

# Breaking into new markets

WHILE IRELAND IS A HUGE SUCCESSFUL EXPORTING COUNTRY, THERE IS A MAJOR OPPORTUNITY TO DO MORE BUSINESS IN THE SO-CALLED 'BRIC' COUNTRIES, SAYS MIKE MCKERR, MANAGING PARTNER AT ERNST & YOUNG

**T**HERE is a huge opportunity for Irish exporters in the so-called 'BRIC' countries – Brazil, Russia, India and China – but successful strategies need to be built around breaking down these markets rather than taking a blanket approach.

This was one of the points highlighted in Ernst & Young's recent report, 'Growing Beyond', which examines lessons to be learned from high achieving companies, particularly in relation to entering new markets and developing products.

"There are big differences between the BRIC countries because of different economic growth rates, consumer demand and the rate that urbanisation is changing. India, for example, is a more traditional business environment based on English law while China is vibrant and open," says Mike McKerr, managing partner, Ireland, at Ernst & Young.

In China, McKerr notes there are eight second-tier cities, each with more than seven million population and a burgeoning middle class.

"Each city is a market in its own right. Successful exporters focus on the drive to urbanisation and reaching critical mass in each city, rather than trying to get their arms around the whole country. They focus on one city as a point of entry."

Meanwhile, in India, over the next number of years it is estimated there will be an additional 500 million people classed as middle class and growth in consumer spending is expected to be more than 15pc per annum.

"There will be a demand for consumer products and technology and as people flood into the cities for infrastructural improvements and business to business services such as legal insurance," McKerr notes.

He says Ireland is exporting "nowhere near enough" to India and China, which represents a massive growth opportunity for Irish companies.

"Irish exports of merchandise to China were around US\$3bn last year, less than a quarter of 1pc of total imports. If we were able to double that, up to half of 1pc by 2020, this would rise to US\$21bn.

"We would estimate that less than 4pc of total Irish exports are to BRIC economies, and that this grew by only 5pc last year. The rest of Europe grew their exports to these markets by 22pc. For such a successful exporting country, we are not punching our weight in terms of the BRIC countries."

In general, high achieving companies are



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flexible in their approach to market entry, but with a focus on speed of activation and integration into wider operations, the Ernst & Young report states.

"Many high achieving companies focus on how to build teams in local markets. They have embraced the need for diversity in local teams and recruiting the right skills locally. They tend to be more selective in their recruitment and faster to develop and deploy people. There is good top-down sponsorship which enables the companies to empower local teams more," says McKerr.

"An interesting statistic about high performing companies is that they are twice as likely to have people from emerging markets in global management positions. They are able to develop people to such an extent that they bring real depth to the organisation."

When it comes to products, successful exporters have clear ideas about using existing iterations and making them appropriate to different markets. They have a good understanding of the need to tailor their approach and business model to different countries.

"Successful exporters are taking existing generations of products and applying them to emerging markets, while continuing to innovate with next generations in markets closer to home. Previous generations of products can get another life in emerging markets. GDP is growing by more than 8pc per annum in India and China, for example, and exporters' sales growth is being lifted by this market growth – something we haven't seen in Europe for the past five years," McKerr notes.

Another Ernst & Young report – 'Competing for Growth' – highlights that high performers approach new markets through a deep understanding of their target customers.

It states: "They have broadened the range of their products and developed them close to their markets to better meet their needs. They move pricing as close to the market as possible and as much under their control as possible. And they take their stakeholders with them – through clear and specific communication about both markets and challenges."

McKerr comments: "Starting to export into a market is still viewed as a risk and a move away from the norm. Engagement with all stakeholders, including investors and employees, is really important to manage that risk. It comes as quite a surprise to people that a hallmark of successful exporters is a clear communications strategy."