Usage and Utility of Export Information: Perceptions of Active Exporters in the New Zealand Seafood Sector

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Abstract

How should governments assist exporters most effectively? Review of the international literature reveals that official sources of information are generally held in low regard by exporters. There is a consensus that experiential knowledge, gained by exporters themselves through visiting foreign markets, cannot be effectively substituted for by consultants – either governmental or commercial. Despite these well-established findings, government export promotion organizations in many countries continue to focus their efforts on provision of export information. New Zealand is no exception in this regard, but in pursuit of free market philosophy the country has gone further than most in instituting “user pays” charges for government export assistance services.

The perceived relevance, importance and usefulness of government-provided export information to New Zealand exporting firms in the seafood sector are investigated in this study. Problems facing active exporters are identified, and their suggestions for improving the way in which government agencies try to help them maximize export returns are reported.

This thesis reviews the international literature regarding export problems, export information, and determination of the nature and effectiveness of government export promotion and assistance programs. Findings derived from in-depth interviews with active seafood exporters are reported, and these findings are related to the international literature.

The main findings are:

- Currency fluctuation is identified by New Zealand seafood exporters as the most serious problem needing addressing by government.

- Obtaining of adequate export information is not seen as a major problem by most seafood exporters.
• Trade New Zealand appears to have moved away from the type of service that is identified both by seafood exporters and by the international literature as the most useful (facilitation of experiential knowledge), and towards the type of service that is identified as the least useful (provision of institutional information).

• Undercutting prices of other New Zealand exporters in international markets is identified as a practice that is limiting the returns that New Zealand could obtain for its scarce seafood resource.

• Non-tariff barriers continue to be a significant economic burden to this sector.

Policy recommendations concerning these findings are offered.
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# Table of Contents

1. **Introduction**  
   1.1 Aim of this thesis  
   1.2 Background to the research  
   1.3 Research Questions  
   1.4 Justification of the Research  
   1.5 Research Approach  
   1.6 Outline of the Thesis  
   1.7 Definitions  
   1.8 Export Information  

2. **Literature Review**  
   2.1 An overview of the international marketing literature  
   2.2 Factors that stimulate firms in their decision to initiate exporting  
   2.3 Factors that cause firms to maintain a commitment to exporting  
   2.4 The export development process  
   2.5 The need for a systematic approach to export market entry  
   2.6 The problems small firms encounter in entering export markets  
   2.7 The methods small firms use to gather export information  
   2.8 The importance of adequate export information  
   2.9 The use of export information  
   2.10 Export performance measures  
   2.11 Determinants of export performance  
   2.12 Justification of government assistance programs  
   2.13 The nature of government assistance programs  
   2.14 The efficacy of government assistance programs  
   2.15 Firms' attitudes towards export assistance programs  
   2.16 Key issues resulting from review of the literature  

3. **Methodology**  
   3.1 Introduction  
   3.2 Choice of method  
   3.3 Choice of industry sector  
   3.4 Selection of Subjects  
   3.5 Demographic profile of sample  
   3.6 Ethical approval  
   3.7 Initial contact with firms  
   3.8 In depth interviews  
   3.9 Data analysis  
   3.10 Justification of methodology  

4. **Results**  
   4.1 Introduction  
   4.2 Motivation to export  
   4.3 Initiation processes used  
   4.4 Market selection and development  
   4.5 Unsolicited enquiry  
   4.6 Gaining information on agents distributors, and prospective customers  
   4.7 Gaining price information  
   4.8 Gaining competitor information  
   4.9 Gaining information on the need for modification of products  
   4.10 Usefulness of foreign agencies and chambers of commerce  
   4.11 Usefulness of industry sources of information  
   4.12 Usefulness of Trade NZ as a provider of government export assistance  
   4.13 Internet as an information source  
   4.14 Perspective on information needs of firms in the seafood sector
5 Discussion
5.1 Introduction
5.2 Export initiation
5.3 Market selection
5.4 Market development
5.5 Market information
5.6 Government export assistance
5.7 Sector-specific issues
5.8 Conclusions from the research
5.9 Recommendations for government policy
5.10 Limitations of this study
5.11 Areas warranting further research
5.12 Contributions of this research
Bibliography
Appendices
Appendix A SEAFIC directory of exporters
Appendix B Ethical approval
Appendix C Letter of confirmation to firms
Appendix D Interview schedule
Appendix E Additional comments concerning the role of MAF
Appendix F Additional comments concerning Trade NZ
Appendix G Additional comments concerning non-tariff barriers
Appendix H Comments concerning overbidding for quota
Appendix I Comments concerning price undercutting in overseas markets
Appendix J Trade New Zealand survey of clients
Appendix K Interpretation of Commerce Act
## List of Tables

<table>
<thead>
<tr>
<th>Table</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1</td>
<td>Factors which motivate firms to internationalize</td>
<td>20</td>
</tr>
<tr>
<td>2.2</td>
<td>Review of export development models</td>
<td>24</td>
</tr>
<tr>
<td>2.3</td>
<td>Barriers to exporting</td>
<td>30</td>
</tr>
<tr>
<td>3.1</td>
<td>Makeup of the New Zealand seafood export sector</td>
<td>56</td>
</tr>
<tr>
<td>3.2</td>
<td>Demographic profile of companies in sample</td>
<td>59</td>
</tr>
<tr>
<td>4.1</td>
<td>Export initiation processes of New Zealand seafood exporters</td>
<td>75</td>
</tr>
<tr>
<td>4.2</td>
<td>Illustrative comments reflecting use of indirect exporting</td>
<td>76</td>
</tr>
<tr>
<td>4.3</td>
<td>Comments illustrating competition for international clients</td>
<td>77</td>
</tr>
<tr>
<td>4.4</td>
<td>Comments illustrating the role of family or ethnic contacts</td>
<td>78</td>
</tr>
<tr>
<td>4.5</td>
<td>Market screening criteria reported by seafood exporters</td>
<td>82</td>
</tr>
<tr>
<td>4.6</td>
<td>Illustrative comments concerning the need for new markets</td>
<td>84</td>
</tr>
<tr>
<td>4.7</td>
<td>Attitudes of seafood exporters towards trade fairs</td>
<td>85</td>
</tr>
<tr>
<td>4.8</td>
<td>Attitudes of seafood exporters towards trade missions</td>
<td>86</td>
</tr>
<tr>
<td>4.9</td>
<td>Scepticism expressed by seafood exporters concerning the value of unsolicited orders</td>
<td>87</td>
</tr>
<tr>
<td>4.10</td>
<td>Methods of gaining price information</td>
<td>89</td>
</tr>
<tr>
<td>4.11</td>
<td>Expressions of concern about international pricing practices</td>
<td>90</td>
</tr>
<tr>
<td>4.12</td>
<td>Conflicting views of the regulatory role of MAF</td>
<td>93</td>
</tr>
<tr>
<td>4.13</td>
<td>Usefulness of SEAFIC statistics reported by seafood exporters</td>
<td>94</td>
</tr>
<tr>
<td>4.14</td>
<td>Favourable views of traditional support services of Trade NZ</td>
<td>95</td>
</tr>
<tr>
<td>4.15</td>
<td>Opinions of irrelevance of Trade NZ services</td>
<td>96</td>
</tr>
<tr>
<td>4.16</td>
<td>Varying degrees of dissatisfaction with export information provided by Trade NZ</td>
<td>97</td>
</tr>
<tr>
<td>4.17</td>
<td>Comments indicating extreme dissatisfaction with cost-effectiveness of Trade NZ services</td>
<td>98</td>
</tr>
<tr>
<td>4.18</td>
<td>Companies favouring payment-for-results for Trade NZ services</td>
<td>100</td>
</tr>
<tr>
<td>4.19</td>
<td>The need for caution in international transactions</td>
<td>102</td>
</tr>
<tr>
<td>4.20</td>
<td>Attitudes towards commercial export credit insurance</td>
<td>103</td>
</tr>
<tr>
<td>4.21</td>
<td>Divergent views on reintroduction of export guarantees</td>
<td>104</td>
</tr>
<tr>
<td>4.22</td>
<td>Companies’ views of exchange rate fluctuations</td>
<td>106</td>
</tr>
</tbody>
</table>
4.23 Views on non-tariff barriers 106
4.24 Shortage of product 109
4.25 Examples of wastage in the fishing industry 109
4.26 Undercutting other NZ companies in international markets 110
4.27 Diverse views on the merit of adding value before export 112

List of Figures

1.1 Research approach 15
2.1 An integrated conceptual framework of export stimulation and export performance 43
3.1 New Zealand exports by sector 1998 55
3.2 Geographical distribution of firms in sample 58

Abbreviations

MAF: New Zealand Ministry of Agriculture and Forestry
SEAFIC The New Zealand Seafood Industry Council
SME Small to medium-sized enterprise
Trade NZ New Zealand Trade Development Board
WTO World Trade Organization
Chapter One

Introduction
1 Introduction

1.1 Aim of this thesis
The aim of this thesis is to investigate the perceived relevance, importance and usefulness of government-provided export information to small and medium sized New Zealand exporting firms in the seafood sector. This thesis addresses the interface between actively exporting firms and government agencies that have a role in facilitating their exporting activities. The consensus view in the literature appears to be that a major barrier to export initiation and development is access to appropriate export information. However, most emphasis in the literature has been on firms at the initiation stage of their exporting activities, rather than on active exporters as in the present case. The literature has touched on interactions between active exporters and the domestic government, but in a rather piecemeal fashion. The relevance of government-provided information to active exporters remains unclear. This thesis will examine the widely-held proposition that informational constraints are a major limitation to exporters and that this is therefore the area where government export promotion activities should be focused. New Zealand seafood exporters are in the enviable position of having products which are for the most part in high international demand. Therefore, the challenge for the sector, for the Government, and for relevant government agencies is to ensure that returns are being maximized for this scarce resource. This thesis will examine issues relating to this challenge and the extent to which it is being met.

1.2 Background to the research
The New Zealand economy has undergone rapid structural change in the past fifteen years as successive governments have striven to drive all forms of subsidy and protection out of the economy. This philosophy has resulted in the removal of most forms of financial assistance to exporters and a rapid transition to user-pays for export promotion and assistance services. Several other countries charge for such services also, but the
extent and rapidity of the change that has occurred in New Zealand is noteworthy. New Zealand has sought to be a world leader in adopting a 'purist' approach to international trade and the ascendancy of market forces, despite having to compete on a far from level international playing field. The research reported here attempts to determine the perceived impact of this philosophy on the export information-gathering activities of small to medium-sized exporting firms.

1.2.1 Increasing globalization of the world economy
Exporting has been one of the fastest-growing economic activities worldwide over the last two decades, with annual growth rates consistently higher than the growth in world economic output (Katsikeas et al. 1998). Export trade accounts for more than 20% of world gross domestic product, and its significance seems set to continue growing in light of increasing globalization of markets and increasing worldwide competition. Both national economies and individual firms can derive substantial benefits from export activities. First, expansion in a nation's exports can lead to several positive outcomes in: national productivity performance, employment levels, foreign exchange reserves, industrial development and societal prosperity. Second, exporting can help individual firms utilize excess capacity, raise technological standards, achieve a strong competitive position, and improve financial performance (Czinkota 1994; Katsikeas et al. 1998). Exporting is an attractive mode of foreign market entry for small and medium-sized firms due to the relatively low levels of resources required and risk undertaken compared to more advanced forms of internationalization, such as joint-ventures and wholly-owned overseas subsidiaries (Young et al. 1989).

1.2.2 The role of small firms in international trade
In the early part of the 20th century, small-scale entrepreneurial firms were seen as the driving force of innovation (Schumpeter 1939). However, by the middle of the century conventional wisdom was that innovation had become so costly that it could only be implemented by firms with
considerable resources (Galbraith 1952). In the post-war boom of the 1950s and 1960s, the number of small firms and their share of output and employment declined in most advanced economies, and it became accepted wisdom that this process was both desirable and inevitable and would continue. Indeed, Galbraith (1967) wrote: "By all but the pathologically romantic, it is now recognized that this is not the age of the small man." Small firms were regarded as a vestige of the cottage industries of the past and largely irrelevant at that time. However, since the early 1970s, numbers of small firms have enjoyed a major resurgence in most countries, and in Bannock's words "the sole entrepreneur is once again becoming a folk hero" (Bannock and Peacock 1989, p.13). More recent empirical findings suggest that small firms are disproportionately responsible for significant innovations (Acs and Audretsch 1990; Vossen 1998) and recent data indicate a substantial and expanding role for small firms in the global economy (Graham 1999). The advanced economies of the future will probably not be dominated by old, large firms (Reynolds 1997). It is now widely accepted that small to medium sized firms account for a very substantial proportion of jobs - perhaps as high as 90% in many economies. According to the European Network for SME Research (1993), 99.9% of the 15.7 million businesses in the private non-primary sector of the European Community are small to medium sized enterprises (SMEs), and these firms provide 70% of the jobs. More than 14.5 million of these are micro enterprises, with 0-9 employees, and another million have 10-99 employees. The U.S. Small Business Administration (1999) states that virtually all of the net new jobs added to the economy are provided by small businesses (defined as employing 500 or fewer if manufacturers, and 100 or fewer if wholesalers), and such firms represent 99.7% of all employers.

Despite this major role of small firms in domestic economies, there is reluctance on the part of small firms in many countries to reach out to global markets. In the past it has been documented that in both the USA and the UK approximately 20% of firms that were large in size contributed in the vicinity of 80% of export sales (Crick 1995). Even in a relatively
export-dependent economy such as Australia, only 11 percent of small businesses are involved in some form of exporting (Graham 1999). Furthermore, of those that considered exporting as feasible, 35% had no intention of doing so (Graham 1999). This reluctance relates to the common-sense perception that the larger firm, with greater financial and administrative resources, has considerable advantages in the development of an export business (Carson 1990; Naidu and Prasad 1994). But as Bannock and Peacock (1989) observe, attitudes to exporting play a very important part in success irrespective of the size of the firm. Governments are interested in finding ways of influencing such attitudes in order to enhance export performance within their economies, but finding the most appropriate way of doing this is not an easy task.

There is some indication that the tide is changing and small firms are becoming more involved in exporting, even in economies where large firms have traditionally dominated. The European Network for SME Research (1993) notes that more than a quarter of all exports from Portugal are carried out by micro and small firms, and even in a large economy like Germany SMEs play an important role in exporting. There are more than 100,000 U.S. firms that export at least occasionally (Czinkota 1994). The reason proposed for the export success of smaller firms is that they are more flexible and able to meet the needs and wishes of foreign buyers in regard to customizing products and offering personalized service (Czinkota 1994). Furthermore, smaller firms offer clearer lines of accountability since the decision maker can be more visible and accountable to the customer – if something does not go according to plan the customer knows who to contact to fix the problem (Czinkota 1994).

1.2.3 Problems faced by small exporting firms
Many studies have been conducted on firms’ perceptions of problems with export operations in a bid to identify what government programs could do to help overcome these problems (Miesenbock 1988). The
problems are, as one might expect, mainly due to the limited capability inherent in a small firm, and include:

- lack of capital (Czinkota and Johnston 1983),
- delays in payment (Bannock and Peacock 1989),
- lack of information about foreign markets (Johanson and Vahlne 1977; Czinkota and Johnston 1983; Reid 1984),
- lack of qualified staff (Yaprak 1985),
- lack of foreign language capability (Yaprak 1985),
- all manner of trade barriers (Rabino 1980), and
- product suitability or otherwise (Bannock and Peacock 1989).

Seringhaus and Rosson (1991) conclude that the crucial barriers to increased involvement by companies in foreign markets are managerial motivation, knowledge and resources.

Adequate information, and difficulties in obtaining it, rank high on the list of problems reported by most researchers in this area, and in fact underlie many of the other perceived problems as well.

Many companies do not know where to begin - they lack both an appreciation of the information that should be collected, where it might be found, and once it is found how it should be analyzed.

(Seringhaus and Rosson 1991, p.6)

1.2.4 The rationale for government export assistance programs
Most governments have trade promotion programs in recognition of the need to assist small firms in various areas. The motives of such programs include a desire to stimulate export-led economic growth, increase the international competitiveness of firms, and reduce the trade deficits affecting many nations in recent decades (Leonidou and Katsikeas 1996; Czinkota and Ronkainen 1998; Moini 1998). As indicated in section 1.2.2, it is widely recognized that small firms underperform in international markets despite their significant contributions to domestic economies and employment. The form that help for exporting firms can take is restricted
by the General Agreement on Tariffs and Trade (Diamantopoulos et al. 1993). A continuing problem is that the effectiveness of government assistance programs has proven difficult to measure (Seringhaus 1986; Seringhaus and Rosson 1990; Diamantopoulos et al. 1993). Walters (1983) encountered a widespread feeling among exporters that information from government sources was too general to be of much use. Also questioned has been the extent to which government programs deliver what firms actually require (Moskowitz 1992).

1.2.5 Importance of exporting to the New Zealand economy

New Zealand exports totalled 23% of GDP in the year to 30 June 1999 (Statistics 2000). Comparable figures for other countries are: USA 8.5%, Japan 8.9%, Australia 15.1%, UK 22.5%, France 18.8%, Italy 20.7% (OECD 1999). However, to put this in perspective there are many countries that export a much higher proportion of GDP than does New Zealand, including: Canada 34.9%, Finland 32.4%, Ireland 68.5%, Netherlands 51.5%, Sweden 33.7%, and Switzerland 27% (OECD 1999).

Since the mid 1980s New Zealand has undergone one of the most radical economic reforms seen in any modern economy. Prior to 1984, import-substitution policies maintained "Fortress New Zealand" as one of the most highly-protected economies in the OECD (Winkelmann and Winkelmann 1998). Non-tariff barriers were widespread, and in fact the proportion of New Zealand imports subject to non-tariff barriers far exceeded that of any other OECD country (Laird and Yeats 1990). The impact of the reforms has been particularly dramatic in the agriculture sector, with New Zealand completely dismantling its agricultural subsidy programs. OECD figures list New Zealand as having a "producer subsidy equivalent" of only 0.1 billion US dollars, the lowest in the OECD, compared to $85 billion in the EU, $40.5 billion in Japan, and $23.5 billion in the USA (OECD 1997).

Since 1984, New Zealand has enthusiastically embraced the idea that trade and foreign direct investment are major engines of growth both in
developed and developing countries (Edlin 1998). The New Zealand government began a programme of unilaterally reforming its trade policy in a manner that is unique in the developed world. Removal of import licencing and reductions in tariff levels that began in 1986 have, according to the OECD (OECD 1999) "turned the economy into one of the most open, market-oriented and lightly regulated in the OECD."

There is considerable debate as to how beneficial the New Zealand reforms have been. A study of the effect that the reforms have had on the response of foreign exporters to New Zealand reveals that whereas tariffs display no significant effect, quantitative restrictions in the form of quotas have a detrimental effect on the terms of trade of the country that imposes them. This is because exporters, naturally enough, maximize the return achievable from the scarce quota by charging more for the allowed goods (Winkelmann and Winkelmann 1998). Abandoning quotas seems to confer immediate benefit, whereas abandoning tariffs may not be so clearly beneficial, and indeed the Winkelmanns’ study found that tariff liberalisation led to a terms-of-trade loss for New Zealand.

Despite the theoretical benefits that New Zealand may be destined to gain long term from this program of liberalization, it is still arguable whether the country has benefited as much as it should (Edlin 1998). One commentator has likened New Zealand’s unilateral actions to those of

...a swimmer who rips all his clothes off and cavorts into the surf calling on everyone else to join in. Unfortunately, everyone else appears to have remained on the beach watching with cynical delight as we struggle in the rip.

(Laidlaw 1999).

1.2.6 Recent changes to export assistance programs in New Zealand

In line with its free market philosophy, the New Zealand government has instituted user-pays principles for virtually every aspect of export promotion services. Business Development grants, which up until 1997 provided 50% of the cost of many services purchased from Trade NZ, have disappeared, and charges have been raised substantially for virtually
every service that Trade NZ offers. It appears that the previous New Zealand government regarded export assistance as a subsidy, and in the interests of economic purity and strengthening New Zealand's plea for free access to international markets was quite rapidly phasing out all forms of financial help to exporters. The recently-elected government has yet to make its intentions in this area known.

In view of the scepticism expressed in the literature concerning the measurable achievements of government export promotion programs, it is unclear whether diminishing such programs will have a serious effect on New Zealand exporters. To put this in context, there are other countries (e.g. Finland) that have charged for such services over many years, but in most developed countries such services are still heavily subsidized or free.

1.3 Research Questions
The principal question addressed in this thesis is:

- How effective do active exporters in a demand-driven sector perceive Government export information services to be?

Subsidiary questions that have a bearing on this central theme include:

- How do New Zealand small firms overcome problems encountered in entering export markets?

- How do firms obtain their principal export information requirements?

- What are the main ongoing problems faced by exporters, and how do these relate to provision of export information by government agencies?

- How could government assistance programs be improved?

1.4 Justification of the Research
Bradley (1987, p.205) has accused international marketing researchers of being "preoccupied with the description and conceptualization of international marketing problems", and regards the literature as tending to be "descriptive, repetitive, and non-analytical." He notes that "little
attention ... has been given to specifying the goals and objectives of the system”. The aim of the present research is to investigate the information needs of exporting firms, the methods which they employ in meeting those needs, and the usefulness of government services in helping them meet those needs. From this enquiry, the intention is to investigate gaps between exporters’ needs and government provisions, and to offer recommendations on how these gaps can be closed.

It is important firstly to determine what barriers New Zealand small firms face in entering export markets, what problems they encounter once they are in those markets, what methods they use in obtaining export information, and how they select and enter particular export markets. Second, it is important to assess the extent to which a need for government assistance exists. The perceived effectiveness of government assistance measures will be determined in order to assess the likely impact of recent changes, and of further changes that might be contemplated.

The seafood industry has been chosen as a focal industry for study because it is representative of the primary export industries that underpin the New Zealand economy, accounting for NZ$1.233 billion, or 5.5% of total New Zealand exports in 1998 (SEAFIC 1999). Furthermore, unlike some other primary sector industries like dairy, meat, forestry and fruits which are dominated by either single desk sellers (dairy, kiwifruit, apples and pears) or large companies (meat, forestry), the seafood industry contains a mix of small and large firms. Perhaps most importantly, it is a sector where its products are for the most part in intense international demand, so there exists an opportunity to maximize the return from a scarce resource provided the participants, and government agencies, work together in the most constructive manner to achieve this goal.

1.5 Research Approach

In-depth focused interviews conducted with decision-makers in small to medium-sized enterprises in the New Zealand seafood industry constitute the method used for the study reported in this thesis. This process can be
seen as a type of case approach in which the "case" is the part of the New Zealand seafood industry that comprises small and medium sized firms, and the individual firms (or more exactly the interviewees in those firms) constitute multiple sources of evidence used to construct the "case". This method was chosen to maximize the chances of discovering "how" and "why" certain processes are adopted by the investigated firms, in addition to determining "what" they do (Yin 1994).

1.6 Outline of the Thesis
The structure adopted for this thesis essentially follows the prescription of Perry (Perry 1994; Perry 1998).

Chapter 1 provides an overview for the research being undertaken, sets the scene, and outlines the research questions. It provides a justification for the enquiry, and briefly outlines the method to be used.

Chapter 2 presents a detailed review of the literature pertaining to:

- the internationalization process of (SMEs)
- problems SMEs encounter in entering export markets
- methods SMEs use to gather export information
- the importance of such information to export success
- the nature of government assistance programs
- awareness and usage of, and satisfaction with, government assistance programs

Chapter 3 describes the methodology used in the study, justifies the methods employed, and defends the sample selection. It describes the interview procedures, the interview instrument, the use of a pilot interview prior to the full study, and the methods used to analyze the interview transcripts.

Chapter 4 presents the findings of the research and provides commentary on the empirical data.
Chapter 5 discusses the findings in relation to the literature, draws conclusions from the data, discusses implications of the findings, and makes policy recommendations. It also outlines limitations of the study, areas for further research, and finally discusses the contribution of this study.

1.7 Definitions

SMEs
Carson (1990) has outlined the considerable problems of defining exactly what constitutes a “small” firm. It seems a bit like the difficulty former US Chief Justice Warren Burger faced with defining “obscenity” — he said he could not precisely define it but he knew it when he saw it. As Carson (1990, p8) expressed it: “Everyone ‘knows’ what is meant by the term ‘small firm’ but few would be able to define it precisely without entering into a broad discussion over a range of factors.” In Carson’s view (1990, p.8), two definitions serve to classify small firms, the first focusing on size and the second on management style. In relation to size, a small firm is one which possesses at least two of the following characteristics:

- Management of the firm is independent; usually the managers are also the owners.

- Capital is supplied and the ownership held by an individual or a small group.

- The area of operations is mainly local, with the workers and owners living in one home community; however, the market may not be local.

- The relative size of the firm within its industry must be small when compared with the biggest units in the field. This measure can be in terms of sales volume, number of employees or other significant comparisons.

In relation to management style, “small firms are generally managed in a personalized fashion; managers of small firms tend to know all the employees personally, they participate in all aspects of managing the
business, and there is no sharing of the decision-making process” (Carson 1990).

Other researchers have adopted rather more pragmatic criteria. For instance, Crick (1995) used a cut-off of less than 200 employees, based on the UK Department of Trade and Industry criteria. The European Network for SME Research (1993) considers 0-9 employees to be micro, 10-99 to be small, and 100-499 to be medium-sized. The U.S. Small Business Administration (1999) considers anything less than 500 employees to be small. McAuley (1993, p 58) used “50 employees as the dividing point between small and large companies.” Stewart and McAuley (1999) set two limits: total annual sales less than 10 million GBP and number of employees less than 100. In the New Zealand context, Thirkell and Dau (1998) categorized small exporters as under NZ$10 million turnover, medium as NZ$10-50 million turnover, and larger as over NZ$50 million turnover. For reasons of simplicity, this categorization has been applied in the present study.

1.8 Export information
Despite a considerable literature on the subject of export information sources, few authors appear to have considered it necessary to define the term export information, presumably because they consider the meaning of the term self-evident. The Shorter Oxford Dictionary defines information as "knowledge or facts communicated about a particular subject, event, etc; intelligence, news." So, using this as a starting point, one could define "export information" as knowledge, facts, intelligence or news communicated about the physical, social, cultural, economic, legal, and political environment of the destination market.

Sources of export information
Souchon and Diamantopoulos (1997) classify sources of export information into three broad categories: export marketing research,
export assistance, and export market intelligence. These three categories are defined as:

export marketing research - “the research activities of firms carried out either in the home market or in foreign markets for the purpose of reducing uncertainty surrounding international marketing decision”.

export assistance - (derived from Seringhaus (1986)) - “a form of direct governmental export promotion, which encompasses standardized and customized market information and guidance on exporting and export marketing, and secondly, more comprehensive programs ranging from helping firms research specific foreign markets - individual or with trade missions -, trade fairs, to actual market entry”

export market intelligence - "the process of acquiring information through informal contact with potential customers, distributors and competitors, through attendance at international trade fairs or shows, or more directly through foreign visits. It is an on-going information process"

Export promotion programs

"Public policy measures which actually or potentially enhance exporting activity at company, industry or national level. This involves the creation of awareness of exporting as a growth and market expansion option; the reduction or removal of barriers to exporting; and the creation of promotion incentives and various forms of assistance to potential and actual exporters."

Seringhaus and Rosson (1991, p.5)
FIGURE 1.1. Research approach
Chapter Two

Literature Review
2 Literature Review

2.1 An overview of the international marketing literature

A recent editorial in International Marketing Review (Katsikeas et al. 1998) has provided an excellent overview of the exporting literature. This review describes seven distinct research streams that have been pursued since the early 1980s. These research streams are identified as:

- identification of factors that stimulate firms in their decision to initiate exporting and to subsequently maintain a commitment to exporting, e.g. (Barker and Kaynak 1992; Leonidou 1995; Morgan and Katsikeas 1997a; Leonidou 1998).

- investigation of the export development process of the firm, e.g. (Johanson and Wiedersheim-Paul 1975; Johanson and Vahlne 1977; Cavusgil 1980; Bell 1995; Leonidou and Katsikeas 1996).

- description of network relationships, and their role in export development and internationalization, e.g. (Turnbull 1987; Blankenburg 1992; Blankenburg and Johanson 1992).

- exploration of problems and barriers that firms face in initiating or maintaining export activities, e.g. (Bauerschmidt et al. 1985; Keng and Jiuan 1989; Leonidou 1995).

- examination of the nature, importance and utility of information acquired for export marketing decision making, e.g. (Seringhaus 1988; McAuley 1993; Hart et al. 1994; Souchon and Diamantopoulos 1997; Souchon and Diamantopoulos 1997).

- determination of the nature and effectiveness of government export promotion and assistance programs, e.g. (Albaum 1983; Cavusgil 1990; Kotabe and Czinkota 1992; Naidu and Rao 1993; Crick and Czinkota 1995; Bell et al. 1997; Moini 1998).

- identification of factors that play an important role in determining the export performance of firms, together with methods for assessing such performance, e.g. (Bilkey 1982; Kleinschmidt and Ross 1984; Cavusgil and Naor 1987; Axinn 1988; Aaby and Slater 1989; Koh 1991; Gray 1997; Zou and Stan 1998).

Further examination of these various research streams provides the basis for the literature review, although some of the categories are combined and others are subdivided in order to provide an emphasis appropriate to the topic of this thesis.
2.2 Factors that stimulate firms in their decision to initiate exporting

In order to tailor assistance programs to the needs of small exporting firms, governments need to know what stimuli cause firms to begin exporting. As a consequence this topic has been much studied (Miesenbock 1988). Export stimuli - also called motives, incentives, triggering cues or attention evokers - are dynamic and critically important elements of the export process in that they provide the real driving force behind the firm's expansion into international business (Wiedersheim-Paul et al. 1978; Morgan and Katsikeas 1997a; Leonidou 1998). Among such stimuli are existence of idle operating capacity, prevalence of home market constraints, pressures by domestic competitors, identification of business opportunities in overseas markets, and encouragement by external agents and organizations (Leonidou 1998).

A distinction has been drawn between internal stimuli, (eg accumulation of unsold inventory) resulting in positive (proactive) export behaviour, and external stimuli, such as encouragement by external agents or organizations, regarded as resulting in negative (reactive) export behaviour (Simpson and Kujawa 1974; Wiedersheim-Paul et al. 1978; Katsikeas and Piercy 1993; Leonidou 1995). Internal stimuli have been found to dominate in larger firms whereas external stimuli dominate in smaller firms (O'Rourke 1985; Miesenbock 1988).

The most important internal stimuli have been identified as:

- excess capacity (Brooks and Rosson 1982; Miesenbock 1988),
- unique product (Johnston and Czinkota 1982),
- firm's technological advantage (Tesar and Tarleton 1982),
- marketing advantage (Johnston and Czinkota 1982),
- aspirations for sales growth and/or profit (Simpson and Kujawa 1974; Bilkey and Tesar 1977; Cavusgil and Nevin 1981; Dichtl et al. 1990; Barker and Kaynak 1992),
- commitment and motivation of the firm (Weaver et al. 1998),
• the characteristics of the decision-makers themselves (Simpson and Kujawa 1974; Cavusgil and Naor 1987; Axinn 1988; Gray 1997),

As Gray (1997, p.391) points out,

"managers may have expectations of intrinsic and extrinsic personal rewards as a consequence of increased participation in international business activities. These personal rewards could include accelerated career advancement, increased remuneration, or excitement."

The most important external stimuli have been reported to be:

• unsolicited orders (Bilkey and Tesar 1977; Joynt 1982),

• saturated home market or a recession (Kaynak and Stevenson 1982; Miesenbock 1988),

• better opportunities (particularly higher profits) in the export market (Rabino 1980).

Stimulating factors have also been categorized on the basis of being proactive (e.g. identification of better opportunities abroad) or reactive (e.g. receipt of an unsolicited order from abroad) (Leonidou 1995). Proactive stimuli have been regarded as indicative of aggressive ("good") export behaviour based on the firm's interest in exploiting its internal competencies or favourable market possibilities, whereas reactive stimuli have been regarded as indicative of passive engagement in exporting as a response to environmental pressure ("bad") (Leonidou 1995).

Despite this judgement, Leonidou's aggregate analysis of 20 studies of export stimuli revealed that the receipt of unsolicited export orders from foreign customers constituted the most frequent and the most influential factor stimulating export initiation (Leonidou 1995), so it can hardly be all bad. Of particular relevance to this thesis is the observation that the lowest ranked stimulus was the provision of export-related incentives by the home government, thus highlighting the non-existence or ineffectiveness of public policy export stimulation programs in various countries (Leonidou 1995). Indeed, Weaver and Pak's study in South Korea appears to be the only instance where researchers have been able to demonstrate that the most important factor influencing the firm's decision to sell
abroad was the availability of export-related information (Weaver and Pak 1990). Interestingly, these researchers found that the second most important factor was “a patriotic duty to contribute to national economic development” – a factor that might not be unexpected in South Korea, but would not be expected to apply in most advanced countries. Perhaps this is a motivation that small export-dependent countries like New Zealand should try to emulate.

Table 2.1. Factors which motivate firms to internationalize
(adapted from Albaum et al (1994)

<table>
<thead>
<tr>
<th></th>
<th>INTERNAL</th>
<th>EXTERNAL</th>
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<tbody>
<tr>
<td><strong>PROACTIVE</strong></td>
<td>Managerial urge</td>
<td>Foreign market opportunities</td>
</tr>
<tr>
<td></td>
<td>Growth and profit goals</td>
<td>Change agents</td>
</tr>
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<td></td>
<td>Marketing advantages</td>
<td>e.g. Export promotion organizations, domestic</td>
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<td></td>
<td>Economies of scale</td>
<td>clients, Technology transfer</td>
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<tr>
<td></td>
<td>Unique product/technology competence</td>
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<tr>
<td><strong>REACTIVE</strong></td>
<td>Risk diversification</td>
<td>Unsolicited orders</td>
</tr>
<tr>
<td></td>
<td>Extend sales of a seasonal product</td>
<td>Small home market</td>
</tr>
<tr>
<td></td>
<td>Excess capacity of Resources</td>
<td>Stagnant or declining home market</td>
</tr>
</tbody>
</table>

Leonidou (1995) has pointed out that most researchers in this area have given disproportionate emphasis to factors which have stimulated current exporters to initiate, develop or sustain exports, and have largely neglected the effect or otherwise of stimulating factors on the behaviour of non-exporters. In a bid to redress this shortcoming, a study was carried out on 112 non-exporting firms in Cyprus, 42 of whom had previous
export experience. The aim was to investigate the perceptions these firms had of factors stimulating export initiation, and to compare these perceptions with those of exporters both in Cyprus and in other countries as reported by previous researchers. The three top stimuli identified in Leonidou's study were:

- the potential for extra sales resulting from exporting;
- the potential for export-led growth; and
- the achievement of economies of scale from exporting.

Interestingly, these factors received generally low rankings in previous export initiation studies. The next highest ranked stimuli in the non-exporters were domestic-market related risk factors which made the foreign market appear an attractive diversification outlet - such stimuli as offsetting seasonal sales, the threat of intense competition in the domestic market, and the provision of various government incentives. Conversely, the receipt of unsolicited export orders from abroad, a highly ranked stimulus in export initiation studies, had a very low influential role in this study. Leonidou attributed this finding to non-registration in directories, wrong addresses and language difficulties impeding the opportunity for obtaining fortuitous orders from other countries (Leonidou 1995). (Additionally, it seems possible that firms unmotivated to export would be unlikely to respond positively to unsolicited orders.) Stimuli originating from third parties, either at home or abroad, such as pleas to begin exporting by government or private organizations (ministries, chamber of commerce, trade associations, banking institutions) had a low motivating impact on participant firms (Leonidou 1995).

2.3 Factors that cause firms to maintain a commitment to exporting

In addition to factors that lead to initiation of exporting, factors that have an ongoing motivational effect on exporters have been studied (Johnston and Czinkota 1982; Jaffe et al. 1988; Barker and Kaynak 1992; Katsikeas and Piercy 1993). Researchers have recognized the importance of
managerial traits in determining export performance, including: cognitive style (Dichtl et al. 1990), international orientation (Wiedersheim-Paul et al. 1978; Reid 1981; Dichtl et al. 1990), perceptions of profitability and risks in export markets (Roy and Simpson 1981; Joynt 1982; Ogram 1982), and management quality and dynamism (Bilkey and Tesar 1977; Reid 1981; Ogram 1982). Katsikeas and Piercy (1993) found that managers of Greek food manufacturing firms gave extreme importance to five export motives:

- attractive profit and growth opportunities overseas;
- opportunity to spread activities over a number of country-markets and reduce the market-related risk;
- managerial beliefs about the value of exporting;
- management's export experience; and
- favourable currency movements.

Interestingly, the role of the Greek government in stimulating internationalization and facilitating a long-term export strategy was perceived to be negligible (Katsikeas and Piercy 1993).

2.4 The export development process
The process by which small firms undergo internationalization has been the subject of considerable study over the last three decades. Based on their study of four Swedish firms, Johanson, Wiedersheim-Paul, Vahlne and colleagues from the "Uppsala School" (Johanson and Wiedersheim-Paul 1975; Johanson and Vahlne 1977; Wiedersheim-Paul et al. 1978), developed their "establishment chain" theory, which delineated four distinctive stages by which firms gradually increased their foreign involvement on their way to becoming internationalized:

Stage 1: No regular export activities

Stage 2: Export via independent representatives

Stage 3: Establishment of an overseas sales subsidiary
Stage 4: Foreign production/manufacturing

This sequence of stages was seen as indicating increasing commitment to the foreign market as a result of greater knowledge and experience. The Uppsala model proposed that the internationalization process evolves systematically and with a certain inevitability once started, even in the absence of strategic decisions taken regarding the market. Furthermore, it was proposed that firms initially target neighbouring countries and subsequently target foreign markets possessing greater "psychic distance" from the home market in terms of cultural, economic and political factors (Johanson and Wiedersheim-Paul 1975; Johanson and Vahlne 1977).

Other behavioural models were developed in North America in the late 1970s and early 1980s. Some regarded internationalization as resulting from a series of management innovations within the firm (Bilkey and Tesar 1977; Cavusgil 1980; Reid 1981; Czinkota 1982), based on Roger's diffusion of innovation theory (Rogers 1962; Lee and Brasch 1978; Reid 1981). Others suggested that external "attention-evoking" stimuli such as unsolicited export orders and internal factors such as managerial ambitions or excess capacity influenced progression along an internationalization learning curve (Bilkey and Tesar 1977; Cavusgil 1980; Czinkota 1982).

All these models proposed an incremental "stages" process which was seen as inevitable and relatively consistent across firms. Numerous scholars have criticized these models as being too deterministic and inflexible to account for firms that do not follow the "usual" path to internationalization. The first step in the process may not be exporting, but one of several other international expansion modes. For example, companies may enter directly into foreign licensing, manufacturing or assembly arrangements without ever exporting (Carstairs and Welch 1982; Reid 1984; Root 1987).
Table 2.2. Review of Export Development Models
(adapted from Leonidou & Katsikeas (1996)).

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<tbody>
<tr>
<td><strong>STAGE I</strong></td>
<td><strong>STAGE I</strong></td>
<td><strong>STAGE I</strong></td>
<td><strong>STAGE I</strong></td>
<td><strong>STAGE I</strong></td>
<td><strong>STAGE I</strong></td>
</tr>
<tr>
<td>No regular export activity/ No resource commitment abroad</td>
<td>No interest in exporting/ Not even filling an unsolicited order</td>
<td>Domestic-oriented firm/ No willingness to start export</td>
<td>Importer pull/ Foreign customer orders</td>
<td>Preinvolvement Selling only in home market/ No interest in export related information</td>
<td>Completely uninterested firm/ No exploration of feasibility of exporting</td>
</tr>
<tr>
<td><strong>STAGE II</strong></td>
<td><strong>STAGE II</strong></td>
<td><strong>STAGE II</strong></td>
<td><strong>STAGE II</strong></td>
<td><strong>STAGE II</strong></td>
<td><strong>STAGE II</strong></td>
</tr>
<tr>
<td>Exporting to psychologically close countries via independent reps/agents</td>
<td>Passive exploration of exporting/ Possible filling of an unsolicited order</td>
<td>Passive non-exporter/ Moderate willingness to start exporting/ Relatively high information collection and transmission</td>
<td>Basic production capacity marketing</td>
<td>Reactive involvement/ Evaluation of feasibility of export/ Deliberate search for export-related information</td>
<td>Partially interested firm/ Exporting desirable but uncertain activity</td>
</tr>
<tr>
<td><strong>STAGE III</strong></td>
<td><strong>STAGE III</strong></td>
<td><strong>STAGE III</strong></td>
<td><strong>STAGE III</strong></td>
<td><strong>STAGE III</strong></td>
<td><strong>STAGE III</strong></td>
</tr>
<tr>
<td>Exporting to more psychologically distant countries/ Establishment of sales subsidiaries</td>
<td>Management actively explores the feasibility of exporting</td>
<td>Active non-exporter/ Highly willing to start exporting/ Relatively high information collection and transmission</td>
<td>Advanced production capacity marketing</td>
<td>Limited experimental involvement/ Limited exporting to psychologically close countries</td>
<td>Exploring firm/ Planning for export and actively exploring export possibilities</td>
</tr>
<tr>
<td><strong>STAGE IV</strong></td>
<td><strong>STAGE IV</strong></td>
<td><strong>STAGE IV</strong></td>
<td><strong>STAGE IV</strong></td>
<td><strong>STAGE IV</strong></td>
<td><strong>STAGE IV</strong></td>
</tr>
<tr>
<td>Experimental exporting to psychologically close countries</td>
<td>Product marketing channel push</td>
<td>Active involvement/ Systematic exporting to new countries using direct distribution methods</td>
<td>Experimenting exporter/ Favourable export attitude but little exploitation of export possibilities</td>
<td></td>
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<tr>
<td><strong>STAGE V</strong></td>
<td><strong>STAGE V</strong></td>
<td><strong>STAGE V</strong></td>
<td><strong>STAGE V</strong></td>
<td><strong>STAGE V</strong></td>
<td><strong>STAGE V</strong></td>
</tr>
<tr>
<td>Experienced exporter/ Optimal export adjustment to environmental factors</td>
<td>Product marketing channel pull</td>
<td>Committed involvement/ Allocating resources between domestic and foreign markets</td>
<td>Experienced small exporter/ Favourable attitude/ Involved in exporting</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>STAGE VI</strong></td>
<td><strong>STAGE VI</strong></td>
<td><strong>STAGE VI</strong></td>
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<tr>
<td>Exporting to additional countries psychologically more distant</td>
<td></td>
<td></td>
<td>Experienced large exporter/ Very favourable export attitudes and future export plans</td>
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</table>
### Table 2.2. Review of Export Development Models (continued)

<table>
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</thead>
<tbody>
<tr>
<td>Stage I</td>
<td>Non-exporters who never considered exporting</td>
<td>STAGE I Lower stage of export involvement</td>
<td>STAGE I Awareness/recognition of exporting as an opportunity</td>
<td>STAGE I Non-exporters indicating no current level of export nor any future interest in exporting</td>
<td>STAGE I Completely uninterested firm</td>
</tr>
<tr>
<td>Stage II-III</td>
<td>Non-exporters who investigated exporting, and previous exporters</td>
<td>STAGE II Middle stage of export involvement</td>
<td>STAGE II Interest in selecting exporting as a viable strategy</td>
<td>STAGE II Non-exporters who would like to explore export opportunities</td>
<td>STAGE II Partially interested firm</td>
</tr>
<tr>
<td>Stage IV</td>
<td>Current exporters with no direct investment abroad</td>
<td>STAGE III Higher stage of export involvement</td>
<td>STAGE III Intention to initiate exports</td>
<td>STAGE III Sporadic involvement in exporting activities</td>
<td>STAGE III Exporting firm</td>
</tr>
<tr>
<td>Stage V</td>
<td></td>
<td>STAGE IV Trial and adoption of exporting</td>
<td>STAGE IV Regular involvement in exporting activities</td>
<td>STAGE IV Experimental exporter</td>
<td></td>
</tr>
<tr>
<td>Stage VI</td>
<td></td>
<td></td>
<td></td>
<td>STAGE V Experienced small exporter</td>
<td>STAGE VI Experienced larger exporter</td>
</tr>
</tbody>
</table>

Cannon and Willis (1981) challenged the underlying assumptions of step-wise progression and necessarily forward progression, pointing out that many passive exporters were at one time active, and that firms may omit various stages to accelerate the internationalization process.

Sullivan and Bauerschmidt (1990) set about testing Johanson and Vahlne's (1977) thesis that the internationalization of firms is an incremental process dependent on the progressive reduction of psychic distance through gradual accumulation of experiential knowledge of foreign markets on the part of managers. Their study of European forest products firms failed to support the Johanson and Vahlne conceptualization, because no significant changes were found in the appreciation of barriers and incentives to internationalization in managers of firms at various stages of
internationalization (Sullivan and Bauerschmidt 1990). Reid (1983) argued that existing models were too deterministic, and that the internationalization processes of firms were highly individualistic and situation-specific.

Evidence from many countries, including Taiwan (Chang and Grub 1992), Italy (Varaldo 1987), and various other countries in Europe (Buckley 1982; Knight and Cavusgil 1996), indicates the existence of firms that have not followed such a prescribed path to internationalization. Furthermore, several scholars contend that "psychic distance" has become much less important as global communication and transportation infrastructures improve and markets become increasingly homogeneous (Czinkota and Ursic 1987; Bell 1995). Stottinger and Schlegelmilch (1998, p.367) suggest that maybe the concept of psychic distance is "past its due-date", and at the very least requires radical refinement in order to remain relevant to changing business environments.

During the 1990s, several authors have described the emergence of firms having, from inception, an innovative international vision focused on international sales growth (Oviatt and McDougall 1994; Bell 1995; Knight and Cavusgil 1996). These businesses have been termed Born Global firms. Several recent trends have facilitated the emergence of Born Global firms (Knight and Cavusgil 1996).

First, there is the increasing role of niche markets (Robinson 1986; Holstein 1992). With increasing globalization of markets and worldwide competition from large multinationals, many smaller firms have no choice but to specialize in the supply of products that occupy a relatively narrow global niche (Knight and Cavusgil 1996).

A second important trend stems from technological improvements resulting in economical low-scale batch-type production, allowing small firms to compete with multinationals in the production of highly sophisticated products for sale around the world (Robinson 1986; Holstein 1992; Knight and Cavusgil 1996). Bell's cross-national study of the export behaviour of small computer software firms in Finland, Ireland and
Norway found that "Small software developers with only a handful of staff can develop excellent packages which have great export potential" (Bell 1995, p.72). Almost 10 percent of such firms across all three countries began exporting before they had obtained any domestic sales, and in Ireland 20% of the firms surveyed obtained all of their sales from abroad (Bell 1995).

Third, there is the role of rapidly improving communications technology. With widespread use of fax machines, voice mail, e-mail, and the World Wide Web, managers even at small firms can efficiently manage transactions across international borders.

Fourth, small firms have an inherent advantage in terms of quicker response time, flexibility, adaptability etc, which although offset to some extent by an inherent lack of resources, facilitates international aspirations and the satisfying of diverse customer needs. The McKinsey study of emerging exporters in Australia (McKinsey and Co 1993) found that Born Global firms had a strong customer orientation and were quick to tailor products to meet specific customer requirements.

Argument about the appropriateness or otherwise of 'stage' models of internationalization is not merely an academic pastime. As Knight and Cavusgil indicate, once the nature of success factors underlying the Born Global phenomenon are understood, it should be possible to formulate public policy initiatives that will nurture the development and progress of such firms (Knight and Cavusgil 1996).

2.5 The need for a systematic approach to export market entry
The first step that a company contemplating internationalization needs to take is to evaluate the marketability of its products outside its home territory. The second step has to be evaluation of the most appropriate country markets to enter. The two issues are of course directly related - taste, regulatory problems, strength of competition etc may rule out a particular country market for a particular product line (Young et al. 1989).
Poor country/market choices can have far-reaching effects in terms of cashflow, management time, draining other resources, diminishing profits etc.

All of these factors emphasize the need for a company to adopt a systematic approach to export market entry in order to avoid costly mistakes, but the logistics of implementing a systematic approach are frequently beyond the resources and knowledge of small firms. Small firms have a tendency to lack strategic focus (Mitchell and Bradley 1986; Daltas and McDonald 1987; Lyles et al. 1993) and frequently rely on unsolicited export orders (Liang 1995). Success and failure in exporting is as much a function of superior networking as it is a function of superior product offering (Liang 1995), but superior networking is difficult to implement for a firm with limited know-how and resources. As Mitchell and Bradley (1986) so well expressed it, the export behaviour of small firms is often "unplanned, reactive and opportunistic".

An in-depth field study of 42 American manufacturing firms in Florida found that, prior to their respective export entry, 47% of the sample firms conducted no market research, 37% conducted no competitor research, and 33% did not evaluate customer creditworthiness (Gomez-Mejia and McCann 1989). Katsikeas et al (1996) point out that an opportunistic and non-methodical approach to exporting activities is likely to adversely affect the development of experiential knowledge of overseas markets and operations, which is regarded as a critical factor for success in the long term.

2.6 The problems small firms encounter in entering export markets

Study of the barriers which small firms face in international markets has proved to be a popular field of research. In their review of this field, Seringhaus and Rosson (1991, p.6) concluded that: "the crucial barriers to increased involvement by companies in foreign markets are managerial motivation, knowledge and resources". Rabino (1980) studied 46 high
technology firms in New England to determine both the actual problems facing such firms and also their perceptions as to why their peers did not export. In order of importance, the five major problems identified were: paperwork, selecting a reliable distributor, non-tariff barriers, honouring letters of credit and communications with customers. Reasons suggested for other firms not exporting included:

- lack of exposure to other cultures,

- a large domestic market,

- lack of staff time,

- paperwork, and

- different quality or safety standards.

Tesar and Tarleton (1982) differentiated between problems associated with export initiation and those of an ongoing nature. The top three problems for initiating exports were identifying overseas opportunities, export documentation, and the cost of initiating exporting (all ranked equally). The main ongoing problems were: obtaining suitable representation, servicing foreign markets, differences in standards and consumer habits, obtaining payment, and the high costs of doing business abroad.

Informational barriers were identified as a major hurdle in several studies reviewed by Seringhaus and Rosson (1991). Many companies do not know where to begin. They have a lack of appreciation of the information that should be collected, where it might be collected from, and, once it is found, how it should be analyzed (Seringhaus and Rosson 1991). Companies themselves often claim that a main obstacle to their internationalization process is a lack of specific export knowledge (Johanson and Vahlne 1977; Walters 1983; Reid 1984; Cavusgil and Naor 1987; Crick et al. 1994; Katsikeas 1994).

A study in the UK of the greatest difficulties firms faced in exporting found "market information" to be the second-most cited difficulty (equal in importance to "export paperwork" and "product suitability"), surpassed only by "finance/delays in payment" (Bannock and Peacock 1989, p. 32).
Acquisition and use of adequate export information can minimize risk and uncertainty associated with export operations and lessen the chance of costly mistakes and lost opportunities (Ricks 1983; McAuley 1993; Diamantopoulos and Souchon 1996).

**Table 2.3. Barriers to Exporting**

(adapted from Bell (1999))

<table>
<thead>
<tr>
<th>Internal</th>
<th>External</th>
<th>Domestic</th>
<th>Foreign</th>
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</thead>
<tbody>
<tr>
<td>Inadequate production plant and premises</td>
<td>Documentation methods</td>
<td>High risks/costs involved in selling abroad</td>
<td>Foreign product standards and/or specifications</td>
</tr>
<tr>
<td>Inadequate/untrained staff</td>
<td>Lack of government assistance</td>
<td>Inability to offer competitive prices</td>
<td>Economic conditions abroad</td>
</tr>
<tr>
<td>Insufficient production capacity</td>
<td>Restrictions imposed by domestic regulations</td>
<td>Inability to offer technical/after sales service</td>
<td>Fluctuating exchange rate</td>
</tr>
<tr>
<td>Limited information and/or knowledge</td>
<td></td>
<td>Inadequate foreign distribution channels</td>
<td>Foreign consumer preferences</td>
</tr>
<tr>
<td>Shortage of working capital to finance exports</td>
<td></td>
<td>Inadequate representation abroad</td>
<td>Foreign business practices</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Inadequate control over slow payments/nonpayments</td>
<td>Foreign rules/ regulations</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Inadequate control over transportation problems/high shipping costs</td>
<td>Intense competition</td>
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<td>Language/communication problems</td>
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<td></td>
<td></td>
<td></td>
<td>Political instability</td>
</tr>
<tr>
<td></td>
<td></td>
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<td>Tariffs and non-tariff barriers</td>
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In their study of the determinants of export performance, Katsikeas and colleagues (1996) found that the problem factor referred to as "information/communication with the export market" had a very substantial negative impact on export performance. This indicates that this "problem" is not only a perceived one but does in fact translate to impaired export performance.

Major difficulties with the literature on export problems have been:

- failure by some researchers to differentiate between problems which occur in the very early stages of export involvement and those which are ongoing, and

- failure to adopt a specific industry focus.

The importance of these distinctions is demonstrated by Bell's (1997) study of export problems of small computer software exporters in Finland, Ireland and Norway. Obtaining information on export markets and securing suitable overseas representation were generally not regarded as problem areas. Most respondents considered such activities to be of crucial importance and were keen to improve their knowledge and contacts, but believed they were sufficiently adept at locating the necessary information on markets, intermediaries and clients.

At first glance Bell's results appear to conflict with the bulk of previous studies in the area. However, Bell's study focused on active exporters, so most firms would be expected to have successfully overcome any initial difficulties they may have experienced in these areas. Furthermore, factors specific to software firms appear to result in them having better export intelligence capabilities and overseas contact networks than their counterparts in other sectors. As is to be expected, such firms have a particular propensity to use new information technologies such as on-line databases and the World Wide Web, and thus tend not to use other sources of secondary information such as the information services of national export promotion organizations (Bell 1997). Furthermore,
existing relationships between hardware and software producers often enabled software firms to enter export markets via the established distribution networks of the former, leading to a high incidence of domestic client followership into export markets (Bell 1997).

2.7 The methods small firms use to gather export information

Surprising though it may seem, several studies have demonstrated that many companies begin exporting without much rational analysis or deliberate planning at all (McAuley 1993). Lee and Brasch (1978), in a study of small manufacturing firms in Nebraska, found that most exporters followed a non-rational decision process. They generally failed to consult experts or collect detailed information, but proceeded in the belief that a market for their products existed. McAuley (1993) notes that the need for commitment of extra finance and human resources can act as a significant barrier to rational information gathering.

The literature on export information encompasses acquisition of export information as well as the use to which it is put (Diamantopoulos and Souchon 1996; Diamantopoulos and Horncastle 1997). The issues considered have included the nature of export information needs and their relative importance (Wood and Goolsby 1987), as well as factors which moderate those needs (Culpan 1989; Diamantopoulos and Souchon 1996). Crick concluded that the problem is not so much a lack of information available, but an absence of knowledge by managers about what is actually available, how to get hold of it, the speed and cost of obtaining it (Crick 1995). In particular, small firms appear to be less aware of export information sources than larger firms (Reid 1984; Samiee and Walters 1990). Several researchers have investigated which sources of export information firms are aware of (Walters 1983), which sources they actually use (Bodur and Cavusgil 1985; McAuley 1993), and how useful firms perceive alternative information sources to be (Walters 1983; McAuley 1993).
Souchon and Diamantopoulos (1997) found that awareness of export information sources is greater in companies that have been exporting for a greater number of years. Earlier studies have shown that experienced exporters use more sources of information than new exporters (Cavusgil 1984), and are more likely to obtain export information in the first place (Schlegelmilch et al. 1993). McAuley (1993, p.60), in contrast, found evidence that "the more experienced exporters concentrated their information-gathering activities on relatively fewer providers than newer exporters." Acquisition of export assistance information increases with export complexity, and with the turbulence of country markets that firms are exporting to (Souchon and Diamantopoulos 1997). Furthermore, larger companies seem to collect more market research information than smaller firms, which presumably is related to the resources they have available for the purpose (Souchon and Diamantopoulos 1997).

Bannock and Peacock (1989, p.37) made the interesting observation that:

Experienced exporters rely principally on their representatives or subsidiaries or other sources of information overseas, including foreign trade press, and on personal visits. Generally speaking, they disdain the use of official sources of information (other than statistics) and are sceptical of advice given by banks and professional advisers on export matters. The only information problems which experienced exporters admit to concern intelligence, for example on competitors' prices and forthcoming new products.

This assessment reinforces the widely-held view among researchers in this field that experiential knowledge gained by actually exporting, or personally visiting the prospective country market, is irreplaceable in its value and is unlikely to be effectively substituted for by consultants - either governmental or commercial (Brooks and Rosson 1982; Joynt 1982; McAuley 1993).

McDowell and Rowlands, in a study of Northern Irish SMEs, asked respondents what type of business information they needed to acquire from time to time, and to rate these types of information in terms of difficulty of acquiring (McDowell and Rowlands 1995, p.45):
One worrying finding was that the most important information (market) was one of the most difficult to acquire. There is a highly significant "information gap" for market, competitor, agent and distributor information. That is, the facility in acquiring this information falls far short of the importance attached to it.

2.8 The importance of adequate export information

Knowledge of international markets, both existing and potential, is obviously critically important to any would-be exporter. Information is needed to establish every parameter of the proposed market including such variables as consumer tastes and trends, business practices, competitors, market entry strategies, trade barriers (if any), legal constraints, tariffs, potential distribution channels, product customization requirements etc.

Many studies have shown that experiential knowledge gained from visiting the foreign market and from actually carrying out the export business is without peer in the longer term (Cunningham and Spigel 1971; Johanson and Vahlne 1977; Seringhaus 1987; Bell 1997). But it is apparent that firms new to exporting need to obtain information from secondary sources in order to get started. Several studies have shown that institutional information sources are the least used by small firms, even though well-meaning designers of government programs invest large amounts of public money on establishing and expanding such resources (Reid 1984; McDowell and Rowlands 1995). Diamantopoulos and Souchon (1996) note that information originating from personal and internal sources tends to be used much more extensively than that stemming from external sources because it is trusted to a larger extent (especially by small firms).

The recent development of the Internet, with its virtually limitless resources, has transformed the ready availability of information, provided firms are fully familiar with its potential (Samiee 1998). The extent to which such information can be trusted will continue to be an issue, but as an information search tool for small firms the Internet has a huge amount
to offer. The World Wide Web was only conceived in 1989, so its full potential is far from realized. The other side of the coin is that the Internet has the potential to erode some of the existing advantages of well-established firms and to provide a more-level playing field for smaller firms. It allows almost any interested exporter to obtain a presence on the Internet and to list its address on various directories and search engines (Hamill and Gregory 1997). As an increasing number of exporters develop Web sites, absence from the Internet can create a competitive disadvantage (Samiee 1998).

The importance of adequate information in securing competitive advantage for firms has long been recognized in the literature (Parsons 1983; Porter and Miller 1985; Glazer 1991; Turner 1991). However, because essentially the same information is now available to competing firms simultaneously, competitive advantage is increasingly dependent on what is done with that information rather than who does or does not have it (Feldman and March 1981; Goodman 1993; Diamantopoulos and Souchon 1996).

2.9 The use of export information

Information use in a domestic setting has been extensively studied (Menon and Varadarajan 1992) and a theoretical and conceptual framework developed to explain its use at different levels within firms and within different types of firm (Deshpande and Zaltman 1982; Deshpande and Zaltman 1984; Deshpande and Zaltman 1987; Lee et al. 1987).

With reference to export information, Diamantopoulos and Souchon (1996) have distinguished between three distinct dimensions of use of information: instrumental, conceptual and symbolic. Instrumental use of information refers to applying knowledge directly to solve a very specific problem, e.g. deciding to introduce a new product based on marketing research findings and recommendations (Menon and Varadarajan 1992). Conceptual use of information refers to the indirect application of knowledge to influence a decision-maker's thinking about an issue
without putting information to any specific, documentable use. Finally, *symbolic* use of information refers to any process of ‘going through the motions’ of using information as a ‘window-dressing exercise’ - such activities as: distorting information to justify an opinion (Piercy 1983; Goodman 1993); justifying a previously-made decision with retrospectively-acquired information (Knorr 1977); or simply pretending to use the information in order to keep superiors happy (Cunningham and Clarke 1975; Piercy 1983; Goodman 1993).

Diamantopoulos and Souchon (1996) have also studied the extent and types of information use by exporting firms in the UK and have linked such use to export decisions. A key factor determining the extent to which information was used (if at all) was perception on the part of managers of the quality and reliability of the source of this information. External export marketing research information (commissioned from external suppliers) was generally considered by respondents to be less reliable than information gathered by the firm's own personnel (e.g. through visits to customers, trade shows etc). The reason for this was that the former type of information does not come from people who are actual players (e.g. suppliers, competitors) within the industry they research, but from mere observers who are taking a brief look at the industry. A second factor determining the extent of use was the perceived quality of the information in terms of timeliness and specificity.

A finding of considerable importance to providers of government export assistance is that information provided by government export assistance organizations was seldom used because it was "too general", "irrelevant", and "outdated" (Diamantopoulos and Souchon 1996, p.127 ). Information generated in-house was considered superior in terms of both relevance and timeliness, and thus more likely to be used effectively. Another finding of considerable importance was that the more experience a decision maker had of his/her industry and exporting activity, the more he/she would rely on intuition as a basis for making export decisions, perhaps using information symbolically to support a decision already made on intuition. The individual's personal export experience, rather
than the firm’s collective export experience and organizational knowledge base, led to a heightened reliance on symbolic use of information.

Despite this, it is claimed that "exporters using information extensively were more confident in their decisions than companies who did not systematically rely on export knowledge" (Diamantopoulos and Souchon 1996), (although the method of measuring "confidence" is unclear.) Earlier studies have provided evidence suggesting that acquisition of export information contributes positively to export success (Koh 1991; Koh et al. 1993; Crick et al. 1994), although the actual use of such information was not documented.

2.10 Export performance measures
According to Grunert and Ellegaard (1993) both export success and factors leading to it are often difficult to operationalize, and many times little is known about the reliability and validity of the measurements. A main part of the problem is caused by a lack of a uniform definition of export performance in the export marketing strategy literature (Matthyssens and Pauwels 1996).

It has been argued that frequently used financial performance criteria for assessing the performance of organizations are too limited – such measures exclude certain stakeholders and merely signal the history of the firm (Chakravarthy 1986). Return on investment (ROI) and similar measures have limitations (Jacobson 1987), but do provide some information about economic rates of return. Many commentators suggest that the use of financial indicators should be supplemented with “operational performance measures” such as market share and product quality (Eccles 1991; Kaplan and Norton 1992; Matthyssens and Pauwels 1996). Kaplan and Norton (1992) devised a composite measure of corporate performance that they called the “balanced scorecard” – an internal measure including financial measures, customer satisfaction, use of information technology, plus innovation and improvements to the company’s activities. An external measure that has gained increasing
attention in the UK (Economist) and the USA (Fortune) is the “informed spectator” method, which relies on expert opinions from leading analysts (Kaplan and Norton 1992). This latter method is only likely to be applicable to larger, better known companies. These same issues that have been troubling management theorists and researchers in strategic marketing are also highly relevant to researchers in export marketing.

A consensus seems to have emerged in recent years that measures of export performance should be grouped into seven categories representing financial (sales measures, profit measures, growth measures), nonfinancial (perceived success, satisfaction, goal achievement), and composite scales (measures based on overall scores of a variety of performance measures)(Madsen 1987; Matthyssens and Pauwels 1996; Zou and Stan 1998). "Sales" include measures of the absolute volume of export sales or export intensity; "profit" consists of absolute measures of overall export profitability and relative measures such as export profit as a proportion of total profit or relative to domestic profit; "growth" refers to changes in export sales or profits over time.

Although in theory such financial measures should be largely objective, there are inherent problems in these measures (Katsikeas et al. 1996). First, formal company financial statements often make no clear distinction between domestic and export business, because many firms see exporting as an extension of their domestic activities. Second, profitability is contingent on factors such as the depreciation method followed, the way in which overheads are allocated, and provisions firms may make for bad debts and future losses (Brown and Laverick 1994). These factors will vary from firm to firm depending on the internal accounting practices used.

The non-financial measures are naturally more subjective: “success” comprises measures such as the manager’s belief that export activities contribute to a firm’s overall profitability and reputation (Raven et al. 1994); "satisfaction" refers to the manager’s overall satisfaction with the company’s export performance (Evangelista 1994); and "goal
achievement" refers to the manager's assessment of export performance compared to objectives (Katsikeas et al. 1996; Zou and Stan 1998).

Export sales, profits and composite scales are the most widely used measures of export performance in studies over the last decade (Zou and Stan 1998) despite recommendations that more perceptual measures of overall export success or success in achieving organizational goals should be used (Cavusgil and Zou 1994; Diamantopoulos and Schlegelmilch 1994; Matthyssens and Pauwels 1996). Diamantopoulos and Schlegelmilch (1994) projected one performance measure into the future, asking for management's projection of export involvement for the following three years, in order to gain insight into future success. As Brown and Laverick (1994, p.96) expressed it:

Instead of yesterday's performance measuring yesterday's decisions, what are needed are measures that provide today's decisions which will benefit tomorrow's performance.

2.11 Determinants of export performance
Numerous studies have been conducted in the last 30 years on the determinants of export performance - an area of great interest and importance to governments wishing to enhance the exporting activities of their country. However, this field of study is characterized by a fragmented collection of conflicting findings. A number of excellent reviews have sought to restore some order to this very complicated field (Madsen 1987; Aaby and Slater 1989; Chetty and Hamilton 1993; Zou and Stan 1998).

Zou and Stan (1998) lamented the fact that very few of these studies have built upon an explicit theoretical basis and expressed surprise that after three decades of work many studies are still anecdotal or exploratory in nature. They note that:

A glaring problem of the export performance studies reviewed here is the multiplicity of factors/variables proposed by researchers to influence export performance, the large number of ways in which the factors are measured, and the lack of a consistent theoretical framework or logic to guide the choice of
oroblems is a sea of complex, confusing and conflicting findings


The determinants of export performance can be classified into internal and external factors (Zou and Stan 1998). Internal factors are justified by the resource-based theory, which conceives of a firm as a unique bundle of tangible and intangible resources (managerial attributes, information, knowledge, financial assets, capabilities) that are controlled by the firm and that enable the firm to design and implement strategies aimed at improving efficiency and efficacy (Barney 1991). This theory contends that the principle determinants of a firm's export performance and strategy are the internal organization resources (Barney 1991; Collis 1991). External factors, in contrast, owe their justification to the industrial organization theory, which argues that the external environment imposes constraints to which a firm must adapt in order to survive and prosper (Collis 1991). This theory predicts that the external factors and the firm's strategic response to those factors are the primary determinants of export performance.

An alternative classification separates determinants of export performance into controllable and uncontrollable factors. An implicit assumption of studies that focus on controllable factors is that managers can "take charge" in determining their export performance, whereas studies that focus on uncontrollable factors take an essentially fatalistic view of exporting (Zou and Stan 1998).

Based on this dual classificatory scheme, the consensus appears to be that internal-controllable factors are the most important set of determinants of export performance (Madsen 1987; Aaby and Slater 1989; Chetty and Hamilton 1993; Zou and Stan 1998). This suggests that most researchers hold the view that export performance is under the control of the firm and its management, so good export performance should be attributed to superior work by managers and conversely poor export performance should be blamed on management (Zou and Stan 1998).
According to Zou and Stan (1998), the internal/controllable factors identified are of two types:

- those associated with the firm's export marketing strategy (essentially the 4 Ps of the marketing mix: product adaptation, product strength; promotion adaptation, promotion intensity; price adaptation, price competitiveness; channel relationships, and type of channel), and

- those that relate to the perceptions and attitudes of management (management's international orientation, management's export commitment, management's perceptions of export advantages, and management's perceptions of barriers to exporting.)

**Export planning** is found to be a consistent determinant of export sales, profits, and growth (Aaby and Slater 1989; Zou and Stan 1998). Good export organization appears to pay off in terms of increased sales, profits and customer satisfaction, although some studies have found this factor to be not significant (Zou and Stan 1998). The effect of a firm's general exporting strategy, in terms of whether a first mover or a follower, of using a concentration or diversification strategy etc, is mostly insignificant (Madsen 1987; Zou and Stan 1998).

**Utilization of international marketing research** has been found by some studies to positively affect export sales, growth, and composite measures of export performance (Madsen 1987; Zou and Stan 1998). One study (Walters and Samiee 1990) reported a negative effect of international marketing research on export profits, and several others reported insignificant effects (Zou and Stan 1998).

**Product adaptation and brand strength** have been found to be generally important determinants of export sales, profits and growth, because adapted products satisfy foreign consumers' needs and wants better while brand strength facilitates transfer to foreign markets. The effects of promotion adaptation on various measures of export performance appear mixed, possibly because researchers have measured the extent of promotion adaptation rather than the extent to which the adapted promotion met foreign consumers' preferences (Zou and Stan 1998).
Channel relationship, expressed as dealer/distributor support, motivation and involvement, emerges as a key determinant of export sales, growth and profits (Madsen 1987). Price adaptation and competitiveness appear inconclusive, and according to Zou and Stan require more study "given the importance of export pricing as the only marketing mix variable that generates revenue..." (Zou and Stan 1998).

Attitudes and perceptions of management. Management's export commitment, international orientation, and perception of the advantages of exporting, all act as important determinants of export success (Axinn 1988; Aaby and Slater 1989; Chetty and Hamilton 1993; Gray 1997; Leonidou et al. 1998; Zou and Stan 1998). These findings suggest that it is important for the management of exporting firms to focus on advantages rather than on barriers to exporting, and to maintain a positive attitude towards the likely outcome. According to Thirkell and Dau (1998), who studied export success determinants for New Zealand manufacturing exporters:

> The most controllable element is the commitment to sending people offshore. Nothing appears to substitute for time spent in the marketplace

(Thirkell and Dau 1998, p. 827).

Internal/uncontrollable factors are those characteristics of a firm that cannot be changed in the short term – for example its international competence, and its size. Such competency factors as strong market position, strong human resources, and strong functional capabilities appear to be important determinants of export performance (Madsen 1987; Aaby and Slater 1989; Zou and Stan 1998). Firm size is generally found to have a positive effect when size is measured in terms of total firm sales (Chetty and Hamilton 1993), but when measured in terms of number of employees the effect of size on export performance is much less clear-cut (Zou and Stan 1998). Katsikeas et al used both criteria in their study of Greek regular exporters, and contrary to their expectations found neither firm size nor number of years exporting to be significantly correlated with export success (Katsikeas et al. 1996).
External/uncontrollable factors include industry characteristics, export market characteristics, and domestic market characteristics (Zou and Stan 1998). Studies that have looked at technological intensity or manufacturing complexity have reported a positive influence on export performance (Holzmuller and Kasper 1991; Cavusgil and Zou 1994; Holzmuller and Stottinger 1996), although Zou and Stan (1998) believe more work is needed before this conclusion can be safely drawn. Export market barriers (trade barriers, physical and psychological distance) have generally been
found not to be a significant predictor of export performance. It seems that firms can perhaps overcome such barriers by adopting appropriate marketing strategies (Zou and Stan 1998).

2.12 Justification of government assistance programs
Most national governments place considerable emphasis on export promotion activities (Seringhaus and Rosson 1990), presumably in the belief that such efforts will benefit their national economy. Such measures seek to stimulate export-led growth and to reduce the trade deficits which have afflicted many nations during recent decades. It is interesting, however, that some countries that have had consistent positive trade balances over many years (e.g. Saudi Arabia, France) still have more than their share of economic woes, so it is clear that the seemingly obvious solution of "more exports" is not a panacea for economic mismanagement.

The rationale behind using public money to promote exports has been questioned also in an editorial in the Economist:

Are not exports the modern holy grail, proof of a country's competitiveness? This is just a new form of the oldest mercantilist myth. There is nothing magic about exports; they are simply a necessary means to pay for imports. Look at France, which is running a $24 billion annual trade surplus and thus has exports galore. But it also has unemployment galore, and problems galore, none of which will be solved by more exports. It is safe to predict, however, that right now, somewhere in Paris, someone is planning the next trade-promotion trip for President Chirac or one of his ministers, and working out ways to bribe the lucky hosts to buy more Airbuses

(Anonymous 1997).

Despite this cautionary note, stimulating exports from within the SME sector is regarded as important both in large and small nations alike. In large nations like the United States these activities are seen as additional to the contributions of large internationally oriented firms. Czinkota (1994, p. 92) has pointed out that while
...it is commonly explained that almost half of U.S. exports are made by the 100 largest corporations, and that 80 percent of U.S. exports are carried out by only 2,500 firms, overlooked is the fact that thousands of smaller sized firms have been fueling a U.S. export boom, which has supported the economy in times of limited domestic growth.

In small nations like New Zealand, stimulation of exports from SMEs plays a more crucial role: although the proportion of small firms, and their contribution to wealth creation and employment, is not significantly different from those in larger economies (e.g. Germany, UK), they are much more active in the area of exporting because of severely limited opportunities in the home market (Bell et al. 1997). Furthermore, geographical isolation from main trading partners increases the need for export promotion measures (Bell et al. 1997).

2.13 The nature of government assistance programs
Seringhaus and Rosson (1990) divide export promotion measures into indirect and direct measures. Indirect measures focus on the production and supply side, and include government support which deals with issues such as: productivity, research and development, technology innovation, manpower planning, regional or sectoral development, and fiscal measures such as tax incentives. All of these measures have the aim of improving competitiveness and performance by companies, but the improvement is not specifically for export activities; export benefits may emerge in time. Direct export promotion programs, in contrast, focus on the market and demand side. Such programs include: awareness-creation, interest stimulation, research support, export preparation, and export market entry, development and expansion. These direct measures aim to improve a firm’s export competitiveness (Seringhaus and Rosson 1990).

Diamantopoulos et al (1993) divide direct export promotion measures into three categories:

* supply by government departments and offices of standardized and customized market information and advice on exporting in general and export marketing in particular;
programs which render assistance to firms, ranging from awareness-creating to actual market entry; and

- programs which attempt to cover firms' financial risks through insurance and financing arrangements.

Diamantopoulos et al (1993, p.7) define "standardized information" as "general information, widely available from primarily secondary sources." They define "customized information" as

...data personally acquired through direct market/customer contact by firm's staff. This is sometimes referred to as experiential information in that it relies on personal involvement, through, for example, a market visit or trade fair. (Diamantopoulos et al. 1993)

Curiously excluded from this definition appears to be a service offered by many government export promotion organizations (including Trade NZ) of undertaking specific market investigations on behalf of the client firm. The only involvement by the firm is to supply background information and pay for the service, but the resulting information is customized for the client firm.

Government assistance with financing has proven particularly popular in the USA, where in a major initiative in 1993, the Clinton administration devised a national strategy to reposition the Export-Import (Ex-Im) Bank to "meet or match the subsidies offered by US trade rivals" (Holden 1996). The Ex-Im Bank and the Small Business Administration will guarantee commercial loans on behalf of U.S. exporters, will provide direct loans to foreign buyers of U.S. goods or services, and will issue export credit insurance policies to protect U.S. companies against payment defaults by a foreign buyer (Ewer and Williams 1998). No comparable mechanism presently exists in New Zealand, although an Export Guarantee Office formerly existed (Cullwick and Mellalieu 1981). Government assistance in the U.S. is claimed to be justified as a response to the actions of other countries. A 1996 article on trade promotion in Business America states:

Most agricultural exporting nations such as Australia, Canada, the European countries, and New Zealand heavily promote their agricultural and food products throughout the world...
Eighteen major exporting countries other than the United States spend an estimated $600 million for non-price promotion activities, activities similar to those under the USDA's Market Access Program and the Foreign Market Development Program ... if these initiatives are effectively and aggressively countered, U.S. exports will be enhanced to the benefit of the farm and rural community


The extent to which powerful countries like the U.S. subsidize their export promotions is potentially very worrying for a country like New Zealand that is trying to avoid any type of subsidy for its exporters, if in fact such programs do benefit American exporters. However, as will be seen in subsequent sections, this is a matter of some debate.

2.14 The efficacy of government assistance programs

Despite conventional wisdom that government export assistance programs are both necessary and beneficial, the effectiveness of such programs in meeting government objectives has frequently been questioned. Attempts to quantify the benefits of government export assistance programs have generally failed to demonstrate any significant beneficial effect on the management and performance of exporting firms (Seringhaus 1986; Seringhaus and Rosson 1990).

Czinkota (1992) has pointed out a fundamental flaw in the approach that has commonly been used in the design of government programs. Government agencies have surveyed companies and asked them what type of help they desire, then designed programs to meet those desires without ensuring that help in those areas will in fact lead to greater export performance. "Of course everybody is for programs that enhance profitability and make life easier. However, the real question is whether or not these programs will result in more exports" (Czinkota 1992).

According to Miesenbock (1988, p.50), the use of export stimulation measures increases export success "but most firms would not even reduce marginally their export activities if they (export stimulation measures) did not exist". Some commentators have gone further and suggested that
despite the good intentions of the designers of government assistance programs, such schemes are in fact detrimental to the international competitiveness of firms. Peacock argued that:

...the proliferation of selective aid schemes fosters a 'pork barrel' mentality among those who might qualify for support. On top of the growing cost of government regulation and taxation of business there is placed an inducement to incur the cost of 'liaison' with government departments who might be induced to part with money. The link between profitability and efficiency is broken if profitability depends on bargaining skill in the interface with government officials instead of satisfying domestic and international consumers.

(Bannock and Peacock 1989, p. 7).

The efficacy of government export assistance programs firstly depends on the extent to which firms are aware of their existence and secondly how well such programs are tailored to meet firms' needs. Considerable user dissatisfaction is revealed in the literature, but to some extent this could be due to ignorance of services available. Firms' awareness of export assistance programs tends to be low (Albaum 1983; Reid 1984; Kedia and Chokar 1986; Diamantopoulos et al. 1993; Moini 1998), although a recent study on small computer software firms in Finland, Ireland and Norway found awareness of most services to be in the 60-90% range (Bell unpublished). Leonidou (1998) found that a major barrier to exporting among non-exporters in Cyprus was the lack of government export assistance but it is possible that this is because of a lack of awareness of government assistance available rather than an actual lack of assistance mechanisms (Kedia and Chokar 1986). Diamantopoulos et al (1993) consider that awareness rating levels may show firms' recall of media mention of assistance programs rather than measuring interest-based awareness.

2.15 Firms' attitudes towards export assistance programs

Another important issue is the extent to which firms' perceptions and attitudes towards export assistance programs influence their usage of the programs. Cullwick and Mellalieu (1981) found, in contrast to their
expectations, that the extent to which New Zealand companies felt that
government had a responsibility to improve export development had no
significant relationship to their frequency of use of government export
assistance programs. However, as might be expected, there was a
correlation between the frequency with which firms used the services and
their perception of how helpful they thought the services were (Cullwick
inexperienced firms tend to perceive export information assistance as
more beneficial than do experienced exporters. Czinkota (1982) found that
belief in helpfulness of government assistance from the U.S. Department
of Commerce was highest amongst beginning exporters. Of course it is
possible that this is because such programs are carefully tailored towards
the needs of beginning exporters. Alternatively, it could be that more
experienced exporters have learnt to their cost that such programs are of
limited usefulness!

Moini (1998) asked respondents how much benefit they received if they
had used government assistance programs, or how much benefit they
would expect to receive if they were to use such a program. The results
suggested that benefits received or expected from export assistance
programs varied by the degree of internationalization of the firm.
Partially interested exporters and growing exporters received, or expected
to receive, more benefits from the export programs than did either non-
exporters or regular exporters. One of the most widely publicized export
programs in Wisconsin, where Moini’s study was conducted, has been
trade missions whereby members of the business community and
government officials visit overseas markets. Moini questions what impact
these many trade missions have actually had on expanding exports. The
results of his study revealed that trade missions were not considered very
effective by those who had participated in them (Moini 1998).

Also questioned in the literature has been the extent to which government
programs deliver what firms actually require. Moskowitz quotes a Small
Business Exporters Association report as citing a “progressive
disconnection between what is promoted as the federal programme and what exporters actually experience” in the USA (Moskowitz 1992).

The provision of export information was widely criticized in the earlier literature. Pointon (1978) considered British Overseas Trade Board (BOTB) information services to be more suited to the market intelligence needs of larger firms whereas Buckley (1982) found BOTB information on potential agents and distributors to be out of date and unhelpful. Walters (1983) found that Department of Commerce information was too general to be helpful. There is a general acceptance in the literature that experiential information and knowledge is preferable to information obtained from secondary sources (Cunningham and Spigel 1971; Johanson and Vahlne 1977; Reid 1984; Seringhaus 1987), and objective information provided by export promotion organizations is not highly regarded. Research indicates that firms prefer services that provide financial support for export activities and require a high degree of involvement on the user’s part (Seringhaus 1987; Kotabe and Czinkota 1992). Trade fairs and trade missions, which enable firms to obtain market knowledge and experience first-hand, are generally highly regarded (Walters 1983; Seringhaus and Rosson 1990; Seringhaus and Rosson 1998).

Diamantopoulos et al (1993, p.13) draw attention to the “notable lack of objective indicators of the impact of export assistance (e.g. effect on export sales) as well as a tendency to prefer global measures of export assistance. The findings may therefore reflect differences in managerial perceptions rather than true differences in bottom-line company performance.” They argue (p.13) that “the crucial point appears to be the assessment of the impact that export assistance has on export behaviour.” Finally, they conclude (p.16) that:

If future research could demonstrate more clearly that government support can in fact assist in satisfying the firm’s international requirements and facilitate the development of export marketing experience, more firms may be willing to draw on available export assistance services and view the latter as an integral part in their export development process.
Gray (1997) suggests that a solution to the problem of poor targeting of government export promotion schemes could lie in developing a better understanding of the needs of managers who make export marketing decisions. He notes (1997, p.389) that:

...It appears that promotion organizations and business researchers have overlooked the obvious: that to be more effective, promotion programs should target the needs of the individuals who make market entry and penetration decisions, rather than the apparent needs of the organizations who employ these managers.

A logical extension of this line of reasoning might be that government programs should train and facilitate managers in obtaining their own export information, rather than providing information services (whether subsidized or not) as at present.

In addition to this uncertainty about the impact of government assistance programs on export sales, evidence of the success of governments in stimulating export behaviour seems equivocal. For example, in Bannock’s UK survey only 1.18% of respondents indicated that they began exporting as a result of government encouragement (Bannock and Peacock 1989), and in a study of Danish firms cited by Bell et al (1997), less than 3% of firms acknowledged having been influenced by government export programs. Pleas to begin exporting by government or private organizations (ministries, chamber of commerce, trade associations, banking institutions) had a low motivating impact on participant firms in Leonidou’s (1995) study in Cyprus. However, a study of determinants of export performance among Greek manufacturing exporters found the export stimulus dimension of national export policy appeared to be positively related to export performance (Katsikeas et al. 1996).

2.16 Key issues resulting from review of the literature

- The role of governments in stimulating export behaviour has generally been found to be negligible. An exception seems to be South Korea, where a “patriotic duty to contribute to national economic development” has been found to be an important stimulus. No information on patriotism as a stimulus appears to be available from other countries.
Incremental “stages” models of internationalization, which form the basis for government export assistance programs in many countries, have been widely criticized as too deterministic and inflexible. So-called “Born Global” firms, believed to be a relatively recent development in most countries, call into question the relevance of the “stages” format.

Many of the export problems identified in diverse studies can be seen to stem from a lack of knowledge and/or information on the part of exporters. It is apparent that further study of this subject needs to distinguish between problems associated with initiation of exporting and problems associated with ongoing export operations.

There is general agreement in the literature that the information-seeking behaviour of small firms is often haphazard, and that official sources of information are generally held in low regard. Experiential knowledge gained by actually visiting prospective export markets is particularly valuable to small firms, and is unlikely to be effectively substituted for by consultants – either governmental or commercial.

Researchers have noted a tendency for firms to make little actual use of information obtained from government sources, in contrast to information they have gained themselves. Firms perceive that the former type of information does not come from people who are actual players in the industry they research, but from mere observers taking a brief look at the industry. Such information is regarded as having doubtful reliability.

Export performance is believed by most researchers to be under the control of the firm and its management. A positive attitude towards the advantages of exporting, good planning and a commitment to meeting the needs of customers and channel members appear much more important than pricing issues, exporting strategy, or utilization of international marketing research. A study of export success determinants for New Zealand manufacturing exporters concluded that the most controllable element was the firm’s commitment to sending people to overseas markets.

Despite conventional wisdom that government export assistance programs are both necessary and beneficial, attempts to quantify the benefits have generally failed to demonstrate any significant beneficial effect on performance of exporting firms. Some researchers have concluded that such schemes are a handicap and detrimental to the international competitiveness of firms. Particularly questionable is the role of government agencies in providing market information. Although such information is crucial, the consensus seems to be that official agencies are not the appropriate medium through which firms should gain this information.
Chapter Three

Methodology
3 Methodology

3.1 Introduction
The principal question addressed in this study is:

- How effective do government services appear to be at meeting the needs of active exporters in a demand-driven sector?

In order to address this question, it was deemed necessary to determine the needs of these exporters by investigating:

- how firms meet their export information requirements,
- why firms adopt the information-gathering methods they use,
- what difficulties firms encounter in their exporting activities,
- how government initiatives help or hinder their exporting activities,
- why government initiatives have the effects identified, and
- what improvements firms believe could be made.

In-depth focused interviews with export marketing decision makers seemed the most appropriate method to use in order to gain insights into these questions.

3.2 Choice of method
According to Kamath et al (1987), the dominant use of logical-empiricist methodology has "bedevilled" export research by providing partial – and in some cases inaccurate and misleading – perspectives on the phenomena under investigation. A recent review of the export marketing literature (Katsikeas et al. 1998) argues that the field has been hampered by over-reliance on quantitative research methods. Data have frequently been collected via mail questionnaires and analyzed by a variety of statistical techniques. Bell (1997, p.592) points out that while

...positivist methodologies and the prevalent use of postal surveys ... may be useful in quantifying export problems, they often fail to provide deeper insights (into) their nature, underlying causes and ultimate effects.
Since the objectives of this study were to understand the nature of the interface between government agencies and exporting firms, the processes firms use in entering international markets, the process of obtaining export information, the problems firms encounter in this process, and the relative utility of various options, it was deemed more appropriate to use qualitative rather than quantitative methods. The object was not to determine how many firms used particular methods, but to determine why firms use the methods they do, how useful they find them, and what deficiencies they perceive. In-depth personal interviews provide a means of identifying both the nature and intensity of problems (Bell 1997), and can result in a richness of material that is unlikely to result from a quantitative approach.

3.3 Choice of industry sector

In order to avoid potential inter-industry differences and idiosyncrasies that might confound results, Butaney and Wortzel (1988) recommend that a study such as this be restricted to a single industry sector.

FIGURE 3.1. New Zealand Exports by Sector 1998 (SEAFIC 1999)
The seafood industry was chosen as the focal industry for this study because it represents an important and reasonably well-demarcated New Zealand export sector, (see Figure 3.1). In addition to providing insights into the sector, it was anticipated that this study might provide some useful perspectives on matters affecting exporters in other primary sectors. Unlike some primary industry sectors like dairy, kiwifruit, and apples and pears, which all have single-desk sellers, or meat and forestry, which are dominated by large companies, the seafood industry in New Zealand comprises many small and medium-sized firms, as shown in Table 3.1, so the sector lends itself to a small-firm focus.

### Table 3.1. Makeup of the New Zealand Seafood Export Sector in terms of large (greater than NZ$50 million p.a.), medium ($10-50 million) and small (less than $10 million) firms.

<table>
<thead>
<tr>
<th>North Island Firms (68)</th>
<th>South Island Firms (57)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Large</strong></td>
<td><strong>Large</strong></td>
</tr>
<tr>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Med</strong></td>
<td><strong>Med</strong></td>
</tr>
<tr>
<td>18</td>
<td>14</td>
</tr>
<tr>
<td>26%</td>
<td>25%</td>
</tr>
<tr>
<td><strong>Small</strong></td>
<td><strong>Small</strong></td>
</tr>
<tr>
<td>44</td>
<td>38</td>
</tr>
<tr>
<td>65%</td>
<td>67%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>125</td>
<td>125</td>
</tr>
</tbody>
</table>

### 3.4 Selection of Subjects

A complete listing of New Zealand seafood exporters is available on the Seafood Industry World Wide Web site (1999). There are separate listings for Asian, North American and European markets, but virtually all companies are registered as exporting to Asia with a smaller number of firms exporting to other markets in Europe and/or North America. The total listing comprises 125 firms (Appendix A). Of these 68 are based in the North Island, 57 in the South Island (including Stewart Island and the Chatham Islands). Following the classification used for New Zealand firms by Thirkell and Dau (1998), these firms were classified as large (over
NZ$50 million annual turnover), medium ($10-50 million), and small (under $10 million). Attempts were made to obtain individual export turnover figures from the Seafood Industry Council, Trade NZ, Statistics New Zealand, and New Zealand Customs. Organizations that had such information indicated that they were prevented by law from releasing it on grounds of privacy and commercial sensitivity. However, an industry source agreed to verbally classify these firms over the telephone, based on personal knowledge.

As can be seen in Table 3.1, the mix of large, medium and small firms in the North and South Islands is broadly similar, with the great majority (66% of total) of firms having turnovers less than $10 million. Based on these figures, a stratified sample of 2 large, 6 medium and 16 small firms, divided equally between the North Island and the South Island (including Stewart Island and the Chatham Islands) seemed appropriate. This judgement sample of 24 firms is deemed representative of the total population in terms of size and location. Despite the focus of the study on the needs of SMEs, it was considered appropriate to include representative larger firms in order to obtain a full perspective on the industry sector.

Once firms were classified as large, medium or small based on estimated export turnover, and then divided into North or South Island firms, they were further classified according to geographical location. It was deemed impractical to visit firms in outlying locations such as Waiheke Island, Chatham Islands, Stewart Island and Coromandel. However, apart from those, every effort was made to ensure a representative geographical spread of firms.

3.5 Demographic profile of sample

Much of the information in this section was derived from the in-depth interviews. It is presented here in order to describe the characteristics of the sample.
3.5.1 Geographical distribution

As can be seen in Figure 3.2, the 24 firms sampled were located in thirteen centres throughout New Zealand, with equal numbers selected from the North and South Islands.

FIGURE 3.2: Geographical distribution of firms in sample
<table>
<thead>
<tr>
<th>Company</th>
<th>Interviewer</th>
<th>Years company established</th>
<th>Activities</th>
<th>Export turnover $million</th>
<th>Number of employees</th>
<th>Export ratio %</th>
<th>Product range</th>
<th>Country-markets (number)</th>
<th>Geographic spread</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>Owner-operator</td>
<td>11</td>
<td>Ex-Im</td>
<td>1-10</td>
<td>0</td>
<td>90</td>
<td>Seashells, specialty marine</td>
<td>10</td>
<td>Asia, EU</td>
</tr>
<tr>
<td>B</td>
<td>Export Manager</td>
<td>49</td>
<td>Ex-Im</td>
<td>20+</td>
<td>8</td>
<td>25</td>
<td>Seafood, Steel, wool</td>
<td>1</td>
<td>Japan</td>
</tr>
<tr>
<td>C</td>
<td>Owner-operator</td>
<td>4</td>
<td>Ex-Im</td>
<td>20-30</td>
<td>1</td>
<td>90</td>
<td>Frozen seafood</td>
<td>20+</td>
<td>Asia, EU, Nth. Am</td>
</tr>
<tr>
<td>D</td>
<td>CEO</td>
<td>22</td>
<td>Exporter Broker</td>
<td>1-10</td>
<td>9*</td>
<td>85</td>
<td>Fresh-chilled: Frozen fish</td>
<td>20+</td>
<td>Au, Asia, EU</td>
</tr>
<tr>
<td>E</td>
<td>Export Manager</td>
<td>30</td>
<td>Fishing, Processor, Export</td>
<td>5</td>
<td>20</td>
<td>65</td>
<td>Frozen fish: 90% Fresh-chilled 10%</td>
<td>20+</td>
<td>Au, Asia, EU, USA</td>
</tr>
<tr>
<td>F</td>
<td>Export Manager</td>
<td>25</td>
<td>Fishing, Processor, Export</td>
<td>20</td>
<td>60</td>
<td>90</td>
<td>Fresh-chilled fish: Orange roughy, Fresh-chilled fish 10%</td>
<td>20+</td>
<td>Au, Asia, EU, USA</td>
</tr>
<tr>
<td>G</td>
<td>Export Manager</td>
<td>30</td>
<td>Fishing, Processor, Export</td>
<td>50+</td>
<td>300</td>
<td>90</td>
<td>Frozen scampi, Orange roughy, Fresh-chilled fish 10%</td>
<td>20+</td>
<td>Au, Asia, EU, USA</td>
</tr>
<tr>
<td>H</td>
<td>Owner-operator</td>
<td>7</td>
<td>Exporter Broker</td>
<td>1-10</td>
<td>0</td>
<td>100</td>
<td>Frozen fish: 90% Fresh-chilled fish 10%</td>
<td>20+</td>
<td>Asia, EU</td>
</tr>
<tr>
<td>I</td>
<td>CEO</td>
<td>11</td>
<td>Exporter Broker</td>
<td>15-18</td>
<td>4</td>
<td>99</td>
<td>Live crayfish, Eels, mussels, Fresh-chilled &amp; frozen fish</td>
<td>10+</td>
<td>Asia, USA</td>
</tr>
<tr>
<td>J</td>
<td>Export Manager</td>
<td>4</td>
<td>Fishing, Processor, Export</td>
<td>20-30</td>
<td>50</td>
<td>95</td>
<td>Sea-frozen &amp; land-frozen fish</td>
<td>20+</td>
<td>Asia, EU, USA</td>
</tr>
<tr>
<td>K</td>
<td>CEO</td>
<td>11</td>
<td>Exporter</td>
<td>1-10</td>
<td>3</td>
<td>100</td>
<td>Fresh-chilled fish:ysters</td>
<td>10+</td>
<td>Asia, EU</td>
</tr>
<tr>
<td>L</td>
<td>CEO</td>
<td>40</td>
<td>Fishing, Processor, Export</td>
<td>1-10</td>
<td>30</td>
<td>40</td>
<td>Fresh-chilled fish:ysters</td>
<td>10+</td>
<td>Au, Asia, EU</td>
</tr>
<tr>
<td>Company</td>
<td>Interviewe</td>
<td>Years company established</td>
<td>Activities</td>
<td>Export turnover (million)</td>
<td>Number of employees</td>
<td>Export ratio (%)</td>
<td>Product range</td>
<td>Country markets (number)</td>
<td>Geographic spread</td>
</tr>
<tr>
<td>---------</td>
<td>------------</td>
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</tr>
<tr>
<td>M</td>
<td>CEO</td>
<td>7</td>
<td>Processor Exporter</td>
<td>1-10</td>
<td>25</td>
<td>80</td>
<td>Dietary supplements &amp; therapeutic goods</td>
<td>20+ Asia, EU USA</td>
<td></td>
</tr>
<tr>
<td>N</td>
<td>CEO</td>
<td>6</td>
<td>Processor Exporter</td>
<td>2-3</td>
<td>70*</td>
<td>100</td>
<td>Scallops</td>
<td>1 France</td>
<td></td>
</tr>
<tr>
<td>O</td>
<td>CEO</td>
<td>16</td>
<td>Processor Exporter</td>
<td>1-10</td>
<td>12</td>
<td>100</td>
<td>Dried fish products</td>
<td>5 Asia</td>
<td></td>
</tr>
<tr>
<td>P</td>
<td>Export Manager</td>
<td>64</td>
<td>Fishing, Processor, Export</td>
<td>100+</td>
<td>1500</td>
<td>80</td>
<td>Fish, shellfish, Frozen, fresh-chilled; frozen vegetables, ice cream</td>
<td>20+ Au, Asia EU USA</td>
<td></td>
</tr>
<tr>
<td>Q</td>
<td>CEO</td>
<td>13</td>
<td>Harvesting, Processor, Export</td>
<td>3</td>
<td>30</td>
<td>100</td>
<td>Clams</td>
<td>1 USA</td>
<td></td>
</tr>
<tr>
<td>R</td>
<td>Export Manager</td>
<td>15</td>
<td>Aquaculture Processor Exporter</td>
<td>10-50</td>
<td>120</td>
<td>90</td>
<td>Mussels</td>
<td>20+ Au, Asia EU USA</td>
<td></td>
</tr>
<tr>
<td>S</td>
<td>Owner-operator</td>
<td>15</td>
<td>Processor Exporter</td>
<td>&lt;1</td>
<td>0</td>
<td>95</td>
<td>Shark liver oil, skin cream</td>
<td>1 Au</td>
<td></td>
</tr>
<tr>
<td>T</td>
<td>Export Manager</td>
<td>15</td>
<td>Fishing, Processor, Export</td>
<td>100+</td>
<td>130</td>
<td>97</td>
<td>Live crayfish, Frozen fish, 80% Fresh-chilled fish</td>
<td>20+ Au, EU Japan</td>
<td></td>
</tr>
<tr>
<td>U</td>
<td>Export Manager</td>
<td>25</td>
<td>Fishing, Processor, Export</td>
<td>50+</td>
<td>200</td>
<td>95</td>
<td>Fish frozen 80% fresh-chilled, 10%</td>
<td>10-20 Au, Asia, USA</td>
<td></td>
</tr>
<tr>
<td>V</td>
<td>CEO</td>
<td>14</td>
<td>Harvesting, Processor, Export</td>
<td>1-10</td>
<td>12</td>
<td>95</td>
<td>Clams, Fresh-chilled fish</td>
<td>10+ Asia, EU, USA</td>
<td></td>
</tr>
<tr>
<td>W</td>
<td>CEO</td>
<td>20</td>
<td>Processor Exporter</td>
<td>1-10</td>
<td>10</td>
<td>95</td>
<td>Live crayfish, Frozen fish</td>
<td>100 Indirect export</td>
<td></td>
</tr>
<tr>
<td>X</td>
<td>CEO</td>
<td>4</td>
<td>Exporter</td>
<td>5</td>
<td>0**</td>
<td>100</td>
<td>Live crayfish</td>
<td>5 Asia</td>
<td></td>
</tr>
</tbody>
</table>

* Seasonal labour  **All labour contracted
3.5.2 Firm size

Firms ranged in turnover from NZ$200,000 to well over NZ$100 million per annum. While the original intention was to select 2 firms with turnover in excess of $50 million, it became apparent during the interviews that 4 of the selected firms were in this category. Six of the firms reported turnover in the $10-50 million range, whereas 14 of the firms had turnover of less than $10 million.

Companies ranged from one person operations sharing office facilities with unrelated companies, to a company with approximately 1500 employees and several factories. Companies reporting no employees apart from the owner/operator(s) in some cases contract out the fishing and the processing to separate entities, so are effectively in control of quite substantial operations with multi-million dollar turnover. In other cases, companies with a high turnover and small numbers of employees act as brokers working on small commissions or, in one case, as an agent for a large overseas firm.

3.5.3 Activities

Considerable diversity of activity was found among the companies sampled. Seven of the firms were long-established in-shore fishing boat operators who had subsequently diversified into processing and exporting as the industry matured. One of these companies has grown to be very large by New Zealand standards, and has expanded into production and export of frozen vegetables and ice cream in addition to seafood. One of the fishing/processing/exporting companies is relatively recently established in response to quota allocation to iwi (Maori tribes) as a result of a Treaty of Waitangi settlement. Eight companies own fishing vessels of their own, and five of these companies mentioned leasing foreign vessels in addition. One company in the sample is a mussel producer, processor and exporter, and two companies harvest, process and export clams. Five of the companies are primarily involved in processing and exporting of seafood or manufactured products based on raw materials that are
harvested by other parties. One of these companies is only peripherally involved in seafood products, and their main activity is processing of dietary supplements under contract to other exporters. Eight of the companies are exporters of various kinds without having direct involvement in either the catching or processing of what they sell. One of these eight companies acts as a purchasing agent for a major Japanese seafood company, and is involved in diverse industrial activities in addition to seafood.

3.5.4 Export ratio
Twenty one of the 24 firms reported that 80% or more of their turnover was exported, and in 18 of these firms the proportion was 90% or more. This reflects the high degree of export focus existing within the New Zealand seafood sector. Two of the companies with lesser export ratios are still heavily involved in the in-shore fishery, principally for the domestic market. The company with the lowest export ratio is an industrial company involved in importation and manufacturing of steel and steel products in addition to seafood exporting.

3.5.5 Product range
An interesting diversity of product ranges was found. Six firms are wholly dependent on a single species, whereas at the other extreme are large companies producing or dealing in an extensive range of products, not necessarily confined to seafood.

3.5.6 Range of country-markets
In this dimension also, the firms showed an interesting spectrum of activities. At one extreme are firms that produce, process, and export a single species or product to a single country-market (e.g. scallops to France, shark liver oil to Australia). At the other extreme are companies that export a highly diverse product range to many countries throughout Asia, Europe, North America and Australia. Other interesting combinations included two companies exporting a single species (eels,
mussels) to 15 or 20 different countries, and one company exporting a wide variety of seafood and several other commodities to a single country-market (Japan).

3.6 Ethical approval
Before approaching firms, ethical approval was applied for and obtained from the Ethics Committee of the Marketing Department, University of Otago (Appendix B). The principal issues addressed concerned assurance of confidentiality and anonymity for the respondent firms, and security of all tapes and transcripts resulting from the interviews.

3.7 Initial contact with firms
Firms selected from the SEAFIC listing according to the criteria described in section 3.4 above were contacted by telephone in the order in which they appeared on the list. For example, if there were 6 small firms listed in Wellington, and 2 small firms in Wellington seemed the appropriate number, then firms were contacted in the order in which they appeared until 2 were found that answered the phone, were still in business, and the appropriate person was available. The SEAFIC database provides contact names for most firms, and this facilitated the contact process. Four firms were no longer in the seafood business, or were duplicate listings under different names, or the Export Manager was overseas. In all other cases, once the purpose and nature of the study was explained, together with assurances of confidentiality and anonymity, the contact person agreed to participate in this study (a response rate of 100% of available firms). An interview time was set, and a follow-up letter confirmed the arrangement (Appendix C).

3.8 In depth interviews
In depth interviews were conducted during November and December 1999 with key informants (usually the CEO/MD, or Export Manager in the case of larger firms). Interviews took one to one and a half hours each,
and took the form of a “focused interview” based on an interview schedule (Appendix D) that sets forth the major areas of enquiry (Merton et al. 1956). A series of semi-structured questions were designed in order to elicit the views of the interviewee as uncoloured as possible by the preconceptions of the interviewer.

A pilot interview was conducted with the first firm selected in order to determine whether the content of the schedule was appropriate and could be covered in the allotted time-span. On the basis of this experience, it was determined that questions dealing with self-assessment of export performance (2.11 – 2.16) were of limited value for firms that were almost wholly export-oriented. Such questions were not used subsequently.

All except 2 interviewees agreed to the interview being tape recorded, but a technical failure (broken drive belt) led to loss of one recording. Handwritten notes were taken during each interview, with extra effort made to record noteworthy comments verbatim during the untaped interviews.

3.9 Data analysis

Initially, tape recordings were reviewed in a bid to extract pertinent comments for adding to the notes for further analysis. This proved unsuccessful and likely to result in missing of much relevant material. Therefore, all interviews were transcribed for the sake of completeness. Themes were then delineated, and each interview was analysed theme by theme. The end result of this process was a rich resource of experiences and opinions relating to each area covered.

An attempt was made to quantify the numbers of firms reporting particular viewpoints. With the exception of certain areas that represented a universal experience (e.g. “initiation of exports”), the material did not lend itself well to this type of treatment. For example, when analysing “usefulness of trade fairs”, it would be hazardous to conclude that because 6 of 24 firms mentioned them, that was the number that had attended them, or even that this was the number that had found them useful. The
subject of "trade fairs" was not asked about specifically, but was raised by some firms in response to questioning about methods they had used to develop overseas customers. Summarizing experiences and opinions without attempting to ascribe weight based on numbers would seem to be the most appropriate analysis.

3.10 Justification of methodology
The views reported in section 3.2 (choice of method) provided a basis for adopting a qualitative approach to the subject of this thesis. It is apparent that the need to gain insights into how firms go about achieving their goals and why they choose the methods they do is more likely to be met by using qualitative techniques, than by techniques that are solely concerned with the frequency of certain phenomena.

According to Yin (1994), "what", "who", "where", "how many", and "how much" type questions are likely to favour survey strategies. These strategies are advantageous when the research goal is to describe the incidence or prevalence of a phenomenon, or when it is to be predictive about certain outcomes. In contrast, "how" and "why" questions are more explanatory, and likely to lead to the use of case studies, histories and experiments as the preferred research techniques.

The subject of this thesis would therefore seem to be more appropriately dealt with using explanatory, rather than predictive, methods. The principal questions to be asked concern how firms go about obtaining the export information they require, why they adopt those methods in preference to alternatives, and how effective they perceive government export assistance mechanisms to be. Therefore, a case study methodology would seem appropriate. According to Perry and Coote (1994) the case study approach is able to capture the complexity and dynamism of organizational settings that deductive, theory testing methods cannot. The purpose of this approach is to develop a deeper understanding of situations and social phenomena.
3.10.1 Choice of paradigm

The concept of paradigm was made popular in the 1960s by Thomas Kuhn (Kuhn 1962), who used the term to refer to the existing foundation on which current scientific endeavour is to be based. Gummesson (1991, p.15) describes the concept of paradigm as representing:

people's value judgments, norms, standards, frames of reference, perspectives, ideologies, myths, theories, and so forth, that govern their thinking and action.

Gummesson describes an antithesis between two schools of philosophy: the positivistic traditional natural science school, and the humanistic school, referred to as hermeneutics (from the Greek hermeneuicen, to interpret). The positivist paradigm favours quantitative methods that seek the causes of phenomena as if they were a natural science, examining the world in terms of cause and effect (Denzin 1994). Peoples' experiences are fitted into predetermined responses or analysis categories, thus limiting the range of data that can be collected (Patton 1980). The hermeneutic paradigm, variously referred to as constructivist, interpretive or naturalistic paradigms (Schwandt 1994), relies on qualitative methods requiring

...interaction between and among investigator and respondents... Constructions developed from these methods are not more or less 'true', in an absolute sense, but are simply more or less informed and/or sophisticated.

(Guba and Lincoln 1994, p.111)

The hermeneutic approach is in marked contrast to that of positivistic science, in which there is

...no merit in having studied a problem at first hand. On the contrary, it exposes the researcher to the risk of personal bias

(Gummesson 1991).

3.10.2 To theorise or not to theorise

According to Yin (1994, p.27), theory development as part of the design phase is essential, whether the case study's purpose is to develop or to test theory. Glaser and Strauss (1967) and Strauss and Corbin (1990), on the
other hand, in explaining their "grounded theory" approach, consider that specifying any theoretical propositions should be deliberately avoided at the outset. One of the cornerstones of this method is that theories and models should be grounded in actual empirical observations, rather than be governed by established traditional approaches.

A researcher does not begin a project with a preconceived theory in mind (unless his or her purpose is to elaborate and extend existing theory). Rather, the researcher begins with an area of study and allows the theory to emerge from the data ... Grounded theories, because they are drawn from the data, are likely to offer insight, enhance understanding, and provide a meaningful guide to action.

(Strauss and Corbin 1998, p.12)

Vaughan (1992) advocates "theory elaboration", which consists of taking off from existing theories and developing them further in conjunction with "qualitative case analysis." By "elaboration" she means:

...the process of refining the theory, model or concept in order to specify more carefully the circumstances in which it does or does not offer potential for explanation. (p.175)

Easterby-Smith et al (1994, p.36) observe that the main practical advantage of a hypothesis-testing approach is that:

...there is initial clarity about what is to be investigated, and hence information can be collected speedily and efficiently.

According to Popper (1979) the first priority should not be to verify theories, but to formulate them in such a way that they can be falsified. Whereas a million white swans can never establish, with complete certainty, the proposition that all swans are white, one black swan can completely falsify it.

In view of the divergence of opinion about the merits or otherwise of starting from a theoretical base in qualitative research, I have chosen to undertake an exploratory study which, although incorporating a knowledge base gained from the literature, avoids any kind of hypothesis testing.
3.10.3 Selection of Subjects

In establishing the number and types of cases needed in a specific study, Glaser and Strauss (1967, p.61) observe that the actual number of cases will be determined by saturation, that is the diminishing marginal contribution of each additional case. The researcher will have no need to continue adding further cases when the marginal utility of an additional case approaches zero. In a similar vein, Patton (1990, p.182) uses the term “purposeful sampling.” The cases and interviews selected are not intended to form a probability sample. Furthermore, Patton (1990, p.185) observes:

The validity, meaningfulness, and insights generated from qualitative inquiry have more to do with the information-richness of the cases selected and the observational (and) analytical capabilities of the researcher than with sample sizes.

Similarly, Yin (1994) suggests that replication through variation among cases provides a "rich theoretical framework".

Madsen emphasizes the merit of empirical studies having a narrow sample of quite homogeneous firms/export ventures in contrast to the very broad samples of earlier export performance studies which are often rejected because generalizations of such an aggregate level are found to be less fruitful (Madsen 1996). Similarly, Bell (1997, p.592) points out that

...many previous studies are cross-sectional insofar as they lack a specific industry focus, treat exporters as a homogeneous group regardless of their size or degree of involvement, or do not differentiate between exporters and non-exporters.

On the basis of these views, it seemed sensible to select companies of diverse size and location, but all within the same industry sector in order to provide diversity of material but ready comparability in terms of types of products and markets within which they operate. However, even in this some difficulty was encountered in the form of companies that, although registered seafood exporters, actually conducted the majority of their business in other sectors – not always food.

The number of companies to be studied should be determined in part by the diversity of responses obtained. An initial sample of twenty four,
being nearly 20% of the firms in the sector, seemed an appropriate starting point with the option of extending the number if it appeared necessary in order to gain sufficient information.

3.10.4 Choice of Contact Method

Easterby-Smith et al (1994, p77) advocate use of the telephone for making initial contact with firms, noting that:

Contrary to common belief, managers are surprisingly ready to talk over the phone and the 'voice' contact is a first opportunity to communicate enthusiasm for the project. Take full advantage of the opportunity, but be aware that at the same time the manager will be weighing up the likely costs (and benefits) of the potential intrusion.

That certainly was the experience in the present study, with universal willingness to participate.

Easterby-Smith et al (1994, p77) caution about the choice of words used when trying to gain trust from managers. They consider the word “interview” gives the impression of a formal structured interrogation which is controlled by the researcher. They suggest use of the word “discussion” may make the manager feel more relaxed and less threatened, with greater potential for genuine exchange. These cautionary notes were taken into account in choosing what to say on the telephone and in constructing the follow-up letter (Appendix C.)

3.10.5 In-Depth Interviews

In-depth interviews provide a considerable degree of flexibility and allow the researcher to clarify matters raised by the respondent. Merton et al (1956, p.12) point out that:

One of the principal reasons for the use of interviews rather than questionnaires is to uncover a diversity of relevant responses, whether or not these have been anticipated by the inquirer... A non-directive approach to interviewing... gives the interviewee an opportunity to express himself about matters of central significance to him rather than those presumed to be important by the interviewer.
They advocate use of a "focused" interview, where situational analysis has been used to develop an interview guide that sets forth the major areas of inquiry. However, the focused interview relies on unstructured questions which are (Merton et al. 1956, p.15):

...intentionally couched in such terms that they invite subjects to refer to virtually any aspect of the stimulus situation or to report any of a range of responses... An unstructured question is, so to speak, a blank page to be filled in by the interviewee.

In similar vein, Patton (1990) points out that a strength of an "interview guide" approach is that it permits the interviewer to pursue topics or issues that were not anticipated when the interview was planned:

When one is attempting to understand the holistic worldview of a group of people, it is not necessary to collect the same information from each person.

In contrast, other commentators regard information collected from a single informant as having questionable validity due to the complexity of the social judgements involved, positional bias, and ignorance of facts, which in turn may introduce substantial measurement error (Phillips 1981; Katsikeas and Piercy 1993). Clearly these differing viewpoints merit consideration, and point to the need for caution in interpreting the strength of assertions from single informants.

In addition to providing a justification for the use of unstructured questions, Merton et al (1956 p.178) provide useful guidelines for the way in which interviews should be conducted:

The role of interviewer... calls for a blend of detachment and of interest. As a detached listener, he disciplines himself to give no overt evidence that his feelings are affected by what the interviewee says or does; as an interested listener, he exhibits a capacity for empathy, of being able to enter understandingly into the experience of the interviewee. This composite attitude is like the 'detached concern' which is a principal component of the physician's role in relation to his patients.

This type of detachment was aspired to in the interviews reported in this study.
3.10.6 Strengths and limitations of the chosen method

The 100% response rate of available firms attained in the present study would be most unlikely to be achieved with any kind of questionnaire, and presumably reflects the degree of interest that the research topic held for the respondents. According to Yin (1994, p.82), interviews provide the researcher with a high degree of flexibility as to the subject matter covered, allowing deeper probing in order to provide greater insight. Reliability is increased because an interview provides opportunity for clarification of responses to ensure that what was recorded is actually what the respondent intended.

There is some controversy concerning the use of tape recording of interviews (Yin 1994; Perry 1998, p.798), and in particular the intrusive effect that such a device can have in diminishing trust between interviewer and interviewee. All except 2 interviewees were happy for a tape recorder to be used once an assurance of confidentiality was given. The frankness with which firms proffered information and opinions would appear to indicate that use of such a device was a sensible choice in the present study and that a high level of trust and rapport was established. Certainly, the richness of detail obtained would not have been possible with reliance solely on handwritten notes. Furthermore, there is a level of accuracy that would have been extremely difficult to achieve if relying entirely on notes together with memory.

Limitations of the case study approach have been clearly described (Yin 1994), including limited generalizability of results and possible inaccuracy of results because of reliance on participants' recollection of past events. Use of multiple cases from within the one sector was employed as a means of ensuring some degree of generalizability to the sector as a whole, although it is accepted that the findings may not be readily transferable to other export sectors. Triangulation of information was achieved by referring unexpected revelations or suggestions to other industry participants, a commercial fisherman expert in the workings of
the Quota Management System, Seafood Industry Council personnel, University staff expert in specialized areas, the Commerce Commission, and the Serious Fraud Office. A survey conducted on behalf of Trade NZ was referred to in order to compare perceptions of Trade NZ services reported by seafood exporters with client perceptions reported by Trade NZ itself. These diverse information sources have enabled clarification of certain areas, and provide grounds for confidence in the objectivity of this study.
Chapter Four

Results
4 Results

4.1 Introduction
The principal aim of this thesis is to determine how effective government export information services are perceived to be by active exporters in the New Zealand seafood sector. In determining this matter, questions were asked concerning:

- methods that firms used to initiate exporting activity
- methods they currently use to obtain export information
- problems they encounter in their exporting activities
- the extent to which they regard obtaining of information as a difficulty

This chapter presents findings on all of these matters, and reveals that the issues of greatest concern to New Zealand seafood exporters do not relate directly to the gaining of export information at all. Despite a preoccupation with information problems in the export literature, the findings reported here indicate that active exporters in the New Zealand seafood sector experience little difficulty in obtaining their export information requirements. Depending on whether the principal aim of the government is to assist non-exporters to become exporters, or to maximize the export returns gained by firms no matter whether they are new or existing exporters, the findings reported in this chapter may have significant implications for government export assistance policy as discussed in Chapter 5.

4.2 Motivation to export
Companies generally found this so self-evident as to be a rather surprising topic for discussion. The view typically expressed was that the New Zealand domestic market is so small that exporting is essential in order to obtain returns sufficient to justify the expense of catching fish. A comment that illustrates this view is:
"You have to – 92% of what New Zealand catches is exported. If you want to be in the fishing industry, if you’re not exporting what are you going to do with it? You can’t sell it anywhere else" (company L).

4.3 Initiation processes used
As might be expected in firms that have succeeded in overcoming whatever difficulties initially confronted them, firms generally downplayed the circumstances surrounding their becoming exporters. In part this could be because most of them are long-established, and so they were being asked to recall long-past events. Furthermore, the interviewee was, in many cases, not employed by the firm at the time that exporting was first initiated. Six firms began exporting indirectly using existing seafood exporters to sell their products for them. Other companies were started by people who had previously worked for other firms in the same sector, and brought their knowledge and contacts with them. In addition to these principal methods are a diverse range of methods indicated in Table 4.1.

Table 4.1. Export initiation processes of New Zealand seafood exporters

<table>
<thead>
<tr>
<th>Process used in initiating seafood exports</th>
<th>No of firms</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Indirect exporting, using another NZ firm or broker</td>
<td>6</td>
<td>25</td>
</tr>
<tr>
<td>b. Made contacts working for other firms – used these contacts when started own firm</td>
<td>5</td>
<td>21</td>
</tr>
<tr>
<td>c. &quot;Stealing&quot; other people’s customers</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>d. Suitcase salesman approach</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>e. Exporting one commodity, saw opportunity for seafood</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>f. Family contacts overseas</td>
<td>2</td>
<td>8</td>
</tr>
<tr>
<td>g. Saw opportunity while living overseas – returned to set up company in New Zealand</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>h. Bought firm with overseas agent in place, then went direct</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>i. Trade NZ found customer overseas</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>j. Unspecified – old established firm, present staff unsure</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>24</td>
<td>99</td>
</tr>
</tbody>
</table>
Companies that started by selling to exporter intermediaries often moved on to exporting directly themselves. This method was typically used by companies that were primarily fishing companies, then began processing for the domestic market, then looked for opportunities overseas — a developmental approach, often taking place over decades. Comments illustrating this method of beginning exporting are shown in Table 4.2.

Table 4.2. Illustrative comments reflecting use of indirect exporting

<table>
<thead>
<tr>
<th>Comment</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>Most of the doors were opened early on through brokers. We still piggyback on some of the larger companies in some markets.</td>
<td>Company E</td>
</tr>
<tr>
<td>We sell through other New Zealand companies. It works well.</td>
<td>Company W</td>
</tr>
<tr>
<td>The business grew from discontent with how exports were being handled. There are about 5 traders onshore here who have a specific niche market that suits us at this stage. But the days of those traders are numbered. As the world fish resource declines, and as we empower our own marketing team, we won’t need traders at all.</td>
<td>Company I</td>
</tr>
<tr>
<td>When we started, company P packed them and we sent them to company Z, who exported them. We just dealt straight into their customers. Company Z have just gone broke.</td>
<td>Company Q</td>
</tr>
<tr>
<td>Up until 12 months ago we were exporting direct, but now all our export sales go through (company I). They bought a small share in my company.</td>
<td>Company D</td>
</tr>
</tbody>
</table>

A reversal of the usual sequence of events was indicated by company D (see Table 4.2), which started out exporting direct but more recently changed to indirect exporting. This company owner indicated that he personally had no knowledge of, or training in, international marketing, and felt that he was better to concentrate on the production side and have others who were more experienced to handle the marketing for him. Both company D and company I seemed well-satisfied with the new arrangement.

Two firms indicated that their business was based on relationships with overseas customers established while they, or other members of their firms, had been previously employed by other New Zealand seafood exporters. In the words of company I:

"I was already working for another fish company before starting this one, so we already had the contacts."

Commonly expressed was the view that the international customer base for New Zealand seafood products is actually made up of quite a small
number of firms that have been buying from New Zealand firms for many years. Naturally New Zealand companies prefer to deal with customers that have a reputation for stability and timely payment, so dealing with such well-known customers is preferred to finding customers new to the New Zealand industry. There appears to be a considerable amount of generally good-natured competition among firms to supply the same clients, as indicated in the comments shown in Table 4.3.

Table 4.3. Comments illustrating competition for the same narrow base of international clients

<table>
<thead>
<tr>
<th>Quote</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Same as every team does. They go and pinch a client from somebody else.”</td>
<td>C</td>
</tr>
<tr>
<td>“The bulk of the fish traded out of New Zealand go to a small number of customers. Mostly they come to you. They are very hard to replace.”</td>
<td>C</td>
</tr>
<tr>
<td>“Most of the New Zealand companies exporting would export to a very similar client base. It doesn’t matter which country they export to, we all know the same people.”</td>
<td>F</td>
</tr>
</tbody>
</table>

Three firms mentioned that they had used “suitcase salesman” approaches to initiating exporting, and indicated that this could be very hard work but also quite rewarding. Company O, a processor of dried fish products, described the process as: “Walk the streets and bang on doors in foreign countries.” Two companies reported that they had seen an opportunity to export seafood while exporting other products – in one case dairy products, and in the other case scrap metal. As explained by company A, a small exporter of seashells and specialty seafood products:

“Through the work you put into one product, you come across opportunities in the marketplace for other products.”

Two companies reported using family connections in overseas markets to establish their businesses, demonstrating the great importance attached to long-term relationships in the seafood industry. This emphasis on personal relationships seems understandable in view of the high level of trust required on the part of the buyer that the product will be fresh (or freshly caught when frozen) and on the part of the seller that payment for often-large consignments will eventuate. The comments presented in Table 4.4 demonstrate just how instrumental these pre-existing
relationships have been in initiating and maintaining international trade over many decades.

Table 4.4. Comments illustrating the role of family or ethnic contacts in establishing international business relationships

<table>
<thead>
<tr>
<th>Comments illustrating the role of family or ethnic contacts in establishing international business relationships</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;The company was first formed between my family and a Chinese family with connections in Hong Kong, Indonesia and China, that's the extended family, and I grew up with them. They have had members of their family here for 25 years. We formed a company here to find species that they wanted in Hong Kong.&quot; (company K)</td>
</tr>
<tr>
<td>&quot;The founder of the company developed personal relationships with people of Croatian extraction in Australia, so there is that familial connection — people of their own ilk were the first point of contact. Little coastal vessels were bringing in iced fish every day, you pack it nicely, put it on an aircraft and send it across to Sydney or Melbourne. That is where everybody started. That business is still there.&quot; (company G)</td>
</tr>
</tbody>
</table>

Two interviewees reported a rational method of identifying consumer needs, rather than beginning with surplus product and scouring the world for a potential customer. Although this would seem to be a text-book marketing approach, it is noteworthy that only two firms appear to have used it. In the words of the founder of company V:

"I went offshore, saw an opportunity. It's quite coincidental that I got into seafood. It could have been anything else.... The way I work is to see a need, typically for a high-value product in a market where there's an over-demand and lack of supply, and where the future supply for that particular product is not looking brilliant in the future. We can respond to that need in a complementary sort of way, often, perhaps using seasonality, with a product we can grow or produce in New Zealand. It's as simple as that."

Company A described the converse process in the following terms:

"Finding a supply of something and then looking for a market is much more difficult. That's like making widgets because you like making widgets and then trying to find someone who wants them."

This interviewee expressed the view that "widget-selling" has been commonly practiced by New Zealand exporters, and has contributed very significantly to the trade difficulties facing the country.
Company I provided an interesting insight into the often-precarious position of a "middle man" in international trade, having experienced both sides of the situation:

"We used to have an agent in Greece – he was part of the purchase of the company. But, we had our doubts about him. So now we sell direct to the companies he was dealing with. We used to buy squid and bits and pieces off every other company but eventually people went direct to suppliers and we lost our share of it." (company I)

One firm reported using Trade NZ to find their first customer so that exporting could begin. This appears to be the only instance among the sample of 24 firms where that has been the initiation method.

"Tradenz found us a customer – it was a free service in those days. It was accidental really. We made an enquiry of Tradenz if there was any demand for shark oil and at exactly the same time there was an enquiry from Japan asking if there was any shark oil for sale." (company S)

4.3.1 Commentary on market initiation processes
These diverse methods of initiating exporting can be seen to fall into two broad camps. Firstly, there are companies who were experienced at catching/growing and/or processing fish/shellfish/fish-based products, but had no prior knowledge of how to find international markets for their products. These companies have in the main found someone else to market their products for them initially, and in many cases have then moved on to serving those customers directly. Other companies in this producer/processor camp have gone directly into the market place with a "suitcase salesman" approach or by "stealing" customers that they knew other New Zealand companies were already supplying. Only one company reported using Trade NZ as its primary mechanism for getting into exporting in the first place, so it appears that in this industry sector government export assistance programs have not been vital for initiating exporting.

Secondly, there are those companies whose principals were aware of opportunities in the international marketplace for their products, and the companies were essentially established in order to take advantage of these opportunities. Usually such companies were formed by people
already in the seafood industry, working for other companies, and bringing their contacts with them. However, other companies were formed in order to exploit opportunities resulting from family or ethnic connections, or from observations while overseas in other contexts. In the main, such companies "stumbled" on such opportunities while doing something else, but one company had been formed as a consequence of the founder going overseas and systematically searching for "potential needs" that could be met from New Zealand. Company V saw this method of searching out opportunities as "simple", but it is noteworthy that there appear to be only two examples among the companies sampled of such a systematic approach to initiation of the internationalisation process. The opportunities that companies in this second camp exploited have only come to their notice because the personnel concerned were offshore in a position to see such opportunities before them. This observation supports the view widely expressed in the literature that experiential knowledge is irreplaceable in its effectiveness for initiation and development of export markets, a theme that will be developed further in the next section.

4.4 Market selection and development.

In general, firms did not see market selection as something they undertook by any kind of formal structured process. Rather, it was something that just happened as a result of accumulated knowledge and commonsense. Company V made the comment: "That sounds very academic" and company L commented: "We didn't really use a process – it's who you know." Despite this belief on the part of firms that market selection just happened, it became clear in subsequent discussion that their decision-making processes were actually dependent both on rational processes and experiential knowledge.

Perhaps not surprisingly, using personal contacts was reported by several interviewees as an important mechanism, as illustrated in the following
comment from the export manager of a family-owned firm that has become a major player in the New Zealand seafood industry:

"Selecting markets is often accidental. Our General Manager was a trader before coming here, so he had a lot of contacts. His father before him was a trader in fish, so you have got generations of contacts and overall knowledge of markets internationally by species" (company G).

Three companies reported listing on various directories as an important mechanism used to attract interest from overseas buyers. From comments made, it rather appeared that these companies saw themselves as soliciting orders from an existing clientele, rather than attracting orders from previously unknown customers – who are generally not welcomed, as revealed in section 4.5 below. One of these three companies reported finding the Seafood Industry Council directory particularly helpful. A second company that relies on the same directory (among others) commented that "Foreign markets really select us, rather than the other way round" (company R).

One company reported advertising in overseas magazines and journals in order to elicit enquiries. As will be seen later in the section dealing with unsolicited orders, although such orders were sometimes seen as a useful method for getting started, very few firms favoured use of unsolicited enquiries as a current method of doing business.

One relatively young company used an international consulting firm (Ernst and Young) to provide lists of prospective customers in overseas markets (presumably at considerable expense) in order to expand its clientele. Another large company reported that the international division of the ANZ bank had provided prospective customers in overseas markets free of charge – but on the understanding that any business resulting would be put through that bank, which wasn’t their usual bank. This could be a useful mechanism for firms which perhaps should be more widely known.
### 4.4.1 Market screening criteria

Financial criteria and country-specific restrictions were regarded by some firms as paramount in deciding which foreign markets to enter.

**Table 4.5. Market screening criteria reported by seafood exporters**

<table>
<thead>
<tr>
<th>Financial criteria</th>
<th>Financial criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Selecting foreign markets is very simple – there's no use trying to sell into countries with poor currencies&quot; (company G).</td>
<td>&quot;It's price-driven. If you can get a better price somewhere else, you do&quot; (company C).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Duties or quotas</th>
<th>Duties or quotas</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;You filter out markets with prohibitive duties or quotas. For example, squid into Taiwan. Previously there were prohibitive duties favouring domestically caught product. It was a big market but you couldn't access it. So we formed an alliance with domestic catchers and processors to send Taiwanese boats here so that it was taken back into Taiwan as domestically-caught product&quot; (company A).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Cultural factors</th>
<th>Cultural factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Sometimes we use a foreign country's import or export stats – in Taiwan for example. More often we rely on general knowledge e.g. we know that Chinese love beche de mer, so wherever there are Chinese there are opportunities&quot; (company A).</td>
<td>&quot;You know the countries where particular species are being consumed. In Australia, you can go up to Brisbane, Sydney or Melbourne. Everyone of those capitals have a different clientele of product. You don't go sending heaps of shark into Brisbane because it's not a shark-consuming city, whereas Melbourne is. That information comes from them – the importers&quot; (company E).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Novelty aversion</th>
<th>Novelty aversion</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;There's only certain companies that will accept new species. They tend to stick with what they know. It's time consuming and costly for them to open new markets for a new fish. We instructed Tradenz to find us customers in Hong Kong that will accept new species. Some companies will, but most won't&quot; (company K).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Seasonal requirement</th>
<th>Seasonal requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;There are markets that have specific requirements seasonally or to do with festive seasons which are different to ours – places like Cyprus, Saudi, Greece, Lebanon. Also it reflects on our seasonality of fish. We may have trevally, for example, at this time of year and the requirement in Saudi Arabia for trevally is this time of year. So it's a kind of coincidence that we have taken advantage of. Niche marketing if you like&quot; (company G).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Serendipity</th>
<th>Serendipity</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Our industry, fortunately for New Zealand, was developed really through the activities of Japanese down here. As we evolved to be more involved in our fishery, we went into the Japanese market as a supplier. We enjoyed the benefit of higher prices and a protected industry over there and we grabbed hold of the coat-tails of the Japanese fishing industry in terms of both knowledge, techniques, but particularly marketing. We enjoy the fruits of that today&quot; (company F).</td>
<td></td>
</tr>
</tbody>
</table>
Other firms saw cultural preferences, willingness to adopt new species, and special seasonal requirements (particularly to do with festive seasons), as important criteria that dictated which country markets were most favourable. These diverse criteria are summarized in Table 4.5.

Interestingly, one company expressed the view that chance played a major role in determining what are the most favourable markets for New Zealand companies. Company F saw the New Zealand seafood industry as having derived long-term and continuing benefit from Japanese involvement in developing our fishery, essentially a quirk of history. This interviewee believed that, in addition to opportunities in Japan, New Zealand has tremendous opportunities available in China, based on the esteem in which the Chinese hold the late Rewi Alley, an expatriate New Zealander who lived in China for 62 years from 1926 to 1988 and developed thousands of industrial cooperatives:

“One can’t overemphasize how important that one man, Rewi Alley, was to New Zealand even to this day, dead though he is. He kept the door open. He was a bit like a Ghandi in terms of their perception of him and New Zealand. We are very lucky as a country, but we have missed a lot of chances” (company F).

4.4.2 Lack of need for new markets

A view commonly expressed was that companies cannot get enough product for the markets they already have. New Zealand seafood is highly sought after, and a strictly limited resource. As indicated in Table 4.6, companies see New Zealand as being in a very happy position having foreign markets chasing this country’s product – although company G seemed to rather regret the loss of challenge resulting from this comfortable position!

Company P can be seen to be taking a rather different view from the others, in that this company is looking for market diversification for reasons of stability and security even though they already have sufficient customers for their existing production.
Table 4.6. Illustrative comments of seafood exporters concerning the need to develop new markets

<table>
<thead>
<tr>
<th>Company</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>G</td>
<td>&quot;It's almost a process of allocation – a happy position to be in. It's not a challenge though... It's all very friendly. I have been in textiles and cars, and there's no similarity.&quot;</td>
</tr>
<tr>
<td>D</td>
<td>&quot;Because our long-finned eel is a limited resource and a unique line, it almost markets itself. I don't do any marketing. I don't want to sound smug about it, because we could always achieve better added value, but we have always sold all we can produce.&quot;</td>
</tr>
<tr>
<td>K</td>
<td>&quot;The best thing in the seafood industry is that everyone in the world wants your product. So many other places, they are building bigger fishing vessels and they are chasing less product.&quot;</td>
</tr>
<tr>
<td>U</td>
<td>&quot;Demand for fish far exceeds supply. The last thing we need is more customers.&quot;</td>
</tr>
<tr>
<td>P</td>
<td>&quot;We're always looking for new opportunities so that we haven't just got one market for a species. If that market crashes, for whatever reason, we have got another opportunity.&quot;</td>
</tr>
</tbody>
</table>

4.4.3 Usefulness of trade fairs?

As a means of gaining experience of a foreign market, meeting with secondary customers, and indeed meeting with other New Zealand seafood exporters, trade fairs were generally seen in a very favourable light, as can be seen in the comments presented in table 4.7. Two firms reported a very low return for effort, but several firms, including one of these two, pointed out that there were considerable benefits to be gained apart from obtaining orders.

Two companies expressed concern that there appeared to be little government assistance for trade shows now (e.g. see company I in Table 4.7.) Interviewees were not specifically asked about trade shows. Companies that volunteered this information did so in response to questioning about methods they had used to develop overseas markets, so it is perhaps noteworthy that 6 of the 24 companies referred to trade shows as a mechanism they had used. They all reported favourably on their general usefulness even though it was less clear that this provided a cost-effective mechanism for eliciting new customers.
Table 4.7. Attitudes of seafood exporters towards trade fairs

| Low return for effort | “I went to a lot of trade shows (when export manager for a major fishing company). If you get 500 enquiries and end up doing business with 2 of them, that’s a very low return on your efforts – very gruelling.” (company C) |
| Favourable return | “The hit rate at a seafood show is about 2% for anyone. Of 100 people that talk to you, only 2 or 3 are going to be any good. It’s tough going, but being at a seafood fair can be a good way to get a new client. I got Company Z at the Boston Seafood Fair – that was the first client we hadn’t robbed off somebody else I suppose.” (company G) |
| Benefits apart from orders | “Sometimes we get a share of new enquiries from an exhibit we contribute to. Sometimes our distributors have their own stands and exhibit our product.” (company R) |
| Desire for government involvement | “Going to food fairs is good because it opens your eyes as to what is happening.” (company Q) |
| | “Most of the time the people going to the fairs are not our direct customers. They’re the next people down. So we don’t pick those people up as customers because we don’t want them as customers. But we want to meet them at that level and say ‘Oh Yeah, you’re using our product, getting it through this importer or that distributor,’ It’s good for them to meet us at that level. You do pick up the odd customer.” (company P) |
| | “The Brussels Seafood Fair was very expensive. You meet a lot of other New Zealand exporters – maybe that is actually its main value!” (company J) |
| | “It would be nice to think that we could get help to do a stand for lobsters at the Brussels Seafood Show. Tradenz do very little to help at seafood shows now.” (company I). |

4.4.4 Participating in trade missions
In similar vein to the experience of trade shows, five firms reported Trade Missions as being useful in a general sense. There were variable reports of customers resulting, but firms regarded trade missions as excellent for gaining an overview of the market. The generally positive views of firms regarding trade missions can be seen in the comments presented in Table 4.8.

Two of the firms that commented favourably on trade missions were among those that commented relatively favourably on trade fairs. Two companies noted that this seemed to be an area that the government had moved away from in recent years, and they felt that was a mistake. Both
trade fairs and trade missions can be seen as methods of fostering development of experiential knowledge, which the literature substantiates as being so important for export success, a theme that will be developed further in Chapter 5.

**Table 4.8. Attitudes of seafood exporters towards trade missions**

<table>
<thead>
<tr>
<th>Quote</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;We have been on trade missions – Asia 2000. You don't get new business directly from those but it's a chance to gain an overview and say hello. All very cordial. A matter of exchanging cards and waving the New Zealand flag. All very charming.&quot;</td>
<td>O</td>
</tr>
<tr>
<td>&quot;I went on a mission to Taiwan 5 or 6 years ago, but I'd already been supplying that market for probably 5 or 6 years. It was beneficial to go there with a group of other New Zealanders. I found it very useful.&quot;</td>
<td>P</td>
</tr>
<tr>
<td>&quot;We used to get assistance with things like trade missions to China etc. Those things were great. Not only from the point of view of going up and seeing these markets yourself and that sort of thing, but also great because you'd get in there with a bunch of people similar to yourself. The one I went on was a great trip - a bit like a rugby trip almost, because it was all boys! No business came of it at the time but it gave me a lot of confidence to be able to ring people up in China and to be able to say 'hey, what's going on there?' I don't think there are many of these anymore.&quot;</td>
<td>I</td>
</tr>
<tr>
<td>&quot;There was a so-called mini-trade mission, look and learn, and I got on it and subsequently developed business from it. That was just when China was starting to open up a few years back, and I found that valuable. The Tradenz offices in Beijing and Shanghai were very, very helpful. That's the way the government should be heading. Keeping a presence out there, very politically aware, so that opportunities can be grasped, and translate that into trade.&quot;</td>
<td>F</td>
</tr>
</tbody>
</table>

4.5 Unsolicited enquiry

One company reported deriving occasional benefit from unsolicited enquiries, but a view expressed by seven companies was that such enquiries are usually a waste of time and resources, as shown in Table 4.9.

Companies E and R (in Table 4.9) noted that filling unsolicited orders can have undesirable effects in terms of undermining your regular customers. Despite misgivings as to the value of unsolicited enquiries for actually generating new business and building long-term business relationships, one firm reported finding such enquiries useful in terms of bolstering negotiations with regular customers (company T in Table 4.9).
Table 4.9. Scepticism expressed by seafood exporters concerning the value of unsolicited orders

"Very occasionally we get enquiries that lead to an order. People get information from friends in companies we supply, or from shipping companies - it's close to being industrial espionage." (company A)

"I field probably 20 to 30 enquiries a week that are generated off directories or our Web site. Almost none are useful. We are not in a position to offer a lot of product outside of our current customer base. We'd have to go and buy more vessels, and we're choosing not to." (company G)

"You get so many enquiries from things like Rm 1, Suite 6 and it's not the best part of Hong Kong. You get to know that it's these sole operators with a fax machine." (company K)

"Sending samples is just a waste of time. Nothing ever comes of it and you spend a lot of money." (company N)

"Whenever there is a shortage, we get a whole heap of brokers chasing us. We check on these people very carefully before responding. There is a zero outcome. We only deal with specialized firms that really know what they are doing." (company O)

"We get lots of unsolicited enquiries, mainly off the Internet. I look at them, but they're a waste of time." (company Q)

"We don't run with them because you can cut your own throat. If someone in a city in a foreign country solicits your product, and you are already putting it into that country and that city, and you're the importer and you find that I am putting it in around the corner, then you'll say 'Well, give him the lot!' That's just a normal trading practice. You don't give it to an importer and then go in behind him." (company E)

"When there is surplus, an enquirer can get 10 or 15 offers and play one off against the other. But when there is a shortage, as at present, the enquiries have become quite frequent. A lot are from people who buy from our appointed distributor and we find it better to push them in that direction." (company R)

"We deliberately set out to encourage unsolicited orders through our own Web site. We use information we get off Web site enquiries to bolster our negotiations with current clients....We're not serious Web site sellers." (company T)

In contrast to the usual experience, one small company reported a very happy outcome from an unexpected enquiry:

"I was doing maintenance when the plant was shut down, and the phone rang. A guy from Scotland said "I found your packaging and I have traced you. I like your product and we would like some. Could you send me some samples?" Well, I sent him some but nothing came of it. However, he also asked could I send some to his good friend in Finland? That turned out to be 6-700 kilos a week airfreight. I'm talking $20,000 worth per week which was very significant for a small company like this, and it came through a phone call like that!" (company D).

Such a positive experience seems to be very much the exception rather than the rule, as indicated in Table 4.9.
4.6 Gaining information on agents and distributors, and prospective customers

Apart from the widespread method of relying on generally-known information that came from a lifetime of trading, various specialized methods were reported, with varying results. Chambers of Commerce in foreign countries can sometimes help, as can Trade NZ.

“If it’s a completely unknown market to you, you can go to the Chamber of Commerce in that country. They may have listings of people interested in particular products. That has worked for us in the Middle East... If you are seriously interested, you can employ Tradenz to do that for you. We tried that in Japan three years ago and it came to nothing – just fell over. And we did it in Korea and it came to nothing.” (company A)

One company had found a service which would seem to have considerable application to other firms interested in the North American market – a commercial Web-based agency that provides credit ratings on seafood companies and also collects debts.

“If you are trying to pick clients, we only look at companies who turn US$20 million or more. You can check them all out on Seafax over the Web. They give you a credit rating. My freighter (ICE) in Christchurch does it for me. You subscribe on the Net for NZ$300 apparently.” (company Q)

Such a system would appear to provide an important risk-reduction facility for firms if it were widely known about. As discussed in Chapter 5, government agencies could bring considerable benefit to exporters by researching the availability of similar services in other countries and making their existence known to exporters.

4.7 Gaining price information

A view expressed by three companies was that pricing information was something that you just “knew” from being constantly involved in trading activities. However, several specific methods of gaining price information are identified in the comments of others shown in Table 4.10.

Three companies indicated that other New Zealand companies, even competitors, are a much-used source of pricing information. Company N noted that veracity can be a problem when it comes to establishing true prices using competitors as the information source.
Table 4.10. Methods of gaining price information

<table>
<thead>
<tr>
<th>A &quot;generally known thing&quot;</th>
<th>&quot;We all talk. Traders talk. We're talking offshore all the time. We hear that there's a shortage of pollack, we know what the pollack price has been, so we try to get up to where the pollack price is - but we'll have a fall-back position. You verify your information by going to 3 or 4 sources. It's very much trading - seat of the pants stuff.&quot; (company G)</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>&quot;Say this guy rings up and says &quot;I've got x tonnes of such and such. Do you know anyone that might want it?&quot; We'll say &quot;OK. What do you want for it?&quot; We work both ways. Most times we know what the price is for groper, for example, in Tokyo, or lobsters - I eat, drink, think, sleep lobsters.... Live lobsters are a real &quot;now&quot; business.&quot; (company I)</td>
</tr>
<tr>
<td></td>
<td>&quot;We've grown up as traders all our lives. We know the value of each species of fish, and it is a generally known thing. Everyone in the fishing industry knows...what flounders are worth. It diffuses throughout. For instance, if company Z were achieving more ...than I was, and the higher price they were achieving was reflected back into the boat price, then my boats would leave me and go to Z. That word gets around real quick - its market driven.&quot; (company L&quot;)</td>
</tr>
<tr>
<td>Price information from colleagues and competitors</td>
<td>&quot;You have only got to make a few phone calls within New Zealand to get fish market prices in Sydney...Brokers will offer you prices, so you get a pretty good reading of what is going on.&quot; (company E)</td>
</tr>
<tr>
<td></td>
<td>&quot;It's cut and thrust. We do get on the phone and compare prices.&quot; (company Q)</td>
</tr>
<tr>
<td></td>
<td>&quot;We talk among ourselves. Prices for lobsters change by the hour. We talk to customers by telephone on a daily basis. They're always trying to get the lowest price, but it gives you an indication. No government agency could help you with that.&quot; (company X)</td>
</tr>
<tr>
<td></td>
<td>&quot;Although we are competing, we do speak to one another. Find out a price, but of course everyone tells lies.&quot; (company N)</td>
</tr>
<tr>
<td>Price deconstruction</td>
<td>&quot;There is a market price. You can work backwards from retail and wholesale prices. It's very elementary really.&quot; (company O)</td>
</tr>
<tr>
<td>Price information from customers</td>
<td>&quot;You could call a guy in Spain or Italy and say &quot;Hey, when did you last buy some of this?&quot; And he'll say &quot;I bought a can, or 5 or 6 of them, off so-and-so in August&quot; and tell me what he paid for them probably, and he'll say &quot;That's the market.&quot; And he's probably the same guy we sold to last year. When they know that you know, they are relatively free with information.&quot; (company F)</td>
</tr>
<tr>
<td></td>
<td>&quot;Unfortunately the price that we have to pay in New Zealand doesn't really have any relevance to the end sale price. If we've got an item like warehous in Japan, they don't care what we pay our fishermen. They say &quot;The market is ¥200. That's it&quot; ... So you have to be competitive internationally.&quot; (company F)</td>
</tr>
<tr>
<td>Price information from Trade NZ overseas</td>
<td>&quot;If embassy staff go out into the market and get prices, that has proved useless to us... Sometimes you get a company that will just dump fish on the Hong Kong market - company Z do that if they've got too much fish. So embassy staff need to get prices over several weeks for it to mean anything. We need some mechanism for checking the spot price on the Hong Kong market.&quot; (company K)</td>
</tr>
</tbody>
</table>
Company O mentioned a relatively systematic process for establishing international prices, by working backwards from retail and wholesale prices, considering this process to be “elementary”.

Relying on customers (at least in part) to provide market prices was a method reported by two companies. However, the need for checking up on information provided by customers is readily apparent in this quote from company P, a very large and dominant company in the industry:

“If we get a customer saying “So-and-so will sell me this product for this price” I’ll get on the phone to him and say “What the hell are you doing?” And he’ll say “We’ve got certain stock we need to clear.” And I’ll say “Has he given me the right price?”... if he’s given me the wrong information I’ll ring the customer back and say “You’re full of shit.” He’ll say “What do you mean?” I’ll say “You told me that you’re buying at that price, but you’re not. You have bought one tonne at that level and the rest was at this level.” They learn that we are talking among ourselves, and it’s the same on their side” (company P).

4.7.1 Pricing as an issue for the industry
Several companies felt that pricing is an important area for the industry to address, and that there may be room for considerable improvement if better information was available and there was better cooperation within the industry (this subject is dealt with in greater detail in section 4.19 below).

Table 4.11. Expressions of concern about international pricing practices within the seafood industry

“Pricing is an interesting question – a hot topic for the industry, particularly at the moment with prices moving upwards. There’s been a reluctance on the part of distributors to tell us what they can get... It’s only at times of oversupply that there needs to be greater cooperation. At those times, some of the smaller companies cannot afford to hold onto stock until prices move back up, if they need cashflow.” (company R)

“Particularly when talking to Asians you have got to negotiate. If you don’t negotiate there’s a psychological or philosophical gap in the communication and they are not happy with it. A lot of New Zealanders have in the past judged overseas markets from their New Zealand experience, and have been too open and too modest.” (company A)

“Our customers tell us their margins are so thin they need our fish cheaper. Even though other New Zealand companies are accepting $9, we tell them it is still $10.25 and they still buy it! It could be we are still selling it too cheap.” (company K)
Opinions varied as to whether companies were sufficiently well-informed about prices in overseas markets. Two companies questioned whether New Zealanders are in general sufficiently aware of the complexity of price negotiating, particularly in Asia, and whether we as a country sometimes forgo profits as a result (Table 4.11).

4.8 Gaining competitor information
Companies generally did not regard information on competitors, direct or indirect, as something that was difficult to obtain. Rather, it was regarded as something you gathered on a daily basis in your trading activities, even when the nature of your competition might be quite complex, as shown in the following comment from company G:

“It's quite a convoluted industry in that if you want to sell hoki, for example, into the Northern Hemisphere your direct competition is Alaskan pollack. Alaskan pollack is caught twice a year at set times in set areas, but it is held and distributed over the course of a year. The catch then determines our market price. Hoki is an alternative. Although some people are seeing it coming from green old New Zealand as being a preferred option, it will never make up for that huge volume of pollack that they produce. If pollack prices go up, hoki goes up with it. Hoki is consistent throughout the year, which gives us an edge. Customers who have used it over a period of time have a range of products based on hoki, which is good from our point of view, but you'll always get these peaks and troughs that fit in around the pollack catch.”

One company found that their distributors were a rich source of information about competitors (other New Zealand companies included) even though the means by which this information was obtained was apparently unknown:

“Our own distributors know who's getting what, even down to how many containers they've got on the next vessel due in.” (company R)

4.9 Gaining information on the need for modification of products and regulatory requirements
Companies seemed to interpret this line of questioning as referring to modifications necessary for complying with regulations and standards rather than modifications to suit consumer preferences. This may reflect the depth of feeling which the former elicits in the industry! One company
felt the problem of rules and regulations is diminishing, at least in some countries:

"These sorts of things are getting better as the world gets smaller. But there is a problem in Australia, where you need different labelling for different states." (company A)

Information on regulatory requirements in foreign markets is commonly provided by overseas customers, and some firms made the point that letters of credit will often specify the details of these requirements.

"You don't need MAF help to interpret foreign market requirements because on the letter of credit conditions are stated, and until you satisfy those conditions you won't get paid." (company O)

However, the Ministry of Agriculture and Forestry (MAF) plays a major role in providing information on regulations applying in export markets, even if some firms do not value this role as indicated in Table 4.12. As can be seen in the comments presented in Table 4.12, three companies considered that MAF does an excellent job of maintaining New Zealand's reputation in international markets, even though upholding those principles may come at a considerable cost to companies. In contrast, seven companies expressed highly critical views of MAF (presented in full in Appendix E). Three firms drew attention to what they saw as unnecessary bureaucratic restrictions (e.g. company C in Table 4.12). Inconsistency in interpretation between different personnel was identified as a problem by two companies (e.g. company N). One company (E) noted inconsistency between MAF interpretations and the actual country requirements.

A view expressed by seven firms was that MAF personnel should focus more on facilitating trade than on hindering it with what these companies regard as unnecessary bureaucratic impediments (e.g. companies F and I in Table 4.12). In view of the polarization of views on this subject, the possibility that small firms have more difficulty than larger firms in complying with MAF regulations, or in dealing with MAF personnel, was investigated. The three firms holding favourable views of MAF had export turnover of under $10 million, between $10 and 50 million, and over $50 million. Four of the firms holding unfavourable views had turnover under
$10 million, and the remaining three had turnover between $10 and $50 million, so views seemed largely independent of firm size.

Table 4.12. Conflicting views of the regulatory role of MAF

Generally favourable

"The costs of adhering to those regulations can put you in a position of not being competitive with, for example, Chile or Argentina. That’s OK – we’re not a Third World country. The industry are consulted a lot, I believe, by MAF… A good example of the worth of MAF is when you look at the mussel disease outbreak 3 or 4 years ago. There was an immediate moratorium on exports. Now that put New Zealand’s name at the top and we held credibility. It hurt a lot of companies. But when… it was opened again, that gained a lot of credibility for New Zealand." (company L)

"MAF are very much on the ball. They update us by e-mail. That information is coming all the time. So if a customer says "Instead of 90 days from pack-date our requirements under our new laws into Saudi Arabia, for example, are 60 days, we go back to MAF documents that tell us yes that is the case, and its effective from… They’re pretty clued up, the information is easily accessible... Complaining about MAF is the old attitude. We’re very proud of our cooperation and development with MAF. We are one of the few operations that are on the longest possible reinspection regimes." (company G)

"Sometimes it’s difficult to understand who is making the rules. I think they have a bit of internal conflict about who is making the rules and who is enforcing them, and whether they are actually practical and reasonable. Some of the regulations from the EU and British retailers are a bit over the top. I think MAF have done quite well to have gained equivalency in EU countries. I think a lot of the people involved in MAF have a good understanding … particularly in the shellfish industry biotoxin management area.” (company R)

Unfavourable

"MAF are ill-equipped to handle international trade. They raise the status of New Zealand far beyond its perception at the other end of the world. My biggest export trade barrier is MAF." (company C)

"What they tell you might not be what the country asks for. Why are we writing up their (other countries’) requirements? I've even rung the Ministry in Canberra and they faxed out their requirements which were not in line with what the Ministry here were insisting on.” (company E)

"MAF rules vary depending on who the Inspector is and who is visiting Wellington. The EU sends an inspector over and this guy’s favourite thing is gaps under doors. The next guy comes over and his favourite is covers over light bulbs.” (company N)

"Frankly, in this game, fishing in New Zealand, the biggest frustration I've seen, and you'll hear this industry-wide, is the bloody M A F. They should be a facilitator and a help in our international trade. But ...they are a bloody hindrance more than a help.” (company F)

"The MA F thing is a real bitch thing. MAF, particularly with documentation, are too rigid, too inflexible. It’s the letter of the law in these guys’ minds rather than in the country you’re sending it to.” (company L)

"We were having to operate under MAF and you were competing with people drying it on the beach in China, Thailand and places. You're just not very competitive. MAF is a bureaucracy.” (company M)

"MAF is a useful organization but if they go to extreme they become more of a hindrance than a helpful organization. Anyone with a new business, with a new product which has never been experienced by New Zealand before and involves MAF then I wish them luck – the very best of luck! Because ...a new product won't be in the book they just say “no, no, no” to everything you want to do.” (company O)
4.10 Usefulness of foreign government agencies and foreign chambers of commerce as information sources

Some countries appear willing to provide information that will facilitate bilateral trade, whereas other countries appear to go through the motions but prove to be less helpful. Company O reported that the Australian High Commission in New Zealand and the Hong Kong Trade Development Board had both provided free information that proved very valuable. Another company had a less favourable experience in trying to use the Japanese trade organization JETRO:

"JETRO — that’s just a blind. The Japanese have got to be seen to be promoting imports as well as exports, and you don’t get any benefit. They are just a waste of time.” (company K)

4.11 Usefulness of industry sources of information

SEAFIC (The Seafood Industry Council) publishes monthly statistics that companies can subscribe to. A great deal of scepticism was expressed about the accuracy of the figures by all five companies that mentioned SEAFIC statistics as a source of export information.

Table 4.13. Usefulness of SEAFIC statistics reported by seafood exporters

<table>
<thead>
<tr>
<th>Quote</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;Export statistics as to what products and what product forms are going into each market are available in the SEAFIC monthly reports. I have my reservations about how accurate it is. Information gets distorted by exceptions, and by products going in through a different port and ending up in a different country in Europe, for instance.”</td>
<td>R</td>
</tr>
<tr>
<td>&quot;SEAFIC information is not very reliable. You use it as a guide. They get it off export entries, and export entries are often not correct. For example, when we’re doing chilled groper to Japan we put down on the export entry — on the commercial invoice that goes with the product — a low value so that the duties aren’t too high for the buyer, and everything’s sold on consignment. So what is stated here won’t be correct.”</td>
<td>I</td>
</tr>
<tr>
<td>“It would be useful to know grades in the SEAFIC monthly reports. Without that the prices don’t mean much and are generally inaccurate.”</td>
<td>J</td>
</tr>
<tr>
<td>“SEAFIC offers you a very good service identifying all the nutritional properties of any given fish species — carbohydrates, potassium etc. That is really helpful to our customers. Also, if we want to know the amount of any species going into Hong Kong for example, they can give us that.”</td>
<td>K</td>
</tr>
<tr>
<td>“The figures in the SEAFIC tables are a load of crap.”</td>
<td>N</td>
</tr>
</tbody>
</table>
However, two companies found merit in gaining a general idea of where product is going, and the approximate price that might be achieved for it (Table 4.13). Company J indicated that the usefulness of the statistics could be greatly improved by including the grades of fish. Company K reported finding SEAFIC data on fish specifications very useful when dealing with overseas clients. Companies were not asked specifically about SEAFIC information, so these findings should not be interpreted in any quantitative way.

4.12 Usefulness of Trade NZ as a provider of government export assistance

Awareness of Trade NZ services was universal, although two companies seemed unaware of local offices in their area. For example:

"I didn't even know there was a local Tradenz person. Hold on, what's this letter? "Dear Thomas". I've never met him." (company N, name changed to preserve anonymity)

Table 4.14. Generally favourable views of traditional support services of Trade NZ

<table>
<thead>
<tr>
<th>Company</th>
<th>Favourable View</th>
</tr>
</thead>
<tbody>
<tr>
<td>J</td>
<td>The emphasis has got to change. In the future you want them to be more the backup, the facilitator, the greaser of wheels, like they used to be... Where it's been really good in the past is to smooth the way, in broader aspects. Like if there's a group of people visiting China, it's nice to have an office there that can arrange group visits, and provide general knowledge and awareness of the market... If countries are seen to stand behind their companies within those countries, people perceive you differently out there in the marketplace... Our government hasn't really been behind exporters. It's just been there as a blur.&quot; (company F)</td>
</tr>
<tr>
<td>K</td>
<td>That sort of thing I think should be free. I could say to this Tradenz guy &quot;Look, we've got a problem here. He doesn't speak English, I don't speak Japanese. Let's meet at the Tradenz office at 4.30 pm and have (person X) or someone do the interpreting for us.&quot; (company F)</td>
</tr>
<tr>
<td>T</td>
<td>I've known a lot of these people for a long time. That's where I'll get the valuable information. I'll phone people I've known in Tradenz in [City X] for example, or Tradenz offices overseas that have been around a long time. There's one in [City Y, a European capital] who's been a gin drinker for a hell of a long time. I can ring him up on an evening and ask him a question, and he'll get the information for me. Of course I don't pay for that! But he's still there, and that's the way the service used to work really well.&quot; (company T)</td>
</tr>
</tbody>
</table>

Several firms spoke warmly of the role that Trade NZ had provided in the past. In particular, one company expressed very positive views about the
informal support role they used to play, providing a base to visit in foreign markets, providing informal advice, the government "holding your hand" and providing useful moral support. This company considered that the Internet will largely replace the need for Trade NZ's information-gathering role and suggested that the organization should return to the less formal role they used to perform. Table 14 provides examples of favourable comments concerning the traditional support role of Trade NZ.

Six companies felt that Trade NZ has nothing to offer them, with three of these presuming that Trade NZ must be doing something useful for other companies, as illustrated in the comments shown in Table 4.15.

Table 4.15. Opinions of irrelevance of Trade NZ services

| “I need them to be supportive of my business. They've got a whole network overseas. Are they actually earning their keep? They're not helping me. Maybe they are helping other people, big business or someone else.” (company M) |
| They must do something for someone. They don't do anything for me but they must be of benefit to the big boys or someone.” (company N) |

One company mentioned that they were satisfied with information obtained even though no new business resulted. Three other companies were strongly dissatisfied with the information provided as indicated in Table 4.16. Four firms expressed scepticism concerning the feasibility of having Trade NZ conduct your business for you. Two of these firms considered that the required level of specific product knowledge would be most unlikely to be found in anyone working for a government organization like Trade NZ. Another view expressed was that the odds of gaining a new customer from a list of names that Trade NZ might supply you are so slim that it is a waste of resources – both the company’s and the taxpayers’ resources.

Many companies expressed dissatisfaction (often extreme dissatisfaction) with the cost-effectiveness of current services, which have become much
more expensive since Trade NZ introduced a new charging regime in 1998. Relatively brief comments representative of the views expressed are presented in Table 4.17. Additional material is presented in detail in Appendix F in order to minimize the risk of unintentionally biasing the picture.

**Table 4.16. Varying degrees of dissatisfaction with export information provided by Trade NZ**

<table>
<thead>
<tr>
<th>Satisfaction</th>
<th>Dissatisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>“I got some good information which I was quite pleased with, but I didn’t develop any new business out of it.” (company F)</td>
<td>“We sent Tradenz into Spain to give us price information. They came back with price of product that was so far out from what we knew to be prices there - their price was so much lower we couldn’t even ship it for that price. That would have been a market we would have missed if we had relied on their information. I think we did pay for that, but we shouldn’t have... It’s a waste of our time unless they’ve told these people what our payment terms are, and determined that these people will accept those.” (company K)</td>
</tr>
<tr>
<td></td>
<td>“I’ve tried Tradenz but they are not really very good, not as far as pricing is concerned. We’ve tried to get qualified reports on say eel buyers in Germany, and they’ve given us names, and we’ve spoken to them on the phone, and they’ve been bloody hopeless. Nothing ever came of it and you pay a fortune for it.” (company I)</td>
</tr>
<tr>
<td></td>
<td>“Tradenz is not very good at all - they’re not commercial. They are OK with general stuff that people can do from a desk, but for hard commercial information they are not much use.” (company H)</td>
</tr>
</tbody>
</table>

**Scepticism concerning practicality**

“It’s unfair of an exporter in a way to demand too much of the Tradenz rep. in a particular country, because they don’t have an intimate knowledge of your product. You can’t really expect Tradenz to sell your product for you.” (company A)

“Tradenz have been quite helpful. I think they’re quite good at their job, but if you want to go out and capture the trade you’ve just got to go at it. You can’t get somebody to do it for you.” (company G)

“You wouldn’t go to Tradenz or anyone of that mindset and ask them what possible needs there may be. They only respond to established need, not potential need... In our case we’re often working with a substitute species for an existing species. We’ve got to pick the right name in the local language, we’ve got to pitch it right, put the right spin on it so that it lands in the right place, pick the right level of discounting or added value or whatever we’re going to do. You’re not going to get someone working for an organization like Tradenz to do that adequately. Anyone who is really any good would get head-hunted by the bigger companies, or they would pick up a job as a high-performing broker.” (company V)

“The good customers we have in New Zealand have been with us a long time. To find another one to add on, your chances are probably the same as at a Trade Show - 1:300 or so. Whether we pay for it or whether New Zealanders pay for it, I don’t think it’s a good exercise because they would be hitting on a 1:300 strike rate - a hell of a lot of time and money to find a new customer.” (company C)
Table 4.17. Comments indicating extreme dissatisfaction with cost-effectiveness of Trade NZ services

<table>
<thead>
<tr>
<th>Comment</th>
<th>Company</th>
</tr>
</thead>
<tbody>
<tr>
<td>If you have to pay for it you tend not to use it. You say “What the hell”. By the time you spend the kind of money they charge now, you may as well go up there and find the information yourself.</td>
<td>F</td>
</tr>
<tr>
<td>I found that in recent years Tradenz have got very very expensive. And may have priced themselves off the market. Last year in China for a seafood show we had a stand. And Tradenz offered their services as interpreters for us on the stand. They were about three times as expensive as somebody we ended up getting ourselves.</td>
<td>I</td>
</tr>
<tr>
<td>Tradenz are very expensive. We have used them for an overview of the market in various countries, and they reinforced what the company was getting into.</td>
<td>J</td>
</tr>
<tr>
<td>We asked them to introduce us to companies in Hong Kong that would take new product. They gave us half a dozen names and charged us $250. We haven’t paid it – we’re not going to because every one of those was a complete waste of time. At the moment we can get 50 names for $850 from someone who has retired from the industry. And you can get them off the Web. Tradenz are a very expensive option.</td>
<td>K</td>
</tr>
<tr>
<td>They are very enthusiastic. But then it comes down to what you have to pay for the services. Then it is completely out of proportion.</td>
<td>O</td>
</tr>
<tr>
<td>It was absolutely horrendous – it was just totally over the top. I just couldn’t believe it. I said “You’ve got to be kidding me.” She said “No, that’s the fee we have to charge and that’s the end of it.” No negotiations. $590 just to line up a meeting and be the interpreter – for one and a half hours...We commissioned Tradenz to try and help us build up some new prospective customers through eight markets. They charged, we consider, very steeply for it...They went to 62 different companies, and its cost nearly $10,000. We haven’t finalized any business from it yet...I haven’t paid the bill. In fact I’m going to dispute it...”</td>
<td>P</td>
</tr>
<tr>
<td>We’ve had to temper our requests with them because of their cost structure, unfortunately. If you get a reasonable report done it can cost you $2-3000 in 4 or 5 markets, so you’re talking real money. Is it just another form of government-run enterprise? In my view we don’t need state-owned enterprises in the marketplace.”</td>
<td>T</td>
</tr>
<tr>
<td>“We’ve used them in Aussie, but bugger all results over there. It ended up being a waste of time, effort and money for us, because nothing ever came back from it and the sheer expense of it now would make us hesitant to use them. I’d be more inclined to use people we know ourselves.”</td>
<td>S</td>
</tr>
<tr>
<td>“If you pay $1600 a day for an interpreter from Tradenz in France, for example, you’re going to get someone who’s probably a Francophone – in which case their English, technical English, isn’t going to be that hot. You can’t expect them to be equally competent describing the dimensions of a bolt, or computer technology, or the specifications of bivalves, or fine wools etc. You aren’t going to get your money’s worth out of someone who doesn’t know the industry sector.”</td>
<td>V</td>
</tr>
<tr>
<td>“For every $ they spend they want $50 in forex, and I said “Well gee, I’d like those kinds of returns myself!” That’s a pretty robust figure, if you’ll forgive me. Everyone’s got to have a target, but I don’t know how much they believe their own hype actually. I’m very sceptical about Tradenz actually.”</td>
<td>M</td>
</tr>
</tbody>
</table>

Firms were not specifically asked about the cost-effectiveness of Trade NZ services. Instead they were asked open-ended questions along the lines of
had they used such services and how did they find them? Every firm that raised the question of cost-effectiveness of Trade NZ services appeared to have a strong opinion that such services are now very expensive and poor value for money. Firms that had enlisted Trade NZ "help" in providing interpreters, drivers, and other basic services in overseas countries were particularly irate to find that they were charged considerably more than they believed such services would have cost them if they had made their own arrangements. One firm drew a highly unfavourable comparison between Trade NZ services and Austrade services offered in Australia:

“If you look at Austrade and what they do they are streets ahead. There's not a cost to industry. There's a far greater liaison between Austrade and on-shore Australian businesses than there is in New Zealand at present. Austrade will only charge over a certain hourage. Anyone in Australia can ring up Austrade and ask specific questions about market potential, or off-take of particular products. That information is freely available without any cost. We'd use Tradenz a whole lot more if there wasn't this cost barrier. You ring up Tradenz and ask them a question and they'll say "I'll get you a quote". That's how they are structured at present.” (company T)

Eight firms favoured payment for results, in particular favouring payment of a commission on the first shipment resulting, or an agreed fee for a given result. This possibility was not raised with each firm specifically. It was either raised by the firms themselves in response to a general question concerning how they found services and what changes could they suggest, or it was raised by the interviewer in response to strong expression of dissatisfaction with the cost-effectiveness of current services.

One firm expressed the view that Trade NZ should readopt a role of helping businesses with trade fairs:

“I think it is important that Trade NZ continue with the promotion and coordinating of a New Zealand group at a trade fair, but they've sort of walked away from it totally. Since this new charging regime came in they've basically walked away from this stuff and said "You guys will have to form your own little committee and do it yourself." I think its wrong, crazy. Here it is - they're proposing an export network be formed around participation in Food Asia. The network would undertake coordination activities for the fair including design, construction of stands, stand budgets. Tradenz no longer has an events coordinating team and the work is contracted out. I haven't got time to go dickering around going to meetings in Wellington. Talking about wanting my stand either here or here.” (company P)
Table 4.18. Companies favouring payment-for-results for Trade NZ services

"We need people with industry expertise, experience and contacts to source opportunities in overseas markets where New Zealand companies could be getting higher returns. If you paid someone like me a retainer, and they then worked on commission, that could make a real difference. There's no use having bureaucrats who lack that kind of personal experience." (company H)

"They should be working on a commission basis – I don't mind paying for results." (company I)

"I feel that it should be payment on results. I'd be happy to pay for performance." (company K)

"There are a lot of times I just find it's a waste of space. I have no problems spending money on Tradenz, but I'd like there to be some relationship between the money I spend and the money I earn. They give me a report. I don't want to pay by the inch – I want to pay by the dollar. I'd be happy to pay a percentage... I would find it really useful if Tradenz came to me with specific opportunities. I'd be happy to treat them as a business partner and pay a commission." (company M)

"I want a result for my money. If they could sell a container, I'd be happy to pay a 1 or 2% commission." (company N)

"It would be OK if there was a fee for a given result; e.g., you could say "If we could put a container of product in there we'll pay a fee of such-and-such." (company P)

"A commission-based system would be better." (company T)

"I'd do the job myself. I'm beautifully placed to do it actually. I'm fluent in French and I live in France. I see opportunities that other companies could benefit from. I could fly the flag. I haven't done it because I've had too much on my plate, but I could take on an assistant and do that sort of thing. I'm sure I could do a damn sight better job than Tradenz." (company V)

4.12.1 Commentary on companies' views on Trade NZ

Eight of the 24 firms expressed favourable (in many cases highly favourable) views of services that Trade NZ had performed in the past. Five of these eight firms were highly critical of the introduction of substantial charges for Trade NZ services over the past two years.

Six of the 24 firms indicated that they saw no relevance to their company of present Trade NZ services. Three of these companies thought they might be helpful to other people – "big business" or "the big boys" in the case of 2 small firms and "the little guy" in the case of one relatively large firm. Four firms questioned the practicality of a government agency like Trade NZ "doing your business for you."
Fifteen of the 24 firms (including 3 of the “not relevant to us” firms, and 5 of the “formerly useful” firms, as already mentioned) were critical of the cost-effectiveness of Trade NZ services. Considerable depth of feeling was revealed during the interviews, to the extent that two firms revealed that they were currently in the process of disputing Trade NZ accounts and in one case flatly refusing to pay for information that was regarded as useless. There was no evidence that dissatisfaction with cost-effectiveness was confined to firms that lacked financial resources, the fifteen dissatisfied firms including small, medium and large firms.

Eight firms suggested that Trade NZ services should be on some kind of “payment for results” basis – perhaps a commission on initial sales, or an agreed fee for a given result. One firm expressed doubt that such a system would be workable. (Note: it would be a mistake to conclude that the remaining 15 firms did not favour “payment for results”. Their opinion on such a proposal was not specifically sought.)

4.13 Internet as an information source

Diverse views were expressed concerning the usefulness of the Internet. Some firms find the Internet valuable for gaining information themselves, as indicated by company T:

“I got more information off the Net, than from Tradenz, once I got stuck into digging it out.”

Several have their own World Wide Web sites, and most are listed on Web sites of various kinds. A view expressed by four companies was that, although useful as an information source, the Web is unlikely to provide the depth of relationship that is critical to conducting international business. For example, company C commented that:

“Relationships are critical in this industry. That’s why I think the Internet is limited. It will always be a medium for information gathering, but it’ll never take off in the fish business. Nobody in this industry wants to buy on a spot basis from someone they have never heard of before. As a customer, the last thing you want is your man in New Zealand offering it to the marketplace and you having to compete with the marketplace on a spot basis.”
4.14 Perspective on information needs of firms in the seafood sector

The forgoing findings reveal that firms in this sector generally have little difficulty in obtaining the export information that they require in order to conduct their export marketing activities. Present attempts by Trade NZ to provide information for firms on a user pays basis do not appear to be well-regarded by firms in this sector. The question then arises: are there other problems facing firms in the seafood sector that government agencies could perhaps do something about? The in depth interviews revealed several problem areas in the industry, as revealed in the following sections. Some of these problem areas, such as payment difficulties, are of a general nature and applicable to exporters in other sectors. Other problems raised were specific to the seafood sector. Both types will be outlined.

4.15 Payment difficulties

Firms varied considerably in their attitudes towards methods of ensuring payment, but a need for great caution in international transactions was expressed universally.

Table 4.19. Illustrative views on the need for caution in international transactions

"New exporters can fall into the trap of expecting payment on the 20th of the month as in New Zealand – that's disastrous. You may as well give the product away. All our payments are on Letter of Credit. Very occasionally you get resistance to LC's but then you have to ask yourself why don't they want to use LC's? One very likely reason is they don't have sufficient capital." (company A)

"Because we take all necessary precautions and because of the way we do business we don't need insurance. LC through a recognized bank before we proceed. In 17 years we have only had one drawback and that was through the actions of a broker. One doubtful debt in 17 years I think is a very good record." (company O)

"We use customers we can trust. Customers we have been dealing with for years. If we have a new customer we tie them down with belt and braces, bits of string, the whole works: LCs, Irrevocable, sight, the lot." (company G)

"We have the LC here before we ship – except for customers we have been dealing with a long time." (company P)
Some firms always insist on letters of credit (LC) or telegraphic transfer advance payment (illustrated by companies A and O in Table 4.19.). Other firms have a long-established client base and rely on mutual trust (eg companies G and P), except for new customers where LCs are used.

4.15.1 Insurance of overseas transactions

Only one of the firms interviewed (company P) currently uses credit insurance provided by Ex-Go (which was originally a government-provided service, then became incorporated into the government-owned State Insurance Company, then was finally sold as part of that company to Norwich Union Insurance Company).

**Table 4.20. Attitudes towards commercial export credit insurance**

<table>
<thead>
<tr>
<th>Positive view of commercial export credit insurance</th>
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<tbody>
<tr>
<td>“We use the Ex-Go system for Australia because the transit time is so short there’s no time to put the documents down to banks etc because the goods are arriving and there’s no documents to clear the goods. If private enterprise are doing it successfully, government doesn’t need to get involved. What’s going to be the cost of it if they get into it? Someone will have to pay.” (company P)</td>
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<table>
<thead>
<tr>
<th>Negative views of commercial export credit insurance</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Ex-Go wanted all of our business or none of our business. 90% of our business is safe as houses, so we’d just be throwing money away. Our margins are just not large enough to have these sorts of things in place. Also, Ex-Go would hold up your business while they checked everyone you were going to sell to.” (company I)</td>
</tr>
</tbody>
</table>

| “We looked into the Ex-Go thing but it was too cumbersome and too awkward. They insist on all of your business, when 95% of ours is safe as houses. It’s just not economic.” (company X) |

| “We’ve looked at export insurance but there’s no point in it for us. The only role would be in high risk markets or high value goods. A container of mussels is worth about $50,000, so it wouldn’t be worth it.” (company R) |

No other firms apart from company P reported using credit insurance of any kind. Several firms expressed the view that it would not be cost-effective for them to insure with Ex-Go or its equivalent. Illustrative views from 3 such firms are shown in Table 4.20.
Table 4.21. Divergent views on reintroduction of export guarantees

| Sceptical of export guarantees                                                                 |
| "How much risk should the government take? If government is providing that service, people think that they might take bigger risks. You only want to do business that is going to turn out positively surely?" (company A) |
| "We wouldn't ever use export guarantees. It would just be government interfering." (company B) |
| "Export guarantees would have no relevance to us, but it might help the smaller guy I guess." (company G) |
| "They're really dreaming, with this export guarantee proposal. You can sell a lot of seafood. Anyone can sell it, but the trick is will you get paid? Why should you bother dealing with anyone if you're not going to get paid? You say to the guy "Well, I'll send you the first lot of fish and provided you pay I'll send you more." You deal with reputable companies. If you are going to zip out and trip all over the place you're going to go broke. I don't use LCs for air shipments of fresh-chilled product. But if you're sending containers to people it's different. Then I use payment for docs." (company Q) |
| "Export guarantees don't avoid the need for prudence. The basis for an export should be in the control of the exporter. Loss or gain should also be in the hands of the exporter. That's my belief." (company G) |

| Favouring export guarantees                                                                 |
| "An obvious thing government could do is have an export guarantee office to underwrite LCs and give you some confidence that you're going to get paid if everything turns to custard. Provided you've done everything right, in good faith. The Australians do it — and do it well. The Americans do it, the Canadians do it. Its plain silly that we don't, that they don't stand behind industry in general." (company F) |
| "There are some instances where traditionally the guy has bought from New Zealand on 60 days payment. And, if you want to do business with him in that particular commodity you have to do it like that. In that situation some kind of Export Guarantee would be very useful so that you have a safety net. For example, meat products, skins and hides have been traded 120 days after shipment." (company A) |
| "The trouble with commercial insurers is they require all your business — low risk as well as high. The government should be prepared to take on high risk at break-even cost in order to develop new markets." (Company H) |

| Potential low-cost alternatives suggested                                                                 |
| "Its up to the embassies to tell companies that we only operate on TT advanced payment or irrevocable letters of credit. If they outline the terms of payment then there's a whole lot of people we will avoid." (company K) |
| "I don't think it would be terribly hard for Government to go out to bat for you in trying to recover bad debts. We've had this situation in Greece that's been running for two and a half years — $200,000. We should never have done that business, but it's easy to be wise in hindsight. We allowed our agent to talk us into it. It would be great if the New Zealand government would get Foreign Affairs to write to Greek Foreign Affairs, for example. You'd think they might help but they won't do it." (company I) |
| "We tried to see if Tradenz could help...when we ran into strife with payments from Taiwan. But there was nothing they could or would do." (company L) |
| "It puzzles me that you can have a Trade Commissioner, whose job is to facilitate trade surely, saying he can't get involved in helping you to talk to people in trying to recover a debt. We've tried to get them to act both in Taiwan and China, and they just won't do it. It's stupid." (company X) |

104
Considerable (although not universal) scepticism was expressed concerning the Government getting involved in export guarantees, a matter for timely discussion since reintroduction of such a scheme was included in the election policy of the incoming government. Views were expressed that it would be unrealistic for the taxpayer to take on risk beyond what commercial insurers are prepared to undertake.

Furthermore, concern was expressed that such a scheme would be cumbersome and would hold up exports while all the necessary credit checks were being carried out.

In contrast, four firms felt that the New Zealand government should offer such a scheme. The point was made by company F (quoted in Table 4.21) that such schemes operate in other countries, and the New Zealand government should be prepared to back its exporters in higher risk markets.

Several companies raised the prospect of government initiatives that might reduce the risk of non-payment without incurring any great expense for the government or requiring the setting up of any new structures – just a little fine-tuning in the way things are done at present.

Three firms suggested that the Government should be prepared to help firms recover debts through negotiation and Government-to-Government initiatives, as indicated in Table 4.21.

### 4.16 Exchange rate fluctuation

Companies seemed in broad agreement that the most serious issue facing the industry is currency fluctuation – even though some have learned to benefit from it! Table 4.22 provides some insights into the difficulties firms face in this area. It is noteworthy that the larger firms (e.g., company G and company P) have extensive currency hedging schemes in place, whereas smaller firms in general seem to lack such protection. This appears to be an area where government initiatives are needed, as discussed in Chapter 5.
Table 4.22. Companies’ views of exchange rate fluctuations

"We can determine our own destiny as far as currency is concerned by hedging if we wish. We play currencies very close to our chest – our major currencies, and we've done very well thank you very much." (company G)

"The number one problem is exchange rates. Since the Reserve Bank let things float a bit more last year its been good. While our dollar was high it was really hurting exporters." (company L)

"You can make more on currency trading than on selling fish half the time, if you make the right decision. And that's bad. Export currency rates are crippling for us. Of course it's OK at the moment, the yen at 51 or 52. But it isn't long ago that the yen was 75, which was an absolute disaster. Greater than 25% off our price at a time when we were getting very low prices anyway. If you were reliant on just one market, you would have gone bankrupt waiting for our government to do anything about it. They should have acted quickly to get the exchange rate back to something workable... We've got a separate department that looks after currency, and that's all they do. It's critical to a business. That's the area where government could really do something useful – provide some sort of currency hedging system." (company P)

"The best thing Helen Clarke (newly-elected Prime Minister) can do for exporters is keep the dollar where it is. The hardest time for us was in 1995 when the dollar was at US63 cents when I went away to the US and it was nearly 70 cents when we sent product over." (company Q)

"We've had quite a lot of foreign exchange losses through forward contracts." (company R)

4.17 Non-tariff barriers

Feelings ran very high on the subject of non-tariff barriers, as can be seen in Table 4.23. The USA and the EU were particularly mentioned as markets that impose unfair regulations on other countries.

Table 4.23. Views on non-tariff barriers expressed by seafood exporters

"What are we setting up all these HACCP procedures for when they are not in force in these countries we export to?" (company E)

"We are not playing by the same rules as our competitors. If people out there put up a soft trade barrier, our job is to get around that, not to basically have our own agency support that trade barrier." (company M)

"We had the top man from the US ... coming down here and telling us in New Zealand that we have to have much higher standards than their fish market in New York. They can talk like that because they are the biggest buyers. They don't need us, but we need them." (company L)

"I have been around tuna factories in the US that don't even have a roof! Seagulls shitting everywhere, so what they want from us they're not really prepared to do themselves. It's a non-tariff barrier. It's putting the price up, isn't it?" (company N)

"New Zealand just hasn't been courageous about it. The Fulton Fish Market has got to be among the filthiest in the world – the main fish market in New York... Its iniquitous, really, that we are required to implement these programs to the letter and even beyond, when the countries we are exporting to don't apply the same standards." (company V)
MAF were seen by some as enforcing arbitrary rules that are seemingly not enforced in the countries to which New Zealand companies are exporting. Table 4.23 presents a sample of views on this subject. More detailed comment can be found in Appendix G.

4.18 Quota management issues
Diverse views were expressed concerning the Quota Management System (QMS) but there seemed to be general agreement that the QMS, in ensuring sustainability, has improved the state of the New Zealand fishery – certainly when compared with the situation in many other fisheries in the world. Company K expressed it in these words:

“They have burnt out the resource in a lot of places. The New Zealand industry has been pretty rigorously controlled by the Quota Management System. They’ve had a moratorium on crayfish and now there’s a lot of crayfish around here. There has been a lot of crayfish caught in the country in the last 18 months because they cut the quota and let them breed again. That’s very good.”

According to three companies, there is a high degree of harmony and cooperation in the industry, and this in large measure can be attributed to the QMS. For example:

“In general terms the industry doesn’t fight over customers. The Quota Management System has been good for that, and you won’t find that in other industries. Different companies have their part of the quota and they have to be able to swap it with other companies.” (company C)

One might anticipate this reaction from larger companies that have benefited from the quota allocation process, but in fact the company quoted is a 2-person broker operation.

4.18.1 Fears of domination in the industry
Three companies expressed the fear that a small number of large companies are going to end up completely dominating the industry by buying quota for much more than its real value in order to stifle competition. Specific details of overbidding practices are provided in material presented in Appendix H. There appear to be considerable
difficulties for some small owner-operators in keeping going in the face of ever-increasing costs of operation, and especially of buying or leasing quota. One company mentioned its tactics for maximizing yield from the quota that the company does have:

"Those who are willing to work in the off-season will be rewarded. We aim to restrict the catching so that there is not a glut. You try to maximize your quota return. You could catch all your quota in 3 months, tie up your boats and say "That's it guys. See you in 9 months time." But you are better to spread it over and get higher returns." (company E)

Others use value-adding of various kinds to achieve a similar goal.

4.18.2 Accidental catch of species exceeding quota
Problems associated with accidental catch of non-targeted species are a concern commented on by two companies. Company E explained the problem in the following terms:

"Fishermen go out and target a particular species of fish. But you don't have little signs that tell other species to piss off. Well, you're not allowed to dump the fish, so what do you do with it if you catch it by accident? The moment you bring it home it is "deemed" – you have to pay the government a penalty because you haven't got quota for it – even if you haven't got a market for it...."

As indicated in Chapter 5, there does appear to be a system for dealing with this situation in an equitable manner. Perhaps fishermen need to be made more aware of their options in this area.

4.18.3 Shortage of supply
Shortage of supply appears to be a major problem for companies involved with some species, as revealed by the 5 examples in Table 4.24. It can be seen in these examples that "shortage" of product can be caused by an actual shortage of the desired species due to either seasonal or longer term factors. But in other cases, the "shortage" seems to be of an administrative nature. These matters warrant further investigation, as indicated in the discussion in Chapter 5.
ever had for • h. There n 	 te be 32 boats operating oi
 [216x687]f. Col• 	 •
 "Availability- 
[153x667]of .
[175x667]hadarture space is the limiting factor in the mussel industry. The 2-
[92x657]year moratorium caused the industry to stagnate over that period. A heap of
[93x637]applications are in for expansion. It's a very contentious issue over in Golden Bay for
[92x627]example. We need more research and development on areas that could be available for
aquaculture." (company R)

“We used to catch a lot of gemfish but the fishery collapsed. Other operators working
scampl within the same fishery caused a lot of damage by trawling with big nets with
small mesh. It’ll take time to recover.” (company L)

“We can’t get enough fish at the moment to supply our export markets for fresh-chilled.
We’re going through a boom period.” (company V)

“I spent half a million dollars on gooey ducks (more properly known as geo ducks), big
shellfish, deep in the sand, out further than toheroa. I did all the work and applied for
a commercial permit. I should have got a 100 tonne licence but they wouldn’t give me
one. Without me they wouldn’t even know they were there. To be a fisher, you’ve not
only got to run a business, but you’ve got to be able to pull in all these bureaucrats all
the time. So all these shellfish are sitting there unfished.” (company Q)

4.18.4 Catching of under-sized, and unwanted, fish
Two companies commented on wastage occurring in the industry because
of regulations concerning minimum size in the first case and a ban on
taking only part of a fish in the second case, as shown in Table 4.25.
Neither situation seems easily solvable.

Table 4.25. Examples of wastage in the fishing industry

<table>
<thead>
<tr>
<th>Under-sized fish</th>
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| “Under the minimum size regulations there is a real problem. If you catch fish under
  the minimum legal size, what do you do? You are not allowed to land them. The
  fisherman should have a bigger mesh size under those circumstances and that comes
down to responsibility of the operator. There’s a lot of self-policing. Crew talk and word
gets out about people tipping undersized fish.” (company L) |

<table>
<thead>
<tr>
<th>Bi-products of non-desirable species</th>
</tr>
</thead>
</table>
| “There’s a hell of a lot of waste in the fishing industry because of the rules and
  regulations they have got. It’s catch 22. You can’t bring it in, you’re not allowed to dump
  it, but you sometimes can’t avoid catching it…. There are about 5 species of sharks
  where the liver is suitable – all deep sea sharks. Very few companies will market the
  meat. A lot get caught by accident, but they throw them straight over the side without
  touching them. They come up from a fair depth, so the pressure changes bugger them.
  It’s illegal to take out the liver and throw the rest back, but if they throw the whole thing
  back there’s no evidence they caught it. They can’t land the liver without the fish, but
  nobody wants the fish. Crazy.” (company S) |

Table 4.24. Shortage of product

“This is the worst year we’ve ever had for fish. There used to be 32 boats operating out
of here, but at last count there are now only 8.” (company R)

“Availability of aquaculture space is the limiting factor in the mussel industry. The 2-
year moratorium caused the industry to stagnate over that period. A heap of
applications are in for expansion. It’s a very contentious issue over in Golden Bay for
example. We need more research and development on areas that could be available for
aquaculture.” (company R)
4.19 Cohesion in the industry

Two companies appeared very happy with the way things are in the industry, as reflected in this comment from company G:

"It's all very positive, collaborative, and really we're all in it together. We're not cutting each other's throats. In fact it is beneficial to be seen to be helpful to each other. There's the odd cowboy, but it's the same with any industry."

On the other hand, there are many companies who believe that some of their number do not care less about the wider issues surrounding the industry, or in fact the country, as shown in the comments in Table 4.26.

Further detail is provided in Appendix I to minimize the risk of unintentionally biasing the picture by selective quoting.

Table 4.26. Undercutting other New Zealand companies in international markets.

<table>
<thead>
<tr>
<th>Comment</th>
<th>Company</th>
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<tbody>
<tr>
<td>&quot;It's impossible to get collaboration on prices. In some instances it would involve the top prices coming down. They tried it with mussels and it has not worked because basically we're all private marketeers and don't like being told what to do... We try to collectively get our prices higher, but you are only as strong as the weakest link in the chain, and unfortunately the weakest link is nothing to do with marketing. It's to do with the circumstances surrounding that company at a particular time. They might have had a boatload of a certain type of fish, it might be sitting in the freezer for a long time, and the accountants or financial guys might have said &quot;Hey, we've got to liquidate that stock this month. End of story. Just quit it.&quot; So they fire sale it - at say half price - because they need the money. Happens all the time...&quot;</td>
<td>Company P</td>
</tr>
<tr>
<td>&quot;The mussel guys all had a guaranteed price of $1.60 a pound. What they did was sell at that price but then say &quot;We'll give you one container in five free.&quot; They agree on a floor price and then as soon as they get off the phone they're agreeing 1 extra in 5 or 1 extra in 10, they're screwing the whole scene up... Some of these big companies make an incredibly small return on their capital. (Company Z) for instance, a couple of years ago turned well over $100 million and made $600,000!&quot;</td>
<td>Company Q</td>
</tr>
<tr>
<td>&quot;It's all very well for the others who have particular products to say &quot;Well, yes. I'll give you the mussels at a cheap price if you pay full price for other...&quot; That has a big impact on us because those mussels are going up there cheaper and being sold against ours.&quot;</td>
<td>Company R</td>
</tr>
<tr>
<td>&quot;Undercutting in the market is a real problem. I don't know how you get rid of that. It seems to be an international disease that people have when it gets down to trading. Greed or need drives the horse, not a compassionate goal-making exercise. We would like to see a far greater cohesion in the industry than at present - discussing quotas, discussing pricing, discussing direction...&quot;</td>
<td>Company T</td>
</tr>
</tbody>
</table>

The comments from company P (in Table 4.26) are particularly interesting because company P was mentioned by five other companies as undercutting them in the marketplace, and having little apparent concern
for obtaining the best possible price! It is apparent that, even when firms are aware of the impact of their actions on others, they still do what seems expedient on the day.

Company R drew attention to an area where the interests of the wider greenshell mussel industry would be better served if there was a more collaborative approach, namely to ensure consistent product quality. Perhaps this is an area where government intervention, or at least guidance, is called for:

"At some times of the year, meat condition is not very good – recovery from spawning. I think there needs to be a minimum meat to shell ratio yield set in place to protect the industry. We should ensure consistency of product – quality specifications. When we were a smaller operation we geared our production to not operating more than 10 months of the year and our facilities were shut down longer than our competitors. But as your production unit gets larger, the costs of not operating each day get larger. So in some of these newer facilities, the push is there to operate 24 hours a day 365 days a year. In an ideal situation you would only process 40 weeks of the year" (company R).

4.19.1 Commentary on cohesion in the seafood industry
There are companies that view the seafood industry as very harmonious and very cohesive. However, undercutting each other in foreign markets appears to be a real problem identified by 5 companies in particular. This is unlikely to represent the true proportion of companies that view this as a problem because the author only became aware of the depth of feeling on this issue about three quarters of the way through the study. Once sensitized to the issue, the author introduced this area of discussion into interviews, and virtually every company appeared to hold strong views on the subject.

Some companies appear preoccupied with getting product out the door rather than getting the best price for it, and there appear to be some companies that (according to other companies in the industry) lack vision concerning the interests of the wider industry, not to mention the country as a whole. There was a general feeling that little could be done about the problem. However, one company felt the Minister of Fisheries ought to be able to exert some guidance and another company felt there should be
a formal system to hear complaints on practices that damaged the wider interests of the industry and/or country. This issue will be addressed further in Chapter 5.

**Table 4.27. Diverse views on the merit of adding value before export**

<table>
<thead>
<tr>
<th>Positive</th>
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<tr>
<td>“The way that we can achieve improvement here is by complete added value. Some goes out semi-processed. Some goes out live. We try to add value to the product as much as we can. If we could smoke and fillet every eel that came through here it could almost double the profitability, but we haven't got the markets to do that at present. The reason we are keen to do live eels is that its quick money.” (company D)</td>
</tr>
<tr>
<td>“We've moved to the fresh chilled line to maximize the quota we've got. When I first started here 5 years ago they were doing all frozen product and the freezers were full of product. But it wasn't destined for anywhere. Packed fish whole for export, but it was just packed on spec. Now, when our boats go out its all pre-sold, destined, it's gone before they catch it.” (company E)</td>
</tr>
<tr>
<td>“I try to put a knife to every fish...The majority of our fish is in demand because they want to add value to it over there – whether it be Taiwan, Switzerland or wherever. But I cut as much as I can, I look for markets in the United States that'll buy it as fillets because their labour costs are even higher than here.” (company L)</td>
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<table>
<thead>
<tr>
<th>Positive in principle – but aware of difficulties</th>
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<tr>
<td>“Adding value is where I see the greatest opportunity for growth. You take your bulk frozen fish, you convert it into say filleted fish with or without skin, you take that in bulk and convert it into breaded or crumbed or fish fingers or even frozen fish but packed as a consumable – one or two fillets in a pack. That is where I see the opportunities. We're standing back and watching at present. Whether that is done here, or whether it's done on a commission basis off-shore – it's probably cheaper for us to ship our bulk blocks off-shore, but either way it will increase revenue in New Zealand. A lot of our customers would take added value product and repackage it because often they are doing that now – having a contractor re-process it for them.” (company G)</td>
</tr>
<tr>
<td>“It’s not an easy thing, this far from markets... It's very difficult to take that next step and do it from here. We've probably got to twice freeze it, and all that kind of stuff... You don't necessarily get higher returns by sending it fresh. If you can freeze it quickly from the day of catch in a certain timeframe, you can preserve a certain quality.” (company F)</td>
</tr>
<tr>
<td>“It’s difficult to send crumbed product into the United States because of tariffs – 15-20% duty.” (company U)</td>
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<table>
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<tr>
<th>Negative</th>
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<tr>
<td>“Value-adding is difficult for a low-value species like baracuda. You might get another $100 per kilo for it but you only get a third as much in a container, so there is no real cost advantage. Processors in Japan need product to keep going, if they can't get it headed and gutted from here, they will source it elsewhere.” (company B)</td>
</tr>
<tr>
<td>“If all the companies that are adding value in New Zealand sold their product in the raw state, they would make more money... If you calculated the cost of processing hoki in China versus here, it would be much cheaper to process it in China...The people that I have seen trying to progress further down the line towards the end user, if you like, there's a definite cost in doing that and how effective are you as a Kiwi in marketplaces where you are a foreigner?” (company C)</td>
</tr>
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</table>
4.20 Value-adding, rather than commodity trading

Diverse views were expressed concerning the merits or otherwise of adding value to products before exporting them. Some companies appeared very convinced that they were achieving higher returns as a result of adding value to their products before exporting, and other companies saw that as the direction in which they should be heading. Three companies could see merit in the theory but expressed concern over the practical reality. Somewhat surprisingly, 2 firms seemed highly sceptical that adding value actually benefited either the companies themselves or the country. According to this viewpoint the only beneficiaries are the shipping companies. These diverse viewpoints are reflected in the comments presented in Table 4.27.

4.20.1 Commentary on merit of adding value

Some interesting issues were raised concerning the merit or otherwise of adding value within New Zealand before export. Successive governments have heralded adding value as the potential saviour of the New Zealand economy. This viewpoint seems intuitively appealing, but it became apparent that the issue is complex.

One difficulty in analysing the diversity of opinion on adding value in the seafood sector is that the term “added value” can mean different things to different people. For example, to the eel processor (company D) shipping live eels did not appear to represent “added value” whereas smoking and filleting did. To him, the advantage in shipping live product was that it represented “quick money” rather than a higher return. However, companies involved in exporting lobster are shipping live in order to gain a higher return. Fresh-chilled fish and shellfish generally result in higher prices than frozen product, but whether that necessarily translates into higher net prices to the processor is not entirely clear in some instances. The extra shipping costs resulting when
fish is filleted and packaged as opposed to being frozen in bulk blocks becomes a major issue for low value species. It does appear that shipping in bulk for further processing in low-labour-cost countries, in some cases for re-export to third countries, is the most advantageous option for some species.

4.21 Interference by the New Zealand government in overseas trade practices

One company raised an interesting ethical issue concerning corruption:

“...I saw somewhere that the Serious Fraud Office has as part of its mandate stopping of fraud in overseas countries. They’re making giving backhanders in overseas countries illegal. I think that is wrong. Its being “holier than thou” in a way. I’m not condoning it, but everyone knows that it goes on in Asia and in Europe. Preventing New Zealanders from competing on that basis is the wrong thing to do.” (company A)

This company provided a graphic illustration of the implications of adopting ethical standards that may not apply in the foreign market in which you are operating:

“...Years ago I was selling dairy products and the Dairy Board had a lot of milk powder that was out of spec. for human consumption but there was demand for whey powder in the pig industry. However, the duty was 85-90%. Then I found there was a factory making delactose whey powder, and the duty rate was only 20%. I got the importing country quarantine service to analyse a sample, and they confirmed that this particular brand met their criteria. When it arrived, customs held up the shipment and said ‘This is falsely labelled’. One of the guys said he could take care of the problem for a consideration, and the consideration was almost the difference in duty payable. I thought “stuff him, I’ll have this guy on.” So customs said they would have to analyse it to make sure. Well, it took nine months to analyse it, and I paid more in storage than I would have paid in duty! Sometimes the Kiwi way is not the way to do it.” (company A)

A phone call to the Serious Fraud Office (SFO) confirmed that payment of bribes in overseas countries by New Zealand exporters would constitute fraud. However, it appears the SFO probably would not have jurisdiction unless it could be proved that part of the conspiracy to commit fraud took place in New Zealand (e.g. a phone call or e-mail to head office) – a fine point that exporters may need to be aware of.
4.22 Actions of central and local government harming trading relationships with overseas markets

Two companies raised the issue of New Zealand elected officials failing to recognize the implications that their actions may have on New Zealand exporters — sometimes for a very long time after the inappropriate action or comment:

“The Japanese only invested in the Development Finance Corporation because it was government-owned. When the government let that collapse, saying it was just a private company, the fallout from Japan and Singapore was 20 times more costly than the investment in DFC. A breach of trust. You can’t do business in Asia on that sort of basis... New Zealanders in official positions should not come out and openly criticise other countries — it’s a difficult and sensitive issue. The Aussies just jump into it boots and all. Dunedin’s mayor refusing to go to your sister city Shanghai — that’s terrible! You can’t do that sort of thing. New Zealanders, having no experience of that culture, don’t understand the nuances and implications of such a gesture.” (company A)

“Your mayor, refusing to go to Shanghai, is a bloody idiot. She doesn’t realise that under their system their city officials and their chamber of commerce have a political role. She is doing the people of Dunedin, and in fact the whole of New Zealand, a very great disservice. You’d have to exclude an awful lot of countries in the world if you were going to list every country that had a record of human rights abuse. That’s all part of the New Zealand psyche. We like to kick ourselves in the backside.” (company F)

These views emphasize the need for elected officials to be more aware of the fact that their domestic political actions may have far-reaching negative implications for international trade. However, it is not clear what practical steps could be taken to address these issues.

4.23 Opportunities for Progress

Some interesting perspectives on opportunities for New Zealand seafood exporters emerged during the interviews. The decline of fisheries elsewhere in the world was seen by several companies as providing a long-term advantage to New Zealand, with its Quota Management System in place to protect the resource. In the words of company P:

“All the fisheries in the Northern Hemisphere are declining and that’s going to help us enormously. That’s happening now. We did more containers to Europe in the first couple of months this year than in the whole year prior.”
Apart from the obvious tactic of diversifying into international markets that could provide higher prices than are presently being obtained for products from New Zealand's own limited seafood resources, some companies saw opportunities for developing and exploiting seafood resources of other countries, as revealed in the following three quotes:

"There are lots of opportunities around the world for New Zealand companies to facilitate. We know where there are these Chinese longliners tied up doing nothing. We are trying to negotiate quota in (Country X) which is one of the 2 most dangerous countries in the world, to see if we can get those boats working there." (company F)

"Trading off-shore in other countries' products is a huge opportunity." (company H)

"We are developing joint ventures in (a South American country) because of the quota difficulties here. We're taking our expertise over there and may develop a factory and put our own quota management-type systems in place." (company T)

One company suggested that the country should take steps to gain more power in the distribution chain, seeing the ever-increasing power of supermarket chains as a major threat for New Zealand producers:

"We need to control some of the wholesaling in America somehow. If we look at all our products, isn't the supermarket where we've got to have some influence? Shouldn't the government send Pat Goodman over to buy Safeway for New Zealand? He controlled companies. Shouldn't New Zealand get people like him to form some entity in the US that has some power in the chain? Instead of throwing more money at Tradenz and hoping for a miracle, shouldn't the government do something meaningful in the market, surely? Pat Goodman and Ron Brierley between them could buy anything, couldn't they? Those people if anybody should know how we should sell our food." (company Q)

Adding value through organic labelling was seen by company R as an obvious method of commanding a premium for aquaculture products:

"Organic labelling in the mussel industry offers significant potential opportunity. The Government could facilitate this by controlling what farms can do in the catchments that provide run-off into aquaculture areas - such things as pesticide use" (company R).

These various suggestions indicate that at least some companies in this sector are actively exploring opportunities for improved returns, rather than just coasting in the comfortable position in which they find themselves.
4.24 Chapter summary

Analysis of the rich material obtained from the in-depth interviews highlights a number of interesting, and sometimes unexpected, issues concerning the New Zealand seafood export sector. These include:

- The small extent to which government agencies have influenced initiation of exporting
- The lack of importance of unsolicited orders in this sector
- The apparent irrelevance of concepts of "psychic distance" and "stepwise internationalization" to this sector
- The small extent to which obtaining export information is perceived as a difficulty
- The high value placed on experiential knowledge compared to information from outside agencies
- Perceptions of low cost-effectiveness of government export information services
- Improvements in government export assistance programs that companies within the seafood sector would like to see implemented
- The perceived usefulness of the Internet as a medium for obtaining information but marginal usefulness for conducting international business
- Export problems seen by companies within the sector, and the extent to which government agencies could help overcome these problems
- Sector-specific problems, and the extent to which government agencies could assist in diminishing these problems
- Opportunities identified by companies within this sector

These issues are discussed in relation to the international literature in Chapter 5. Conclusions are drawn from this discussion, and resulting policy recommendations are presented.
Chapter Five

Discussion
5 Discussion

5.1 Introduction
This thesis set out to determine perceptions of exporters concerning the usefulness of government export promotion measures that presumably exist to help them maximize export earnings. Government export promotion activities appear to be heavily influenced by the proposition that informational constraints are a major limitation to exporters. Review of the literature revealed that indeed many studies have found access to appropriate export information to be a significant barrier to firms initiating exporting, but the informational requirements of active exporters have been much less extensively studied. The present study has found that strong international demand exists for New Zealand seafood, so it is perhaps to be expected that information on market opportunities will be readily available to firms in this sector, which indeed turns out to be the case. Active exporters in the New Zealand seafood sector appear to have little difficulty in gaining the information required in order to go about their daily business. There is, however, a large question-mark hanging over whether the best possible financial returns to the country are being achieved, considering the products are in such high demand. There seems to be a need for a different type of support to that being provided at present in order to ensure that New Zealand derives the maximum benefit from its scarce resource.

Exporters in this sector appear to have a very low opinion of the cost-effectiveness of export information supplied from government organizational sources. This suggests that there is a mismatch between what the exporters identify as their needs and what the Government is doing, or not doing, to meet those needs.

This chapter integrates the findings presented in Chapter 4 into the context of the literature reviewed in Chapter 2. Implications of the findings are discussed, and conclusions are drawn. Policy recommendations are made, limitations of the study are outlined, areas
for further research are suggested, and an analysis is made of the contribution of this study.

5.2 Export initiation

Factors which motivate firms to begin exporting have been studied at length in the belief that governments need to understand such factors in order to tailor assistance programs accordingly. As outlined in section 2.2, researchers have classified motivation stimuli as internal/external or proactive/reactive. Although there is some confusion as to whether a factor such as "encouragement by external agents or organizations" results in reactive (Leonidou 1995) or proactive (Albaum et al. 1994) behaviour, in most other areas there is some consensus as to what constitutes which type of behaviour.

Companies in the New Zealand seafood sector have been primarily influenced in their decision to export by the better opportunities which they have seen abroad compared to the domestic market (section 4.2). Whether this reaction is based on "foreign market opportunities" (classified as "proactive" (Albaum et al. 1994)) or "small home market" (classified as "reactive" (Albaum et al. 1994)) seems a little like debating which end of a boiled egg should be opened.

There was no evidence to suggest that any of the companies in the New Zealand seafood sector had become exporters as a result of influence from government agencies, although it is of course possible that such agencies have had a diffuse influence through publicizing the generic benefits of exporting. A negligible role for governments in stimulating internationalization and facilitating a long-term export strategy has been observed repeatedly, and Leonidou's aggregate analysis of 20 studies of export stimuli (Leonidou 1995) found that the lowest ranked stimulus was provision of export-related incentives by the home government.

There is little evidence that unsolicited orders have greatly influenced New Zealand seafood exporters to begin exporting, even though Leonidou's aggregate analysis of the export initiation literature (Leonidou
1995) found this to be the most influential factor stimulating export initiation. Many earlier studies have emphasized the importance of unsolicited orders (Bilkey and Tesar 1977; Joynt 1982; Miesenbock 1988), but Leonidou's own study of non-exporters in Cyprus found this stimulus to have a low influential ranking. Perhaps the geographical isolation of New Zealand has lessened the opportunity for obtaining fortuitous orders from other countries, thereby forcing companies to be proactive in seeking out opportunities in order to end up as exporters.

5.2.1 Initiating processes.
The companies in this sample have diverse origins, and that has influenced the process by which they began exporting activities. One group of companies began life as commercial fishermen, initially confined to in-shore fishing with small trawlers to supply the domestic market. As the industry has developed, these companies have seen opportunities to process their own product, export to diverse markets, and in many cases to expand into deep-sea fishing operations, using their own or chartered foreign vessels. Another group of companies became established in order to produce or exploit particular species or products expressly for export. In this group are included mussel aquafarmers, clam harvesters, specialized fish products manufacturers, an eel processor, a scallop processor etc. In the absence of perceived international opportunities these companies would not exist. A third grouping of companies were established by people already involved in exporting, either in other seafood exporting companies, or in other export sectors. Some of the first and second groups of companies began exporting indirectly through intermediaries and then progressed to handling it themselves. But it can be seen that virtually none of these companies followed the stepwise incremental type of internationalization process described in textbooks, unless it is argued that these firms are all still at the beginning of such an "establishment chain." (Johanson and Wiedersheim-Paul 1975; Wiedersheim-Paul et al. 1978; Johanson and Vahlne 1990).
The concept of “psychic distance” seems to have had little impact on companies in this sector. In very few cases did companies begin exporting to Australia and then expand through the Pacific finally reaching North America, the UK, and ultimately non-English speaking countries of Europe and Asia – as might be expected if psychic distance were critical. Much more commonly, companies began exporting directly to Japan, France, Hong Kong or Taiwan because that is where they perceived the best prices to be available for their particular product. Stottinger and Schlegelmilch (1998) have suggested that the concept of psychic distance may be past its use-by date – that certainly appears to be the case in the New Zealand seafood sector.

During the 1990s the concept of “Born Global” firms, having from their inception an innovative international vision focused on international sales growth, has become trendy (Knight and Cavusgil 1996). The implication seems to be that such firms are a recent phenomenon brought about by changing circumstances, particular with improved communication. In the New Zealand seafood sector, a high proportion of firms appear to be “Born Global” in the sense that they have essentially no domestic market, and in fact never had in most cases. They have been established primarily as exporting firms, but are not averse to filling the occasional domestic order if the price is right.

5.3 Market selection

The companies sampled seemed generally bemused by the concept of systematically analysing international markets country by country to find the most lucrative opportunities for their products. “That sounds very academic” was one reaction. Instead, there seemed to be a prevailing view that information on cultural preferences, who is willing to pay what, who requires bribes, country-specific requirements etc. constitute “a generally known thing.” It seems as if the information simply diffuses through the industry, and you gain it through personal contacts, through past experience while working for other firms, through having traveled or
lived overseas, or through everyday contacts both in New Zealand and overseas. Previous studies have demonstrated that many companies begin exporting without much rational analysis at all (Lee and Brasch 1978; McAuley 1993), and in this regard New Zealand seafood exporters do not appear alone. Liang (1995) drew attention to the role of superior networking in success or failure in exporting, and the extent to which New Zealand seafood firms appear to have relied on personal contacts, both domestically and overseas, supports this view. As with Bell’s study of computer software exporters (Bell 1997), the firms in the present study are all active exporters, so it is to be expected that they will have successfully overcome any difficulties they may have experienced in selecting markets. Perhaps having access to an adequate network to provide “generally known things” is a crucial determinant of survival in the highly competitive international marketing jungle. The importance of such experiential knowledge for exporting firms is further discussed in section 5.4.

5.3.1 Screening criteria
The screening criteria firms reported using were, as might be expected, very pragmatic, and for the most part concerned with financial dimensions:

- Will they buy your product?
- Will they pay more than you can get elsewhere?
- Can you trust them to pay you?
- Are their banks likely to remain solvent so that letters of credit have meaning?
- Is their currency strengthening or weakening relative to our own?
- Do they have tariffs or quotas that make the transaction unattractive?
- Do they have country-specific requirements that are difficult or expensive to comply with?
As Young et al (1989) point out, poor country/market choices can have far-reaching effects in terms of cashflow, management time, draining of resources, diminishing profits etc. New Zealand seafood firms seem to apply market selection criteria designed to minimize these negative effects, even if the firms themselves may not recognize this as any kind of "process".

5.4 Market development
Visiting existing and prospective customers, talking to them by telephone and fax on a regular basis, asking existing customers for contacts for surplus product were all market development methods that were widely mentioned as common practice. More specialized methods mentioned included trade fairs, trade missions and listing on various types of directory. All of these methods reflect the well-established preference of firms for experiential knowledge and knowledge gained themselves, rather than knowledge gained from institutional sources, as discussed below.

5.4.1 Trade fairs and trade missions
Both trade fairs and trade missions were generally regarded by exporters in the present study as very worthwhile experiences, valuable for providing an overview of the overseas market, but extremely labour-intensive in terms of effort expended for each new customer obtained. The generally positive view firms had of these experiences fits well with the assessment of several researchers that experiential knowledge, gained by actually visiting the prospective country market, is irreplaceable in its value (see section 5.6.2 below). Several seafood exporters expressed regret that Trade NZ appears to have moved away from coordinating these activities, so it seems important to consider the literature concerning the value of these export support mechanisms.

Seringhaus and Rosson (1998) draw attention to the difficulties in measuring performance of firms participating in trade fairs (and refer to
earlier studies of trade missions). Support for trade fair (and indeed trade mission) participation forms a major part of the export promotion programs of many countries. The general purpose of support is to assist companies with learning to cope and to build their competence in an international business environment. Companies participating on a national stand typically derive benefit from the organizational, logistical, and financial assistance provided, and also from the unified image umbrella represented by their national identity. Seringhaus and Rosson (1998) compared the performance of companies exhibiting with government support or independently at international trade fairs. Their results

...argue against public funds expenditures for those companies on government stands, as the independent group, on the whole, appears more effective. The sink-or-swim approach may produce fitter exporters.

However, it needs to be pointed out that the foreign market experience of government stand companies was less than that of independents, so the difference in performance may have more to do with how internationally experienced the participants were than with whether or not they were government funded. In line with this possibility was the finding that government assisted firms showed a higher intensity of learning from the trade fair experience than did the independent firms, so as the authors point out, that provides a sound reason for governments to continue with export promotion support (Seringhaus and Rosson 1998).

In similar vein, Moini (1998) questions what impact trade missions have actually had on expanding exports. The results of his study revealed that trade missions were not considered very effective by those who had participated in them. However, as with trade fairs, the benefit to exporters may be much greater than simply generation of export orders – particularly in markets that are geographically and culturally remote from the home country. As already indicated, exporters in the present study made only positive comments about trade missions.
5.4.2 Listing on directories

All of the companies interviewed in the course of this study are listed on the SEAFIC directory, at the very least, because that is the means by which they were contacted. However, firms had diverse opinions concerning the merit or otherwise of directory listings for attracting business. At one extreme was the comment "Demand for fish far exceeds supply. The last thing we need is more customers." At the other extreme are companies who not only list all their product categories in directories of various kinds, and have their own Web site, but in addition advertise in overseas magazines and journals.

Reconciling the enthusiasm of several companies for directory listings of various kinds with the generally negative view held of unsolicited orders is not easy. One interviewee remarked that because New Zealand seafood is in high demand internationally, and in limited supply, "foreign markets really select us, rather than the other way around". How do foreign markets "select us" if not through unsolicited orders? Perhaps the perception is that orders coming in from companies you were previously aware of are not "unsolicited". In fact, the international literature seems ambiguous regarding what constitutes an "unsolicited" order. Is an order "unsolicited" if it comes in response to a firm having advertised itself on the Internet, or in telephone directory yellow pages? This is an area seeming in need of clarification.

Of particular interest is the collective view firms expressed of the Internet as a medium for conducting business. Many firms reported having their own Web sites or being listed on various Web-based directories. However, there was a commonly expressed opinion that the international seafood industry is so dependent on relationships and trust that the Internet is unlikely to become a major mechanism for doing business (other than e-mail between parties who have already established business relationships via other mechanisms.) Perhaps the Internet will be a less-dominant influence on international business than some recent reviews have suggested (Hamill 1997; Samiee 1998). This tentative finding is of considerable potential importance, and warrants further study.
5.5 Market information

Acquiring and using adequate export information can minimize risk and uncertainty associated with export transactions and lessen the chances of costly mistakes and wasted opportunities (Ricks 1983; McAuley 1993; Diamantopoulos and Souchon 1996). Availability of information was not generally seen by these seafood sector firms as a particular problem. Informational barriers were identified as a major hurdle in several studies reviewed by Seringhaus and Rosson (1991), but not in Bell’s study of exporters of computer software (Bell 1997). Perhaps the fact that both Bell’s study and the present study focused on export “winners” results in respondents who have learned one way or another how to solve any informational problems. Seafood exporters typically exuded an indomitable spirit and a “can do” attitude, no doubt the result of years of “cut-and-thrust” negotiations with overseas customers, not to mention domestic bureaucrats. Those who would find obtaining information a major problem have presumably quit the industry long since.

Diamantopoulos and Souchon (1996) found that the more experience a decision maker had of their industry and of exporting activity, the more they relied on intuition as a basis for making export decisions. Information was sometimes used “symbolically” to support decisions already made on the basis of intuition. An example of this in the present study was:

“We have used (Tradenz) for an overview of the market in various countries, and they reinforced what the company was getting into.”

Bannock and Peacock (1989) commented on the disdain which experienced exporters generally have for official sources of information, and the scepticism which they have for advice given by banks and professional advisors. That certainly seems true of the attitudes expressed towards the SEAFIC statistics (particularly the price information) but also towards certain MAF information and that provided by Trade NZ. There is general agreement in the literature that experiential knowledge, gained from visiting foreign markets and from actually carrying out the export business, cannot be replaced by programs designed by well-meaning
government agencies (Johanson and Vahlne 1977; Reid 1984; Seringhaus 1987; Bell 1997).

The World Wide Web clearly has enormous potential as an information source for international marketers. Several firms expressed the view that the Web would become more and more important to them but few felt they were yet using it to anything like its potential. The scepticism expressed in section 5.4.2 regarding the Internet as a medium for conducting business did not extend to its usefulness as an information-gathering mechanism.

5.6 Government export assistance
Seringhaus and Rosson (1990) divide export promotion measures into indirect and direct measures. By indirect measures, they mean any form of government support that focuses on the supply side: productivity, research and development, technology innovation, regional or sectoral development, and fiscal measures such as tax incentives. Direct measures, in contrast, focus on the demand side: awareness creation, interest stimulation, export market entry, development and expansion.

5.6.1 Indirect measures
The Quota Management System, designed to ensure sustainability of the fish and shellfish stocks available in New Zealand waters, is perhaps the single most important indirect export promotion measure for this sector. Issues relating to the Quota Management System are dealt with in detail in section 5.7.1 below. Other indirect measures include government initiatives to bolster New Zealand’s reputation as a provider of “clean, green, nuclear free, ultra-hygienic, unsubsidized, tariff-free, non-tariff-barrier – free” produce. These are areas where further efforts are needed, as indicated in section 5.7.2 below.

Exchange rate fluctuations were identified by several companies, both large and small, as the most serious problem facing exporters. The view was frequently expressed that the government should institute measures
to ensure that the New Zealand dollar does not rise in value relative to our major trading partners. Some of the larger firms reported spending a large amount of effort on currency hedging, and in fact acknowledged sometimes doing very well out of currency fluctuations. But even those that have done well out of this situation acknowledged that it was a problem needing government attention. It appears that smaller firms either lack the knowledge or the financial resources to hedge against currency fluctuations.

The strength of opinion indicating that exchange rate fluctuations are the most serious problem facing firms in this sector is interesting from an international perspective. The great majority of studies into barriers and problems facing exporting firms have been conducted in the United States, and according to Katsikeas (1991), this literature cannot be considered to represent the export behaviour of firms based in other countries. Seringhaus and Rosson (1991), in reviewing this field, concluded that the main problems exporters faced concerned managerial motivation, knowledge and resources. Many studies have concluded that informational barriers are a major hurdle (Johanson and Vahlne 1977; Walters 1983; Reid 1984; Cavusgil and Naor 1987; Crick et al. 1994; Katsikeas 1994) (which they appear not to be in the present study). However, many of these studies have focused on problems faced by firms in the initiation of exports rather than during ongoing exporting activity, as in the present study. Although not rated as a major problem in these previous studies, "currency fluctuations" were rated as the most severe problem in the 1995 study in Northern Ireland conducted by Price Waterhouse and the Confederation of British Industry (1995).

This would appear to be an area where government initiatives could be instituted to benefit and protect smaller exporters from a variable that is outside their control, but ought to be within the control of the Government, at least to some degree.
5.6.2 Direct measures

The seafood exporters in the present sample were universally dissatisfied with the cost-effectiveness of Trade NZ services, as is so clearly demonstrated in section 4.12. Despite the collective views of seafood exporters that Trade NZ seems preoccupied with harvesting revenue from its “clients” at the expense of providing them with the type of service they value, this revenue actually constitutes only about 5% of the operating budget of the organization (Irvine Paulin, Trade NZ, personal communication). There appears to be a serious mismatch between the views of New Zealand government export assistance services expressed by the majority of seafood sector firms in this study, and the views reported by Trade NZ itself. With a letter dated 21 October 1999 (see Appendix J), sent out to 500 companies who had participated in a Colmar Brunton survey of “clients”, the CEO of Trade NZ provided a summary of the research findings. Of particular relevance to the present study are the conclusions that:

“Trade NZ is seen to be delivering an acceptable level of value to the majority of New Zealand exporters, but could make changes to enhance the quality of specific services.”

“Trade NZ is strong in providing quality information, but should place more emphasis on understanding our clients (sic) business.”

“Most of Trade NZ’s clients are delighted with the value delivered by our services and very likely to recommend and repurchase, but we could provide more accessible options for exporters.”

In contrast, the conclusions that would have to be drawn from the present study are:

• Trade NZ can provide useful general information about overseas markets, but for hard commercial information such as pricing or prospective customers the information was regarded by active seafood exporters as marginal, and in many cases worthless.

• Trade NZ was widely regarded by seafood exporters interviewed as providing extremely poor value for money. Companies were generally of the view that charges for services such as interpreters and drivers in overseas markets are extortionate – several times the local going rate in some instances.
The type of service for which Trade NZ was formerly well-{
regarded by seafood exporters has been largely discontinued.}
Assisting firms to gain their own experiential knowledge ("a
helping hand") appears to have been replaced by a misguided
commercial approach ("we'll get you a quote") that found almost
universal disfavour among the firms in the sample.

Trade NZ was not regarded by active seafood exporters in this
sample as providing a cost-effective means of finding new
customers in overseas markets, even though that activity is
where much of the organization's efforts appear to lie.

Exporters in the sample generally favoured the concept of
payment for results in terms of resulting export orders, rather
than payment for "research" (as at present), most of which fails to
result in orders.

How is this mismatch to be explained? The first matter to consider is
whether the two studies are likely to have surveyed companies with a
similar degree of involvement in successful exporting. Clearly that is not
the case. The Trade NZ sample is based on "clients" of Trade NZ who
may or may not have succeeded in becoming exporters as a result of, or
despite, the assistance provided by Trade NZ. The sample in the present
study are "survivors" in an industry that has undergone tremendous
change in recent years, and so may provide a rather specialized viewpoint.
Which viewpoint should be given greater credence? That is a difficult
question to answer, depending firstly on whether the government is
keener on helping "prospective exporters" or "successful exporters", and
secondly whose assessment of actual usefulness is thought most likely to
be accurate. A further difference concerns the method by which
respondents were surveyed. In the case of Trade NZ, Colmar Brunton (a
commercial opinion poll organization) telephoned respondents (including
the author - in a context unrelated to the present study) and asked a series
of structured questions, in the main requiring defined answers. The
unstructured question approach used in the in-depth personal interviews
of the present study is more likely to elicit frank and detailed opinion than
is the former method.

The second matter to consider is whether the seafood sector is likely to be
representative of exporters in general. In this regard, the seafood sector

131
can be seen to differ from some other New Zealand export sectors in having a larger representation of small and medium-sized firms than some other sectors that are heavily dominated by large firms (or in the most extreme cases by single-desk sellers). In that the emphasis of government export assistance programs worldwide is on small to medium-sized firms (Seringhaus and Rosson 1990), it is to be expected that the present sample is indicative of the firms that the New Zealand government would be wishing to assist. Furthermore, there appeared to be no obvious difference between large and small firms in their views that these services were non-cost-effective. However, one potentially important distinguishing feature of the seafood sector is, as we have seen in earlier discussion, that its products are in high international demand. This factor, which presumably distinguishes the sector from certain others, could be influencing the views of the sector in relation to services with an information-provision emphasis.

The third matter to consider is the extent to which the findings of the present study are consistent with the international literature. Diamantopoulos et al (1993) found that inexperienced firms tend to perceive export information assistance as more beneficial than do experienced exporters. Czinkota (1982) found that belief in helpfulness of government assistance from the U.S. Department of Commerce was highest amongst beginning exporters. The mismatch between the Trade NZ findings and the findings in this study could be entirely due to the average level of export experience of the companies in the samples. The difference in perception of the two samples could then be a reflection of what has previously been reported in the literature. But the question still remains: is this difference because such programs are successfully tailored towards the needs of beginning exporters, or is it that more experienced exporters have learnt to their cost that such programs are of limited usefulness?

It is generally acknowledged that what governments like to be seen to be doing to "help" exporters cannot actually be measured as making an important difference to exporters. As indicated in the literature review
(Section 2.14), previous researchers in this area have questioned whether there is any real evidence that such programs in fact lead to increased exports.

Based on what is reported in the literature, the results of this study do not appear particularly surprising in regard to the views of active exporters regarding their experiences of government assistance programs. What is surprising is that **Trade NZ appears to have moved towards the type of service that the literature shows is least useful and least trusted, and away from the type of service that is most highly regarded both in the literature and by exporters in this study.**

Several studies have shown that institutional information sources are the least used by small firms, even though well-meaning designers of government programs invest large amounts of public money in establishing and expanding such resources (Reid 1984; McDowell and Rowlands 1995). Diamantopoulos and Souchon (1996) note that information originating from personal and internal sources tends to be used much more extensively than that stemming from external sources because it is trusted to a larger extent (especially by small firms). Walters (1983) encountered a widespread feeling among exporters that information from government sources was too general to be of much use. It is generally acknowledged that experiential knowledge cannot be effectively substituted for by information obtained from secondary sources (Cunningham and Spigel 1971; Johanson and Vahlne 1977; Reid 1984; Seringhaus 1987) or from consultants, either governmental or commercial (Brooks and Rosson 1982; Joynt 1982; Seringhaus 1987; McAuley 1993). Trade fairs and trade missions, which enable firms to obtain market knowledge and experience first-hand, are considerably more highly regarded than objective information provided by export promotion organizations. (Walters 1983; Seringhaus and Rosson 1990; Seringhaus and Rosson 1998). Thirkell and Dau (1998), in their study of export success determinants for New Zealand manufacturing exporters, concluded that: **"Nothing appears to substitute for time spent in the marketplace."** It is ironic, and indeed a matter of great concern, that the
New Zealand government has, in the last 2 years, moved further away from mechanisms that facilitate this.

Gray (1997), in a study of New Zealand companies, suggests that a solution to the problem of poor targeting of government export promotion schemes could lie in developing a better understanding of the needs of managers who make export marketing decisions. He notes (1997, p.389) that to be more effective, promotion programs should target the needs of the individuals who make market entry and penetration decisions, rather than the apparent needs of the organizations who employ these managers. Perhaps government programs should aid and abet managers in obtaining their own export information, rather than providing information services (whether subsidized or not) as at present. Certainly, firms in the seafood sector would appear to value this type of “helping hand” approach in contrast to the present “commercial service” approach. Furthermore, this type of approach would appear to fit well with Trade NZ’s stated mission which, according to its 1999 Annual Report, is “to create wealth for New Zealand.”

5.7 Sector-specific issues

5.7.1 Quota Management System issues
The Quota Management System seems to be regarded among exporters as having been positive for the New Zealand fishing industry and to have ensured sustainability of an industry that was otherwise facing a very uncertain future. It appears that the New Zealand Quota Management System is the envy of many other countries, whose fisheries are now facing collapse as a result of serious mismanagement. Several companies commented on the generally cooperative nature of the fishing industry in comparison to other sectors of the New Zealand economy, and three companies attributed this cooperation to the Quota Management System.

The fear expressed by 3 companies that the industry is heading for domination by a very small number of large companies appears to be
confirmed by events that are emerging as this thesis is being written. Sealord Group, the largest firm in the sector having 23% of the country’s fishing quota, is owned 50:50 by the Treaty of Waitangi Fisheries Commission and Brierley Investments Limited (BIL). BIL has called for expressions of interest in its Sealord holding, and a joint bid has been launched by publicly listed Sanford Ltd (which owns 20% of the country’s fishing quota, making it the second largest quota holder) and Amaltal, which is privately owned by Talley’s Fisheries (the third largest company in the sector). The proposal will require Commerce Commission approval. An important consideration in assessing the impact of this consolidation of power within the industry is the concern raised by one company that the large firms in this sector do not tend to be the source of innovation within the sector. A second important consideration is whether further aggregation in the sector will lead to companies ensuring that they are obtaining the best possible returns for the national industry, or whether it will become too easy for large firms to simply take the price offered, with minimal investigation into what other options there may be. The impact of such actions on smaller competing firms is addressed in section 5.7.3 below.

Problems associated with administration of the Quota Management System require careful consideration in order to determine whether improvements can be made to the system. Firstly, it is necessary to determine whether the perceived iniquities are real, and there appears to be some conflicting evidence there. Two companies spoke of the problems associated with catching commercially desirable species for which you do not have quota, or in excess of the quota that you have for that season. A commercial fisherman was asked to comment on these problems. He pointed out that it is possible to “trade” unused quota you have for one species for quota that you need in order to cover what you have accidentally caught of another species, and that such a swapping arrangement can actually work to the benefit of an astute fisherman. It is unclear, in the light of this, whether there is a real problem needing addressing, or whether fishing companies need to be better informed as
to the systems that are already in place to cope with this problem. Similarly, the problem of paying a lease fee for quota for fish that you might not be able to catch appears to be one of inappropriate commercial arrangements rather than a problem inherent in the system. The same commercial fisherman leases quota on the basis of a percentage of what he earns for fish caught under that quota. If the fish are not caught, then he does not pay for the quota – an arrangement that would appear to be commercially astute.

Wastage of undersized fish was commented on by two companies, and confirmatory comment has been received from other sources. It appears that it is illegal to land undersized fish, but it is also illegal to dump them if they are dead. So, what is the honest fisherman to do with them? It would appear that consideration should be given to changing the law so that fisherman are given some incentive to bring undersized fish ashore so they are not wasted, but some disincentive to catching them in the first place (e.g. undersized fish could provide the fisherman with 50% of the return for “legal” fish and not count against his quota). Similarly, the situation concerning species where the flesh is not in demand but some other part of the fish (e.g. shark livers) is in demand appears to be an area in need of further investigation. The issue could be complex, depending on how threatened or otherwise the shark species concerned may be. Harvesting fish only for their livers may run counter to resource management principles, but it is difficult to see that there is logic in throwing accidentally caught sharks back once dead when a lucrative market exists for part of the animal, even if not for the flesh. Against that must be balanced the risk of providing an incentive to target a species for what may be seen as a wasteful practice of only harvesting an internal organ.

An additional problem needing addressing concerns the shortage of availability of resource in situations where the resource appears plentiful. The examples encountered all relate to shellfish, both the harvesting of naturally occurring shellfish and marine farming of shellfish, although a personal contact has mentioned a similar situation in regard to culture of
edible seaweed. It appears that there is scope for facilitating growth of the aquaculture industry if the government had the will to overcome the bureaucratic hurdles that appear to face those in the industry. There appear to be considerable problems to be faced by firms wishing to develop innovative aquaculture operations, to expand existing aquaculture operations, and to commercialize species of shellfish that are in some cases highly abundant and not presently utilized.

5.7.2 Non-tariff barrier issues
Issues concerning country-specific requirements and non-tariff barriers weigh heavily with members of the industry, and appear worthy of serious attention on the part of the Government. In view of the frequently-stated view that New Zealand seafood is in great demand internationally, it would appear that the Government could be in a position to argue more strongly at international forums that countries should not impose requirements more stringent than those they apply domestically. This could be an area that the New Zealand Government should argue vigorously at the next WTO Trade Round.

5.7.3 Industry cohesion issues
A burning issue among companies within the seafood sector appears to be a lack of cooperation between companies in ensuring that their actions do not impinge adversely on the prices that other companies obtain in the marketplace. Some companies appear notorious for taking low prices in order to move product, even though this may be having a very negative effect on other companies. The question is whether the New Zealand seafood industry is doing sufficient to ensure that, collectively, companies are obtaining the best possible returns for their products. This is not a simple issue to resolve, particularly as any form of price fixing may run counter to international rules. However, an opinion sought from the Commerce Commission (see Appendix K) seems encouraging. This opinion indicated that:
"...the Commission has no objection to companies entering a pricing arrangement to increase their overseas earnings provided this does not contravene the (Commerce) Act...Furthermore, section 44(1)(g) of the Act allows for arrangements affecting price which relate exclusively to the export of goods and services providing the Commission is notified of this arrangement..."

A generally expressed view among exporters was that little could be done about their problem. However, one company felt the Minister of Fisheries ought to be able to exert some guidance – an informal system to encourage companies to act in the best interests of the country as a whole. Another company suggested there should be a formal system to hear complaints on practices that damaged the interests of other companies or the industry as a whole. Perhaps such a formal system already exists in the form of the Commerce Commission. In the e-mail already referred to, the Commission provided the following information relating to section 36 of the Commerce Act:

"...which states that where a party is in a position of market dominance, they are prohibited from using that position of dominance for the purpose of restricting the entry of any person into that or any other market; or preventing or deterring any person from engaging in competitive conduct in that or any other market; or eliminating any person from that or any other market."

The same e-mail (see Appendix K) noted that the Commerce Commission could not give a definitive answer on whether section 36 would apply to a situation where a company uses its position of dominance to reduce competition through pricing arrangements in relation to products it exports, as this appears not to be a situation that has ever been legally tested. Perhaps the Seafood Industry Council could publicize this potential role of the Commerce Commission. Furthermore, perhaps the Council could publicize instances of behaviour that damage the industry through the SEAFIC magazine. Public odium among one’s peers might work better than Government attempts to intervene!
5.8 Conclusions from the research

- Obtaining adequate export information was not seen as a major problem for most seafood exporters.

- The most serious problem identified by seafood exporters was currency fluctuation.

- New Zealand seafood exporters have been primarily influenced to export by the better opportunities and higher prices achievable in overseas markets compared to the domestic market. Government agencies have had little apparent influence in this process.

- The concepts of psychic distance and stepwise progression seem to have had little influence on New Zealand seafood exporters. They show a tendency to be “Born Global” – to leap in and “just do it” with little systematic analysis of international markets.

- Criteria seafood exporters reported using to screen international markets were principally concerned with financial dimensions – will they pay more than you can get elsewhere, is their currency strong, and can you trust them to pay you?

- New Zealand seafood products are generally in such high demand internationally that many companies indicated they are not seeking new customers.

- Experiential knowledge was much more highly valued by seafood exporters than was secondary information, especially from governmental sources.

- Seafood exporters appeared to place a high value on the type of “helping hand” services that Trade NZ used to offer – informal advice, a “home base” in foreign markets, help with trade fairs and trade missions – that facilitated gaining of experience of overseas markets, and “greasing of wheels” in foreign markets.

- Current “user pays” services of Trade NZ were regarded by seafood exporters in the sample as extremely expensive and of limited value.

- Trade NZ appears to have moved away from the type of service that was identified by both seafood exporters and the international literature as the most useful, and towards the type of service that is identified as the least useful.

- Seafood exporters appeared willing to pay for Trade NZ services on a “payment for financial results” basis, in contrast to the present “payment for research” basis.
• Export guarantee schemes found little favour with seafood exporters. Use of commercial credit insurance is rare, and few firms could see why the Government would want to get involved.

• The Internet was seen by seafood exporters as an increasingly important medium for obtaining market information. However, the consensus view appeared to be that international trading is so dependent on trust and establishment of relationships that the Internet is unlikely to become a major mechanism for actually conducting business.

• The Quota Management System appeared to be generally well-regarded in the industry, although there are some areas in apparent need of fine-tuning in order to minimize wastage.

• Access to resources was an issue for certain parts of the industry; in particular firms complained of a shortage of approved sea space for aquaculture and unnecessary bureaucratic restrictions on access to naturally-occurring shellfish resources.

• Undercutting prices of other New Zealand firms in international markets was seen as a widespread problem in the industry, and this practice appears to be limiting the return which New Zealand could obtain for its seafood resource.

• Non-tariff barriers were seen by some firms as a particularly severe problem. Some firms saw MAF as being overly concerned with implementing petty restrictions imposed by foreign countries, and less concerned with facilitating export transactions.

• Adding value to products before exporting them is a complex issue on which divergent views were expressed. Further study of this issue seems warranted.

5.9 Recommendations for government policy

In formulating these recommendations, I am conscious of the words of famous New Zealander Ernest Rutherford: “We do not have much money to do this so we are going to have to think.” It is hoped that the following recommendations could bring cost-effective benefit to a cash-strapped economy:

• Consideration should be given to providing some mechanism to protect smaller firms from the effects of currency fluctuation – either mechanisms for minimizing fluctuations or mechanisms for providing cost-effective currency hedging for smaller firms.
• Plans to reintroduce an export guarantee scheme need careful evaluation in view of the scepticism found in this study. Low-cost alternative suggestions raised by seafood exporters merit full consideration. The possibility of overseas staff of Trade NZ and the Ministry of Foreign Affairs and Trade assisting firms to recover debts in foreign markets should be considered, as should the feasibility of making firms more aware of commercial credit checking and debt recovery facilities in overseas markets.

• Consideration should be given to altering the focus of Trade NZ from being a “user pays” provider of information services, to being a facilitator of exporters gaining their own information. The emphasis should be on helping exporters gain experiential knowledge in foreign countries, rather than on attempting to make a profit out of providing services to exporters.

• Consideration should be given to converting the information-provision role of Trade NZ from “payment for research” to “payment for commercial results.” The focus should change from being reactive to being proactive – e.g. seeking out opportunities in overseas markets and making them known to firms.

• The role of MAF in enforcing country-specific entry requirements should be carefully evaluated. Greater effort seems required to ensure consistency among MAF staff, and to ensure the emphasis is on facilitating exports rather than on indulging in bureaucratic nit-picking. In view of the comments of several seafood exporters, it would appear that greater effort needs to be put into public relations in order to ensure a higher level of cooperation and understanding from within the industry.

• Non-tariff barriers should be vigorously resisted by the Government, and every attempt should be made to have these unfair trade barriers removed.

• The Commerce Commission should look carefully at structural evolution taking place within the industry in order to determine whether emerging trends seem likely to enhance or diminish the export returns to New Zealand. Methods of discouraging price undercutting within the industry should be considered in order to enhance earnings from the sector.

• The Ministry of Fisheries should examine the issue of seasonal variation in quality of green lipped mussels, and if necessary consider regulations to prevent harvesting for export at sub-optimal times of year. It would seem crucial to ensure that the reputation for quality within the sector is enhanced.

• Certain issues concerned with the Quota Management Scheme warrant further investigation, and possible remedy: particularly: wastage of accidentally caught undersized fish; and wastage of species whose flesh is not valued but having fins of value or an
5.10 Limitations of this study

The main limitation of this research concerns the extent to which the findings are generally applicable to other industry sectors, and to other countries. There is no doubt that the New Zealand seafood sector has certain characteristics that are idiosyncratic, and for this reason some of the findings have been identified as being sector-specific. However, many of the findings seem applicable to exporters in other sectors, and in other countries, and this is borne out by the extent to which the findings are compatible with the literature.

A further possible limitation concerns the impact of the General Election that was taking place as the interviews were being conducted. The heightened level of interest in matters political, and the prevailing atmosphere of change and instability, may well have contributed to the intensity of feeling expressed on some subjects, but it seems unlikely to have altered the major findings of the study.

Finally, it is necessary to consider the impact of personal involvement of the researcher in the seafood industry and in other export-related activities. According to Guba and Lincoln (1994, p.107):

The received view of science pictures the inquirer as standing behind a one-way mirror, viewing natural phenomena as they happen and recording them objectively.

Instead of trying to explain causal relationships by means of objective “facts” and statistical analysis, hermeneutics uses a more personal interpretative process in order to “understand reality.” According to this view (Gummesson 1991, p.154):

...it is not possible to follow an interpretative approach at a distance. It requires a personal commitment on behalf of the researcher such that he invests his personality and experience into the field of research; a personal commitment is an actual requirement for understanding ... hence personal experience of
the area of study is considered to be a scientific merit. Indeed hermeneutics views it as a requirement rather than just a merit.

Awareness of the risk of biasing the tone of interviews has ensured that objectivity has been applied, but personal commitment and experience has enhanced the rapport built up with subjects during interviews.

5.11 Areas warranting further research

The areas warranting further research concern the general applicability of the findings of this study to other export sectors. The main implications of the findings are that there should be a change in direction for the way in which the Government goes about helping active exporters. Specifically, there appears to be a need to return to a philosophy that has largely disappeared in recent years. In view of the far-reaching consequences of such a change in direction, exporters in other sectors may need to be studied in order to be sure that the findings reported here are not idiosyncratic to the seafood sector.

Other areas warranting further research in other sectors are:

- The economics of value-adding before export
- Willingness of exporters to pay for results rather than pay for research provided by Trade N.Z.
- The perceived usefulness of the Internet as a medium for conducting international transactions in perishable commodities, where high levels of trust are required.

5.12 Contributions of this research

The main contributions of this research are of a practical rather than theoretical nature, as is reflected in the policy recommendations listed above. This study has determined the views of active exporters in the New Zealand seafood sector concerning the usefulness of government export assistance programs. It has identified the major problems that these exporters face, and the major changes that they would like to see made in order to enhance their ability to earn foreign exchange for New
Zealand. Policy recommendations have been formulated to reflect these findings.

There are two areas where the findings of this study appear novel and not previously reported in the international literature:

The first of these concerns attitudes of exporters in this study towards the potential use of the Internet in conducting international business transactions. The findings of this study sound a note of caution as to whether the Internet will ever provide the level of personal contact and relationship-building necessary for high-involvement trust-dependent international transactions such as are required in the seafood industry.

The second novel finding is the apparent willingness of exporters in this sector to pay for commercial results of information-gathering by a government export promotion organization, but their reluctance to pay for research which may prove useless. This finding, if substantiated in other studies, could have implications for export promotion policy in other countries in addition to New Zealand.
Bibliography
Bibliography


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Appendices
Appendix A

SEAFIC DIRECTORY OF EXPORTERS
### All Exporters to Asia

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<thead>
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<th>Company Details</th>
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Y. Moon

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Gillian Malcolm

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24 McIlhernson Street
Richmond
Sue Mitchell

Sea Products (1998) Ltd
57 Firth Street
Drury
Paddy Green

Sea Resources Company Limited
PO Box 1933
Wellington
Ian Pharaoh

Seafood Network Limited
218 Barbados Street
Christchurch 4
Steve Sumner

Seafresh New Zealand Ltd
PO Box 30888
Lower Hutt
Ling Lim
www.seafresh.co.nz

Seafresh Pacific Limited
20 Rennie Drive
Airport Oaks, Mangere, Auckland
Carmelo Comi

Seaford (Asia) Limited
Suite B 9th Floor 54-58 Jardine's Bazaar
Hong Kong
Patrick Yiu
www.seaford.co.nz

Seaford Shellfish Limited
PO Box 32
Nelson
Patrick Yu
www.seaford.co.nz

Sea-Right Investments Limited
PO Box 1790
Christchurch
Roger Beattie
www.bluepearls.com

SeaTaste Products Limited
PO Box 982
Blenheim
Duncan MacFarlane

Sekanto Holdings Limited
PO Box 58 083
Auckland
Addy Chee

Shinpoh New Zealand Limited
PO Box 783
Auckland
S Kunihara

Simunovich Fisheries Limited
PO Box 91-331
Auckland
Rodger Eaton
www.simunovich.co.nz

Solander Group
PO Box 5041
Nelson
James Hufflett

South Pacific International Limited
PO Box 4429
Mt Maunganui
Chris F Zaine

Southern Fresh Exports Limited
PO Box 39
Franz Josef Glacier
Michael Yates

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Check out seasonal availability

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Appendix B

Ethical approval
4 November, 1999

Dr Sarah Todd
Department of Marketing

Dear Sarah,

I request ethical approval for undertaking primary research relating to my MCom degree. Details of the proposed research are as follows:

The subject of the research is the use and utility of export information sources by New Zealand exporters in the seafood sector, with a particular emphasis on government sources of information. The proposed method comprises semi-structured in-depth personal interviews with Managing Directors and/or Export Marketing Managers in companies within the seafood export sector. There are approximately 125 such firms in the country, and it is proposed to interview representatives of approximately 20% of these (24 firms) distributed throughout the country, and selected to be representative in terms of the proportion of large firms, medium-sized firms and small firms within the sector. The interviews will take place during the period November 1999 to January 2000. Initial contact will be by telephone in order to gain agreement for participation in the study. Telephone calls will be followed up with a letter confirming the arranged interview time, providing a brief outline of the purpose of the study, and giving an assurance of total confidentiality of all material obtained in the study. Firms will be offered a free copy of a final report resulting from this research, but no other inducement to participate will be offered.

No individual companies and respondents will be identified in any thesis or report resulting from this research, and care will be taken to ensure that individual firms cannot be identified from the data collected. A copy of the proposed interview template, setting out the subject areas to be explored, is attached to this letter. Tape recording of interviews will be used where respondents give permission, and written notes will be taken during the interview as well. Tapes will be kept for the duration of this study in a locked filing cabinet, and then will be erased at the conclusion of the study. Detailed interview notes will be kept in the same locked filing cabinet for the duration of the study, and will then be destroyed.

Yours sincerely,

John Knight
Appendix C

Letter of confirmation to firms
16 November, 1999

Mr Paul Adams
Simunovich Fisheries Limited

Fax: (09) 379 5930

Dear Paul,

Further to our phone conversation, I provide the following details of my proposed visit.

I am conducting research into methods that New Zealand exporters within the seafood sector use in order to obtain export information to facilitate entry into overseas markets. Of particular interest is the extent to which government services do or do not prove useful in this activity, the views of industry members as to how valuable they have found such services, how such services could be improved (if improvement is needed), and whether such services should exist at all. My aim is to gain a representative sample across the industry with regard to large firms, medium sized firms and small firms, and also with regard to geographical spread.

All information obtained will be treated as strictly confidential. No individual companies or personnel will be identified in reports resulting from this research, and care will be taken to ensure that no firms can be identified from the data collected.

It is my intention that this research be relevant to the needs of the seafood industry, and that it contributes to understanding of the processes firms use in establishing and maintaining contacts with overseas clients. If you wish, I will provide you with a complimentary copy of a final report once this study is completed.

I look forward to meeting you at 11.00 am on Wednesday 24 November.

Yours sincerely,

John Knight
Appendix D

Interview schedule
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Appendix E

Additional comments concerning the role of the Ministry of Agriculture and Forestry

“MAF are ill-equipped to handle international trade. They raise the status of New Zealand far beyond its perception at the other end of the world. My biggest export trade barrier is MAF. Our competitors don’t have this trouble – they have got better fisheries and more facilitating bureaucrats. Sensible countries around the world don’t bother with a health certificate anyway. If you need to test anything, or need any assurance of quality, they should be doing it at the port of entry, digging into the fish itself and making sure it is all right.” (company C).

“You are dictated to by all these regulations which they can change at any time. You are forced into expenditure to comply with it. These are MAF regulations. It’s an internal job creation scheme which we inflict on the industry. It’s just sucking the industry to pieces. It’s something that annoys me because I don’t think that it’s necessary. No sooner they implement one thing than they’re trying to restructure the whole thing again. If it’s working leave it alone” (company E).

“Any vessel catching fish that is processed in our EU-approved factory for export to the EU has to itself be EU approved before it catches anything. OK. That’s fair enough. But when we get a foreign boat down here and approve it on our lists, it goes on a list that gets sent out once a month. If you miss it by a day you have to wait another month to send that list to Brussels to get approved by them over there. Now this is an age of this instant. Why do we fall in with this restrictive practice that means if you don’t get your dates exactly right, we can have 2 months that we can’t use the product off a foreign boat until its licensed properly – licensed by us, therefore Brussels will approve it in time. But until they actually put a stamp on it we can’t use that boat. There’s no will here by MAF to fix that silly problem” (company F).

“Local inspectors put their own interpretation on things” (company O)

“MAF rules vary depending on who the inspector is and who is visiting Wellington. The EU sends an inspector over and this guy’s favourite thing is gaps under doors. The next guy comes over and his favourite is covers over light bulbs” (company N).

One company noted inconsistency between MAF interpretations and the actual country requirements:

“You can go to one MAF person and ask for their interpretation of it and you can ask another and get a totally different answer. The irony of this is that what they tell you might not be what the country asks for. Why are we writing up their (other countries’)
requirements? I've even rung the Ministry in Canberra and they faxed out their requirements which were not in line with what the Ministry here were insisting on" (company E).

A view expressed by seven firms was that MAF personnel should focus more on facilitating trade than on hindering it with what these companies regard as bureaucratic nonsense. For example:

"Frankly, in this game, fishing in New Zealand, the biggest frustration I've seen in a personal sense, and you'll hear this industry-wide, is the bloody M A F. They should be a facilitator and a help in our international trade. But because they are essentially driven by a veterinary service, and controlled by the same, they are a bloody hindrance more than a help. It's a sad thing to say. They're exactly the reverse of being a helpful facilitator. They'll claim its an imposition on them by foreign governments, and through the insistence of those foreign agencies they carry the weight of New Zealand's trade with the rest of the world on their shoulders. They've got to see its done right or we'll get knocked out of those markets. I don't believe they as an entity have ever tried to change the system for the better. They'll allow the vets of Europe that put up all the regulations and influence the EU Council, they'll allow them to continue this bloody silly stranglehold on industries here because they want to stay in that same group of participating generals. Otherwise they would get out there and argue our case. They still kill horses in the back streets of most of these capitals in the EU, and they'll come here and make us operate factories that you could carry out surgical operations in. You've got to have systems, but most of it is a silliness, We've been very remiss for allowing it to happen" (company F).

"The MAF thing is a real bitch thing. MAF, particularly with documentation, are too rigid, too inflexible. It's the letter of the law in these guys' minds rather than in the country you're sending it to. I don't want to poke the borax at these guys with Dip.Vets or whatever. They're qualified veterinarians, and you've got to wonder why the hell they spend their lives looking at documents. Their job is to read a health certificate, for example, and see whether everything is right. If you have written too much information on the health certificate they'll nab you on that and it'll cost you another $10 for documentation. Bloody nonsense! I often look at these things and I think 'For God's sake, you guys are New Zealanders and you should be trying to encourage us to make a sale and to get the business away - not preventing it. I think it should be up to the destination country to reject it. These guys should be New Zealand representatives, not representatives of the EU or wherever it might be. They should say you can't get it in because of this, this and this. Not "Oh Jesus, you've got a spelling mistake here. Its wrong, Send it back mate." You have to buy the specific forms: ACM85 or whatever, and MAF spend three quarters of their time changing these forms. Once you have bought their forms, you can't send them back for a refund, or use them until the end. If MAF
changes their name or something, you’ve got to go into the new forms and that’s it. I don’t think politicians would have any idea this is happening, and they would think how ridiculous and stupid it is too. If you annoy your local vet, they are going to be really tough on your documentation in the future, so you’ve got to be very careful” (company I).

“MAF are saying now they’ve come up with a new rule, you have to sit a course. $600 to sit the course, to sign your own certificates! It’s like teaching your grandmother to suck eggs. All they are doing is milking it for $600. I’m sending 4 containers a year – maybe 6 certificates. They’ll sign them for $10 so it’s cheaper for me to get them to sign them. And now I’m going to have to get a computer because it is being computerised: But here’s a dopey thing. Now I type a certificate, drive into town and he signs it. Now I’m going to have to type it on a computer, e-mail it to him, and then drive into town to pick up the signed copy!” .... The people working for MAF have got MAF mentality. All they can do is look up their book “Oh yes, paragraph C, Oh yes it definitely says this here.” Even if it’s a really ridiculous rule and you say “Where’s the advantage?” Here’s one that happened this year. Because I am situated in the meat works I don’t have an outside vermin control programme because it is all taken care of by the meat works. This year he went over to the meat works and my name wasn’t on the register. “Oh God Almighty!” They’ve still got bait traps everywhere but my name wasn’t on the register. He went apeshit over that.... I have to have this temperature recorder for freezers. I don’t have any freezers here. Everything goes into blast freezers, in in the morning, out by midnight and into the container. No product sitting in the factory overnight. The container has its own monitoring system. That one there is a $5000 instrument. He never looks at it, I never look at it, but I have to have one because it says so in the book” (company N).

“We were having to operate under MAF and you were competing with people drying it on the beach in China, Thailand and places. You’re just not very competitive. MAF is a bureaucracy. They’re nice people. They’re there to do their job rather than understand that some of the things they make us do make us non-competitive. People at the other end are not observing the same rules” (company M).

“MAF is a useful organization but if they go to extreme they become more of a hindrance than a helpful organization. Anyone coming down here with a new business, with a new product which has never been experienced by New Zealand before and involves MAF then I wish them luck – the very best of luck! Because they just go by the book, and because a new product won’t be in the book they just say “no, no, no” to everything you want to do”....The government should spend money on educating our MAF officials on how to win friends and influence people in the interests of facilitating our exports.... On the one side you have got the government wanting to help industry to export, to get more foreign currency, and then on the other side you have got MAF – “You can’t do this, you can’t do that.” One is encouraging you to go ahead and export, the other is saying this is
New Zealand, it cannot be done that way here.... We were trying to get some samples of
dried fish from India to see how they are managing to sell it and see if we could get
involved. By the time we had finished explaining to MAF that "Bombay Duck" is not a
poultry but a dried fish, they had burnt our samples because they jumped to
conclusions" (company O)."

This same company felt aggrieved that, while they were subjected to stringent rules and
regulations, MAF appeared insufficiently active in policing unlicensed operations:

"There are definitely unofficial exporters of shark fins. We have to live with it, but it isn't
a level playing field. MAF say they are underfunded and understaffed, People are buying
shark fins off fishermen on the wharf without a Fish Receiver's Licence, processing it in
their garage or in their restaurant at lunchtime without a packhouse operation, and
because it is so light they can export it by mail. MAF are aware, but they haven't done
anything" (company O)
Appendix F

Additional comments concerning Trade NZ

"Where it’s been really good in the past is to smooth the way, in broader aspects. Like if there’s a group of people visiting China, it’s nice to have an office there that can arrange group visits, and provide general knowledge and awareness of the market, to facilitate that process”... If countries are seen to stand behind their companies within those countries, people perceive you differently out there in the marketplace. If you go into any market and say “Our government is behind us” you are going to get a long way further than perhaps you do otherwise. Our government hasn’t really been behind exporters. It’s just been there as a blur. If it wants to be behind us you’ve got to put your money up – it’s a national question. If the country’s not involved in trade we die. So, obviously the government should be involved and everyone in the country should understand why”...

I’ve noticed a few overseas trade offices where they’ve had good people. Next thing he’s kicked out of there because he hasn’t got a PhD or something, and we waste years of good knowledge. One place where it didn’t happen until recently was Japan, where Eugene Bowen has done a great job. I just had the odd chat with him, the odd social gathering in Japan. It was always nice to know he was there. You could always have confidence in his opinion. That’s the real value of this type of service. Progressively, with the internet and all, its going to be easier to get information and cheaper. And the personal aspect, company to company. That doesn’t mean that there’s no need for the Trade Offices, but the emphasis has got to change. In the future you want them to be more the backup, the facilitator, the greaser of wheels, like they used to be” (company F).

“What I query is the expertise of the people they place in various markets. The guy they just brought back from Japan for instance (Eugene Bowen). I don’t know what the hell they are doing. There’s a guy who has had 9 years or so at the coal face. Give him a year off, but we need that expertise ...Well, let me substantiate my earlier comments that the system is good. I’ve known a lot of these people for a long time. That’s where I’ll get the valuable information. I’ll phone people I’ve known in Tradenz in (City X) for example, or Tradenz offices overseas that have been around a long time. There’s one in (City Y, a well-known European capital) who’s been a gin drinker for a hell of a long time. I can ring him up on an evening and ask him a question, and he’ll get the information for me. Of course I don’t pay for that! But he’s still there, and that’s the way the service used to work really well” (company T).

“We asked them to introduce us to companies in Hong Kong that would take new product. They gave us half a dozen names and charged us $250. We haven’t paid it –
we’re not going to because every one of those was a complete waste of time. We’ve sent
faxes back to the people they gave us and they never responded. Tradenz asked us to
respond again, and we did, and got a fax back from 2 of them. Then it just vapourised...
At the moment we can get 50 names for $50 from someone who has retired from the
industry. And you can get them off the Web. Tradenz are a very expensive option”
(company K).

“We commissioned Tradenz to try and help us build up some new prospective
customers through eight markets. They charged, we consider, very steeply for it. We
think it should be free, because if we can generate more business we can employ more
staff, we can employ more people to do the harvesting, the production, and so you get
the flow through. It benefits the transport companies, the shipping companies, packaging
companies, all the way through there is benefit. And the government is getting tax from
it. We had to pay them what I consider to be totally over the top, but we don’t have a
choice. They’re probably the best equipped to pick that information up at their fingertips.
And that’s what makes it worse – most of it is at their fingertips. They’ve got the
information there within their office – that’s what’s annoying to us. If I said to you how
many fish and chip shops are there in Dunedin, it wouldn’t take you more than half an
hour simply by opening up the phonebook and saying well there’s 25 of them. They
mightn’t all want your fish fillets, or whatever, but here’s their phone numbers. Tradenz
won’t do that because they couldn’t justify charging you hundreds of dollars for that.
They consider that type of contact to be not worthwhile to pass on to us. They consider
that they should be contacting the people first and ascertaining whether they do have any
interest or not. I’ve got a folder there to do with this. It’s grown by the day. They went to
62 different companies, and its cost nearly $10,000. We haven’t finalised any business
from it yet. OK, things take time, we’ve got to go through all the motions of sending out
samples, all this sort of stuff, but invariably most of these companies that I responded to
within a handful of days of receiving their inquiries – most of them did not respond at
all. Not even saying “No, we’ve got enough stock for the moment, thanks.” Nothing. So I
think well how much time did Tradenz actually put into the contact that they say they
did? Did they do a thorough job, or did they make it look as though they did far more
than they really did? I don’t know. I haven’t paid the bill. In fact I’m going to dispute
it.... I just get so mad, because they are helpful, but its always “Oh, that service will cost
you ...” ... I said “No problem, I’ll find a Japanese interpreter.” The Tradenz person said
“We can do that for you, but it costs.” I said “OK, how much?” It was absolutely
horrendous – it was just totally over the top. I just couldn’t believe it. I said “You’ve got
to be kidding me.” She said “No, that’s the fee we have to charge and that’s the end of it.”
No negotiations. $590 just to line up a meeting and be the interpreter – for one and a half
hours. Because it was a very short timespan we didn’t have any options, or I would have
found a friend to do it for $100” (company P).
“Personally I have a lot of respect for Trade NZ and I use them where and when I need to, particularly in the European scene where there is a lot of upheaval in their market. I have had a long business association with Trade NZ... We’ve had to temper our requests with them because of their cost structure, unfortunately. If you get a reasonable report done it can cost you $2-3000 in 4 or 5 markets, so you’re talking real money. Is it just another form of government-run enterprise? In my view we don’t need state-owned enterprises in the marketplace. This should be part of the service that we pay for through our taxes... If I want to enquire into Los Angeles, for example, I go through the local Tradenz people here, who go to Wellington or Auckland or wherever, who go to their office in Los Angeles. I don’t even know who’s in Los Angeles at present. I don’t know what they know about the fishing industry. And yet it’s going to cost me money. And I get their report back and it’s useless” (company T).

“Tradenz are quite good but it’s pretty pricey. You’ve got to be confident of results to make it worthwhile. It’s no good just going blindly somewhere. We used them throughout SE Asia with no results. A lot of contacts, but nothing came of it.” (company S).
Appendix G

Additional comments concerning non-tariff barriers

“There’s a double standard operating, and the market is well aware of that. For example, you have to have your cartons labelled use-by date etc before that leaves the country. But at the same time products coming through from China on sale in the supermarkets here – there’s no use-by date. We accept products coming through without meeting all the regulations simply because it’s a country we need to trade with” (company O).

“Our biggest problem is non-tariff barriers – in shellfish in particular, with the reputation shellfish have for poisoning people. There are standards which in many countries, particularly the US and the EU, are set as minimum standards and do not apply to domestic producers. In theory they may apply, but in practice they are never actually exercised and controlled. There are glaring anomalies in what is required of us in this country compared to what is the standard in the importing country.... I’ve got a promotional video from US oyster producers showing proudly how they produce half-shelled oysters, and they’re standing there in their street clothes, with nothing over the top of them, and nobody ever restrains them. And through the glass you can see a guy in the office smoking a fag, and I’ve been in places where its questionable whether they put out their cigarettes before they go on the floor. They stink, and they are appalling. New Zealand just hasn’t been courageous about it. The Fulton Fish Market has got to be among the filthiest in the world – the main fish market in New York... Its iniquitous, really, that we are required to implement these programs to the letter and even beyond, when the countries we are exporting to don’t apply the same standards. Interpretations can get a bit carried away. Changes in hygiene regulations over the last 20 years would be a really interesting thing to study. You can’t have a wooden pallet in a freezer for example. Ceiling heights in factories can go up and down, whichever way you like. We had spaces that had to be a minimum this size, then a minimum that size. Then you need a draining floor, then you don’t need a draining floor. Its just absurd – like a bunch of adolescents who don’t know what they are doing... In the seafood and meat industries, I’d get the best brains into a team, and look at ways in which New Zealand is being held to ransom by the big bully-boy countries. You could probably send a discrete hit team around to video what is going on in these countries, so that next time they demand changes we could document what is going on. The capital cost of coming up to their own standards would put many of their own companies out of business” (company V).
Appendix H

Comments concerning overbidding for quota

"When the Quota Management System was first introduced there were checks and balances that prevented the complete domination of sectors of the industry. But those aggregation limits have been watered down progressively. Large companies can dictate a price out there that determines that a small company won't even get in to fish. Hoki is a good example. Two years ago there was quota available for lease and the price was reasonable – $100-200 a tonne. This year its as high as $600 a tonne, which makes it an uneconomical species to fish. But if you own 20,000 tonne now and you want to mop up the other bits and pieces for $600, then the cost of your total catch for the year might still only be $60 per tonne" (company F).

"The other day (company Z) bid $700 per tonne for hoki resource. That resource is actually worth – if you cost back your marketing costs and what you achieve in a range of markets – $450-$600 per tonne. So what we are finding is the larger companies who are able to amortize costs over the rest of their business are overbidding the resource. That is not going to do the industry any good in the long term. All that is going to do is create maybe 1 or 2 fishing companies running the whole industry" (company T).
Appendix I

Comments concerning price undercutting in overseas markets

“I've been to mussel meetings in the past and they've agreed that we should try to sell our product at this level or that level or whatever – not a particular price. But saying “Hey, the market's going to pay u this much – let's try to get it.” And you hear them on their cell phones as they walk out “OK, Company P is going to sell theirs at $X. Let's go straight out now and sell at ten cents lower and we can quit that container we've had in stock for six months.” Its not very nice, but that's just the way it is – business I guess” (company P).

“The mussel guys all had a guaranteed price of $1.60 a pound. What they did was sell at that price but then say “We’ll give you one container in five free.” They agree on a floor price and then as soon as they get off the phone they’re agreeing 1 extra in 5 or 1 extra in 10, they’re screwing the whole scene up... Some of these big companies make an incredibly small return on their capital. (Company Z) for instance, a couple of years ago turned well over $100 million and made $600,000!...(Company P) pinched a client off me last weekend. This is why (Company P) is such an arsehole in the industry. Its only their size that gets them through. They destroy everything they touch. I'll tell you how they work. In 1987 the price was US$1.60 a lb. Over a period of 12 years I've got the price up to US$1.80 CIF. Airfreight is a very high proportion, so it doesn't leave much to come and go. NZ$6.76 a kilo, and it's costing NZ$2.40 in airfreight, leaving $4.36 per kilo. Now (Company P) in their great wisdom, to pinch a client, they sell FOB Christchurch for $3.75. So they gave the guy 60 cents and they don't control the airfreight anymore. It took me 12 years to go from US$1.60 to $1.80, and it took (Company) P 10 minutes to go from $1.80 to $1.48! This is what's wrong with New Zealand. Because it's my thing and I have to keep costs on line. This guy works for a hundred million dollar company. Who cares what they get for the fish? The boss says “Sell the fish” so he sells the fish. They don't care. If they give me a bloody nose, they don't care. But you see he won't even have thought of this. When the dollar goes back up, he's not going to be controlling the airfreight. He can't go and screw the airlines because he doesn't pay it. If I control the freight, I control one of the variables. My account was so big that I could trade one off against the other. Because he's only a middleman, he'll just screw the price down that he pays the fishermen. They don't try and get the highest price. I think it's a very sad indictment of the industry... Perhaps your export licence should have minimum standards attached to maximize the return. I should be able to take (Company P) to a tribunal. They pinched my client by putting the price down a dollar a kilo. They should
be given a yellow card, not lose their licence, but be put off (species X) for a month say. It 
wouldn't break them but they wouldn't do it again. This sort of thing is happening in 
every export sector. Somebody's got to look at maximising returns to the country 
somehow” (company Q).

“Certainly, because we are only dealing in mussels, anything that happens can affect us 
quite significantly. It's all very well for the others who have particular products to say 
“Well, yes. I’ll give you the mussels at a cheap price if you pay full price for orange 
roughy.” That has a big impact on us because those mussels are going up there cheaper 
and being sold against ours. You have to look at the companies involved in the industry 
and their different styles. The top 3 or 4 have such different approaches and strategies – if 
you can use the word strategy. Sometimes I'm a little unclear if there is a strategy...
There's a lot more to it than just pricing. The quality aspect is very important” (company 
R).

“We try and liaise with other exporters and processors of fish in this country of ours. We 
have a relative degree of success with that. But there are 2 or 3 who maintain a distance...
There needs to be a lot more willingness on the part of exporting companies to make the 
Seafood Industry Council work. I don't think there is sufficient resolve at this stage to 
make it happen. Its renowned for its individuality, the fishing industry. It seems as 
though the larger character you are and the more mana you have, the more influence you 
have. There's a lack of honesty within the SEAFIC members. They say one thing and then 
get up and do another. There's camaraderie but I don't know about cooperation!... Some 
of the big companies are paying too much for their quota and they're not paying enough 
attention to their marketing strategies in off-shore areas. A good example is company Z 
that contracted a Japanese trawling organization to catch their huge hoki quota. The price 
in Japan for hoki has been held to ransom by this enormous parcel of hoki that they 
landed all in one hit and dumped on the market in Japan at far too low a price. I'm 
talking Y150 a kilo too low. It was all frozen, so there was no need to do that. We've got a 
small amount of hoki left and its probably gone up in value 50% in the last month. There 
needs to be far better cohesion within the industry in terms of marketing its limited 
resources. How to make it happen, I'm buggered if I know. If we had more honesty and 
integrity around the table at SEAFIC level I think we would make a lot more progress.
Government needs to take some role in steering this process” (company T).

“You can't dictate what other companies accept, but undercutting in the market is a 
problem” (company U).

“Some of the big companies are not particularly strong in the way they go about their 
marketing. They've aggressively cornered virtual control of certain species and fishing 
areas and things, and that's given them sheer weight. They don't make nearly as much as 
they should of the resources they hold. A lot of the old fishing companies make a very 
mediocre return on the resource” (company V).
Appendix J

Trade New Zealand Survey of Clients
Dear John

In 1997 we in Trade NZ ran a major strategic review and, as a result, started the task of improving our service lines and business processes in order to enhance our assistance to clients. Since there is only one way to find out what exporters want from us - talking to people who run businesses like yours - we commissioned some in-depth research through Colmar Brunton in mid-1998.

We have now completed some significant changes that occurred as a result of the survey and I thought this would be an appropriate time to thank you personally for your involvement and also give you some feedback. You, together with the five hundred others who shared opinions and ideas in the survey, offered us crucial insights into our business processes and the approach we should take to be more effective.

In the attached research summary you’ll find some of the key results from the research. We have also noted what we have done or are doing in response to these findings. In particular, we have added a number of new services (and will be adding more, some of them Internet based) that will directly help clients achieve success in their offshore marketing. We have also sharpened our focus on providing clients with specific market opportunities, both through our overseas offices and our New Zealand-based Account Managers.

In addition, the research gave us an insight into the different styles of our clients and from that we have been able to train staff to identify approaches more suitable for the needs of individual clients.
The past eighteen months have seen huge change in our organisation and the feedback we are getting (from questions based on the outcome of our original survey!) is indicating that the changes are beginning to have a positive impact. If you are interested in finding out more, please talk to your Account Manager or, if you are not an existing client, call us on 0800 555 888. In the latter case, you might also be interested in seeing some case studies of other companies who have increased their export revenues by using our services.

Once more, many thanks for your valuable assistance. I hope that, as we go into the new millennium, the business environment is favourable for you and I trust that your dealings with Trade New Zealand will be fruitful.

Yours sincerely

Fran Wilde
CEO, New Zealand Trade Development Board
5. Most of Trade NZ's clients are delighted with the value delivered by our services and very likely to recommend and repurchase, but we could provide more accessible options for exporters.

**Actions:**
- Introduction of Trade NZ Call Centre
- Development of website and service offerings via internet

6. Of the new services concepts presented, technology based service developments and information about specific market factors relating to market entry decisions, created the most interest.

**Action**
- Large-scale internal project aimed at developing eCommerce service offerings for clients.
Research Summary:

Objectives of the research

- Needs and motivations of our clients
- Awareness of services
- Attitudes and behaviours
- Client satisfaction and loyalty
- Reaction to new service line concepts

Main research findings and action points:

1. There is an opportunity for Trade NZ to be more proactive in marketing and communicating their range of services to increase awareness in the export community.
   Actions:
   • Account management system implemented
   • Range of sales support material produced
   • Upcoming brand and service awareness campaign

2. Trade NZ is seen to be delivering an acceptable level of value to the majority of New Zealand exporters, but could make changes to enhance the quality of specific services.
   Actions:
   Grouped under Point 4 below.

3. Trade NZ is widely considered to be open and communicative, partnership and relationship focused, with good local and international contacts, but could be more consistent with the delivery of services and provide more strategic solutions for our clients.
   Actions:
   Grouped under Point 4 below.

4. Trade NZ is strong in providing quality information, but should place more emphasis on understanding our clients business.

Actions for 2, 3 and 4:
- Standardisation and development of the range of services we offer to exporters
- Frontline staff training (onshore and offshore) and skills assessment programme
Appendix K

Interpretation of Commerce Act
Wellington
CAWN29031
25 February 2000

John Knight
jgknight@es.co.nz

Dear Mr Knight

I refer to your e-mail dated 24 February 2000 requesting information which may assist you in research you are carrying out into the seafood export sector. I have attempted to address the two specific that you raise. The Commerce Commission ("the Commission") is happy to provide general information about the Commerce Act 1986 ("the Act"), however this information should not be relied upon as legal advice.

The existence of a contract, arrangement or understanding between New Zealand companies which has the effect of increasing the price for products which they sell in overseas markets is unlikely to breach the Act. The Act is unlikely to apply to pricing behaviour in overseas markets. Section 3(1A) of the Act defines "market" as a market in New Zealand for goods and services. Products sold overseas are not traded in such a market.

Furthermore, section 44(1)(g) of the Act allows for arrangements affecting price which relate exclusively to the export of goods and services providing the Commission is notified of this arrangement within a defined period. The Commission has not received any notifications in relation to fishing. However, if fishing companies did wish to "collude" in overseas markets this section would provide an exception to liability under the Act. The Commission has no objection to companies entering pricing arrangement to increase their overseas earnings provided this does not contravene the Act.

Rules administered by the World Trade Organisation may impact on the pricing behaviour of New Zealand companies in overseas markets. More information on these rules is available from the Ministry of Foreign Affairs and Trade. The competition law of other countries could also be relevant.

You also raise the issue of a company gaining dominance in a market through low pricing and ask whether this could breach the Act. Section 36 of the Act states that where a party is in a position of market dominance, they are prohibited from using that position of dominance for the purpose of restricting the entry of any person into that or any other market; or preventing or deterring any person from engaging in competitive conduct in that or in any other market; or eliminating any person from that or any other market.

It is not illegal for a company to be dominant in a market unless dominance is acquired through a business acquisition. Dominance could be acquired through a variety of other means such as increasing efficiency or using skill and foresight. The Commission is not in a position to give a definitive answer about whether section 36 would apply to a situation where a company uses its dominance to reduce competition through pricing arrangements in relation to products it exports. A legal opinion would be
required to determine this, as it is not a situation that has yet been encountered.

For section 36 to apply a company must have existing dominance in a market and be acting in a manner which causes a substantial lessening of competition. As quotas apply to most New Zealand fish species it is unlikely that any one fishing company has existing dominance in the relevant market.

The Commission is expecting to receive an application for clearance from Amaltal to acquire Sealord shares currently held by BIL soon. Certainly, you may have information that could be of use to the Commission in determining this application and we may well contact you again.

Yours sincerely

Tom Thursby
Enquiries Officer
Commerce Act Division