



TURNING CHALLENGES INTO SERVICES

PLENARY

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Speakers:

- Mr. Matanda WABUYELE, CEO, Export Promotion Council Kenya – EPC
- Mrs. Pilar LOZANO, Director of International Cooperation, Proexport Colombia
- Mr. Jack STEPHENS, Group General Manager, International, New Zealand Trade and Enterprise – NZTE

Moderator: Mr. Anders AEROE, Acting Deputy Executive Director, ITC

Because of dramatic changes in the domestic environment and growing internationalization of production and trade, the demands on trade promotion organizations (TPOs) are constantly evolving. The global economic recession, which is still affecting many countries, has added new or increased demands on most TPOs, challenging their service offerings and their budgets.

“The recession has confirmed the key role of TPOs, reflected in the increased demand for their services and advice to clients on how to tackle the impact of the crisis and globalization in general,” Anders Aeroe told participants. “This impact has led to decreased demand, but has also increased the importance of emerging markets regionally and globally. This means companies need to be competitive to seize these emerging market opportunities and the related value chains.”

Matanda Wabuyele of Kenya’s Export Promotion Council and one of the winners of the 2008 TPO Network Awards gave an overview of the impact of the economic crisis on countries in Africa and on Kenya’s export trade.

He pointed out that most OECD economies contracted with their combined growth in real GDP estimated at negative 3.5% in 2009 from 0.6% in 2008. Africa was affected by its integration to the global economy through trade, foreign direct investments, development assistance and remittances. The continent was mostly affected due to its reliance on primary commodity exports, especially to OECD countries. The crisis dampened earnings from commodity exports due to falling prices. As a result, the continent recorded a slowed real GDP growth of 1.9 % in 2009 compared to 5.2 % in 2008.

Mr. Wabuyele said that Kenya’s economic performance registered a lower growth rate of 1.6% in 2008 compared to 7.0% in 2007 but recovered slightly in 2009 to register a 2.9% growth. As a result, the EPC was indirectly impacted by these developments – firms were forced to contract to stay afloat and many new investments were shelved.

The Export Promotion Council (EPC) decided to review its strategic orientation in line with key national policies – the Kenya Vision 2030, the Private Sector Development Strategy, and the Millennium Development Goals. A portfolio of targeted export promotion initiatives were introduced including diversification and expansion of Kenya's export offerings through product development and test-marketing, and a renewed focus on regional markets and increased use of opportunities arising from the countries various trade preferences under regional and international agreements.

EPC also developed a Market and Product prioritization framework that involved categorizing Kenya's markets into four tiers, to select markets for targeted promotional initiatives where products were mapped and prioritized to priority markets.

The EPC now offers an Integrated Program Export Market Development Program consisting of an Export Readiness Assessment to identify areas of need, Product Development and Adaptation to develop products that meet international standards, Capacity Building to enhance the competitiveness of SMEs and E-Marketing of SME products through the use of ICT tools.

"A partnership approach to export development and promotion incorporating donors, development partners and local business and public sector partners has been introduced with the aim of developing smart networks to deliver sustainable services to the export sector," Mr. Wabuye explained. "The result of these initiatives can already be seen. Kenya's economy is on a recovery path and has recorded a 2.6% growth rate in 2009."

Columbia's Pilar Lozano, introduced the four basic principles of Proexport's business model:

- Developing a trusted, value-driven relationship with entrepreneurs based on the 'know your client' principle. This level of trust and perception of value addition ensures that the agency is able to get key intelligence from companies as required.
- A systematic selling process involves sound knowledge of the Colombia product.
- Results oriented compensation is based on results – wages and compensation are based on goals achieved.
- Expansion at low cost – rolling out of Colombia's TPO services worldwide based on the value for money, high impact/ least cost principle

"The challenging business environment forced Proexport to re-examine our operational model and as a result, we reorganized roles and responsibilities to be able to deliver the level and quality of services demanded by our clients," she said.

The main strategy used by Proexport to overcome the economic crisis is consistent and continuous promotion of 'brand Colombia' targeted at investors in key markets to maintain Colombia's presence on the FDI radar. In tourism it is a comprehensive programme that addresses the perception of safety in Colombia combined with a focused promotional programme to attract clients from the more resilient corporate tourism market. To boost exports, Proexport increased the number of trade promotion activities and held in-country roundtables and business meetings on market diversification and value added niches.

Proexport receives direct feedback from exporters on its impact, through a certification system where exporters testify to the agency's effectiveness and rate and rank their services. Colombia also benchmarks itself with other Latin American competitors in terms of the three key portfolios: FDI, tourism and exports.

Proexport reports that FDI is three times more than it was nine years ago; exports have tripled in the same period and tourism also recorded success, growing in 2009 by 10.2%, in contrast to world tourism which declined by 4% the same year.

Jack Stephens from NZTE pointed to the challenges New Zealand faces in connecting to global markets – its geographic isolation and distance from main markets, its relatively small size, its heavy dependence on agriculture and further reliance on one key exporter that represents 20% of all agricultural exports. NZTE also faced pressure from political changes, which required NZTE to justify its budget and services.

Unlike many other countries however, New Zealand was partially shielded from the full effect of the economic crisis as its main markets are Australia and China, two economies that emerged from the period relatively unscathed. "As a result of the resilience of our main markets and the strategies

NTZE adopted, New Zealand has emerged relatively unscathed. GDP growth is projected to grow at 3%, but domestic demand is down as consumers choose to save as opposed to spend,” he said.

Mr. Stephens noted that the agency’s attention was directed to fine-tuning its services and products to address both the key issues for New Zealand’s exporters onshore and offshore, and which services should be developed to meet their needs. This analysis resulted in tailoring services for both groups of clients.

Strategies also included the launch of ‘CEO Auditoriums’ – addressing key business principles such as how to manage cash flow, better understanding customers, how to recognize issues related to the downturn and address them directly, and how to leverage supply chains drawing on the experiences from other countries. The results of these auditoria was the development of a new suite of NZTE services to address the issues identified by stakeholders, including:

- A new range of credit support services.
- A new client management segmentation model was adopted which saw NZTE identifying 500 firms from a population of 3,000 which would qualify for full export service support.
- Client engagement plans were developed and reviewed with the client every six months.
- Better use was made of the intelligence gleaned from NZTE’s 37 offices overseas, leading for example, to the development of financing schemes that reflected the gaps in the exporting markets.
- An online BizGen system for SMEs was launched

NZTE also introduced more hands-on approach to interacting with its clients including adopting a more face-to-face approach and service where they represented clients overseas if they were unable to do so themselves. A bespoke export market assistance service was introduced, drawing on the expertise and the services of New Zealand’s senior business people to help companies with market entry strategies. A corporate 360-degree Diagnostic Tool was introduced, which allows customers to come up with ideas for TPO improvements.

Promexico and other TPOs enquired about the best approach to assess account managers. NZTE advised that their account managers were also sector specialists, which ensured that their engagement with clients was based on their areas of expertise as well as their account management responsibility. Proexport uses an account management approach which is also sector focused but emphasized that their account managers are also required to be market specialists as well. Ms. Lozana went on explain that account managers are required to interact with clients along every stage of the export value chain to provide expert service at all levels.

TPOS expressed interest in the tools used to assess the effectiveness of overseas representation, and the strategies deployed to determine the most effective services to offer in overseas offices. Procomer selects its overseas offices based on sector and market analysis and establishes the size of the offices based on the type and size of companies and the services required by them in the respective markets. Kenya works through its foreign trade offices, but plans to set up offices abroad in the future.

In moving forward, the 2008 winners revealed that they now plan to introduce measurement tools that can better reflect the impact of their overseas offices on the economy. In the interim, Colombia uses the same KPIs as those used on-shore, including number of deals closed, number of new deals etc.

Mr. Aeroe concluded: “We have certainly seen that the recession has had an impact on the strategies of the TPOs and has had made them re-think their service offering and related efficiencies and return on investments.” He pointed to the following conclusions:

- It is possible to measure impact of TPO activities although it is not easy. Client feedback is a necessary related vetting mechanism in this regard.
- There is a common shift of focus among TPOs from measuring activities to outcome and impact.
- Results based management (RBM) helps TPOs implement systems – what you measure is what you get.
- It pays to be selective in deciding which services to provide. A thorough focused approach towards selected individual companies with most export potential pays off.
- Keep trade facilitation simple for it to sit well with companies and for it to be affordable.