

22nd MEETING - NATIONAL ECONOMIC FORUM: 1 MAY 2019

DISCUSSION REPORT: Expansion in-market and exploitation of export opportunities.

Host: Ivan McKee MSP, Minister for Trade, Investment and Innovation

Speaker / facilitator: James Withers, Chief Executive, Scotland Food and Drink

Scribe: Lesley Ward, Directorate for International Trade & Investment

Summary

A lively discussion with a recognition of the importance of having “boots on the ground” in-market and ensuring that the most is made of connections from the beginning to the end of the sales process. Some constructive feedback on areas for improvement where businesses fall through the cracks or where systems, like public procurement or wider business support are not sufficiently responsive to support Scottish businesses to make the most of innovative solutions.

Introduction and Background

The Minister welcomed participants to the session and stressed the importance of hearing directly from businesses about their experience and using this to inform the approach the Government takes.

James Withers outlined the journey the food and drink sector has been on over the past decade, in particular the realisation of the need to improve resilience across the sector by reducing reliance on any single market.

Looking at international competitors like Ireland, NZ and Scandinavian countries the industry in Scotland concluded that the essential ingredient was having a presence in-market. Doing this has been transformational for the food and drink sector here. The export market for food is still dominated by Europe, but is down from 80% share and the value of exports to Europe is still increasing, in spite of the proportion of total exports coming down as a result of growth in other markets. Having boots on the ground is what has made the difference, including getting international buyers to Scotland which can lead to £60-70 million of business being done in a few days.

James also highlighted the warmth and affection that exists for Scotland as a strong brand that could be of benefit to sectors beyond food and drink.

The key questions were;

- If Scotland is going to be the best place in the world to run an export facing business what else might we do?
- What do we need to do in-market to make that happen and what do we do next?
- What might we do to build our presence in markets – what is for Government and what can businesses do?

Topics discussed:

Institutional Barriers

- Challenges around access to finance meaning that businesses generally have to find the funds from within their business, inhibiting their ability to grow. Issues raised included;
 - The framing around UK Export Finance (UKEF) export guarantee where you need to be trying to export to a country where there are significant financial risks to doing business.
 - Requirements of the Scottish Investment Bank (SIB) to have a cash balance equal to the amount you are seeking to borrow;
 - Challenges of conditions imposed by UK banks around personal guarantees.

- Speaking to government is a challenge. It is hard to find the right person and can feel like you are speaking different languages.
- Typically government is not responsive enough to what the business needs.
- Early stage support from the enterprise agencies was recognised as good, but a sense that support needs to go the last mile and help as much with closing the deal as with making introductions.
- Large public sector bodies need to understand the impact they have on the wider economy through procurement and innovation. The intent of government strategies here was recognised but a sense that it is lost in translation when it gets to SEPA or the NHS and how they procure.

Brand Scotland

- Consensus on the value of Brand Scotland and recognition of how well this works for food and drink.
- Suggestion that the scope could be expanded possibly with culinary/cultural ambassadors, placing products with celebrities in-market.
- Clear sense that Brand Scotland assets should be available for everyone to use.
- More could be done to join up with other sectors so that other sectors like textiles can benefit from the food and drink contacts with, for example, international hotel chains.
- Important, but the “Scotland” factor is not important for everyone, great products and services should be able to sell without it.

Exploitation

- Sense that initiatives should be private led, government enabled.
- Need to understand that the volumes required to service a “niche” market in Scotland will not be the same as “niche” in the USA.
- Clear message that levels of language attainment need to improve in Scotland.
- Companies, in particular SMEs, need clear visibility of in-market specialists and access to GlobalScots
- Company led missions, sector focussed missions led by an “anchor tenant”, for example BMW that would bring along the Scottish supply chain to learn from their experience and benefit from connections in-market.
- Brexit risks around tariffs and future trading models.
- Proposal for secondments from sales people within and outwith Scotland.
- Need to use all market intelligence tools including those available through banks, CIA world fact book.

Competition

- Need to redefine what this means, it is not the company down the road, it is global competition.
- This means companies in Scotland operating on a non-compete basis internationally and helping each other in Scotland when it comes to tackling international markets. *“There is more than enough there for everyone.”*

Actions

SDI offered to deliver a series of webinars with in-market specialists on priority markets so companies can access and download.

Closing Comments

The Minister thanked everyone for their contributions which will help build some further force behind actions announced in the plan and will help to further refine approaches to ensure they are relevant and effective for the future.

Scottish Government, May 2019