

# Economic crisis: opportunities for developing countries on the EU market

## Personal Protective Equipment sector

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Despite the economic crisis, the European market still offers opportunities to exporters of personal protective equipment (PPE) from developing countries (DCs). European purchasers are looking around for the best deal and sourcing for new PPE suppliers. Now is the time for you to differentiate your product and company and grab these opportunities!

### 1 Opportunities and threats on the EU market

#### The impact of the economic crisis

Although the economic crisis has already hit the European market hard, PPE experts think that the hardest hit will strike after the summer. They think that overall the European market for PPE will decline by more than 15%. This does not mean that all markets will decline by 15%. For example, the Dutch market is estimated to decrease by 8%. For an overview of the expected market declines in European countries, please refer to Table 1.1. As can be seen, Spain is expected to be hit very hard (-20%) as are the Baltic States (-18%).

European companies are obliged by law to provide PPE when needed. As a result, the European market used to be a somewhat stable one. However, as the number of employees from large industrial companies, such as DAF and Corus, are decreasing, their demand for PPE is also decreasing. Once the economy regains momentum and these companies will start working at full capacity again, demand for PPE will also increase again.

Table 1.1 PPE market decline in Europe, 2009

Country	Market decrease
The Netherlands	-8%
Belgium	-8%
Scandinavia	-10%
Germany	-12%
Eastern Europe	-12%
France	-13%
The UK	-15%
Baltic States	-18%
Spain	-20%

Source: interviews Facts Figures Future (2009)

#### Opportunities on the European market

According to Hans Labriijn, chairman of the AVAG, the Dutch Safety Federation, PPE exporters in DCs have a lot of chance to grasp the opportunities on the European market, without experiencing large costs. The economic crisis does not only offer threats, but also some interesting opportunities!

#### Opening up of the market

In order to save costs, European purchasers are looking around to get the best deal and sourcing for new PPE producers. They are no longer loyal to their suppliers and are looking around for other producers of PPE. This means that the market has opened up and that you can find more opportunities to export your products to the European market.

#### Increasing safety concerns

Governments, companies and consumers have a growing awareness of the importance of PPE and of improving their employees' level of protection. This means that PPE is increasing in importance and a growing amount of money is being spent on it. Although some companies are decreasing the number of their employees, which means that demand for PPE is also decreasing, their awareness of the importance of PPE is increasing.

#### Decreasing transportation costs

The transportation market has been hit very hard by the economic crisis. Worldwide transportation costs have decreased enormously. This provides you with an interesting opportunity to save on costs. According to experts, this can even save you as much as 10%! Since your own transportation costs will also decrease and it is cheaper to send products to Europe now, you can offer your buyers a better price. Furthermore, you can save money by scrutinising the transportation costs in the whole supply chain. The companies you buy your parts from should also be able to offer you better prices due to this decrease in transportation costs.



## Threats on the European market

The economic crisis does not only offer opportunities, but also some threats. This section will discuss the threats for PPE exporters from DCs on the European market.

### Decreasing prices and margins

European purchasers and end-users have become even more price-sensitive due to the crisis and they are driving hard bargains when purchasing PPE. As a result, the prices of PPE are decreasing and so are the margins of PPE exporters.

### Increase of counterfeit products

Unfortunately, an increasing number of counterfeit products have entered the market. It seems as if the economic crisis has spurred this negative trend. These counterfeit products not only harm the safety of the people using them, but also the market. Besides increasing false competition, they are also negatively affecting the reputation of DC exporters, as these counterfeit products often originate from DCs.

### Difficult access to credit

Due to the economic crisis, DC exporters are experiencing difficulty in gaining access to credit, while - at the same time - purchasers are stretching payment periods and the validity of quotations. This means that there is an increasing need for (export) working capital. Investment credit is even harder to obtain.



Maréchal Desmet, CBI expert: "Communication is the name of the game and exporting is a long-term business. It will take at least 5 till 7 years before your efforts pay off and exporters must fight hard to be accepted on the European PPE market".

### Language skills

Local language skills are an important asset for doing business on the European market. According to experts, this is something which many PPE exporters are lacking. Having a good command of the English language is a pre-requisite, but most buyers would really appreciate it if you speak their local language as well. Especially in these economically harsh times and the subsequent opening up of the market, exporters who master the English language and other local languages will have a competitive advantage.

## 2 Recommendations

### Exporters

In order to survive this slowdown period and to prepare exporters for when the economy recovers, you are advised to grasp the following opportunities. You can ask for support at your Business Support Organisation (BSOs), the Associations you are a member of or foreign support organisations such as the CBI.

- **Join partnerships with other producers**

You as a PPE exporter in a DC can improve your chances on the European market by cooperating with other producers in your country. This can only be realised if you do not perceive other companies as competitors but as colleagues. Cooperation is possible in many business processes, such as production, purchasing, sales and marketing activities.

### Full product range

European buyers are increasingly interested in buying a full product range of PPE from one company. For this reason, you are advised to cooperate with other local producers, so that you will be able to offer this full range to European buyers.

- **Innovation & R&D**

With product innovation slowing down due to the economic crisis, now is the time for you to catch up on today's state-of-the-art technology. Now you have the time and people available to spend on innovation and R&D, so that you can become an even more attractive company once the economy has regained momentum.

- **Ability to differentiate**

The ability to differentiate is very important, especially in these economically harsh times. Differentiate your product and company from others, so you become a more attractive trading partner. Creative and pro-active thinking is necessary for this! The most important aspect is to assuage your customer's worries: What does your client want and how can you help them? You need to think as your buyer so as to be able to remove any hurdles preventing them from ordering from your company. Differentiating alone is not enough; you need to communicate this to your (potential) buyers as well of course! Some examples are mentioned below:

### *Differentiate in website*

Update your website so it provides more information on your products. Clearly communicate on your website which products you offer, what you can use your products for, the applications of the products and their unique characteristics. Potential buyers work with hazardous situations and want to know how they can protect themselves. You need to make sure that your website offers an answer to this question. You cannot sit back and relax, but you need to actively promote your products and convince potential customers to buy them. Not many companies are doing this yet, so there is a clear opportunity in differentiating yourself here.

The Chinese character for crisis is a combination of the character for opportunity and the character for threat. This means that every crisis offers both threats and opportunities.

More and more exporters of PPE are offering a larger and more complex assortment. As a result, the demand for information and advice has also increased. Besides providing this information on your website, you also need to have clear brochures which communicate your message.

### ***Differentiate in finance***

Many European companies are facing difficulties in gaining access to finance nowadays. This means that they will also experience more difficulties in financing your products. You need to get out of your comfort zone and start looking for alternative ways of financing. For example, offer a lease/purchase contract to your potential buyers. This way, buyers do not have to pay the full amount of the order in these economically difficult times, but can spread payments. Although these sorts of contracts are not yet widely used in the PPE sector, it might be an interesting offer for potential buyers!

### ***Differentiate in comfort***

Research shows that a large percentage of safety professionals failed to wear PPE when they should have. The main reason for this is discomfort: the items are perceived as being too hot, or they fit poorly or are unattractive. These complaints offer producers a lot of opportunities: make sure that your products do not have these uncomfortable features! The only way you will know whether your products are comfortable enough is by wearing them yourself. For this reason it is strongly advisable to regularly wear your safety hats or other safety gear, so you will be able to notice the (dis)comfort yourself. The next step is, of course, to customise your products so they will be more attractive and more comfortable.

Good quality, nice looking PPE are more pleasant to wear than old-fashioned PPE. More and more companies are taking this into consideration when buying PPE as a way to show their appreciation for their employees. As a result, for some types of PPE the 'collection' changes just as fast as in the fashion industry. Source: <http://www.safetymanager.pl>

- **Smaller order size**

Due to the economic crisis, buyers are less interested in large order sizes and want to place smaller orders. Instead of refusing these smaller orders as companies used to do in the past, you are now advised to accept them. You are no longer in a position to refuse them! You have to adapt your production processes, so as to be more capable of dealing with smaller orders.

- **Cost control**

Although cost control is always an important issue, it is now even more so. You need to try to control all costs in the supply chain. Do not only look at your own costs, but also scrutinise the costs of your suppliers.

- **Prepare your company for when the economy regains momentum**

Now is the time for you to get your company organised and to optimise internal processes, so you will be able to come out of the crisis even stronger. Structure your team and company, streamline your production and develop an attractive product line. The goals of this process optimisation should be minimising costs, while at the same time maximising the throughput and efficiency. As a result, your company will not only be a more attractive partner for European companies to work with, you might also be able to offer a lower price due to your cost minimisation. Now is also the time for you to do market research on European labels, required quality, trends, rules and regulations. The internet has a sea of information at your disposal:

Do not see the low occupation rate of your company as a threat, but see it as an opportunity to optimise your company!

- Trade fair websites provide useful information on trends.
- The CBI website and market surveys also have a lot of useful information available for you, such as information on rules and regulations and a discussion on trends.
- The trade press (check the CBI market surveys) also contains essential sources of information.

Besides searching the internet, doing your own primary research is very important. Talk to experts who are specialised in the European PPE market, such as CBI PPE consultants, experts from safety federations and of course your buyers. For more useful tips, please read the CBI export guidelines 'From survey to success. Guidelines for exporting PPE to the EU'. This manual can be downloaded from <http://www.cbi.eu/marketinfo>.

## **BSOs**

As a BSO you can support your local PPE exporters in various ways. You can organise a variety of activities to help your companies at this time of economic crisis and help them to prepare for when the economy regains momentum.

- **Gain knowledge of the PPE sector**

If you as a BSO really want to help your local PPE sector, you need to gain knowledge of the sector. Only when you have enough knowledge of the product and market, will you be able to help your local PPE exporters. You could gain industry specific expertise by e.g. consulting internet sources, studying market surveys from foreign donor organisations and European associations and more specifically, talking to experts, such as CBI consultants and of course your local PPE exporters.

- **Organising training seminars for your exporters**

Organising training seminars for your exporters is a good way of helping them. Teach your local PPE exporters on e.g. market research or on product differentiating or organise a training seminar on cost control or website promotion. Foreign support organisations, such as the CBI, can be very helpful here.

- **Help them to gain access to additional financial resources**

Help your exporters gain access to additional financial resources, if necessary. As a BSO you can play a very important role.

- You could seek dialogue with organisations such as the World Bank, the Asian Development Bank (ADB) or national development institutions. It is very hard as an individual company to gain access to such large institutions and to find the right person; you, as a BSO, can probably achieve much more.
- Furthermore, in order to obtain a loan, companies often need to have sufficient documentation about their organisation such as a business plan or an export marketing plan. You could assist your exporters in developing these plans. You could also organise e-learning sessions or a training programme. Some exporters might need personal coaching on filling in application forms and visiting financial institutions. You could consider offering this, for example, in cooperation with accounting schools or other universities.
- The Global Trade Finance Program (GTFP) can also offer the necessary support. GTFP offers partial or full guarantees covering payment risk on banks in emerging markets for trade related transactions. The guarantees are available for all private sector trade transactions that meet the eligibility criteria. Go to <http://www.ifc.org/ifcext/gfm.nsf/Content/TradeFinance> for more information.
- Finally, your own government could also guarantee loans for your exporters in order to stimulate banks to grant credit. Start lobbying your government, possibly in cooperation with other BSOs, and convince them to find a solution to guarantee the flow of credit to the private sector.



#### • Take action against counterfeit products

As mentioned before, counterfeit products do not only harm the market and the safety of the PPE user, but also negatively affect the image of DC producers. You as a BSO should take action against these counterfeit products. Also lobby your government to take action against counterfeit products.

#### • Language skills

As mentioned above, language skills are an important asset in doing business on the European market. As a BSO, you should make your local PPE exporters aware of this pre-requisite for doing business with Europe. Of course you can also help them by organising courses in Business English or in other European languages.

## 3 Useful sources

The sources in this chapter will help DC exporters of PPE and BSOs to stay up-to-date with the latest developments on the market.

#### General information on the economic crisis

- 🌐 Australian Government - <http://www.austrade.gov.au/Global-financial-crisis-resources/default.aspx>
- 🌐 Economist - <http://www.economist.com>
- 🌐 European Commission for Economic and Financial Affairs - [http://ec.europa.eu/economy\\_finance](http://ec.europa.eu/economy_finance) - download for example the 'Economic Forecast' and find economic information per member state.
- 🌐 KPMG - <http://www.kpmg.com> - go to issues & insights, select articles & publications and choose a market segment.
- 🌐 New Zealand Trade & Enterprise - <http://www.nzte.govt.nz> - go to 'develop Knowledge and Expertise', select 'Advanced Exporter Guides' and choose 'Recession Survival Strategies'.
- 🌐 United Nations ESCAP - <http://www.unescap.org/publications> - select the publication 'Navigating out of the Crisis'.

#### General PPE information

- 🌐 EFSM - the Engineering of Fibrous Materials Foundation - <http://www.efsm.nl> - this association organises the PPE Conference and can be valuable in providing practical information on trends in the European PPE sector.
- 🌐 European Agency for Safety and Health at Work - <http://osha.europa.eu/en>
- 🌐 European Safety Federation - <http://www.european-safety-federation.org>
- 🌐 Technical Textiles - <http://www.technical-textiles.net> - international business information service on technical textiles.

#### Lease-purchase

- 🌐 Industrial rent - <http://www.industrialrent.com> - search engine for workwear lease companies in several countries.

#### Trade magazines

- 🌐 Company Clothing - <http://www.companyclothing.co.uk>
- 🌐 Technical Textiles - <http://www.textilesintelligence.com/TISTTM>

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