



National Certificate of Educational Achievement  
TAUMATA MĀTAURANGA Ā-MOTU KUA TAEA

## **Exemplar for Internal Achievement Standard Business Studies Level 3**

This exemplar supports assessment against:

**Achievement Standard 91385**

**Investigate the exporting potential of a New Zealand business in a market, with consultation**

An annotated exemplar is an extract of student evidence, with a commentary, to explain key aspects of the standard. It assists teachers to make assessment judgements at the grade boundaries.

New Zealand Qualifications Authority

To support internal assessment

	Grade Boundary: Low Excellence
1.	<p>For Excellence, the student needs to comprehensively investigate the exporting potential of a New Zealand business in a market, with consultation.</p> <p>This typically involves evaluating exporting potential through:</p> <ul style="list-style-type: none"> <li>• integrating business knowledge relevant to exporting potential to fully support explanations</li> <li>• integrating a Māori business concept(s) where relevant to exporting potential to fully support explanations.</li> </ul> <p>This student has provided evidence of undertaking an investigation into the feasibility of exporting Puma Darts to Russia. They have consulted domestically with the manager of the local branch of Mainfreight and New Zealand Trade and Enterprise, and internationally with NZ's Honorary Consul in Vladivostok, Russia (1).</p> <p>The student has evaluated the risks and opportunities of Puma Darts entering the Russian market by comprehensively discussing the competition, cultural intelligence, legislation, intellectual property, transport and distribution (2). Business knowledge has been integrated (3).</p> <p>The student has evaluated the risks and opportunities of exporting to Russia and concluded that this would not be a good move for Puma Darts (4).</p> <p>For a more secure Excellence, the student could have further integrated specific information gained through their international consultation that has led them to conclude that exporting to Russia would not be a wise business move for Puma Darts.</p>

The purpose of this report is to investigate the exporting potential of a New Zealand business. The chosen business is Puma Darts who specialise in exporting darts, dart boards and other accessories worldwide. This report will investigate and evaluate **the potential of Puma Darts exporting to Russia**. Russia was the country of choice to research as darts is widely played in Russia and Puma Darts know there is definitely a potential market over there.

In order to gather all required information, a range of sources will be used, including interviews with Mr PE, Puma Darts' sales and marketing manager, and Ms AW the branch manager of Mainfreight Tauranga. I will also use internet sources and class notes and send some questions to the Honorary Consul in Russia.

1

*History of Puma Darts omitted from this exemplar.*

### *Competitors*

*[Only extracts of this section exemplified here]*

The main market that demands high quality darts and darts accessories/products is recreational and professional dart players located in Australia and many Asian countries ... Puma Darts still has a large amount of competition from other businesses and this needs to be considered when deciding whether or not they should begin exporting into Russia. Within NZ there are no dart manufacturing companies that compare to the size and scale of Puma Darts so they can feel safe knowing they are one of the only companies providing these products in NZ. In other words Puma Darts currently has an almost 100% market share in NZ. However in other countries this is not the case ... The UK is currently home to a multitude of darting companies including ... Like Puma Darts these companies all claim to be top dart manufacturers and they all provide very similar products to Puma Darts whose main advantage is its location. With the majority of its customers located in Australia and Asia, Puma Darts is located fairly close. This provides advantages when it comes to shipping times and prices, accessibility to the countries for face-to-face trading if required and other opportunities that Puma Darts can capitalise on. Location also works in favour of the UK competitor companies in terms of them being located close to the large European market. Puma Darts is at a disadvantage if they were to begin exporting to Russia as their UK competitors will be closer and therefore be able to provide cheaper and faster shipping. If Puma Darts begins to export to Russia and is it successful they are likely to be followed by the UK companies and they will more than likely lose customers and therefore their market share in Russia as the UK competitors are able to provide similar quality products more cheaply, and they will be delivered faster. While Puma Darts faces great competition currently and in the future they can set themselves apart by being 100% family owned and operated and located in a small semi-rural New Zealand town. This allows their customers to have confidence in the fact that Puma Darts ...

2

### *Cultural intelligence*

Cultural intelligence is a person or firm's capacity to function effectively in situations characterised by cultural diversity [source cited]. In this context, cultural intelligence refers to the ability of Puma Darts to carry out business in Russia which is a cultural setting not normally encountered. Puma's executives will need knowledge of the cultural practices and interactions that will allow them to effectively conduct business with Russian companies. Cultural intelligence is an important factor for Puma Darts to consider when exporting to foreign countries such as Russia if they wish to be successful. To do this they will need to conduct market research in order to fully understand this potential market. Puma Darts has an advantage in this area as they are already successfully exporting to Australia (which has a culture similar to NZ) and to Asian countries such as China who have a very different culture. They have experience in setting up exports in diverse countries and this will help them with setting up in Russia should they choose to do so.

3

Russia is a country with an extremely different culture than that of the majority of Puma Darts' current export markets. They will need to ensure they do extensive research into Russia to find out acceptable social practices, cultural norms, the local language, time zone differences (there are nine time zones in the country) and the political context to ensure profits of exporting there will cover the added expense of doing so. Through my research I learned that discussions with Russian business officials can be very slow and detailed. They are often hard bargainers who view compromise as a weakness. It is recommended that all promotional materials are printed in Russian and in English. Some firms that already export to Russia found it useful to reduce the market into distinct geographical areas: for example, Central Russia, Siberia, North West Russia etc. This is because there are nine time zones and each region has varying levels of development and different economic and social factors.

2

### Legislation

[Only extracts of this section exemplified here]

Despite this lenience in New Zealand law for Puma Darts there are many laws that they will need to consider and abide by should they chose to begin exporting to Russia. Russia is currently ruled by President Vladimir Putin and currently operates as a democracy, much like the USA. Despite this however, the President has executive rights and operates much like a dictatorship. This causes political unrest in Russia. This must be considered as a negative of exporting there as there are strict rules and regulations that Puma would need to follow. It is necessary to get a licence to import products such as pesticides, weapons, self-fence items, explosives, precious metals etc into Russia. Puma Darts will therefore not need a licence but must still comply with customs regulations and incur tariffs. The process for importing goods to Russia is as follows ... The import documentation required by Russian law comprises ... Russian legislation is very different to that of New Zealand legislation and if Puma Darts chooses to begin exporting to Russia they will need to follow these laws carefully to avoid legal action by Russian authorities. The exporting/importing process in Russia can be confusing if not researched thoroughly and has the potential to incur hassles in the future if not followed meticulously by both Puma Darts and their customers. To ensure there is trust between both parties Puma Darts will need to focus on improving brand awareness so potential customers know they are a trustworthy company. Puma Darts will also have to place a fair amount of trust on their customers to uphold and follow Russian legislation which adds risks to the transactions taking place in Russia. These are all things Puma Darts will need to consider to determine whether Russia is a suitable country to export to. 2

### Transport and distribution

The company Puma Darts uses for most of their shipping is Mainfreight Ltd who specialise in transporting goods between over 200 countries. For each order Puma Darts needs to determine the best way to transport, by air or by ship. Air freight is significantly more expensive ... When exporting by ship 20 foot containers can hold approximately 2500 dart boards before exceeding the weight limitation ... If Puma Darts were to export to Russia there are many domestic and international airports and ports that Mainfreight already deliver to. Domodedovo International Airport is the largest and busiest airport so Puma Darts would presumably air freight to there, and to the largest port, Port of Petersburg. It takes over 20 hours to fly to Russia and up to three weeks to ship, however darts and darts accessories are not perishable or prone to damage en-route. It would be possible for Puma Darts to get their products into Russia in an efficient and timely manner however complications could arise once products arrive in Russia due to stricter customs regulations. 2

Finance and exchange rates excluded from this exemplar. 3

### Conclusion

Puma Darts are a successful exporting business as proven by them already exporting to over 100 countries. They have been exporting for over 40 years and have grown into a very profitable and successful exporter of top quality darting products. They have formed strong relationships and contacts with their current customers who trust them, and they have developed a positive reputation with their exporting partners.

Based on my research there is definitely potential for Puma Darts to begin exporting to Russia however the risks of doing so outweigh the economic benefit. I believe that Puma Darts would not benefit from exporting to Russia. Firstly, while there is demand for the products they provide their competition located in Europe have a definite advantage in terms of location and therefore price. Russian customers are likely to choose the competitors over Puma Darts because they will be able to receive products of the same quality for less cost. Secondly, Russia does not have the best reputation when it comes to trading with foreign countries in terms of exporters receiving payment. Because of the political unrest that is currently active in Russia it would be a difficult market to infiltrate and sell to effectively to ensure profit is made. On top of this, NZ businesses currently have no strong relationships with Russia so Puma Darts would have to infiltrate this market alone. 4

While extra work should not deter them from exporting to Russia the fact that the extra work will not be recognised with higher profits shows they should be focussing their efforts elsewhere. Finally, because the culture of Russia is so different to that of countries they currently export to, they will need to be exceptionally careful not to offend any of their customers which would create a bad reputation for them in Russia.

Overall I believe it would not be a wise business decision for Puma Darts to begin exporting to Russia and they should focus their efforts on either another new country or increasing sales in countries they already export to.

The student has included in appendices their email correspondence with the branch manager of the Mainfreight office closest to Puma, NZTE and NZ'S Honorary Consul in Vladivostok, Russia. 1

	Grade Boundary: High Merit
2.	<p>For Merit, the student needs to investigate, in depth, the exporting potential of a New Zealand business in a market, with consultation.</p> <p>This typically involves consulting internationally for exporting potential, providing evidence of an investigation and fully explaining exporting potential through:</p> <ul style="list-style-type: none"> <li>• including business knowledge relevant to exporting potential</li> <li>• including a Māori business concept(s) where relevant to exporting potential.</li> </ul> <p>As part of their investigation into the potential of Akaroa Salmon exporting to China, this student has consulted domestically with NZTE and a competitor salmon exporter, as well as internationally with the NZ embassy in Beijing (1).</p> <p>A case for Akaroa being able to export to China has been fully explained, with a comparison made with a competitor business (2) and business knowledge included (3). Some risks and opportunities for Akaroa Salmon have been identified, to reach a conclusion that there is potential for the company to enter the new offshore market of China.</p> <p>The export readiness of Akaroa Salmon has been fully explained (4).</p> <p>To reach Excellence, the student could have made more effective use of their consultation with specialist advisors to evaluate the potential of Akaroa Salmon successfully exporting to China. For example, the company already exports to Hong Kong, which has very similar regulatory requirements, so this experience could be linked to the potential for being successful in exporting to China.</p>

Student 2: High Merit

NZQA Intended for teacher use only

My investigation is into the **feasibility of Akaroa Salmon exporting to China**. The first place I will collect evidence from is Akaroa Salmon as they are the company I am researching. I will do this by emailing the manager of Akaroa, Duncan Bates. Since I need a more in-depth evaluation of exporting to Asian countries, I need to seek expert advice in this area. I will contact the government organisation NZ Trade & Enterprise as they have a lot of knowledge in this area and will give me the necessary information to evaluate the feasibility of Akaroa exporting. I will also contact a non-government agency, NZ King Salmon as they have a lot of knowledge in exporting salmon and have been very successful in doing so.

Akaroa Salmon exports a very low percentage of its total production but I think they would benefit from exporting into Asian countries such as China. At the moment Akaroa Salmon distributes 99% of their salmon to the NZ food service industry and sells their salmon to high-end restaurants, mostly in NZ. The other 1% they export to high-end restaurants in Hong Kong. 70% of what they distribute is fresh chilled and 30% is smoked. I think with the right research and knowledge they could increase their exports to Hong Kong and successfully export to other Asian countries such as China.

Although a competitor, NZ King Salmon exports to South East Asia. Exports represent only 4% of their total salmon sales. This is good for Akaroa Salmon as the market isn't completely full of salmon from NZ. Akaroa Salmon don't want to compete with NZ King Salmon as they are a much bigger company but seeing as King Salmon doesn't export that much, Akaroa could have a much better chance of securing a good part of the market. Of course there are other foreign suppliers of Salmon to China but a NZ product has a positive connotation of being clean and fresh.

#### *Relevant information from NZTE*

I learned that the first thing Akaroa needs to do is research the Asian markets they wish to export to. Market research is important because it allows Akaroa to gauge the potential for business within a particular country and lets them make an informed decision about what specific market/s to export to. From NZTE I found useful information on exporting to China.

#### *China's market*

The student provided generic information about China being NZ's second largest trading partner, the Free Trade Agreement, tariffs being eliminated by 2019, demographics, the suggested use of intermediary agents, etc. This detail has been deleted from this exemplar.

#### *Cultural intelligence*

The student provided generic information about the need for interpreters, dietary differences, the need for employment agreements in the prescribed Chinese language, social rules and boundaries, etc. This detail has been deleted from this exemplar.

#### *Transport and Distribution*

Information about the need to understand supply chain logistics and freight options, options for air freighting perishable items such as salmon, customs requirements, etc deleted from this exemplar.

#### *Finance*

Finance is a major factor in exporting and you need to be able to manage your finances well to be successful. Before exporting, it is important to first figure out whether you can make enough profit to cover all the costs that come with exporting. It can put considerable financial strain on your business as you may need to fund travel and time away from your New Zealand markets. This is where it could be difficult for Akaroa to start exporting as they are not a large business and probably can't afford to throw a lot of money into exporting. There are also issues such as varying rates of foreign exchange and using multiple currencies. Making money in a timely manner is a concern for all businesses who are thinking about exporting. An important variable in Akaroa's selling strategy will be the price they decide to sell the salmon to China at. Too high and they won't be able to compete with NZ King Salmon and will find it difficult to make sales, too low and they could cost themselves profit. Being able to respond to currency fluctuations in order to make sales at the right price is vital for export success.

#### *Compliance*

Overseas countries have specific regulations and standards for products offered for sale in that country. When choosing a country to export to you need to take into account the time and cost involved in complying with these regulations. Standards and regulations will vary between countries and also between different types of products. For example, some countries like China have strict environmental regulations regarding the amount and type of packaging used. Other regulations range from safety, labelling and composition and ingredients. This aspect affects Akaroa

Salmon as regulations for foodstuffs are particularly strict. They require information on product name and form (smoked, frozen etc), use-by date, weight, ingredients and translation of ingredients in the Chinese language. Akaroa Salmon would need to employ or contract translators for this labelling and their other communications with Chinese export partners.

#### Trade Agreements

NZ is involved in a number of trade treaties and international conventions. These make it easier for trade to flow between NZ and other countries. It is very helpful that NZ has an agreement with Asian countries that Akaroa Salmon is considering exporting to: NZ-China Free Trade Agreement, NZ and Thailand Closer Economic Partnership, NZ and Singapore Closer Economic Partnership. Free trade agreements and other trade agreements have the effect of improving and maintaining access for companies. These agreements can give you preferential access relative to firms from non-signatory countries.

#### Risks

There are many risks for Akaroa Salmon exporting their salmon to China.

- If the business environment changes in China it may have an adverse effect on the company's operations and profit. Changes in the environment include things like political stability, legal systems, economic conditions, cultural environment and restriction of operations.

*Detail of further risks – payment default, exchange rate uncertainties, transportation, drop in demand, rejection at border – omitted from this exemplar.*

#### Opportunities and benefits for Akaroa Salmon

- Exporting to China will enhance the competitiveness of Akaroa products in their domestic market as well as reduce their dependence on domestic markets.
- An obvious opportunity for Akaroa Salmon is that it will increase their sales and profits if their exporting takes off. If they can manage to sell their salmon in two different countries then their profit share will increase.
- It will also help Akaroa Salmon gain global market share. If they expand globally they will have a wider customer base, more people to sell to.
- I found out during my consultation that the disposable income of Chinese residents is increasing. They can then afford better products and could be more focussed on wellbeing. This is great for Akaroa Salmon as salmon is a high-end product and can be out of some people's price range, but in China's market people are increasingly buying more luxury food items.
- A huge opportunity for Akaroa Salmon is that one of China's key imports is seafood. This shows that there is a market for Akaroa Salmon. NZ has a name for being a clean and green country and when people see NZ salmon in the chillers it instantly becomes more attractive because of the natural clean environment people associate with NZ.

#### Conclusion

Another reason I think there is good exporting potential is because Akaroa Salmon has the ability to transport their product easily by plane as they are located very close to an international airport. Akaroa Salmon is also very sustainable in the way it uses its resources. This means that if they start exporting to China and eventually other countries, they won't deplete their supply as they grow their salmon sustainably. This might encourage domestic and Chinese consumers to buy Akaroa salmon rather than other salmons that are not farmed sustainably.

From my research I have learned that the exporting process is a very complicated one. Akaroa Salmon would need to effectively build relationships and understand the culture of China as this is a massive part of successful exporting. However I believe there is potential for Akaroa Salmon to successfully export their products to China.

*Evidence of the student's email dialogue with the New Zealand embassy in Beijing, China has been provided.*

	Grade Boundary: Low Merit
3.	<p>For Merit, the student needs to investigate, in depth, the exporting potential of a New Zealand business in a market, with consultation.</p> <p>This typically involves consulting internationally for exporting potential, providing evidence of an investigation and fully explaining exporting potential through:</p> <ul style="list-style-type: none"> <li>• including business knowledge relevant to exporting potential</li> <li>• including a Māori business concept(s) where relevant to exporting potential.</li> </ul> <p>This student has investigated the potential of Anytown College expanding their international student roll by recruiting up to 15 students from China. The student has consulted domestically with Education NZ and the Chinese embassy in Auckland, as well as internationally with International Education Network in Shanghai (1).</p> <p>There is evidence of the student having undertaken an in-depth investigation. A case for Anytown College's readiness to export has been fully explained (1).</p> <p>For a more secure Merit, the student could have included business knowledge more explicitly.</p> <p>For example, in discussing the need for Mr X to establish the relationship with agents in China, the students could have referred to this being an aspect of cultural intelligence. Similarly, the need for Anytown College to work with approved and registered agents, and for students to have appropriate visas, could have been discussed in the context of compliance.</p>



Student 3: Low Merit

NZQA Intended for teacher use only

In this assignment I will address the question, is Anytown College International Department (ACID) **ready to export New Zealand education to China**? That is, enrol students from China at its college situated in Anytown, New Zealand.

I consulted with Mr ZY from the Embassy of the People's Republic of China in New Zealand (in Auckland) and Ms SW from Education New Zealand (both by email), as well as with a China-based agent recommended by Mr X, International Education Network Ltd based in Shanghai.

1

The Chinese market is an emerging market for education. Over the years China has grown into a modern and wealthy country and now is one of the most popular markets to break into for a New Zealand company because China is the global leader in many industries and one of the largest producers/manufacturers of the world's goods, such as cars, apparel, electronics, optical and medical equipment and other materials and goods. China is very advanced in the fields of technology, created by a highly skilled and educated workforce.

The international student industry is New Zealand's fourth largest export industry, with our region taking in 2.5% of the national intake and ACID bringing in over \$2m to Anytown's economy. When researching trends in the enrolment of international fee-paying students in New Zealand, I learned that in 2013 there were 15,742 such students enrolled in our secondary schools and 4002 (25%) of these were from mainland China [source cited]. So there is plenty of experience in other schools successfully marketing themselves to China, however it will be a new experience for Anytown College.

Mr X is the director of the ACID department and there are four other part-time staff members. In the last six months Mr X has tried to establish friendly ties with his education counterparts in the provinces of China by visiting the provinces the school wishes to receive students from. His goal is to sign up 15 students from China to start at Anytown College in the new school year. It is common practice for Chinese business people to become friends with the person they propose to do business with. Because of an incident at the College in 2008, Mr X has had to build relationships with agents in China that already send international students to other New Zealand schools, ensure homestay homes are inspected and safe and advertise the school positively so that Anytime College is projected as a safe school with high educational achievement. Chinese regulations prevent foreign institutions from direct recruitment but recruitment can be done by working with approved and registered Chinese education agents.

As it has a small roll, Anytime College is at an advantage because past and current students from other countries report that they have felt more included and comfortable as they are not lost in the huge rolls that many city schools have. It is also a state school which is an advantage. In its marketing material Anytown College uses quotes from past and existing international students who have been very happy with their education and enjoyment at the College. To be eligible to enrol students from China and other countries Anytown College became a signatory to and agreed to observe and be bound by the Code of Practice for the Pastoral Care of International Students, published by the Ministry of Education.

Since China is communist run, schools are run by the state. New Zealand private schools often have a large number of students from China therefore the students have less need to communicate in English but at Anytown Chinese students are more likely to have to learn and use English. Anytown College has a policy of limiting the number of full year equivalent students (FYE) to 15 from any one country. The limit of international students at Anytown College is 5% of its total roll so the international community can be about 75 students maximum. To ensure they get the 5%, Anytown College has to market itself as being better than their competition – other schools in the region and, especially, schools in the nearest urban area, Auckland, and even schools in Australia. Since Anytown is a small town, it has to compete with Auckland schools where there are larger groups of Chinese students and the city could be seen as more interesting for the students.

Potential students and their families determine the destination of their study by using PISA education rankings from previous years. *The student provided an explanation of PISA and annotations on the 2009 results.*

Chinese students' interest in New Zealand as a prospective country to study in is also based on New Zealand's advertised image and the NCEA and/or Cambridge and university pass rates of international students. *The student has provided comment about New Zealand's high reputation for personal safety and its positive environmental image.*

China is a very bureaucratic country therefore lots of paperwork is required to get the student into New Zealand with a visa, a safe homestay and the school fully following China's regulations.

The New Zealand 'free trade agreement' is a treaty between New Zealand and China. The trade agreement that improves business and encourages cooperation between these two countries benefits the trade and service industries (like Anytown College's international department) by cheaper and higher quality products without high tariffs which put the prices of imported goods up. It was signed in 2008 and brought an end to the negotiation process of imported goods. Now importing and exporting between China and New Zealand is easier for businesses. This improves relations between the two countries. Mr X said that the free trade agreement should make it easier for Anytown College to get its first Chinese international students.

As the director of ACID Mr X has to have a five year strategic plan and be very innovative with this plan. Planning is essential for ACID, especially dealing with China because it is a very bureaucratic nation. The quality of paperwork and communications with agents and prospective parents in China must be very high so that Anytown College can effectively compete against schools in larger cities that take the majority of international students. If there is a problem such as a political or cultural issue that might detract from the reputation of New Zealand or Anytown, Mr X has to plan a strategic response to settle the issue, like changing advertising to redesign the way the school is seen or meeting with Chinese international agents more often to create strong ties with business partners in China. This is important because if ACID can get 15 students from China for next year and the students enjoy themselves, not only are they likely to stay on for later years of study at the College but the word will spread back in China and later enrolments will follow.

There is a lot of potential for Anytown College to be the study environment for Chinese students; currently there are 15 available spaces for Chinese full-time-equivalent students.

When working with the education agents and then while students are actually enrolled, it is important for the school to use cultural intelligence so as not to be unintentionally offensive. This means understanding and respecting the 'tikanga' of the Chinese culture, their customs and ways of doing things.

*The student provided evidence of an email dialogue with International Education Network Ltd based in Shanghai.*

1

	Grade Boundary: High Achieved
4.	<p>For Achieved, the student needs to investigate the exporting potential of a New Zealand business in a market, with consultation.</p> <p>This typically involves planning an investigation, consulting domestically for exporting potential, providing evidence of an investigation and explaining exporting potential through:</p> <ul style="list-style-type: none"> <li>• stating business knowledge relevant to exporting potential</li> <li>• stating a Māori business concept(s) where relevant to exporting potential.</li> </ul> <p>This student has carried out an investigation and has consulted domestically with NZTE and the chair of a competitor meat exporting company (1). The exporting potential of AFFCO has been explained (2) and business knowledge has been stated (3).</p> <p>To reach Merit, the student could have consulted internationally with the Chinese trade commission to enable fuller explanations of AFFCO's exporting potential to the country. For example, meat quotas exist, therefore AFFCO could concentrate on exporting within the quota but focus on high end/high priced meats so profit margins can remain high.</p>

**I am investigating the potential of AFFCO, a meat processing company, exporting their products to China.**

Currently AFFCO exports to many developed countries and has tried to develop relationships with countries that have already signed fair trade agreements (FTAs). AFFCO have particularly tried to develop contracts with the Asian markets as they see huge potential in exporting there as Asia, particularly China, has the largest emerging middle class in the world. This means that there is ever increasing disposable income among these economies and as a result the people are looking for better quality foods that have a greater protein source like meat products, as opposed to the traditional food sources such as rice.

2

*Cultural intelligence*

Cultural intelligence is very important when dealing with issues such as the one presented. Countries such as China with their heritage and beliefs, like to have personal connections with people they do business with. This is because it gives them the belief that they can trust and rely on their business partners. Many businesses have tried to become partners and/or supply to Asian businesses in the past but the underlying difference to the ones that have succeeded and the ones that have failed is the foundation of what their association with the business is based on. The businesses that have succeeded have allowed time to get to know their associates in the Asian country, developing trust and in most cases building a friendship that allows a personal connection between both them and the businesses. From my research I have been able to find similar businesses with the same barriers when trying to break into the Asian economies. ANZCO is a business in the same sector as AFFCO and have successfully managed to develop relationships with Chinese businesses allowing a far greater market than ever before. After talking to Sir Graeme Harrison, chair of the Board of ANZCO Foods, about the ways and techniques used to break into this market I have been able to develop some strategies for AFFCO to implement.

1

Firstly the most important aspect of developing business with a Chinese business is to develop a relationship between one of your sales representatives and one of their employees high up in the business. Sir Graeme talked about how ANZCO successfully did this and ways AFFCO could establish similar relationships. Firstly, one of AFFCO's sales representatives should be sent over to the country to meet face to face with their potential client. Sir Graeme said meeting face to face is much more personal and helps gain trust among the clients. The two parties should then get to know each other by learning the customs of the Chinese culture, as this can help further along if the two companies are in business as they know what is acceptable and what is not, as well as creating a stronger friendship. To help build a relationship between the two parties it is helpful to ... *detail omitted from this exemplar.*

*Opportunities*

The strategy of creating a mutual friendship between the two people in the separate businesses before approaching them about business plans is one that has been tried and proved that it is a successful way of creating business opportunities, as shown by the way ANZCO has and continues to grow. This strategy has many positives that can arise from AFFCO implementing the same tactic; these include:

- Increased business in the Asian countries that have the largest developing population of middle class customers; this can lead to huge increases in the profit made from the countries concerned, as it allows the greater market than the one AFFCO presently has the ability to supply to.
- Secondly, a huge increase in demand for AFFCO's products. This is because New Zealand has a sophisticated meat industry that produces outstanding, pasture-fed and naturally raised meat. The products are tender, flavoursome, healthy and customised for clients around the world. Our livestock's diet of fresh pasture, grass and nutrient-rich clover almost completely eliminates grain feeding and nutritional supplementation. And, with strict biosecurity and quality control processes, our animals' product is not only tasty but extremely healthy and safe meat. Combining this with an emerging middle class market in China means endless exporting possibilities for AFFCO as the Chinese consumers are demanding a product that is high in protein away from their traditional sources of rice-based meals and that is both tasty and safe. This means that there is a huge opportunity for AFFCO to develop a trusting relationship with this market and if done right can lead to huge financial gain.
- Thirdly, the FTA that was signed with China in 2008 has had a huge impact on the possible financial gains available to NZ countries. This opportunity came about through ... *detail omitted from this exemplar.*

2

*Risks*

There is a chance that the Chinese market is not looking to expand the businesses they work with, which has happened in the past as they are set in their ways and comfortable with only dealing with one business that supplies them with products that they can trust. If this is the case it can mean a small financial loss for the company as they

would have to allocate time and resource to try and expand into this market. I believe that the risk is worth the potential reward as there is a large market that is going to demand an ever increasing protein source and AFFCO has the chance to fulfil this demand.

I believe, from my research I carried out, that AFFCO have huge potential to succeed in the Chinese market as they are a company of high standards that have a proven track record of exporting that will assist them with negotiations. If AFFCO take the time to develop a relationship that is based on trust and communication I believe that they will have the chance to thrive in a market that is the largest growing middle class in the world, meaning never ending demand for their products as the consumers seek a tasty and safe protein source.

2

*Transportation section omitted from this exemplar.*

#### *Regulations*

Regulations are another important issue that AFFCO has to comply with when exporting their products around the world. Regulations or trade barriers and taxes have to be paid and quotas met or else severe penalties can be incurred.

3

New Zealand Trade and Enterprise (NZTE) told me about the specific regulations that AFFCO will need to abide by when exporting to China.

1

One is the quota allowance that is put in place by importing countries. Quotas protect their producers against the competition that exporting countries cause. There are specific quotas allocated so that local producers are not as badly affected by the influx of imported goods. It is vital that AFFCO abide by these set quotas otherwise there are repercussions for them. The FTA which was signed in 2008 was a huge step in the development of a relationship with the country. NZ companies can now export to China without the quota taxes which has caused a huge change for many agricultural businesses. NZTE told me that for companies to keep this agreement going strong they just need to go through the correct processes such as completing all the necessary paperwork and labelling so the same incident which we saw earlier in the year with the meat sitting in a container ship at the port does not happen again.

3

#### *Conclusion*

There is a growing middle class in China so a huge demand for the high quality products that New Zealand and AFFCO produce. Combined with the free trade between the two countries this has the potential to allow companies that handle business correctly to thrive as a result of the increased demand for their products in China.

As shown, I have researched and addressed three important issues faced by AFFCO – cultural intelligence, transportation and regulations. I have shown how other companies have dealt with similar issues. It seems to me that AFFCO would be in a strong position to start exporting their meat products to China and should be able to do this successfully.

*The student has provided evidence of correspondence with New Zealand Trade and Enterprise and a discussion with Sir Graeme Harrison.*

	Grade Boundary: Low Achieved
5.	<p>For Achieved, the student needs to investigate the exporting potential of a New Zealand business in a market, with consultation.</p> <p>This typically involves planning an investigation, consulting domestically for exporting potential, providing evidence of an investigation and explaining exporting potential through:</p> <ul style="list-style-type: none"> <li>• stating business knowledge relevant to exporting potential</li> <li>• stating a Māori business concept(s) where relevant to exporting potential.</li> </ul> <p>This student has undertaken an investigation into the potential for Brancott Wines to export to China and has consulted with domestic specialist advisors (1). The potential for Brancott having a viable market in China has been explained (2). The risks and opportunities of exporting to the new offshore market have been identified, with some business knowledge stated (3).</p> <p>For a more secure Achieved, the student could have stated additional business knowledge relevant to the exporting potential of Brancott. For example, the exporting process could have been explained and cultural intelligence expanded beyond the brief references to it in the evaluation.</p>

Beginning in 1934 as Montana Wines, Brancott Estate is based in Marlborough but they also craft wines from other wine growing regions of New Zealand. Currently they do not export any wine overseas so is totally reliant on wine being sold in New Zealand. However, **Brancott has strong potential to export wine overseas, especially to China.**

While the wine market in China is new, it is growing at a rapid rate and according to NZTE it is expected to reach a value of close to US\$19 billion within three years. Wine consumption is mainly driven by the young and affluent class in China's urban centres. Although the market is dominated by domestic brands, international brands are perceived highly by Chinese consumers, which is good news for Brancott. With imports currently accounting for one-fifth of China's domestic market demand, this represents huge export opportunities for Brancott Estate and other New Zealand wine companies. 2

#### *Growth drives in China*

- China currently has many growth drivers which are helping overseas businesses not only to sell products easier but also to have easier ways of importing products. China's wine market will continue to register strong percentage growth in the forecast period due to rising affluence of the middle income earners in major cities and an increasing adaptation of Western dining habits. Imported wine is warmly welcomed by Chinese consumers and is perceived as being of high quality with a better taste. Consumers have also shown a preference for fruitier flavours. Concerns over wine makers in China and growing health and safety awareness will drive consumers to rely on trusted international brands that have been sourced from reliable destinations such as New Zealand. 2
- Chinese consumers are becoming more knowledgeable about grape wines. This is good news from Brancott as they are good at growing grapes on their vineyard in Marlborough and have great care and respect for their land and the surrounding natural resources. Wine information, such as brand history and taste features, are listed on Brancott's website and this could help Chinese buyers select wine.
- China was New Zealand's sixth and seventh largest export destination for wine in terms of value and quantity respectively. Wine exports (by other winemakers) totalled around US\$18 million, representing an increase of 87 percent.

#### *Transport*

The physical distances within China and the huge population means businesses are often better to concentrate on one city or province. This lowers travel time and travel cost. However, Brancott's location in Marlborough may add an extra cost to the business, having to get their wine from the remote location to the ports of either Christchurch or Wellington. Despite this, transport does not have a huge impact on Brancott. Wine gets better with age so transportation will not impact the product.

*Information on support and advice from government and non-government agencies omitted from this exemplar.*

#### *Exchange rates*

New Zealand has a free trade agreement with China that allows goods from New Zealand to enter China at lower duty rates than those available to countries that do not have such an agreement. Under the agreement, duty rates will reduce to zero on most New Zealand goods exported to China by 2019. 3

One of the biggest issues with exporting is the fluctuating exchange rate. This means Brancott may not be making a strong return against the Chinese yuan and exporting may not be worth it. There are two options for the business to implement which could protect Brancott against changes in the exchange rate.

- 1 A forward exchange contract would provide Brancott with a fixed exchange rate for settlement on a future date or between two future dates. This way removes the exchange rate risk and provides a fixed rate to cover any major changes. However, the solution doesn't allow Brancott to take advantage if rates move in their direction as they must stick with the agreed contract rate.
- 2 A vanilla currency option would allow Brancott to have a flexible means of having protection against major exchange rate moves – similar to forward exchange contract – while at the same time allowing Brancott to take advantage if rates move in their favour. However, given this flexibility it will require payment of an upfront premium which may be too costly.

#### *Risks*

- Brancott's reputation as a trusted wine producer could be affected if exporting to China does not prove to be successful.
- Loss of intellectual property.
- Credit risk or financial risk, meaning the risks of non-payment, late payment or even fraud by foreign buyers.
- The demand for the product in the export market may dry up before profits reach full potential.
- Competition from other similar products in the export market.

- Brancott would require additional financing to fund the export business, which may fail.
- Product may not reach the export market due to issues or bottlenecks such as theft or other non-tariff barriers. *Several other risks omitted from this exemplar.*

#### *Opportunities*

- The biggest bonus would be a new income stream and increasing volumes of sales.
- Brancott could see enhanced domestic competitiveness of their products.
- The company would no longer be reliant on the domestic market.
- Brancott could expand company awareness of other similar products worldwide and boost other markets like tourism for New Zealand, should exporting their wine be successful.

#### *Evaluation*

When it comes to exporting, fortune seems to favour the brave. And while the risks require caution, when considering international opportunities Brancott shouldn't allow fear of any sort prevent them from enjoying what should be, if they prepare correctly, a profitable outcome.

Brancott have never exported before so they perceive all kinds of risks that are relatively easy to manage and are outweighed by the advantages in terms of new income and increasing volumes.

I believe the first move for Brancott is to recruit a member of staff with experience of selling into China. This person would have the contacts, know the ropes and have knowledge of the risks.

To deal with unknown problems you first need to minimise the degree of unknown risk. This is largely about gaining knowledge. There are plenty of opportunities to find out about particular countries and trading overseas in general.

The New Zealand Trade & Enterprise (NZTE) has access to such information and can help Brancott. Intellectual Property needs to be protected.

According to NZTE, the most common problems for new exporters is failing to deliver on time because documents are wrong, meaning goods have difficulty getting past customs. Another common problem is appointing the wrong person or organisation to represent you overseas.

It's important that Brancott makes close connections with businesses in China so that importing into the country is as easy as possible.

Overall, Brancott is excellent at selling its brand locally. It is well-liked and follows all the right steps and if they follow the right steps overseas, they have the potential to do very well.

#### *Consultation*

I consulted by email with John Argyle, Brancott's vineyard manager and New Zealand Trade & Enterprise. I also used secondary research with the many websites listed in my bibliography.

1



	Grade Boundary: High Not Achieved
6.	<p>For Achieved, the student needs to investigate the exporting potential of a New Zealand business in a market, with consultation.</p> <p>This typically involves planning an investigation, consulting domestically for exporting potential, providing evidence of an investigation and explaining exporting potential through:</p> <ul style="list-style-type: none"> <li>• stating business knowledge relevant to exporting potential</li> <li>• stating a Māori business concept(s) where relevant to exporting potential.</li> </ul> <p>This student has consulted domestically with NZTE to gather information about increasing Zespri's kiwifruit exports to India (1). Information has been provided to justify why expansion of the current export capacity may be justified (2), and the student has also discussed the potential barriers for expansion. Some relevant business knowledge has been stated (3).</p> <p>To reach Achieved, the student could have investigated the potential for Zespri to export to a new offshore market, or a new province in India in which Zespri has not yet realised their export potential. Reference in the evidence to more kiwifruit suggests that Zespri is only wishing to increase the quantity in the current market.</p>

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 5<sup>th</sup> 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 countries 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 ...

3

#### *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.