

Student 6: High Not Achieved

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I am going to look at the possibility of **Zespri increasing its exports of kiwifruit to India**. I will collect statistics about various things such as the current population, predicted population, FDI (foreign direct investment), look at the demographics of India, looking at India's economy as a whole as well as looking at cultural intelligence, transport, distribution, finance, trade agreements and exchange rates. To find this information I will be using a variety of online sources such as zespri.com, ey.com, business-in-asia.com, fruitnet.com, nzte.com and other online statistical and informative websites. **I will also be contacting New Zealand Trade and Enterprise by email** and asking some questions about exporting a product such as kiwifruit to India and the cultural intelligence that was needed to successfully export to India, and whether there is the same need now that they want to increase exports. ①

Relevant information from <http://www.ey.com>

In FY2011-12, India attracted FDI of around US\$46.8b in various sectors. This shows how attractive the Indian markets are to foreign investors and are seen as the place to be in terms of up and coming businesses and for expanding businesses.

India's demographics are very attractive to Zespri with approximately 65% of the total population falling in the age group of 15 to 64 years. This is the ideal age group for Zespri as ... ②

India has grown to become a trillion dollar economy. If Zespri can get more Kiwifruit into this market and get a better market share then it could prove to be a very profitable move.

By 2025 India is expected to be the 5th largest consuming economy in the world. This provides an excellent market place for Zespri. It shows that India does consume a lot and getting in on this would be a good business decision for them.

Population forecast graphs 2000-2050 omitted from this exemplar.

India is one of the world's largest food producers and produces large amounts of fresh produce and food for their population. When Zespri first started to export to India forecasts predicted that India's GDP was expected to be US\$2,013 billion by 2012 and will grow at 7-8% per year. This means that India will be producing more and more themselves, which may not leave much space for Zespri to export more than it currently does.

Small and independent family owned stores hold more than 65% of the market share for food and beverage, although larger chain stores are beginning to make inroads to this very high market share. With its growth in larger chain supermarkets, Zespri may have an opportunity to get in supply even more kiwifruit to Indian supermarkets and ride the wave of growth as they try to increase their market share.

Current exporting situation

Currently Zespri exports all over the world with their main markets being:

Europe - 55.4 million trays	Japan - 18.6 million trays
Other Asia - 32.5 million trays	North America - 7.8million trays

Zespri currently has export earnings for the past year of \$1.056 billion, which is down 4% from the previous year. In 2014 Zespri sold \$8.4 million worth of kiwifruit to India. Sales have leapt up 60% in volume and 70% in revenue. The company knows that continuing to sell in the Indian market would be beneficial for them. India has one of the most rapidly growing economies and population so the exporting potential continues to be very high.

Trade Agreements

New Zealand and India are a part of the Regional Comprehensive Economic Partnership (RCEP). This is a group of companies that are involved in negotiations towards getting free trade agreements with each other. The group of 16 countries is Brunei, Cambodia ... and New Zealand. **If these negotiations are to come through then trade with India will be significantly less costly and a lot easier. Which would mean than Zespri are able to keep prices as low as possible to better suit the demographic in India. India's tariff on kiwifruit is the second highest in the world at 30%. A free trade agreement with India would markedly increase the value of this market through reducing tariffs and maintaining New Zealand's competitiveness in the Indian kiwifruit market.** ②

Transport section omitted from this exemplar.

Compliance

There are many rules and regulations that a business must adhere to if it is to export to another country. There are usually regulations on the amount allowed into the country, tariffs, there are biosecurity checks to go through on

entry to the country which could be a major factor for Zespri because it is exporting fresh produce to the country. India will require nutritional information about kiwifruit so it is important that these transactions are as accurate as possible if Zespri are to flourish in the Indian markets. If Zespri are unable to comply with all the rules and regulations regarding exporting to India then they will be unable to enter the market and will miss out on the potential sales and growth of the company.

Risks

- Pricing could be a risk because Zespri markets their kiwifruit as a premium product and many families may not be able to afford the premium product. A vast amount of the Indian population are poverty stricken so exporting more might not and will be unable to buy the kiwifruit being exported to their country.
- The exchange rate is a risk as it has been varying a bit lately. Unexpected changes in the rate can cause budgets to be completely out and profits to turn to losses if the changes are not seen and recognised and changes are not made accordingly.
- Transportation is a risk in India ...

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Opportunities

- Indians seem to love Zespri kiwifruit so exporting more is unlikely to be a flop but it could still be worth doing some more market research
- India is a very large potential market so the opportunity to expand the market is a big one. By doing this Zespri could significantly increase their sales and revenue to achieve growth for the company.
- Zespri have a clean, green healthy image which is associated with their kiwifruit from New Zealand. So the opportunity for Zespri to exploit this, is here. They can market the clean and green image and hopefully attract a lot of customers as they buy the premium healthy kiwifruit sold by Zespri. Consumers all around the world are being more and more cautious about whether the food they are buying is healthy and has a clean and green image attached to it so Zespri are able to further exploit this and promote the health benefits. This will increase revenue and profits for the company.

Evaluation

I think that Zespri's export of kiwifruit to India has been a good decision. The country is among the top few fastest growing economies, population and destination for foreign investment. With all this comes a large potential market for Zespri to sell to. By 2015 the population of India is expected to exceed 1.256 billion people, providing a phenomenal exporting opportunity. Since Zespri currently export kiwifruit all over the world including India, they know how to export and how to build relationships with countries which makes them a good exporter. Systems such as payment, transportation, marketing, staff, translators, setting up of distribution centres etc can all be modified or channelled into the Indian market and set up as quickly as possible. Overall I think that is of great benefit to export even more kiwifruit to India and that the exporting potential for them is very high in the rapidly growing economy over there.