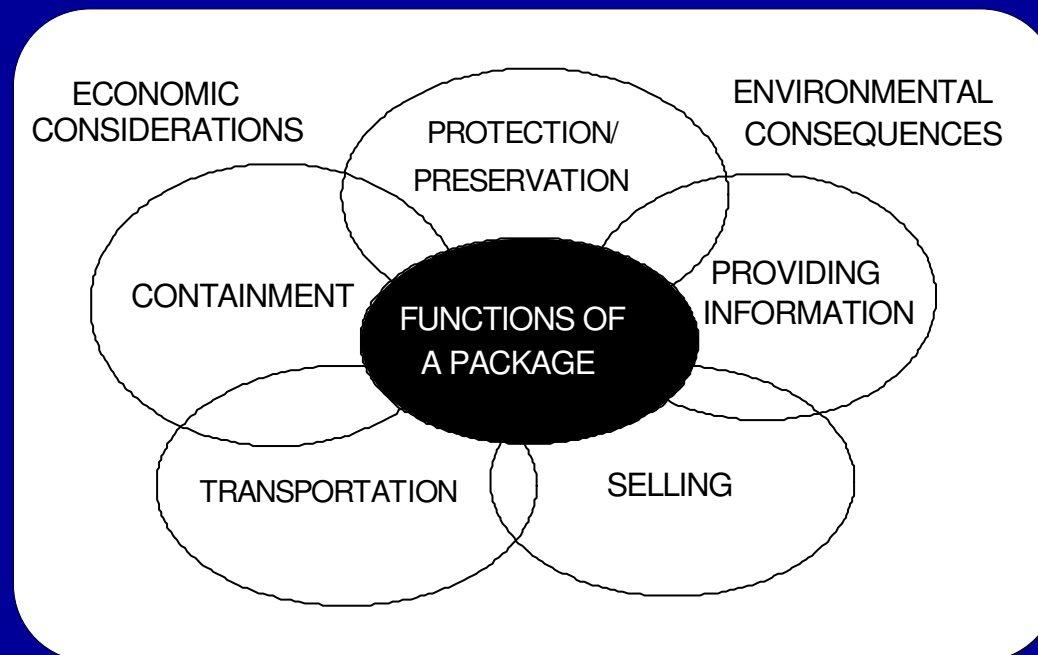
- Damage can also occur from movement of items within the box or pressure on the outside of the box
- To avoid damage: include protective wrapping around individual fragile items, pack items snugly to avoid movement and use strong, durable boxes
- To select packing materials, consider type and value of products, means of transportation and the weather they will incur
- Remember to check if environmental regulations concerning packing exist in the target market
- Buyers may also have preferences for packing



Packing, Packaging and Labelling (cont'd)

Packaging

Packaging (as distinct from packing) refers to the design and method of enclosing the product to provide for the following functions :



Remember that specific market requirements may apply for packaging of certain products.

Packing, Packaging and Labelling (cont'd)

Labelling

Clearly marking and identifying your finished product, allows for the following advantages:

1. Identification of material content and country of origin for Customs purposes
2. Consumer education about the production techniques, materials or maker that may add unique value
3. Instructions for care and cleaning
4. Display of information on brand and trademarks



Part 3:
The ABC's of Export Marketing



Assess

- ✓ Internal export readiness
- ✓ Market requirements and customer profile
- ✓ Appropriate marketing channels and cultural considerations
- ✓ Market access conditions
- ✓ Resource requirements
- ✓ Size of operations/ level of production required to address the market needs
- ✓ Costs of adequate packing, packaging, transportation costs and brokerage fees
- ✓ Which institutions and organizations can assist and be potential partners



Assessing Export Readiness

Motivational Factors- why does my company want to export and what objectives will be achieved?

Organizational Factors- Is my company sufficiently organized to commit to sustainable export?

Market considerations- Does my business have what it takes to succeed in regional/ international markets?

Product considerations- Is my product sufficiently developed to be well received in export markets



Current Market Access Opportunities for Caribbean Enterprises

- Planned CSME integration with principle elements of free movement of labour, capital, business enterprises and services
- CARICOM Free Trade Agreements with Costa Rica, Cuba, Dominican Republic, Venezuela and Colombia at various stages of implementation
- Preferential access to United States, Canadian and European Markets
- *With the assistance of their Ministries of Trade and associations, even small entrepreneurs must follow developments in these agreements to be informed about implications for their business.*



Identifying Markets that are right for your product

The key issues for the entrepreneur in exploring new export market opportunities are:

1. the ability to gain market access and
2. to maintain competitiveness

Market entry begins with market research to determine market access conditions and potential levels of competitiveness.



Options for market entry and distribution

Direct selling to buyers or consumers

Recruitment of Agents

Appointment of Distributors

Joint Ventures/ Strategic partnerships

E-Commerce

Retail

*When thinking about export- think
partnerships!!!!!!!!!!!!!!!!!!!!*



Identifying Markets that are right for your product:

Researching Market access conditions

- Access market profiles and target information on relevant opportunities for your company
- Research national and international regulatory standards for specific products
- Research existing trade regulations and possible trade agreements and response required
- Research competition
- Assess Culture of Business- how is marketing and distribution of your product handled?
- Undertake product differentiation as required to deal with consumer preferences and culture



Coping with Export: Assessing Competitiveness

- What are my production costs and methods?
- Will changes be required to sourcing of inputs?
- Will my company need to undertake Business Upgrading* to achieve productivity and efficient production costs?
(*technology, staff development, other investments)
- How will we finance appropriate market promotion?
- How will I handle the need for constant innovation?
- Is tackling this market the most efficient use of available resources? (human, financial, etc.)
- How will I handle the need to undertake appropriate business planning and assessment of risks?
- What linkages should we form with other companies and institutions?



Business Planning is Essential!

- ✓ Which markets and customers (who)?
- ✓ How will you get to them (distribution) and attract their attention (marketing)?
- ✓ What value proposition?
- ✓ What is the competition?
- ✓ Inputs
- ✓ Production capacity
- ✓ Human resource requirements
- ✓ Risks
- ✓ Financial Planning
- ✓ Win-win Partnerships



Costing and Pricing for Export

The major determining factors of price are:

- 1) seller's costs
- 2) competition's price
- 3) market demand

It is common for craftspersons produce work that costs more to produce than it can be sold for in the market. To be commercially successful, craftspersons need to work beyond their own creative agenda towards the demands of a specific market. Dialogue with buyers is key to understanding these demands.

Calculating Unit Costs

OVERHEAD (commitments whether work is produced or not)	+	PRODUCTION COST (if products are made efficiently)	+	PROFIT	=	TOTAL <u>COST</u> NUMBER OF UNITS PRODUCED DURING PERIOD	=	UNIT COST
Rent/ mortgage		Labour costs						
Insurance		Material Cost						
Stationary & Office Supplies		Packaging cost						
Equipment								
Utilities								
Professional fees								
Publications								
Membership fees								
Maintenance								

To calculate unit costs add up all costs over a period of time and divide by the number of units produced (see example).



Cash Flow Statements

Cash flow is the most important factor for business success. A *cash flow statement* is a method of forecasting how much money will come into a business and how much will be spent. It predicts the costs of keeping the business going until income from sales comes in. Cash flow predictions are normally prepared for one year and organized month by month (see example) and are required by most financial institutions to extend loan financing.



Reviewing Critical Areas of Production to Increase Profits

- Sourcing of raw materials and inputs- cost and quality
- Inventory: raw materials and finished goods
- Unused capacity in production: idle machines, work in progress not moving to completion
- Uncollected debts
- Follow up on goods on consignment-accounts receivable



Understanding some key terms in export marketing

Ex-works (ex-factory) price - price of finished product including raw materials, production costs (overheads + labour) and profit

FOB - ex-works price plus costs of handling before shipment (Free on Board)

CIF- FOB Costs, plus insurance and freight to buyer (Cost, insurance, freight)

minimum order quantity- smallest economical quantity for shipping

wholesale price - discounted price for ordering in volume



Understanding some key terms in export marketing (cont'd)

Commercial Invoice - request from exporter to buyer for payment for goods specified in original order (proves ownership of goods by buyer to Customs)

Air way bill or Bill of Lading- document which serves as shipper's receipt, contract of carriage and temporary title document

Certificate of Origin- document certifying that goods satisfy country of origin criteria and are “wholly produced” or undergo “substantial transformation” within the exporting country



Considering Payment Terms

Sellers should consider available options in payment terms, the benefits to the business' cash flow of each and the levels of risk assumed by both buyer and seller in each case:

Cash in advance - payment where price is paid in full before shipment is made. Generally used only for small orders or custom jobs. Appropriate receipts must be issued.

Cash with order- buyer pays when ordering and transaction is binding on both parties. Appropriate receipts must be issued.



Considering Payment Terms

Consignment- Delivery of merchandise from an exporter (consignor) to an agent (consignee) under agreement that the agent sell the merchandise for the account of the exporter. The consignor retains ownership of the goods until they are sold. The consignee sells goods for a commission and remits proceeds to the consignor

Credit- Payment terms agreed between buyers and sellers, normally 30, 60 or 90 days, should be noted on order form.

Letters of Credit- A document, issued by a Merchant or EX-IM bank according to buyer instructions, authorizing the seller to draw a specified sum of money on specified terms usually on receipt by the bank of certain documents.



Standard Shipping and Customs Procedures: An exporter's checklist

- Goods approved for export by Government Certifying Authority and Certificate of Origin obtained
- Goods properly labelled by exporter for export:
 - Country of origin, materials and care instructions
 - Goods tagged or identified by exporter with style number and description /packaged according to buyer's instructions
- Goods packed properly and marked and addressed correctly
- Commercial Invoice prepared
- Packing List prepared
- Goods inspected by Shippers and Customs in exporting country
- Air way bill or Bill of Lading prepared
- Goods properly insured
- Completed Export Documentation accompanying goods



Customer Service is key!

- ✓ Prompt response to enquiries
- ✓ On-time delivery
- ✓ Evaluate products and services through customer's eyes- value and cost!
- ✓ Honesty and integrity
- ✓ Long-term focus
- ✓ People first, then things....
- ✓ "Customer experience is bigger than customer service."- Jeff Bezos at Amazon.com



Towards Customer Service Excellence

- Recent research found that 80% of customers who switched suppliers expressed satisfaction with their previous vendor
- Gaining loyalty demands more. It requires no less than a complete focus on the people of your organization delivering your promise through every sales and service transaction every day.



Towards Customer Service Excellence

- The companies with the strongest differentiated experiences have turned their customers into advocates. Advocates who constantly refer their friends and colleagues to those businesses. Why? Because those companies have created a Branded Customer Experience that is consistent, intentional, differentiated, and valuable. They have managed the relationship to the point where customers can't imagine wanting to do business with anyone else.



Part 6:

Building linkages with tourism



Building linkages with tourism

- Research and new product development- Authentic history, culture, values, customs and language, etc. of Jamaica
- Products as experiences and stories
- Identify market, customer, quality requirements, margins and quantify in terms of numbers- capacity & cost considerations
- Configure production process to deliver quantity and quality
- Be prepared to test ideas and products
- Partnerships and Collaboration



OTHER TRADE & EXPORT RESOURCES

www.psoj.org

www.exportjamaica.org

www.eximbankja.com/

<http://www.tpdco.org/>

www.carib-export.com

www.intracen.org

www.cbi.nl

<http://www.tfoc.ca/docs.php>

www.fda.gov

www.exporthelp.europa.eu

<http://ec.europa.eu/environment/waste/packaging.index.htm>

Thank you for your attention!

