EXPORT NEW ZEALAND
A division of Business NZ

Exporters Survey 2013

The 2013 Exporters Survey was in the field during November 2013. In total, there were 217 responses, compared with 169 in 2012. The following outlines the main findings of the survey.

ExportNZ's latest national survey shows that exporters remain confident of the same or improving profitability in the next 12 months and a significant percentage (44.7%) plan to employ more people.

The majority (71%) are able to access enough skilled staff to grow their business, though 29% say they are unable.

Export orders are expected to rise substantially for some (23.5%), rise slowly for the majority (53.3%), stay the same for 15.5% and reduce slightly for 7.5%.

A significant percentage (43.9%) were expecting to enter new markets or regions in the next 12 months, with the main focus on ASEAN, USA, Europe/UK and the Middle East.

A median of 10-15% growth was expected for the following markets:

- Australia
- Europe (incl UK)
- ASEAN
- North America
- China (inc HK)

Export Regions

Table 1 shows the top 5 countries/regions exported to by respondents.

Table 1: Regions export to by respondents.

Region	Percentage
Australia	69.1%
ASEAN*	45.6%
Europe (inc UK)	42.4%
North America	39.6%
China (inc Hong Kong)	39.2%
Pacific Islands	31.8%
Japan	24.4%
Middle East	23.0%
Korea	17.5%
Africa	14.3%
Latin America	13.4%

** Thailand, Indonesia, Malaysia, Vietnam, Phillipines, Myanmar*

Barriers to Exporting

The top barriers to exporting or exporting more are detailed below in Table 2:

Table 2: Top barriers to exporting or exporting more.

Barrier	Number	Percentage
Exchange rate levels	121	55.8%
Lack of export skills/knowledge	110	50.7%
Price competitiveness of your products	96	44.2%
Funding for developing export markets	94	43.3%
Overseas regulatory requirements	55	25.3%
Cost of raw materials/components	54	24.9%
Other	49	22.6%
Tariffs/non-tariff barriers	42	19.4%

Comments regarding other barriers to exporting or exporting more included:

- A lack of Mutual Recognition of Imputation Credits Trans-Tasman, is a farce the Government needs to remain hot on this topic. It is a major macro-economic impediment which is hampering NZ significantly on into the future, and driving decision making behaviours in way that are not conducive to a strong a vigorous NZ economy! If somebody tells me we'd like to do it but it is the Australian's I will scream. Don't take no for an answer keep the pressure on even if it takes another decade or two to get through.
- After the Fonterra WPC false alarm, the government is not doing enough to restore consumer confidence in China. NZ infant formula is now perceived as being "poisonous" by most consumers, and a marketing campaign is desperately needed to rebuild the NZ brand image. Similar to the NZ tourism marketing campaigns run in China, we need a large scale marketing campaign in China to reinforce the idea that NZ food products are safe!
- Blinkered views of government or quasi-government agencies.
- Building relationship with potential customers. It takes time.
- Capital needed to sustain growth.
- Cash flow and keeping NZ market going while building overseas
- Closure of NZTE offices overseas and censorship of the 2011 Briefing Report to the Minister of Trade means we have no idea which regions to develop. We are working in the dark after the NZ government has switched off the light as we try to second-guess what the policy is and will be. We may also be facing bankruptcy if the TPPA is not favourable to us.
- Connections to key sales people representative for the industry.
- Cost of capital; lack of equity investment.
- Cost of getting product overseas.
- Costs of shipping.
- Customs clearance charges in Australia and freight costs.
- Domestic regulatory requirements (NZQA).
- Especially tariff & non-tariff barriers entering the French Pacific Territories which is a major barrier to developing sales to New Caledonia and French Polynesia and our Government seems to be disinterested in taking up this issue with either the EU or the French Government.
- Exchange rate volatility.
- Exported raw materials that we use that are also exported by subsidised to do so.
- Gaining the same credibility for my products in Australia that I enjoy in New Zealand.
- Getting simple usable information on food safety for products like ours and what is allowed or not is at best a nightmare. No one seems to know the full picture and all research ends in dead ends or is too time consuming for small businesses like ours to allocate time to getting the answers. NZTE should know the FSP rules per territory and have them in a clear format. EG You can't ship pork (raw) to Malaysia, but you can ship cooked pork to Malaysia if you have certification XXXXX. Certificate XXXXX is available from YYYYYYYYY Ltd. To get it you need to provide..... KKKKKK & JJJJJJJ Sounds easy... but right now I'm at a loss as to how I move forward quickly.
- Haven't really chased export work. Inconvenience of working offshore.
- Having stock on hand to cover expected new growth.

- Having the resources to engage on the ground in these markets.
- Home grown export regulations by MPI.
- Inappropriate policies by NZQA and Immigration NZ.
- NZQA creating sanctions to obstruct the business development of providers with Category 2 assessment.
- ImmigrationNZ using NZQA EER assessments to restrict Category 2 providers from work rights for English students, and Streamline Visa Processing, both of which will significantly curtail export business growth. "
- Internet sales are a major direct competitor.
- Irregular bearing of avocado.
- Lack of capital to expand due in part to lack of Govt support for our local market. Govt AofG contract is hurting us.
- Lack of demand in Australia. Our existing customers all report very subdued business.
- Lack of dry-docking facilities.
- Lack of supply.
- Lack of understanding of overseas markets and competitors for our products
- Laziness.
- Log supply.
- None of above applies to the products we export.
- Operational Scale.
- Over supply in the market.
- Product competition.
- Product not desired in most countries.
- Production issues.
- Raising capital.
- Reduced volumes of kiwifruit available due to PSA infection and transfer to new cultivars.
- Staff wages.
- The Australian honouring the free trade agreement and treating us the same as Australian companies.
- The cost and time for re sourcing development of export markets.
- The volumes we export are limited by our available capacity after satisfying the domestic demand.
- Time.
- Very heavy market competition in volatile market.
- We are growing the business at a controlled rate. The rate is controlled by the skills and commitment of the overseas agents. We will not invest in NZ staff working overseas.
- We are now losing business simply due to exchange rate appreciation especially in Japan and latterly in Australia.

Export Strategies

Exporters are employing a number of strategies to manage the high NZ dollar with nearly half focussing on improving productivity (see table 3). This was followed by investing in new product development, hedging, increasing prices and investing in new plant and equipment and selling online.

Table 3: Strategies taken to reduce the impact of the high NZ dollar on their business.

Strategy	Number	Percentage
Improving productivity	100	46.1%
Investing in new product development	79	36.4%
Hedging	62	28.6%
Increasing prices	61	28.1%
Investing in new plant/ equipment	49	22.6%
Selling online	43	19.8%
Changing markets	37	17.1%
Other	30	13.8%
Shifting manufacturing offshore	29	13.4%
Importing more inputs	20	9.2%

Other stratgies taken to reduce the impact of the high New Zealand dollar on their business include:

- Accepting a reduced return.
- Attempting to find more OEM partners in the USA to promote our product.
- Attempting to increase price!!!
- Moving to implement selling more online locally.
- Delivering offshore education.
- Due to the purchasing strategies we have put into place over the last 18 months the NZ Dollar has had no effect on our business.
- Employing more foreign language in NZ offices, placing more personnel on the ground in the foreign markets.
- Ensuring that we provide value that cannot be measured only by price.
- Hoping that John Key stops treating his mates and devalues the dollar.
- Importing and storing larger quantities of raw materials to get better pricing.
- Increasing collaborative arrangements with on-shore organisations.
- Location of NZ.
- Looking to the options of moving marketing expertise off shore.
- Making quality, shortened delivery time and customisation our point of difference.
- Marketing our advantages, skills , expertise and experience.
- Moving to higher value add products.
- Natural hedging.
- Not affected yet, however it actually might work in our favour.
- NZD at a high rate actually is good for us overall.
- Quoting in local currency so we carry the exchange risk and buying futures options.
- Reduce prices, reducing margins.
- Sacrificing margin in the short term and targeting order size growth (and therefore production gains) as the means to increase profitability.
- Setting up Supply JV's with USA, Australia and Europe.
- Shifting resources offshore.

- Targeted relationship based marketing and selling.
- Trimming costs (where trimming is still possible!).
- Trying not to increase export prices; and trying to increase local sales and prices.
- We are new at exporting to USA (2012/13) and have quoted our machinery in NZD so we have budgeted income on this.
- We carry the exchange risk, and make adjustments when necessary.
- We seem to be able to cope with the NZD at existing levels quite well.

Regulatory Barriers

When asked if they had experienced regulatory and non-tariff barriers, 63.5% said no and 36.5% said yes.

For those that had the issues were varied, but China and Australia (biosecurity) were mentioned quite frequently as were tariffs and duties.

For those who answered "Yes", the nature of the restrictions, and the country or territory where it was encounted are detailed below:

- Australia – NZ Apple protocol unrealistic.
- China – Trade barrier.
- Australia – product standards certifications; we've spent in excess of $100K last year to achieve these. Not required to sell the same products in NZ.
- Australia, product registration requirements, they do not accept NZ NZVSA/MPI approvals.
- Australia, UK, UAE, all difficult regulatory requirements for products for animal health.
- Basel convention, while my competition worldwide all signatories to the same accord is able to ship the same product without restriction the NZ Govt (EPA) in its wisdom instead throws red tape at our company despite the end market being fully certified to accept and process.
- Bio-security – Australia.
- Brazil – very complex and areas of corruption.
- CCC electrical regulations in China, make it very difficult to certify products cost effectively. Telarc is looking to be a provider but they need to sharpen their pencil considerably they are just as if not more expensive than the Chinese certifiers. We sold more product into China before the FTA.
- Certification of lighting, particularly in the USA and EU.
- Certification requirements e.g. AQIS.
- Certification restrictions into Canada (CRN), USA (Texas Railroad Commission).
- China - regularly using documentation problems.
- China and Australia are the worst but all bio-security regulations make exporting to various destinations prohibitive and generally they are easily argued with science but that hasn't helped us to date.
- China and India differential duties and internal taxation compared to unprocessed logs local producers.
- China demands that we have apply for an imported drug licence even though we only supply raw materials. This is extremely costly and time-consuming.
- China, restrictions, processing barriers, FTA interpretation anomalies and no formal notification of reasons for interpretations.
- China: Significantly increased testing cost following 3 x Fonterra issues.

- Korea: Stopped imports for a period following botulism.
- Russia: Will not register us.
- Indonesia: Use decrees to inhibit imports.
- China: inconsistent documentation requirements; long delays at customs.
- Coals to Newcastle.
- Complexity of Drug Tariff process in UK.
- Cooks – Energy.
- Delays caused by NZQA being very slow to provide appropriate accreditation has cost us significant business.
- Delays in getting product into market.
- Delays in receiving regulatory clearance: USA, China, Brazil, Russia.
- Deselecting countries to target - e.g. Korea - 30% import duty means we have avoided that market.
- Exchange fluctuation.
- For exporting consultancy to the US, the IRS makes it very hard on non-US residents to comply with paperwork proving no withholding tax should be applied.
- Freight, taxes and duties into Europe make our product to highly prices and not competitive to a point where it isn't viable for us to export to Europe. Also very similar to any other countries apart from Australia, where costs to export are lower.
- GB and HS code issues.
- Chinese AQSIQ rule changes.
- Duties in Korea and Japan.
- Testing requirements for China.
- High tariffs in South America.
- Import registration for toiletry products in certain countries is very strict and difficult to manage i.e. Indonesia and China.
- In Japan they have a bureaucracy that acts as a soft barrier. In Brazil (in addition to tariffs) they are slow to clear goods through the ports.
- India – Meat Certification.
- India would be the biggest - it's illegal to import dairy products into that nation. Biggest tariff on milk powders nearly 200% for Peru. Other local industry subsidies e.g. EU/USA etc.
- Indonesia – non Tariff Import Restrictions for Produce.
- Indonesia, China
- International development projects funded by EU – must be EU bidder
- Korea. Meat tariffs on meat in our pies. Chicken missing from NZ OMAR.
- Lack of recognition of private sector degree qualifications in banking system for approval of overseas study loans - India.
- Very slow document verification service by Immigration NZ agencies in Bangladesh and Sri Lanka.
- Length of time taken to register cosmetics and OTC products.
- Malaysia/Indonesia HALAL.
- China access accreditation - no inspectors ex China.
- Mexico – free trade agreement preferences for government purchases.
- Brazil – high tariffs.
- MPI's lack of support in those markets.
- NSA interception of confidential commercial

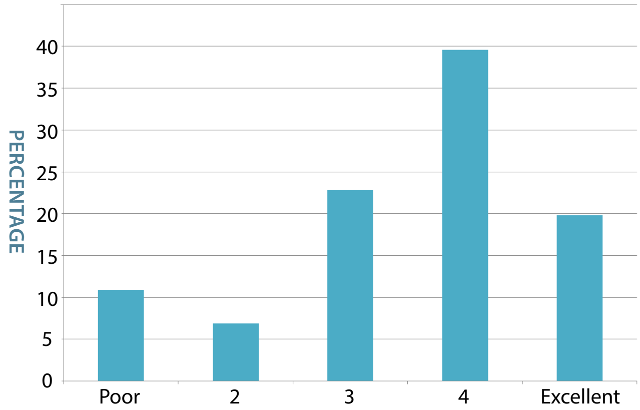
information regarding our pricing and other Terms & Conditions especially when going up against US competitors.

- Multiple attempts at hacking our firewall systems by US-based locations.
- Old tests used for Manuka honey is not working, need new research ASAP.
- Only locals able to get registration to do the work – Indonesia
- Phytosanitary Restrictions – China.
- Preference to use lower cost developing country nationals to do the work.
- Quarantine restrictions for particular plants in different countries.
- Recognition of NZ professional bodies in foreign countries; Japan, Korea, Philippines.
- Regulatory restrictions: EU, USA.
- Requirement in China (public procurement) that we have a local partner, when we would be able to provide the services BETTER and more quickly without one.
- Subsidies for manufacturing in China, Korea and Japan.
- Sweet wine importation restrictions in the EU.
- General regulation in the US since 2001.
- Tariffs – Brazil.
- Tariffs in Brazil and Argentina.
- Thailand. Long delays in getting clearance only to get requested to resubmit all of our documentation after two years trying to get into this market. Our importer in Thailand had legal advice in the first submission to import clearance for our honey wine.
- The aviation regulatory environment remains one where it is critical to have an effective whole of government whole of industry approach because it's not just regulatory barriers it is about customers and protection of those customers and their products and services.
- The enormous amount of regulation and bureaucracy in NZ.
- Time taken to get through regulatory processes (Malaysia, Indonesia).
- Unlike European CE testing, China requires each product to be tested in a Chinese laboratory and does not accept New Zealand test results. We manufacture 150 different products that we have already paid Industrial Research Labs NZ to test and the cost of re-testing each product in China using Chinese labs is prohibitive.
- USA tariffs. European Tariffs.
- Very high EU duties and EU Standards regulation faced selling into the French Pacific Territories.
- We compete against suppliers who have significantly better raw product and machinery buying prices due to bulk buying and closer proximity to supply chain.
- We find it difficult to compete with vessels manufactured in Vietnam, China and Korea. Our cost difference is beyond that of a labour rate advantage, if so we could compete. It appears they have production incentives, lower cost on capital plant.

Government Assistance

Of those exporters surveyed just over half (55.1%) were not receiving any assistance from NZTE. Of those that were receiving help (44.9%), over half rated the assistance good to excellent (see figure 1).

Figure 1: Rating of support from those who received support from NZTE.



Tendering for contracts from major supply chains, projects or government tenders

31.9% of respondents were tendering for contracts from major supply chains or government projects both locally and overseas. The majority (81.5%) had very little or no assistance (see table 4), while those that had been given assistance mainly received it from NZTE (see table 5).

Table 4: Responses to receiving assitance to help with contracts.

Option	Percentage
A lot	4.6%
Some	13.8%
Not much	16.9%
Nothing	64.6%

Table 5: Where respondents are receiving assistance with contracts.

Group	Number	Percentage
NZTE	17	7.8%
Private sector	7	3.2%
ICN	6	2.8%
Regional Economic Development Agency	2	0.9%

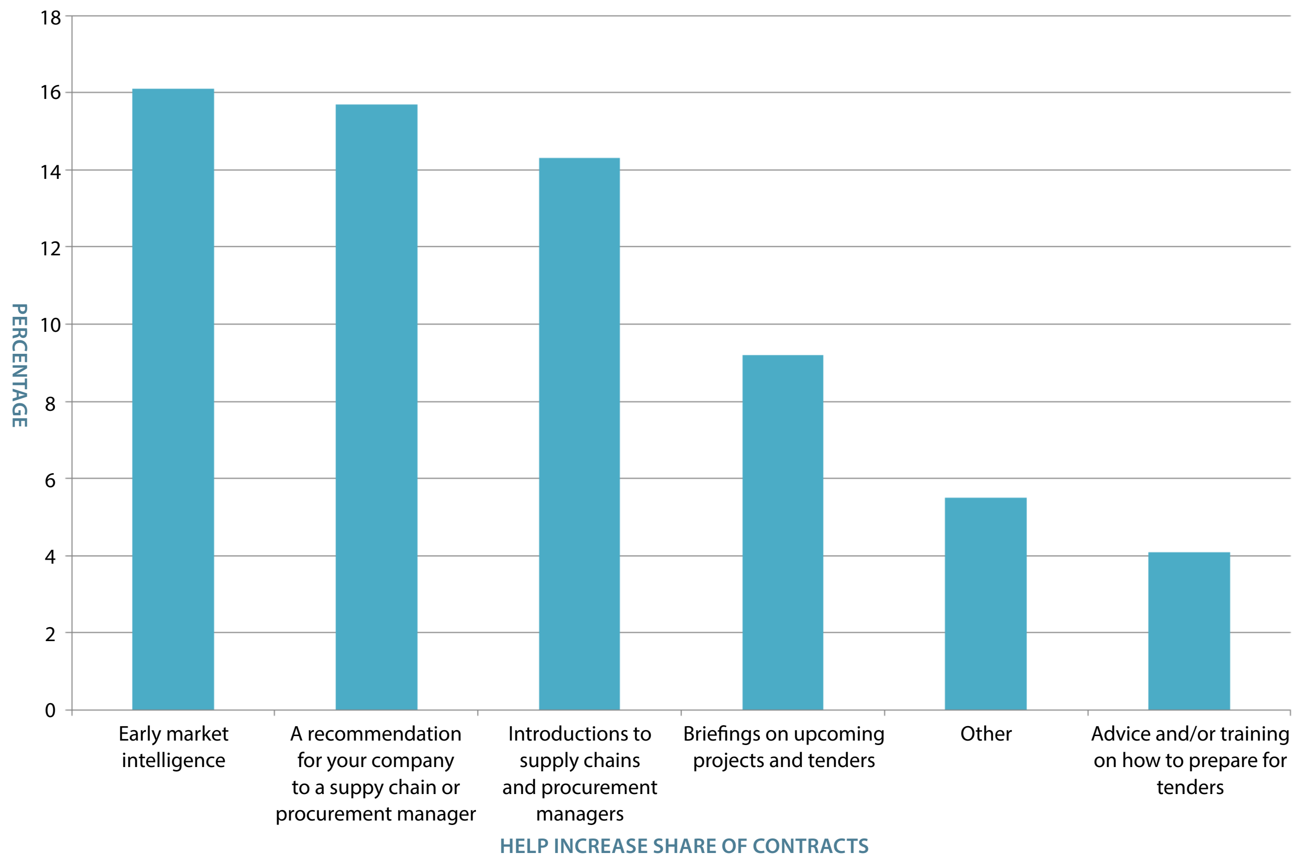
Of help that would be welcomed, it was pretty evenly split between early market intelligence, a recommendation or introduction to a supply chain or procurement manager and briefings on upcoming projects and tenders (see figure 2 on page 9).

When asked what sort of government assistance was most required, export market development assistance came first, followed by R&D and venture capital (see table 6).

Table 6: Types of government assistance favoured to encourage exporting.

Government Assitance	Number	Percentage
Export market development assistance	144	66.4%
R&D	90	41.5%
Venture capital	47	21.7%
Persue more free trade agreements	44	20.3%
We don't need government assistance	23	10.6%

Figure 2: Three main things valued in helping increase share of contracts.



Success Factors

Respondents rated their success factors as quality of product or service, customer service and competitive price in that order (see table 7).

Table 7: Success factors deemed most likely to ensure success in overseas markets.

Success Factors	Number	Percentage
Quality of product/service	205	94.5%
Customer service	134	61.8%
Competitive price	98	45.2%
Talent-led innovation/ investment in R&D	80	36.9%
Other	25	11.5%
Web enabled selling	15	6.9%

Other success factors include:

- Training of our staff to global export professional standards.
- Complementary timezone to that in the Northern Hemisphere i.e. we work overnight for UK clients.
- Consistency.
- Experience.
- Experience and superior tradespeople.
- Having a global reputation that brings in repeat and new customers.

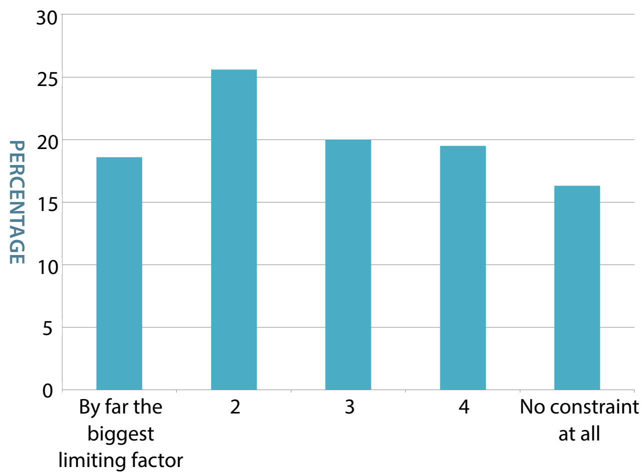
- Having the right contacts and the right networks.
- Historic trade. We have been trading with most of our buyers for nearly 40 years.
- In market presence and support.
- Just-in time delivery.
- Knowledge of Product, Sea Freight Shipping and Market Access protocols.
- Long-term reputation.
- New Zealand products are viewed favourably.
- Niche product - only other competitors are 2 UK companies.
- Novelty of product.
- NZ Dairy - unique offering"
- Rebuilding the NZ brand image as the producer of safe & trusted foods. This brand image has deteriorated. When the average Chinese consumer thinks of unsafe infant formula, they think of NZ.
- Resilience when it comes to overcome the difficulties presented by lack of MPI support.
- The New Zealand factor (once price and quality and service aspects are met).
- Unique product.
- Uniqueness of product.
- We present an alternative to what is available in those countries (Aus, China). We provide unique services.
- We produce our products here in NZ so that is highly valued overseas and has a very good selling point. However, this also makes the product very expensive and with the free trade agreement with China, we can't compete with the same/similar products that are produced over there on price.
- Work very hard!
- Working through the regulatory processes in a quicker time frame.

Technology and Capital

Nearly half of the respondents (48.1) said on-line selling was opening up new market opportunities for their business. As to whether broadband speeds were fast enough for their business, 58.7% said yes, while 41.3% said no.

More respondents indicated that a lack of capital was a constraint to their business than those that said it was not (see figure 3).

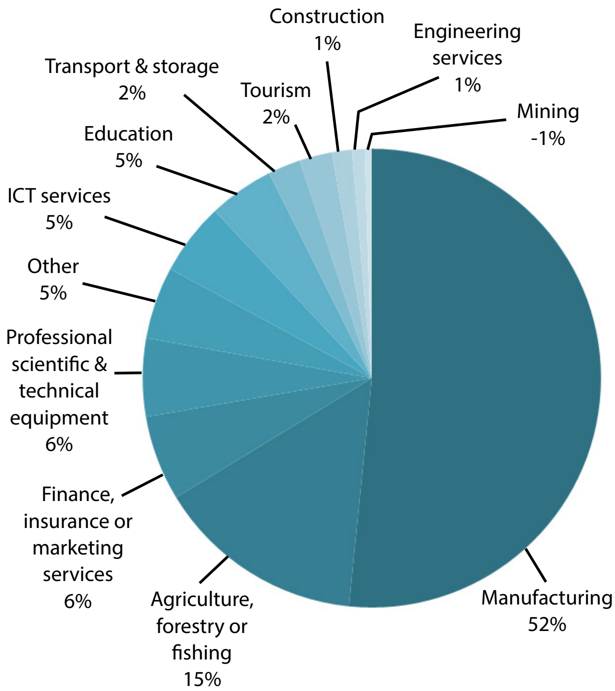
Figure 3: Is lack of capital a constraint to your business?



About survey respondents

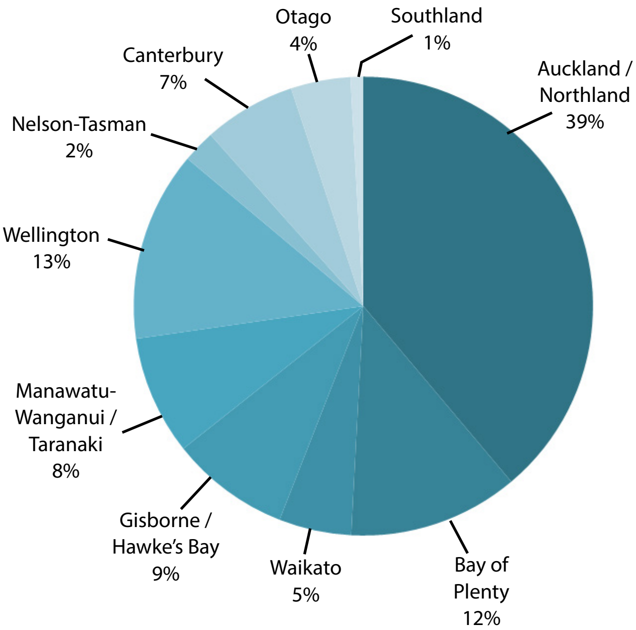
Majority of respondents were manufacturers.

Figure 4: Proportion of respondents by industry.



There was a good geographic spread of respondents.

Figure 6: Proportion of respondents by region.



The size of resondents was a good reflection of the New Zealand economy.

Figure 5: Proportion of employees of respondents