

Be brave, step out and export

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ARTICLE (May 10 2010): In times of recession, successful companies usually manage to grow their market shares by using the slowdown to prepare themselves for the next upswing. In other words: stay on the ball, invest all you can, refuse to cut back on research and development, investigate new markets, improve processes, acquire certification, and generally use whatever downtime you have to get ahead of yourself and your competitors.

In general terms, these are, perhaps, the key crisis survival recommendations that can be drawn from a recently published series of in-depth CBI surveys of the impact of the global financial and economic crisis on various sectors in developing countries (DCs). The surveys thus far have covered sectors: flowers, fruit & vegetables, garments, the IT sector, the business process outsourcing sector (BPO), castings & forgings, electronic components, the automotive sector, natural ingredients for food, cosmetics and pharmaceuticals, tourism, engineering products, home decoration, coatings, pharmaceuticals, pipes and process equipment and garments. Additional sectors are under investigation.

The facts revealed by the survey, which was commissioned by Dutch Minister of Development Co-operation Bert Koenders, are serious enough. Throughout all sectors, the crisis is causing a shakeout, with many SMEs going down or struggling to remain standing. Key problems include decreased demand from European and other non-DC markets, global price pressure, limited access to credit and financial resources, postponement of orders and payment delays. Destabilised domestic and regional markets, meanwhile, are cutting off exporters from the only alternative left them.

Be brave and step out

If you think all that bad news gives you a reason to go home and quit, you're wrong. Now, more than ever, exporting SMEs in DCs should be brave and step out, the survey emphasises.

Here is a list of the top recommendations applicable to virtually every sector and every export company:

- Reduce cost;
- Don't wait for better days, but try to move ahead with your most ambitious plans;
- Professionalize on purchasing and look for the ideal mid- to long-term sourcing opportunities;
- Don't yield to the temptation to save money on quality, rather invest in raising it;
- Focus on quality and, if necessary, implement a recognized quality assurance scheme;
- Concentrate on your two or three most profitable export products and improve them;
- Stick to a long-term strategy centered not merely on survival, but on innovation and partnerships;
- Get some training in risk management;
- Accept smaller orders rather than hoping for large ones and not getting any;
- Use redundant capacity to improve processes;
- Develop market intelligence and keep yourself updated on the latest market developments by attending seminars and subscribing to relevant information sources;
- Identify new growth areas in your sector and decide whether you should pursue them;
- Reach out to new clients and markets that fall in with your long-term strategy, follow up on leads you put aside previously, dust off strategic plans for new business development;
- Make a market segmentation and define your most promising target markets as sharply as you can so that your marketing efforts will yield a maximum effect;
- Explore niche opportunities;
- Benefit from the need among European businesses to refocus on their core competencies and outsource the rest;

- Prepare yourself for the fact that in many sectors, European SMEs will be joining the larger firms in outsourcing as soon as the worst waves of the crisis have passed;
- Try to avoid laying off employees as it will weaken your company, and by all means hold on to your experts, your English speakers and your staff with European experience;
- Join forces with colleagues, form export clusters, share as much as you can to reduce cost and to increase knowledge, capacity and reliability;
- Take an active interest in your customers' and prospects' problems - it will generate new business and help you overcome your own worries;
- Climb up the value chain by adding value and integrating yourself in your customers' business, for instance by pre-packaging according to their requirements;
- Introduce energy-efficient production methods so as to be less vulnerable to rising energy prices and decrease your own prices in the long term;
- Develop a clear strategy to make your company more sustainable and to distinguish your company by investing in corporate social responsibility (csr) - and communicate with prospective customers about your goals and achievements in this area;

BSO recommendations

As for business support organisations (BSOs), chambers of commerce, trade associations and trade development authorities, the following general recommendations are worth looking into:

- Step up your efforts to provide your export companies with the most accurate, up-to-date and insightful market information and analyses you can;
- Offer exporters market research services;
- Organise workshops and training programs for your exporters on hot issues, like some of those mentioned the list above, making use of the best possible expertise you can find;
- Offer coaching and assistance in strategic thinking, through workshops and training programs;
- Provide companies with financial guidance, e.g. on investment strategies and risk reduction;

- Provide up-to-date and accurate information and advice on European legislation;
- Organise trend-spotting events for the benefit of your sector;
- Give exporters the chance to hire specialized consultants;
- Encourage and facilitate the formation of local, national and regional export clusters and help run and promote them once they're established;
- Spend time in your target markets, i.e. Europe, by visiting seminars, trade fairs and special events and networking with European counterpart organizations;
- Ask European associations, your government and other major institutions, such as the World Bank, the Asian Development Bank (ADB) or your national development institute, for support;
- Organise collective trade missions and other matchmaking activities;
- Tap into the possibilities offered by the Global Trade Finance Program at <http://www.ifc.org/ifcext/qfm.nsf/Content/TradeFinance>;
- Create awareness that now is the time to develop energy-efficient solutions, as demand is booming and in 10 to 15 years time the European market will no longer tolerate energy-inefficient solutions in many industries;
- Emphasize the long-term advantages of specialization and the overall trend in most sectors towards specialization;
- Lobby for better facilitation of international payment traffic, such as the creation of regional clearing unions, which greatly enhances payment conditions for buyers;
- Consider the possibilities of joint, regional promotion with counterparts and government agencies in neighboring countries.

Sector-specific

The CBI surveys also offer a host of sector-specific recommendations. Here are a few examples:

Fruit and vegetables: In the fruit & vegetables sector, specific opportunities may exist for cheaper alternatives for exclusive fruit and for vegetable varieties already being marketed in the EU.

Garments: The survivors among DC garment exporters are those selling value-added products, targeting higher EU market segments, practicing vertical or reverse integration, and benefiting from government incentives and access to flexible credit.

Business process outsourcing: With their EU customers facing challenging times, BPO service providers in DCs have a chance to show their dedication and consolidate business by proactively responding to customer's problems. At the same time, the EU buyers are not eager to engage in new offshore contracts, which means new business calls for professional marketing campaigns and high-level networking.

Castings and forgings: Decreasing raw material prices in the castings and forgings industry have raised the importance of labour costs in the total cost price, to the advantage of DC manufacturers. It is extremely important for foundries and forges to have a smart manager in place to monitor and order raw materials, as raw materials form a substantial part of the cost price and can be a means of saving a lot of money in the short to medium term.

Electronic components: The most promising segments in the electronic components industry include energy-efficient components. This has become a very urgent topic on the agenda of European manufacturers due to the European Commission's adoption of two eco-design regulations to improve the energy-efficiency of household lamps and office, street and industrial lighting products. Light activating sensors are also a growth segment.

Automotive sector: In the struggling automotive sector, the industrial after-market is the best bet. The agricultural machinery market is also continuing to perform relatively well. Lean Manufacturing is the standard in Europe for this sector and suppliers who are unable to implement it have few chances. Pakistani vendors of automotive parts serving multinational Japanese automakers on home soil, have a chance to export to niche markets in Europe.

Natural ingredients for food, cosmetics and pharmaceuticals: A point of attention in the natural ingredients business is that exporters must devise ways of anticipating buyer stocks, delivering small orders with shorter lead times.

Tourism: Contrary to common belief, price truly matters in the tourism industry - all the more so since the beginning of the crisis. Destinations with a favorable exchange rate have an advantage. Pin-point marketing is also essential: rather than targeting an entire European country, tourism suppliers should zoom in on specific target groups, such as windsurfers if a destination offers excellent windsurfing opportunities.

Engineering products: On step, the DC exporters of engineering products must take if they intend to cash in on the expected increase in orders from (new) EU customers is to implement total quality management as soon as possible.

Home decoration: The weakening of competition from China is a favorable development in the home decoration sector. China is a strong competitor in the low end, but the crisis has reportedly forced large numbers of Chinese companies into bankruptcy. The best opportunities are to be found in the higher-end segments.

Coatings: In the coatings sector, buyers are more open than ever to talking and negotiating with new suppliers of formulations and raw materials. Solid research, a focus on your current assets and pro-active marketing can make a difference here. With the mainstream markets largely covered by bigger players, SMEs stand a good chance in niche markets, either in terms of specific products or less saturated geographic markets such as the CEE region or the Baltic States.

Pipe and process equipment: In the pipe and process equipment sector, doing business with European distributors is becoming less worthwhile as their position is expected to weaken in the years to come; the shift towards a higher share of direct business for commodity products, such as standard pipes and fittings, may provides your company with real opportunities. Pakistani manufacturers of Process Equipment do however stand chances of working as sub-contractors of renowned European process equipment manufacturers and gain market by making their customers more competitive.

Garments: Garment suppliers from the DCs should use downtime caused by the crisis to develop a good sample collection, optimise processes, and review their supplier base, particularly fabrics.

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