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### Competition in the Eurozone

Irish exporters view the Eurozone as being increasingly competitive and, in industries where price is central, margins are under pressure.

- This is compounded in the traditional and high-tech manufacturing industries by the flood of cheap products that are imported into the Eurozone from low-cost manufacturing countries.
- Many exporters have also noted that the advent of the Euro has attracted new competitors into the Eurozone, especially from the US.

Competition in the Eurozone, even in product niches, is now intense.

### Tailored service from Enterprise Ireland

With increased specialisation and rapid development in some sectors, companies need

- highly specific information and
- assistance in developing new products and markets

both of which should be tailored to sectoral and individual company needs.

Client companies believe that Enterprise Ireland should accelerate the development of specific services tailored to individual company needs. They believe that Enterprise Ireland can deliver real value-added assistance to Irish companies by

- differentiating rigorously between different sectors and tailoring support to the specific needs of the sectors and
- differentiating to a level where, even within industry sectors, information is as highly specific as possible to the needs of the individual company.

## SECTORAL ISSUES

In addition to key issues that apply to all Irish companies that are clients of Enterprise Ireland, the research identified additional issues that are sector specific. These issues are considered by sector.

### Traditional Manufacturing

- The domestic market represents a substantial percentage of total sales.
- The UK is the primary export market. This results from historical and cultural factors coupled with the nature of the product offering
- A relatively small number of firms export to the Eurozone and few firms sell globally.
- Firms generally sell a commodity product. The key customer purchasing criterion is price, thus wage inflation may curtail plans to expand into the Eurozone.
- Language can still be an issue for firms in this sector relative to other sectors. English is not widely spoken by European customers in this sector.
- Styling differences between the Eurozone and Ireland often mean that Irish companies' products are not suitable for Eurozone markets.
- The majority of firms believe that the set up costs of direct entry into the Eurozone are too high. Agents and intermediaries are the preferred route for entry.
- Accurate market intelligence is an important precursor to market entry by the limited number of firms which envisage growth in the Eurozone.

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In many respects, Europe is no different in that long term sustainable business tends to result from investment in product, service and the development of a trust based professional relationship with customers and distribution partners. It is important to recognise that countries so close together actually have some quite stark cultural differences and to align the personalities on your own team with the customer's organisation.

Martin Walsh – Sales Director  
Lake Communications

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## High-tech manufacturing

- The domestic market is an important market but offers limited potential for long term growth.
- The UK market is a key market for growth opportunities but most firms identify the Eurozone as offering the greatest growth potential.
- A small number of firms export to markets outside of the UK and the Eurozone. For these, Asia, the US and the Middle East are the key markets.
- Price sensitivity is not as important as in other sectors but rising costs are a barrier to market expansion. Domestic inflation is a problem in this respect.
- Many firms source raw materials from the UK and must now incorporate the resulting increased costs into their cost structures
- Most customers speak English but it is difficult to attract sales staff with the right blend of technical skills and market-specific language skills.
- In some Eurozone countries, notably in France and Germany, national preferences are a barrier to growth.
- Availability of finance is not the key problem. Companies report that capital is available to exploit identified market opportunities.
- Identifying opportunities in the Eurozone is difficult and quality market intelligence is again a critical factor.

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#### Software and services

- Only a small proportion of sales is generated in the domestic market.
- The UK market is often a stepping stone to the roll out of the products in other markets. While it is a key strategic market, the UK does not represent a particularly high percentage of total sales.
- Exports to the Eurozone have increased considerably over the last five years. The Eurozone is an important market, but only as a subset of the global market, and it is perceived as a fragmented market when compared to the US.
- The US market is a high priority for most software companies. However while it is a key target market, it is the most difficult and most expensive market to penetrate and in which to make an impact.
- Price is not the key purchasing criterion of customers in this sector. While the cost of programmers and consultants has increased, this has not significantly effected market development.
- English is the 'lingua franca' in this sector and language is a concern only where companies must provide localised support services.
- National preference is not a significant problem as customers are keen to obtain a product that is of genuine value to their business irrespective of the country of origin.
- There is no difficulty obtaining finance for expansion when products and strategy are of sufficient quality. Companies require speedier decisions on finance.

## Pharmaceuticals

- A significant proportion of smaller companies' sales is in the domestic market but there are limited opportunities for long-term growth.
- A number of companies have significant sales in the UK market but the market has contracted in some product categories.
- The Eurozone is the key market growth opportunity for both generic and proprietary products.
- Companies have limited exposure to the US market, which is viewed as too competitive for generic products and very costly for proprietary products.
- Some companies sell generic products indirectly to a number of third world markets via European-based aid agencies.
- A combination of domestic inflation and sourcing raw materials from the UK has meant that the operating cost base in this sector has increased and this cost must be passed on to customers.
- Consumers show a strong preference for internationally recognised or locally branded proprietary products, particularly those for human consumption.
- Finance is a problem for manufacturers of proprietary products. The lead-time from product development to market launch is often considerable and results in high working capital requirements.
- The lack of accurate market intelligence, relevant opportunities and potential new partners is a barrier to market expansion.

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### Consumer products

- A large proportion of total sales is in the domestic market.
- A high percentage of exports are to the UK market. However the UK market has recently contracted in some product categories.
- Companies currently exporting to the Eurozone regard this market as having further potential.
- While the majority of companies do not focus on other markets a few companies are successful in the US market.
- This is a price sensitive sector in which rising labour cost is an issue for companies which must price competitively to win contracts.
- Consequently some companies now outsource elements of their production to low labour-cost countries
- Cultural issues and different styling tastes apply across the Eurozone and product adaptation to the tastes of local markets may be necessary. This is not always cost effective.
- Sourcing finance to expand operations is difficult for companies that operate in markets or industries that are identified as mature or in decline.
- "Lifestyle businesses" may lack the determination to grow.
- There is a tendency to take a short-term view; to regard investments as a cost rather than an investment. Exporting to the Eurozone is not seen as an imperative for survival.

## Food \*

The companies interviewed in this sector tended to be larger and more established than those interviewed in other sectors.

- The domestic market represents a significant, though decreasing, proportion of sales.
- The UK market, although very competitive, is important and represents a significant proportion of export sales.
- Companies identified the Eurozone as representing the greatest opportunity for growth but this is conditional on significant investment in plant and production capacity.
- Few food companies trade outside the domestic, UK and Eurozone markets.
- Food companies do not see major opportunities for the export of branded food products, primarily due to strong cultural preferences.
- The opportunities identified relate mainly to the business to business market for non-branded products, food ingredients and some niche markets such as the snack food industry and own label products.
- In the mature food market it is necessary to displace long established suppliers to win new business. Consequently a local presence is very important.
- Availability of finance is the key requirement in driving expansion into Eurozone markets. Many companies see the enhancement of production facilities as necessary for further Eurozone development. The establishment of a local presence, whether via a sales office or an acquisition, is considered a priority.
- Those companies that have done well in the Eurozone believe their success results from good relationships with retailers and a good team with the right combination of language, sales, product knowledge and local market intelligence.

\* An Bord Bia is responsible for direct marketing supports for the food industry.

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Playprint has always been a very export focussed company. The openness of the European market and the absence of complicated tariffs and customs controls coupled with the presence of a significant number of major telecoms companies has been very beneficial to us.

Mr John Martin  
Playprint Limited

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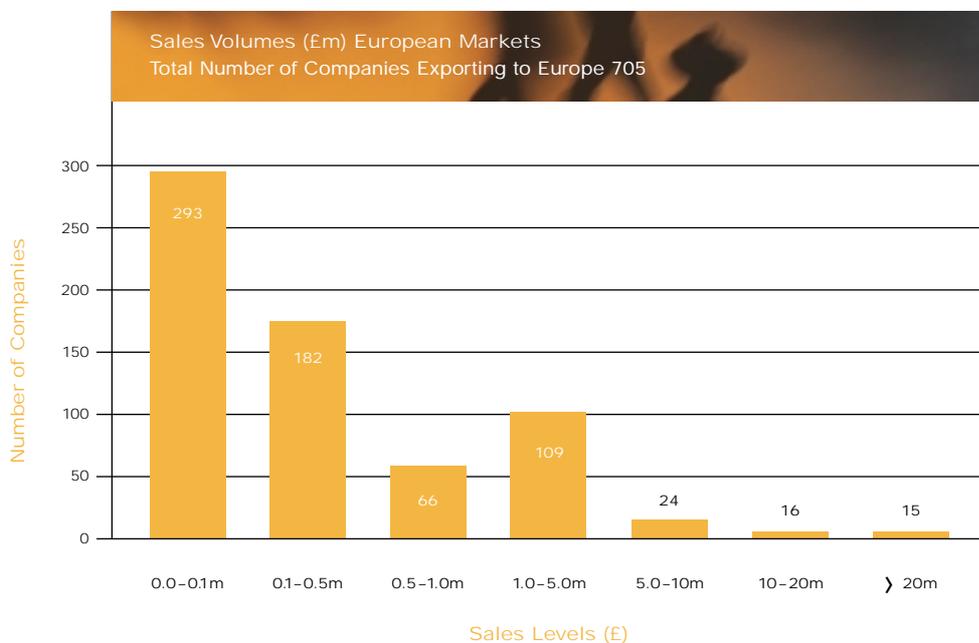
## Enterprise Ireland Eur-Opp 2003 initiative

The Eur-Opp 2003 initiative responds to the identified needs of Enterprise Ireland's indigenous client companies which intend to enter or expand activity in Eurozone markets by means of a range of actions and supports aimed at:

- overcoming barriers to entry,
- strengthening competitiveness and
- financial support.

In response to the challenges presented by the research findings Enterprise Ireland has set a target for the Eur-Opp 2003 initiative over a 3 year period of:

- Doubling the number of clients selling in excess of £5million from 55 to 110 companies.



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## ACTIONS TO OVERCOME BARRIERS TO ENTRY

The Eurozone is not a homogeneous market. Different languages, cultures and business practices can make it a minefield for the unprepared. Because of the size of the Eurozone, and the high level of competition, gaining access to the right market partner or customer can be fraught with difficulties. Enterprise Ireland initiatives will help client firms overcome these problems.

### Incubator Units

Enterprise Ireland will open incubator offices that will enable clients to develop a speedy in-market presence. They will be available on short-term lease.

In addition to the assistance of Enterprise Ireland staff, local professional advice on legal, taxation and other issues that arise in establishing an in-market presence will support each incubator. Incubator Units will be opened in:

- Paris
- Düsseldorf
- Munich
- Amsterdam
- Stockholm
- Madrid
- Vienna

### European Customer Initiative

One of the most effective means of developing new business is arranging for an existing or potential customer to visit a firm's premises in Ireland. During 2001 Enterprise Ireland will bring 300 European customers to Ireland to meet with Irish suppliers countrywide. A series of workshops and training programmes will be run to help firms to maximise the potential of these visits.

### Selling Skills Workshops

Regional "Selling to the European Buyer" workshops will be held throughout Ireland. Each workshop will focus on one particular country and will cover the cultural and practical issues involved in making that vital positive first impression.

### Language and Culture Training

The old adage “You can buy in any language but you must sell in the customers language” still holds true.

English may be acceptable when dealing with senior level personnel in European firms. However this is unlikely to be the case when talking to management and staff at other levels. Potential sales opportunities may be lost if communication with the customers’ technical and operational people is not possible, e.g. to discuss potential new solutions to their problems.

Enterprise Ireland, in co-operation with Dublin City University, is developing business-specific language courses. These will initially be targeted at sales and marketing personnel who already have a basic knowledge of the language. The courses will cover key areas such as negotiation, asking for and giving information, and will also cover the cultural issues that must be understood in order to forge successful business relationships.

### Market Intelligence

Timely, up-to-date information is vital to firms intending to grow sales into Europe. This information must be specific to industry and particular company needs. Enterprise Ireland in Europe is changing to meet this challenge. For key growth sectors a pan-European team will be established. The team’s role will be to keep Irish firms supplied with the latest information on:

- market and customer changes,
- rules, regulations and registrations,
- emerging opportunities and threats.

Client companies will also be provided with direct access to a panel of external sectoral experts.

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Enterprise Ireland will work with firms to put this information to practical advantage. The teams will be supported by the latest information supplied by expert industry analysts and electronic communications will ensure rapid distribution of information.

- o Enterprise Ireland will establish an eNetwork through which client companies will immediately be notified of relevant new information in their sector.

#### Young Managers for Growth

In order to help drive export growth there is an urgent need to develop a supply of young managers with international marketing skills focused on particular markets and sectors. Competition from international firms in Ireland has limited the pool of graduates available for SMEs.

These managers can help drive profitable export sales growth by helping client companies to monitor markets and identify new market opportunities. They can also assist firms in finding new and effective ways of accessing markets, including the use of eBusiness.

To attract qualified graduates into SME client companies Enterprise Ireland will launch a Young Managers for Growth initiative.

This will be a major initiative that will be operated in association with an internationally recognised education institution. It will involve a two-year work and training programme leading to a postgraduate qualification.

#### ACTIONS TO STRENGTHEN COMPETITIVENESS

The buoyancy of the domestic and UK markets in recent years should not blind firms to the need continually to improve competitiveness, particularly in relation to European counterparts. Enterprise Ireland has a range of actions to assist companies to enhance competitiveness.

#### Manufacturing excellence

Being competitive means matching or beating the production efficiency and productivity of your competitors. Because of their high cost base and price pressure from their customers, firms in the main Eurozone markets have implemented continuous cost reduction programmes over recent years.

Enterprise Ireland's World Class Manufacturing programme enables client firms to address this key aspect of international competitiveness. The programme assists firms to hire specialist WCM consultants who will work with them to implement fundamental changes in their production operations. Support is provided for the hiring of consultants, the internal costs of the change programme and consequent training costs.

#### **Outsourcing Missions**

The success of the economy in recent years has benefited the overwhelming majority of Irish firms. This success has also brought about changes that have increased firms' cost base, primarily in the area of the cost and availability of skills and supplies.

In order to maintain and improve international competitiveness firms are increasingly looking to outsource non-core elements of production to markets where costs are lower and the labour supply is more plentiful. Eastern Europe has been a recent focus of attention.

- To support firms seeking outsourcing opportunities Enterprise Ireland will organise a series of outsourcing missions in 2001.
- Enterprise Ireland will also run a regional campaign to explain the pros and cons, opportunities and threats associated with outsourcing production.

#### **International Sourcing**

Many Irish firms source raw materials, parts and components in the UK. Due to the high value of Sterling a premium price is being paid for these purchases. Enterprise Ireland believes that considerable potential exists for Irish firms to source from the wider Eurozone market and beyond.

- An International Sourcing Service is being established to work with individual firms to identify alternative sources of supply and to obtain competitive quotations.

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As a company engaged in the supply of IFE software to airlines world-wide, we believe that the European market is of prime importance on several levels. In addition to a single currency, single market advantages and highly developed on-site market intelligence, there is little doubt that our strong European client base actually aids our forays into more exotic regions. Europe is where our company experienced its early growth and with Europe itself continuing to grow through expanded EU membership, it remains pivotal to our plans.

Damian Fannin  
Inflight Audio

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This service will enable firms to acquire the necessary information to decide on the most appropriate option, for example,

- to continue with existing purchasing arrangements,
- to switch supplier or
- to use the price information provided to negotiate lower rates with current suppliers.

This service will have access to the latest technology on sourcing via eMarkets.

Enterprise Ireland believes that, over time, common purchasing needs across groups of Irish firms will become apparent. This will facilitate pooling, thereby enabling negotiation of lower prices and reducing purchasing costs.

#### Acquisition Service

For both strategic and tactical reasons Irish firms increasingly need to acquire overseas firms. To support firms successfully to implement a European acquisition strategy Enterprise Ireland offers a tailored service focused on reducing the risk and on finding the right partner firm. Working with a company's acquisition team Enterprise Ireland's experienced staff will provide practical assistance, advice and information on:

- drawing up a candidate list,
- market opportunities and level of competition,
- accessing professional legal and financial advice,
- local sources of information and key contacts.

#### FINANCIAL SUPPORT

Enterprise Ireland will provide financial support, both repayable and non-repayable, for major marketing initiatives to penetrate Eurozone markets. Most marketing costs will be eligible, in particular costs associated with Market Research, Research and Development and Management Development. Support will be available only in the context of a three-year business development plan. It will not be available for one-off activities.

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