

6. Distributing your Product in the EU

6.1 Distribution Channels

Overall distribution is an important factor when exporting products and the availability and structure of the distribution channels will have a major influence on costs. When considering distribution channels an exporter should evaluate distribution and channel. Exporters seeking to penetrate international markets must understand the distribution needs, options and assess their impact on costs.

When evaluating transport, considerations should include available carriers, shippers, freight forwarders and customer brokers in addition to the roads, rail networks, air transport, bridges, ferries and ports. Depending on the market the geography, topography and climate may need to also be factored. When considering distribution channels the transport aspect is often overlooked but can strongly influence the movement of products.

When it is determined that a product can be physically shipped to a market, the distribution within that market, through various channels should be evaluated. As previously outlined in the Market Entry Strategy section, the traditional means of product market entry can be classified into three broad categories, which are direct exports, indirect exports and foreign direct investment. Within each category various potential avenues for distribution channels could be considered.

To reach consumers, a number of avenues can be explored. The most straight forward example of a distribution channel is a specialty food manufacturer that takes an order and ships it directly to the final consumer. For smaller firms, the process for such a distribution channel is often not cost effective due to the required resources and many activities to complete a small export order. Depending on the size and experience of the exporters various channels should be considered. An exporter could consider selling directly to retailer or through wholesalers, distributors, sales agents and/or food brokers. The table below outlines the role, advantages and disadvantages for each distribution channel. An exporter will need to determine how best commit their available resources in order to develop an international business. The selection of a distribution channel is of the utmost importance in order to develop a market entry strategy to become competitive.

The retail distribution of specialty food is composed of supermarkets, warehouse clubs and supercenters, convenience stores, natural food stores and specialty food stores.

An exporter should be able to “articulate “how he or she will be servicing the account. Retailers want to know “who do I call if there is a problem” and how and who will look after it? This point is particularly important for foreign suppliers who are physically located at greater distances away from the customer. Asking retailers who they would recommend using as a broker has merit even if the plan is to represent yourself in this capacity in the initial growth stages of exporting.

What comes first? Securing distribution or securing the sale with the retailer?

These two functions work in tandem, however nothing happens without the initial sale to the retailer. It is important to think about the nature of the sale: some retailers will order direct from the manufacturer and look after their own warehousing and distribution. Some retailers will simply pull the product through an established distributor. Retailers can encourage distributors to carry new products if they have decided they want them. The best case scenario is to have a clear sense of the good distributors that are operating in the market and servicing that particular retailer. Being knowledgeable about the distribution environment prior to having discussions with a retailer is beneficial and will provide for advanced familiarity in subsequent discussions.

What knowledge might be important to know in a meeting with a retailer?

You have to think like a retailer and see it from their point of view. They have overall responsibility for the performance of the entire category of goods. For a vendor to be competitive and knowledgeable, they should find out what competitive allowances are being offered to customers by competitors. Preparation for a retail meeting is therefore critical. Information to be thinking about and potentially gaining prior to a meeting might include having knowledge of pricing and promotion trends, brand, category and SKU profitability, allowances that are offered but applied to the product price, promotion timing of competitors and the category, competitive strategies for high/low pricing, “planogramming” insights, cost analysis and forecasting for trade pricing.

6.2 Green Supply Chain

What is Green Supply Management and its level of importance within the EU?

Food security, long term sustainability and how we responsibly manage these important topics are quickly moving higher up the agenda of European governments, international organisations and associations as consumer awareness steadily increases. The importance of managing “ green “ coexists with the world facing an unprecedented challenge brought about by a growing world population that is set to spiral towards 9.2 billion by 2050 and the global food challenge that is leading to countries around the world being destabilised by food price inflation. The need to produce more food, but in a way that does not degrade natural resources is at the heart of the challenge for food producers globally.

EU a leader in Green Supply Chain Responsibility and Development

How Green Are you? What is the current role of the environment in your business?

It is important to assess the role of the environment in your business and as a potential EU supplier. Some important dominant areas to consider would include water efficiency and reducing water consumption in business best practices. Another important area of self assessment includes waste management. The production and disposal of all forms of waste including machinery, inputs and packaging are critical to assessing the environmental impact of your business.

Food Product Packaging

Pressure on suppliers to reduce packaging has dramatically increased in the past few years. Consumer perceptions, fuelled by media calls for more 'sustainable' packaging, are driving an awareness of objectives whilst minimizing its impact on the environment. Recovery, including recycling of used packaging is very successful in the EU. Advances in technology have permitted the industry to explore ever more effective means of ensuring packaging is safer and more sustainable.

Greener food transport

Distribution and transportation are also under scrutiny for threatening efforts toward a more sustainable food chain. Carbon emissions and air pollution pose the most significant risks during the distribution stage, but this does depend on the mode of freight chosen and the type of fuel used. Reducing food miles is something that is high on the agenda for the UK's Food and Drink Federation (FDF) and which forms part of its Five-fold Environmental Ambition. As an example of this commitment, FDF launched its Checklist and Clause for Greener Food Transport. By achieving 'fewer and friendlier' food transport miles, FDF members will contribute to the challenge thrown down in the Food Industry Sustainability Strategy for the food chain to reduce its environmental and social impacts by 20 percent by 2012 compared to 2002.

Reducing energy consumption

The food supply chain is obviously highly dependent on energy at all stages and currently this energy is mostly derived from fossil fuels. In fact the energy consumption of the food and drinks industry is already quite low compared to other sectors, but there are many ways in which the consumption can be lowered still. This is a critical issue given its importance to EU buyers who are increasingly demanding that their suppliers are considering energy consumption within their operations.

The current economic climate has served as a catalyst for lowering energy consumption, which is now a major priority for the food and drink industry as the price of energy continues to rise. The food and drinks industry is adopting measures that should help it not only in its mission to reduce its environmental footprint, but also to help it to cut costs and enhance its competitiveness. According to Toby Prickard, a Business Analyst in Market Intelligence at IGD, businesses that recognise the opportunities that being sustainable represent will be best placed to succeed in the current economic climate, and in the future. He points out that they clearly see the move to sustainability as a benefit to the environment, their consumers and their balance sheets - thereby fully incorporating the triple bottom line of sustainability.