

Export planning guidelines and strategies economics essay

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Littore Wine is in the business of wine making since last three decades marking its start from the year _____ with nearly _____ hectares of vineyards and has distributors in nearly _____ countries. It has diversified business units for packing, bottling, logistics and _____. The four brands of this company have good market positioning and have been well received by Wine Magazines across Australia. It has been the goal of the company to grow its business beyond Australia and current exporting countries to other growing economies that can give an added advantage of competitiveness. It proposes to export its home brand 'Whisper' to Singapore. The raw materials used in making Whispers are premium quality grapes, which gives it the status of 'fruit based alcoholic drink' and great value of money. The research reveals that it is a favourable country to do business and aims to take the benefit of the free trade agreement with the target country. Apart from that there is rising demand of Australian Wine in Singapore which will prove worth the efforts ploughed in. The company wants to focus on production of premium wines and therefore would prefer to outsource all work related to exports including logistics and quality control checks. The vital advice about wine export can be taken from Wine Australia which is a regulatory body in Australia controlling wine exports. However, it will actively involve itself at all the stages and monitor the development at close quarters. The company expects that the first consignment of export will be ready by _____. The time schedule outlined for each activity is maintained and provisions has been made for unforeseen circumstances. It's the company's vision to establish strong business relations with Singapore and increase exports in a phase manner. The long-term business goals is to

export nearly _____ (measurement unit for wine) every month to get the benefits of economics of scale. In the process extreme care will be taken that the quality of wine is nowhere compromised and it reaches in the premium state on the tables of the Singaporean Wine lovers.

Introduction:

Littore Family Wines is a family business which was set up in 1997 as Jimdalee Estate Wines at Victoria by Mario and Aurora Littore. 10 years after establishment, the company expanded facilities and its product offering which led to the new identity as Littore Family Wines in 2008. The company has four product lines namely: Jinda-lee, Whispers, Trails Ends and Idyll. At present this firm has around 200 employees (Ref: LinkedIn) and has distributors for many countries. (Ref: Littore wines...company).

Export readiness analysis- (10/40)

(competitive advantages, resources, objectives)The firm boasts to be one of Australia's largest independent wine grape growers. The firm has been in this business for the last 16 years and has 2400 hectares of vineyards. Since expansion, storage capacity has increased from 3 million litres to 18 million litres. Winemaking capacity currently stands at 15000 tonnes per annum. In addition, Littore family Wines currently ranks among the largest wine producers by winegrape intake which currently stands at 11920 tonnes (Winebiz, 2013). This is within their current capacity and leaves room for increasing production if more opportunities arise. Further, it has diversified into various businesses of contract bottling, bulk wines, private label wines for specific requirements and owns four wine brands. The company also

boasts a variety of wine types including popular ones such as sauvignon blanc, chardonnay, shiraz and sparkling wines among other varieties. In addition, it is a family business, the management is closely knit and so decision making becomes faster. The brand has good reviews in various wine magazines. The business has its own logistics department to offer winery to wharf FOB service, which takes care of all the documentation, container packing and transportation. Apart from that, they own two modern bottling plant which is of high standards and great packing capacity of around 5, 000-10, 000 bottles per hour. It follows high quality standards including ISO 9001, HACCP, International Food Standard (IFS) and British Retail Consortium Standard. Further, they accommodate both cork and screw cap closures. In addition, it has its own packing line which can fill bottles of various capacities. (Littore wine .. website as reference). Littore Wines also has fully equipped laboratory on site for micro and chemical testing. With most of the facilities in-house it can easily increase its exports to other countries without much problem. The product and the product line can be expanded to accommodate future expansion in form of new exports. These can be done by increasing the lead time which is at present 4-8 weeks. The objective is to expand the business beyond the home country and current export markets to other strategic locations that give the company a competitive advantage. In addition the aim is also to develop export relations with countries having larger markets. Continuous growth has seen the company grow from being the 30th largest wine exporter by export volume to a current ranking of 9th (Winebiz, 2013). However, most exports have been to European and American markets. The location in Australia gives strategic advantages for

expansion into more Asian Pacific markets. In addition their advantage of having quality facilities with the ability to cater to different needs will allow the company to have quality control over their products and cater to different markets they enter.

Country Analysis (worth 15/40 of marks)

The firm has been exporting to various countries but has not done it in Singapore till date. (Littore website) Singapore wine market has great scope because of increasing population. In addition, large number of international visitors and tourists visit the place quite often and also there is a clear change in the trend to drink different wine styles. A large number of the Singaporean population has seen rising incomes currently averaging \$39,000 per annum. This has been due to continued economic growth in the country with average GDP growth rates of above 10% (DFAT, 2013). In addition Singapore has the highest concentration of millionaires (Wine Business International, 2013). This is an advantage for Littore Family Wines as wine in Singapore is associated with the relatively wealthy class of the population (Wine Business International, 2013). In addition Singapore's strategic location and a re-export economy mean that Littore Family Wines will have the advantage of a transit point for their wines to enter other markets such as Indonesia and Philippines further increasing demand (Inland Trading Co, 2007). Singapore has a strong economy and its market for wine is quite huge. As per the data, the Singaporean wine market was expected to generate total revenue of \$239.9 million in 2011, representing a compound annual growth rate (CAGR) of 7% between 2007 and 2011. (Wine in Singapore 2012, May 09). Further, the rising income and standard of living of the people in Singapore has

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increased the consumption and demand across the nation. On the whole, Singaporeans tend to drink well and this is partly due to the taxation system, which goes by a flat rate, instead of by the percentage of value. (reference of pdf file) In addition, Singapore is geographically much closer to Australia making exports more convenient. Traditionally, the majority of wine imports and brands were from France. However, in recent years the popularity of Australian wines has increased with most wines gaining favorable recognition (Wine Business International, 2013). While French wines still maintain their popularity, the market share of Australian wines has grown by an average of 12% annually. This is partly due to the increase in tourism between Australia and Singapore and also since most Singaporeans travel to Australia for study hence bringing the wine drinking culture with them when they go to Singapore. Singapore is a developed nation with metropolitan population. The biggest benefit will be of the Singapore-Australia Free Trade Agreement (SAFTA). In addition to tariff elimination, the agreement improves increased market access for Australian exporters of services, particularly education, environmental, telecommunications, and professional services. SAFTA offers greater opportunities in goods to a wide range of Australian exporters. (austrade.gov.au) Australian merchandise exports to Singapore were \$6.6 billion (our 9th largest export market) (dfat.gov.au). It will also give Australian wines a competitive advantage as duties and tariffs are high in Singapore and have made most wines expensive (Inland Trading Co, 2007). We are looking for a more general segment of Singapore as a whole because our export product, Whispers will cater to the vast majority excluding a small proportion of children. Whispers is a fruit based alcoholic

drink produced by premium quality grapes. A range of fruity wines will be advantageous as they do not offer the puckering tannins currently associated with French wines (Wine Business International, 2013). In addition Australian wines already have an association with their fruity nature and of the four brands currently in the range Whispers offers this. Since Singapore is a small country, the market segment will be general for our analysis.

Export Planning Guidelines & Strategies (worth 15/40 of marks) Littore Wines has been exporting to other countries since decades and have vast experience in exporting wines to distributors. This method is helpful because the distributors see that it is available for final consumption and the role is reasonably specified. However, considering that the wine is exported to Singapore for the first time it is advisable to go in for a low risk approach and utilize the services of an export agent. Further, every wine leaving Australia as a part of a shipment of more than 100 litres must be registered with Wine Australia prior to export. Also, as mentioned in the Appendix- A, the analytical requirements for the export of Australian wine are given in detail along with standards of analytical parameters with minimum and maximum specifications which are detailed in Appendix - B.(reference)The export strategy would be to preferably utilize the services of export marketing agency. The main reason behind this is to focus on production of wine and not to over utilize the scarce time and manpower resources. Further, exporting requires special understanding of procedures and guidelines which are quite technical and requires sufficient competencies to follow it.

Exporting wine to Singapore does not fall into the controlled goods category and therefore it is comparatively stress-free to export. Further, irrespective

of the goods being controlled or not, it would be mandatory to obtain the import permit of goods from the Singapore Government. (<http://www.customs.gov.sg/leftNav/trad/TradeNet/List+Of+Controlled+Goods+-+Imports.htm>) The wine will be manufactured in the unit of Littore Wines with home grown vineyards. After this, we propose to hire an agent who will coordinate and help in the export documentation and dispatch. Thorough understanding of the Wine Compliance guide will be undertaken and as all procedures of exporting wine are mentioned in this guide. To be precise, we will take the services of Wine Australia because it specializes in wine export and has familiarity with all the technical aspects of wine export. (<http://www.wineaustralia.com/en/Production%20and%20Exporting/Exporting%20Wine.aspx>) Wine Australia, the mandatory marketing and regulatory body will provide vital information and guidelines about how to export wine to Singapore. It will also advise the firm on important processes related to export approvals, fees and charges, labeling and marketing. (<http://www.daff.gov.au/agriculture-food/wine-policy#advice>) In addition, it is of vital importance that the wine for export is handled through professional logistics service provider. In spite of having its own logistics which looks after the FOB service, documentation, packing and transportation, as mentioned earlier, since exporting to Singapore is firsthand experience the company can think of outsourcing these activities. Further, the goods need to reach the importer in premium condition, extreme temperature fluctuations can have negative effect on the quality and look of bottled wine. Subsequently, extreme care would be necessary since the temperature in Australia is quite cooler than the hot and humid climate of Singapore. On initial survey it is found that

Wine Works, Australia, is a competent provider in logistics solutions. In addition, the consignment would be bulky and needs special packing, therefore in terms of cost, sea freight would be given priority to air freight. In addition, some Australian wine companies have already taken a number of actions to reduce the risk of spoilage due to various parameters. For packaging inverted cases would be used along with synthetic corks to reduce exposure to taint and oxidation. Further, in every shipment, container lines will be used which will be monitored by detailed guidelines for its usage. (reference: Australasian Journal of Regional Studies, Vol. 18, No. 3, 2012 'COOL OR HOT': A STUDY OF CONTAINER TEMPERATURES IN AUSTRALIAN WINE SHIPMENTS). Also as mentioned in Wine Packaging Guideline (2007), recommendations for appropriate packing usage and safety will be done as mentioned in the Appendix C It is extremely important that the quality of the wine exported in of premium standards and for that certification and auditing would be conducted by HACCP. Littore Wine is already certified by HACCP but for this export project it is suggested they should be contacted personally and to get the consignment audited. This will lower any risk of the consignment getting rejected due to quality issues. Legal regulations/tariffs/customs requirements- pending Singapore is one of the most liberal economies and has relatively low barriers of entry for exporters. This is due to the heavy reliance on re exports for its own economy and the advantages that its strategic location in Asia gives as a free port for other Asian countries. As one of Singapore's largest trading partners, Australian exporters face relatively low trade and regulatory barriers and this gives added advantages to exporters. Australia entered into a free trade

agreement with the Singapore government (SAFTA) in 2003 (DFAT, 2013). Under this agreement all tariffs in force have been eliminated. This gives Australian wine makers a competitive advantage as Singapore's duties on wine are known to be traditionally high and make the local prices of imported wines expensive. However, the importation of wine in Singapore attracts a 7% goods and services tax (GST) on the total value including insurance and freight (Singapore Customs, 2013). In addition since the Whispers range is classified as an aromatic wine, it will be under the maximum alcohol content restrictions in place. Presently these are set at 24% alcohol content at 20 degrees Celsius. These GST regulations are likely to make the price of Littore's wine exports to Singapore more expensive. However, this pressure will be eased by the absence of the duty under the SAFTA arrangement and has the potential to make Littore's wines relatively cheaper when compared with imported wines from other countries. In addition packaging laws also state that all wines and food items must specify country of origin and they have any vitamin or mineral contents must specify the quantity per metric unit on the label. Since Littore family wines has its own private label and bottling unit, the company will be able to adapt to any packaging requirements that may affect its wines presently or in future. However this may affect their export process as lead times for specific requirements are between 4 and 6 weeks. Shipment Form – Appendix -D

Export implementation schedule

The brief summary of the timeline in which the tasks related to exports will be completed in given below.

TaskBy WhoBy WhenWhen will your export strategy be read for implementation? Do you need to adapt your product, packaging and labelling in any way and if so, how long will this take and by when should it be ready? By when will your export price list be complete and published? By when do you need your export brochure/catalogue or any other marketing material ready? By when will your website need to be ready for exports? When is the next suitable exhibition taking place in your target market? Is this exhibition an annual one and will you take place each year? When do you plan to go abroad again? Will you go abroad once or twice each year? When is the most suitable time to go abroad and will you link your travel abroad to an exhibition? When will you appoint an export assistant? By when do you expect to get your first order?